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Transcriber's Office

Transportation and Telecommunications Committee
January 26, 2016

[LB765 LB918 LB946 CONFIRMATION]

The Committee on Transportation and Telecommunications met at 1:30 p.m. on Tuesday, January 26, 2016, in Room 1113 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB765, LB946, LB918, and a gubernatorial appointment. Senators present: Jim Smith, Chairperson; Lydia Brasch, Vice Chairperson; Al Davis; Curt Friesen; Tommy Garrett; Beau McCoy; John Murante; and Les Seiler. Senators absent: None.

SENATOR SMITH: Good afternoon, everyone. Good afternoon, and welcome to the Transportation and Telecommunications hearing. I am Jim Smith. I represent the 14th District in Sarpy County, and I am Chair of the committee. And I'd like to introduce my colleagues before we get going today. At my far left is Senator Tommy Garrett from Bellevue, representing Bellevue, Nebraska. Next to him is Senator Les Seiler from Hastings. And next to Les, we have Senator Beau McCoy from Omaha. To the far right we have Senator Curt Friesen from Henderson, Senator Al Davis from Hyannis. Senator John Murante is not with us yet; he will be joining us a bit later. And please do forgive us; we may be going in and out of the hearing for other committees. But Senator Murante represents Gretna. And Vice Chair of the committee is Senator Lydia Brasch, representing Bancroft. Committee staff...to my left is Paul Henderson, who is the committee clerk, and to my right is Mike Hybl, legal counsel for the committee. We have two pages with us today. We have Toni Caudillo from North Platte, Nebraska. Toni is a freshman at UNL. And we also have Alex Brechbill from Aurora, Nebraska. Alex is a junior at Nebraska Wesleyan. We will be hearing the bills in the order posted on the agenda. If you are testifying, please complete the sign-in sheet so it's ready to hand in to one of our pages as you approach the table. If you do not wish to testify, but want to voice your support or opposition to a bill, you can indicate so on that sheet that's provided. That will become part of the official record of the hearing. At the beginning of your testimony, please state and spell your name for the record. Not seeing that large of attendance today, we will not be using the light system. But, other than those that are introducing today, those that are wishing to provide opposition or support, we ask you to hold your testimony to about five minutes. We ask that you silence your cell phones. And also, please understand that around the table up here, many of my colleagues use their electronic devices to look at the bills and to look at information that comes in regarding the bills. So if you see us looking at our electronic devices, we are not intending to be rude to you. We are using that as part of doing our business up here. So please forgive us for that. But that's just the age that we live in. Electronic devices are becoming more and more prevalent. So with that, we are pleased to start out the hearing today with a confirmation hearing on Kyle Schneweis, our not-so-new director of roads. And Director Schneweis, please join us.

KYLE SCHNEWEIS: Thank you. I'll give you this. [CONFIRMATION]

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PAUL HENDERSON: Sure. [CONFIRMATION]

SENATOR SMITH: Welcome. [CONFIRMATION]

KYLE SCHNEWEIS: Thank you, Senator. [CONFIRMATION]

SENATOR SMITH: I know you've been in front of the committee already on need studies, but it's welcome. [CONFIRMATION]

KYLE SCHNEWEIS: (Exhibit 1) Yeah, a few times. So thank you, Senator Smith and members of the committee. My name is Kyle Schneweis, last name is spelled S-c-h-n-e-w-e-i-s. I am here before you today in the public, seeking confirmation of Governor Ricketts' appointment of me as director of the Department of Roads. Because I have had an opportunity to meet and testify several times in front of you, I thought I would take today's opportunity to talk a little bit more about my background and a little bit more about the philosophy that I think I bring to the department. I was an Air Force brat, growing up. My dad was in the Air Force; we traveled all over the world. And we eventually settled in North Dakota, where I went to the University of North Dakota and got a civil engineering degree. After graduation, I moved to Kansas, where I met my wife. And I like to say I was foolish enough to root for the Jayhawks but smart enough to marry a Husker. She was born and raised in Lincoln. And so, when the opportunity to move to Nebraska was presented, that was certainly one more on that side of the ledger. So not only the opportunity to come work at the department, but to bring my wife home was certainly a benefit. We have two boys; Maslo turns three next week and Karver turns one the week after. So I'm busy on the home front, too. I mentioned my degree. So I have an engineering pedigree, not uncommon for a director of the Department of Roads to be a civil engineer. I think my background is a little different than many in that I've worked mostly in the policy-and-planning world, doing strategic policy and strategic planning work in the realm of transportation. So I bring a blend of public- and private-sector experience. I spent a long time as a strategic planning engineer at the Kansas DOT, served as a strategic planning and policy adviser for the secretary there. I would say that my crowning achievement in Kansas was the design and eventual legislative support for an \$8.2 billion transportation program. That happened in 2010. I left Kansas DOT shortly after that, joined a private-sector consulting firm, where I did the same sort of work, strategic planning and performance management work for about a dozen DOT clients and among some federal clients and others, a lot of performance management and strategic long-range planning kinds of projects. Throughout my career, I think I really have identified with Governor Ricketts in his approach to government, in terms of making it customer-focused and trying to make it more efficient. Transparency has always been an important piece of how I see government. And then making data-driven and performance decisions. All of those things are things that I've done, both when I was at the Kansas DOT and for my clients, as a consultant.

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And so I really identify with the goals of the Governor. You guys are not unfamiliar with the Department of Roads. It's our state's transportation agency. We have about 2,100 employees. I have found, for the most part, them to be very dedicated, very hardworking; I feel lucky to lead them. I am surprised every day by the depth of the talent at the department. I think we have a really great work force at NDOR. We have about 10,000 miles of highways; that's sort of the flagship of what we try to, or are charged with maintaining and taking care of. It has about 3,500 bridges on it. Our mission...we provide the best possible statewide transportation system for the movement of people and goods. This has been the mission at the department for a few years now. I completely agree with it; I think it's a wonderful mission and a great place to start. We have eight goals: safety, fiscal responsibility, environmental stewardship, project delivery, asset management, mobility, communications, and work force development. Again, these are goals that have been put in place by the department through a strategic planning effort over a couple of years. I find them to be very sound. I've done this sort of work in other states to help identify those goals. I think they're very in line with what I would recommend if I had been a part of that. That's sort of what we do. I think the thing that I bring to the department and have sort of challenged our team, is to think about how we do our work. And we're talking about three guiding principles a lot now at the Department of Roads. The first is that we're going to be more entrepreneurial. We're going to think about how we can improve our business practices and how we can make sure that we're providing the best use of resources to the state. And so I want to bring that sort of...don't come to work to do what you did yesterday, come to work to do what you did yesterday better...and bring that philosophy to the department. And we talk a lot about that. The second principle is to be more engaging. I think there's a lot of opportunities to partner with the folks in Nebraska, whether they're industry partners or are community and local government partners, to make better decisions at the department. I tell our staff we will make better decisions if we ask people what they think, and I've started to hear a few people say it back. They don't say it quite with the urgency that I'd like, but we're getting there. So I do think that the engaging piece is the place where we have some opportunity for improvement. And I'm seeing it happen already. The third principle is to be more empowering. I think we need to make decisions at the lowest possible level at the Department of Roads and bring that sort of sense of urgency and pride. And that already exists. I think it's something that we can continue to emphasize, though. So those are three guiding principles we've brought to the department. We don't, of course, manage and face the transportation issues of the day alone. We have industry partners in the contracting world, in the engineering world. We partner extensively with federal highway and other federal partners like FTA and the Army Corps of Engineers. We have a long list of local stakeholders, counties, and cities and their respective associations. I think all of these groups are places where we have strong relationships. But we have opportunities to improve them. And I'm committed to working with them as we try to advance and become a more entrepreneurial department. I think...a little bit on where I think we're headed and where the administration is headed, in terms of transportation maintenance...we have an unwavering commitment to taking care of the system. We have to do it; it's got to be our number one priority,

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to protect the investment of our state. I do think we can drive our decisions through performance metrics. I think we can try to save money, become more efficient in how we do it. But it is the number one goal and the number one thing that we have to try to do at the department. And the performance metric piece...we have a strong set of performance measures at the Department of Roads. I think we have opportunity to tweak and refine those and use them to drive down costs, not just to drive up performance of the roadway itself. In November, we launched an Innovation Task Force. I believe strongly that to make better decisions, you need to talk to people and bring in outside perspectives. If we want to improve the way we do business, we should be asking people who do business with us how we can do that. And so the Innovation Task Force was launched in November. And it's about 20 folks from outside the department to advise us in areas of innovation and really improve our business practices. So Senator Smith, I know you're a member of the task force. The first meeting was held in November. We talked a lot about the economic impacts of transportation and how to try to estimate those impacts as we make project selection decisions, something I think that's very important for our state. And the task force was very helpful in sifting and sorting, sort of, through those kinds of things, in terms of how we measure the economy in Nebraska and how it affects transportation and transportation affects it. The other thing is, there's a lot of...there are a lot of innovations happening in our industry across the country. And I want to have a group. And this task force is serving that role of helping us sift and sort through what's happening in other states to figure out what is best for us here in Nebraska. And I'm very excited to have them on our team. I think we had a great first meeting; we have another one coming up in just a couple weeks. And I'm very much looking forward to it. The third thing I wanted to highlight is the Build Nebraska Act. We've talked a lot about that in past hearings. If you saw the news or had the opportunity, we just concluded a round of public meetings last week. We toured the state, held four meetings, talking about how to pick the next round of Build Nebraska Act projects. And there's two pieces that I think are critical. One is that economic piece, trying to measure those economic impacts and getting folks on board and comfortable with how we're going to do that. I think, with almost universal support from the folks who attended those meetings, just happy to have the department out talking about this kind of thing with them, rather than deciding these things in the comforts of our own office and then, you know, issuing a press release on which projects we're going to do. Now we're out talking to people and talking to people about how we do it. And I think it's important that government do that sort of thing and involve people who are interested. And that's what we're out doing now. I think, you know, I should mention the Transportation Innovation Act. I don't want it to...I'm happy to answer any questions you have on it, on the proposal. From my perspective, it falls right in line with the things we're trying to accomplish at the department. It provides an opportunity for innovation, it provides opportunity for us to partner with our stakeholders, it provides an opportunity for us to accelerate and do things faster, all things we're trying to do at the department. And so it really helps us achieve our goals. And we're really excited about the opportunity for its passage. So Chairman Smith, I'm happy to take questions. I know you have a

