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Revenue Committee  
February 03, 2016

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[LB886 LB889 LB907 LB1015]

The Committee on Revenue met at 1:30 p.m. on Wednesday, February 3, 2016, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB899, LB907, LB886, and LB1015. Senators present: Mike Gloor, Chairperson; Paul Schumacher, Vice Chairperson; Lydia Brasch; Al Davis; Burke Harr; Jim Scheer; Jim Smith; and Kate Sullivan. Senators absent: None.

SENATOR GLOOR: Good afternoon and welcome to the Revenue Committee. If you're not here for the Revenue Committee, give yourself a couple of minutes to get down to the right hearing room, but this is the Revenue Committee. We'll take the bills today in the order that's posted on the agenda right outside. I'm Mike Gloor. I am the senator from the 35th District, that's Grand Island. I chair the committee. A couple of points that we always like to cover for the uninitiated, that is, please turn off your cell phones or put them in silent mode. If you are planning to provide testimony today as we get to that point for your bill, would ask that you move up closer so we don't spend as much time with people moving to and fro. The order of testimony is the testifier...the introducer is given a chance to open. We then go to proponents of the bill, then we go to opponents of the bill, then we go to those who are in a neutral capacity, and we finish with an opportunity for the introducer to wrap up and do a closing. We need you to sign in. There's sign-in sheets in the back. When you've signed in and get ready to provide your testimony, we'd ask that you hand them to Krissa who is the clerk for the committee. As you testify, we need you to start by giving us your name and spell it so we can get it down correctly for the record. Keep the microphone in mind so that we can get everything nice and clearly and I always remind the committee members, don't forget to use the mike also because your words are golden and we need to make sure we get those golden words down. We have a limit of five minutes today. For testifiers, there's a light system up here. When you start, there will be a green light and when there's a minute left, it will go to yellow, and when you're time is up, it will go red and you need to wrap things up or I will encourage you to move in that direction. If you're not going to be testifying, we also have an opportunity for you to sign up in the back and let us know what your position is on these specific bills. If you have written materials, we need eleven copies. Hand those to the pages when you get up there and they will distribute them appropriately to us. If you realize you don't have eleven copies, get the attention of one of our pages and they will get copies made for you. To my immediate right is committee counsel, Mary Jane Egr Edson; at the far end is Kay Bergquist, to my right, who is the research analyst; and Krissa Delka is the clerk of the committee. We have two pages. We have Jordan from Oakland and Brenda from Wakefield, again to help you and help us. And then I'd ask committee members if they would introduce themselves starting with Senator Davis.

SENATOR DAVIS: Senator Al Davis from District 43, which is north central and western Nebraska.

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

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

SENATOR SCHUMACHER: Paul Schumacher, District 22, which is Platte and parts of Colfax and Stanton Counties.

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

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

SENATOR SCHEER: Jim Scheer, District 19, which is Madison and a small segment of Stanton County.

SENATOR GLOOR: And with that, we'll start with LB889. Welcome, Senator Mello.

SENATOR MELLO: (Exhibit 1) 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 represent the 5th Legislative District in south Omaha. LB889 would create the School Readiness Tax Credit Act. LB889 is modeled after a nationally recognized and extremely successful package of tax credits in the state of Louisiana that have resulted in significant improvements in childcare quality. LB889 proposes four categories of tiered refundable tax credits that would become effective on or after January 1, 2017. A first, a credit for parents, then a credit for early childhood work force. Third, a credit for early childhood programs, and a fourth and last, a credit for businesses that support eligible childcare and early childhood programs. The tax credits in LB889 would directly be aligned with Nebraska's Step Up to Quality Program that is administered by the Nebraska Department of Education in coordination with the Nebraska Department of Health and Human Services. Before I begin detailing the credits, I want to share some background on the development of LB889. Last session, I introduced LR275 which was an interim study to research policy options to address childcare affordability and examine the state of the childcare work force in the state of Nebraska. Research showed that nearly 75 percent of Nebraska children have all available parents in the work force. High quality childcare can be out of reach for working families due to high cost and that the childcare as an industry, has nearly \$460 million impact on Nebraska's economy. Over the last few years, this legislative body has recognized the crucial role of early childhood plays, not only as a detriment...a determinate, I'm sorry, for future opportunity for an individual, but as a key contributor to the development of

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Nebraska's future work force and overall economic success. The package of credits in LB889 is designed to support high quality childcare industry that is a key work support for families, the businesses that employ them, and also the healthy development of children to ensure that they start school ready to learn. The first of the four credits, the parent credit, is a school readiness childcare expense tax credit that would be allowed for taxpayers who have a qualified dependent under the age of six who during the year attended an eligible early childhood program that participates in the quality rating program and has earned at least step two in the Step Up to Quality program's rating system. The amount of the credit is based on a percentage of the existing Nebraska childcare expense credit for the taxable year. The percentage of the credit increases if the child is enrolled in a higher level program. In other words, the higher the quality, the higher the credit. Families who enroll their children in programs participating in Step Up to Quality could receive a tax credit of \$65 to over a \$1,000 to support the high cost of quality childcare. However, in order to address the high cost of childcare and increase access to high quality care, the policy solution must go beyond just a parent credit and should be more of a systematic approach. Senator Nordquist brought a bill to this committee last year that began to work to address the Early Childhood Workforce Development during his last few years in the Legislature. Including a work force tax credit in LB889 is one way to support the professional development of those who work in Nebraska's...work with Nebraska's young children every day. Under LB889, early childhood professionals would be eligible for a refundable tax credit if they work at least six months for an eligible early childhood program that participates in Step Up to Quality and are registered in the Nebraska early childhood professionals record system. The refundable credit is based on the educational level attained by the employee. The credit levels can be found on the fact sheet that we provided in front of you. Along with supporting the development of early childhood professionals, supporting programs that work to provide high quality care is another way to build a better system for Nebraska's children. The credit for childcare programs would be a tax credit provided to a childcare and education provider whose eligible program provides services to children who participate in a childcare subsidy program pursuant to Section 68-1202. The credit is the amount equal to the average monthly number of children in the provider's eligible program, multiplied by an amount based upon the quality scaled rating of that program. The amounts also can be found on the fact sheet we provided. In addition to parents, professionals, and early childhood programs, LB889 would recognize businesses that support quality childcare through incurring childcare expenses for employees in an amount up to \$5,000 per child per year and other expenses in an amount up to \$50,000 per year. Businesses would be eligible for a refundable tax credit based on a percentage of their eligible business expense and the quality rating of the eligible early childhood program. Eligible expenses would include items such as payments made to an eligible childcare facility for childcare services to support their employees, or expenses to construct, expand, or expand an early childhood program. The percentage of the expense for purposes of determining the credit is tied to the Step Up to Quality rating system. The business community understands the value of supporting employees through incurring childcare expenses and that building a higher quality

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early childhood environment for Nebraska's children is critical for our future. I'd like to thank specifically the Greater Omaha Chamber of Commerce for submitting their letter today in support of LB889, especially for the business credit that's offered. The package of credits I just detailed would be an opportunity to leverage the rating system Nebraska has already put in place for faster and stronger growth in the quality of our early childhood education system in Nebraska. The National Women's Law Center completed a comprehensive review of the credits entitled, quote, a comprehensive review of the credits entitled extra credit, how Louisiana is improving childcare and found that between 2008 and 2011 the number of directors and teachers with high level of credentials increased nearly sixfold. The number of centers that participated in Louisiana's quality rating and improvement system almost doubled. And the number of participating centers with higher quality ratings also increased sixfold. Lastly, in the proportion of low-income children enrolled in higher quality centers increased dramatically. As Chair of the Appropriations Committee, it's obviously not lost on me that the fiscal note reflects a potential price...reflects the potential price for the investment proposed in LB889. As mentioned earlier, this legislation was modeled after the full Louisiana School Readiness Tax Credits package. I've been working on an amendment that I've not been able to finalize to prepare and share with the committee, but the amendment will have a dramatic impact on the fiscal note particularly by tightening categories of eligibility for programs, and including time limits on the program credit to further incent quality improvements. I anticipate the structural changes to the bill would result in a much smaller fiscal note for the state and I'm certainly open to discuss any other potential ideas that committee members may have to help stairstep this tax credit for the state of Nebraska. The Louisiana School Readiness Tax credits have been touted as the most cost effective and successful childcare quality improvement strategy ever experienced by a state. Committee members this afternoon, I hope you will learn as I have over the last six months about the potential that this bold idea has for Nebraska and consider some form of the policy that we're proposing in LB889 as an option for our state. I would like to thank Dr. Geoffrey Nagle, the Committee for Economic Development; the Alliance for Early Childhood Finance; the Holland Children's Movement; and other national experts who have been part of our process of bringing this legislation in front of you today. With that, I appreciate your time and would be happy to answer any questions you may have. [LB889]

SENATOR GLOOR: Thank you, Senator Mello. Questions from committee members. Senator Sullivan. [LB889]

SENATOR SULLIVAN: Thank you, Senator Gloor, and thank you, Senator Mello. Well, obviously, I think that this is an idea worth looking at since I cosponsored it, but also realize there should be a dose of reality connected with it. So I'd be interested to hear amendment, but also if we can't have the whole pie, which slice of it is most important? If you were to prioritize these proposals, which do you think is the one we should start with first? [LB889]

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SENATOR MELLO: That is a great question, Senator Sullivan. You know, I would probably say our hope will be, and I'll put this out first, our hope will be that the amendment that we're drafting will dramatically reduce the fiscal note to the level that I think is a bit more realistic right now for this committee and probably for the Legislature as a whole, understanding that we really...the whole model is based on this intermingling of the four credits, so to speak, to really build the entire system. I think with your leadership on this issue over the last eight years as well, I think we all realize the issue likely drives the concern of the work force component and the provider component being probably the two main entities that we know really is where a bulk of the work needs to be done. I would say outside of those, I'd say, probably the parent credit is probably the second most important, and then the business credit at the very end does, I think to some extent we realize that's probably an underutilized. It probably would be the one credit if you look at all four that probably would be used the least out of all the four credits that we're proposing, but I think really if we had to start off with anything, it would need to probably start first at the work force, then move to the provider end, the parent end, and then the business credit end. But it really is my intent that the way this is...and Dr. Nagle who will be testifying after me who really is the national expert, who helped develop this concept in Louisiana, really I think the component is all four of the credits intermingling with each other to help build the system collectively as it progresses. And talking with Dr. Nagle and others, I think that's our intent is with our amendment of tidying up the bill a little bit more, understanding that there's some components that maybe as we drafted, added a little bit more to the fiscal note than we anticipated, and our hope will be is...with what we're coming up with, we'll be able to tighten it up to give you a bit more of a realistic fiscal note to consider moving forward. [LB889]

SENATOR SULLIVAN: I do have some questions about the Louisiana program, but I'll wait for Dr. Nagle, but you and I have also had a conversation about one of my biggest concerns is we put a lot of emphasis and recognize the importance of early childhood, but the providers are still at the low end of the pay scale and this won't help that any. [LB889]

SENATOR MELLO: Actually to some extent I would say this, in our conversations, you were absolutely right. It's a frustration that we both have shared in multiple conversations regards to the childcare industry having such low wages in regards to had such an important role impacting young children's lives every day. I think the way, and Dr. Nagle no doubt will talk a little more about this as well when he testifies. I think actually this is the one concept that actually starts to address that issue of the lower wages because what we know is, at least when it comes to quality programs which is the intent of the bill, most families can't afford quality programs and those quality programs pay their employees more money because their quality programs require more for their employees in regards to obtaining more credentials, thus the cost of the childcare is more expensive. And I think to some extent when you look at the parent credit which reduces the cost the parents would pay for quality childcare, also looking at the work force component and the provider credit as well that helps them, incentivizes them to have higher quality programs

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where they can then be able to pay their workers more as they're getting those credentials. I think that this starts to begin to address the issue that we've been scratching our heads about which is, how do we look at an industry, just like we would look at manufacturing, the same way we'd look at research and development or agriculture and any other major industry in the state, how do we find a way to incentivize higher wages in an industry that we know is driven partially due to based on quality. And it's based to some extent on regulation, really is what drives the childcare and early childhood industry. So, this really, I think, is an approach that will help begin to address it. Will it solve what we know as an ongoing challenge? I don't think it will solve it at first, but I think the work that we've done with the quality rating system, the Step Up to Quality, that is an initial step regarding what I would say is all of our public funded programs, our publicly assisted programs, the childcare subsidy, this then helps those other programs that may not be exclusively on to childcare subsidy that can get credits to help, one, get their employees more education, more credentials, as well as to provide it to themselves to help them save a little funding on their end to the credit that they can put back into the business, so to speak, by paying their workers more. That is, I think, to some extent my hope and that's, I think the vision behind what Louisiana also tried to do, is not just to prove quality, not just to prove access to quality, but you actually help build and I think really take a comprehensive approach to the whole childcare industry. [LB889]

SENATOR SULLIVAN: Thank you. [LB889]

SENATOR GLOOR: Other questions? Senator Harr. [LB889]

SENATOR HARR: Thank you, Chairman Gloor. Chairman Mello, I guess I have a question. I constantly hear that you want to bring the fiscal note down. What is the ballpark you're trying, ten million is too much, what are we looking for? [LB889]

SENATOR MELLO: Well, I think that to some extent and I believe...I think Dr. Nagle can give you a little bit better perspective also in Louisiana when they created their policy, their fiscal note in Louisiana was \$26 million the first year and their fiscal note came out as a roughly \$26 million a year flat for the first five years. Really...and he can give much more explanation in regards to kind of how they went about the process. The first full year of implementation in Louisiana was a \$4 million fiscal note. Louisiana, obviously, is a considerably larger state than Nebraska in regards to population in children that are in childcare. And Louisiana's tax credit stairstepped up from \$4 million the first year to roughly \$16 million fully implemented in year five. And I believe the fifth year of implementation they had 50 percent of childcare providers in the state participating in the program. Right now, Nebraska, I believe, has 6 percent of childcare providers participating in our QRIS system. So I think to some extent, Senator Harr, since this doesn't really have an impact, this...it has a \$122,000 impact this biennium, it doesn't really

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take...the credit doesn't start obviously until the next fiscal...the next biennium when it starts to really take effect. That's a question that I want to try to be able to answer to you in the sense of looking at Louisiana's first five years of implementation knowing that their engagement rate was so much higher than Nebraska's and I think that the more we're able to get detailed information from Louisiana, as well as getting some more analysis from the Department of Revenue of how they were able to come up with their calculation of the utilization of the credit, that will be able to hopefully help us give you, maybe, and the committee a better number. Outside of our amendment that really is going to change some components of the bill that limits the use of the credit from certain programs and certain income eligibilities, that will have a dramatic impact as well in regards to utilization, but I'm a little...I'm more intrigued of looking at it a little bit more in regards to how the numbers that were used for our fiscal note compared to Louisiana's first five years fiscal note as well. But I know it's partially based on...I know part of it is based on how we drafted the bill which is why we have come forward and we're trying to make those changes. [LB889]

SENATOR HARR: All right. Thank you. [LB889]

SENATOR GLOOR: Senator Brasch. [LB889]

SENATOR BRASCH: Thank you, Chairman Gloor, and thank you, Chairman Mello. As I look over this and the glossiness seems beautiful and it's a great concept and everything and I'm trying to say this in the most kindest way because I...we do love our kids here. We love education here and...but we have several people behind you who also have worthwhile, worthy, high impact needs they have. Is education without this, are we heading in a downward spiral? What is the urgency to have this yesterday? You know, what if we wait five years, then what? What will be the long and the short of it? [LB889]

SENATOR MELLO: You know what, that is a great question, Senator Brasch. And to some extent, I think Senator Sullivan has worked on these issues, Senator Campbell, and Senator Cook, many others. I think the way I look at the issue is more of viewing the impact that we have as an industry in the state that takes care of children from six weeks to five years. I really look at it more as the urgency of now of what we're missing out by not making better investments in that portion of our entire educational system. To some extent we know that there are some publicly funded programs, preschool programs, Head Start programs, and I just don't...the more we looked at the industry, and I think that's maybe part of the issue is that most people don't view childcare, an early childhood as an industry the same way they view the transportation industry, the same way they view the manufacturing industry, the agricultural industry, where this is an industry that provides a service to consumers. And the challenge that we see more than anything else, this service has such a much more longer term impact, obviously, than going to get your car

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fixed, than going to purchase...than going to purchase a new tractor or to some extent, new manufacturing equipment and what that impact would have on the overall state's economy. I think the challenge that we've seen is with some of the legislation we've passed over the last four years. We've set, I think, a fairly good foundation to start moving some of our, what I would classify just lower quality or nonquality childcare and early childhood programs. Start to put them at least in the position where they understand that we're going to start taking notice of nonquality programs that were now to some extent with the Step Up to Quality program that we provide some support both financially and technical assistance support to providers across the state to enhance their quality of their program they're providing to our most vulnerable Nebraskans. And I think with this bill, yes, there are always competing priorities and I would be willing to tell you I don't disagree that members on this committee have other priorities that probably are as important in their view as what I think LB889 is. I think the difference of what we could see though with LB889, is a dramatic shift and change in an entire industry. It's not that we wouldn't see that in other proposals that this committee considers. The Appropriations Committee considers others. I think really this is transformational in regards to looking at childcare industry when you look at the impact it can have on not parents and not just businesses, but the people who are actually providing the services and the workers who are working for them to enhance their credentials, to enhance the quality of the programs that we know has a dramatic impact. It's not simply my opinion. It comes from the business community, retired Generals in the military, a number of our law enforcement officers who all agree that if we don't invest in higher quality programs from that birth to five time frame, we just pay for it more on the back end. We pay for it more on the back end in regards to special education, through our K-12 system, our correctional system, our criminal justice system. And I think in that respect there's a way that we can move forward with something like this. The question always is it comes down to priorities. And I get that and I think...my hope would be is that while we...we've been working on the bill as the language has been drafted but I know in regards to talking to a number of other individuals and supporters of the bill there's ways for us to enhance the bill by making it that much more targeted to incentivize quality, which is our intent. We don't want to leave any loopholes in here by any means. And the hope would be is, with what will come back with you as a committee member we'll be able to take those loopholes out, tighten the bill up. Where I think to some extent we've seen bills, you know, ranging from a million to two million dollars that have a real dramatic impact on economic growth, economic business investment, I think the business investment you would see in an industry that is over a half a billion dollars a year is a pretty dramatic impact. [LB889]

SENATOR BRASCH: Very good. Thank you. [LB889]

SENATOR GLOOR: Other questions? Senator Scheer. [LB889]

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SENATOR SCHEER: Thank you, Senator Gloor. Senator Mello, you might not be the right one to ask so that's fine too, but I suspect that what you propose is not identical to Louisiana or the numbers could have been substantially less. Is there something that you can give the CliffsNotes version of what we're seeing versus what Louisiana has? [LB889]

SENATOR MELLO: That is a very difficult question to answer, Senator Scheer. [LB889]

SENATOR SCHEER: Sorry I asked it. [LB889]

SENATOR MELLO: It's in part...I believe our bill mirrors Louisiana very closely and I think to some extent it's incumbent upon myself to make an argument to the Department of Revenue and the Department of Legislative Fiscal Office in regards to Louisiana's history of their proposal and the reality of what they've seen with their actual credits that have...their actual credits that have been expended as well as their utilization rate in regards to seeing the methodology that was used in regards to crafting the fiscal note here. Obviously, I have nothing but the utmost respect for our Legislative Fiscal Office and I think to some extent it's my responsibility, as it is all senators' responsibility, to try to provide them new information if new information comes to light in regards to the concept in your legislative bill in relationship to what is utilized or looked to be utilized in other states. And so, I think to some extent that will be what I'll be working on after we're able to fine tune this amendment, share with the committee, and share obviously with the Department of Revenue and the Legislative Fiscal Office moving forward. [LB889]

SENATOR SCHEER: Then my last one is more of a comment than a question, but to me this is educational funding. We're providing dollars to increase and broaden education on a pre-K basis. But when we do this, from a state perspective, we never get credit because these numbers never show up as our support for education. And I'm wondering, is there a way that we can do something differently so that if we're going to have the expense of these type of programs to enhance and increase those educational opportunities, from a national perspective, how do we get acknowledgment that we're doing something? [LB889]

SENATOR MELLO: Another great question, Senator Scheer. Aside from us being able to probably provide some more language in the bill in regards to reporting mechanisms, as this...as these concepts are tied directly to the Department of Education Step Up to Quality program, I'm sure that we can find ways in regards to identifying more of the evaluation and the analysis and reporting mechanisms. I think the challenge, and I think your question really hits to the core a little bit, of the state to some extent, or our constitution requires under state constitution free public education. We traditionally do that from K to 12, but it can go, obviously, you know, K to 21...age of 21. And I think to some extent most people don't view when they put their child into a childcare facility six months after their child is born because both parents have to go back to

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work sometimes in low-pay jobs, that most people probably don't think of that the same way that maybe we do in regards to that is our education system. And it's a poorly funded education system in regards to birth to three, especially. And really it's an education system that's stratified purely based on a family's individual ability to pay for better care. And I think that's probably...it may not directly answer your question in the sense of something like this, I think, connected with what we've seen last year with Senator Campbell and Senator Sullivan's bill that enhanced our early childhood funded programs and the QRIS system. What we did with passing Step Up to Quality in 2013. I think we've started to set that foundation where the state's getting the acknowledgment for building that education system zero to three. I think this simply takes that foundation and builds a very solid structure on that foundation. And I would have a tough time seeing if the Legislature moved forward with a comprehensive concept like this that people wouldn't see the improvements in an early childhood system and not acknowledge that it's directly tied to our QRIS system as well as a tax credit incentive program like this. [LB889]

SENATOR SCHEER: Thanks, Senator Mello. Thanks, Senator Gloor. [LB889]

SENATOR GLOOR: Speaking of stratification, Senator Mello, is there a risk that we're talking about stratification geographically when smaller rural communities less likely to have the providers, less likely to have the employers who participate or can't afford to participate, or meet the requirement specifications, to be able to be a participant? [LB889]

