

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 15, 2018

BOLZ: [00:00:07] Okay, we're going to go ahead and get started. I'm Senator Kate Bolz, I'm the Vice Chair of the committee and welcome to the Appropriations Committee. I'd like to start off by having members do self introductions starting with Senator Clements. [00:00:20][13.4]

CLEMENTS: [00:00:20] I'm Bob Clements from Elmwood; senator to Cass, Sarpy and Otoe County, District 2. [00:00:20][0.0]

MCDONNELL: [00:00:24] Mike McDonnell, LD5, south Omaha.
[00:00:24][0.2]

HILKEMANN: [00:00:33] Robert Hilkemann, District 4, West Omaha.
[00:00:34][1.2]

WISHART: [00:00:37] Senator Anna Wishart, District 27, west Lincoln.
[00:00:39][2.0]

BOLZ: [00:00:41] And Senator-- [00:00:41][0.4]

KUEHN: [00:00:42] John Kuehn, District 38. [00:00:43][0.5]

BOLZ: [00:00:43] Very good. On the cabinet to your right you will find green testifier sheets; if you're planning to testify today, please fill out a green sign-in sheet and hand it to our page, Cadet, when you come up to testify. If you will not be testifying at the microphone but want to go on record as having a position on a bill being heard today, there are white sign-in sheets on the cabinet where you may leave your name and other pertinent information. And these sign-in sheets will become exhibits in the permanent record at the end of today's hearing. To better facilitate today's proceeding, I ask that you abide by the following procedures. Please silence or turn off your cell phones. The order of testimony we'll use is introducer, proponent, opponent, neutral, and closing. When we hear testimony regarding agencies, we will first hear from a representative of the agency, then we will hear testimony from anyone who wishes to speak on the agency's budget request. When you testify, please spell your first and last name for the record before you testify; please be concise. It is our request that you limit your testimony to five minutes. Written materials may be distributed to committee members as exhibits only while testimony is being offered. Hand them to the page for distribution to the committee and staff when you come up to testify. We need 12 copies. If you have written testimony, but not with 12 copies, please raise your hand and our page, Cadet, will make copies

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for you. So with that we will begin our hearing with LB1062, Senator McDonnell. [00:02:07][84.2]

McDONNELL: [00:02:08] Thank you, Senator Bolz; thank you Appropriations members. My name is Mike McDonnell, M-i-k-e M-c-D-o-n-n-e-l-l; I represent LD5, south Omaha. I am introducing LB1062 on behalf of the American Cancer Society, Cancer Action Network, and the American Heart Association. The bill increases the funding for the state's tobacco control program by \$2.4 million. This is the same amount by which LB438, the original tobacco bill, introduced by Senator Howard, last year, would have increased the appropriation. Tobacco Free Nebraska budget is currently \$2.6 million which puts Nebraska at 25th compared to the 49 other states. This amount is the only-- is only 12.4 percent of the Center for Disease Control's recommended spending on tobacco cessation and prevention. According to the campaign for Tobacco Free Kids, 2,500 Nebraska deaths are caused by smoking each year. Additionally, smoking costs the state of Nebraska \$795 million per year in healthcare costs. Each resident's state and federal tax burden from smoking caused government expenditures is roughly \$764 per household. Clearly, we as a state need to do everything we can to help Nebraskans quit using tobacco. Representatives from the American Heart Association and the American Cancer Society will be testifying after me to answer any of your questions that the committee might have. I will also try to answer any of your questions. We understand the fiscal situation we are in, but I thought it was important to bring this to Appropriations to have the discussion, continue the education for all of us on this committee. [00:03:46][97.9]

BOLZ: [00:03:48] Thank you. Any questions for Senator McDonnell? Just-- just one from me briefly; how did you come to the amount for the request? [00:03:58][10.1]

McDONNELL: [00:03:59] We looked at what Senator Howard worked on last year with her bill. [00:04:03][3.5]

BOLZ: [00:04:03] Okay, and Senator Howard's justification for the request was? [00:04:06][3.0]