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busy slate of hearings; I don't want to take up your whole day. But I'd be happy to take any questions. [CONFIRMATION]

SENATOR SMITH: Thank you, Director Schneweis. A very thorough testimony...we appreciate that. Do we have questions? Senator Brasch. [CONFIRMATION]

SENATOR BRASCH: Thank you, Chairman Smith and thank you, Director Schneweis. [CONFIRMATION]

KYLE SCHNEWEIS: Thank you, Senator Brasch. Yeah. [CONFIRMATION]

SENATOR BRASCH: I do want to thank you for stepping up, your willingness to do the job. And you've certainly hit the ground, the road running. [CONFIRMATION]

KYLE SCHNEWEIS: Um-hum. [CONFIRMATION]

SENATOR BRASCH: And you have...you're to be commended for everything you have done... [CONFIRMATION]

KYLE SCHNEWEIS: Thank you. [CONFIRMATION]

SENATOR BRASCH: ...from statewide meetings to senator meetings, questions. And I wanted to thank you for that. What you were just saying here also pays tribute to your sincerity and attention to details, as you mentioned the team that has brought everything together for you. I also wanted to, at the same time, recognize your workers in the hardhats and yellow vests that are out there year-round. I've been privileged, over my six years, to spend a little time with them. [CONFIRMATION]

KYLE SCHNEWEIS: Um-hum. [CONFIRMATION]

SENATOR BRASCH: They're out there when the concrete is 149 and warmer and when the weather is this cold. And you have a big, heavy load ahead of you. And their safety... [CONFIRMATION]

KYLE SCHNEWEIS: Um-hum. [CONFIRMATION]

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SENATOR BRASCH: ...is, I believe, something that you're also very conscious of.
[CONFIRMATION]

KYLE SCHNEWEIS: Um-hum. [CONFIRMATION]

SENATOR BRASCH: And in our district, we've had at least one fatality and numerous injuries...
[CONFIRMATION]

KYLE SCHNEWEIS: Um-hum. [CONFIRMATION]

SENATOR BRASCH: ...based on their work out there. So, you know, I'm hoping that part of your criteria, moving forward, is for their continued safeguard while we accelerate Nebraska.
[CONFIRMATION]

KYLE SCHNEWEIS: I appreciate you saying that. When the holidays come around, I pray for no snow, because while the rest of us are trying to get where we're trying to get, our guys are out there, making sure we get there. And it's not...it's a thankless job, long shifts away from family at a time when it's hardest. So these folks really are the backbone of our group, the largest part of our work force and absolutely essential. And from a safety perspective, I think we need to do everything we can to protect them on the side of the road. I think, from my perspective, I think state employees aren't as, perhaps, respected as much as they should be, especially those guys on the side of the road who are risking their lives to deliver the projects. So I appreciate your comments. [CONFIRMATION]

SENATOR BRASCH: Thank you. I have no other comments. [CONFIRMATION]

SENATOR SMITH: Senator Friesen. [CONFIRMATION]

SENATOR FRIESEN: Thank you, Chairman Smith. Welcome, Director. [CONFIRMATION]

KYLE SCHNEWEIS: Thanks. [CONFIRMATION]

SENATOR FRIESEN: It's been enjoyable, I guess, attending the hearings across the state and listening to you and how you look at our Department of Roads. And I've looked at what your plans are. And I think we are headed in the right direction. When you...I see you worked for a lot of other states and stuff. And in the big picture, how would you rank Nebraska as far as their overall program? [CONFIRMATION]

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KYLE SCHNEWEIS: Sure. [CONFIRMATION]

SENATOR FRIESEN: How well...what kind of shape we're in, compared to other states, or how well we do. Is there a... [CONFIRMATION]

KYLE SCHNEWEIS: Sure. Well, I think, by a metric of, if you want to look at the system itself, I think Nebraska fares quite well, in terms of our roads are in pretty good shape, not as good as some, but not nearly as poor as many. And so I think, from that perspective, the department is doing quite well. I think where we have opportunities are in trying to innovate the way that we deliver our services. I think, not that the department has been stagnant...I don't mean to say that. But I think that there are some opportunities to pick our heads up a little bit, look around and see how other states are delivering projects and services, and to try and focus a little more on the customer and see if we can get a little more efficient in how we do it. So, but overall, I'd say, from a system perspective, it's doing quite well. I think the funding for the department is in a good place, in terms of being able to maintain the system. There's always needs for capital improvements. And I think those are the things we're trying to sort through with some of the proposals. So, but generally, I would say that Nebraska's a real good place to be, the Department of Roads. [CONFIRMATION]

SENATOR FRIESEN: Good, thank you. That's all. [CONFIRMATION]

SENATOR SMITH: Director Schneweis, I really do appreciate your efforts over the last year to work with the committee. And I know we've been through a lot of hearings together. [CONFIRMATION]

KYLE SCHNEWEIS: Yeah. [CONFIRMATION]

SENATOR SMITH: And I think we've worked well together. So I appreciate your efforts along those lines. And you did make a quick reference to the LB960 and the proposed changes and innovation, innovative changes on delivery methods. [CONFIRMATION]

KYLE SCHNEWEIS: Um-hum. Yep. [CONFIRMATION]

SENATOR SMITH: And I think that's a great step ahead for Nebraska. But looking into your crystal ball, going out beyond this session... [CONFIRMATION]

KYLE SCHNEWEIS: Um-hum. [CONFIRMATION]

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SENATOR SMITH: Do you see other innovative changes that are on the horizon that we need to begin to think about? [CONFIRMATION]

KYLE SCHNEWEIS: Sure. Well, I do think there are some opportunities to think about how we address our infrastructure challenges. You know, I think the proposal heads us down the right direction, but I don't think we should settle there. I think there are opportunities to look at how the transportation system plays a role in economic growth and trying to use that growth to help either fund the system or make the right decisions. So, you know, I don't want to get into specifics. But I do think there are opportunities. I've worked on, in some other states that have some development district kinds of things. I think there are some approaches to how we fund transportation that are worthy of exploration into the future. You know, again, the most important thing, I think, in my role here, is to bring that experience from other states, but make sure it's right for Nebraska. And I think that was clear in our hearings this fall. I certainly enjoyed getting to tromp around the state with you and hear from folks. And I think whatever we explore in the future, we just have to make sure that it fits here. [CONFIRMATION]

SENATOR SMITH: Very good. Any further questions for Director Schneweis? I see none. Thank you very much. [CONFIRMATION]

KYLE SCHNEWEIS: Thank you. [CONFIRMATION]

SENATOR SMITH: And we're going to continue along the line of this confirmation hearing and invite anyone wishing to speak in support, as a proponent of this confirmation. Anyone wishing to testify in opposition to this confirmation? That's a good sign for you, Director Schneweis (laughter). Anyone wishing to testify in a neutral capacity? Okay. With that, we conclude the confirmation hearing. Thank you, Director. [CONFIRMATION]

KYLE SCHNEWEIS: Thank you very much. [CONFIRMATION]

SENATOR SMITH: We now turn to...our first bill to be heard is LB765 that will be introduced by Senator Tommy Garrett, which will increase the original certificate of title fees for vehicles transferred to Nebraska from another state or country. Welcome. [LB765]

SENATOR GARRETT: Good afternoon, Chairman Smith and esteemed members of the Transportation and Telecommunications Committee. I'm Senator Tommy Garrett, T-o-m-m-y G-a-r-r-e-t-t, and I represent the people of Sarpy County in District 3, comprising parts of Bellevue and Papillion. I'm here today to present LB765, which will increase original certificate of title fees for vehicles transferred to Nebraska from another state. I will introduce the bill and leave the

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details of what exactly is happening in the field to the county treasurers. By way of background, Nebraska currently charges \$10 to title a vehicle in the state. There are five states that have motor vehicle titling fees that are less than Nebraska's. Arizona's fee is \$4, Mississippi is \$9, North Dakota \$5, South Dakota \$5, and Utah \$6. Five other states charge the same rate as Nebraska: Arkansas, Kansas, Kentucky, Virginia, and West Virginia. Nebraska's low motor vehicle title fees, coupled with a fast, efficient response time of county treasurers, has led to out-of-state dealerships using our county treasurers' offices to process titles for vehicles which never come to Nebraska. The county treasurers are not opposed to processing these titles, but the processing of out-of-state titles takes much longer than the average in-state title. If passed, LB765 would amend Section 60-154 by increasing fees related to each original certificate of title issued by a Nebraska county or the Department of Motor Vehicles for a motor vehicle, all-terrain vehicle, a utility-type vehicle, minibike, or trailer being titled in Nebraska from another state or country by increasing the current \$10 fee to \$25 for these types of vehicles receiving an original certificate of title. With the current \$10 titling fee, the county is currently only receiving \$3.25 per title. Passage of LB765 will allow the counties to retain \$12.50 of the new \$25 fee for out-of-state titles. This increase in title fees will help the county treasurers' offices recoup labor and other costs. After talking with Lancaster County Treasurer Andy Stebbing, who brought this bill to me, and Sarpy County Treasurer Rich James, I've learned that the counties are actually losing money on these out-of-state title transactions. And these costs, like other costs at the county level, are made up with property tax dollars. Passage of LB765 would allow us the opportunity to help address another issue, traumatic brain injury, or TBI. Over 36,000 Nebraskans live with a brain injury, related disability, and over 500 Nebraskans called in to the Brain Injury Association of Nebraska last year, looking for information and resources. Senator Kate Bolz of Lincoln and Senator Dave Bloomfield of Hoskins are working on this issue. And Senator Bolz met with me about using this bill for that purpose. We took a dollar that would have been approved to the DMV and are using it for TBI purposes to allow for a funding stream for if and when LB516 and/or LB900 are passed into law. The DMV estimates that it will take 80 hours for programming, if LB765 passes, and were all right with this change, as long as their programming costs were met. For each original certificate of title issued by a county, the new \$25 fee for out-of-state vehicle titles would be distributed as follows: \$12.50 being retained by the county doing the titling, \$6 would go to the State Treasurer for credit to the Department of Motor Vehicles Cash Fund, \$4.50 will be remitted to the State Treasurer for credit to the General Fund, \$1 will be remitted to the State Treasurer for programs for persons suffering from a brain injury, and \$1 will be remitted to the State Treasurer for credit as follows: \$.25 to the Motor Vehicle Fraud Cash Fund, \$.65 to the Nebraska State Patrol cash fund, and \$.10 to the Nebraska Motor Vehicle Industry Licensing Fund. For each original certificate of title issued by a county for an all-terrain vehicle, utility-type vehicle, or minibike being titled in Nebraska from another state or country, the new \$25 fee will be distributed with \$12.50 being retained by the county, \$6 being remitted to the State Treasurer for credit to the Department of Motor Vehicles Cash Fund, \$4.50 will be remitted to the State Treasurer for credit to the General Fund, \$1 shall be remitted

