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Revenue Committee
February 05, 2016

[LB671 LB774]

The Committee on Revenue met at 1:30 p.m. on Friday, February 5, 2016, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB774 and LB671. 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. I'm Senator Mike Gloor, District 35, which is Grand Island. You're at the Revenue Committee and I'm the Chair of the Revenue Committee. Welcome this afternoon. We'll take the bills on the order listed on the agenda outside. Please either turn off your cell phones or put them on a mute so that we don't have that challenge working for us. We have a couple of general rules when it comes to testifying. We like there not to be a lot of time with people moving back and forth and back and forth to the testifying chairs. So if you are going to provide testimony when the time comes, get up a little closer to the front if you would. The order of testifying is this. We have an opening by the presenting introducing senator. We then go to proponents, then to opponents, then to those in a neutral capacity, and there's an opportunity after that for the senator to close on their bill. If you're going to be testifying, you need to fill out a form in the back. Get that filled out if you would and so when you come up here, you give it to the clerk. Krissa will take that form from you. If you have copies of information for us, we need 11 copies and if you don't have 11 copies, the pages will be glad to make copies for you if you need them. When you sit down, we need you to give us your name and spell your name so that we get it correct for the transcribers who are listening in to all this. Everybody has five minutes, so we're under a relatively lengthy clock. Yesterday we were on a three minute clock. It should have been a thirty second clock, but we couldn't quite figure out a way to make that work. You'll get a green light when you start and when there's a minute left, it will go to yellow. And when your five minutes is up, it will turn red and we would ask you to wrap up your conversation to us with that point in time. If you have an interest in one of these bills but prefer not to testify, there's also a sheet in the back of the room where you can make your feelings about that particular bill supportive, not supportive, and what-not, known, and sign up the sheet at that point in time. To my immediate right is the chair that usually is occupied by our counsel, Mary Jane Egr Edson who eventually got worn to a nubbin yesterday and succumbed to the illness that she'd been nursing for a period of time. So, we didn't let her back into the Capitol for her safety and ours. So she's at home right now, but that's counsel. Kay Bergquist is the research analyst. She's at the right end of the table from me. And Krissa Delka is our clerk for the Revenue Committee. I'm going to ask members to introduce themselves starting with Senator Scheer.

SENATOR SCHEER: I'm Jim Scheer from Norfolk, representing District 19, which is Madison County and a small portion of Stanton County.

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

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

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

SENATOR HARR: Burke Harr, Legislative District 8, Douglas County. And bringing up the rear...introduce yourself.

SENATOR DAVIS: Al Davis, District 43, west central and western Nebraska.

SENATOR GLOOR: And we'll be joined by Senator Sullivan at some point in time. Most in this audience know that senators come and go because they have bills that they introduce in front of other committees. So, understand that if you would. Our pages today are Brenda from Wakefield and Jordan who is from Oakland. And with that, we'll start with our first bill, LB774. Senator Scheer, welcome to your Revenue Committee.

SENATOR SCHEER: (Exhibit 1) Thank you, Chairman Gloor and colleagues on the Revenue Committee. My name is Jim Scheer, J-i-m S-c-h-e-e-r. I represent the 19th District in northeast Nebraska, and I appear before you today for the introduction and support of LB774. The bill presented to you provides a sales and use exemption for purchases by nonprofit substance abuse treatment centers. My experience and in a review of the statutes the overall tax policy of Nebraska has never intended to tax nonprofit healthcare providers. That policy is primarily set out in Section 77-2704.12 and that is the only section of this bill that is seeking to amend. In 2002, (sic), Senator Pete Pirsch introduced and passed LB1097. That bill from 2012 amended mental health clinics to the list of nonprofit healthcare providers that are exempted from the sales and use tax under that statute. The intent of those that we're advocating for in LB1097 are the substance abuse treatment centers which were considered under the mental health center umbrella. The Department of Revenue is now treating the substance abuse centers the same and because of that, the centers are being taxed on purchases made. The National Association of Behavioral Health Organizations brought this to my attention that those nonprofit substance abuse treatment centers were still being taxed on purchases being made to keep the organization running. Those substance abuse treatment centers provide essential services throughout Nebraska's communities and already financially burdened as nonprofits. You will hear more from a few of those treatment centers on the services that they provide and the communities they serve. I...before closing, want to note I provided you with a letter from Behavioral Health Services in Norfolk, Nebraska, which is one of those services. I also want to take this time to

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note I would, just looked...got the financial information of the fiscal note and to be honest, it was much, much larger than we had anticipated. And doing some preliminary review what...it appears, don't know, haven't had the conversation. I will let you know when we finalize it. This number is almost identical to the number they used in 2012 as the financial impact. However, for mental health facilities, licensed mental health facilities through Health and Human Services, there are 588. There are 112 substance abuse facilities. So, if 588 provided this amount of tax abatement, certainly 112, unless they are spending an awful lot more than their counterparts, I can't imagine that this is probably an accurate number, but it is what it is. I'm not trying to dismiss it, but I do believe they utilized the same number off of a previous statement that they put together two years ago. Having said that, I am introducing this as a cleanup of what I think the intent of the Legislature has always been and specifically that ten of LB1097 from 2012, and those following me will be giving you the details of their organization and the purchases that are currently being taxed, better than I would be able. And with that, said I would be able to answer any questions in relationship to what I've provided you. Otherwise there are others that are more...would have more explicit answers perhaps than I. [LB774]

SENATOR GLOOR: Thank you, Senator Scheer. Do you know...I have a suspicion and I guess I'm asking the question, if you can't answer it, at least somebody out in the audience who is going to testify can. Was there an assumption when Senator Pirsch had his bill that they... [LB774]

SENATOR SCHEER: The assumption was that everything was going to be covered under the same umbrella. [LB774]

SENATOR GLOOR: Including substance abuse. [LB774]

SENATOR SCHEER: And I think they all assumed they were and some probably weren't providing...you know, thought they had the tax exemption and all of a sudden get an audit and just like we heard yesterday on some of the fine art deals, they end up getting that tax statement. So, this is trying to clarify what everyone thought the intent was of the legislation two years ago. [LB774]

SENATOR GLOOR: Okay. Thank you. Seeing no other questions, I'm guessing you're staying around to close. [LB774]

SENATOR SCHEER: Well, I was going to go get a cup of coffee, but, you know, I'll wait. [LB774]

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SENATOR GLOOR: We move to proponents. Good afternoon. [LB774]

JOHN SYNOWIECKI: (Exhibits 2-4) Good afternoon, Senator Gloor. Senator Gloor, if I may, I have a couple letters to enter into the record. One is from Pat Connell who is associated with the Boys Town, and Chase Franci who is associated with the Friendship House of Grand Island. And then, my testimony is in there as well. Thank you. [LB774]

SENATOR GLOOR: I think we already have the letter in front of us from Mr. Franci and...okay. Go right ahead. [LB774]