McDONNELL: [00:04:08] Based on-- even with this amount where it still puts us only at 12.4 percent of what's recommended, it would only put us at the top-- in the top 25. We thought it was a good step forward to base on the great work they're currently doing. [00:04:19][11.9]

BOLZ: [00:04:21] Got it. Thank you. First proponent. [00:04:23][2.4]

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BROOKLYN LARIMORE: [00:04:35] My name is Brooklyn Larimore, that's B-r-o-o-k-l-y-n L-a-r-i-m-o-r-e. So there are three proven ways to reduce youth tobacco use. One being the funding of comprehensive tobacco control programs. From the Tobacco Master Settlement Agreement of 1998, \$27.5 billion was allocated to the states in the fiscal year of 2018, but only 2.6 percent was used on tobacco prevention and cessation programs. In Nebraska, our current annual funding is about \$2.6 million which is only 12.4 percent of the recommended \$20.8 million the CDC recommends to be spent on tobacco prevention programs in Nebraska. That's only 12.4 percent. The number one reason youth begin using tobacco is because of targeted marketing. And for every one dollar the state spends to reduce tobacco use, the tobacco industry spend more than \$12 on marketing their products. If we are to make any progress in reducing Nebraska's youth smoking rate, which is one of the nation's highest at 13 percent, that will start by increasing the amount that Tobacco Free Nebraska receives from the Health Care Cash Fund so that money can be trickled down to organizations such as No Limits Nebraska, which is Nebraska's first youth-led anti-tobacco movement. Adequate funding is necessary in order to lead effective programs and No Limits has benefited hundreds of Nebraskan youth every year through education and empowerment. From my own experience, I would not have had the opportunities I have today or the knowledge and passion I have had No Limits not been introduced in my life, and especially today with an abundance of new products like Juuls and e-cigarettes that are attracting youth who have never smoked before because of their [INAUDIBLE] of marketing towards youth, programs that work toward educating and empowering youth to take a stand against big tobacco are vital and proven in preventing youth from initiating tobacco use. The tobacco industry puts a lot into their marketing and they get a lot out of it. Thus said, if we're going to get more out of our tobacco prevention programs in Nebraska, we must put more into them. [00:06:43][128.0]

BOLZ: [00:06:45] Very good. Thanks for coming today. Do we have any questions? Senator Hilkemann. [00:06:49][3.8]

HILKEMANN: [00:06:50] You said-- you said there are three ways to decrease-- and you mentioned this, what were the other two? Did I miss something? [00:06:51][1.3]

BROOKLYN LARIMORE: [00:06:51] Yes. No, I just mentioned this one, but the other-- the three proven ways are funding comprehensive tobacco control programs and increasing the retail price of products like a tax increase. And then also youth centered education. And so this is

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just one of those reasons that is important in reducing youth smoking rates, because that is one of the proven ways. [00:07:22][30.7]

HILKEMANN: [00:07:25] How do we-- when you do an ad campaign like that, how do you-- how do measure the ROI on that? [00:07:33][7.5]

BROOKLYN LARIMORE: [00:07:33] What kind of ad campaigns are you speaking of, sir? Like-- [00:07:38][5.3]

HILKEMANN: [00:07:40] Well for smoking cessation. [00:07:40][0.1]

BROOKLYN LARIMORE: [00:07:42] Yes. Okay. [00:07:42][0.5]

HILKEMANN: [00:07:43] How do you-- I mean, how can you-- how can they measure the effectiveness of an ad campaign? [00:07:45][2.2]

BROOKLYN LARIMORE: [00:07:49] I'm unaware of how to give like a clear solid answer for that one. But I know that you can monitor how many people are seeing that, but I think-- I'm not sure exactly how to answer that exactly, because I'm not-- that's not my expertise in the ad campaign part of this, so. [00:08:04][14.7]

HILKEMANN: [00:08:04] Okay, thank you. [00:08:04][0.0]

BOLZ: [00:08:07] Further questions? Thank you very much. Further proponents? [00:08:11][4.2]