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to the State Treasurer for programs for persons suffering from a brain injury, \$1 shall be remitted to the State Treasurer for credit as follows: \$.25 to the Motor Vehicle Cash Fund and \$.75 to the Nebraska State Patrol cash fund. The fees for original certificate of title issued by the Nebraska Department of Motor Vehicles for a vehicle titled in Nebraska from another state or country shall be distributed with \$10 being remitted to the State Treasurer for credit to the Department of Motor Vehicles Cash Fund, \$14 shall be remitted to the State Treasurer for credit to the Motor Carrier Division Cash Fund, and \$1 shall be remitted to the State Treasurer for programs for persons suffering from a brain injury. I'd like to entertain any questions that you may have at this time. I suspect some of your questions may best be answered by Andy Stebbing, the Lancaster County Treasurer, who's here to testify. And Rich James, the Sarpy County Treasurer, was originally going to be here, but he was unable to make it. And he has provided a letter in support of the bill. [LB765]

SENATOR SMITH: Thank you, Senator Garrett. Any questions for Senator Garrett? I see none. Thank you. [LB765]

SENATOR GARRETT: Thank you. [LB765]

SENATOR SMITH: We now open the hearing to proponents, those wishing to testify in support of LB765. Welcome. [LB765]

ANDY STEBBING: Thank you. Thank you so much. Andy Stebbing, S-t-e-b-b-i-n-g, the Lancaster County Treasurer. And thank you, ladies and gentlemen of the committee. And I also would like to thank Tommy Garrett, whose...he and his staff have just been so diligent in working with me and just so professional and helpful. One of my duties, one of my responsibilities by state statute is to license plate entitle vehicles in this county and this city. We title 100,000 cars in town here. We titled 100,000 cars last year. We have 300,000 cars or vehicles, trailers. We titled 100,000 titles last year. And we have three locations and 39 employees to do that. About two years ago, we had a gentleman from Bridgewater, Massachusetts, call us. He owns a car dealership there. And he was wondering if he could basically, overnight, mail titles to our office. We would process them, and we'd send them back to him. By state statute, that's all very legal. He intended to have a state trooper at that location certify the car there and mail the paperwork for each car to us. We asked him, why wouldn't he just go to his own DMV. And he said: Well, Massachusetts is \$75 a title, and you're only \$10 a title. Moreover, you require less paperwork, like emissions control certificates and this type of thing. And Don Arp, the DMV manager for my office, who's here now, called a meeting, and we discussed this. Could we make it fly? And how would we not, you know? And so the guy, Mr. Steve LaBelle, LaBelle Chevrolet in Bridgewater, Massachusetts, did just that. He basically, overnight, mails titles to us. He has all the paperwork, completely legal. And last year alone, we

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ended up titling for him 5,579 titles. That's 6 percent of my...it's 25 percent of my titles. He intends to increase that number dramatically. So we looked at our cost for doing one out-of-state title. And it's significant. It's somewhere in the neighborhood of \$7. When we looked at the history of this statute, it appears that in 1988, it was increased from \$6 to \$10, and it has not been looked at since. Right now, we are titling, for this guy alone, 30 titles per day. It takes about four hours. And so we began to look at what our fee was, compared nationwide. As Tommy Garrett stated, if you added up all those states, what their fees are for title and divided out, it looks like the average is above \$25. So from there we contacted the car dealers association, the state DMV, NACO, the Nebraska treasurer's association, the State Patrol, and it looked like it would be a good deal. The Journal Star ran a couple articles on this and came out in favor of it. And so that's where I'm at. Regardless of this guy...let's say he goes shopping for a different state or starts to go locally. Or maybe he goes out of business or something. I still think it's a really good fee to increase, although I'm not in favor of fees. But this is one that's long overdue, that would help offset my cost per car to title from out of state. We're not looking at the other 80,000 that are locally, just the out-of-state ones. So with that, I'd entertain any questions and I appreciate you guys hearing this bill. [LB765]

SENATOR SMITH: Senator Brasch, please. [LB765]

SENATOR BRASCH: Thank you, Chairman Smith. And thank you, Mr. Stebbing. Do you anticipate that, that number of out-of-state titles will drop? Or do you believe it'll stay the same? Is the cost a factor? [LB765]

ANDY STEBBING: Um, I... [LB765]

SENATOR BRASCH: And I'm not trying to say it's good or bad; I'm just curious if we can say, 5,579 times \$25 versus the... [LB765]

ANDY STEBBING: I am certain this gentleman won't shop around. I think he will continue to use us, as we are so efficient. I see why he doesn't want to use his local DMV. I am certain he will stay with us, which is fine. I'm trying to offset his cost. I would also believe he will increase his number. We started...not on January 1, we actually started in February with him, last year, 5,579 just with his business alone. So he indicated to my manager that he would be increasing that. I don't think this fee increase will bother him. If he does walk, though, that's 5,000 or 6,000 titles that we won't be dealing with him. We're back down to 15,000 titles out of state... [LB765]

SENATOR BRASCH: Sure. [LB765]

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ANDY STEBBING: ...which would still help me offset the cost of...we're only getting \$3 now, \$3.25. [LB765]

SENATOR BRASCH: And help me understand why out of state...are they dealers that are sending you all these titles? Why they're not... [LB765]

ANDY STEBBING: In this particular case, it is. Some of these cars he gets are from Canada. And then he titles them in our county, my name, and then sells them. He avoids the \$75 fee in Massachusetts. So I see the business plan by him. Now, of course, anyone here in the room could go to Council Bluffs and buy a vehicle, bring it over to us, and it would be a \$10 fee. So those people would be affected, too. [LB765]

SENATOR BRASCH: Right, okay. [LB765]

ANDY STEBBING: That fee would go up to \$25. It takes the out-of-state titling, for us, a little bit longer. If it's a Nebraska title to a Nebraska title, we pull up the title number...there's the information. We just enter the info. But if it's an out-of-state title, it takes us from ground up to generate a new Nebraska title. That's... [LB765]

SENATOR BRASCH: And you are working with paper on out-of-state? [LB765]

ANDY STEBBING: We are, yes. Absolutely, yeah. [LB765]

SENATOR BRASCH: Okay. And then...but you don't ever see the vehicles physically, correct? [LB765]

ANDY STEBBING: Yeah, that's a good point. If an out-of-state title car comes from Council Bluffs...most of the titles here in Lincoln, we see the sales tax from it. These, we will never see the car. [LB765]

SENATOR BRASCH: Um-hum. [LB765]

ANDY STEBBING: So you're absolutely right. We would never see the sales tax. So it's a vacuum of money going out, in that sense. Yeah. [LB765]

SENATOR BRASCH: Um-hum. And we never see the vehicles, but you're confident the vehicles are really vehicles. They're not someone... [LB765]

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ANDY STEBBING: You're right. It's a good question. [LB765]

SENATOR BRASCH: ...in a foreign country sending... [LB765]

ANDY STEBBING: Before my county treasurer thing, I was sergeant with the sheriff's department. And my chief deputy is a retired sheriff, and Don Arp is a retired police department brass there. And so you're absolutely right. We looked into that. The state trooper walks around the car in Massachusetts, certifies it, that everything is okay, runs the VIN. That stuff, information, that paperwork comes to the State Patrol here. And then it comes to us. So it is...there's not a chance of a stolen car getting through the system. [LB765]

SENATOR BRASCH: Okay. [LB765]

ANDY STEBBING: It's just a business plan that makes sense, if you're in that business. [LB765]

SENATOR BRASCH: Okay. [LB765]

ANDY STEBBING: But good questions, yeah. [LB765]

SENATOR BRASCH: Interesting. I have no other questions. Thank you. [LB765]

ANDY STEBBING: Thank you. [LB765]

SENATOR SMITH: Additional questions from the committee. I see none. Thank you, Mr. Stebbing. [LB765]

ANDY STEBBING: Thank you so much. Thank you. [LB765]

SENATOR SMITH: We continue with proponents of LB765. Welcome. [LB765]

PEGGY REISHER: (Exhibits 1-3) Thank you. Good afternoon, Senator Smith and members of the Transportation Committee. My name is Peggy Reisher; it's P-e-g-g-y, Reisher, R-e-i-s-h-e-r. And I'm here to testify in support of LB765. I'm the executive director of the Brain Injury Association of Nebraska. We appreciate Senator Garrett's recognizing the need for funding Nebraska Brain Injury Trust Fund, as motor vehicle-related accidents are the second leading cause of brain injury in our state. For many folks in this room, this bill is not about brain injury. But certainly for those who do work with individuals who deal with the effects of brain injury