SENATOR MELLO: That's another great question, Senator Gloor. I know some... [LB889]

SENATOR GLOOR: So far everyone has been, that's because this committee fits into the category. (Laughter) [LB889]

SENATOR MELLO: As my second favorite committee, I would expect nothing less. There will be someone testifying after me that will provide, I think, a little bit more of a statewide glimpse of the Step Up to Quality program rating system across the state and show a number of areas across greater Nebraska that are currently enrolled in the Step Up to Quality program that starts to build in that quality into their existing childcare and early childhood programs. So I don't see this as a stratifying effect anywhere because obviously it applies statewide and it's directly connected to the statewide program that's listed in the Department of Ed, the Step Up to Quality program. [LB889]

SENATOR GLOOR: Okay. Thank you. Senator Davis. [LB889]

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SENATOR DAVIS: Thank you, Senator Gloor. Senator Mello, you said that Louisiana had the best program, I believe. Can you tell us what is so special about that program? [LB889]

SENATOR MELLO: Well, that program is this program in LB889. They're actually the only state in the country that has taken this kind of a concept or approach to try to increase their quality and their access to quality of early childhood programs that was so comprehensive in nature. And I think probably more than anything else, Senator Davis, that is why I think this concept is a bold idea for us to consider because it's not...it builds off great work the Legislature has done over the last three years of setting and building a strong quality rating system. And it really now incentivizes the quality that we've been talking about, not just with programs that are funded through the childcare subsidy, but any and all programs. And I think that is probably why, and Dr. Nagle who will testify after me can explain a little bit more of as they developed this concept in Louisiana, how they did that, what was their thought process, and obviously the results have spoken for themselves. I mean, it really has been a game changer in the state of Louisiana in regards to increasing access to quality, expanding quality programs, expanding and credentialing within their work force and making it more affordable for everyday working families to be able to pay for that quality care. I think that, in itself, I think is something that really is something that we could utilize. In Nebraska, as you've heard Senator Sullivan, probably one of the overarching issues and challenges that we've been discussing the last few years is, the low wage...I mean, the industry itself is just a nonhigh wage industry and that is part of the challenge that we have consistently not been able to identify how we move forward without looking for an approach. And I think an approach like this begins to solve that issue because of the incentive approach to the tax credit system, but I don't want to steal all of Dr. Nagle's testimony. He really is the national expert on this, but Louisiana is the only state in the country that not only created this comprehensive concept but they're the only state in the country who passed...who has a comprehensive system like this. [LB889]

SENATOR DAVIS: And so is there quantifiable data that demonstrates that this is a successful program? [LB889]

SENATOR MELLO: There is. I spoke a little bit about it in my testimony regards to some of the data but I'll let Dr. Nagle be able to talk a little bit more about that as well. [LB889]

SENATOR DAVIS: Thank you. [LB889]

SENATOR GLOOR: Seeing no further questions. [LB889]

SENATOR MELLO: Thank you. [LB889]

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SENATOR GLOOR: Thank you. And are you staying, if you can, to close? [LB889]

SENATOR MELLO: I'm going to stay as long as I can, but I may...I'll look at you if I have to waive closing to leave early to get back to committee. Thank you. [LB889]

SENATOR GLOOR: Thank you, Senator Mello. We'll now move to proponents. [LB889]

SARAH ANN KOTCHIAN: (Exhibits 2-5) I'm afraid I'm going to be the one to stand between you and Dr. Nagle. Good afternoon, Senators. Good afternoon, Chairman Gloor and members of the Revenue Committee. My name is Sarah Ann Kotchian, S-a-r-a-h A-n-n K-o-t-c-h-i-a-n, and I appear today in support of LB889 on behalf of the Holland Children's Movement, a nonpartisan not-for-profit organization committed to improving public policies essential to providing opportunities for success for children and families living in poverty. We would like to thank Senator Mello for the introduction of this bill along with his fellow cosponsors, including Senator Sullivan, to adopt the School Readiness Tax Credit Act. LB889 provides us with an opportunity to implement successful policy based on a model in Louisiana that has proven to be a very important step in addressing the complexities of the early childhood system and within the childcare subsidy program in particular. Not a state in the nation has financial incentives anywhere near as effective as Louisiana's School Readiness Tax Credits. Childcare is like paying for college up-front without 18 years to save, without federal loan assistance, and without scholarships. The average annual cost of care for an infant in center-based care in Nebraska is \$7,900. This is more than the annual tuition fees of the...more than the annual tuition and fees at the University of Nebraska. We believe parents will always be their child's first and most effective teacher but many need support. Of all children under the age of six in Nebraska, 74 percent have all available parents in the work force, and 42 percent are considered at risk for school...for failure in school based on the low income of their families. Step Up to Quality will certainly help inform parents about the quality of a program and LB889 can play a vital role in encouraging parents to choose quality. Although childcare in Nebraska is increasingly unfordable for too many working families, it is not because childcare workers are overpaid. Childcare workers are some of the lowest paid workers in the country despite their essential role in educating and nurturing young children during an astonishing period of brain development. Childcare workers wages have increased only 1 percent between 1997 and 2013, suggesting an irrational market for childcare and entrenched unlivable wages for many in the early childhood work force. Great and necessary attention is being paid right now by many in Nebraska to the training and preparation of the early childhood work force. We fully support these efforts, but also want to emphasize and recognize that there remains persistent economic insecurity within this work force. With such low wages, it will continue to be difficult, if not impossible, to attract and retain good teachers. LB889 directly addresses compensation issues by financially incentivizing higher training and education, thereby enhancing the quality of the programs. LB889 can play a vital role in supporting childcare programs which are mainly privately run,

community-based small businesses. The provider credit is designed to increase with the Step Up to Quality rating to address the higher expenses associated with providing higher quality services to low-income children. Although as mentioned above, the average annual cost of center-based care in Nebraska is \$7,900, the average annual reimbursement per child from Nebraska's childcare subsidy program is \$2,880. LB889 financially incentivizes not only the increase in quality of existing programs that accept the childcare subsidy, but also in providing the financial incentive for high quality programs to begin to accept the childcare subsidy because of the tax credit and serves more low-income children. Finally, the importance of viewing the childcare industry as an economic driver cannot be overstated. And Senator Mello...Senator Mello has already mentioned the nearly \$460 million industry impacted annually. Can you imagine if the childcare workers and professionals went on strike? I would have a precocious four-year-old beside me, and Senator Mello could very well be sitting over there with a beautiful infant and a perfectly busy two-year-old. Unlike other industries, the childcare industry serves Nebraska children and families, supports working Nebraska families, hires Nebraska-based teachers, all of whom spend their money in local Nebraska economies. It is a rarity that we address early childhood education investment in front of this committee. That being said, we want to be clear that the impact of this package of tax credits can be evaluated through program participation in Step Up to Quality, in families' economics, through the Step Up to Quality ratings of early childhood programs, the professional qualifications of the early childhood work force, and business investment in quality early childhood programs. In researching national policies to most effectively address the complex issues of early childhood systems, we believe this is the best way to invest and build a high quality early childhood system and we would urge you to advance LB889 to General File. I thank you for your time and thoughtful consideration. [LB889]

SENATOR GLOOR: Thank you, Ms. Kotchian. Senator Scheer. [LB889]

SENATOR SCHEER: Thank you. I will piggyback off of Senator Sullivan. How does this solve the biggest problem, if the biggest problem is in the valued instructor or caregivers? This really doesn't address that. [LB889]

SARAH ANN KOTCHIAN: Senator Scheer, that's a great question and that's one of the issues that states around and the nation are grappling with because of the childcare business model itself to pay staff, you're relying on the private payer parent. And parents are stretched to the max to pay for childcare. These tax credits are providing a very valuable financial incentive to the work force to go on and increase their education. I think in Louisiana the average... [LB889]

SENATOR SCHEER: But I'm not...excuse me for interrupting, but I understand they can get more education and get a credit, but that doesn't necessarily always equate into better wages. And so if our big problem is funding staff, quality staff, will we not be better than to pinpoint

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either credits to those individual staffs just on an income tax basis, or providing some type of state funding to each one of those facilities to augment wages rather than to go around the bush and provide it to employers and facilities and parents when we're really talking about trying to get funding to the actual providers of the services. And by provider, the staff rather than the entities. [LB889]

SARAH ANN KOTCHIAN: And you make a great point, and this is not a solution. This is an important step toward addressing that compensation and there is a tax credit in the package that is paid directly to the staff. [LB889]

SENATOR SCHEER: I understand, but it's more educational attainment rather than which if...if I spend two thousand bucks going to a community college or taking the course at one of the universities or whatever, I can easily blow that amount in just tuition. So although I'm a higher quality instructor or caregiver, it still doesn't equate to me receiving more dollars or more longevity in that position because I'm probably, I'm going to continue to look for someplace else for a different type of job that will produce a higher economic benefit to me for the effort I'm involved. I mean, I get the nicety of this, but it really doesn't solve the problem. The problem is trying to get people...and it's the same thing with K-12 education, if you don't pay teachers enough, you're not going to have high quality teachers. And we can do a lot of different things, but it still comes back to paying staff for long-term commitments on an educational basis. And this really, it addresses getting higher education or more education or some education, but it doesn't address the financial benefit of providing that service. And there's probably not an answer. I'm not trying to pull strings out of here. You know, I see the benefit of it, but honestly, you know, if I'm going to start with something, it's probably not this. I'd rather start with trying to really put dollars into the hands of those providers. And I'm using the wrong terminology, but when I say provider, I'm talking about the teacher or the staff in trying to get them additional dollars so that there is some longevity and maybe tie that to some additional education. But, you know, you give the credit to the parents, well, the parents then have to provide additional dollars to the facility and the facility may or may not compensate that staff any more or not. And there's no...you know, I see the ladder, but there's no guarantee that it keeps going down the ladder to where actually that person that is using her or his skills with those children ever really benefits from this. [LB889]

SARAH ANN KOTCHIAN: It's a very, very complex issues that we're trying to deal with and, therefore, very complex solutions. And the interplay of these tax credits to incentivize quality and to address the work force compensation issues which it doesn't solve, but it does address and provide. In Louisiana's case almost a 10 percent of their annual income, financial incentive, to not only achieve higher education but also to remain in their programs because the staff in order to attain the credit have to remain employed in the program for at least six months of the year. So

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that it's among policy solutions to address what you're talking about. This is one of the best out there. It's a tough, tough issue. [LB889]

SENATOR SCHEER: Okay. Well, thank you for your comments. Thank you, Senator Gloor. [LB889]

SENATOR GLOOR: These are your handouts, aren't they? [LB889]

SARAH ANN KOTCHIAN: Yes, I did provide those. Those are... [LB889]

SENATOR GLOOR: Yeah. Could you explain those? [LB889]

SARAH ANN KOTCHIAN: Yes, in part of the package there is...it's from December 2015, there is a map that will show you throughout the state the programs that are now participating in Step Up to Quality and I did some, I guess, back of the map, calculations this morning. And all of these have in the counties that you represent, all of you have programs that are now participating in Step Up to Quality that could benefit from the utilization of these tax credits. And I think these numbers are only growing. The ratings for these programs will not go public until 2017 and that's when these credits would also go into effect. So it would give providers another year to get involved in Step Up to Quality to learn about the credits and to be further incentivized to participate. [LB889]

SENATOR GLOOR: Okay. Thank you. Senator Sullivan. [LB889]

SENATOR SULLIVAN: Thank you, Senator Gloor, and thank you, Ms. Kotchian. Does your organization have any idea the number of businesses and the size of those businesses that provide on-site childcare, and any notion of the quality of those programs? [LB889]

SARAH ANN KOTCHIAN: That is a great question, Senator Sullivan. And I don't have...there may be someone behind me that may have more information on businesses that have childcare. I know of a limited few that do provide on-site childcare. Typically, they're very large corporations and it's very high quality care for their employees, but it comes at a very expensive cost for the parents that utilize those programs. And typically, they do not accept the childcare subsidy, the ones I know about. [LB889]

SENATOR SULLIVAN: Have we, perhaps, overlooked this portion in developing tax incentive packages for businesses to come to this state? [LB889]

SARAH ANN KOTCHIAN: That is possible and when we're thinking about this business tax credit, could this be something that would tip the scale to make more businesses want to participate in providing higher quality early childhood services for their staff. When a staff didn't show up to work and know their child is in the best setting that they can possibly access, you're going to have a better employee and more loyal employee who is more focused on their job. [LB889]

SENATOR SULLIVAN: Thank you. [LB889]

SENATOR GLOOR: Seeing no further questions, thank you for your testimony. [LB889]

SARAH ANN KOTCHIAN: Thank you very much. [LB889]

SENATOR GLOOR: We continue with proponents. Dr. Nagle. Good afternoon. [LB889]

GEOFFREY NAGLE: (Exhibit 6) Good afternoon, Mr. Chairman and everyone. Mr. Chairman and members of the committee, first of all, my name is Geoffrey Nagle, G-e-o-f-f-r-e-y N-a-g-l-e. Mr. Chairman and members of the committee, it's certainly my honor to be here today to speak in support of the School Readiness Tax Credit Act. Again my name is Geoff Nagle. I'm the president and chief executive officer of the Erikson Institute in Chicago, which is the premier graduate school in child development. And for 13 years before that, because I moved to Chicago two years ago, I was an associate professor of psychiatry at Tulane University and in my role there, I did a lot of early childhood policy work on a systems level and spent a good year of my life working with many others in the state to design and get this package into legislation and passed and implemented in the state. I certainly want to acknowledge Senator Mello for his leadership in introducing this bill and all the cosponsors including Senator Sullivan and the others. So I just wanted to start by explaining how we came to this in Louisiana. As we started to build our rating system back in 2004, we were intent on building a system that was going to succeed in not just building quality but sustaining quality. And what that meant for us was, we had to address the financial side of things. When we talked with the childcare community about wanting to do a rating system, they said, we'd love that, the quality is expensive. How are you going to help us pay for that? And that's a tough question to really come up with the answer. And that's what led us down the road to this package of credits. And then Hurricane Katrina struck and it was really in the aftermath of the hurricane when the state was truly building again. We weren't rebuilding, we were building a state. And it allowed for big ideas, new ideas, dramatic change. And in the wake of Hurricane Katrina we implemented the rating system and we were able to get these credits passed as part of this new idea. Our path to passage, dare I say, if you can use the words, was fairly smooth when talking about legislation, but we got through four committees and two chambers of the legislature unanimously with 65 percent of the legislators

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signing on as cosponsors, as coauthors. Now, our only hiccups were when other bills, of course, tried to jump on to what was clearly a train that was going to make it to the end of the line. But we had tremendous support and really the conversation since then has been about how to expand the credits and do more for the sector because this is very much necessary, but far from sufficient. The legislators...we had so much support because this legislation really is tied to accountability and that gave everyone great security that it wasn't just going to be a runaway situation. So because it was tied to the rating system gave people great comfort. It also supported an industry that was in every legislator's district. It's just like that map you see there which is just starting to spread across the state, ultimately, these childcare providers, these thousands of businesses in your state, are in every one of your districts. The legislators also supported it because its impact on a large percentage of families because it really supports all families, not just the ones with low-income children. And it supported an industry that the state has already heavily invested in. You're spending well over \$100 million to support early childhood childcare and this just makes that investment that much deeper. I think the ultimate frame that really gave great comfort to the legislature in Louisiana was that this was really as much of an economic development as it was about child development. The state university, LSU, did an economic impact study that documented the 12,000 businesses that were delivering some sort of early childcare services, the 25,000 employees, the \$650 million impact it was making, and the strong multiplier impact in terms of output in employment. So, it has such a large impact because these are all local businesses doing...spending their money locally. And everyone that works there, the low-income workers are spending their money locally. And the families were able to go work because their children are now in childcare, so it has huge impact from an economic development point of view. But ultimately, this is a low-revenue, high-expense business. The business model of childcare is a very stressed business model. It is very hard to deliver quality and make money. It's very hard to make money, period. But when you start demanding quality, that's expensive and that's all about the work force and it's all about wages. Now, according to economic studies in your state, you have over...almost 8,000 businesses employing 15,000 workers. You heard the gross revenue number that's been mentioned, over \$480 million, and you have huge multiplier impacts as well. The impact...there was a question about impact in Louisiana. We've seen subsidized children, these are the low-income children that the state subsidizes, has increased 600 percent in terms of their access to quality care, meaning before the rating system in these incentives, these kids were not in quality settings. That has increased by over 600 percent. The number of childcare centers above the minimum level of quality has increased 426 percent. The number of centers that are three stars or higher, which means they're quality has increased from 6 percent to 24 percent, and I go on and on in all of those areas. Ultimately, this legislation sends a message of support to the childcare sector of your commitment to quality. It's a great investment in economic development and it impacts every district in the state. The School Readiness Tax Credit Act is a bold statement by Nebraska that you're truly committed to supporting a high quality childcare system with improved access that

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will build a successful future for Nebraska. And based on the other questions, I imagine there's some questions for me now. Thank you very much. [LB889]

SENATOR GLOOR: Always. Thank you, Dr. Nagle. So how did Louisiana, especially in the aftermath of Katrina, bridge the dollars and cents associated with bringing this forward? I mean, it's a little concerning to see that price tag and obviously Senator Mello has said that he's working on bringing that down, but surely there were a lot of challenges in Louisiana that made that even more daunting for them to move in that direction. [LB889]

GEOFFREY NAGLE: Yeah, they were daunting, but people...you can't really imagine the level of crisis in the state, of course, and with crisis comes opportunity. And people were very willing to push the envelope as far as necessary. And when this bill passed, again with 100 percent unanimous support, that was with a price tag of \$26 million which was substantially higher than what the actual costs were. So, the level of commitment to making this happen, the level of buying, this is what we needed to do. That just shows you the kind of energy and excitement for the bill on both sides of the aisle. So it really wasn't the question of money, it was the question of what's the best thing we can do as we build Louisiana. [LB889]

SENATOR GLOOR: Okay. Questions? Senator Sullivan. [LB889]

SENATOR SULLIVAN: Thank you, Senator Gloor, and thank you, Dr. Nagle. Did the rating system and the credits go in place in tandem or did the... [LB889]

GEOFFREY NAGLE: There was about a one year lag. [LB889]

SENATOR SULLIVAN: The rating system came in first? [LB889]

GEOFFREY NAGLE: First, and then the credits were shortly thereafter because the credits passed in 2007, so they didn't take effect until 2008. The rating system really was up and running in 2007. [LB889]

SENATOR SULLIVAN: Do you attribute the dramatic increase in providers to this program? [LB889]

GEOFFREY NAGLE: I do and I don't have, you know, what I would call scientific evidence about that, but we did a lot of surveying of providers to gauge their level of awareness and to use those surveys as a way of letting them know that such credits were in existence. And we saw that dramatically increase and they would tell us on these surveys done by independent organizations,

that one of the reasons, the key reasons they were participating was to access these dollars. You know, part of...ultimately, a rating system you want to succeed because there's consumer demand. So parents walk into a childcare center and say, what level of rating do you have, or they look it up on line? And, therefore, the people trying to provide those services know that that's what the market demands, therefore, they have to get their rating up. But when you start these systems, quality is so low in that sector that you can't expect that to happen because most centers are at the lower end of the scale. So we needed to make this investment so senators could start raising up and becoming three star and higher centers. And, you know, again, what they tell us is that this was a big factor in making it possible. And the biggest factor is of what we've heard, you know, from the questioning is about their ability to pay their workers a little more and their ability for their workers to access so they could improve their education and have the ability to take care of their families in a way that they couldn't before. [LB889]

SENATOR SULLIVAN: One of the concerns that I've had not only with trying to increase the resources for early childhood education but also on the opposite, subject of tax incentives is, on the tax incentive side, you always wonder if the businesses would have come anyway for a child...for a family who has an income that can go after that high quality, they're going to go after it irrespective of a tax credit. So, my concern is over here with the at-risk families and low-income families making sure that they have access to quality. Do you think your program has been successful in going to the ones who most need it? [LB889]

GEOFFREY NAGLE: Right. So a little bit to what Senator Mello alluded to, you know, kind of what are the two primary pieces, if you had to start with kind of the essential parts and that's the credit to the provider and the credit to the staff that worked there. The provider only gets the credit for serving those low-income children, those at-risk children. They only get it based on the children that are being...that receive the state subsidy which means they're low-income parents working or in school. And then the workers, these are mainly people making close to minimum wage, maybe at best \$10 an hour. So they're getting that as well. That's the biggest part of this package is right there. So they're the core of it and I think that gets to your question. And if for some of the families, you know, the ones who have access to more of the credit because it's connected to income even more so in Louisiana than here, which is really the only difference between the credits, it's comforting to know that more of that is being driven to that end of the population. But it's very critical, I think, that in all of these efforts that it's ultimately about all of our children because the quality of care out there, generally speaking, is not high enough. So every kid benefits whether they're the subsidized kid in that center or the other children in that center because that center is now providing higher quality care. [LB889]

SENATOR SULLIVAN: Okay. And one final question totally unrelated. Did Dr. Sam Meisels come from the Erikson Institute? [LB889]

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GEOFFREY NAGLE: Yes, he did. I am at Erikson because he is now here.