JOHN SYNOWIECKI: Senator Gloor, members of the committee, my name is John Synowiecki, it's S-y-n-o-w-i-e-c-k-i, and today I'm representing the Nebraska Association of Behavioral Health Organizations. We support Senator Scheer's effort to clarify Nebraska tax policy relative to nonprofit substance abuse centers. All nonprofit substance abuse centers in Nebraska are organized and operated exclusively for exempt purposes as set forth in Section 501(c)(3) of the Internal Revenue Code. None of the earnings inure to any private shareholder and they are eligible to receive tax-deductible contributions in accordance with IRS Code Section 170. I have been serving as the Grants and Advocacy Coordinator for Catholic Charities of the Archdiocese of Omaha for 16 years. We serve anyone in need in the Omaha Archdiocese and provide a full continuum of accredited adult in behavioral health services. We also operate the only domestic violence shelter in Douglas County. We provide food pantries, micro business training, immigration assistance, adoption services, preschool and community-based senior services. We currently operate three behavioral health treatment facilities that are dually licensed as mental health and substance abuse centers. The Campus for Hope in Omaha and our Columbus, Nebraska, treatment centers serve mostly homeless and near-homeless adults. Our Journeys Program serves adolescents struggling with substance abuse and mental illness within residential and outpatient settings in Omaha. Consistent with our mission, we serve virtually no clients that have the ability to self-pay or private-pay and very few of our clients have private health insurance. Accordingly, our mental health and substance abuse centers are generally operated with reimbursement payments from Nebraska Medicaid and Program 38 resources within the Regional Behavioral Health Authority. Attempting to determine the tax due on purchases is complicated and difficult, particularly when considering facilities that are dually licensed as mental health and substance abuse treatment centers. Currently, the mental health treatment activities are tax exempt, while the substance abuse treatment activities are taxed within the same location. This current policy is burdensome and unmanageable, particularly as behavioral health care is increasingly integrated in response to the growing population of consumers that suffer co-occurring mental illness and substance addiction. Our state's network of nonprofit mental health and substance abuse centers truly represents a public—private partnership in our mutual endeavor of meeting the needs of vulnerable citizens. This model has proven to be cost effective for the state and helps to assure access to nationally accredited behavioral health interventions to

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anyone in need in our communities throughout Nebraska without regard to income. We would encourage the Revenue Committee to clarify the statutes in this section. Thank you, Senator Gloor. [LB774]

SENATOR GLOOR: Thank you, Mr. Synowiecki. And I'm guessing somebody who is dual diagnosis quickly falls under the behavioral health or the mental health piece and, therefore, the substance abuse piece becomes not an issue. Or is even that a challenge? [LB774]

JOHN SYNOWIECKI: I wish it was the case. Here's how we do it internally at Catholic Charities in our dual license facilities. We pretty much mark it down the middle. We pay 50 percent of the tax on purchases for those facilities even though it could be argued, and is probably so, that closer to 100 percent of the individuals, clients in those facilities, have a mental health diagnosis. I would just kind of echo and affirm what Senator Scheer said, and you alluded to, Senator Gloor, is that we thought this was taken care of a few years ago given that a substance abuse diagnoses generally falls under a mental health care. You know, we thought we had it taken care of. Subsequent to the passage of that legislation that Senator Pirsch had passed, we began getting letters from the Nebraska Department of Revenue relative to the substance abuse center component of our operations. [LB774]

SENATOR GLOOR: Okay. Any other questions? Senator Schumacher. [LB774]

SENATOR SCHUMACHER: Thank you, Senator Gloor. With respect to that, when you started getting those letters was that a shift of opinion or an interpretation by the department of what the new law said? [LB774]

JOHN SYNOWIECKI: Senator Schumacher, I can't speak for the Department of Revenue, but we tried to...our operations, we try to comply with state law when we had the letters sent to us. We have accountants on our board and whatnot and their advice and counsel to us was that you should comply with the direction and guidance in the Department of Revenue letters that we received. And so, Catholic Charities of the Archdiocese of Omaha is now paying the tax the best we can. [LB774]

SENATOR SCHUMACHER: But they hadn't been before. [LB774]

JOHN SYNOWIECKI: No. [LB774]

SENATOR SCHUMACHER: And then you started getting these letters. [LB774]

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JOHN SYNOWIECKI: I believe that's correct, Senator Schumacher. [LB774]

SENATOR SCHUMACHER: Did you contest it under the Administrative Procedures Act? Did you say, wait a minute, this was included in there. Why...and we've seen this in a number of things where people want things clarified after the fact, and it seems to me that a lot of the things that we're seeing are things that an administrative court or the district judge could decide rather than have a whole new bill. Was there an appeal taken? [LB774]

JOHN SYNOWIECKI: No. No, Senator. [LB774]

SENATOR SCHUMACHER: Thank you. [LB774]

JOHN SYNOWIECKI: We previously received notices on the mental health component and that's when we came to the Legislature in 2012. When I say, we, I mean the Nebraska Association of Behavioral Health Organizations. [LB774]

SENATOR SCHUMACHER: But letters don't carry much force of law, just a notice that you can appeal if you want to. [LB774]

JOHN SYNOWIECKI: Right. [LB774]

SENATOR SCHUMACHER: And no appeal was taken. Thank you. [LB774]

SENATOR GLOOR: Seeing no further questions. [LB774]

SENATOR DAVIS: I do have a couple of questions. [LB774]

SENATOR GLOOR: Senator Davis. [LB774]

SENATOR DAVIS: Thank you. Just a couple of questions that maybe seem like strange questions. You talk about your clients and most of them are on public...or paid for through some public resource. [lb774]

JOHN SYNOWIECKI: Yes. [LB774]

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SENATOR DAVIS: So, in some respects are we paying tax...can you raise your fees? How does that work? [LB774]

JOHN SYNOWIECKI: Well, there's a per unit reimbursement rate that we receive through the Program 38 through the regional behavioral health authorities. We're a regional behavioral health provider in regions 3, 4 and 6, and so there is no ability for us to raise our rates. They're actually set by... [LB774]

SENATOR DAVIS: That's a fee that's set. [LB774]

JOHN SYNOWIECKI: ...the Legislature, both Medicaid...you know, as well with Medicaid. We have very few individuals that private pay, if any. And then some, some do have private insurance, but overwhelming majority of revenue relative to our behavioral health operations is derived from public dollars, which quite frankly has not been keeping up with the rates of inflation relative to delivering services. And virtually all substance abuse centers, nonprofit substance abuse centers are in the position that they have to fund-raise on top of the reimbursements that they receive from public...from the public resources. [LB774]

SENATOR DAVIS: Thank you. [LB774]

SENATOR GLOOR: Thank you for your testimony. [LB774]

JOHN SYNOWIECKI: Thank you. [LB774]

SENATOR GLOOR: Next proponent, please. Any more proponents for this bill? Anyone in opposition? Anyone in a neutral capacity? Just like last night. (Laughter) Thank you, Senator Scheer waives closing, and that will end the hearing on LB774. We now move to LB671. [LB774]

KRISSA DELKA: We're calling Senator Krist. [LB671]

SENATOR GLOOR: I'm sure Senator Krist figured he could get here about 7 o'clock and fit right in. If you'll wait with us a little bit, I'm sure he'll be down here quickly. Oh, I'd better read in, Krissa. I'm going to read in some letters from proponents for LB774. I'll do the same then for LB671. (Exhibits 5 and 6, LB774) Proponents for LB774, Chase Francl, that was already mentioned; Pat Connell, that was mentioned; Jason Hayes, Nebraska State Education Association; and Tom Barr, The Link, Norfolk, Nebraska. (Exhibit 1, LB671) For LB671, letter from proponent, Kelly Thompson, National Association of Utility Contractors of Nebraska.

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(Exhibits 2-13, LB671.) Opponents: Lane Danielzuk, Heartland Expressway; Mayor Rod Koch, South Sioux City, Nebraska; Ron Tillery, Fremont Chamber; Robert Andersen, Nebraska Cooperative Council; Larry Mussack, Nebraska Corn Growers Association; Mayor Jean Stothert, city of Omaha; Mayor Douglas Kindig, United Cities of Sarpy County; Ash Grove Cement Company; Barb Cooksley, Nebraska Cattlemen; Matt Litt, Americans for Prosperity; David Brown, Greater Omaha Chamber; and Ron Books, Nebraska State Highway Commission. And those are opponents to LB671. Good afternoon, Senator Krist. The floor is yours.