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after a motor vehicle accident, this bill is very important. The trust fund dollars could be used to address the public health concern for which there is a gap in services and support for those with brain injuries due to motor vehicle accidents. In 2010, Nebraska Brain Injury Needs and Resource Assessment identified the following barriers that prevent or limit appropriate access or use of services for those with brain injury and their families. Those three main things was the lack of case management and resource facilitation, the lack of awareness and knowledge of brain injury, and the lack of services that exist in our state for folks with brain injury. Although this was a 2010 study, these topics of concern are still in line with what we see today. In the 2015 Brain Injury Association of Nebraska, we responded. Our association alone responded to over 600 calls from people looking for information and resources, from everything from employment to insurance coverage to specialized medical information, legal advice, tips on behavior and management, and family relationships after a brain injury. The majority of these calls come from individuals with brain injury and their families. On average, each caller called us three different times, asking for more information and resources. The only government funding available to provide resources, training, and brain injury awareness, is almost exclusively through a four-year HRSA grant that is funded through the federal government, but managed by the Department of Education-Vocal Rehab. This HRSA grant is an implementation grant, and it provides a seed money to build brain injury capacity in Nebraska, with the expectation that Nebraska will establish its own resources for dealing with the devastating effects of brain injury. LB765 establishes a means for providing resources to support those with brain injury in Nebraska. 22 other states have established trust funds or similar programs for this purpose. The trust funds would make it possible for individuals with brain injury in their families to learn more about brain injury services available to them through resource facilitation. It would provide funding for a brain injury registry, and it would provide funding to train service providers to help those with traumatic brain injury receive appropriate services. Without a brain injury trust fund, Nebraska continues to lack the much needed, long-term support for those living with the devastating effects of brain injury. Brain injury, also concussion, is the same thing. It's not a new issue, but it is one that is finally getting the recognition that it needs. And we look for ways to prevent brain injury where we can and support those with brain injury where they can't. We ask you to support LB765. I'd be happy to take any questions. [LB765]

SENATOR SMITH: Thank you, Ms. Reisher. Do we have questions from the committee? I see none. Thank you for your testimony. [LB765]

PEGGY REISHER: Thank you. [LB765]

SENATOR SMITH: (Exhibits 4-6) We continue with proponents of LB765, those wishing to testify in support. We do have letters in support, for the record, of LB765. Rich James on behalf of Sarpy County, Tiffany Armstrong on behalf of the Nebraska Brain Injury Advisory Council, and Larry Dix on behalf of the Nebraska Association of County Officials. We now go to

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opponents, those wishing to testify in opposition to LB765. Seeing none, we now move to those wishing to testify in a neutral capacity on LB765. Welcome. [LB765]

LOY TODD: Thank you. Senator Smith, members of the committee, my name is Loy Todd, L-o-y T-o-d-d. I'm the president of the Nebraska New Car and Truck Dealers Association. We're speaking in a neutral capacity on this bill. Originally, we found out about the issue reading the newspaper, I think, as most folks did. And we were somewhat surprised at the number of vehicles coming in, from the article, from a foreign country. And we thought, initially, that we were going to actually be in favor of the increase in fees, because it's our understanding that the burden that's created by vehicles coming from a foreign country would be different than merely vehicles coming from another state like Kansas or South Dakota or whatever. However...and staff for Senator Garrett was terrific about including us in that information, and we thought that's what the bill was originally going to be. But when it shifted from what we thought it was going to be, an international title and the international inspection and processing to simply anything coming from another state, we had to look at it again. And one thing I want to make perfectly clear is, these aren't shady practices or any kind of evil purpose. It's just the draw of Nebraska is the speed. My dealers experience difficulties in getting titles from other states. Central filing systems are horrible. Colorado...might take us six weeks plus to get a title out of that state. Kansas, similar. It can take months to get a title out of Missouri. So I'm sure that this party who is using Nebraska in the way they are, simply taking advantage of speed. I don't think it's price nearly as much as it is accuracy and speed. So I don't represent them; I've got Nebraska dealers. Okay? And there were 125,000 vehicles last year that came in from other states. And apparently there's 5,000 plus that came through this one party that's bringing in the Canadian vehicles. And so when we do set a fee, that's going to be paid by everybody coming to Nebraska, whether you're moving here from Kansas or Iowa or whatever. So any increase in fees. Now the last thing we want, as an association or as an industry, is to be freeloaders. We have always supported any reasonable increase in fees that were necessary in order to accomplish the purpose. We want them to be related to the purpose. And if the...I certainly don't know anything about running a treasurer's office. And I know they're doing a lot more than just processing these titles. And so, you know, what it takes to fund one properly, with all the functions that they have, I'm going to leave that up to you and to what you can find out in that regard. So we had...in general, we are more favorable to across-the-board fee increases, if they're necessary, as opposed to some sort of a la carte method, because something might take a little more time than something else. And so, you know, if the proposal were another dollar across the board for titles, and it would justify...it's something that we would normally just stay out of the way. And so, from that standpoint, I leave it to you to figure out how. We don't see many of these kinds of things where it's a singled-out, one item. And I don't know what the goal is, to tell you the truth. Is the goal to make these folks go away? If that's the case, you know, then maybe \$25 isn't enough to make them go away. And the other is that the treasurers are in control of their schedule. It seems to me that, if someone is burdening the system, they may be going to have to find a back bench somewhere or take those

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last or as they can be fitted in. However, they can handle it; that's up to them. I just want you to know that when a Kansas resident comes to Nebraska, or when a vehicle comes into from Nebraska, when my dealer goes to an auction in Kansas City or to Denver or to Houston or wherever and brings in a vehicle, we've usually got a foreign title to deal with. It's going to be inspected in Nebraska, and there's going to be a Nebraska title issued eventually. Either the dealer can absorb that and pay that expense and add it to the price of the car and pass on now a Nebraska title, or can simply pass on the title from a foreign state. And then what you'll have is the consumer having to go to the courthouse and having that inspection done. And the only other thing...two things I'll share with you. One is that on this process that we're talking about now, the Nebraska State Patrol gets a \$10 fee, also, for processing that title after it comes from the other state. So the State Patrol in Massachusetts or whatever, or D.C. or wherever the vehicle is coming from, looks over that vehicle, charges whatever they charge. Nebraska State Patrol then gets that paperwork and processes it. They get a \$10 fee. And then it goes to the county, wherever the vehicle is going to end up being titled and registered. And the last thing I'm simply going to say is, occasionally there are movements to attach fees to motor vehicles. We have absolutely no position whatsoever regarding the brain injury fund. We're not going to discuss the merits or anything about that. It is not our issue, and it's simply that we already have at least the fourth highest motor vehicle taxes in the nation. Some surveys we run...we have the second highest. There are infinite numbers of fantastically good causes that could be assisted in funding through fees to various products and services. And it's always concerning to us that motor vehicles are looked at in that regard. And so, from that standpoint, we remain neutral. We would...if there is a reasonable fee increase necessary, we certainly will not object to that. But of the 125,000 who moved...or vehicles that came to Nebraska from someplace else, there all going to be increased as a result of these 5,000. And so whatever you can figure out to help with that cause, we certainly will try to be cooperative with. Thank you. [LB765]

SENATOR SMITH: Thank you, Mr. Todd. Questions. Senator Brasch. [LB765]

SENATOR BRASCH: Thank you, Chairman Smith. And thank you, Mr. Todd. So just to be clear again, Nebraskans, when they are...or someone buying a vehicle on a lot here in Nebraska, will this fee increase affect them? Are you saying that it's going to? [LB765]

LOY TODD: If that vehicle is one that came from another state or from a foreign country, then it will. So any vehicle that has a title from somewhere other than Nebraska will end up paying this additional amount for that vehicle. [LB765]

SENATOR BRASCH: They will pay the \$25 fee. [LB765]

LOY TODD: Yes, yes. [LB765]

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SENATOR BRASCH: Because the car...we don't manufacture cars in Nebraska. They all come from Detroit or somewhere else. I don't quite... [LB765]

LOY TODD: Okay. If it's a used car, it has a title. [LB765]

SENATOR BRASCH: Okay. [LB765]

LOY TODD: If it's a new vehicle, a new manufactured vehicle... [LB765]

SENATOR BRASCH: Okay. [LB765]

LOY TODD: ...it won't have a title; it has a certificate of origin or a statement of origin. And then it will eventually get a Nebraska title. That is not what this bill is about. This bill is about used vehicles. [LB765]

SENATOR BRASCH: Used vehicles. [LB765]

LOY TODD: And a vehicle that has a title and has already been issued a title from somewhere other than Nebraska, wherever it came from, wherever it was last registered. And so it could be... [LB765]

SENATOR BRASCH: And currently they're only paying \$10 for that. [LB765]

LOY TODD: They're paying \$10 for the title portion of that. [LB765]

SENATOR BRASCH: The title part. [LB765]

LOY TODD: They have other fees associated, such as... [LB765]

SENATOR BRASCH: Right. But instead of \$10, they will \$25. [LB765]

LOY TODD: That's correct. [LB765]

SENATOR BRASCH: Okay. That is important to know. So I have no other questions. Thank you. [LB765]

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SENATOR SMITH: Additional questions from the committee? I see none. Thank you, Mr. Todd. [LB765]

LOY TODD: Thank you. [LB765]

SENATOR SMITH: Others wishing to testify in a neutral capacity on LB765? Seeing none, that concludes our hearing today on LB765. Oh, I'm sorry; I'm sorry. Senator Garrett, I know you want to close. I was in a rush; I don't know what I was thinking. [LB765]

SENATOR GARRETT: Thank you. Yeah, I'd like the opportunity to close. Thank you, Chairman Smith. And Senator Brasch, you raised some good questions. These are the same kinds of questions that we raised when Andy Stebbing originally brought this to us. And, you know, we thought if we raised the price, are they still going to come? And the answer we got from Andy and from the Sarpy Country treasurer, was that, in fact, and it was mentioned earlier, we process titles so much quicker in Nebraska than these other states. I mean, it's waiting six weeks to process a title. Our guys are turning them around really quickly here and so, from a lot of different perspectives is, we don't want to turn these guys away. But certainly they should have to pay. And so \$25 was the fee that they thought would adequately cover that and be able for us to do some other things, as well. Senator Bolz came to our office when she found out we had this bill and threw out that traumatic brain injury idea to us. And Senator Bloomfield also has a bill that would, because of his motorcycle helmet thing, help fund that traumatic brain injury. And it is a real issue. Nebraskans buying vehicles from new car dealers, from the Woodhouse Auto group or whoever it might be...I don't mean to drop names...buying a new car in Nebraska, they're going to pay \$10. It's not going to change. That fee hadn't changed in 27 years; we're going to keep it the same. But if the vehicle came from...if they brought it in from Colorado...if you go across the river in Iowa and purchase the vehicle, you'll pay the \$25 titling fee. But... [LB765]