BRIAN KRANNAWITTER: [00:08:35] Good afternoon. My name is Brian Krannawitter, that's spelled B-r-i-a-n, last name is spelled K-r-a-n-n-a-w-i-t-t-e-r, and I'm the government relations director for the American Heart Association and I'm here as well to express our support for LB1062. While progress certainly has been made with respect to reducing tobacco use, it still takes a tremendous toll on our society and here in Nebraska in both lives lost and monetary costs. More than 2,500 Nebraskans die each year from smoking-attributable causes and estimated annual smoking-related medical expenses are \$795 million. Over the past three years, adult smoking rates in Nebraska have stagnated somewhat, they've been kept around 17 percent. And certainly there's still a need to address-- address youth tobacco as well. Investing additional dollars can help to save lives and reduce costs. My colleague from ACS CAN will share some numbers on what it means in terms of youth impact if an additional \$2.4 were invested in the program. It also makes a great deal of sense, if possible, to invest additional dollars towards tobacco prevention cessation from the Nebraska Health Care Cash Fund. The bulk of these dollars come from the Master Settlement Agreement

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from 1998. It just so happens this year 2018 is the 20th anniversary of that settlement. Fortunately the Centers for Disease Control has provide-- provided guidance on effective tobacco prevention and cessation programming and recommended funding amounts. It should be noted that the CDC recommends Nebraska invest \$20.8 million annually on tobacco prevention cessation. Even with an additional \$2.4, Nebraska would still fall far below the recommended amounts. The program component areas in the bill reflect the CDC best practices with respect to tobacco prevention and cessation program and both are key certainly-- prevention and cessation. I will share just a few testimonials from success stories from some individuals who have benefited from the program. And then my colleague, Nick, will also share some data with respect to health impact from additional appropriation. And I should add these are just a few examples. There's either dozens upon dozens so I'm just taking a few. And here's a story of an individual from Hill County, Nebraska, was 54. He had attempted to quit three times through this Nebraska Quitline. He took advantage of the counseling and nicotine replacement therapy; and on his fourth quit attempt he hasn't had a cigarette since April 18, 2017. Another one, this is an individual-- this was in Kearney, an individual wanted to quit smoking, unsure how to start the process. Through the help through Tobacco Free Nebraska funds, he got the information. The outcome later was that the individual visit the offices later; that had been 12 months since he last smoked, he was very proud and wanted to thank us personally for the help. This was in Sarpy County, a Sudanese individual had never smoked a cigarette but had smoked shisha on a regular basis. He was not aware of the harmful effects of this product. They reached out to him and after being with the worker, the outcome has been that the outreach worker's last fault, meaning the individual reported he had quit using the product. I could go on and on and on, but I just want to give you a little bit of the sense of some of the success stories out there. I thank you for the opportunity to testify today. And Chair, just a little bit information, we respectfully urge the community to support this bill. I'd be happy to entertain any questions and answer them if I can. [00:12:44][248.7]

BOLZ: [00:12:45] Very good. Any questions for Brian? Seeing none, thank you. [00:12:51][5.5]

BRIAN KRANNAWITTER: [00:12:55] Thank you. [00:12:55][0.1]

BOLZ: [00:12:56] Further proponents? [00:12:56][0.0]

NICK FAUSTMAN: [00:13:04] Good afternoon. Excuse me. I'm Nick Faustman with the American Cancer Society, Cancer Action Network. ACS CAN is

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the nonprofit, nonpartisan advocacy affiliate of the American Cancer Society and we support evidence based-- [00:13:15][11.3]

CLEMENTS: [00:13:18] Your name and could you spell it. [00:13:18][0.0]