SENATOR KRIST: Good afternoon, Senator Gloor. I appreciate Senator Scheer waiving closing. (Laughter) That was going to be my cue and start running down here. [LB671]

SENATOR SCHEER: Anything for you, Bob. [LB671]

SENATOR KRIST: Yeah, thanks. Good afternoon, Senator Gloor and members of the Revenue Committee. For the record, my name is Bob Krist, B-o-b K-r-i-s-t. I represent the 10th Legislative District in northwest Omaha along with the north central portion of Douglas County which includes the city of Bennington. I appear before you today in introduction of LB671, and notice I didn't say, and support of. It repeals the Build Nebraska Act and changes the distribution of sales tax revenue to the General Fund. The purpose is to begin to analyze the taxes that are currently in place and how they're being used in conjunction with future gas taxes that will increase and will replace because...should be in place because of the passage last session of Senator Smith's LB610, which was then done...overturned by the Governor's veto. The Build Nebraska Act enacted in 2011 redirects a quarter of 1 percent...of 1 cent of general state sales tax from the General Fund to state and local highway purposes over a 20-year period through June 1 of 2033. The sales tax generated is allocated 85 percent to the State Highway Capital Improvement Fund and 15 percent to the Highway Allocation Fund which is basically cities and counties. Separate from the money in our gas tax, which will be increasing incrementally over the next five years, how is that pot of money, that silo of money, gas taxes, different from the Build Nebraska Act, where there is a quarter cent of sales tax and why do we need another 6 percent? Those are questions that my constituents asked me when I voted to override the veto. I bring this bill and ask this committee not to do anything with it, but simply to engage in the discussion about how we're funding both the sustainability and the build of our future roads and infrastructure in the state. As the old saying goes, a million here, a million there, and eventually you've got big money. Well, we have a funding mechanism in place and I think we're going to face another decision on funding mechanism for roads this year. So, it's really not an academic discussion. It's a question. Are we spending property taxes correctly? We're dealing with that question. Are we spending or seeing that our sales tax are spent correctly? That's part of this discussion. And how much money do we need in the infrastructure program and what is that strategic plan? Again, I don't want you to do anything with this bill other than to have that discussion and carefully be transparent to our citizens who say, why a quarter cent here and a

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half cent there, and what is it all going to do? So with that, I would stand for any questions.
[LB671]

SENATOR GLOOR: Thank you, Senator Krist. Senator Brasch. [LB671]

SENATOR BRASCH: Thank you, Senator Krist. I'm just curious. Was this an interim study proposal or could it be one instead of a...? [LB671]

SENATOR KRIST: I think Senator Smith's Transportation Committee and this committee deal with the revenue issues very well. And for it... [LB671]

SENATOR BRASCH: But your bill here is what I'm being specific to. [LB671]

SENATOR KRIST: No. [LB671]

SENATOR BRASCH: When you brought it forward saying, just think about it, I really don't want to do anything, but it's to think about, and I thought that was what an interim study was... [LB671]

SENATOR KRIST: Sometimes interim studies do really great things. I think all these pieces are here. I just don't think that the administration and some of us understand the strategic plan for what we're being asked to vote for. And a discussion in a committee hearing can also bring that to public light. Senator Smith's committee and this committee, Senator Gloor's committee, deal with these funding mechanisms all the time. The taxpayers look at us and say, you overrode a veto, and now you're asking for this. Why are you doing that? I think that's part of the discussion and I think we need to have that discussion for transparency. [LB671]

SENATOR BRASCH: And again, out of curiosity, has...have you done this before on any other bill, just brought it... [LB671]

SENATOR KRIST: I have. [LB671]

SENATOR BRASCH: So it's not... [LB671]

SENATOR KRIST: Several times. I took a question to Natural Resources this year about why we pay \$1 per tire and then additional fees. Where do those taxes go? How do they fit into the

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structure? That one may not go into an interim study. However, there was an interesting discussion about why we need to keep that in place. [LB671]

SENATOR BRASCH: Very good. As I said, I'm just curious and we'll maybe discuss this. [LB671]

SENATOR KRIST: Sure, well, I appreciate the question. [LB671]

SENATOR BRASCH: All right. Thank you. [LB671]

SENATOR GLOOR: Senator Smith: [LB671]

SENATOR SMITH: Thank you, Mr. Chair. And Senator Krist, I'm going to provide a little bit of background, so put things in perspective as we move through the proponents or opponents in the hearing. The increase of 6 cents from LB610 went to three jurisdictions. It went to cities to take care of debt, went to municipalities to take care of their infrastructure needs. It went to the counties to take care of their infrastructure needs, which included those deficient bridges. And then 2 cents went to the state. The 2 cents that went to the state could be part of the funding solution of LB960 which will be heard in Appropriations on the 16th. A little bit of history. The Build Nebraska Act, there had been a...I would say a failure to fulfill open promises on the expressway systems in our state. Senator Fischer brought the quarter cent sales tax to help move towards completing those open promises. The Build Nebraska Act, in part, was to go towards the designated expressways that were uncompleted. But even with the Build Nebraska Act there remained a gap in fulfilling the promises on expressway systems. So that's where LB960 is going to address that taking...you know, the plan there is to take from the cash reserve, but also to take from the state's portion of the motor fuel tax which could in part have been supplied by the LB610. I understand what you're saying, but also each year we do a needs study where we look at what is taking place to move towards the fulfillment of our obligations with the state, where that funding is coming from. And even with LB960, we will be looking at what gaps remain and how it's going to be fulfilled. So, that's just a little bit of a backdrop to your testimony. I'm not expecting you to comment on that, but I think that helps put things in perspective perhaps. Thank you. [LB671]

SENATOR KRIST: Absolutely. I think that's a whole interim study right...all by itself right there. Thank you, Senator Smith. [LB671]

SENATOR GLOOR: Senator Sullivan. [LB671]

SENATOR SULLIVAN: Thank you, Senator Gloor; and thank you, Senator Krist. In the spirit of this conversation, and as I listen to you, has Build Nebraska Act set a precedent for designating and a portion of our sales tax revenue to certain things, and where, other than the committee's jurisdiction for a particular subject matter, do we have a conversation about state priorities and how we fund them? [LB671]

SENATOR KRIST: Excellent question. And if you wrap yourself back to that time when Senator Fischer in the dark night...that one night in this debate, the counties were actually added to that so the discussion that went on on the floor expanded where we would put that money. That, in fact, was a huge policy, not change, but initiative. And to Senator Smith's point, that day that we debated that, that evening we debated that, it was the only way to fund it because we weren't going to be able to fund it any other way. So I think the question is, in terms of policy, should we be spending sales tax money or any other tax money on building roads and building infrastructure? Is that the appropriate use of the sales tax, particularly when we have the other issues going on in education, as you know, and all the rest. So it is a discussion that crosses several standing committees and policy decisions that need to be made in the future, not the least of which a policy decision would be, at what point and at what level do we dip into our cash reserves to make these decisions in terms of infrastructure. And I'm not judging that. I'm just suggesting that that's part of the policy question that we're going to be asked to look at. So, it is indeed a policy question. It is indeed an appropriate question of how much are we taxing for what purpose where. [LB671]

SENATOR SULLIVAN: And do we...how do those conversations, as I said, in our individual standing committees or is there an environment whether it's legislative planning or the legislative counsel where we start to have that more holistic discussion of state priorities? [LB671]

SENATOR KRIST: The...I think the Planning Committee has done a great job in terms of bringing those consolidated questions from standing committees, but I think it has to happen in the standing committee of jurisdiction. And I'll give you a great example of that. We heard something in the...I'm part of the referencing process. And unfortunately, there were bills that were referenced to different committees that probably should have gone to the standing committee of jurisdiction. One of them we heard today. We were all about TIF. Well, TIF really is, the experts are on Urban Affairs, but we were forced to listen to something because of an overriding issue. But it puts more emphasis back on standing committee of jurisdiction in dealing with the issues. And as you heard Senator Smith's comments, I mean, it's clear that our Transportation Chair has a handle on where those monies are coming from. However, the rest of us are going to have to make the policy decision in terms of, is the tax appropriate, is it coming from the right place and going to the right place. Thank you, Senator Sullivan. [LB671]

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SENATOR GLOOR: Senator Smith. [LB671]