SENATOR BRASCH: And we are talking about used vehicles, though, is what was clarified. So we will see that increase, correct? [LB765]

SENATOR GARRETT: Yes, yes. [LB765]

SENATOR BRASCH: All right, we will see it. It's not just the people in Massachusetts or somewhere else, but... [LB765]

SENATOR GARRETT: If you're buying it... [LB765]

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SENATOR BRASCH: But if I were to go buy a car today, and it came from Kansas... [LB765]

SENATOR GARRETT: If they picked it up at an auction in Kansas, then yes, it would be. But if it's in a new car sitting on the lot of a dealer that they got from the manufacturer, you're still just going to be paying \$10. So it's a good bill. It's going to generate some revenue for us to do some other things. And, obviously, the counties have been inundated with these title requests. And again, they're not opposed to doing them, but it should be able to cover their costs. And it might actually help us, them to bring a couple of additional people on. And nothing wrong with employment, either. [LB765]

SENATOR BRASCH: Is there a way to change this bill, that if those wheels are wheels down on Nebraskan soil, that it's not the \$25 fee? That's, and I believe Mr. Todd made a very good point. One of the most major complaints I hear is about the cost of motor vehicles, to buy one in Nebraska. Can you bring that cost down? I've heard it over and over. And now we're going to bump them up. Most people do buy used cars. I mean, many do. [LB765]

SENATOR GARRETT: I remember when we moved here, the sales tax and the yearly tax, I think that's what's really, I think most people complain... [LB765]

SENATOR BRASCH: Because we're talking 100,000 vehicles that Mr. Todd brought into this picture, right here. That's 100,000 of your neighbors. [LB765]

SENATOR GARRETT: I think it's the tax on those vehicles that most of our citizens are complaining about. Certainly we haven't increased the fee for titling in 27 years. That's pretty amazing, when you think about it. And we are keeping that fee again the same for in-state purchases. [LB765]

SENATOR BRASCH: I have no other questions. [LB765]

SENATOR SMITH: Additional questions? I see none. Thank you, Senator Garrett. [LB765]

SENATOR GARRETT: Thank you, Chairman Smith. [LB765]

SENATOR SMITH: And that concludes our hearing on LB765. [LB765]

SENATOR BRASCH: We will now proceed to the next legislative bill on the agenda, LB946. And Chairman Smith will introduce LB946. Welcome, Senator Smith. [LB946]

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SENATOR SMITH: Thank you, Senator Brasch and members of the Transportation and Telecommunications Committee. For the record, I am Jim Smith, J-i-m S-m-i-t-h, and I represent the 14th Legislative District in Sarpy County. I am here today to introduce LB946. This bill became necessary with a recent Supreme Court ruling that could make our Nebraska Motor Vehicle Industry Licensing Board vulnerable to antitrust litigation. In a February decision just last year, the United States Supreme Court ruled, in North Carolina, Board of Dental Examiners versus the FTC, that state action antitrust immunity does not necessarily apply to a regulatory body controlled by active members of a profession or a trade. Under federal antitrust law, when a state acts as the sovereign in imposing anticompetitive restraints on an industry, the state is provided immunity from antitrust litigation. The court in North Carolina ruled that this immunity does not apply to a regulatory body controlled by active market participants unless the body is subject to state supervision and any regulation or action is a clear expression of state policy. And I want to repeat that portion, because that's the underlying reason for this. Unless the body is subject to state supervision and any regulation or action is a clear expression of state policy. The Nebraska Motor Vehicle Industry Licensing Board has the statutory duty to oversee and regulate motor vehicle and trailer dealers. The board is composed of active members of the profession, including vehicle dealers and manufacturers. The director of the Nebraska Department of Motor Vehicles serves as the ex officio member and the chairperson of the committee. In order to protect the members of the board from possible antitrust litigation, LB946 simply provides more state supervision and, thus, immunity by requiring the director of DMV to review, modify, alter, approve, or reject any action of the board. LB946 does not change the duties of the board itself nor its makeup, but does ensure state supervision in order to provide for antitrust immunity. That's all there is to this bill, and I encourage you to advance LB946 to General File. Thank you. [LB946]

SENATOR BRASCH: Thank you, Chairman Smith. Are there any questions from the committee? Seeing none, are there any proponents that would like to testify? Please come forward. Welcome. Please say and spell your name. [LB946]

SCOTT DAVIS: My name is Scott Davis, S-c-o-t D-a-v-i-s. I'm a lawyer here in Lincoln with the Baylor Evnen Law Firm, and I am legal counsel to the Motor Vehicle Industry Licensing Board. I want to thank Senator Smith for his very concise explanation of the needs for LB946. On a happy note, we should all appreciate the fact that the licensing board doesn't use any taxpayer money. It is exclusively funded by licensing fees collected from the industry, from salespersons, dealers, and manufacturers. But when it comes to liability, the liability is still that of the state. And, therefore, any risk assessment that you look at needs to consider the changes the U.S. Supreme Court visited upon us by changing the sovereign immunity rule that had previously existed. LB946 is a fix-it bill. It gives the executive branch an "adirect" supervisory guidance role. It puts in place the type of control that we believe the U.S. Supreme Court requires in order to maintain the status quo of antitrust immunity for board members and the

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state. Under the circumstances, we hope the board understands and appreciates...all we're really seeking is the status quo to return to the norm and to do the things that the U.S. Supreme Court said were necessary in order for us to enjoy the same immunity. So the board members can carry out their duties and, with a little extra burden for Rhonda Lahm, as the director, to take the time to review and approve or veto, but exercise that direct supervision that's necessary to confirm the grant of immunity. If you all have any questions, please make them about my size. Thank you. [LB946]

SENATOR BRASCH: Thank you, Mr. Davis. Are there any questions from the committee? [LB946]

SCOTT DAVIS: Thank you. [LB946]

SENATOR SEILER: Excuse me. [LB946]

SENATOR BRASCH: Oh. [LB946]

SENATOR SEILER: Scott, I have one. [LB946]

SCOTT DAVIS: Yes, Senator Seiler. [LB946]

SENATOR SEILER: If the director, acting as your board chairman, can review the action, modify it, alter it, approve or reject the board's action, what functions does the board really have, then? [LB946]

SCOTT DAVIS: In those circumstances where there is no question about market activity by competitors, where it's simply enforcement of the advertising code, imposition of penalties for misuse of dealer plates, or other administrative actions, I don't believe that the review and extra supervisory authority would be essential. But in cases where, for example, a manufacturer sought to terminate a dealer, and the dealer opposed having any other member on the board who was also a peer member of the group, then, under antitrust principles, if they were both in Omaha, then the dealer who is being terminated might very well object to an Omaha dealer being on the board and voting. We don't want anyone to feel that they are going to be put at risk for voting their conscience, as a board member. We think that the sovereign immunity doctrine makes it possible for us to draw upon the peer group throughout the industry, so we get the best people we can who have been willing to put their peers to the highest possible standard. And that is the reason, I think, Rhonda will have some extra work, but only in those circumstances that trigger this rule. [LB946]

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SENATOR SEILER: Okay, thank you. [LB946]

SCOTT DAVIS: Does that help? [LB946]

SENATOR SEILER: Yes. [LB946]

SCOTT DAVIS: Thank you. Anything else? [LB946]

SENATOR BRASCH: Any other questions from the committee? I see none. Are there any other proponents? Please come forward. Welcome. [LB946]

LOY TODD: Senator Brasch, members of the committee, I'm Loy Todd, L-o-y T-o-d-d, president of the Nebraska New Car and Truck Dealers Association, speaking in favor of this legislation. When the Supreme Court case in question came down, it caused everyone in the country to take a look at these boards and commissions, those kinds of things, and make sure that we are in compliance. And we're happy to see that we were able to get Senator Smith to step up and help preserve this very, very efficient and worthy regulatory body. The real benefit of having a board made up of dealers, manufacturers, and consumer representatives is to have that expertise available and also that mix of decision makers in order to regulate our industry. Various states do it differently. Some actually have the Secretary of State regulate dealers. Some have the attorney general's office. There's quite a variety. It's not unusual to have a licensing board such as ours. And it is one of the best and most efficient ways. It's really hard to complain about being regulated by your peers, when they've held to the standards you are. And so we do appreciate this as a quick fix. The courts clearly told us how to address this and how to fix it, and we'd appreciate your support in doing so. [LB946]

SENATOR BRASCH: Thank you, Mr. Todd. Any questions from the committee? I see none. Any other proponents? [LB946]

LOY TODD: Thank you. [LB946]

SENATOR BRASCH: (Exhibit 1) Thank you. We have a letter in support from Rhonda Lahm, on behalf of the Department of Motor Vehicles, to be entered into the record. Opponents. Anyone in neutral? Seeing there are none, Senator Smith will waive closing. Thank you. And that does conclude LB946. [LB946]

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SENATOR SMITH: Thank you, Senator Brasch, for covering LB946. And we now move to LB918, that will be introduced by Senator Murante. The bill will provide for the redistribution of motor vehicle taxes, as prescribed. Welcome, Senator Murante. [LB918]