SENATOR SULLIVAN: Okay. Thank you. [LB889]

SENATOR GLOOR: Senator Scheer. [LB889]

SENATOR SCHEER: You may not know, but when this passed in Louisiana, does Louisiana have a balanced budget approach, or...? [LB889]

GEOFFREY NAGLE: Oh, yes, absolutely. It's a very red state. It's a very red state and a balanced budget. [LB889]

SENATOR SCHEER: Okay. I don't care what color it is, I just didn't... [LB889]

GEOFFREY NAGLE: No, it's very fiscally conservative and, you know, that was part of why people said this is never going to happen, but it was...it worked out because really the hardest part is...you know, it's a big complicated bill and once the deeper you get into it and the more you see what's going on, and how it's connected to the larger efforts in the state which the state is already investing in, it makes sense because you're really pushing the system exactly where you're trying to get to anyway. And it's really about incentivizing that quality and then helping sustain it once you get there. [LB889]

SENATOR SCHEER: Okay. Thank you. Thank you, Senator Gloor. [LB889]

SENATOR GLOOR: Senator Brasch. [LB889]

SENATOR BRASCH: Thank you, Chairman Gloor, and welcome to our red state Nebraska. [LB889]

GEOFFREY NAGLE: Yeah, it's great to be here. My first time. [LB889]

SENATOR BRASCH: And it's "Go Big Red" is what I'm referring to. (Laughter) [LB889]

GEOFFREY NAGLE: Okay. I feel that as soon as I drove into Lincoln, I felt that... [LB889]

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SENATOR BRASCH: I'm sure you did. The program, again, sounds ideal and when you look at Louisiana, your population is...and I looked it up, so, what 4 million... [LB889]

GEOFFREY NAGLE: A little over 4 million, 4.6 million, I think. [LB889]

SENATOR BRASCH: 4.6 million and we're looking at barely getting 2 million here. [LB889]

GEOFFREY NAGLE: Right. [LB889]

SENATOR BRASCH: And so our tax base may not be as robust with enough...and we talked about trying to bring the fiscal note down. Is this done any other way besides money, offering money. You know, the...I don't know, is there any accolades or trophies we can give or gold star rating or...? [LB889]

GEOFFREY NAGLE: Yeah. [LB889]

SENATOR BRASCH: But it's cash driven, is what you're telling me, performance based. [LB889]

GEOFFREY NAGLE: Well, I mean, ultimately, these are small businesses. These are private small businesses that are trying to make ends meet and usually really struggling to do that. And the people, that's why they do that work there, don't have health benefits and, you know, very limited salaries. You know, the gold stars, the pictures with legislators, the governor, whatever, those would all be great because they tell the world that quality is important and that this provider in your community has that quality. So that would be wonderful, but that alone, in the absence of money, isn't going to help them get there and it's certainly not going to help them sustain it. So I think those kind of ideas and these dollars, because, look, these dollars alone are necessary, but far, far from sufficient. They're going to help and they're going to send a very clear message to the provider community that you're working with them to build that quality. But alone, it is not enough money into that sector that's going to all of a sudden, you know, change everything. It's going to help. [LB889]

SENATOR BRASCH: And the long-term effects...how long ago did you implement this? [LB889]

GEOFFREY NAGLE: So the first year it was 2008 and so it's been six, seven, eight years now. [LB889]

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SENATOR BRASCH: And you've seen significant measurability, you know... [LB889]

GEOFFREY NAGLE: Yeah, I mean, measured by the number of children...the state subsidized children who are in quality settings, meaning three stars or higher. The number of centers achieving three stars or higher regardless of who they're serving, the number of teachers who are in the registry advancing their education, the number of businesses that are providing support. [LB889]

SENATOR BRASCH: And then the outcome, high school graduation or... [LB889]

GEOFFREY NAGLE: Well, we haven't seen that yet and, you know, that's very controversial that you could tie that high school student back to their childhood experience. Kids may end up in very...in two or three or four different childcare centers. How many hours did they go to that childcare center, was it full day, part day, how many months? That's very hard. We would all love to tie child outcomes, certainly their school readiness... [LB889]

SENATOR BRASCH: Sure. [LB889]

GEOFFREY NAGLE: ...third grade reading scores. But, you know, childcare is not always as stable as like you go to this elementary school and you might be there through the whole time. It's not the same at the childcare level, so it's tough to hold that experience directly tied. But we do know from lots of research, replicated many times, the value of high quality, early education experiences producing strong education outcomes, which is why a rating system is created and which is why the investments you're currently making exist. [LB889]

SENATOR BRASCH: Very good. Thank you for your work and for coming to Nebraska and taking the time. Thank you. [LB889]

GEOFFREY NAGLE: Thank you very much. [LB889]

SENATOR GLOOR: Seeing no further questions, thank you. And did you have a sense of deja vu when you saw our Capitol for the first time? [LB889]

GEOFFREY NAGLE: Yeah, it did look very...like do all of these alike, so? (Laughter) [LB889]

SENATOR GLOOR: Yeah, I think a gentleman named Huey Long stole the plans once and took them down to Baton Rouge. [LB889]

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GEOFFREY NAGLE: Oh, so we stole it from you, is that how it goes? Okay. (Laughter)  
[LB889]

SENATOR GLOOR: Exactly. And then built it about 8 feet taller so he could say he had the taller building. [LB889]

GEOFFREY NAGLE: Makes sense. Thank you. [LB889]

SENATOR GLOOR: Thank you again. We continue with proponents. Good afternoon. [LB889]

TRACY GORDON: (Exhibits 7-8) Good afternoon, Chairman Gloor, members of the Revenue Committee. Thank you for the opportunity to speak with you today in support of LB889, Nebraska's School Readiness Tax Credit Act. My name is Tracy Gordon, T-r-a-c-y G-o-r-d-o-n, and I am the co-executive director of the Nebraska Association for the Education of Young Children. I have over 25 years of experience in the early childhood field, having worked with all ages of children, and in a variety of settings and professional positions. Our organization envisions a state where all young children receive the highest quality early care and education, and where early care and education becomes a priority for all of Nebraska's citizens. I would specifically like to address two of the possible benefits of the proposed tax credits: the benefits to the childcare programs and the benefits to the early childhood work force. First, let me address the possible benefits of the tax credits to the early childhood programs. Research shows that support for high quality early childhood education is growing as more voters, lawmakers, businesses, families, and educators begin to take notice of, and better understand, the impact of high quality early childhood education can have on children's growth and development, the impact it has on their future success in school and their future success in life. Nebraska has shown its support for high quality early childhood education by creating the Nebraska Step Up to Quality program which provides a systematic process for early childhood programs to make improvements in their program to better serve children and families. As programs complete the requirements in each step, and verify their progress, they move up the steps indicating higher quality. However, programs do not receive significant financial support which is necessary to achieve higher quality ratings. Because the proposed tax credits are directly aligned with Nebraska's Step Up to Quality, improvements in quality of care, accessibility to quality and teacher retention in quality programs will be directly influenced, as evidenced in Louisiana's success. The additional revenue received by early childhood education programs through these tax credits would go directly back to the program and could be used in a variety of ways to help support their programs. A few examples include the purchase of materials and supplies that support improved quality as they work up the steps. High quality programs require many and varied high quality, intentionally selected materials that stimulate a child's cognitive, physical, social, emotional, intellectual growth. The purchase and implementation of a nationally

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recognized curriculum or assessment program focused on the developmental needs of young children. Many early childhood programs do not use a research based curriculum relying instead on the creative ideas of each provider, and incentives to accept children and families receiving subsidy. In order to benefit from the tax credit, programs must be providing quality services to our most vulnerable children. All of these and more are indicators of higher quality and will have a better chance of moving the scale of quality in Nebraska. Next, let me address the possible benefits to the work force. As we learn more about brain development and the keys to future positive educational, economic, and health outcomes, we know that investing in high quality early care and education is key. And foundational to high quality programs and classrooms is the knowledge and skills of the teachers who work with our children each day. Nebraska AEYC has been supporting improved education for teachers through our T.E.A.C.H. Early Childhood scholarships for many years. T.E.A.C.H. Early Childhood Nebraska works to improve the quality of care in Nebraska by increasing the education, compensation, and stability of the early childhood work force through scholarships which allow each early childhood educator to work towards degree completion while increasing wages. While this vital program helps to bolster the educational level of our early childhood educators, we find that once they have their degrees, they leave the field in order to work for the public school system where they will find better compensation and benefits. This leaves our youngest children, infants, toddlers, and many preschoolers in the care of our least prepared, least experienced, and least educated providers. It makes sense to now begin to think about, create, and fund a strategy that will begin to address incentives for teachers who have the education we know makes the difference in their classrooms. Lack of resources and an effort to maintain affordability for parents often make it difficult for individual childcare programs to reward or encourage teacher education through salaries. As a result, many teachers leave the field or never even consider the profession an option. We can't wait to act as we are losing great teachers on a daily basis. Tax credit incentives are a way to close this gap without raising costs for families, and provide enough incentive to both stimulate teachers to increase their education and remain in their classrooms. Although you are faced with a number of tax proposals before you this session, I believe that the Nebraska School Readiness Tax Credit Act will be the most effective at having the greatest impact on the future of our state, Nebraska's young children. Thank you. [LB889]

SENATOR GLOOR: Thank you. Questions? Don't see any right now. Thank you very much. [LB889]

TRACY GORDON: No questions? Okay. [LB889]

SENATOR GLOOR: We'll continue with proponents. [LB889]

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SUSAN SARVER: (Exhibit 9) Good afternoon. I am Susan Sarver, S-u-s-a-n S-a-r-v-e-r from the Buffett Early Childhood Institute and I'm here to read a letter of support from Dr. Sam Meisels who could not be here today. Dear Chairman Gloor and members of the Revenue Committee: I am writing in support of LB889, the School Readiness Tax Credit Act. In doing so, I would like to recognize and thank Senator Mello and his cosponsors for introducing this important legislation and for recognizing the importance of high quality care and education. The early years of life are a critical period of time for human development. More than 150 high quality scientific studies from all over the world demonstrate that starting early can have major short- and long-term effects on cognitive and social-emotional development. The experiences of these early years form the foundation for the people we will become. LB889 would provide tax credits to childcare programs that offer high quality services, to teachers within those programs, and to parents whose children are enrolled in them. Additionally, the legislation encourages businesses to support their local childcare programs. These four incentives potentially affect a variety of stakeholders and incentivize them to support high quality early care and education. Nebraska's Step Up to Quality program, a rating system for childcare programs, provides the basis for these tax credits. We strongly support the efforts of the Step Up to Quality program, which has made significant progress in enrolling and assisting programs across the state. LB889 is based on a similar program that was created in Louisiana, a program which reports significant gains in improving childcare quality. Clearly, the concept of using economic incentives to improve quality while providing much needed assistance to families is worth pursuing, and in Louisiana's case has been successful. Nebraska would be wise to learn from this model and replicate its impact. If I can be a further assistance to the committee in your deliberations, I would be happy to do so. Again, thank you for considering this important piece of legislation. Samuel Meisels, Founding Executive Director of Buffett Early Childhood Institute. [LB889]

SENATOR GLOOR: And committee members will note that you have a copy of Dr. Meisels' letter in your packet that's in front of you. Are there any questions? Oh, I'm sorry. Senator Harr. [LB889]

SENATOR HARR: Less of a question, more of a comment. I wanted to thank Dr. Meisels for all the hard work he's done, especially working with the Learning Community to create the early childhood development that we do have in Nebraska, especially...I should say, its Learning Community. My kids go to an early childhood development center. Although they don't receive any subsidy, the training the Learning Community provides, those teachers, have been very beneficial. Thank you. [LB889]

SUSAN SARVER: Thank you, Senator Harr. [LB889]

SENATOR GLOOR: Seeing no further questions, thank you. Good day, Jen. [LB889]

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JEN GOETTEMOELLER: (Exhibit 10) Good afternoon, Chairman Gloor, members of the Committee, my name is Jen Goettemoeller, that's J-e-n G-o-e-t-t-e-m-o-e-l-l-e-r. I'm here on behalf of First Five Nebraska. Thank you for the opportunity to testify today. Senator Mello has brought an important concept forward with LB889. You heard a little bit earlier about some of the benefits. It will help address some of the work force barriers that we see for early childhood providers. It will incentivize programs to improve their quality which is very important. And Senator Sullivan to your point, it does encourage and incentivize programs and providers to serve children most at risk of failing in school, which we think is very, very important. We did share a couple of questions that we had with Senator Mello and his team and some of those details are outlined in the written testimony that you have in front of you. The first deals with the tax credit that's going to the work force, the eligible staff members themselves. That is particularly important because we know from the research that it is the quality of the early childhood work force that is the single most important factor in programs that are successful in closing the achievement gap, so that is a particularly important section and tax credit. So the first item that we would like to see tightened a little bit--and Senator Mello knows all about this--is in that section and the second area is Section 5 of the bill where it is incentivizing childcare programs and the tax credit that go to the programs. So you'll see that mentioned in the written remarks. But just want to thank Senator Mello for his continued leadership on quality early childhood education efforts and for his openness to a couple of the changes that we would like to see, which we ask you to incorporate before you advance the bill to General File. [LB889]

SENATOR GLOOR: Questions? Don't see any. Thank you, Jen. [LB889]

JEN GOETTEMOELLER: Thank you. [LB889]

SENATOR GLOOR: (Exhibits 11-19) Continuing with proponents. Are there any opponents to this bill? Anyone who would like to testify in a neutral capacity? Seeing none, the good senator waives. I will point out that in front of the committee and I'll read into the record we have proponent letters: John Cavanaugh, Nebraska Early Health and Education Alliance; Anne Mitchell, Early Childhood Policy Research; a letter from Dr. Meisels that was read; Louise Stoney, Alliance for Early Childhood Finance; Melanie Bronfin, Louisiana Policy Institute for Children; Julia Tse, Voices for Children in Nebraska; Cindy Cisneros, Committee for Economic Development; I believe this is Ian Fallon, Heartland Workers Center; and David Brown, Omaha Chamber. There is one opponent letter: Tiffany Joekel, OpenSky Policy Institute. And with that, we'll close the hearing on LB889 and move to LB886. Senator Davis. Or maybe not. When did he leave? Senator Harr, would you be ready to move ahead with LB907? [LB889]

SENATOR HARR: LB907, yes. [LB907]

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SENATOR GLOOR: I think for those of you who are here for Senator Davis' LB886, in the interest of time we're going to move to Senator Harr's LB907 and then we'll come back to Senator Davis' bill. [LB907]

SENATOR HARR: Thank you, Chairman Gloor, members of my favorite committee, Revenue, second only to Business and Labor. My name is Burke Harr, H-a-r-r, and I am here on LB907, new markets job growth. LB907 is an effort to build on some of the early successes of the New Market Job Growth Investment Act, the act which the Legislature adopted in 2012, thanks to Senator Schumacher, to encourage investment and job creation in the low-income community has been incredibly successful since its inception. Since 2012, the act resulted in at least \$142 million in new investments and low-income, community based businesses throughout the state of Nebraska, including over \$19 million in the Omaha area, \$22 million in the Lincoln area, and over \$100 million in greater Nebraska. That's over \$140 million in new investments in Nebraska since 2012. And it's created numerous jobs as well. I know the federal program brags that it costs less than \$20,000 per job created. During my time in the Legislature, we have spent countless hours--in particular, this committee--evaluating the costs and benefits associated with different tax incentives, credits, and exemptions. In this case, the act has achieved its goal of creating new investment and jobs throughout the state, in particular in businesses that are typically unsuccessful in securing funds necessary to expand their businesses or hire new employees. With all these successes, however, the act currently has a couple limitations, which LB907 proposes to remedy: first, cap on the amount that can be spent; second, a federal allocatee; and third, owner-occupy requirement. First, the act is capped at \$15 million per year. While a cap is both appropriate and warranted, the program is effectively frozen until fiscal year 2018-2019. LB907 would increase the annual appropriation for the program and allow us to continue to leverage new investment in low-income communities and rural Nebraska and, most importantly, create jobs. Second, the act effectively prohibits Nebraska based financial institutions and insurance companies from participating in the state program by requiring participating community development entities, the entities that make investments in qualifying businesses, to have received an allocation of federal new market credits. Unfortunately, this is very difficult to do. Since its inception, the Community Development Financial Institution Fund, which is a federal agency made up of the IRS and Revenue, certified over 2,000 CDEs, which are the community development entities, but only one Nebraska CDE has ever received a federal allocation. That was Commercial Federal back in 2003 and as many of you know, Commercial Federal does not exist in this state anymore. Numerous institutions have made application for certification since, but none have ever been successful. You will also hear from several people today that are more familiar with the federal process and why this requirement is a significant barrier to new investments and job creation in this great state of Nebraska. It is also important to recognize that LB907 helps our local institutions make investments in their own communities and to businesses in circumstances which such financing is generally not available. This change is important as a matter of fairness, but also to expand the reach of the new market tax credit program. By

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allowing local financial institutions to participate, we can maximize our investments in the program and help financial projects that might go overlooked by the national CDEs currently utilizing the program. To be clear, the investment made by the national CDE remain critical to the program and larger new market projects. And any project that can obtain federal new market credits to go along with the state credits will surely do so. However, we should not foreclose the ability of our own Nebraska institutions from participating and funding projects that might otherwise go overlooked. LB907 also eliminates another barrier that is limiting the types of businesses that qualify for investments. The state program currently requires a business receiving an investment to be a primary occupant of the property in which the business is located. This requirement seems to be directed at discouraging purely real estate development projects. However, the program was designed to encourage investment in low-income community and businesses that create jobs in that same community. That said, the act already excludes businesses that derive 10 percent or more of its annual revenue from the rental or sale of real estate property. That restriction seemed to adequately address the policy concerns addressed by the owner-occupancy requirement. The owner-occupant requirement also does not exist under federal law and, therefore, it may currently limit investments of additional federal dollars by narrowing the type of project that are eligible for the federal new market dollars. Lastly, LB907 allows NIFA, the Nebraska Investment Finance Authority, to support economic impact projects financed through the act. NIFA can already finance projects. LB907 simply provides the same authority for projects financed in whole or part by the federal new market program. That concludes my opening. I am open to questions with the understanding that, while I understand new markets I'm at a 30,000-foot level and there are those after me who understand it much better than I. [LB907]

SENATOR GLOOR: I think we're honoring your comment. Thank you, Senator. [LB907]

SENATOR HARR: And I appreciate that. Thank you. [LB907]

SENATOR GLOOR: We'll move to proponents. [LB907]

JEFF ROYAL: Thank you, Senator Harr. Chairman Gloor and members of the Revenue Committee, my name is Jeff Royal, J-e-f-f R-o-y-a-l. I am the president of Dundee Bank in Omaha. I appear before you today in support of LB907. Before I address LB907, I'd like to give you some background on Dundee Bank. Dundee Bank is an affiliate of Security State Bank of Ansley, Nebraska. Security State Bank was founded in 1915, Dundee Bank was founded in 2006 and since that time has played a vital role in revitalizing a number of communities in Omaha, including the expanding Dundee community, the revitalization of the Blackstone District to the east of the Med Center, and in other urban infill revitalization that has gone on in the greater Omaha community. As Senator Harr mentioned, the state new markets program requires a

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community development entity or CDE to enter into an allocation agreement with the CDFI fund to participate in the state program. While the process for becoming a federal CDE is complex and at times cumbersome, the likelihood of receiving a federal allocation is very small. Since 1994, the CDFI Fund certified over 2,000 CDEs, but made only 836 allocation awards. While the 836 allocations totaled approximately \$40 billion nationally, only one award was made to a Nebraska CDE, as referenced by Senator Harr. The Commercial Federal Bank received an allocation in 2003, some 13 years ago, for \$23 million. Similarly, it is common for the federal allocations to be made to the same CDEs year after year. The most recent allocation reinforces this. In 2013, the CDFI Fund received 310 allocation applications but made only 87 allocations. Again, no Nebraska CDE received an allocation. Our organization has sought a federal allocation for the last few years and so far has been unsuccessful. This has been the case, even though our organization has demonstrated a record of investing in low-income communities, the very criteria the CDFI Fund uses in determining which CDEs are awarded federal allocations. I would note that our federal application is limited to the state of Nebraska, while many have multistate or national service areas. LB907 would allow a CDE that did not receive a federal allocation to participate in the state program and allow Nebraska financial institutions, including ours, and insurance companies to finance more projects in our own communities and, ironically, make it more likely that a Nebraska CDE will receive a federal allocation of new market tax credits. LB907 also provides additional flexibility regarding the projects CDEs can invest by eliminating the owner-occupancy requirement, as referenced by Senator Harr. As you have heard or will hear in this committee going forward, the lack of housing is a significant constraint on economic development in many of our communities, specific rural communities. By removing the owner-occupancy requirement, LB907 will help address this critical issue. Notably, the owner-occupancy requirement does not exist in federal law. By removing this limitation and making the state program more robust, LB907 will also encourage federal new market tax credits to flow to Nebraska. Lastly, LB907 ensures the program continues to create jobs in communities throughout Nebraska by authorizing an additional allocation period. The additional allocation period will build on the early successes of the program and ensure the state continues to invest in job creation. Right now, the program is essentially stalled. The additional allocation period will reenergize this proven program and allow it to again benefit Nebraska communities starting immediately. Thank you in advance for your support of LB907. I'd be more than happy to answer any questions you may have. [LB907]

SENATOR GLOOR: Thank you, Mr. Royal. And I'm guessing that the owner-occupancy was put in place to slow down speculation. I mean, help me understand why that would have been in place and why we benefit by not having it in place. [LB907]

JEFF ROYAL: I don't know, to be honest, the reason why it was in place originally. I know that it does not exist in the federal program. We have worked with the folks at NIFA and Tim Kenny, who I think is with us today to talk about how important pairing state of the market...new market

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tax credits would be in some of NIFA's efforts with respect to solving low-income housing and work force housing constraints that exist in a lot of our rural communities. And that is our intent in trying to remove the language from the existing bill. [LB907]

SENATOR GLOOR: Okay. Other questions? Senator Davis. [LB907]

SENATOR DAVIS: Thank you, Senator Gloor. I'm one of these people that does best if I have concrete examples of how this all works. So can you just walk us through an example of how this is done with a particular parcel of ground? [LB907]