SENATOR SMITH: Thank you, Mr. Chair. And again, I want to clarify it. I don't want anyone who may be watching on NET or listening in the audience here to have in their mind that we have not had adequate discussion on tax policy related to infrastructure. We spent considerable time last year on the floor of the Legislature and in this committee. We talked about whether it's appropriate to use user fees to take care of our infrastructure needs and there was a time whenever this was discussed in committee, on the floor of the Legislature, as to whether we needed to dip into the sales tax with a quarter cent and take care of the Build Nebraska Act. In our standing committees we have had these discussions. So, please, let's not leave Nebraska with any sense that we have not had these discussions and have them at length. We decided last year, I think as a Legislature and in this committee, that a user fee was the right way to address some of our deficiencies and meeting our obligations with our infrastructure, our local infrastructure. And back in 2011, we made that decision when it came to Build Nebraska Act with a quarter cent. There's no perfect funding mechanism, but I think we've had full and fair discussion each time we've gone around that. [LB671]

SENATOR KRIST: May I respond? [LB671]

SENATOR SMITH: Please. [LB671]

SENATOR KRIST: Different administration, different CEOs, COOs, different people in place, that discussion needs to continue and we need to see a plan of where that's going to go. I'm not challenging anybody or saying we haven't had fair and honest debate, but what we came before is not what we're seeing in front of us. So, we need to continue that. [LB671]

SENATOR SMITH: I would disagree, Senator. [LB671]

SENATOR KRIST: Okay. Thank you. [LB671]

SENATOR GLOOR: Senator Schumacher. [LB671]

SENATOR SCHUMACHER: Thank you, Senator Gloor. We've also had the discussion, the context, the bonding bills, which now there's a different administration. That's another funding mechanism. I think this committee has before it still another mechanism that was introduced last year as to how money could be raised for roads. So that...I think that you're correct at continuing discussion needs to be had as to how we fund that and whether it's also an appropriate use of the cash reserve. [LB671]

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SENATOR KRIST: Thank you. [LB671]

SENATOR GLOOR: Seeing no further questions, thank you, Senator Krist. Do you plan to stay to close? [LB671]

SENATOR KRIST: No. Can I make one other comment as I leave? Please, anyone who is behind me, these folks have been here for a long time yesterday. This bill is going nowhere. If you want to comment on the use of taxes, I think that's appropriate, but I'm not trying to kill the Build Nebraska Act today. Thank you. [LB671]

SENATOR GLOOR: Thank you, Senator Krist, who has stole my segue to moving to proponents and opponents. In my role as Chair, I will honor his request. This bill will not come up for a vote, and so if you would like to speak as a proponent or an opponent, in neutral capacity, we encourage you to do so but hope you will, in fact, refine your comments to be educational for us in the dialogue which you're hearing. And with that, I would move to proponents for this bill. I move to opponents for this bill. Good afternoon. [LB671]

KYLE SCHNEWEIS: (Exhibit 14) Good afternoon, Chairman Gloor and members of the Revenue Committee. I'm Kyle Schneweis, K-y-l-e S-c-h-n-e-w-e-i-s, director of the Department of Roads appearing here in opposition to LB671. I'll try to make my comments more educational than not oppositional, Senator. As...from our perspective the Build Nebraska Act is an indispensable tool for growing our economy and improving the safety of our state. If I could take you back to 2011 before the act was passed, the Department of Roads revenues were in such a place where almost our entire budget was focused on preservation and maintaining the 10,000 miles and 3,500 bridges that we have. And the reason for that was because if you looked at our performance metrics, the condition of our pavements had been slowly declining and deteriorating over time and it was understood that we needed to put a stop to that and, therefore, all the resources went to preservation. And, of course, that's great in terms of being able to take care of our system but it presents a challenge when trying to plan for the future or support economic growth in the state. And that's where the Build Nebraska Act came in. And it's delivering on these long anticipated projects that support the economic growth of our state. The first ten years of the Build Nebraska Act projects are programmed and under way. In your handout that I believe was just distributed, you can see a list of those projects here. Also a map of those projects here. If we were to eliminate the Build Nebraska Act, we'd have to stop construction on these projects. Some of the more high profile ones, you'll see in the list, Highway 30 from Schuyler to Fremont, the Heartland Expressway, the Lincoln South Beltway, I-80 from 24th to 13th Street in Omaha. And then if it's not bad enough to lose these long awaited projects, there's also the issue of sort of trying to reprogram ourselves in an efficient way when you're putting projects on and off and on and off the shelf, so it's certainly a concern. The next piece, and I

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think this speaks to Senator Krist's...or the discussion of education ends, so we've got ten more years of unprogrammed projects out there. And I'd point you to the next handout. It looks like this. Just two weeks ago, we did a statewide tour to talk about the next ten years of projects and these are the projects that we talked about. And there were many more discussed at those meetings. This is about a billion and a half to two billion dollars worth of projects just right here. We're trying to sort through and sift through to see what to prioritize as we look at that next ten years of projects. I will say, we found tremendous support for both Build Nebraska Act for these projects and also for the approach that we are taking at the Department of Roads to consider both traffic and engineering like we have traditionally, but also an additional factors of economic impacts. And we're really trying to be transparent in how we select these projects and how we prioritize them. And I think that's a shift in our focus at the Department of Roads and something that's been very well received across the state. There were hundreds of people that attended our meetings and were very pleased with the level of discussion. I should say, you know, there's a perception out there that perhaps LB610 can replace the Build Nebraska Act if we're just talking numbers. The LB610 when it finally ramps all the way up, the state portion is about \$24 million. The Build Nebraska Act delivers \$60 million to \$65 million a year. So the numbers don't add up in terms of trying to replace one with the other. There's also the issue of the long-term needs to continue to preserve the system. And if you were to do away with the Build Nebraska Act, you'd have to...and try to replace it with LB610, eventually you're going to have to use some of those resources to just take care of our roads. There also may be a perception that LB960 that's proposed, the Transportation and Innovation Act could be used as a surrogate for the Build Nebraska Act. I strongly disagree. I think this proposal of the transportation infrastructure bank was designed to work in concert with the Build Nebraska Act to deliver on these projects. And it is not intended to replace, it's intended to deliver those projects sooner, to accelerate the delivery of them. So, from our perspective, I think it's important to recognize how closely tied these things are. And this, lastly, I would just say, in LB960 there's a discussion about trying to...or pledging to complete the expressway system. Senator Smith alluded to that...to those needs. The proposal is to try and complete that by 2033. Without the Build Nebraska Act we wouldn't come close. We probably would never complete the expressways without it. So, I'll leave you with that. And thank you for the time and I look forward to answering any questions you have. [LB671]

SENATOR GLOOR: Thank you. Questions to the Director? Senator Smith. [LB671]

SENATOR SMITH: Thank you, Mr. Chairman. Director Schneweis, and you said this, and I just want to clarify for everyone's understanding that even with the Build Nebraska Act in place, in order to fulfill those promises by 2033, there's still a gap. And that gap we're seeking to satisfy with LB960. [LB671]

KYLE SCHNEWEIS: Correct. [LB671]

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SENATOR SMITH: So, you eliminate Build Nebraska Act, now we have another huge gap in there. [LB671]

KYLE SCHNEWEIS: Correct. [LB671]

SENATOR SMITH: And I think we can go to your website, the DOR website and we can see the designated expressway systems that are programmed that are going to be completed with Build Nebraska funds. I encourage anyone that thinks this is a good idea to go out there and tell me which of those expressway systems we do not need in the state. I think we need all of them and we need to fulfill those promises. [LB671]

KYLE SCHNEWEIS: I would agree, Senator. I think in...I don't want to delude or leave you with the idea that the only needs...the only capital improvement needs in our state are of the expressway system. There are many, many others as you can see on this map. [LB671]

SENATOR SMITH: Thank you. [LB671]

SENATOR GLOOR: Senator Schumacher. [LB671]

SENATOR SCHUMACHER: Thank you, Senator Gloor, and thank you for your testimony. If you have the money, how quick could you get the expressway system finished? [LB671]

KYLE SCHNEWEIS: Excellent question. So there's two pieces to it. You allude to the first. If we make the money piece magically out of the picture, then there's a time piece. [LB671]