SENATOR MURANTE: Thank you, Chairman Smith, members of the Transportation and Telecommunications Committee. My name is John Murante, J-o-h-n M-u-r-a-n-t-e. I'm the state senator for District 49, which includes Gretna and northwest Sarpy County. I'm here today to introduce LB918, on behalf of the Department of Motor Vehicles. The vehicle title and registration system was developed in the late 1980s and deployed in the early 1990s. And the technology currently does not meet today's business needs. The Department of Motor Vehicles completed a business plan for modernization of the system in October of 2013. In 2014, the Nebraska State Legislature passed LB905 and LB906, which created the Vehicle Title and Registration (System) Replacement and Maintenance (Cash) Fund and transferred \$12.5 million from the DMV Cash Fund to that fund as seed money for the project. In the 2015 Legislative Session, this Legislature enacted legislation to assist with the obtaining of uniform data in preparation for moving to a new system. In 2015, the system brought in over \$650 million, most of which goes to the political subdivisions in the state. It completes over 3 million transactions every year. And the estimated cost to replace that system is \$24 million. LB918 is intended to provide the funding mechanism to complete the project and for ongoing maintenance. What the bill provides is that 1 percent of the total amount of motor vehicle tax collected will be deposited into the Vehicle Title and Registration System Replacement and Maintenance Fund. Current law provides that 1 percent of the motor vehicle tax collected be retained by the respective county as their fee for collecting it. LB918 also provides that the money the DMV may receive from participation in data security programs be deposited into the same fund. This year's budget bill proposes to transfer another \$5 million from the cash funds to the Replacement and Maintenance Fund. The 1 percent motor vehicle tax that we're talking about equates to approximately \$2.3 million. So at least that was for last year. And a current breakdown of the tax structure is that 1 percent goes to counties. And the remaining 99 percent: 22 percent goes to counties, 60 percent goes to the school districts, and 18 percent goes to the city, the village or county are split, depending on the size of the city. So I think this is an important piece of legislation that will help fund the program. It is a program that is utilized by our political subdivisions. So I believe that the remaining 98 percent that goes down, I think this is a good use of funds. It's for a system that is utilized across the state of Nebraska. I know Director Lahm is here to answer any questions that you may have. But I would also be happy to answer any questions that you may have. Thank you very much. [LB918]

SENATOR SMITH: Thank you, Senator Murante. Senator Seiler. [LB918]

SENATOR SEILER: I'd like to clarify one thing, because the numbers don't seem to add up. Your 1 percent is taken off the top. [LB918]

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SENATOR MURANTE: Right. [LB918]

SENATOR SEILER: And then you divided 60, 22, and 18. [LB918]

SENATOR MURANTE: Right. The remainder of... [LB918]

SENATOR SEILER: That's not quite the way you did it in your oral. [LB918]

SENATOR MURANTE: The remaining 99 percent is split that way. [LB918]

SENATOR SEILER: That's what I thought. That clarifies it; thank you. [LB918]

SENATOR SMITH: Additional questions from the committee? I see none. Thank you, Senator Murante. We now invite proponents, those wishing to testify in support of LB918. Welcome. [LB918]

RHONDA LAHM: (Exhibit 1) Thank you. Good afternoon, Chairman Smith and members of the Transportation and Telecommunications Committee. I'm Rhonda Lahm, R-h-o-n-d-a L-a-h-m, director for the Department of Motor Vehicles. I'm appearing before you today to offer testimony and support of LB918. I'd like to thank Senator Murante for introducing LB918 on behalf of the DMV. LB918 is another step to building a new VTR system in Nebraska. VTR is short for Vehicle and Title Registration. It is the electronic system the DMV and county treasurers use to collect title fees, lien fees, motor vehicle fees, motor vehicle taxes, registration fees, wheel taxes, and sales tax on vehicles as they're registered. The current system, built in 1980s computer technology, collected over \$650 million last year and allows for the money collected to be properly distributed to many government subdivisions, as provided in statute. It's a complicated system. It collects fees, taxes of various kinds on behalf of the state and, also, on behalf of local government. This partnership between the state and local governments has served the citizens well. Local government, primarily county treasurers, collect the vehicle fees and taxes. In return, the VTR system is the mechanism used for local governments to collect taxes and fees imposed by those local governments, such as local sales tax and wheel tax. In 2015, the system collected \$74,833,547 for local government entities. To provide a range for counties, it collected \$30,959,908 in Douglas County...of that, \$11,558,390 for wheel tax in the city of Omaha. In Hooker County, on the opposite end of the spectrum for population, it collected \$8,603 for local taxes. The process to modernize the VTR system has been in the works for several years. In 2013, the department completed the business case for the replacement. Since then, legislative action has created the vehicle VTR (System) Replacement and Maintenance Fund and transferred monies from the DMV cash funds to that fund. The budget bill before the

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Legislature this year would transfer an addition \$5 million to the DMV Cash Fund for a total of \$18 million from the DMV. The estimated cost of the project at \$24 million, you can see the DMV has invested 75 percent of the cost of the system from their funds. LB918 changes statute by transferring 1 percent of the money collected for motor vehicle taxes annually to the Vehicle Title and Registration System Maintenance Fund. This fund is administered by the DMV. The DMV explored many funding options. The provisions of LB918 use the capacity of the current system to fund a replacement without increasing taxes or fees paid by the vehicle owners. The provisions of LB918 provide a mechanism for the needed funding to complete the project and provide monies for ongoing maintenance of the system. Under LB918, the DMV will acquire 1 percent of the motor vehicle tax proceeds, the same amount as the counties now acquire, to pay for and maintain the new system. Local school districts, cities, counties, and villages will divide the remaining percent of the motor vehicle taxes collected instead of the 99 percent, under the current law. Past years have shown a steady increase in the amount of motor vehicle taxes collected in Nebraska. The 1 percent to be allocated to the VTR maintenance fund is less than the annual increase over the past several years in motor vehicle taxes collected. Because of this, the amount of motor vehicle taxes distributed to other subdivisions of government should not decrease because of the allocation to the VTR fund, but growth may be slightly less. LB918 affects only motor vehicle taxes. Title fees, lien fees, motor vehicle fees, wheel taxes, sales taxes, and registration fees, which are also collected by the VTR, will not be affected by this bill. The second funding provision outlined in LB918 amends statute to allow DMV to collect monies from participating in three small electronic data security programs. These monies would also be credited to the VTR maintenance replacement fund. The Vehicle Title and Registration System modernization project has been deemed a Tier One project by the Nebraska Information Technology Commission, meaning it is critical to the functioning of state government and/or the agency. Every year, Nebraska's current VTR system ages. Each year, we have new legislation in place that adds additional demands on our system so we can serve the citizens. In order to move the project forward and provide for maintenance of a modernized system, which will serve Nebraskans for many years, a funding source is needed. LB918 provides sufficient funding in a manner that has no direct impact on vehicle owners and minimal impact on other subdivisions of government. I urge you to move LB918 to the floor for further consideration. I'd be happy to answer any questions you have. And thank you so much for your time today. [LB918]

SENATOR SMITH: Thank you, Director Lahm. Do we have questions? Senator Brasch.
[LB918]

SENATOR BRASCH: Thank you, Chairman Smith. And thank you, Director Lahm. I have a few questions that are looming for one... [LB918]

RHONDA LAHM: Sure. [LB918]

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SENATOR BRASCH: And you have a technology background. I believe you've told us that in the past. [LB918]

RHONDA LAHM: Well, some degree. [LB918]

SENATOR BRASCH: Some, okay. [LB918]

RHONDA LAHM: I would not consider myself an expert in technology. [LB918]

SENATOR BRASCH: All right. When I'm reading what you're reading to us, you're talking about the cost to update the VTR system is at \$24 million. Is that correct? [LB918]

RHONDA LAHM: That's what we...that's our best guesstimate, based on what other states have paid to get theirs modernized. [LB918]

SENATOR BRASCH: And I guess I'm very curious and would love to know, is that hardware, software? That seems like a... [LB918]

RHONDA LAHM: It's... [LB918]

SENATOR BRASCH: And compared to other states, we're not a high-population state. [LB918]

RHONDA LAHM: Right. The cost of the system varies depending on different functions. One of the things that impacts the cost is the number of different business processes that you ask it to do. In Nebraska... [LB918]

SENATOR BRASCH: And that's programming, correct? [LB918]

RHONDA LAHM: Yeah, that would be programming... [LB918]

SENATOR BRASCH: That would be a part of the program. [LB918]

RHONDA LAHM: ...each for a separate "processee." Right now, we're in the process of identifying all those. But in states that have done it before, the number of processes have ranged from 350 to 600, depending on the state, because Nebraska's VTR system does so many things other than just register vehicles. It has all the other funds it goes to: EMS, Recreation Road Fund,

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the local fees, the local taxes, wheel taxes. All those pieces are separate processes. So those impact the cost of the system. So that's one of the things that impacts it. Numbers of transactions impacts it, although to a lot smaller degree. The infrastructure it sits on...the amount that we have to have, because we have 93 counties. And for a state our size, 93 counties is quite a few counties. [LB918]

SENATOR BRASCH: Um-hum. [LB918]

RHONDA LAHM: That impacts it as well, because then you have the hardware replicated in a lot more places. So many things impact the cost and depend on...but based on what other states have done, that's our best guesstimate. But the fee is for everything. It's the hardware; it's the software. It's the entire system. [LB918]

SENATOR BRASCH: And how many vendors are there that are capable of performing this? Yeah, it... [LB918]

RHONDA LAHM: In the market? [LB918]

SENATOR BRASCH: Will it go to bid? You know, how many... [LB918]

RHONDA LAHM: Yeah, absolutely. It would have to go out to bid for RFP. [LB918]

SENATOR BRASCH: Right. [LB918]

RHONDA LAHM: Right now, I would say not more than a half a dozen viable vendors have been successful in other states. [LB918]

SENATOR BRASCH: And then you also mentioned like system updates and things like that. [LB918]

RHONDA LAHM: Um-hum. [LB918]

SENATOR BRASCH: Is that...that's typically...well, you say ongoing maintenance. [LB918]

RHONDA LAHM: Right, that's... [LB918]

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SENATOR BRASCH: Isn't that typically something downloadable or upgradeable that's... [LB918]

RHONDA LAHM: For, like for...um-hum. [LB918]

SENATOR BRASCH: I'm just wondering how much is software? How much is hardware? Will all the counties need new hardware? It seems like a high price tag for... [LB918]

RHONDA LAHM: I understand that; it is. I guess it's comparable to other things. Software and technology is not necessarily always cheap. But as far as, would they need new hardware or not, we'll know that better when our consultants get done doing work, because that's what they're doing right now. In fact, they're here in Nebraska and just at a meeting in Norfolk this morning for people in that area to determine if what we have will be adequate or if it will require new hardware. And then that, of course, affects what the overall price of the system would be. [LB918]

SENATOR BRASCH: And I realize the bill focuses around the 1 percent, but again, I'm looking at the end, that we... [LB918]