JEFF ROYAL: Yeah, that's a great question, Senator Davis. And I regret that my partner at the bank, Bill Brush, isn't able to make it here today. I shared with Senator Sullivan earlier, Bill lives in Wisner and, quite literally, the snow plow couldn't make it quite up the hill to their home near the top of the hill as you look to the east of town there. And so he is literally snowed in. Bill, in addition to being a banker, is a Nebraska business owner since the early 1980s and owns a popcorn processing plant in North Loup, Nebraska. North Loup is home to Popcorn Days in the state of Nebraska for over a hundred years and Bill is a proud business owner in a community that desperately needs the jobs that his organization provides. The popcorn processing business is capital intensive. He's grateful to be on a rail spur, which allows him to ship popcorn all over the world. But it also is competitive and very capital intensive in the sense that he is in need of a new popcorn processing plant in a market and in an area of the state where it can be hard to justify a significant capital improvement. So he has tried for the last couple of years, unsuccessfully, to be allocated both federal and state of Nebraska new market tax credits, which is in part what has led us to be here today advocating some flexibility in allowing for Nebraska based institutions to have a greater voice in how those credits are allocated. So in the case of his plant, you would...the intent of the program is job stability and creation and also modernization of plants, in our case in the state of Nebraska. And so he would and has started the process of figuring out how much it would cost to modernize his plant. We're talking in the \$8 million to \$10 million range, a great size for programs like this. It can be difficult for banks to lend in the programs and in the projects like that, just given the specialization of what that specific plant does and geographically where it's located. And so his goal would be to find both federal and state of Nebraska new market tax credit allocatee to help partner with him to use those credits and programs as a source of cash to help make the plant more economically viable in the eyes of a bank. [LB907]

SENATOR DAVIS: So it's an \$8 million to \$10 million plant. And how much are the new market tax credits, then? [LB907]

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JEFF ROYAL: Well, the federal and the state programs are a little different, but generally you would...I think the federal program is limited to \$10 million total on a per project basis for what you'd get credit for. They're seven-year credits, so they come in over a period of time. But you hope to partner with an allocatee to get cash up front in the form of in the range of maybe 15 percent to 20 percent of your project costs. And those credits then would be sold for cash. The cash would flow into the project and it would basically result in him reducing the amount of money he would need to borrow from a bank on a permanent basis for his project. [LB907]

SENATOR DAVIS: Okay, so he's got \$10 million worth of renovation. He's going to...he will qualify for how many new market tax credits then? [LB907]

JEFF ROYAL: Well, \$10 million in credits, which are I think 39 percent credits at the federal level. And then those credits come in over a period of time and so it's like 7 percent a year for the first...I might look to Garner a little bit...the first four or five years and then I think it phases off. So you basically get a check up front for the full value of those credits that someone else will be able to use over that period of time...cash. [LB907]

SENATOR DAVIS: And then he takes that, uses that as a down payment on the plant, borrows the value for the rest? [LB907]

JEFF ROYAL: That's right. [LB907]

SENATOR DAVIS: So what about the owner-occupied part? That sounds more like residential real estate. [LB907]

JEFF ROYAL: Well, there are some limitations to the owner-occupied piece, but we're not talking about the plant anymore, we're talking just about owner-occupied? [LB907]

SENATOR DAVIS: Well, I'm just asking the question. When you talk about owner-occupied, that sounds like residential real estate. [LB907]

JEFF ROYAL: Yeah. Well, in the case of Bill's plant, specifically, owner-occupied in our world would mean he's an owner-user of that piece of real estate; owns the plant and operates it as his sort of trade or business, that's what he does for his livelihood. So he's an owner-operator of the plant. And then on the residential component that we're looking to change the language on, it would allow some flexibility for things like work force housing. And I don't know...Tim, are you going to talk? I might let him give a specific example, if he's willing. But I know in lots of rural communities in Nebraska, for example, places like Lexington, there's huge demand for work

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force housing. And as the folks from NIFA are out in the state hearing what the needs are, it's specifically work force housing for jobs that are in place in some of those communities. You run into sometimes the same challenge that you do in the case of Bill's plant where traditional multifamily apartment financing can be difficult in a rural community under terms that might exist in a bigger metropolitan area. So I think the intent is to be able to marry the state new market tax credit program in the same way that the federal exists now, to allow for some financing to help support work force housing. Ultimately, the goal of both of those programs is job creation in underserved parts of the state, so you would still be limited by those requirements. We would just ask that the new program mirrors the restrictions put in place on the federal program. [LB907]

SENATOR DAVIS: But is this limited to underserved parts of the state? [LB907]

JEFF ROYAL: Yeah, absolutely, by geographics. Say there's a big CDE map and so you would only be, for any given project no matter rural or urban, it would only be in an area that qualifies. [LB907]

SENATOR DAVIS: So then the final question. Is tax increment financing also a tool that's used in combination with the New Market Tax Credit? [LB907]

JEFF ROYAL: It is. Absolutely. Yes, it would work in conjunction with tax increment financing, which would be more on the local level as opposed to the statewide program. [LB907]

SENATOR DAVIS: Thank you. [LB907]

SENATOR GLOOR: Senator Sullivan. [LB907]

SENATOR SULLIVAN: Thank you, Senator Gloor. And thank you, Mr. Royal. The CDE gets kind of confusing. Why has the federal application been denied? [LB907]

JEFF ROYAL: Why has ours? [LB907]

SENATOR SULLIVAN: Yeah. [LB907]

JEFF ROYAL: Well, most are, but because it's very competitive to get a federal allocation, very, very competitive. And so much so, like I mentioned, there's been no Nebraska bank or institution that's been awarded a federal allocation since 2003, despite efforts from our organization and

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others that are based in the state to try to get an allocation for Nebraska. So in the case of ours, specifically, if we do receive a federal allocation, we're willing to limit its scope to the state of Nebraska, which is an area that's had very little activity from the federal credits. But one thing, as we talked about, that we're trying to change about the state program is that the only way now you can get an allocation is if you have received a federal one. The only way you can get a state allocation is if you've received a federal one. And then as we write our federal allocation one thing that they ask you to write about is your experience with new market tax credits and what you've done to put money to use in underserved parts of the state. So in our case, we have applied for a federal allocation unsuccessfully, though we continue to apply. We think our allocation would be strengthened if we could get a state of Nebraska allocation, because we would be able to write in our federal allocation about all the good work we've done as a state-based Nebraska organization that had received a state of Nebraska allocation. But as the legislation works now, we are not eligible for a state allocation because we've never received a federal allocation. [LB907]

SENATOR SULLIVAN: Have you advocated with your federal representatives to maybe get a little fairer distribution of these allocations across the United States? [LB907]

JEFF ROYAL: We have. And, Senator Sullivan, we would welcome any support you would be willing to give in that regard with respect to our federal representation. [LB907]

SENATOR SULLIVAN: Thank you. [LB907]

SENATOR GLOOR: Seeing no further questions, thank you. [LB907]

JEFF ROYAL: Thank you. [LB907]

SENATOR GLOOR: We continue with other proponents for this bill. [LB907]

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 appear on behalf of the Nebraska Chamber of Commerce and Lincoln Chamber of Commerce in support of LB907. That concludes my testimony. [LB907]

SENATOR GLOOR: Thank you, Garner. You're our favorite so far today. Any questions for Mr. Girthoffer? Seeing none, thank you. [LB907]

GARNER GIRTHOFFER: Thank you. [LB907]

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JERRY STILMOCK: (Exhibit 1) Good afternoon. Chairman Gloor, members of the committee, my name is Jerry Stilmock, J-e-r-r-y, Stilmock, S-t-i-l-m-o-c-k, testifying on behalf of my client, the Nebraska Bankers Association. I really don't believe I can add anything to the detail that Senator Harr and Mr. Royal gave. I was hoping that I could rely on Mr. Girthoffer as well, but his was rather quick and to the point of saying we support. I have some comments there in writing to submit to the committee. Mostly, I think the decoupling from the federal legislation would help free up the legislation. We were supportive previously when Senator Schumacher introduced the original legislation back in...adopted in 2012 and we're here with that same support. I urge the committee to advance LB907. Thank you. [LB907]

SENATOR GLOOR: Questions for Mr. Stilmock? Seeing none, thank you, Jerry. [LB907]

JERRY STILMOCK: Thank you. Yes. [LB907]

SENATOR GLOOR: Other proponents before we move to opponents? Any other proponents? Opponents of this bill? Are there those here in a neutral capacity? [LB907]

TIMOTHY KENNY: Mr. Chairman and members of the committee, my name is Timothy Kenny, T-i-m-o-t-h-y, Kenny, K-e-n-n-y. It's my honor to be your executive director of the Nebraska Investment Finance Authority. We're mentioned in the first part of the bill as...the first part of the bill has a notation that would make the state New Markets Tax Credit an eligible project for purposes of NIFA. NIFA, as you know or may remember, is the independent instrumentality that helps the state of Nebraska attract and use federal resources. The federal resources we currently administer on your behalf include the federal Low-Income Housing Tax Credit program, which we've administered for you since its inception in 1986, as a result of the '86 reform act. We also administrator the federal tax exempt bond program, which is used for affordable housing as well as small business, economic development, industrial development, agriculture, hospitals, other types of uses. The federal New Markets Tax Credit program was added to our portfolio as eligible projects I believe in about 2005, if I'm not mistaken. And since then, we provide technical assistance with respect to that across the state. We also help subsidize applications for federal new markets tax credits in the state, and I believe we've done four or five of those. And in certain instances we would be allowed to provide investment funds for new markets tax credits, which we've not done in the state of Nebraska principally because we've not had many federally funded new markets tax credit programs or projects in the state of Nebraska. The provisions in LB907 would enable NIFA to provide technical assistance and add this program, the state new markets tax credit program as an eligible project for NIFA, which was not done originally. I don't know why, it was perhaps an oversight. And we're certainly happy to do that and it would not be a burden for us since we're in the field already. And that's my testimony. [LB907]

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SENATOR GLOOR: Thank you, Mr. Kenny. Are there questions? Senator Sullivan. [LB907]

SENATOR SULLIVAN: Thank you, Senator Gloor. Did I understand you...thank you for your testimony, Mr. Kenny. Did I understand you to say that there have been investments here in Nebraska that have qualified for federal new market credits? [LB907]

TIMOTHY KENNY: That is correct. There are...there's really a three-phase process: There's an application phase; an award phase to an eligible recipient of allocations; and then an investment phase. Some applicants have an authority to invest in Nebraska, but they're not Nebraska-based corporations. For example, I serve on many advisory committees just in an advisory capacity to federal allocatees, New York banks or other entities that would like to invest in Nebraska and who make applications, but they're not from Nebraska. And there are few, but not many. [LB907]

SENATOR SULLIVAN: So in other words, with this proposed legislation, it would open it up to Nebraska institutions...entities? [LB907]

TIMOTHY KENNY: This...because we have no Nebraska awardees of an allocation, this would make Nebraska applicants...people who are capable of using New Markets Tax Credits but have not received a federal allocation to be eligible for state allocations. And just as a parallel, we used to have a similar thing in the housing tax credit program, which is a similar federal tax credit program. And in the early days, we said, well, you could only get an allocation of housing tax credits if you had a previous allocation. We found that to be very counter productive because capacity to do this and the ability to do this are really two different things. And for a state entity that has...a state organization, a state business that has the capacity and the ability to do this to say as a precursor that you need to receive the federal allocation is probably a complication that should be reviewed. [LB907]

SENATOR SULLIVAN: Thank you. [LB907]

SENATOR GLOOR: I see no further questions. Thank you, Mr. Kenny. [LB907]

TIMOTHY KENNY: Thank you. [LB907]

SENATOR GLOOR: And thank you for the work that you do. Anyone else in a neutral capacity? Senator Harr, you're recognized to close. [LB907]

SENATOR HARR: Thank you, Chairman Gloor, members of the Revenue Committee. Just quickly, I had a Governor Perry moment in my introduction when I couldn't remember the

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two...the new market tax credit program, who oversaw it, so I said IRS and Revenue. I knew that was wrong, but I couldn't remember the other one and hopefully you guys glossed over that. But it is the CDFI Fund and the IRS that oversee the new markets tax credit program on the federal level. And while I was looking that up I saw for every dollar of new markets tax credits, there's \$8 private money that goes in, so it's a great return on investment. We originally passed this with Senator Schumacher, because we wanted to find a way to leverage the federal dollars and get more money in our state. And to that degree the program has been very successful; it is fully subscribed. The one thing we didn't foresee was how difficult it is for local entities to apply for these...to be a CDE. And so that's what this is hoping to address is the fact that while we may be getting federal dollars and we might be having state dollars used for investment in Nebraska, which is great, it's not Nebraska companies that are...and that's what we want. That's what this bill helps address. And so for that reason, hopefully, if we have a state program where they don't have to get the federal dollars but it's state alone, they can get that experience that Mr. Royal talked about so that then they do qualify for the federal. And again, we start getting state entities applying for the new market tax credits. With that, I would entertain any questions you may have. [LB907]

SENATOR GLOOR: Senator Scheer. [LB907]

SENATOR SCHEER: Thank you, Senator Gloor. And I apologize because I missed your opening... [LB907]

SENATOR HARR: It was intriguing. [LB907]

SENATOR SCHEER: I'm sorry? [LB907]

SENATOR HARR: It was very good. [LB907]

SENATOR SCHEER: I'm sure it was, they always are. [LB907]

SENATOR HARR: Yes. [LB907]

SENATOR SCHEER: But having said that, I'll give you the opportunity if you've already said it to say it again and, if not, then you can explain. In looking at the financial analysis, I notice it does pop up another \$10 million in three years. The reason for that, just because it's fully subscribed now and...? [LB907]

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SENATOR HARR: Yeah, so when we passed it, we took into account the cost of the program. And because it is over...well, fully subscribed and there are more applications than there are programs, that we would add another \$10 million to it. I realize that's a large amount. Fortunately, it doesn't kick in for three years and we can budget for that. But it's \$10 million in new projects that we would have across the state of Nebraska. And what we've found is for every \$22,000 in aid it creates a job...of the New Markets Tax Credits. So you figure how many jobs are created out of \$10 million and then do the income tax on that, it's a pretty good return on investment. [LB907]

SENATOR SCHEER: Well, I'm not questioning that, I just... [LB907]

SENATOR HARR: But yeah, it is a... [LB907]

SENATOR SCHEER: ...I find it noteworthy that those dollars sort of kick in when you're leaving and then we have to find a way to pay for it after you leave for your bill. But it's very clever on your part, I have to say, Burke. [LB907]

SENATOR HARR: Well, thank you. [LB907]

SENATOR SCHEER: Thank you, Senator Harr. Thank you, Senator Gloor. [LB907]

SENATOR GLOOR: I see no further questions. Thank you, Senator Harr. [LB907]

SENATOR HARR: Thank you. [LB907]

SENATOR GLOOR: (Exhibit 2) And we have one letter in opposition, Renee Fry with OpenSky Policy Institute. And that will close the hearing on LB907. We'll return to LB886. Thank you, Senator Davis, for your patience. We just missed you as we moved forward. Anytime you're ready, Senator. [LB907]

SENATOR DAVIS: (Exhibits 1, 2, 3, 4, 5, 6) Okay. Chairman Gloor, members of the Revenue Committee, my name is Senator Al Davis, A-I D-a-v-i-s, District 43, and I'm here today to ask that you advance LB886, the Volunteer Emergency Responder Incentive Act to the floor. LB886 is not a new concept to this committee. However, it is different in two significant ways from the previous versions heard before the committee. First, the refundable credit available under this bill is for \$250 instead of \$500. Secondly, those qualified volunteers must actually complete two years of certification before qualifying for the tax credit. After that initial qualification, the qualified volunteer qualifies annually for the credit. In this manner I hope to address a

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predictable problem with accurately assessing the number of volunteers asking for this credit and also as a way to make certain that the certification program was reliable before awarding tax credits. In a practical way we will know by February 15, 2017, how many volunteers are available to qualify for the tax credit in 2018. This data would assist in knowing whether we had budgeted appropriately. Finally, an issue has come up and is one I would like to work with both committee staff and the Department of Revenue. And that is, what should happen if a report is submitted in error? Perhaps a qualified volunteer was omitted from the report. Or perhaps volunteers who have not qualified were erroneously included in the report. Perhaps either we can amend the bill to include procedures to correct this record as submitted or we could grant the Department of Revenue rule-making authority to address this matter. There are a number of experts behind me to further discuss this bill. We are handing out letters that came to my office from a number of people who were going to be here today and from some others. Of course, obviously, because of the weather a lot of folks in western Nebraska couldn't make it, so I hope you'll take the time to read those letters. I am going to excerpt a little bit from Ann Fiala's letter, which I think might be the top one in your stack, to talk about why this is needed and what we intend to do with it. I'll preface that by saying that this summer I participated with Senator Watermeier and Senator Kolterman in a hearing to look at the EMS system. And one of things we have found is that both in the fire departments and in the EMS we're seeing a significant decline in participation by people in rural Nebraska. So with that, I'm just going to read a few excerpts from Ms. Fiala's letter. She is a volunteer EMT firefighter from Ainsworth and she's a member of the state Nebraska EMS Board. She said: "I request your serious consideration of the passage of this bill in the effort of aiding in the recruitment and retention of our volunteer emergency services across the state in the years to come. Passage of LB886 will provide an excellent incentive to individuals considering to donate their time as a volunteer emergency responder, whether in the line of emergency medical services or firefighting or both. This bill also would serve as an extremely worthwhile investment in the state's current emergency responder volunteer force who have given countless hours, months, and years of their time serving their communities and their state for no or very little compensation. I am certain at this point in time you've become very aware of the volunteer emergency responder crisis that has been descending upon the state for the last ten to fifteen years. The number of active volunteers continues to decline at a steady pace, not only in Nebraska but across the nation. While some states have been forced to turn to paid services for both fire and EMS, Nebraska would likely be crushed under the financial burden of doing so at any level, city, county, or state. We, as volunteers, have been desperately urging the Legislature for a number of years now to help these volunteers to find ways to encourage the younger generation to become volunteers and to compensate and support in creative ways the current volunteer force so they are more likely to remain volunteers because we know and understand precisely what dire financial straights losing the volunteer emergency responder would put most counties/communities in as each volunteer service declines to the point that they can no longer sufficiently serve their community. This may seem like a dramatic, drastic, worst-case-scenario talk, but when the rate of decline is steady

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over the last 20 years and is projected forward 20 years at the same rate because there are no current trends showing improvement, you will see exactly the situation I speak of here. There may still be pockets of volunteers in the more populated areas and a few in the small communities willing to volunteer, but not enough to respond and be successful at containing a structural fire or battling out-of-control wildfires or even enough to put two on an ambulance to respond to a 911 call for a critical patient. In many rural areas of Nebraska, that is happening today. I have witnessed this in our area as Brown County Ambulance, who has been close to not having enough EMTs ourselves in recent years, has had to cover Keya Paha County and Rock County and Blaine County in addition to their normal coverage area of all of Brown County and the western edge of Cherry. As a member of our volunteer fire department, which is separate from our ambulance service, I have also seen fire calls come in where only 10 of our 36 firefighters are available to show up because others are working out of town or have jobs where they cannot or will not allow...bosses who will not allow them to leave work to respond. Ten people are never enough to fight a fire of any significance, thus our other departments are called upon for mutual aid, leaving these communities with no or significantly depleted coverage." We can speak to that, from my own heart in dealing with the 2012 fires in the Pine Ridge area and in the Niobrara Valley where volunteer services were called in from central Nebraska, southern Nebraska to deal with those fires. This is a sensible approach. These people put in a tremendous amount of time, not just dealing with the fires, not just dealing with the ambulance, but dealing with the training that goes into that. If you take an EMS worker who goes in for training, the classes are months long, they're expensive. Each department has its own rules and regulations about how much participation time people need to take in training. Many of these gentlemen and women attend a state fire school where they put in several days learning how to be better responders, better doing what they do. They're very dedicated. We're getting off incredibly lucky by having them. At the EMS piece this summer we had testimony from I believe it was Cass County where they've gone to a more professional staff for their EMS. I want you to think about what that would require if we have to have EMS in our communities. It's 24 hours a day. You have to have two people on an ambulance and you have to have a driver. So just the pay for those entities and those individuals would consume hundreds of thousands of dollars at the local level. A tax credit for these people gives them something to work for. As they move into the certification, we think that we'll generate more volunteers, more enthusiastic volunteers, volunteers who recognize that the state of Nebraska is acknowledging they provide a service to the community. So with that, I would take any questions, but I would urge you to listen to the people behind me. [LB886]

SENATOR GLOOR: Thank you, Senator Davis. Senator Brasch. [LB886]

SENATOR BRASCH: Thank you, Chairman Gloor. And thank you, Senator Davis. I, too, speak from the heart where in our rural communities not enough credit can be given to the degree of work they do; phenomenal. I mean, courageous beyond measure and deeply grateful. Where I

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see a little hiccup here is saying the word volunteer and then having a tax credit for a benefit. That's a type of payment. That is so that they're not really volunteers any longer if you start giving them a tax benefit, are they? That's a type of compensation or is there another way to give them a benefit besides on their yearly...maybe because it's not a...you know, Meals on Wheels are volunteers or there are other volunteers that we need to make sure...you know, people depend on those meals to come to their homes. I'm not saying they're not worthy, but they're not a volunteer...don't say volunteer if there's some sort of cash reciprocal expectation. [LB886]

SENATOR DAVIS: Well, they have been volunteers. What they do is, they provide public safety in rural parts of the state... [LB886]

SENATOR BRASCH: I know their role. [LB886]

SENATOR DAVIS: ...where public safety would not exist without it. And we would need to come in with a professional, paid staff to take their place if they were not there. So we can argue about whether this is compensation or not. What I would say it is, is recognition of the sacrifices that they've made, the work they do, and also because we have these certification requirements, it helps...they will be required to be able to demonstrate that they're fully committed to the program. [LB886]

SENATOR BRASCH: And there's no other way to recognize, offset, this is the only way we can maintain their...again, the volunteer...the word with volunteer and then a tax credit seems to be counter. And I could be wrong. Maybe there's something in statute that says a volunteer is up to so many hours or...but the dictionary word volunteer is without... [LB886]

SENATOR DAVIS: Correct. I'm not going to argue with your point. [LB886]

SENATOR BRASCH: Okay, that's my only questions. And not that they're not worthy. They are worthy. However, just that little piece bothers me. [LB886]

SENATOR DAVIS: Thank you, Senator Brasch. [LB886]

SENATOR GLOOR: Senator Harr. [LB886]