NICK FAUSTMAN: [00:13:18] Oh, I'm sorry, N-i-c-k, F, as in Frank, a-u-s-t-m-a-n. I'm here today to express our support for LB1062 which would appropriate an additional \$2.4 million to the tobacco prevention and control program otherwise known as Tobacco Free Nebraska. And as Mr. Krannawitter explained, the state's tobacco prevention program works to help people quit smoking and this process is-- is commonly referred to as tobacco cessation. And one of the key components to tobacco cessation for TFN is their Quitline which is available to any Nebraskan age 16 or older. It is particularly important for the state government and it is also the starting point for Medicaid clients when seeking their smoking cessation benefits from either straight Medicaid or one of the three managed-care organizations. This is not all they do however. The program also engages in community outreach programs and media campaigns as referenced earlier by Brooklyn to raise awareness of the harmful effects of tobacco use. As you may already know, the toll tobacco Nebraska is enormous. The total ADL healthcare expenditures in our state that are directly caused by tobacco are \$795 million. This includes an estimated \$162.3 million in Medicaid costs. We could significantly decrease these costs with the investment of more funds to TFN. The problem however is that current funding, as mentioned by the senator, for the program is only 12.4 percent of what CDC recommends for our state. Now according to the campaign for Tobacco Free Kids, an additional \$2.4 million for TFN would mean the following for Nebraska. And these are on the second page, I believe, of the handout I have for the committee. 1.1 percent decrease in youth smoking rates, 660 fewer Nebraska kids growing up to become addicted adult smokers, 220 fewer kids growing up to die prematurely from smoking, and a \$13.8 million decrease in future healthcare expenditures in the state. So those are very significant numbers. The last point I'd like to make to the committee is that the idea of this bill came about from our advocating for an increase in the cigarette tax. Nebraska has not had such an increase for many years. Nevertheless our network persists in fighting the good fight. When talking with senators who oppose a cigarette tax increase, one common-- or response we hear is that if our organization really wanted to help people who smoke, we would do something to improve smoking cessation. And well here we are today for this bill. I respectfully request that the committee advance LB1062. [00:16:09][171.8]

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HILKEMANN: [00:16:13] Thank you very much. Are there questions?
Senator Clements. [00:16:19][5.8]

CLEMENTS: [00:16:20] Thank you, sir. The Medicaid expansion said \$162 million of Nebraska annual expense. [00:16:30][9.5]

NICK FAUSTMAN: [00:16:31] Yes, according to the campaign for Tobacco Free Kids, it comes to \$162.3 million in healthcare costs that are related to tobacco use. [00:16:41][9.5]

CLEMENTS: [00:16:41] All right, thank you. [00:16:41][-0.0]

HILKEMANN: [00:16:46] Additional questions? Seeing none, thank you for coming. [00:16:52][5.3]

NICK FAUSTMAN: [00:16:52] Thank you for your time. [00:16:52][0.4]

HILKEMANN: [00:16:59] Are there additional proponents for LB1062?
Thank you. [00:17:00][0.9]

ANDY HALE: [00:17:15] Good evening, members, Senator Hilkemann, Appropriations staff, members, sorry; used to talking to our association. My name is Andy Hale, A-n-d-y H-a-l-e and I'm the vice president of Advocacy for the Nebraska Hospital Association. And I want to commend Senator McDonnell and his staff for bringing this bill. I've been before you on other issues and I know that money is tight, but I think this is a good way to spend some of those dollars. The risk of dying from cigarette smoking has increased over the last 50 years. In the U.S., smoking causes about 90 percent of all lung--lung cancer deaths, and more women die from lung cancer each year than breast cancer. Tobacco is the single most preventable cause of death, disability, and disease in the United States, yet more deaths are caused each year by tobacco use than all deaths from HIV, illegal drug use, alcohol use, motor vehicle injuries, suicides, and murders combined. Tobacco use poses a heavy burden on the United States economy and the medical care system. Each year, cigarette smoking cost more than \$193 billion in medical care costs, with \$39 billion out of that coming from public programs like Medicare and Medicaid. Out of every ten dollars spent in healthcare in the United States, almost 90 cents is due to smoking. One hundred seventy billion a year is spent on illnesses caused by tobacco smoke. Smoking related illnesses cost Nebraska \$795 million per year including more than \$162 million in Medicaid expenditures. Nebraska spends at least \$746 per household for smoking related medical expenses and lost productivity. In Nebraska, 17 percent of our adult population smokes; 2,500 Nebraskans will die this year from smoking. The tobacco companies spend \$9 billion each

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year to promote their products; nearly \$25 million each day and much of that marketing directly affects our children. Once again, I'd like to thank Senator McDonnell and his staff for bringing this bill. And I'll ask any questions-- answer any questions. [00:19:40][144.6]