RHONDA LAHM: Um-hum. I'm hopeful that it won't be \$24 million. I'm just trying to make an estimate, based on what other states have experienced. And that's the best estimate that we can come up with, because no two states are similar. Some states have the function our VTR does in two different departments. A lot of states do registering in DMVs at taxing and revenue departments. And so when ours is together, our system is going to be expected to do more than a lot of other state systems do. [LB918]

SENATOR BRASCH: Thank you. I have no other questions. [LB918]

RHONDA LAHM: Sure. [LB918]

SENATOR BRASCH: Very well. [LB918]

SENATOR SMITH: Senator Friesen. [LB918]

SENATOR FRIESEN: Thank you, Chairman Smith. Welcome, Director Lahm. [LB918]

RHONDA LAHM: Thank you. [LB918]

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SENATOR FRIESEN: Just a curious question, I guess. Is the reason that we can process titles and stuff from out of state because of this software? Does it have... [LB918]

RHONDA LAHM: It certainly helps. It all goes through that system. It's all part of the VTR system...the titles are. It's all the same system. [LB918]

SENATOR FRIESEN: So our increase, maybe, in those fees from out of state should maybe be going towards helping to pay for this? Or... [LB918]

RHONDA LAHM: I'm sticking with LB918; thank you. [LB918]

SENATOR FRIESEN: I just...when I'm looking here, I mean the impact to the schools and cities and counties and their lack there. They're going to drop a little bit in revenue. And so we're taking a little bit away from them to help pay for the system, when maybe, because of our system and our speed that we handle titles with...just saying. Thank you. [LB918]

RHONDA LAHM: We do have good partners with the county treasurer's office. They do a great job. And that's why I think this model that we have, where we have a system and we're able to work well with our local government, and we're able to, in local government, make a decision to insert a wheel tax or raise a local sales tax or start a local sales tax, that we're able to do that within our system. And they don't have to create a new system on their own to do that. And so I think it's a pretty effective system, the way it works. [LB918]

SENATOR SMITH: I like the way Senator Friesen likes to connect the dots (laughter). Any further questions from the committee? I see none. [LB918]

RHONDA LAHM: Thank you. [LB918]

SENATOR SMITH: Thank you very much. Others wishing to testify in support of LB918. [LB918]

LOY TODD: Thank you. [LB918]

SENATOR SMITH: Welcome. [LB918]

LOY TODD: Senator Smith, members of the committee, my name is Loy Todd, L-o-y T-o-d-d. I'm the president of the Nebraska New Car and Truck Dealers Association, speaking in favor of

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this legislation. As Director Lahm has correctly pointed out, we have one of the best systems in the country. We are so lucky, in Nebraska, to have the efficiency that's there. And it's because of the way it's set up. And there are a lot of agencies and a lot of local governments taking advantage of this system that we have, without having to contribute and do their own stuff. This VTR system that's connected with Revenue, with the cities, with the counties, with everyone else, is taking on a heck of a burden and doing those efficiencies, because even though you think about motor vehicle taxes, those kinds of things, the bulk of that goes to roads. And Roads isn't collecting that money; the DMV is collecting that money. The taxes go to Revenue. DMV is collecting that money. Revenue doesn't have to process that. They don't even do anything with the Form 6s that we all generate, that disclose the taxes, those kinds of things. All those kinds of things go through this DMV computer. And the thing is 35 years old. And I can't even imagine any business operating on a 35-year-old computer. This thing is absolutely, vitally necessary. The only thing we are urging is to do it quicker. And as far as comparative costs, Senator, about...time flies; I don't pay much attention to it. But it seems like it was five, six years ago that Iowa went through this process of creating a computer. And they spent over \$25 million many years ago doing the same functions. And, hopefully, there will also be, and while...and I don't know who's going to be unhappy or happy about this. I mean, the fact is there's costs to doing this kind of stuff. And the entities receiving these monies need to help share in those costs. And we're glad they're benefiting from them. I do believe strongly that the efficiencies improved by this new computer system will make collection of these taxes stronger. And people who are now cheating and escaping aren't going to be able to do so, so easily, because this computer...and I'm confident of this, because I've discussed it with the department many times...this will be able to generate a list and contact information regarding the people who show up and get a title or whatever and don't come back and register, who slip off to Iowa or South Dakota to register in those states that are half to a fraction of what our fees and costs are in the state of Nebraska. This thing will be able to track them and generate a list, so that now law enforcement or Revenue or someone can track them down. I would be surprised if there wasn't a net increase to these entities benefiting from it. And we welcome those kinds of opportunities. And so as your bill correctly showed, our efficiencies are wonderful, and we hope that people are taking advantage of them. And this will be, I think, a very, very cost-effective project. Thank you. [LB918]

SENATOR SMITH: Okay. Thank you, Mr. Todd. I see no questions. Next proponent of LB918. Welcome. [LB918]

DON WESELY: Mr. Chairman, members of the Transportation and Telecommunications Committee, my name is Don Wesely, D-o-n W-e-s-e-l-y, representing ISRI, Institute of Scrap Recycling Industries. As Loy talked to you, he was talking about the birth of a motor vehicle. I am representing the guys that bury those or recycle those new cars. And for every car manufactured, there's a car that ends up being recycled. This system will help both ends of that transaction. They'll help Loy and the new car dealers and all the car dealers out there and

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different subdivisions. But the interesting thing is, there's a system I didn't know about until about five years ago, called NMVTIS. And that's the National Motor Vehicle Title Information System. And what they found is that theft occurred at that end of the scale, as well. Cars were stolen and ended up in the scrapyards. And they set up this national system; at least 34 states are tied into it. And insurance companies and others report in their VIN numbers, try and figure out where a stolen car, anywhere in the country it's been reported, and then where it ends up. And they can match up that VIN and figure out, maybe, what happened and how it got stolen. And so that's why it was set up. Currently, our scrap processors have to report those VIN numbers and everything into this system. And they send to the national. And then they send to DMV. And they're saying, with a new system like this, they can just report to DMV. DMV can just send it on. And it's just...it will simplify their lives and make it a lot quicker and more efficient. So our scrap processors are here in support. We supported the bill a couple years ago to start this process. And I guess it's an example of when you do something right and you make an improvement, you never even know how it might help groups like ours that aren't even in the focus right now. We will be benefited, and I wanted you to know that and support the bill. So, happy to answer any questions, Mr. Chairman. [LB918]

SENATOR SMITH: Thank you, Mr. Wesely. I see no questions. [LB918]

DON WESELY: Thank you. [LB918]

SENATOR SMITH: (Exhibit 2) Thank you. Next proponent of LB918. We do have, for the record, a letter in support of LB918. It is from Robert Hallstrom, on behalf of the Nebraska Bankers Association. We now move to opponents, those wishing to testify in opposition to LB918, opponents. Welcome. [LB918]

JACK CHELOHA: Thank you. Good afternoon, Chairman Smith and members of the committee. My name is Jack Cheloha, first name is spelled J-a-c-k, last name is spelled C-h-e-l-o-h-a. I'm the registered lobbyist for the city of Omaha, and I want to testify in opposition to LB918 this afternoon. I'm not here to testify as to the merits of the...let me get the acronym right here...the VTR. It sounds like a wonderful system, and it sounds like cities and other groups benefit greatly from it. Yet, at the same time, local law enforcement are the ones who deal with enforcement of motor vehicle laws, motor vehicle registrations, etcetera. So the reason why I'm here today is to talk about the payment method, if you will, the 1 percent. Right now, when people register their vehicles annually, you know, there's a number of line items that you pay. You pay for the license plates or the stickers, if you don't get a new plate, per se, for the corner of the license plate. But you also pay the motor vehicle fees. And then it used to be...now and as a property tax, I don't know what we call it now...if it's a fee or a tax. But that's usually the biggest portion when you license your car each month. And, as was stated by earlier testimonies, that

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money is divided and helps support local government. The biggest beneficiary is schools, 60 percent of that fund. And then cities and counties split the remainder. The impact of 1 percent for the city of Omaha is roughly \$100,000, which doesn't sound like a lot of money. But, in terms of hiring a couple of new rookie police officers, we might be able to hire two new officers with that money. And if you see the connection, they're the ones who might be the ones who enforce this, as well. So I wanted to point out that it does hurt. As I read the fiscal note, when it comes to schools, TEEOSA formula would be affected because of it. And there may be, you know, an offset for some schools that are equalized under the formula where they could benefit for their loss of revenue. But the ones that aren't equalized, you know, they would suffer a loss. And so it seems to me, maybe a fairer way to pay for this would either be through, you know, fees on the people as they title their vehicle. Or maybe we'd have to ask for a General Fund appropriation. In terms of benefiting from it, I acknowledge that. If, indeed, Omaha uses this to help us collect our wheel tax, that's a great benefit, and we appreciate that. I don't know if we'd pay any fee to the DMV or the state on that for the information or the help collected. I'd have to further find out from my finance department. In the meantime, as you collect local option sales tax, I can tell you that the state of Nebraska does charge a 3 percent fee on that. So we do pay a fee already for collecting of a lease or sales tax on motor vehicles. So, like I said, we're not here to oppose the new system. It sounds wonderful; it sounds like a great program. But we just have concerns with the 1 percent payment. I'll try to take any questions. [LB918]

SENATOR SMITH: Thank you, Mr. Cheloha. Now you don't take issue with the benefit that the city of Omaha receives. [LB918]

JACK CHELOHA: No. [LB918]

SENATOR SMITH: To what tune is the benefit that they receive from the system that's in place today in the collections? [LB918]

JACK CHELOHA: I think I overheard someone mention that our wheel tax is roughly \$11 million. I could be wrong on that. I'd have to check, Senator. But I can let you know. [LB918]

SENATOR SMITH: The city of Omaha. [LB918]

JACK CHELOHA: Right. And we utilize that money directly to help improve and pay for street and road improvements. So... [LB918]

SENATOR SMITH: So the benefit of the system that's in place is in the neighborhood of \$11 million to the city of Omaha. [LB918]

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JACK CHELOHA: Right, that we assess our citizens a wheel tax. But I don't know if we pay a state fee to get that information. I'll have to find out. [LB918]

SENATOR SMITH: And the 1 percent would be a cost of, in the neighborhood of, \$100,000. [LB918]