SENATOR HARR: Thank you, Chairman Gloor. Senator Davis, I kind of want to piggyback on part of what Senator Brasch said and that is the work of our volunteer firefighters is amazing. No one discounts what they do, the amount of time they spend, the effort. I had a grandfather who was a volunteer firefighter chief. So I get the hard work that goes into it. But this goes to more of

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a philosophical question. It's a question we've talked about around the edges, something we're going to talk a lot about tomorrow. And that is, what is the relationship between the state and political subdivisions? And what I'm getting at here is, we have a situation where no one doubts the value that volunteer firefighters provide. But in places like my district the fire and police, well, specifically here the fire and EMTs are paid for through city dollars. Okay? And the benefit is on the city level. Now we have a bill here before us, while no one denies that \$250 does not even come close to what these individuals deserve for the hard work and training they receive, the question is, why is it the state's duty to provide that \$250 tax credit instead of our local municipalities providing the \$250 in either training, equipment, whatever that is? Why should we, on the state level, be doing this? [LB886]

SENATOR DAVIS: And I'll come back to the answer I gave Senator Brasch which is, really this tax incentive will help recruit, help keep people in the crew. And it's so much less expensive than if local entities had to go out and buy the services. [LB886]

SENATOR HARR: And again, I don't disagree with that. I'm just not sure why that's my responsibility on the state level when the benefit is on the local level. Why doesn't the local government pick up that cost? When in parts of the state... [LB886]

SENATOR DAVIS: And I would say from the rural perspective, Senator Harr, that there are many things that happen in Omaha that I have no interest in or no support for, but it's part of being in the state of Nebraska, that we share certain...there are certain benefits that accrue to the state of Nebraska by having these services in place. They accrue to...if, for example, we had a situation where we had to hire everything done, and I'll say in Grant County, Nebraska, the county would be broke. There would be a desperate need for resources to come in from the state because there would be no local resources that are available. [LB886]

SENATOR HARR: Yeah. And I'm not asking to hire someone. What I'm saying and maybe I'm not being clear is, why do we provide state subsidies to parts of the state and not others? I mean, I just don't... [LB886]

SENATOR DAVIS: I think we provide a significant number of subsidies to SAVE Omaha, we've given you turnback tax on some of your projects over there to help you develop what you're doing. That's income and sales tax that's coming out of my pocket to help Omaha develop its business community. [LB886]

SENATOR HARR: But it's available throughout the state. The turnback tax is not limited to Omaha, La Vista, Ralston, Lancaster, it's available throughout the state. It's just where it's been taken advantage of so far. This would be prohibitive. We couldn't use this. [LB886]

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SENATOR DAVIS: Turnback tax is probably never going to take place in Hyannis. [LB886]

SENATOR HARR: Okay. [LB886]

SENATOR DAVIS: We're probably never going to have an arena built there that's going to generate sales tax for the state. [LB886]

SENATOR HARR: Okay, thank you. [LB886]

SENATOR GLOOR: Senator Sullivan. [LB886]

SENATOR SULLIVAN: Thank you, Senator Gloor. Thank you, Senator Davis, for introducing this. It's fair to say, wouldn't it be, that there are people traveling from Lincoln and Omaha out to Ainsworth or Brown County that might have an accident and might want to be taken to the hospital by a local EMT. Is that correct? [LB886]

SENATOR DAVIS: Great point, Senator Sullivan, thank you very much. [LB886]

SENATOR SULLIVAN: Okay. Now just to clarify a little bit about what you said, does the...is there going to be a clearinghouse for this record of training and certification? Who would keep track of that? Explain that a little bit more. [LB886]

SENATOR DAVIS: So each department...I think someone behind me can probably speak to that. But each department will be required to keep the records necessary to demonstrate the hours that each of the volunteers has put in and that's the way it would be done. But Senator Bloomfield was concerned that perhaps a mistake might have been made at one level or another that would either give someone a credit when they didn't deserve it or a mistake might be made the other way where they should have had the credit and they didn't get it. So that's why we included this last paragraph to discuss trying to amend the bill so that there might be some regulations put in place by the department. [LB886]

SENATOR SULLIVAN: Thank you. [LB886]

SENATOR GLOOR: Other questions? Senator Harr. [LB886]

SENATOR HARR: I just want to make the record clear, because I understand what Senator Sullivan is saying, and vice versa when people from greater Nebraska come to Omaha, they

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expect treatment. My issue and my question is--and it hasn't really been answered--is, this is a role traditionally paid for by local government. And this is, again, the conversation we're going to be having tomorrow is how much do we on the state want to control what our political subdivisions do or don't do? But police, fire, trash, all that is traditionally provided by local government and paid for by local government and through property taxes. And so now we're doing...and, again, I think what our fire...volunteer firefighters do is great. But the question is, we are changing the role and responsibility between the state and the political subdivision by providing the subsidy. And I guess my question is, how do I justify it for firefighters, local, volunteer firefighters and what is the policy? How do I decide that I do it for here but not for another area? What should I be looking for in making this policy decision to provide state subsidies for a program that is traditionally funded on the local level? [LB886]

SENATOR DAVIS: Well, I'll step in and talk a little bit about some of the other things that we do in the state. We build roads in this state. We're going to maybe invest in local county bridges to repair those and keep those in shape. Those are traditionally a local endeavor also, but the state has decided that it's in their best interest to help get our county roads and bridges in good shape so that will help our infrastructure and help our competitive approach. I think this also does the same thing. [LB886]

SENATOR HARR: Thank you. [LB886]

SENATOR GLOOR: Seeing no further questions, thank you, Senator Davis. [LB886]

SENATOR DAVIS: Thank you. [LB886]

SENATOR GLOOR: We'll now move to proponents for this bill. [LB886]

JOHN HANSEN: Mr. Chairman, members of the committee, good afternoon. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n, and I appear before you today as the president of Nebraska Farmers Union. I am not one of those experts that Senator Davis referred to, but I am jumping between committees today so I appreciate the chance to move to the front of the line. We are a statewide general farm organization that goes across the state of Nebraska. We interact with local fire departments, emergency responders. We've been before this committee before asking for certain kinds of things that would be helpful to them. My family is involved in emergency responders. My brother is the fire chief in Tilden, Nebraska. The amount of time that...and dollars that are involved in sparsely populated communities in order to be able to provide these services are very substantial. And it really becomes a difficult matter to be able to recruit and keep volunteers to be able to make all of the things work. And so if you get into a situation like we have some falls, for example, where we have a very dry fall and the cornfields

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get really, really tinder dry and a bearing goes out. And I've been in that situation where these fires take off and they go and they consume huge amounts of time. And a local fire department can spend enormous amounts of time and resources in the fall helping deal with these kinds of fires. And so the local business who lets their employee volunteer, they're gone a substantial portion of the time. In my brother's case, he has a hard time doing his own farming because he's spending so much time volunteering and providing those services and also helping train other communities. And so the stress point becomes greater and greater each year. And so this seemed like to us a reasonable thing to do that would be helpful in order to try to help recruit and maintain the volunteers that are so much more cost effective to provide some basic and necessary infrastructure across our entire state of Nebraska. So we would encourage the committee to think about this bill favorably and I encourage your support. And with that, I'd be glad to answer any questions if I may be able to do so. Thank you. [LB886]

SENATOR GLOOR: Any questions? Senator Scheer. [LB886]

SENATOR SCHEER: Thank you, Senator Gloor. I'll just reiterate. How would you respond to Senator Harr's comment that this is state dollars flowing into the either county or local jurisdictions? I can see his point, but essentially if we don't have volunteers then the community or the county would have to hire additional people to do that and without question your property taxes go up to fund that. So this is a much less expensive way to show appreciation. But I think the point he was making, a local entity, either a county or a fire district or whatever the case might be, could equally fund that type of appreciation as well. I'm just curious. I get where they're going, I just was wondering what your assessment would be. [LB886]

JOHN HANSEN: Sure. Well, I...having been before this committee for 26 years, we pass tax incentives all the time that are taxes that benefit a very small number of urban communities that, yes, they're statewide authorized but they're not statewide utilized. And we do that all the time. And when we stop doing that, then...I look at this as a very cost effective thing to do. And I'm a sucker for a better idea. So if there's a better way to try to help those local volunteers, I'm all for it. But this seems like a reasonable one and I'll support it till I find a better one. [LB886]

SENATOR SCHEER: Thank you, Mr. Hansen. Thank you, Senator Gloor. [LB886]

SENATOR GLOOR: Seeing no further questions, thank you, Mr. Hansen. [LB886]

JOHN HANSEN: Thank you. Good afternoon. [LB886]

SENATOR GLOOR: Continue with proponents. Afternoon. [LB886]

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MICHEAL DWYER: (Exhibit 7) Good afternoon, Chairman Gloor and members of the Revenue Committee. My name is Micheal Dwyer, M-i-c-h-e-a-l D-w-y-e-r. And for those of you that I saw Monday at the NASB Education Convention and for those of you that I saw Monday afternoon at the Northeast Nebraska Chamber, I want to be clear with you about what hat I have on at the moment. I am a member of the Arlington Volunteer Fire and Rescue Service and secretary-treasurer of the Nebraska State Volunteer Firefighters Association, and I'm here in support of LB886. I would mention a little disclaimer. I took a pretty good rap on the head yesterday morning in the early parts of the snowfall, so if at any point I fall asleep or start talking about flying lanterns, somebody...I would encourage the chairman to wake me up. [LB886]

SENATOR GLOOR: We'll call an EMT. [LB886]

MICHEAL DWYER: As long as they're a volunteer. Personally, I've experienced all of the joy and all of the camaraderie that comes with the best of public service. I have known what it's like to save lives and lose lives. I've seen horrors that I can't talk about here. I've experienced PTSD, choking, blinding smoke, yesterday's mild concussion, and about everything else that 33 years and over 1,700 calls could bring. What I've never experienced is any kind of compensation. Over 72 percent of Nebraska is protected by volunteer fire and rescue services. We have worked on incentives for volunteer fire and EMS since the '90s. Thirteen months ago when I and other members of NSVFA's special legislative committee began working on evaluating and finding solutions to the alarming shortages of fire and rescue volunteers we never intended to come and ask for a tax credit. We surveyed our member departments and received over 155 department responses. I have attached highlights from over 14 pages of comments, specifically those that speak to manpower shortages across Nebraska. We worked on LR298, a hearing that was heard October 2, which provided over four hours of testimony and 27 testifiers. We had hoped to find a better solution than the National Registry test, which is our certification process initially and, unfortunately, there are none. We continue to work with NEMSA, community colleges, and other instructor agencies to streamline and modernize how we teach EMT classes. We're beginning to mend the broken relationship between volunteer providers and the HHS Division of EMS and we've made good progress. But it's a cultural change and that will take time. We have worked to identify EMS as an essential service, which for anyone who has ever called 911 certainly I would think that would be obvious, but that in and of itself doesn't do anything. We hope to have counties identified as being responsible for EMS, but if numbers continue to fall--and this speaks a little bit to the conversation earlier--how many counties could afford several hundred thousand dollars or millions of dollars to supplement or replace volunteer EMS providers? Since 2012 NSVFA has helped facilitate a \$1.92 million federal SAFER grant which helps with recruiting and retention, but despite all of this numbers continue to fall. December's EMS provider certifications were down at least another 205 providers and in some areas response times have fallen to dangerous levels that would never be accepted or tolerated in urban areas. I know the hurdle here is the fiscal note. I know that the timing could hardly be worse and none of us have

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any easy answers. But I also know that you are charged with setting priorities with the Nebraska's \$4.4 billion in projected revenue. This request for fire and EMS services across the state represents less than one half of 1 percent of that. Let me be clear, we are asking you to let us make our case to the entire Legislature. Please advance LB886 to the floor. And I would be happy to take any questions and would love the opportunity to respond to the two questions that were earlier. [LB886]

SENATOR GLOOR: Senator Scheer. [LB886]

SENATOR SCHEER: Thank you, Senator Gloor. Go ahead and respond. Would you like to respond and then I'll have my other questions, so. [LB886]

MICHEAL DWYER: Good. To Senator Brasch's questions about the definition of volunteers, I would give you a couple of answers. There is a federal definition and I think our lobbyist, Jerry Stilmock, will speak to that in a little while, so I think that will offer a little bit more clarity. The only other thing I would tell you, if you do the math on LB886 the 50 points that we would need to get, each point represents roughly two to two and a half hours, so that puts us at about \$4.50 an hour. Given that we're significantly below even minimum wage, I would still argue that that qualifies us as a volunteer. You did bring up an interesting point with respect to what other options other than a tax credit is out there. And we had long conversations about what else could we do to incentivize or encourage. And I would say, certainly on my behalf, we're open to any ideas that you have. The only thing that I would ask is that they have to be significant and visible. We need to send a message to the volunteer fire and EMS providers across the state that this state truly cares about what we're doing. Options could be participating in discounts through the state healthcare program, most of our providers are small business owners. But we haven't found any options, at least that I know of, that are significant enough to tell the responders in Nebraska, the state cares about what you're doing. We recognize that there's a shortage, a critical shortage, and we're willing to do at least something about it. To Senator Harr's point, great points, good questions. The analogy that I use in my district, we have two state highways that come through the district, Highway 30 and Highway 31. If the state decides to build a second highway, the state's going to support a significant portion of that in addition to federal and other dollars. If we need law enforcement on that, NSP provides that. If, God forbid, in Nebraska it would ever snow the state's going to come along and help with snow removal for that. But God forbid anybody here or anybody else has an accident on that highway or the vast majority of the highways in Nebraska, the state expects volunteers to respond to those accidents and to those fires. In addition, while we're a volunteer agency, at least on the EMS side and soon I would argue that on the fire side, we're going to be...we are regulated by the state of Nebraska and they expect us to do certain things. When I got home from that call the other morning at 6:30, I still sat there for another 45 minutes and did the paperwork necessary to be able to enter that, which the state requires me to do. Well, on balance I think those qualify us for some kind of

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remuneration from the state. The only other two things I'd ask is if we...if you put all the responsibility on the counties, I think I can say with confidence, two things will happen. There's not going to be any expediency in that. The numbers that we're giving you today demonstrate I think some urgency to this. And if we dump it to the counties there will be winners and there will be losers. There will be counties...the Cass County model is a great example that they have really had the means to be able to provide what I think is a good system. But it doesn't necessarily apply to everybody. And I think that's what, if we dump this off to the counties, that's what you'll see across Nebraska is there will be no expediency of this because they just have to figure it out. And two, there will be winners and there will be losers. And I don't think where lives and property are at stake, I don't like that option. Sorry. [LB886]

SENATOR SCHEER: Okay. Now for my question. Just for information, you talked about the federal grant for trying to recruit. What types of things did they do, although maybe not as successful as people had hoped? What were they doing to try to retain or... [LB886]

MICHEAL DWYER: Yeah. And the office manages...manages isn't fair. We have a grant administrator that manages that grant. There are some really, really good recruiting/retention classes. I was to the one in Norfolk in November. About a day and a half, good instructors, ours happened to be from the southeast, and they really help departments create a program that's a combination of good PR work, good internal stuff so you're tracking what we're doing. And then also retaining those members, the things that you don't want to do in interacting with the volunteers as you would in the work force in most cases. But also all of the other structural stuff so that you can keep those volunteers in place. So the recruiting/retention piece is huge. Now posters, advertising materials, speakers, there's a number of other things that the grant provides. I hope that helps a little bit. [LB886]

SENATOR SCHEER: Sure. Thank you. Thank you, Senator Gloor. [LB886]

SENATOR GLOOR: Senator Brasch. [LB886]

SENATOR BRASCH: Thank you, Chairman, and thank you, Micheal, Mr. Dwyer. This is formal. [LB886]

MICHEAL DWYER: Micheal, Micheal is fine. [LB886]

SENATOR BRASCH: You are a constituent, you are a tremendous volunteer, you wear so many hats. It's amazing. You literally are a man on the move constantly. Not enough gold stars... [LB886]

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MICHEAL DWYER: Thank you. [LB886]

SENATOR BRASCH: ...and certainly a place in heaven. [LB886]

MICHEAL DWYER: Thank you. [LB886]

SENATOR BRASCH: And I am an advocate. I am truly an advocate. I've toured your fire departments and the others and those are critical, critical services, absolutely, in our rural areas. And long before I even considered running for an elected office, on our farm my late brother-in-law didn't burn the trash right and Sunday after church I'm driving there and I see problems. I call and people are running to this fire, where normally people are running away from the fire. And I had completely forgotten about it until I was paying for some gas at a gas station and the young woman behind the counter--maybe it was ten years ago, I don't know, eight years ago--she had said, you're the nice lady who brought us sandwiches. And I said, what? And she mentioned that she was at that fire. And this was on a Sunday, a hot Sunday after church when they could have been home dining with family. So how do we...again, back to the word volunteer. And we'll look at the definitions and I'm curious now that, you know, credits, maybe a property tax credit. That would be a huge asset or something, I don't know. And that's local, that all goes to local. Maybe something within the local areas. And I'm wondering if we drop the word volunteer and just start calling it first responders, fire, etcetera, if we are starting to attach a dollar, even though it's very low compared to the high, high value that you have. But my other thought when you were saying, you know, how would we sort of like a priority seating, priority first in line? You know, like at a hotel or an airport, EMTs, you know, servicemen, all come here. But I do understand, you even put personal expenses into your duties there and textbooks and... [LB886]

MICHEAL DWYER: Looking at buying...excuse me for interrupting. [LB886]

SENATOR BRASCH: Yes. [LB886]

MICHEAL DWYER: Looking at buying a \$36,000 pickup because I can't get...couldn't get to a call yesterday in the little two-wheel drive thing I have. Excuse me for interrupting. [LB886]

SENATOR BRASCH: Yeah, so. No, but that is, and that's what from our ongoing dialogue is there's a lot of out-of-pocket that communities don't even realize that the volunteers will do. We've also discussed about having it within either the division, the parent, be within NEMA or Health and Human Services because you are lifesaving or you're also...at this point, there is no agency or anywhere for you to lean on, correct, except county? [LB886]

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MICHEAL DWYER: Interesting, multifaceted question and I'll try to, with my dinged up head here, keep track of that. To the word volunteer, there are a number--I want to say this very carefully--there's a number of individual volunteers across Nebraska that are very, very proud of that handle, as they should be. Our agency has about 118 years of service behind it and we're not necessarily crazy about giving that up. I'll tell you honestly that sometimes in the conversation of incentive programs locally, some of the people you'll talk to will tell you, that's not the reason I do this. I do this because I want to give back to the community because I enjoy the camaraderie and the brotherhood. I don't necessarily need that, but on the other hand, those days are gone. Quite frankly, I'm not necessarily crazy about becoming another state agency. I think there are incredibly less expensive ways to incentivize participation in a local volunteer fire department without necessarily getting into the bailiwick of becoming another state agency. We have a tremendous relationship with Nebraska Fire Marshal's Office who arguably leads that portion of us. Not so much with the Health and Human Services Division of EMS. I think there would be...if what I'm telling you is that we need something significant, at least visibly significant, to encourage the members that are there and new people to join, I don't know jumping on board with a state agency is...I can see a lot of people going, not so much. With that said, could you find a portion of the \$2.2 million--I think is what the fiscal note, \$2.2 (million) or \$2.5 (million)--could you find a portion of that inside HHS, inside NEMA, inside the reserve fund that the state of Nebraska has? I think so. But that's why you guys get paid the big bucks. But I just can't reiterate enough that whatever you decide to do...two things. We would love the opportunity to debate this with entire Legislature. I think there is a...more than any other time in my 33 years and about 9 of working on legislative issues, there is more interest and more energy in the fire service and the EMS world behind this initiative than there has ever been. And if we don't do this, there will be a loud thud across the state of Nebraska and a lot of people are going to go, that's it. I don't think the world is going to come to an end. I don't want to give you that impression, but I know that there is infinitely more conversation about this now than I've ever heard. [LB886]

SENATOR GLOOR: Senator Scheer. [LB886]

SENATOR SCHEER: Thank you, Senator Gloor. I apologize. I don't have a problem with volunteer. Anytime somebody is getting a buck or 40 cents an hour for their work, that's volunteer to me. But having said that, any given year, how much of your own finances do you use to support your activity within the fire department? I mean it has to be far in excess of \$250, does it not? [LB886]

MICHEAL DWYER: More than that probably in ripped up jeans and oily T-shirts. [LB886]

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SENATOR SCHEER: So maybe we need to just retitle it, I mean, if it's semantics, to the volunteer emergency responders reimbursement act. Think of a total of \$250 total tax credit for expense reimbursement. I think sometimes we get hung up on the wrong semantic-type things. But just wanted to verify that there was substantial, not only cost in time of your talents, but your financial interests as well. [LB886]

MICHEAL DWYER: Are you offering that as an amendment? [LB886]

SENATOR SCHEER: That's not mine to do. Thanks, Senator Gloor. [LB886]

SENATOR GLOOR: Thank you. Seeing no further questions, thank you, Mr. Dwyer. [LB886]

MICHEAL DWYER: Thank you very much. [LB886]

SENATOR GLOOR: We continue with proponents. Good afternoon. [LB886]

LORI PANKO: Good afternoon, Chairman Gloor and members of the committee. My name is Lori Panko, L-o-r-i P-a-n-k-o, and I am a volunteer with the Cook Rescue Squad, located in southeast Nebraska, Johnson County. I've been an EMT for 17 years. Our squad currently consists of four EMTs, two RNs, and 1 EMR. We also have two that are finishing up training and classes and are preparing to take the National Registry test. We also have a very good working relationship with our volunteer fire department. We have on an average of three to four firemen that respond with us to help drive, lift, retrieve equipment that we need, and so forth. Our area of coverage is approximately 50 to 60 miles and we respond to an average of 15 to 20 calls a year. I'm here to discuss some of the issues that our squad in our county are seeing right now. At this time, one of our struggles is that we only have two of our squad team members that are working in town during the day. However, they cannot always leave their jobs to respond or they may be out of town. Our area is a rural agricultural community and most of our firefighters are farmers who are around during the day. We have several firemen that respond to help, again, lift, run, they prepare the scene for us so that we can focus on the patient. They always have an avenue of route for us to get that patient to the squad. Very, very helpful. They would also make great EMTs. We cannot get them to commit to the many hours of education that begins during harvest, runs through calving season and planting season. If Cook Rescue cannot maintain their service and folds, the closest squad is about 15 miles from Cook. And depending on where the call is in the district it could take 30 to 45 minutes at best before EMS could arrive and in some cases that can be a matter of life or death. I have served on the Johnson County Ambulance Board, which consists of Tecumseh, Sterling, McCook rescue squads and I know that they are struggling with these issues as well. I work for Farmers Bank of Cook and I am very fortunate and appreciative that they allow me to leave work without loss of pay to respond to the calls. They understand the