SENATOR SCHUMACHER: Let's pretend the money is no problem. [LB671]

KYLE SCHNEWEIS: So there's a time piece. Our traditional delivery time is seven to ten years on most of these kinds of projects when you're trying to go from two to four lanes or add links to the system. Seven to ten years sounds like an awful lot of time for those that aren't in our profession. I understand that. It involves an environment...a lengthy environmental process, often a right of way purchasing process that takes a while, and then there's just the design itself. That's seven to ten years is our traditional design, bid, build approach to funding or to contracting for infrastructure. Many states have moved to some other accelerated methods that can shorten that by two to four years. The Transportation and Innovation Act includes some of those tools for use here in Nebraska. [LB671]

SENATOR SCHUMACHER: So the year is? [LB671]

KYLE SCHNEWEIS: Sorry, 2019, we think we could turn dirt on some projects if we had... [LB671]

SENATOR SCHUMACHER: And finish it? [LB671]

KYLE SCHNEWEIS: ...and two to three years for construction. So to finish the expressway entirely, now I should...I should take a step back, so. One of the challenges with trying to utilize a new contracting method like we're talking about with design-build, and some others that, I'll leave the details for another time. We need to take some baby steps there to make sure that we can deliver on those kinds of projects. So I would be uncomfortable saying, let's do the entire 132 miles of unfinished expressways through a design-build contract that we sign next year and try to build by 2019. I think that would be a difficult task. So from my perspective it would be hard to say we could finish it in less than ten years or so. [LB671]

SENATOR SCHUMACHER: Okay. So, basically, if we found the pot of money, we're done with this project in 2026. [LB671]

KYLE SCHNEWEIS: I think if you're just trying to finish the expressways, 132 miles that are left, that would be correct. We would be turning dirt on those projects by then. I'm not saying that they would be open to traffic. [LB671]

SENATOR SCHUMACHER: But we shorten the span by about seven years. [LB671]

KYLE SCHNEWEIS: Yeah, I think it's a safe...and you know, I'd have to go back and beat up my engineers about it but, yeah, I think we could get close in a decade, yeah. [LB671]

SENATOR SCHUMACHER: Now, we're just trying to figure out how we label the money properly. [LB671]

KYLE SCHNEWEIS: Correct. And I do think, you know, part of our tradition here in Nebraska is to pay as you go and I think with the Build Nebraska Act in place already, there's not a huge need to accelerate that whole package all the way forward. I think we can work steady as you go with the Build Nebraska Act and then look to accelerate strategically through some other tools such as the proposal of LB960. [LB671]

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SENATOR SCHUMACHER: Thank you. [LB671]

SENATOR GLOOR: Senator Davis. [LB671]

SENATOR DAVIS: Thank you, Senator Gloor. Good to see you, Director. [LB671]

KYLE SCHNEWEIS: Thank you. [LB671]

SENATOR DAVIS: Can you tell me a little bit more about this map and these projects? [LB671]

KYLE SCHNEWEIS: Sure. So if you are familiar with...and I say if I know you are, Senator, as a member of the Transportation and Telecommunications Committee, our annual program book, in the back it includes a list of projects that are under consideration. This is a map of those projects. There are a few additional ones here. As we went to reach out to the folks around the state about the Build Nebraska Act, we wanted to make sure we had a nice map that captured most of the needs we've heard about. And so, in addition to those projects, there are some projects just through discourse with our district engineers. We added a few. And the intent really was, this was used as a discussion topic, discussion piece at those meetings and so the hope was to get most of the projects we hear about in a place so we're not adding too many before we get too far down the road. [LB671]

SENATOR DAVIS: This sounds like a very ambitious project for ten years, that's why I was asking. [LB671]

KYLE SCHNEWEIS: And I appreciate that and I guess one clarification. The purpose of those meetings is to sift and sort through these projects to say, okay, we can't do them all. Which ones are most important? And that's where we're trying to look at economic impacts and public input in addition to some of our most traditional engineering methods. [LB671]

SENATOR DAVIS: So we know what the Build Nebraska Act is planning to do. We know what Senator Smith's bill is planning to do, but to do this, do we have any idea what this would cost? [LB671]

KYLE SCHNEWEIS: As I alluded, the back of the program book lists about a billion and a half. The projects we added on here, we didn't estimate what they would be. I would...I mean, I would be very comfortable of saying we're at two billion or more here, so. [LB671]

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SENATOR DAVIS: So in order to do what you want to do, there will be a need for long-term funding for many, many years? [LB671]

KYLE SCHNEWEIS: Sure. From my perspective infrastructure investment, you're always trying to plan for the future. You're always trying to support economic growth. It's not something you quit on. You know, you use the resources you have. You try to spend them as strategically as you can. You have conversations like we're having today about what's important and whether it's a good use of funds to continue those investments. So I don't think you ever put the map away. [LB671]

SENATOR DAVIS: Thank you. [LB671]

SENATOR GLOOR: Thank you. Seeing no further questions, thank you, Mr. Schneweis. [LB671]

KYLE SCHNEWEIS: Thank you. Appreciate it. [LB671]

SENATOR GLOOR: We'll continue with opponents. Mr. Mach. [LB671]

COBY MACH: (Exhibit 15) Good afternoon, Chairman Gloor and members of the Revenue Committee. My name is Coby Mach, C-o-b-y M-a-c-h. I'm the president and CEO of the Lincoln Independent Business Association, LIBA. And in light of the opening statement, I will abbreviate and shorten my statement quite a bit, but I will tell you that in Lincoln, Lancaster County, the funds that are coming in from the Build Nebraska Act have certainly been able to help us move forward with projects. Locally, the Build Nebraska Act dollars are earmarked for Lincoln South Beltway which is to be completed in 2023. We believe it will help address serious safety concerns. According to the Nebraska Department of Roads, in 2012, 22 percent of all traffic on Highway 2 in the city limits of Lincoln was heavy truck traffic, semi traffic. In 2015, the city of Lincoln reported the traffic counts on stretches of Highway 2 running through the city limits of Lincoln averaged up to 33,000 vehicles per day. As a result of Lincoln's large population growth, our economic development, heavy truck traffic is now forced to travel alongside local traffic that are commuting to and from work each day. The confluence of commercial heavy truck traffic and local traffic on a stretch of highway with multiple signalized intersections has resulted in Nebraska Highway 2 within our city limits of Lincoln facing serious safety issues. Just a few years ago, for example, Lincoln was faced with a truck accident that shut down traffic on Highway 2 on a Husker game day when a truck that was carrying 34,000 pounds of radioactive waste was in an accident. One of the two containers slid loose and struck the sleeper cab of the semi-truck. Fortunately, no one was injured. The radioactive waste was fully contained, but the incident provides a clear example of the dangers provided by the stop

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and go heavy truck traffic that is moving through the Capital city. And again, this occurred on a Husker game day...Husker football game day. In the past 15 years, 21 people have been killed in 18 car accidents on Highway 2 within the city limits of Lincoln. Pedestrians are crossing this major highway creating an even further risk as middle school students are forced to cross seven lanes of Highway 2 so that they can get to Pound Middle School. We just believe this is very important for the safety of our community to have these funds for Lincoln South Beltway and there I'll end my comments, and thank you for your time today. But Senator Krist wanted to know why to keep the Build Nebraska Act. Hopefully, there were a couple of reasons in there for you. [LB671]

SENATOR GLOOR: Thank you, Mr. Mach. Are there any questions? Senator Schumacher. [LB671]

SENATOR SCHUMACHER: Thank you, Senator Gloor, and thank you, Mr. Mach, for appearing today. We've got this conflict and we've heard it all day yesterday between cutting taxes on one hand and needed things on the other, one of which is big things and one that you were talking about today and that's road. If you had to choose. [LB671]

COBY MACH: If I had to choose lowering taxes or eliminating this bill? [LB671]

SENATOR SCHUMACHER: Yeah, because that's what we've got to do. (Laughter) Well, not eliminating this bill, but prioritizing roads, prioritizing tax cuts, which do we choose? [LB671]