HILKEMANN: [00:19:41] Are there questions for Mr. Hale? Seeing none, thank you. [00:19:42][0.7]

ANDY HALE: [00:19:47] Thank you members and senators. [00:19:48][1.4]

HILKEMANN: [00:19:54] Additional proponents? Seeing none, are there any opponents to LB1062? Seeing none, are there any in the neutral position on LB1062? We have five letters to read in, these are in support, one from Jodi Radke, from the Campaign for Tobacco-Free Kids; John Roberts from the Nebraska Rural Health Association; Robert Rhodes from the Nebraska Medical Association; Julia McCarville from the American Lung Association; and Pat Lopez from the Friends of Public Health in Nebraska. With that we will end the hearing on LB1062. [00:20:40][46.6]

[00:20:42] [BREAK] [00:20:42][0.0]

WISHART: [00:20:42] Well, good afternoon, Senator Hilkemann, Vice Chairman Hilkemann, and members of the Appropriations Committee. My name is Anna Wishart, A-n-n-a W-i-s-h-a-r-t, and I represent the 27th district in west Lincoln. And I'm here to introduce LB1002, a bill that would create a cash fund for the Nebraska Film Office. I don't know how many of you know, but I was a film major, so I graduated as a film major and worked on some film projects; one in Iowa, and it's always been a passion of mine. And former Senator Colby Coash, when he served District 27, something about District 27 and electing creative people, because he was a theater major and worked a lot on some initiatives to support film in the state. So I'd like to say that he passed that on to me and I'm here today to introduce specifically a bill that would create a cash fund for the Nebraska Film Office. We will have testifiers following me that can talk to the economic development potential when we bring film projects into our state. I understand that there isn't money available to appropriate now, but this would open an avenue for the film office to apply for grants and potential funding down the road. So in times of prosperity, maybe we'd be able to find a way to add some additional funds to this cash fund. I do have an amendment to this bill, this is just a simple amendment that clarifies that any funds to the cash fund would use at the direction of the director of the film office. And with that I'm happy to take any questions. [00:23:12][149.8]

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HILKEMANN: [00:23:14] Do we have questions for Senator Wishart?
[00:23:14][0.3]

WISHART: [00:23:18] Thank you. Oh. [00:23:20][1.6]

HILKEMANN: [00:23:22] Senator Vargas. [00:23:22][0.2]

VARGAS: [00:23:22] For this amendment, what was the reason for having it be expanded just at the director-- the direction of the director of the Nebraska Film Office? [00:23:24][2.3]

WISHART: [00:23:31] Well, when we drafted the bill, we didn't put in place who would be responsible for spending the money. And so we feel the best person responsible for that would be the director of the film office who is contracted by the Department of Economic Development.
[00:23:49][17.8]

VARGAS: [00:23:49] Okay, thank you. [00:23:49][0.0]

HILKEMANN: [00:23:49] Are there additional questions for Senator Wishart? Senator Clements. [00:23:49][0.0]

CLEMENTS: [00:24:02] Thank you, Senator Wishart. The Nebraska Film Office, I'm not aware of them, are they a governmental division?
[00:24:06][4.1]

WISHART: [00:24:07] So it's currently we have the director of our film office is contracted with the Department of Economic Development and she's here, she can talk a little more in-depth about what the film office does. We have as part of our state government. [00:24:19][11.6]

CLEMENTS: [00:24:19] Thank you. [00:24:19][0.2]

WISHART: [00:24:24] Yeah. [00:24:24][0.0]

HILKEMANN: [00:24:25] Additional questions? Thank you, Senator Wishart. [00:24:25][0.2]

WISHART: [00:24:29] Thank you. [00:24:29][0.2]

HILKEMANN: [00:24:29] Are there additional proponents for LB1002? Are there any opponents to LB1002? Seeing none, is there anyone who wishes to speak in the neutral capacity on LB1002? [00:24:30][1.2]

LAURIE RICHARDS: [00:24:55] Yes. Thank you. Good afternoon. My name is Laurie Richards, L-a-u-r-i-e R-i-c-h-a-r-d-s, and I have the pleasure of being the state film officer. I have over 20 years experience of