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importance of keeping our local EMS service. Not all employers are as generous. As of December 31 we had seven EMTs; as of January 1 we are down to four. One member retired after 25 years of service. The other two did not have enough continuing education hours to renew and they actually were not very active. Anything that you can do to help us with recruitment and retention would be very appreciative. I believe this bill is a step in the right direction. Thank you for giving me this opportunity to discuss our concerns and for taking your time to address these issues. [LB886]

SENATOR GLOOR: Thank you, Ms. Panko. Are there any questions? I don't see any right now. Thank you. Other proponents. [LB886]

JESSICA KOLTERMAN: Thank you, Senator Gloor and members of the committee. For the record, my name is Jessica Kolterman, J-e-s-s-i-c-a K-o-l-t-e-r-m-a-n. I come before you today on behalf of Nebraska Farm Bureau and our 60,000 family members. We were...had a lot of members that came forward and said they were really interested in this issue. They were seeing a lot of decline in their areas. And so at our annual meeting this past December they actually adopted policy related to EMTs and volunteer firemen. The policy reads: Nebraska Farm Bureau believes volunteer firemen and EMTs are a vital service provider in Nebraska and we support incentives to recruit and retain volunteer and professional personnel who fill these critical roles across the state. I just want to share with you a little bit about some of the things we heard during the interim study. We had a lot of members who came in for that and I sat through that myself. And an interesting thing, Senator Harr, to answer your question a little bit about this being a local funded issue versus a state funded issue. One of the things that came out a lot was the increased burden of regulation that they've seen at the state level that's kind of caused some of the challenges they've had with their recruitment and retention. I'll use a personal example for you because you'll maybe understand this. My dad used to be a volunteer fireman EMT. And after we went through the hearing we were talking about it and he said, you know, when I did this it was 80 hours of training. They now have 160 hours. And so when you start looking at the amount of time it takes just to get trained and certified and some of the things that in a small town it used to be that you could go on a call, it would be 40 minutes, you'd be back at work. Now they're talking two, three, four hours and that's because of the paperwork burden. So those are some of the things that we heard during the interim study. And there might be some other people behind me that will talk about that some more, but those are the kinds of things that have really put that burden on people not being able to do this maybe as much as they used to or maybe as much as they'd like to. Those are some things we heard. The instruction time in the classroom, what it takes to not just complete the test and get all the information you needed to take the test, but then what it takes to actually get through the certification, the backlog of getting that test completed and then actually getting the certification from the state. The paperwork challenge, the amount of time it takes to fill out that paperwork after a call. And then finally, we heard a lot about the mental health challenges. So those are just some things that our members

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brought up when we discussed this at our policy forum. And in terms of should this be...what incentive, what this should look like, I think everyone is open to working with the committee in finding the best path to some kind of a solution to incentivize or support those people in the communities that are working on this that want to do this, that maybe just need a little encouragement or recognition in some way. But we're happy to be at the table and be a part of that discussion and happy to help any way we can. [LB886]

SENATOR GLOOR: Questions for Ms. Kolterman? There aren't. [LB886]

JESSICA KOLTERMAN: Thank you for having me. [LB886]

SENATOR GLOOR: Thank you. Other proponents. Senator, thank you for braving the roads to get out here. [LB886]

JOEL JOHNSON: Thank you. No, I really came deliberately to address this group, because Nebraska has a tremendous history in EMS. [LB886]

SENATOR GLOOR: Dr. Johnson, could I get you to say...? [LB886]

JOEL JOHNSON: Certainly can. I'm Joel Johnson, Kearney, Nebraska. [LB886]

SENATOR GLOOR: Could I get you to spell your name? [LB886]

JOEL JOHNSON: J-o-e-l J-o-h-n-s-o-n. [LB886]

SENATOR GLOOR: Now you're legitimate. [LB886]

JOEL JOHNSON: Okay. I've forgotten a few things. At any rate, but I really want to...I'm here deliberately because this is such an important...and it is a crisis and it has to be solved. Outstate Nebraska, first of all, you realize that of our 93 counties, there's only 8 or 9 that are really growing in population, another 8 or 9 that are holding their own. There's 75 or thereabouts that are losing and losing significant amounts of their population. There are many good things that have happened in Nebraska. Do you realize that the first true ambulance with the van type started in Omaha? There are many other things as well. The very first EMT class was taught in Nebraska. There's many other things like that. One of my favorites is that there was a course developed here in Lincoln by some doctors to teach other doctors in trauma. That now is taught in 53 countries and I forget...no, it's 53 languages in about 150 countries. That started here.

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There's many things like that. And when you start comparing the problem that we have before us today it's pretty small. So I think what we need to do is how best to approach this. And, you know, one of the things...I spoke to a different committee meeting about six months ago and I couldn't believe...the subject was the same. There was a doctor from Omaha that got up in front of me and said, what's this business of people only being EMTs? They need to all be a step or two up, they all ought to be paramedics like we are in Omaha. We've got all these problems in outstate Nebraska just getting EMTs and keeping them in office. And that's the critical thing that we have to do. You and your family might be driving across western Nebraska and if you have an accident, it might be kind of nice if there's somebody there to help you. These things are getting to be bigger and bigger problems. I think, for instance, and I'm not quite sure of this, but I know of a community that has a very well-used lake in Nebraska and they have a tough time even getting a group of EMTs to be handled with thousands of people showing up on these different occasions. So I'm not here to come up with the answers, but we've got to do something. And to just say, leave it to the counties or whatever, that is not the answer. We need an answer and we need it now to keep our valuable people working for us in the EMT. [LB886]

SENATOR GLOOR: Thank you, Senator Johnson. We have a question from Senator Sullivan. [LB886]

SENATOR SULLIVAN: Thank you, Senator Gloor. Thank you, Dr. Johnson. Do you think the state has a responsibility for public safety for all its citizens? [LB886]

JOEL JOHNSON: Well, I think we have the State Patrol. That might be an example where law enforcement is out everywhere and so on. And you know, I could just say, yes and yes, or no and no to all these, but you know I think what I'm encouraging you to do is to, as a group, come to a solution of this. We are at a critical point in our time here in Nebraska in our rural areas. And I can't believe that good Nebraskans can't solve it. [LB886]

SENATOR GLOOR: Senator Brasch. [LB886]

SENATOR BRASCH: Thank you, Chairman Gloor. And I want to thank you, Dr. Johnson, as well for your testimony. Recruitment seems to be a huge issue and \$250 tax credit seems not to even touch the expense an EMT or a volunteer has, so it's running through my mind and I thought I'd heard this was being done possibly or was considered. But I learned that a lot of our high school seniors are 18 years old, the majority of them is what I was told. And then I'm just wondering if, because of the 120 hours, maybe if we start at the high schools or the community colleges and if there's some sort of an incentive on that level that they have the interest and the education and they can get credits for going out on rescue teams that it would probably make them a better person, you know, in the long run. But your thoughts? [LB886]

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JOEL JOHNSON: Well, and frankly, that's why I'm here today is let's think how to solve the problem. That's the type of thing that we need to think about. And, you know, when we taught the course here 40 years ago it was 80 hours, now it's 160-some plus a national test that you have to take, which one of the people once told me here a little...a couple months ago that one-third of the people flunked the test. And so here, how can we help out these areas that are in distress? It's a difficult problem with lots of ideas around, but I think we've got to come up with an answer. [LB886]

SENATOR BRASCH: So would you think an 18-year-old would be a good volunteer, a good start? [LB886]

JOEL JOHNSON: Why not? [LB886]

SENATOR BRASCH: Why not? Okay. Thank you. I have no other questions. [LB886]

SENATOR SULLIVAN: Any other questions for Dr. Johnson? Thank you for your testimony. [LB886]

JOEL JOHNSON: You bet. Thank you all. [LB886]

SENATOR SULLIVAN: Welcome. [LB886]

JERRY STILMOCK: (Exhibits 8, 9) Thank you, Senator Sullivan, members of the committee. My name is Jerry Stilmock, J-e-r-r-y S-t-i-l-m-o-c-k, testifying on behalf of my clients, the Nebraska State Volunteer Firefighters Association and the Nebraska Fire Chiefs Association. Sometimes I listen to others and I think, don't be cute, don't try to make little innuendos, just give them the facts. But as I listened to Senator Harr's question I thought of "Blurred Lines," that nasty video from a couple of years ago. But the theme of it, "Blurred Lines"...not the nasty part, that's not what I... "Blurred Lines." "Blurred Lines." The song was great, the video I wouldn't let my children watch, but "Blurred Lines." And it came to me as I was listening to you in your questioning with Senator Davis. And it occurred to me that for myself as well, growing up in Omaha, I made a trip to Lincoln, say, college years and back and forth. I never planned on stopping anywhere in between because I was in a critical collision. But I know and I know you think about this, that distance between Omaha and Lincoln is Ashland, Greenwood, those rural communities, rural volunteer departments that have fire and EMS, they have blurred lines. They don't card you when they respond on an emergency on the interstate. They respond to citizens from Omaha, citizens from Bennington going to Lincoln using Interstate 80, they respond to citizens traveling across from Iowa, from Illinois. They respond. You say, well, Jerry, that...yeah,

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I get it, I understand. But when an injury happens and fire and rescue show up on the scene--and I think most fire departments, other than what Ms. Panko said, I think most fire departments are both fire and rescue combined in Nebraska. I don't have any specific numbers. But I think as you talk about them, they train for fire one night, they train for EMS one night during the month. The other component of what I was thinking of when Senator Harr asked the questions was, yeah, but, go with the question of Omaha versus or city versus somebody else. Should the city pay for the city and the city out west pay for its needs out west? A couple of points came to mind and I'll share those with you. We spend...the state of Nebraska, you authorize a tremendous amount of money for tourism to bring people into Nebraska, even intrastate. Go to Mahoney. Go to Chadron State Park, what a beautiful place. Go to Fort "Rob." Go to wildlife management areas. Go hunting. But don't get hurt there, because if you do the only people that are going to respond are volunteers. It's kind of like going to trial, I wish I would have looked up the answer to the question. I didn't do that. How much money is spent on tourism to bring people into the state of Nebraska? We saw a huge amount of money spent, I have to assume a huge amount of money, on a new promotion, Nebraska Nice. Nebraska Nice. Two point one million dollars to help out the volunteers in the state. A third point on the issue is with who should pay. The state of Nebraska has no fire suppression service. So in 2012 when north-central Nebraska and the Panhandle were getting crushed, over 76,000 acres, there was no state fire suppression team on the scene. They were men and ladies, volunteers, going out. And it wasn't because it was a mile or two miles outside their community, we had volunteers going from North Platte, Ogallala, traveling three or four miles just to get there and then be on service fighting the wildfires for hours upon hours, some days upon days. I couldn't believe the phone calls that I made in anticipation of legislation introduced by Senator Davis back in 2013 of the people that were out there. It truly is a state item, if you were willing to consider the tourism, the recreation, the state parks, and the travel on the interstate. I have two handouts, if I may. Thank you. One of the items...and I'll give you both of them right away. I know it's awkward to pass out when you're juggling two pieces, but you look like a pro. The first, or at least the one I intended to be the first, is an item...before Senator Davis thought of the idea...I know I'm going to run out of time...thought of the idea of two years to qualify, I thought, would it be helpful, because when Senator Gloor introduced this bill, LB440, a couple of years ago, would it be helpful for you as the Revenue to look at the...what would numbers look like? So we pulled 13 different fire departments. And the item coming out is an estimate of who would qualify, how many would qualify. And I point to that item that refers to 13 towns: Kearney, they have 58 volunteer members, 42 members would qualify, \$10,500 annually to that area that responds in the city as well as up and down the interstate and the neighboring highways. The second handout I thought might be interesting is what other states are doing. The "Okie" state of Oklahoma has a \$200 to \$400 tax credit for volunteers similar to where they'd have to be active, not just on a roster. New York has a \$200 tax credit. Delaware has a \$400 tax credit. Senator, I see my time has expired. I wondered if I might be allowed to conclude. [LB886]

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SENATOR HARR: You can wrap...sure, you've got an opportunity to wrap it up. Go ahead. [LB886]

JERRY STILMOCK: You're getting the middle of the book. You didn't get the first chapter. The first chapter...excuse me, others before you in office had the first chapter. Another chapter was in October when, if you looked out to the room it would have been filled with volunteer fire and rescue people coming to tell about the problems in recruitment and retention. Ladies and gentlemen, we have people that came to the committee and told stories--whether or not this gets your interest or not, my intention is it would--nobody showed up. There was a rescue call and nobody showed up. There wasn't anybody there so they had to take the person in a personal vehicle to the hospital. When a person does a transfer out in the other parts of the state, it's a two- to three-hour one way to Omaha, Lincoln, or Kearney or maybe Scottsbluff. I'm going to stop, because I've gone over. You've been gracious, Senator Gloor, to allow me additional time. I'd be happy to try to answer any questions, if I'm able. [LB886]

SENATOR GLOOR: Are there questions for Mr. Stilmock? I don't see any. Thank you. [LB886]

JERRY STILMOCK: (Exhibit 10) Thank you. Senators, I will leave a letter from the League of Nebraska Municipalities that they had asked me to include in the support position that I'll pass to the page to handout, sir. Thank you. [LB886]

SENATOR GLOOR: (EXHIBIT 10-LB886) (EXHIBIT 3-LB907) Sure. Thank you. And while the next proponent is coming up, I'll read into the record another letter . The proponent is Bruce Beins, Nebraska Emergency Medical Services Association. And I also should, for the record, I have something written in here that I overlooked under Senator Harr's LB907. It was a proponent letter from Omaha By Design from Mike McMeekin. Good afternoon. [LB886 LB907]

DARREN GARREAN: Good afternoon, Chairman and members of the committee. Appreciate the time. My name is Darren Garrean, first name, D-a-r-r-e-n, last name Garrean, G-a-r-r-e-a-n. I am president of the Nebraska Professional Firefighters, representing 1,300 paid firefighters, EMTs, paramedics across the state of Nebraska. We rise in support of this bill. I realize it resides here in Revenue, but we look at this as a safety item. We believe that paid fire, paid EMS provide a better service when you look at three different things, particularly. One is, you're going to guarantee somebody shows up. Two is, in a fire aspect approximately every minute fire can double in size, so the sooner you're able to deal with that issue, mitigate it, it's a matter of property conservation. The third item is, time is muscle. When somebody calls 911 in a heart attack, stroke scenario, the faster somebody could be there to help makes a huge difference. Now that being said, we realize the state of Nebraska has a very vast rural part that has to be provided emergency medical services. And we realize that some of our members interact, whether through

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a mutual aid call that they get called into areas that we interact with volunteers. Now that being said, if nobody shows up it creates a safety issue, not only for our members but for the public that that calls 911, whether it's a fire or EMS, we look at this as a recruitment and retention tool to keep some of those members that are volunteers there and potentially get new members to come in. Having somebody there when somebody calls 911, I think is what everybody wants when they need to have somebody there. We all have family members. We all travel to parts of the rural aspects of the state. There's nothing more that anybody wants is to call 911, nobody show up or have to wait and have something worse happen. To answer a couple or to get to a couple things that were talked about earlier, Senator Brasch, you had mentioned the aspect of a broader aspect of this. I would encourage if you wanted to open up the aspect of this being for all first responders. I would encourage that. But we understand there's a problem with the rural aspects of volunteers and that's why we supported this at this level. There's also the issue of, is this a state responsibility or a local responsibility? I think that it should be both. You have...the state is already engaged in the Nebraska Emergency Management Association, NEMA. They take part in recognizing that there are issues in the state that we have to respond to, but there is also responsibility at the local level. This is something that the state can do as a recruitment/retention tool that would help benefit the rural aspects of volunteer firefighters and EMT. And in the aspect of time, I'll answer any questions, but I don't want to go too far. I know there's somebody else that wants to speak to you, so. [LB886]

SENATOR GLOOR: Are there questions? Senator Schumacher. [LB886]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Thank you for appearing before us today. [LB886]

DARREN GARREAN: Sure. [LB886]

SENATOR SCHUMACHER: This is fashioned as a tax credit. Okay? And we do tax credits, it's outside of the budget process, it transfers money basically to the people that get the credit. And it's not reviewed nearly as closely for performance and for costs and things like that than an outright appropriations. Why a credit and not some type of a grant program where we set X million dollars or \$100,000 aside for a purpose of rural protection and let people apply and get a check? [LB886]

DARREN GARREAN: I'll be honest with you, I wasn't engaged with the aspects of why a tax credit versus the other aspects of incentives. Coming to the place of where we are today, I don't know why it was a tax item versus the other items, but I do know if...I started as a volunteer. And whatever incentive that was mentioned or talked about, hey, whether it be a tax incentive or something else, those are things that may not seem like very much to some people. But other

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people might recognize that it's just one more reason why I need to stick around tonight and go through this continuing education class to maintain my EMT. I don't know why the tax credit aspect of it, but as somebody on the other side looking at that is a potential aspect of maintaining some of those benefits to be a volunteer firefighter or EMT. [LB886]

SENATOR SCHUMACHER: Thank you. [LB886]

SENATOR GLOOR: Other questions? I don't see any. Thank you. And thank you for your service. [LB886]

DARREN GARREAN: Thank you. [LB886]

RICHARD LOMBARDI: Good afternoon, members of the committee. My name is Richard Lombardi, I'm the registered lobbyist for the Nebraska Emergency Medical Services Association. And I think Senator (Gloor) just put in Bruce Beins's letter to you. Bruce is under six feet of snow out in Republican City with some drifts there or he would be here and he's much more articulate on this matter. I think another factoid we need to roll in here, I think there is a serious question about the long-term sustainability of emergency medical services in rural areas. To the credit of this Legislature, you have included in the biennium budget approximately \$280,000, \$290,000 to reimburse volunteer EMS folks who are going through training, whether it be paramedic, EMT, and that has served us well over the years. But I think the demographics of rural Nebraska are just catching up fairly rapidly. This is somewhat of a counterintuitive measure, given the fact that all the volunteers do this for something other than money, that using a financial incentive is a little bit of a disconnect. Most of these folks, and I think you...and I look around the committee, I know that you know all of them and have participated in this is that these folks are different than the rest of us. They go into places that we're running out of. They have a passion that is beyond. And whether they're paid or not, it always seems to me that there's something different about these folks. This is a really relatively small amount of money. And in and of itself I think you can raise some pretty good criticisms about. But I think that this, in combination with the efforts that are afoot, I think there's a real momentum beginning to build here. Actually, in your statutes you don't...we, as a state, don't fix responsibility for EMS anywhere in statutes, which is a real growing concern that we have some places where the response time has gotten so severe that we actually are in a real crisis situation there. I can't help but think as we see these demographics get older and change, that this crisis is not going to be up here. I'll tell you one thing that NEMSA doesn't support, and that's the dumbing down of any standards. I want to be really clear about that as this debate goes on, because that is not a place we want to go. I don't think that's a place the state wants to go. Having said that, this is one piece of a very complex pie. But it does seem that the numbers that are coming in every year...we have lost a third of our instructors in the last year and a half. So that's an indication of some real

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challenges ahead as well that I think someone mentioned before about the decrease in the number of EMTs and others that are out there. So I'll let Bruce Beins's letter do the speaking. But thank you all very much. [LB886]

SENATOR GLOOR: Senator Sullivan. [LB886]

SENATOR SULLIVAN: Thank you, Senator Gloor. Thank you, Mr. Lombardi. This is a little off subject, but then since you raised it, it's a concern that I hear among EMTs that the requirements for these new levels of education are one of the reasons that we're having some problems recruiting people, because like Dr. Johnson said, double from what it used to be. So is it because there are that many more things or I mean what's going on here? [LB886]

RICHARD LOMBARDI: Well, the nature of the education and the quality of our EMS folks are far superior as a result of this than they have been in the past, as well as the fact that a lot of EMS is going to get third-party payments, whether it be Medicaid, whether it be third-party insurance, and you have certain standards that you've got to meet there. So just from a financing standpoint, you don't want to dumb down the standards because there is a level of care that is required. Now one of the things that I think could be done a lot more is that those folks that are willing to give up their time and be EMS folks and are going through training, there are...we could be a lot more aggressive in providing tutors. We could be a lot more aggressive in helping people pass the test than we have in the past. And I think during the hearing this fall it was really clear that there's really an inconsistency across the board in the types of quality education out there. So I think that's one area for those folks. And having said that, though, and you know better than I, but it just...it is going to be a real challenge with the aging in rural Nebraska to be able to have a sustainable...in the long-term, a sustainable emergency medical systems out there. Cass County has kind of done an interesting job with their balancing, some paid folks with the volunteer folks. And I think that's helping in the Cass County areas. But we do have a huge challenge and this, agreed, is just one very small piece of attempting to try to deal with it. [LB886]

SENATOR SULLIVAN: Thank you. [LB886]

RICHARD LOMBARDI: Thank you. [LB886]

SENATOR GLOOR: Thank you, Rich. Any other proponents? Anyone in opposition? Anyone in a neutral capacity? Senator Davis. [LB886]