COBY MACH: And, Senator, I could sit here and tell you what everyone does and that is you have a very difficult decision and tough decisions to make. But, Senator, I guess I will be honest with you. We all are searching for that magic bullet of tax relief. I know you are at the state level. We certainly are when we're dealing with our Lincoln City Council or the County Board or our school system as well. In this particular case when it boils down to the safety of our citizens, and really, isn't that what government is all about? Making sure we've got clean water, making sure that we have clean air. We have transportation needs taken care of, roads and infrastructure. Those are the fundamentals of government. [LB671]

SENATOR SCHUMACHER: And prisons and mental health and education. [LB671]

COBY MACH: And in this case, I'm going to tell you, this bill is that important that we keep it. [LB671]

SENATOR SCHUMACHER: Thank you. [LB671]

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COBY MACH: Thank you. [LB671]

SENATOR GLOOR: Seeing no further questions, thank you. [LB671]

COBY MACH: Thank you. [LB671]

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 serve as the state director of the governmental relations for Farm Bureau and I come before you today on their behalf. Thank you for your patience yesterday. I know you had a long day. I'll keep this brief. Nebraska farmers rely heavily on the good roads and a strong infrastructure for the transport of our goods. Good roads, highways, and bridges are essential for our farmers and ranchers who each year face more and more global competition. A key for our competitiveness is to keep the cost of shipping commodities low to help producers market their products in the global marketplace and good roads are a part of that. We were engaged in the process when LB84 was passed and we have seen the impact this legislation has had in a positive way. We just encourage you to keep it. I'll conclude my remarks. Any questions, I'd be happy to take them. [LB671]

SENATOR GLOOR: Thank you, Ms. Kolterman. Any questions? I don't see any. Thank you. [LB671]

JESSICA KOLTERMAN: Thank you. [LB671]

JENNIFER WEISS: (Exhibit 16) Good afternoon, Senators. I'm Jennifer Weiss, W-e-i-s-s from Fremont, Nebraska, and I'm today representing my company, Rawhide Chemoil and I'm also the president of the Nebraska Petroleum Marketers and Convenience Store Association. I'm just going to keep my comments brief. I did write out some more comments, but I just want to add to whatever was said that we need a more stable funding source as our fuel consumption goes down, and...or is flat. So we do need more than one source of funding. And if you've got any other questions, that's all I have. [LB671]

SENATOR GLOOR: Thank you. I don't think so. Thank you. Good afternoon. [LB671]

MIKE PIERNICKY: Good afternoon. Chairman Gloor and members of the committee, I'm Mike Piernicky, P-i-e-r-n-i-c-k-y. I'm here representing the Omaha Chamber of Commerce as the transportation chair. I'm also representing the Nebraska Chamber of Commerce and Industry today. I'm here to express our opposition to LB671. You should have a letter from the Chamber President, David Brown. I would also like to, in your request to keep things brief and

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educational, highlight or stand behind the comments made by the Director of the Department of Roads and specifically highlight...I believe he is correct as a transportation professional as am I, that there is over two billion dollars worth of infrastructure improvements and only estimated about six hundred million dollars of the second ten years of LB84 dollars available and therefore there is that gap which has been discussed previously. This program provides essentially what is Nebraska's highway capital construction program and without it, efforts would again be reduced to basic maintenance. Very clearly, infrastructural improvements provide one of the best returns on investment that we can make as a state. Nebraska has far more demonstrated needs for road improvements than projected revenues. Disrupting scheduled Build Nebraska projects would be counterproductive in our efforts to address those needs and counter to business interest. I thank you for your time and I'd be happy to answer any questions that you might have. [LB671]

SENATOR GLOOR: Thank you. Are there questions? I see none. Thank you. [LB671]

MIKE PIERNICKY: Thank you very much. [LB671]

SENATOR GLOOR: Welcome back. [LB671]

MARLENE JOHNSON: Thank you. It's good to be back. Well, good afternoon. My name is Marlene Johnson, M-a-r-l-e-n-e J-o-h-n-s-o-n. I'm the Mayor of West Point and the immediate past president of the League of Nebraska Municipalities. And I'm also chair of the Nebraska Expressways for Economic Development, otherwise known as NEED and this organization was formed in 2007. I want to thank Senator Krist for asking the committee to not advance the bill. In collaboration with many other statewide organizations, the League and NEED strongly advocated for passage of LB84 in 2011, introduced by then Senator Deb Fischer to adopt the Build Nebraska Act. In LB84 funds are needed for the construction of these significant projects. Our long-awaited expressway system needs to be completed. And I would also like to thank Senator Jim Smith for introducing LB610 in 2015. This is going to also add to the funding that's available so that we cannot only finish the expressway system, but also improve the rest of our highways that need a lot of repair and improvement. And it will offset some, but not all of a projected loss of revenue from the gas tax that is lowered, is going down and the use of gasoline because everybody has got cars that are more fuel efficient. Even with LB610, LB84, and other state and federal dollars, municipalities like West Point have been unable to make all the needed improvements to the local transportation infrastructure. And so, we think that all of these things are going to also help us as a local community to finish the projects that we have that we need to do. First and foremost, additional revenue is needed to help address safety concerns which is a very top priority as far as highways are concerned when you look at two-lane highways and the amount of traffic that moves between our communities. We do have a lot of accidents that happen on 275 because people become very impatient. And a lot of it is caused by deteriorating

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infrastructure as well as congestion with increased traffic counts, which is what's happening in our area. And it is the need for additional revenue to help maintain and improve this segment of our transportation infrastructure for economic development and redevelopment efforts our expressway system needs to be completed. Our highway, streets, roads and bridges are economic lifelines for our agriculture and manufacturing and business sectors that rely heavily on the commercial transportation industry to transport inputs and move products to market. Transportation infrastructure is essential for municipal, economic development and redevelopment efforts which help retain and create jobs for our citizens and help our communities to grow. This includes jobs for many farmers and others living outside of municipalities who are employed at businesses located in our cities and villages. Without good paying jobs, we cannot expect our high school and college graduates to remain in Nebraska and become part of our valuable work force which is necessary to retain and attract more business to our communities. This is my 18th year as Mayor of West Point. When businesses decide to locate in our community or any other city, they consider the condition of our municipal infrastructure systems, especially the condition of our streets and roads near the possible location of their business and whether there is access to an expressway or interstates and whether our highways are in good enough condition for them to travel and get quickly from point A to deliver the goods. I respectfully ask you to indefinitely postpone LB671 and I would be happy to answer any questions you may have. [LB671]

SENATOR GLOOR: Thank you, Mayor Johnson. Seeing no questions, thank you. [LB671]

MARLENE JOHNSON: Thank you. [LB671]

SENATOR GLOOR: Good afternoon. [LB671]

LARRY JOHNSON: Good afternoon, Senator Gloor and members of the committee. My name is Larry Johnson, that's L-a-r-r-y J-o-h-n-s-o-n, and I represent the Nebraska Trucking Association and trucking companies and their allied members across the state. Educationally, I think, I'll just say, ad lib a little bit, that as one of the major contributors to the fuel tax and concerns when we have safe and efficient roads, I'd like to say that we've been involved in the process for a number of years, and to help maybe Senator Krist's concerns, as kind of watch dogs over that process. We have complete confidence in, not only our Department of Roads, but also our senators that serve on the Transportation Committee and each of you on the Revenue Committee. So we think we've got a good balance and that we support what you're doing, so. With that, keep up the good work. [LB671]

SENATOR GLOOR: Any questions for Mr. Johnson? Senator Harr. [LB671]

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SENATOR HARR: Thank you. Do you have confidence in our senators on Appropriations? (Laughter) [LB671]

LARRY JOHNSON: Well, there is a tough job. (Laughter) The difference between wants and needs we, yes we do. Yes. [LB671]

SENATOR HARR: Okay. Thanks. [LB671]