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recruiting films to Nebraska. I currently have a contract with the Nebraska Department of Economic Development to manage the film recruitment program. And I want to clarify that I'm not speaking for the department today. I've been asked to testify by Senator Wishart to give you some possible ideas for the use of the cash fund for the film office. I am testifying in a neutral position. I'll give you a little background about the film office and the film industry. We know that film and media production including commercials, episodic television, and feature films can have a huge economic impact on Nebraska. Over the past decade of promoting the state as a location and hosting projects, we have seen millions of dollars left behind as wages for jobs, for local crew, talent service providers, hotel and motel accommodations, food, transportation rental, and for a number of other viable supporting businesses and resources that see the benefits of this industry. The Alexander Payne film, for instance, "Nebraska," left a direct spend of \$1.4 million dollars in the Norfolk and Madison County area. Last fall we recruited the Coen Brothers to the Sandhills area where they shot the Netflix series, "The Girl Who Got Rattled." The influx of new money to the area started in February when scouting locations with the productions location manager began, and in the end the projects activity left behind approximately one million dollars. Local talent was hired. Hotels and motels were full for two months in Scottsbluff; location fees were paid, horses and oxen were fed, fences removed, roads graded and graveled, local retailers saw a marked increase in purchases during the weeks of production. These dollars go into the community several times and are multiplied two to four times making a significant economic impact on the business and service providers in the area. The challenges and needs: marketing Nebraska to the film and media industry has become increasingly more challenging in the past decade. Our peers, the states that do see significant activity in this industry, have established a variety of incentives making their states favorable for filming and media production. Nebraska is currently one of nine states that does not offer a statewide incentive. So any opportunity to help us compete will be very welcome by our Nebraska crew and communities. Growing the film industry in Nebraska has several layers of process. Education is the key. We have a great four-year degree program for filmmaking at UNL with an annual waiting list. We have several programs in our two-year community colleges across the state, and we have these programs focusing in writing, producing, videography, editing, and broadcast. Film and video curriculum can also be found at all of our state colleges. We do not have that-- what is missing is an expanding infrastructure for these graduates to stay and begin their careers in Nebraska. We know our quality of life is superb here as we see a number of mature filmmakers returning to Nebraska to raise families

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and continue to work their craft. Helping grow the film infrastructure is a key element in this process of making Nebraska more attractive to this industry. It is very probable that we would see additional film projects develop if there was a reasonable attraction for investors. Currently the only incentive offered by Nebraska is a community-based incentive, LB863, which was amended to LB840, the Local Option and Municipal Economic Development Act of 1991. LB863 was passed in 2012. It was a bill Senator Coash introduced and passed, that Senator Wishart mentioned. It codifies the language of LB840 to include the film and media industry. Valentine and Fremont have used this tool to help recruit feature films in their communities and this tool is a good start certainly to create a niche for lower budget independent film and television, but it is small and limited only to two communities so far who haven't raised this codification. In conjunction with exploring ways to increase investment opportunities capitalizing on the history, the beauty and diversity of Nebraska's physical terrain are also key to recruiting more projects to our state. A renewed focus on our world-renowned historical writers such as Willa Cather, Mari Sandoz, Jonis Agee, John G. Neihardt, Ron Hansen, Joe Starita, Alexander Payne, and other contemporaries is on the rise. These are voices from Nebraska with stories set in Nebraska. Cultural and economic benefits are the result of filming on location and Nebraska's rich heritage can play a huge role in this business. An additional focus for jobs in this industry are commercials. We have commercial activity across the state, but not on a commercial basis--or continual basis rather. Nebraska has several large and profitable corporations that are able to utilize our current business tax advantaged programs. But these companies are not encouraged to create and shoot their branding and marketing productions or commercials on location in Nebraska. Perhaps there's a way to encourage that with more local productions and keep some of that work here. We have a talented working crew that would love to work at home rather than travel out of state to earn a living. Shall I go on with all of the rest of the piece. I see my red lights on. [00:30:29][334.2]

HILKEMANN: [00:30:31] You can continue. [00:30:31][0.0]