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SENATOR DAVIS: Thank you, committee. I appreciate your attention, your interest in the subject. I wanted to touch on a few points that were made and then just sort of wrap up. So Senator Schumacher asked the question about accountability. I think the point system that we've put in place here in which the local departments will document and demonstrate what is done is an adequate solution to that question of a gray area. And, obviously, the thing that I like about it is it will give us ahead of time the fiscal note for that particular year, so it's not going to be a guesstimate, we're going to know what it is. A couple of things that we talked about last fall. One was some testimony that came from Rose Chappell, who is one of my constituents at Merriman, Nebraska. Rose runs the senior center, her husband works for the Department of Roads. So she and Donnie are the only two EMTs in Merriman. When Donnie gets a call, if he does, he has to take a vacation day from his Department of Roads job to run the ambulance with her. So that's a sacrifice that people make, obviously. A lot of people are doing that. It isn't...that's not the only example, but I do happen to know that one. Because of the Merriman situation that they got into, they had inaccurately completed a registration document to get recertified, so then they were on hold for a few months. Then that made Gordon move into that territory. What I think this bill does is, it says to our volunteers, you know what? We, as a state, recognize that what you're doing is a tremendous service. So, yes, there's a fiscal note to it. Certainly, I'm not going to disagree with that. But the benefits far outweigh that. If we can keep people involved, it's a wonderful thing. When I was campaigning, and many of you have heard me say this before, but I think there was a parade in Rushville on the 28th of July maybe that was, and so I was right behind the volunteers. And I said to them, well, how many fires have you been to this month? This was the 28th, well, they'd been to 31 fires at that point. So it became kind of a full-time job for those guys at that point. Dr. Johnson referenced the hearing that we had last fall. The most disturbing thing I heard that day was from some of the people with EMS who said, volunteerism is dead. We need to go to a paid staff all the way across the state. Again, as Ann Fiala said, this would be a crushing blow to rural Nebraska. Grant County, Nebraska, around 700 people. If you had to put a full-time staff there, it would just be impossible. It would be absolutely impossible. So this is a good solution. It's a workable solution. We're going to know what it is. The fiscal note isn't horrible. And I would urge you to consider putting the bill to the floor as soon as possible. Thank you. [LB886]

SENATOR GLOOR: Senator Davis, just a question and a comment. As you pointed out and as Mr. Stilmock pointed out, I had a bill similar to this, a little more expensive, a couple of years ago. [LB886]

SENATOR DAVIS: I learned by your mistakes, Senator. (Laughter) [LB886]

SENATOR GLOOR: Let's hope. One of my recollections was that because of the point system the assumption was...when I presented it, that a lot of people would be eligible, in fact, if you're volunteer rescue squad, firefighter, you'll be eligible. But the point system isn't one that can be

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reached by everybody. I mean, the point system was difficult and so the actual number of people who would get the credit was much smaller than people believed. Is that still true with your bill? [LB886]

SENATOR DAVIS: Yes. And I think Jerry put this document out for all of you to see. The Kearney situation, 58 volunteers, 42 were eligible in Kearney, so that amounts to \$10,500 in Kearney. York has 35 eligible, but only 3 that would qualify. Dakota City, 25 eligible, 15 that would qualify under the point system that we've constructed. So, obviously, if people want to take advantage of it, they're going to have to stay with that. [LB886]

SENATOR GLOOR: Sure. [LB886]

SENATOR DAVIS: That's going to make them better volunteers too. It's better for everyone. Better for the community, better volunteers, and I think it's a win. [LB886]

SENATOR GLOOR: Well, and my final comment on the bill and one of the reasons that I was interested in this several years ago, specifically...but first of all, let me say I appreciate Senator Harr's comments. I think, as he pointed out, by this time tomorrow we will have heard the term unfunded mandates about a thousand times if we've heard it once, I'm sure. So to look...to turn that around and look at it the other way is an appropriate thing I think for us to keep in mind, given what's on the horizon for us in the next 24 hours. But when I first got down here, it was interesting that the senator who was interested in this issue the most was Senator Tom White, who was from Omaha. And he was the flag waver for this issue because of his concern about the inevitability of us not having the people outstate to be able to provide what he thought was important for public safety, the same way 911 is important for public safety, given the mobility of our population and the fact that we're a state and public safety fits into a different category. And I've always recalled that having appreciation for the fact that he was talking about that issue, even though clearly his district was very much an Omaha district. Now he was also thinking about running for another office. And I get that, for those people who stop me and point that out. But nonetheless, he was a very active flag waver on behalf of rescue squads and EMTs statewide. [LB886]

SENATOR DAVIS: You know, Nebraska has islands of professionals where we have certain pockets of population. Kearney, 32,000 people, still a volunteer system. In fact, Senator Hadley has introduced a bill to kind of permit them to stay that way. But the pockets of professionals are very sparse and the outreach isn't extensive, so we rely on volunteers for 70 percent of the state or more. [LB886]

SENATOR GLOOR: Senator Schumacher has a question. [LB886]

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SENATOR SCHUMACHER: Thank you, Senator Gloor. And thank you for introducing this, Senator Davis. I just came from a hearing over in Judiciary. We were discussing the cost of driving people who have a mental problem to a mental health facility. And the discussion was whether or not the county sheriff should continue to be responsible to do that or whether or not DHHS should take it over. A little bit of unfunded mandate there. But the figure that DHHS wanted to carry people to a mental health facility, which my guess, those numbers are much lower than the average EMT situation, was substantially less than the cost of your bill. [LB886]

SENATOR DAVIS: Will you state that one more time? [LB886]

SENATOR SCHUMACHER: They wanted far more to take fewer people to a mental health facility. [LB886]

SENATOR DAVIS: This bill is much less expensive. [LB886]

SENATOR SCHUMACHER: This bill, unless you want me to say it the other way. [LB886]

SENATOR DAVIS: I thought you did say it the other way. I was going to correct you. [LB886]

SENATOR SCHUMACHER: If I did, I didn't mean it that way. [LB886]

SENATOR GLOOR: Senator Scheer. [LB886]

SENATOR SCHEER: Thank you, Senator Gloor. Senator Davis, I mean, looking at this, it's going to provide funding for approximately a thousand. My concern is, that's fine, you set the bar pretty high for this reimbursement. But what about those folks that don't quite make that level. They still...God knows, they show up when your house starts on fire or somebody else's. And this is...I don't know. I'm probably the minority, but it seems to me that we've got a group of people that are providing an awful lot of free service and regardless if it's at the expense...benefit of those local districts, it is still a benefit for the state. If we're trying to provide property tax relief broadly, I can only imagine what that additional cost would throw on, again, the rural area. But I guess I suggest you look at maybe in another year or two looking at trying to do something. And again, I could care less what you'd call it semantically. Make it a reimbursement type program to where you're providing those people...and for them, I don't care if you do it for those that are paid staff. For God's sake, they're the ones that run in the building when it's about ready to blow up. You know, they're the ones that are going knocking on the door and not knowing if somebody is going to answer it from the other side or if they're just going to start shooting a gun from the other side. I think we need to be cognizant of the type of people that

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we're talking about that are simply asking for some type of some remuneration. And I think if we aren't responsible enough to make sure that we're taking care of those that take care of us, then society has got a problem. [LB886]

SENATOR DAVIS: Well, I couldn't agree with you more. These people have taken pride in what they do. They're very dedicated. And without them, all across Nebraska, if you didn't have a fire department your insurance is going to go up. You know that as well as anybody. So they, in many respects, help keep our insurance costs affordable in rural Nebraska. The professional issue is another matter, but I think you end up needing some sort of structure. And I would hope that those people who don't quite make it would go back and say, by gosh, next year I'm going to spend another four hours in training so that I get that tax credit. [LB886]

SENATOR SCHEER: Well, if it was only four hours, maybe so. But even then... [LB886]

SENATOR DAVIS: Well, if they're on the cusp, you know. [LB886]

SENATOR GLOOR: Senator Smith. [LB886]

SENATOR SMITH: Thank you, Mr. Chairman. Senator Davis, thanks for bringing this bill and for raising this issue. I really had not thought much about it, but I can tell it's a very serious issue in your community and a lot of communities across the state. And I do think that some of the alternatives that are out there are going to be very expensive if we don't do something. My first blush, on a per recipient basis, this is very modest what your ask is. Granted, \$1 million, \$2 million, you know how much we fight over that in committee. So only time will tell as to whether there's enough support to move on this particular idea. But I think it's an idea and until we have a better solution, it's the only thing that's on the table right now. And I do think that you have a need and we somehow have to figure out as a state how do we take care of that need and do it in a very affordable way. And I think we're very blessed to have the volunteers that we have. Again, thanks for bringing the bill and thanks for educating me on it. [LB886]

SENATOR DAVIS: Thank you. [LB886]

SENATOR GLOOR: Thank you, Senator Davis. [LB886]

SENATOR DAVIS: I will say one more thing. I am thinking strongly about prioritizing it. [LB886]

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SENATOR GLOOR: Okay. Thank you and that will end the hearing on LB886. We'll now move to LB1015. Senator Harr. And a comment for committee members if you would hang around for just a second after this meeting. We're not going to Exec, but I want to talk a little bit about tomorrow. It should only take about two or three minutes. If you can't stay around, then catch me tomorrow in the Chamber and we'll visit there. Senator Harr. [LB886]

SENATOR HARR: (Exhibits 1 and 2) Chairman Gloor, members of the Revenue Committee, my name is Burke Harr, H-a-r-r. I represent Omaha and I am...well, parts thereof. I'm here on LB1015 which is clarifying sales tax exemptions relating to museums. The purpose of LB1015 is to clarify sales and use tax exemption. In 2006, the Legislature passed LB1189, which was then signed into law, which stated sales and use tax shall not be imposed on the gross receipts from the sale, lease, or rental of and the storage, use, or other consumption in the state of purchases of fine art by any museum. The problem is the statute did not define fine art, nor did the Department of Revenue, through rules and regulations, define fine art. And so, what LB1015 does, it makes a clarification, not by defining fine art but by adding a definition of museum property found already in our statute, 51-07(8). I'm going to hand you a handout here which gets you...this is what the amendment...that I will do that. Also it includes 51-07. Again, this came to light because there was a museum that was, well, it was an audit and what happened is, museum said, hey what I have is fine art. And the Department of Revenue said, no, it's not. Well, as we all know, IRS, or the Department of Revenue is one of the few areas where the burden of proof is on the individual. And if there isn't a definition, it is whatever the heck I say it is. So what we're trying to do is create a definition. I think what the department was trying to say was, hey, if it's something creative for art, then it's art, but if it's something that's created not intended to be art but turns into art, i.e. Indian artifacts. I don't pay for an Indian artifacts...for the value of the Indian artifacts to use as a...to grind corn or maize, as we called it then. But rather, now I use it for display purpose and for the historical relevance that it provides. It becomes fine art. And that's what this bill addresses. I have a handout...well, excuse me. Those coming after me will have a handout, but I want to address the fiscal note for a second because first of all, I want to take a moment to thank Commissioner Fulton. I looked at this fiscal note and I had a real concern about it because, again, we're clarifying. This money isn't collected today and yet, it came to light. So I'm not sure if we're foregoing money. But that being said, I thought the fiscal note was a little high. And yesterday, as you know, we were all in the middle of a snowstorm and as many of you know, also the state office building lost electricity. That being said, Commissioner Fulton worked to get me the answers I needed and did a very diligent job, and I want to thank him for that work. And based on that, I have learned how this fiscal note came to be because as you can see, it doesn't really state how it got to where it is. It just gives you a number. Well, what had happened is, first of all, if you look at page 2 of the fiscal note, it says, LB1015 would amend Nebraska Rev. Stat. 77-2704.15 to expand the exemption beyond fine art. Well, it doesn't expand it, it defines it. We don't know what fine art is. That's the problem. So that's number one. It's a clarification. These taxes haven't been collected in the past. There is an

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interpretation issue of what fine art is. I think Potter Stewart, Justice, said it best, I know it when I see it. So, we're trying to add some clarification and some language to it. Number two, what it did is these numbers are based, a finding by a national group...and I'll find it here. The Association of Art Museum directors produced a finding and it talked about their average operating expenses. And so what they did, the Department of Revenue as they looked at each museum's 990s and said, okay, here are your expenditures based on this report about one-third of your expenses, because it isn't spelled out in your 990, we will say goes to this cost of lease and sales and rental of museum property, which seems legitimate except when you go to the original source, what you see is that that one-third cost goes to temporary art exhibits which is one thing we're talking about here. It also goes to curator collection, care and management, which again sales taxes are not collected on. Education, which sales tax are not collected on and libraries for which property taxes...or excuse me, sales taxes are not collected on. So we don't know within that one-third that they used of total expenditures, how much of it is really going to the temporary exhibits which is where the fiscal note comes from. So we need to do some more work on the fiscal note. I'm working with our fiscal office as Senator Mello said, Chairman Mello said earlier. They're a great office and I look forward to continuing to work with them to shrink this down to what the actual cost, I believe is based on the knowledge from the...that the department has through its audits of these museums. And why they don't use that, I don't know but we will get to the bottom of that. I guarantee you the fiscal note will not be...should not be this large again because what they are displaying is already fine art, number one. Number two, even if it's not the finest fine art, the amount of sales tax that will be lost is unfortunately not as much as we thought. I'd love to see our museums collecting that much in sales tax revenue because that means they're doing that much better, but they aren't. So you look at the fiscal note as based on all our museums collecting about \$5,000,000 and that...if you do that, you work it backwards. One-third would get you to the number we have here, but I don't think that number is accurate. So I'll look forward to working with you guys on the fiscal note and would entertain any questions you might have on this bill. [LB1015]

SENATOR GLOOR: Senator Harr, explain to me how the transaction that generated this happens. [LB1015]

SENATOR HARR: Yeah. [LB1015]

SENATOR GLOOR: I mean, how is there a sales tax since museums don't sell, they collect? [LB1015]

SENATOR HARR: So it's for the tickets that they sell. For instance, they might have a display of former first ladies' dresses. I will give you one museum and specifically, I think it's Durham, and they're going to be coming up with some examples. But they had a Buffalo Bill exhibit where

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they rented. And because it's a rental of it, they're saying, hey, that's not fine art and therefore the interest is not exempt from sales tax. There was a Buffalo Bill, there was a Creating Camelot, there was a Katherine Hepburn display, Liberty on the Border. There are a number of them. Schoolhouse to the White House, and these are...a lot of them come directly from D.C. from our national museums and they're on display across...they're traveling displays. And so the question is, do they qualify as fine art or not? And again, what may be fine art to you may not be fine art to me and vice versa. And maybe that's why it was never defined, but we have a problem here where the state says, hey, we need to collect it and yet this is art that is displayed in a museum that people are paying to see the display of this item. And so the question is, how do you define if it's fine art or not? [LB1015]

SENATOR GLOOR: And you're not creating a new definition. You're using the definition that's already in statute. [LB1015]

SENATOR HARR: Already in statute. That is correct. [LB1015]

SENATOR GLOOR: Okay. Senator Schumacher. [LB1015]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Thank you, Senator Harr. When I read the statute that you're amending, it says the sales and use tax shall not be imposed on the receipts from the sale, lease, or rental of and the storage, use, or other consumption of the things that are defined in the other statutes. And you're saying this is directed at not wanting to have to collect sales tax when you sell a ticket to view the...? [LB1015]

SENATOR HARR: Well, for the...excuse me, not for the tickets but when they pay for those items as they travel. So the display, they don't just get a display...and I've got to clarify the record a little bit. You don't just receive an exhibit, you have to rent it. And when you rent it, do you owe for the cost of that tax on that? [LB1015]

SENATOR SCHUMACHER: So that whoever owns the exhibit, the Metropolitan Museum of Art, you'll pay them so much to have King Tut's mask there for a week? [LB1015]

SENATOR HARR: Yeah. [LB1015]

SENATOR SCHUMACHER: And that's the issue that you're concerned about? [LB1015]

SENATOR HARR: Yes. [LB1015]

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SENATOR SCHUMACHER: And the issue is whether or not Buffalo Bill's saddle is the same thing as King Tut's mask? [LB1015]

SENATOR HARR: Yes. [LB1015]

SENATOR SCHUMACHER: Okay. Thank you. [LB1015]

SENATOR GLOOR: I prefer the saddle. I've seen the other. [LB1015]

SENATOR HARR: As a Nebraskan, we all know Buffalo Bill is worth more. [LB1015]

SENATOR GLOOR: Senator Davis. [LB1015]

SENATOR DAVIS: Thank you, and I visited with Natalie a little bit about this earlier but it still is confusing to me. So, you rent the exhibit from...you rent Buffalo Bill's saddle from someplace, why is sales tax assessed on that? [LB1015]

SENATOR HARR: Why is it? Because it's fine art. You're going to see it...it's being displayed. That's the value of it. You're going to see it. Now, whether you think it's fine art or not, that's to be...that's a question that...so we're trying to create a clarification so everyone knows what is, what qualifies? Why would Buffalo Bill's be...not be exempt and yet King Tut be exempt? [LB1015]

SENATOR DAVIS: Well, I guess what I'm asking is, why is that a taxable event? Do you know? I mean, just because the...the Legislature said so. [LB1015]

SENATOR HARR: Because the Department of Revenue has determined that that is not fine art. It has to be something created to be art itself, as I understand it, to qualify for a fine art exemption. If it is created for another purpose, but becomes fine art, it is not art...fine art. But the value is...of that item is not for its original use. You are not going to see that saddle to ride it. You are not going to sit on it. You are seeing it for its display value. There is its value and that's what makes it art is because it is of a time and it provides the description of the time in which that person lived. And it's something...you know, it's a famous saddle. [LB1015]

SENATOR GLOOR: Let me use Chairman's prerogative here. Since we're fortunate enough in our counsel to have a former tax commissioner, it might be worth asking her if she can also help with that explanation. [LB1015]

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MARY JANE EGR EDSON: Sales taxes start with the basic concept that a sale at retail of tangible personal property in certain services are always subject to sales tax unless they're specifically exempt. So, if I'm the Smithsonian and I'm leasing an exhibit to the Durham Museum here in Nebraska, I have an obligation to collect tax on the lease payment or the rental payment that the Durham makes to the Smithsonian. Also if the Durham were to go out and purchase an oil painting or some other type of artifact for display at the museum, they would have to pay sales tax on it. So in 2006, we, the Legislature, created the exemption that said if you're a museum and you're purchasing fine art, you don't have to pay the sales tax to anybody when you buy it, or if you're leasing it from somebody like the Smithsonian or whoever it might be, they don't have to collect sales tax from you on that lease. So that's the way it works. And what Senator Gloor...or Senator Harr is trying to point out, is that there's no definition in the statute of what is fine art. And there are definitions in Chapter 51 which deals with museums and libraries. Museums are defined in Chapter 51 and property of museums is defined in that section of the statute as well. [LB1015]

SENATOR DAVIS: Okay, so... [LB1015]

MARY JANE EGR EDSON: Does that make more sense? [LB1015]

SENATOR DAVIS: Yes. [LB1015]

SENATOR HARR: What you may recall is we created an exemption a couple of years ago for cars that are purchased for museums. [LB1015]

MARY JANE EGR EDSON: Yes. [LB1015]

SENATOR HARR: Which by definition we're saying is art. [LB1015]

SENATOR DAVIS: Some would say. You know, I guess my comment would be, remember the old comment about pornography? [LB1015]

MARY JANE EGR EDSON: Yeah. [LB1015]

SENATOR DAVIS: I can't describe it but I know what it is when I see it. But it's really the obligation is not really the Durham's is it, isn't it really the Smithsonian's obligation? [LB1015]

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MARY JANE EGR EDSON: Well, the initial obligation would be on the Smithsonian to collect the sales tax on the rental payments. But if they fail to do because they don't have physical presence here, then the obligation shifts to the Durham to self-assess and report use tax on lease payments. [LB1015]

SENATOR DAVIS: Okay. [LB1015]

MARY JANE EGR EDSON: Makes sense? [LB1015]

SENATOR GLOOR: Senator Sullivan. [LB1015]

SENATOR SULLIVAN: Thank you, Senator Gloor. And to your point about the fiscal note, so have these transactions to date been assessed to sales tax? [LB1015]

SENATOR HARR: Have they what? [LB1015]

SENATOR SULLIVAN: Has a sales tax been assessed on these transactions to date and have the museums been remitting that sales tax? [LB1015]

SENATOR HARR: Great question, and I'll let others come after me. As I understand it, it's in the middle of an audit and this issue came up and they said...the Department of Revenue said, this is not the exemption of fine art, therefore, you owe us for that. [LB1015]

SENATOR GLOOR: Senator Smith, then Senator Schumacher. [LB1015]

SENATOR SMITH: Thank you, Mr. Chairman. Senator Harr, so I would go a step farther and say that there's also a risk in the case that if the burden falls back to...in this case, the Durham Museum, because those taxes were not remitted by the Smithsonian, then it falls to the Durham to remit a use tax in lieu of the sales tax. So that is an additional burden that falls on the museum that is unintended that we're trying to fix with this as well. [LB1015]

SENATOR HARR: Yes. [LB1015]

SENATOR SMITH: Thank you. [LB1015]

SENATOR HARR: Thank you. [LB1015]

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SENATOR GLOOR: Senator Schumacher. [LB1015]

SENATOR SCHUMACHER: Thank you, Senator Gloor. This does expand the realm of things that this exemption applies to, doesn't it? [LB1015]

SENATOR HARR: Well, it's hard to say because I don't know what fine art is because you don't have it defined anywhere. [LB1015]

SENATOR SCHUMACHER: Well, I think we all could agree that Monica Lewinsky's blue dress is not fine art. Right? (Laughter) [LB1015]

SENATOR HARR: I do not want to go down that road of what is art and what is not, but what I'm trying to do is... [LB1015]

SENATOR SCHUMACHER: But on this definition, it would be... [LB1015]

SENATOR HARR: Well, what I'm trying to do is provide some clarity because, boy, that is a tough road. I mean, we've...I don't know how much time has been spent on that on what is art and what isn't. So what I'm trying to do is create a broad definition so that there are rules of road so that those museums know what they can and can't and what they should and shouldn't collect. For right now we say, hey, it's fine art. You say it's fine art, I say it's not. Who's the arbitrator and what do we look to, to say it is or it isn't, except we have one entity saying it is and we say, what's your definition? And they say, it is what I think it is. And so we have to...we have to have clarity in our law. We can't just pass laws without definitions. [LB1015]