SENATOR GLOOR: I believe that was the right answer for this group. (Laughter) Thank you. Appreciate your testimony. [LB671]

LARRY JOHNSON: All right. Thank you. [LB671]

SENATOR GLOOR: We'll continue with opponents. [LB671]

LARRY DIX: (Exhibit 17) Good afternoon, Senator Gloor and members of the Revenue Committee. My name is Larry Dix, executive director of Nebraska Association of County Officials appearing today in opposition. Just a couple of comments I'm passing around. [LB671]

SENATOR GLOOR: Could I get you to spell your name, please. [LB671]

LARRY DIX: Yes. L-a-r-r-y D-i-x. I'm passing around a printout that comes actually off the Department of Revenue...or the Department of Roads website and it does identify the money that comes from the Build Nebraska Act and how it is broken down county by county. And it equates to a little over five million dollars in a year's period of time, but it does give you an idea of what each of the counties receive. And when you look at those dollar amounts, when we look at those and say, well, sometimes the question comes, I think Senator Krist said, you know, what are you doing with specifically that money. The things that the Build Nebraska Act money primarily go for, and as you all know we were huge supporters of the Build Nebraska Act, when you look at those dollars amounts you can see that what we receive in a year's period of time, and many of those counties do not reach a level that we're going to go out and replace a lot of bridges or anything like that, but these dollars typically go for a lot of asphalt overlays. They look for public safety. A lot of these dollars go for additional signing. The roads that they particularly look for are the main county roads, the main farm-to-market roads and the main roads where we know where our school buses go over and so, primarily, that's where this additional money is somewhat identified in each and every county. So I think that answers the spirit of the question that Senator Krist was asking about and I'd be happy to answer any questions that you may have. [LB671]

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SENATOR GLOOR: Any questions for Mr. Dix? Senator Davis. [LB671]

SENATOR DAVIS: Just one. And Larry, good to see you. So in light of the fact that these projects in the counties have to go on anyway without the Build Nebraska Act, what resource would they use to do that? [LB671]

LARRY DIX: Well, the other resources...our roads, there's a number of resources that we look at. There is some gas tax money that come obviously from the gas tax and a significant amount of any counties road budget is property tax dollars. That's where I think you're going to find a significant influx of money each and every year. [LB671]

SENATOR DAVIS: Thank you. [LB671]

SENATOR GLOOR: (Exhibit 18) Thank you for your testimony. Continue with opponents. And I'll read one more letter we have in opposition. This would be from Don Heimes of the Columbus Area Chamber of Commerce, or legislative committee chair, I'm sorry. And K. C. Belitz, who is the president of the Chamber of Commerce. Thank you. You're on. Go ahead. [LB671]

DICK LUDWIG: (Exhibit 19) Chairman Gloor and members of the committee, my name is Dick Ludwig, D-i-c-k L-u-d-w-i-g. I am testifying today on behalf of the Associated General Contractors, Nebraska Chapter. I am reminded that Governor Bob Crosby often opened his testimony by noting that whatever else we say or do, let us agree that we got here today on roads. I am seeing a regional sales engineer for contact engineered solutions. We furnish civil engineering related construction products and technology for infrastructure projects of all types. One of our many plants is located in Wahoo. Our family has lived in Lincoln for 28 years and Kathy Campbell is our Senator. I have been on the board of directors at AGC for 18 years and served as chapter president in 2002. AGC is a trade association of Nebraska highway contractors who perform highway, bridge and municipal utility infrastructure work. Our members don't build Nebraska alone but depend on the 47,000-plus construction workers who build Nebraska. Leading up to 2011, the state of Nebraska's revenues for roads were flattening out and there was only enough money available to simply maintain our existing infrastructure. There were no funds available for new capital construction, no funds available to build additional lanes on crowded, dangerous roads or complete the expressway system long ago promised to Nebraska taxpayers. The Legislature courageously passed LB84 and adopted the Build Nebraska Act in 2011. July 1, 2013, the act directed one-quarter of a cent of the state's existing 5.5 percent sales tax towards new road construction. The act is effective until 2033 and generates approximately \$65 million a year for road construction. Chairman Gloor, members of the committee, I cannot stress enough the importance of the Build Nebraska Act to our state, its transportation, and our economy. The

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first dollars from LB84 have already been put to work and important projects are being completed all over Nebraska. Many more projects are in the development stages and scheduled to let in the next few years. AGC urges this committee and the Legislature to leave LB84 in place and let it continue to work for Nebraska for the remainder of the years it was intended. I also have a letter that I will submit on behalf of the Professional Engineers Coalition. [LB671]

SENATOR GLOOR: Okay. Any questions? Senator Schumacher. [LB671]

SENATOR SCHUMACHER: Thank you, Senator Gloor. In looking at the inflation in the cost to build the road, what is a good number for that? Is it 2 percent inflation a year, 1 percent, 3 percent? Any feel for that? [LB671]

DICK LUDWIG: That's a great question. No, I really don't feel qualified to answer that. Within our particular sector, actually prices have decreased. That is A typical. I certainly wouldn't want to project that prices would decline in steel products, but that has been the case the last two years. I really don't feel qualified to answer what a valid percent increase for inflation would be. [LB671]

SENATOR SCHUMACHER: Thank you. [LB671]

SENATOR GLOOR: Thank you. Continuing with opponents. [LB671]

THOMAS SHAFER: (Exhibit 20) Good afternoon, Chairman Gloor and members of the Revenue Committee. My name is Thomas Shafer, T-h-o-m-a-s S-h-a-f-e-r, and currently I am the interim director of public works and utilities for the city of Lincoln. I want to thank Senator Krist for bringing up this issue for discussion and for his request that this remain in committee. We are highly appreciative of the Nebraska Legislature who voted for LB84, the Build Nebraska Act, and it has created revenue stream in order to accomplish many transportation projects across the state, including the South Beltway right here in Lincoln. A safe transportation network is critical to our quality of life, our livability, and the economic viability of our state. That's why the state of Nebraska and the political subdivisions, including Lincoln, all work together to deliver drivable roads and streets, walkable sidewalks, and the efficient transportation and traffic systems that comes from LB84 and it is critical to our joint effort. These state funds are important not only to state but local units of government in Nebraska because not it supplants local investment into transportation, but supplements local funds in order to close that gap between the transportation needs and the desires of the community and the ability to have those needed funding in achieving those goals and continuing our economic growth. Even with LB84, LB610, the recent FAST Act increases, municipalities like Lincoln have been unable to make all of their needed improvements to the transportation infrastructure. And I want to emphasize that

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significant local dollars coming from sources such as property taxes, sales taxes, and other sources of revenue are also dedicated to the improvement of streets, bridges, and to the other elements of the transportation network. And in regard to what was just asked, the city of Lincoln is experiencing about a 5 percent increase in our projects each and every year for transportation bid projects. Be happy to answer any other questions. [LB671]

SENATOR GLOOR: Senator Schumacher. [LB671]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Is that on new construction or maintenance? [LB671]

THOMAS SHAFER: The figures I use are mainly new construction, but we also see that in maintenance as well. While recently oil prices have gone down, we also know that a high component of any project, including like a maintenance project, if you think of cracked sealing, it's highly labor intensive. Costs have gone up for the cost of labor, therefore, our costs are going up in construction whether that's new or maintenance. [LB671]

SENATOR SCHUMACHER: Is your experience "extrapolatable" to statewide system? [LB671]

THOMAS SHAFER: I believe so. The number that I look at to validate whether we're at a good...we're doing too much or experiencing too much or less is, I've looked at Kansas, I've looked at Iowa, I've looked at Colorado. I've looked at the national sources and in 13 sources that I look at, over the last ten years the average has been 4.45 percent. [LB671]

SENATOR SCHUMACHER: So if we could get money without having to bond for less than 4 percent, we'd be saving money. [LB671]

THOMAS SHAFER: Theoretically, yes. [LB671]

SENATOR SCHUMACHER: Thank you. [LB671]

SENATOR GLOOR: Other questions? Thank you. [LB671]