LAURIE RICHARDS: [00:30:31] Thank you. The introduction of a film fund could benefit the continued efforts of attracting film production to our great state. The following is a list of possible uses of that fund. We could create an attractive Web site which is the first look and tool that we'd have for filmmakers not familiar with Nebraska. We do have a Web site currently now that's housed and managed by the Department of Economic Development. I contribute information and it's uploaded. It's lacking, basically, in a lot of pictures and some other

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information that we need to have that available to people looking for what's it like to film in Nebraska. We could have an increased public relations plan, marketing, and location scouting. It's hard for one person to be everywhere in the state at one time, and certainly in locations, and the environments change across our state; our physical environment changes; buildings change on main street, that look changes, new pictures need to be taken for that. Perhaps there could be a provision for seed money to support some job creation with Nebraska production companies. We have several really savvy production companies, mostly in the Omaha/Lincoln area, some in Grand Island, and other areas across the state too that work a lot with local film production and commercial activity. Maybe there's an opportunity for some of those kids coming out of school to work with them as an internship program if we could help support that. Also, project registration database to track activities, its economic impact, and job growth; I think it's very important because at this point we don't regulate the industry, which is fine, but we asked them as a courtesy to register their project with us so that we can keep track of what kinds of dollars are being left behind, where they are filming, and what locations they are using. So if we could somehow encourage that to be a continual possibility, get that database up to snuff, and we would have that activity to track so senators can take a look at that and we could see what exactly is happening as an economic impact across the state. Development of Nebraska stories and screenplays: that's mentioned earlier with all of these authors that we have, a number of talented authors in the state of Nebraska, and so there might be an opportunity to help encourage those stories to script to screen, that would be-- that would be great. Partnership development--public and private: how do we encourage more public and private partnership developments, existing businesses that are involved in the media industry; Hudl, for example, here in the Haymarket, a huge industry, what they are involved in, is there an opportunity to work with them to grow this industry and to help build the infrastructure. Post-production support services--technical and marketing: Once a film is done filming, they go into post-production, which is editing, and that's putting the all the pieces together; they sit in a dark room and put all the pieces together. It's all off-line editing now, and they add sweeteners to it, they add music it, a soundtrack to it, special effects to it, perhaps there's some green screen activity that's shot again to include in that, those kinds of things can be done right here in Nebraska too. If there's an opportunity to include something that would incent Nebraskans to stay here and do their work, we would also want them to continue their work here through post-production phases as well. Providing assistance for film festival registration distribution: If that particular film has--

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is Nebraska centric, let's say where it really shows off the state beautifully, it has great background, has a message that's appreciated, maybe that particular film or movie or television episode could be a calling card. And if they're going to enter that into film festivals, perhaps there's an opportunity to help that step happen as well, because once they get to the film festival, what they're looking for is distribution if they haven't already set that up prior to their production activities. Also, camera-ready community program is something I've wanted to start for a few years now. Originally in 1995, when I started this job, a full-time with the state of Nebraska when it was a full-time position for the state of Nebraska, I got to every community. I'm a member of the NEDA organization, Nebraska Economic Developers Association. So that's great getting out and meeting these people in the communities because those are my contacts; those are my liaisons. Those are the people I have to talk to and get to know, who I can call up and say I need a picture of the city park, can you get that to me today, that kind of thing. So I would go to these communities, help them identify their resources, help them identify their assets, put that in a database, have that available to send to the producer as soon as I get a call or I'm marketing to that particular story, and they the same. So that's pretty much what I have right now. There might be other ideas that could be possibly added to this list I'm sure. But I thank you for your time. [00:35:05][273.4]

HILKEMANN: [00:35:05] Are there questions for Ms. Richards? Seeing none, are there additional persons who would like to testify in the neutral position? In the absence of Tom Hanks or Julia Roberts, would you like to close, Senator Wishart? She waives closing. So we will close on LB1002. [00:35:30][25.3]

Laurie Richards: [00:35:33] Thank you very much, Senator.
[00:35:33][0.1]

HILKEMANN: [00:35:33] Senator Wayne. [00:35:33][0.0]