SENATOR SCHUMACHER: But under the change, clearly the dress would qualify for the exemption. [LB1015]

SENATOR HARR: It would. [LB1015]

SENATOR SCHUMACHER: Thank you. [LB1015]

SENATOR GLOOR: Yes, Senator Brasch. [LB1015]

SENATOR BRASCH: Thank you, Chairman Gloor. And my understanding is that when an exhibit, whether it's a dress or a saddle or what...the institutions, the museums, galleries, etcetera, it is there for a purpose to draw public membership or interest and it's a part or... [LB1015]

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SENATOR HARR: Educate. [LB1015]

SENATOR BRASCH: ...educate, part of their portfolio. So therefore, it would be under that same classification of fine art or because it is a public interest education, it has a following of some sort. [LB1015]

SENATOR HARR: Yeah, most displays do. [LB1015]

SENATOR BRASCH: And so, therefore, it would be almost under admissions, you know, in the sense that people are coming for that purpose, for the viewing of such said item. [LB1015]

SENATOR HARR: It could, yes. Just like...and I need to clarify. It wouldn't necessarily. Ms. Lewinsky's dress, it could. It would have to fit other criteria, but I don't think it's in a museum right now, but if someone chose to purchase it, which I'm not sure it's available to be purchased, but that's for another day or at least...but yeah, sorry. [LB1015]

SENATOR BRASCH: For a gallery of some sort and those places exist for the purpose of a group of individuals who seek for enlightenment or... [LB1015]

SENATOR HARR: The greater good. [LB1015]

SENATOR BRASCH: ...education and it's kind of an admission...admissions. Whether it's a movie theatre or a gallery and, therefore, there's where the tax comes into being. [LB1015]

SENATOR HARR: Like I said, I think it could, yeah. [LB1015]

SENATOR BRASCH: That was just when items started coming up, this is where it could be any kind of an item that draws public interest. [LB1015]

SENATOR HARR: Art can be both utilitarian and beauty and so, that's the question. And so we're trying to buy some clarity. [LB1015]

SENATOR GLOOR: Well, and you also have to have maybe a museum that is established, it chooses to display...I mean, how the definition of what's art, somebody has to want to display it too and also willing to look at it. [LB1015]

SENATOR HARR: Yes, and we have a definition of museums already. [LB1015]

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SENATOR GLOOR: Yeah, yeah. Senator Davis. [LB1015]

SENATOR DAVIS: To kind of follow along a little bit more on some questions. So supposing some museums send out a bunch of historical documents. Are those going to be exempt or will those be subject to the tax? [LB1015]

SENATOR HARR: I would believe that those would be. You know, for instance, e-mails...yes, it could be, yes. [LB1015]

SENATOR DAVIS: And if it is really the obligation of the Smithsonian to pay the tax, but it's the obligation of the Durham to collect that tax from them and/or generate the revenue themselves, aren't we by exempting this bypassing a revenue source that could come from out of state? [LB1015]

SENATOR HARR: If you believe that it was not fine art before, so it's based on the premonition of we don't know what the heck fine art is. And it wasn't even collected because it was fine art. And why wouldn't it be fine art because when they looked at the definition, lo and behold there wasn't anything there but you kind of think, oh, fine art is something that's displayed by a museum, but apparently it's not. So what we're trying to do is to find a way to look at how do we...I think we all want museums and I think we want to be able to have items displayed for the greater good that provide relevance of how we lived in the past, how others lived in the past, about...so we can have a better understanding of who and what we are today. Ultimately, isn't that what art is, is the discovery of self? And so what we're doing is saying a museum has a purpose. We define museums and if they have items that are towards that goal, who am I to find what is fine art? Who are you...who is the department? So what we do is we say, hey, let's just come up with a broad definition that takes into account the purpose of what a museum exists for. And that's all it does. [LB1015]

SENATOR DAVIS: And I understand that, Senator Harr, but my question really is, if we broaden the definitions to a point where we include just about everything that could possibly be put into that kitchen sink, then aren't we depriving ourselves of a source of revenue that comes from out of state? [LB1015]

SENATOR HARR: Well, again, if it's based on the assumption that we're collecting it now and I'm not sure we are. Because I think museums make the argument that what they're buying is fine. [LB1015]

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SENATOR DAVIS: Well, if we aren't, maybe we should be so maybe we should notify our museums... [LB1015]

SENATOR HARR: And maybe that's true, but again it gets to the fiscal note and I will tell you that the fiscal note, I think is too high based on what is the costs that are out there. I think the fiscal note is above and beyond what we do. And as I said, they base on this one-third rule, but they include all kinds of other items in that one-third when only it applies to a limited portion. And when one of the largest museums in the state, you'll see their annual exhibition rental fee fluctuates between 385 and 160,000, we aren't foregoing a whole heck of a lot. I would say, yeah, \$18,000 to \$23,000 and for inner enlightenment, I think that's worth it. [LB1015]

SENATOR DAVIS: Thank you. [LB1015]

SENATOR GLOOR: Senator Smith. [LB1015]

SENATOR SMITH: Thank you, Chairman Gloor. And why don't you kind of just clarify...I don't think maybe this is what Senator Davis intended to say, but we're not trying to tax...we're not trying to exempt everything including the kitchen sink. I mean if it's for an exhibit purpose, that in simple terms, that's what we're seeking to clarify in exempts. [LB1015]

SENATOR HARR: Yes. [LB1015]

SENATOR SMITH: But if something is used in the operations of that museum, it does not for exhibit purposes, that could still be taxed. [LB1015]

SENATOR HARR: And would still be taxed. [LB1015]

SENATOR SMITH: And would still be taxed. [LB1015]

SENATOR HARR: Or if art is purchased in the gift shop, that would be taxed. [LB1015]

SENATOR SMITH: Yeah, and I don't want to prolong the answers, but I did want to have a good question...a great question tonight, but that may be for later. So many great questions around here. (Laughter) But also, it's not...the foregone tax is not really from outside the state. It's from inside the state and it's going to be collected, at very best, you know, recovered by the museum by taxing the people that visit the exhibit which is not the intended. I mean, we're not going to be getting it from people outside the state. It's going to be...it's either going to be paid directly by

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the museum and if they don't recover it, they're the ones that are out. Or if they try to recover it by passing a law to the consumer, then it's coming out of the pockets of people that are going there to see the exhibit. Right? [LB1015]

SENATOR HARR: That is correct. Thank you, Senator Smith. [LB1015]

SENATOR GLOOR: No further questions. [LB1015]

SENATOR HARR: Thank you. [LB1015]

SENATOR GLOOR: You're going to close? We know you're going to stay. [LB1015]

SENATOR HARR: I will stay. I'll see if I need to close. [LB1015]

SENATOR GLOOR: And we'll move to proponents. Thank you for your patience in waiting. [LB1015]

CHRISTI JANSSEN: (Exhibits 3-8) Good afternoon, Chairman Gloor and members of the Revenue Committee. My name is Christi Janssen, C-h-r-i-s-t-i J-a-n-s-s-e-n and I'm the executive director of the Durham Museum in Omaha, Nebraska, testifying in support of LB1015. Before I begin, I would like to thank Senator Harr for introducing this important proposal on behalf of Nebraska's nonprofit museums including the Durham. The Durham Museum is housed in Omaha's historic Union Station and first opened its doors to the public in 1975 with a focus on preservation of our western heritage. Since 2004, we have expanded our scope to include topics that highlight our national story, including our region and our state's place within it from partners such as the Smithsonian Institution, of which the Durham Museum is an affiliate, the Library of Congress, and the National Archives, to name a few. I became the executive director of the museum in 2009 and my team and I have worked hard to ensure that the museum remains relevant for visitors of all ages. One of the ways we accomplished this is through our traveling exhibition program. Since 2004 we have experienced tremendous attendance and membership growth. We, like many other museums and communities like yours, are a nonprofit entity. However, we do pay sales and use taxes to the state on activity including admissions, memberships and retail sales as well as facility rentals. This past fall the Durham underwent a sales and use tax audit by the state. It was determined by the Department of Revenue that the existing state statute, 77-2704.56 which allows for a sales tax exemption on the rental of fine art exhibitions does not apply to the type of traveling exhibitions that the museum brings in, even though the purpose of the exhibitions is the same, to educate and inspire. With this interpretation of the existing statute, the financial implication to the museum is approximately \$18,000 to

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\$23,000 annually. To put that in perspective, the museum's 2016 budget reflects net revenue from operations of \$20,000, assuming all revenue and expense targets hit their mark. Without this clarification of the exemption, there is no margin for error. It is important to note that the state has not previously collected these taxes even though a sales and use tax audit was conducted just three years ago. As you can imagine, we were surprised by these findings and for us, like many other museums, this amount presents significant concern for our ability to maintain these programs that we offer. I'd like to give a recent example of how these exhibitions provide a platform for rich educational content. This past fall, we hosted Wildlife Photographer of the Year from the Natural History Museum in London. The exhibit featured 100-award winning wildlife and nature images from one of the world's most prestigious photography competitions. In a word, the images were inspiring. As part of our presentation of this exhibit, the Durham featured the work of Nebraska's own Thomas Mangelsen, Joel Sartore and Michael Forsberg, three internationally renowned wildlife photographers, and each of whom are former Wildlife of the Year competition winners. I'm sure many of you are familiar with Mr. Forsberg's work in documenting the migration of the Sandhill Cranes. Additionally, the museum partnered with The Great Plains Ecotourism Coalition to host an exhibit of WPA-inspired posters of animals and landscapes of Nebraska and the Great Plains to help shed light on our state's own conservation initiatives. Finally, the museum brought noted marine photographer and National Geographic Fellow, Brian Skerry, whose work was included in the exhibit, to Omaha as part of our Scholars in Residence initiative. He spoke to more than 800 students in local classrooms and with another 200 students from across the state joining the conversation via live stream. In total, more than 61,000 visitors and students were impacted by this project. A comment from one student says it all, "it made me want to see the world." The intent of LB1015 is not to ask for a new exemption, but to strengthen and clarify the existing statute so that Nebraska's treasured museums can continue to educate and inspire by bringing these resources to our state. Before I conclude, I would like to again thank Senator Harr for introducing this bill and the committee for your continued service to the state. I hope that you will support LB1015 and I would be happy to answer any questions at this time. [LB1015]

SENATOR GLOOR: Thank you, Ms. Janssen. Senator Smith. [LB1015]

SENATOR SMITH: Thank you, Chairman Gloor. And, Ms. Janssen, thank you for being here today and I'm sorry you had to follow Senator Harr. He's a tough act to follow. [LB1015]

CHRISTI JANSSEN: He did all right. (Laugh) [LB1015]

SENATOR SMITH: But I know much about your museum and I'm certain that probably many of the members here have visited your museum. It's a great piece of Nebraska history and really appreciate you showcasing history from around Nebraska at your museum, but also bringing

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exhibits from around the world to our doorstep in Nebraska. I know you've help to educate a lot of families and the members of the committee here, if you haven't had a chance to tour the facilities, it goes well beyond the exhibits in terms of how you protect and educate...you protect the exhibits and then also educate the young people on the exhibits. So it's a tremendous asset to Nebraska and to the education of our families and children of Nebraska. And I wanted...I appreciate what you said there. This is about clarification of the existing law. This is not really about expanding the law. [LB1015]

CHRISTI JANSSEN: That is correct. You know, we, of course, as a museum, we try to do everything we can to be within the law. And again in 2012 when an audit was done, it was not identified because I think under that term, the exhibitions that we did have fell within that exemption. And so we weren't aware that anything was to be collected and at this point, the new audit that we had at the end of 2015 interpreted it a little differently. And so the question was raised, why now and not then, and that's where the confusion starts to come to light. And so that's why we reached out first to find out through the financier, through the Department of Finance to find out what we could do to rectify that. The impact of this most recent audit is approximately \$60,000 to the museum going back those three years. So looking forward...I did include a sheet within your materials that I handed out. This is just the annual exhibition rental fee. This kind of ties in with what Senator Harr was saying about the fiscal note that's been attached to this. This just gives you a sense of the last six years or so of what we do spend in terms of rental fee for those traveling exhibitions. You will see kind of...I reference the range in there. We have some years that are anomaly, but for the most part, it's roughly in that \$18,000 to \$23,000 annually in terms of the sales tax that we're talking about. I know there are other museums in the state that bring in traveling exhibitions just like us, so I'm not talking...this would be something that would affect them as well, it's not just a Durham concern. And again, I think the issue here is, it goes back to what Burke was saying is, there really isn't a clear definition. And so our hope was that everyone would see the value of a saddle, for example, or these beautiful wildlife images from across the globe that that is considered something that can be inspiring and moving at the same time as a painting would. [LB1015]

SENATOR SMITH: Thank you. [LB1015]

SENATOR GLOOR: Other questions? Senator Davis. [LB1015]

SENATOR DAVIS: Thank you, Senator Gloor. After this audit came in, did you...and because there was an audit three years ago, did not bring this up. Did you consult legal counsel without the case? [LB1015]

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CHRISTI JANSSEN: They are aware of it. Our legal counsel was and again, we were kind of going back to that lack in definition. That's where that's been highlighted is the fact that it's kind of ambiguous in there and the direction there that we should proceed with an understanding or try to get a better understanding what that definition means. [LB1015]

SENATOR DAVIS: And you're audited every three years and have been for some time, is that correct? [LB1015]

CHRISTI JANSSEN: Well, since I've been there, this is the first...2012 was...I started as the executive director in 2009; 2012 was the first sales and use tax audit under my time there as the director. So that, and then now three years later. [LB1015]

SENATOR DAVIS: And so was there a change then in the person who did your audit? [LB1015]

CHRISTI JANSSEN: Yes, there were two different auditors. [LB1015]

SENATOR DAVIS: Two different auditors. Thank you. [LB1015]

SENATOR GLOOR: Senator Schumacher. [LB1015]

SENATOR SCHUMACHER: Thank you, Senator Gloor, and thank you for your testimony. Did you take an appeal of the department's decision? [LB1015]

CHRISTI JANSSEN: We did. [LB1015]

SENATOR SCHUMACHER: To the court or... [LB1015]

CHRISTI JANSSEN: Oh, no, no, it never transpired to that far, but we had a dialogue with the auditor back and forth and they took it to their manager or to...up the line and came back that, you know, there is real no strong definition, we're going to say in this case that this is taxable. And so again, we went back and forth I think from November through January that the conversation went back and forth. [LB1015]

SENATOR SCHUMACHER: But you have a right of appeal of those decisions. They can't arbitrarily impose a tax. [LB1015]

CHRISTI JANSSEN: I'm not sure I... [LB1015]

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SENATOR SCHUMACHER: So you can ask higher authority under the...I think it's the Administrative Procedure Act and ultimately then it leads to a judge to whether or not their interpretation or their change in interpretation is correct. [LB1015]

CHRISTI JANSSEN: Yeah, we have not followed...or gone that far with it. [LB1015]

SENATOR SCHUMACHER: So if this committee adopts the position that, gee, every time there's an ambiguity over at the Department of Revenue, rather than following the prescribed procedure of appealing it through the Administrative Procedure Act and into the courts for a definition of ambiguity, we're just going to come and amend the law. We suddenly become the ultimate arbitrators of interpretation of the law and we could be here all night with all the different interpretations that somebody who could afford to hire a lobbyist can bring to us. Why didn't you take an appeal of this issue and let a judge decide what was clarified and not? [LB1015]

CHRISTI JANSSEN: I can't really speak to that. We just didn't explore that. I wasn't...you know, we didn't have that conversation that that's where we would take this. We started with the finance office and then I consulted with my senator and just decided, you know, there is enough an ambiguity, especially when you go through the current state statute along with the definitions of museums and property and all of that, that that's where we felt there would be a pretty clear way to help add that...just that clarity to that existing law. So it wasn't something that we were choosing one over the other, I guess. [LB1015]

SENATOR SCHUMACHER: But a judge or an administrative judge or a district judge can also provide you that clarity. Why is it the Legislature gets brought into an interpretive decision over some auditor's assessment? [LB1015]

CHRISTI JANSSEN: Again, I was just looking at what I was most familiar with and again, kind of looking at other museums throughout the state that do this as well. It's not just me, and to go that route, I thought this would be some...you know, again, the action that was most viable for what I understood. [LB1015]

SENATOR SCHUMACHER: But if an administrative judge says all this is or this isn't, that would apply across the state once that order came through. I guess... [LB1015]

CHRISTI JANSSEN: Yeah, that's a little bit beyond what I know in terms of... [LB1015]

SENATOR SCHUMACHER: All right. Thank you very much. [LB1015]

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SENATOR GLOOR: Seeing no further questions, thank you. [LB1015]

CHRISTI JANSSEN: Thank you. [LB1015]

SENATOR GLOOR: I would mention that we hosted...we, being Nebraska Legislature, hosted the Council of State Governments several years ago and we had a reception at the museum and it was extremely well handled and a lot of positive comments from legislators from other states. [LB1015]

CHRISTI JANSSEN: Very good. [LB1015]

SENATOR GLOOR: And frankly, my first visit there even though I've heard much about it, so it went very well and we were appreciative of the ability to use the museum. [LB1015]

CHRISTI JANSSEN: Well, thank you for utilizing us in that way. We appreciate it. [LB1015]

SENATOR GLOOR: And thank you for your service with the Sesquicentennial also. [LB1015]

CHRISTI JANSSEN: My pleasure. It's a great honor and thank you. [LB1015]

SENATOR GLOOR: Thank you. Additional proponents. [LB1015]

AMY CAROLUS: Senator Gloor and members of the committee, thank you for your time today. Good afternoon. My name is Amy Carolus, A-m-y C-a-r-o-l-u-s. I'm the COO of the museum and in that role I oversaw the 2012 audit and I also oversaw the 2015 audit. And my role here today is primarily to answer or maybe help with a couple of questions. I think Senator Sullivan, you had asked a question about whether or not this tax had been collected in the past, and I think Christi clarified that when she had indicated that in the prior audit it had not come up which is why we maybe pushed forward a little bit further in this audit. With respect...and does that answer your question? Thank you. And Senator Schumacher, with respect to your question about the appeal. Yes, we are made aware the process for the appeal. That regardless of how this turns out will also be done. I think that the opinion in talking with the individual auditor was that this issue is maybe a little bit larger, maybe a little bit more broad and maybe it affects more than just the Durham Museum. Like I said, regardless, we will be doing an appeal on that. From my understanding in that conversation, going this route might help with future, but we still have to do an appeal to address the past three years. Does that help answer that question? [LB1015]

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SENATOR SCHUMACHER: I think so except for the fact that the outcome of that appeal may very well resolve this without legislation. If you win the appeal, then you...and the court defines a broader definition of fine art, then we don't have to get in the middle of it. [LB1015]

AMY CAROLUS: That may be a fair case. [LB1015]

SENATOR GLOOR: Senator Sullivan. [LB1015]

SENATOR SULLIVAN: Thank you, Senator Gloor, and thank you for your testimony. Just to clarify on the department's ruling, they said basically that a tax should be assessed on all those traveling exhibits. [LB1015]

AMY CAROLUS: Right. They said based on the type of exhibits that the museum brings in, unless we can make a case-by-case issue otherwise, we should presume that everything that we display is...does not qualify under the current statute. [LB1015]

SENATOR SULLIVAN: And were they making that more specific determination as to if they're lugging them all together, then how were they going to say you should sort them out on a case-by-case basis? [LB1015]

AMY CAROLUS: That's a good question. That's a real good question. With that...that dialogue didn't get a lot of good answer. It was...in fact, some of the things that they were giving guidance on spoke to a gray area. They said, this would qualify, this would not quality. My answer was, what about this exhibit that has neither the in or the out, it's all gray. And the response from the auditor was, well, then, those ones, my gut would say no they wouldn't qualify, but you would need to address them on a case-by-case basis. [LB1015]

SENATOR SULLIVAN: Thank you. [LB1015]

SENATOR GLOOR: Seeing no further questions, thank you for your testimony. [LB1015]

AMY CAROLUS: Thank you. Thank you. [LB1015]

SENATOR GLOOR: Any other proponents? Any opponents? Neutral capacity? Senator Harr. [LB1015]

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SENATOR HARR: Thank you, Chairman Gloor, members of the Revenue Committee. I want to thank you for being patient. I know the hour is late. The way this came to me is Ms. Janssen is a constituent of LD8. The museum itself is not and we had a conversation about this issue. Why it was brought this way, I saw a problem in our statute in that we, as a body, had failed to define what fine art was in our law. There was a deficiency. And so, you're right, Senator Schumacher, there are two avenues we could go. We could continue it down the road that it's going now and have the court's decide. Maybe we like it, maybe we don't. Or we could take it upon ourselves to say, hey, let's us decide what fine art is. And that's what this bill does. I, to be honest with you, looked at my new LA and I said, I need a make-it-so bill, as we do in here. And, you know, he wasn't very experienced and he did a great job finding this definition. I don't know if I would have found it, of what a museum property is, and came up with this bill. And we changed some things around with the amendment because there was fear it might affect other museums, but it's about whether we want to define what fine art is, or if you want to leave it up to a judge, an unelected official, to make that decision. And so that's where I came from on this. I want to thank everyone who did help me on this bill. I probably owe a debt of gratitude to my LA, Jamison, for that. But that's how it came to be and that's what it's about. It's not that they were trying to bypass. It was my idea alone to introduce the bill, and then call afterwards and said, hey, by the way, I've got some language, I've got a bill, can you help me out, so. [LB1015]

SENATOR GLOOR: Questions? [LB1015]

SENATOR SCHUMACHER: It's late, I'll... [LB1015]

SENATOR HARR: Concerns? Great. Thank you. [LB1015]

SENATOR GLOOR: Thank you, Senator Harr. And that will end the hearing on LB1015 and that will end the hearings today although, members, hang around just a second. Let me talk about tomorrow. Thank you all for being here, for attending. [LB1015]