JACK CHELOHA: Okay. [LB918]

SENATOR SMITH: And you would prefer to have someone else pay for that system, as opposed to the city of Omaha helping to pay for the benefits that it receives. [LB918]

JACK CHELOHA: Well, right. I see what you're saying, Senator. But I'm saying through the years...in 2011, we used to get state aid from the state of Nebraska. We no longer get that. So every time you take and drop a source of revenue for us, even if it's \$100,000, it hurts. And so this is a new program. It's going to be vital. It's just a question for you, the committee, and then the Legislature, as a whole, to decide. Should it be paid by those who license and title their vehicles, as they do on a yearly basis? Or should we take it away from revenue from local governments that need it to offset property tax? [LB918]

SENATOR SMITH: All right. Further questions for Mr. Cheloha? I see none. Thank you. [LB918]

JACK CHELOHA: Thank you. [LB918]

SENATOR SMITH: Additional opponents to LB918? Anyone wishing to testify in a neutral capacity on LB918? Welcome. [LB918]

LARRY DIX: Good afternoon, Senator Smith and members of the Transportation and Telecommunications Committee. My name is Larry Dix, spelled L-a-r-r-y D-i-x, executive director of the Nebraska Association of County Officials, appearing today in a neutral capacity. Let me...I want to make sure I explain why we're in a neutral capacity, so that everyone is very much aware of that. We, as our board had a discussion, as is pointed out in the fiscal note, there is a decrease in revenue to county government. And so that sort of stacks over here on the negative side. On the positive side, NACO has consistently been there to support a new VTR system. And we need a new VTR system. And we have supported it. We have every reason to believe that we will have people on committees that look at the new software, examine it. And we appreciate that partnership that we've always had with the Department of Motor Vehicles. And we believe that will continue. The original VTR system, and just as a point of correction,

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and possibly it's very rare when I get to correct Mr. Todd, but it's 25 years old, not 35 years old. But the reason I remember that is that when I joined NACO, that was the year LB814 had just passed, and NACO actually loaned some of our software programmers to write the VTR system. And so that writing of that system happened in 1991. But with that, certainly we would anticipate, and Senator Brasch, I appreciate your questions on the hardware and software. And yes, it does seem like a lot of money. We certainly would anticipate that if there is any new hardware requirements in the counties, just like on the previous system when it was put in, those will be picked up by the Department of Motor Vehicles, whatever equipment we need to print registrations and the monitors and all the, you know, hubs and everything that goes along with that system. If, you know, existing equipment can be used, cannot, you know, it's one of those where computer equipment has sort of a shelf life. And when you update systems, typically you want to update the companion points of it so that everything functions. The other thing that we want to point out, though, is when, and this is more of a tax policy, and I think the Legislature needs to have a pretty good discussion on this one. This is probably, in all my years, this is the first time from a "tax policy" point of view that the state has sort of come down and started to participate and receive a portion of property tax. The tax component on this motor vehicle, when this all changed, when we went to the different method in valuing cars, this was to take care of the property tax component that was there. So when you look at property taxes, all other property taxes, in no other situation does the state participate in property taxes. And, in fact, many people have said for years, well, don't come and talk to me about any property taxes; that's a local issue. This now becomes a state issue, because they have 1 percent in the game. So it's more of something I bring out from a tax policy debate than it is that we're concerned about the 1 percent. We realize the benefit we get from that system. And so I just want to get that on the record. I would be happy to answer any questions that anybody may have. [LB918]

SENATOR SMITH: Thank you, Mr. Dix. Senator Brasch. [LB918]

SENATOR BRASCH: Thank you, Chairman Smith. And thank you, Mr. Dix, for your testimony. Now you have me very curious. Your programmers wrote the original Nebraska system, correct? [LB918]

LARRY DIX: We assisted. It was a joint effort. There were programmers from Sarpy County. There were programmers from the state of Nebraska. There were programmers from our association that jointly would be assigned components. And then it all sort of came together. [LB918]

SENATOR BRASCH: And so, who was the vendor that put the...homegrown? [LB918]

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LARRY DIX: Yep, state of Nebraska. What actually, Senator Brasch, it was...prior to LB814 being introduced, counties, multiple counties had multiple systems. And back then, I would say there were about seven different vendors that had systems that allowed counties to process motor vehicle registrations. And, at that point in time, it was a very, somewhat disjointed...everybody did it a little bit different. But in the end, they would all send a copy of that motor vehicle registration in to...one went to Department of Revenue, one to Department of Motor Vehicles, one went to the taxpayer, one went to the county sheriff, two went to the county treasurer for filing. So it was actually a six-part form. So, but that's...it was a long explanation. Jointly we wrote it. State of Nebraska was the lead agency on that, Department of Motor Vehicles in the state of Nebraska. [LB918]

SENATOR BRASCH: And then for the current change, this could no longer be something that the state could do once again. Is that what you're believing? [LB918]

LARRY DIX: Well, I think what you're looking at, coming from a computer background, I would never say they couldn't do it. I would tell you, if it were to be done, they're going to have to hire a number of programmers. And it would take a significant number of years. And, as I said before, we had programmers on loan from Sarpy County, from NACO, from...I think Douglas County participated, and Lancaster County had some input. But those programmers now are no longer there that have that pool of knowledge of how a VTR system works. So you're starting with a small pool of knowledge that's left on how Nebraska's VTR system would have to work. [LB918]

SENATOR BRASCH: I have no other questions. Thank you. [LB918]

SENATOR SMITH: Senator Friesen. [LB918]

SENATOR FRIESEN: Thank you, Chairman Smith. Mr. Dix, when you did the fiscal impact note on this bill, do you think that's not taking into account if we pass the other bill that we just talked about, increasing fees up to \$25. This covers all the transfer of 1 percent on all of these. Is that correct? Any title? [LB918]

LARRY DIX: My reading of this bill, the 1 percent comes right after the county takes their 1 percent on motor vehicle registrations. Now again, I think I'll... [LB918]

SENATOR FRIESEN: Just on registrations. [LB918]

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LARRY DIX: I'll toss the get out of jail free card and say that I'm talking on LB918, but...and I wasn't in here for the previous hearing. But I think, on the previous one, you were talking more about titling. [LB918]

SENATOR FRIESEN: Correct. [LB918]

LARRY DIX: Here we're talking about this financial component is on the property tax side of it, as opposed to the titling piece. [LB918]

SENATOR FRIESEN: Okay. [LB918]

LARRY DIX: And so this one here, every one of these registrations go through the system every year, whereas titling is less frequent. I did note Mr. Cheloha brought up a point about the people who use the system, the folks who register cars. Our board had a discussion about that. And I think \$1 per registration would probably generate about the same amount that we're looking at here with the VTR system, because there's probably somewhere around 2 million cars. And I think this bill generates about \$2 million. But Director Lahm would be able to give you the exact count on that. [LB918]

SENATOR FRIESEN: So this portion here comes strictly from residents of Nebraska. [LB918]

LARRY DIX: This portion...I want to make sure I get that right. Potentially you could have some people outside of the state of Nebraska. And let me explain how I think that could happen. If you happen to live across the border, but your vehicles were principally stored and kept inside the state of Nebraska, then you may say, I live in Kansas, but because my vehicles are always stored in Nebraska, I license them in Nebraska. But that would be a very, very small number. [LB918]

SENATOR FRIESEN: Gotcha. Thank you. [LB918]

SENATOR SMITH: Further questions for Mr. Dix? I see none. [LB918]

LARRY DIX: Thank you. [LB918]

SENATOR SMITH: (Exhibit 3) Thank you, Mr. Dix, for your testimony. Anyone additional wanting to speak in a neutral capacity on LB918? We do have, for the record, a letter in a neutral capacity on LB918. And this is from John Bonaiuto, on behalf of the Nebraska Association of School Boards. Senator Murante, would you like to close? [LB918]

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SENATOR MURANTE: I would. Thank you, members. I think that was very informative. I'll start by addressing one of the items that was brought up. And an article that comes directly off of our nebraskalegislature.com (sic) Web site. We're not talking about property taxes here. I'll read just one sentence, right off the very first sentence. "The motor vehicle tax and motor vehicle fee replaced the property tax levied on motor vehicles, beginning on January 1, 1998." We're not talking about the collection of property taxes here. I understand that what we're asking for is for political subdivisions in the state of Nebraska to give up 1 percent of what they have right now. And that can be...anytime you ask anyone to give up anything, that can be a challenge. And they may even fight for that 1 percent. But consider if we were having a discussion about the creation of the VTR. And we gave the political subdivisions a choice. You can either join the VTR system, but we get the...to fund it, we'll take the 1 percent. Or you can not participate in the system and develop a system for yourself. Let me guarantee you, every political subdivision in the state of Nebraska would take the deal that is offered in LB918, because it does not...it is a significant cost savings to use the system developed by the state and only asks for 98 percent of it to go back to the political subdivisions. So I think it is a reasonable deal that the state of Nebraska collects, and the Department of Motor Vehicles collects 1 percent for the maintenance of a system that is utilized by the political subdivisions and, ultimately, saves the political subdivisions far more than what we're asking for in LB918. So I would encourage your support of LB918 and look forward to getting this bill to the floor this year. [LB918]

SENATOR SMITH: Thank you, Senator Murante. Senator Friesen has a question for you. [LB918]

SENATOR FRIESEN: Thank you, Chairman Smith. Senator Murante, so what I was getting at is, I mean, there's a lot of different people use the system. It's not just for our local titling and registration. [LB918]

SENATOR MURANTE: Sure. [LB918]

SENATOR FRIESEN: So my thoughts was that Senator Garrett's bill, too, when we do any of these out-of-state titling, they should help pay for that system, too. I'm just...I look at all aspects of how we use the system... [LB918]

SENATOR MURANTE: Sure. [LB918]

SENATOR FRIESEN: ...and spread that cost around. Well, but I guess if that would be possible down the road, that's my only comment, I guess. Thank you. [LB918]

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SENATOR SMITH: Further questions? I see none. Thank you, Senator Murante. And that concludes our hearing on LB918 and our hearings for the day. We are going to go into "Exec" today. [LB918]