BRUCE BOHRER: Good afternoon, Chairman Gloor and members of the Revenue committee. My name is Bruce Bohrer. For the record, my last name is spelled B-o-h-r-e-r. I'm here on behalf of the Lincoln Chamber of Commerce and also making appearance on behalf of the Columbus Chamber of Commerce who had asked me to submit the letter that I think you already have. And

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I'm not going to try to rehash everything that's already been said. We supported LB84 and so when we saw LB671 coming in, to repeal it, and I think there have been previous attempts that we've also opposed. We, of course, have come in to oppose that. It's a much less threatening bill now after the opening comments from the introducer and also the chairman, so I'll abbreviate my comments. I don't disagree if we want to have a discussion about policy and where we spend money, I think that's a good one and I think there's a lot of policy discussions to be had in the transportation funding and construction area related to the adequacy of user fees. The fact that we're going to see digital manufacturing and 3D printing, I know I've heard Director Schneweis say, he's got a young son and who knows if he'll actually be driving a vehicle when he turns 16, or if it will be a driverless vehicle. So, there are plenty of different policy discussions to be had. I don't know for sure if...this is certainly a good way to get a lot of people's attention to put in a bill to repeal something that we've all come to depend on and are looking forward to relying upon. And also to Senator Smith's earlier comments, we've seen...I mean, I've been working with the Chamber for 15 years. We've never felt like really we've adequately funded infrastructure across the state, certainly within Lincoln. We have user fees or wheel tax in Lincoln. I'm not sure all communities have that. I know several do. We also have impact fees for the growth that we have so we have an additional fee again that a lot of communities do and some don't. So there's plenty of different discussions that we could have surrounding, you know, adequacy and different issues related to transportation funding. With that, I'll close my...and ask if you have any comments...questions. [LB671]

SENATOR GLOOR: Senator Schumacher. [LB671]

SENATOR SCHUMACHER: Yes, thank you, Senator Gloor. Have you done any studies or formed an opinion as to what the tax return on investment from road dollars spent is? I mean, does the government make money off roads? [LB671]

BRUCE BOHRER: Yeah. You know, Senator, that's a good question and I don't think we have done that study, but it seems like I've seen that from the Bureau of Business Research within the last five years. So I'll have to...I'll just see if I can track that down for you. I don't recall that we ever did one specifically. [LB671]

SENATOR SCHUMACHER: If you can come up with that, I'd be interested in it. [LB671]

BRUCE BOHRER: Yeah. Yeah. Sure. [LB671]

SENATOR SCHUMACHER: Thank you. [LB671]

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SENATOR GLOOR: Thank you, Bruce. Continuing with opponents. [LB671]

JEFFERY SOCKEL: Good afternoon to all. My name is Jeff Sockel, S-o-c-k-e-l. I'm the president of the American Council of Engineering Companies. I originally came here today to speak in opposition of LB671, but given Senator Krist's remarks, I think I would like to instead share some input on the question that he asked for your consideration. Many of you are familiar with ACEC. We are an engineering firm. We are a partner to Department of Roads. We were a supporter of LB84. I would say even though the economy has improved and more funding options may be available since the passage of Build Nebraska Act, there's still more needs than needs resources can address. It's been proven that a healthy, right-size transportation network provides benefits greatly exceeding the cost. As you all are aware, transportation affects all facets of our personal and our professional lives making it a good investment with a very broad impact. Lack of funding guarantees that our state will continue with unaddressed safety needs, deteriorating roads, and serious bridge issues. The Build Nebraska Act has public acceptance and positive momentum right now. We understand the desire to reduce taxes, but we do not believe doing so at the expense of our transportation network will actually save taxpayer money. Congestion, substandard roads, closing bridges because they cannot carry the traffic, ultimately decreases the safety of the roadway, causes longer travel for the traveling public, increases fuel and vehicle wear and tear cost, this directly costs taxpayer money every day. Without funding to remedy this, those costs carry on with no foreseeable relief. Current construction economics suggest that it is better to build as soon as possible. Cost growth is outpacing funding sources all across the country and it's outpacing in our state. The transportation and funding is an extremely important issue affecting the safety and economic health of our state and all Nebraskans. We feel the Legislature again has an opportunity to show that safe and efficient transportation is a priority in Nebraska and we are committed to finishing what we started. We thank you for consideration of our position. Will take any questions. [LB671]

SENATOR GLOOR: Thank you, Mr. Sockel. Any questions? I don't see any. Thank you. [LB671]

JEFFERY SOCKEL: Thank you. [LB671]

LYNN REX: Good afternoon, Senator Gloor and members of the committee. My name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. And I would just like to share a little bit of information. I know Senator Smith is already aware of this as many of you may be as well, that is, that the 2015 needs assessment by the State Department of Roads is that for the next 20 years, they're looking at \$11.1 billion with an inflation factor, \$16.1 billion over the next 20 years to meet what they project now as current needs. The last time that there was a needs assessment for municipalities and counties was in 2004 when Governor Johanns had the

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Governor's Transportation Task Force. And at that time--again these are old numbers, but the only numbers we have--it was \$2.47 billion for the needs of municipalities and counties. There clearly is a need. LB84 is clearly needed and in light of the fact that Senator Krist was gracious enough to ask the committee to hold the bill, I will conclude my testimony and answer any questions that you may have. [LB671]

SENATOR GLOOR: Any questions for Ms. Rex? Thank you. [LB671]

LYNN REX: Thank you. [LB671]

SENATOR GLOOR: Any more opponents of this bill? Anyone in a neutral capacity? [LB671]

TIFFANY JOEKEL: (Exhibit 21) Chairman Gloor and members of the committee, my name is Tiffany Joekel, J-o-e-k-e-l and I'm policy director at OpenSky Policy Institute. We're here today in a neutral capacity to provide some information to the stated intent of Senator Krist to analyze the existing taxes currently in place. As we were looking into the gas tax in the last legislative session, I call your attention to the chart on the back of my testimony that I'm providing. As you all know, the primary components of the gas tax, there are three pieces. The fixed portion which was raised with LB10...LB610, excuse me. The variable portion and the wholesale portion of the gas tax which was implemented in 2009. What we found interesting in our research, you can see the green line is the wholesale portion of the gas tax and the red line is the variable portion. So in 2009, as the wholesale portion of the gas tax which is intended to track the wholesale price of motor fuels, was implemented and tracked that price, the variable portion went down. So, we, in some ways have best practice in that there are components of our gas tax that are intended to track the price of gasoline, but what we have seen is that then the variable portion sort of offset any increases that would have occurred as a result of the increase in wholesale price. So while we do have important components in the variable and wholesale piece, those have functioned to essentially just hold the gas tax flat rather than increasing the wholesale portion as the cost of motor vehicle fuels increases. So we think there may be some opportunity for flexibility in that variable component rather than offsetting the increases or the change of cost in gas. It could be used to, perhaps, track cost of inflation or the cost of...increasing cost to complete these projects, etcetera. So the way it's currently written in statute, it is set by the Director of the Department of Roads to meet the amount of appropriations from the Highway Cash Fund, but we think there might be some opportunities in utilizing this variable component to better meet the infrastructure needs. So with that, I'd be happy to answer any questions. [LB671]

SENATOR GLOOR: Any questions? Thank you, Tiffany. [LB671]

TIFFANY JOEKEL: Thanks for your time. [LB671]

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SENATOR GLOOR: Anyone else in a neutral capacity? Seeing none and having...yes, Senator Scheer. [LB671]

SENATOR SCHEER: Committee etiquette. There was absolutely no support, Senator Krist asked to be held. I think it would be a fairly strong signal if we killed the bill and IPPed it. So is that something that has to be done in Executive Session or is that something that can be done... [LB671]

SENATOR GLOOR: I think it's something that needs to be done in Executive Session. And we'll convene. That will end the hearing on LB671. We're going to Exec. We'll Exec probably next Wednesday. In fact, some bills we need to have up and we can do that at that point. [LB671]