Wayne: [00:35:50] Good afternoon. My name is Justin Wayne, I represent Legislative District 13; Justin Wayne, J-u-s-t-i-n W-a-y-n-e, District 13 represents north Omaha and northeast Douglas County. It is my goal every year to introduce enough bills to hit all committees, and so today I come before Appropriations Committee. This will not be a long opening, nor will I be able to say for close, because I'm in Government, DHHS, and Revenue today all in the next 15 minutes giving a similar opening. But this bill is a simple bill that outlines InternNE. I did not specify where the money should necessarily come from. I believe that's the job of this committee. I'm just telling you

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the importance of InternNE as it relates to businesses such as Urban League and other community organizations that use InternNE and it's just a way to, one, help grow our workforce. I know the Governor's outlaying \$10 million to be part of his workforce development package. I think InternNE needs to be a part of that. It's a way for not just my community, but across the state to make sure we are representing having kids from our state stay here, work here, and grow businesses here; and that's that simple. It can't be more simple than that.

[00:37:06][75.8]

HILKEMANN: [00:37:06] Are there questions for Senator Wayne?

[00:37:09][2.7]

WAYNE: [00:37:13] In efforts of my closing, I am amenable to lowering the dollar amounts for this committee. I'll be looking forward to work with everybody on lowering the dollar amount, maybe increasing the dollar amount, depending on Senator Kuehn's ability to get some more InternNE people in his district. Thank you. [00:37:30][17.1]

HILKEMANN: [00:37:32] Okay. Any other questions? Senator Wayne, I apologize that we started on the others; we were told that you were going to be a few moments. [00:37:38][5.9]

WAYNE: [00:37:39] There was a slight hiccup in HHS with phone calls, so we're okay. Thank you. [00:37:42][3.4]

HILKEMANN: [00:37:45] Are there additional persons who would like to testify on behalf of LB1061? [00:37:49][3.8]

MARCO FLOREANI: [00:38:01] Good afternoon. Members of the Appropriations Committee, my name is Marco Floreani, M-a-r-c-o F-l-o-r-e-a-n-i. I'm a manager of business development, the Greater Omaha Chamber of Commerce. I appear today on behalf of the Greater Omaha Chamber in support of LB1061. Senator Wayne's bill InternNE is one of the most popular programs utilized by Nebraska employers. This is evident every year when funds are exhausted almost immediately after the application process opens. I meet with hundreds of companies every year, both in the state of Nebraska and those outside of the state, looking for opportunities to grow in Nebraska. And this InternNE program is extremely valuable providing them with the talent and workforce growth needed to sustain our strong economy. A few weeks ago, I met with a company in Omaha that had recently hired an engineer from Carnegie Mellon to help them, they're on the cutting edge of robotics and industrial design. Through InternNE they're able to attract this talent from Carnegie Mellon and bring them to Nebraska and now he's engaged in training others in our state in some of his

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engineering practices. Again, we want to thank Senator Wayne for introducing this bill and for his leadership in economic development. I'd be happy to answer any questions. [00:39:35][94.1]

HILKEMANN: [00:39:38] Are there questions? Seeing none, thank you. Are there additional proponents for LB1061? Is there anyone here that would like to testify against LB1061? Seeing none, is there anyone that would like to testify in a neutral capacity on LB1061? Senator Wayne has waived his closing, therefore this will end the hearing on LB1061. And we will begin with Senator Crawford on LB1065.
[00:40:31][53.6]

CRAWFORD: [00:40:35] Thank you. Good afternoon, Vice Chair, and members of the committee. My name is Sue Crawford, S-u-e C-r-a-w-f-o-r-d and I represent the 45th Legislative District of Bellevue, Offutt, and eastern Sarpy County. I am honored to be here today to introduce LB1055 for your consideration. Since its inception seven years ago, InternNE-- the InternNE program has allocated nearly \$11 million to over 600 companies that facilitated 2,750 internships experiences across our state. InternNE grants can reimburse up to 50 percent of an intern's wages, and up to \$5,000 per internship. And I passed out a map so you can see where some of those dollars have gone and I've highlighted some of the rural district areas so you can see that and the size of the dots, the amount of InternNE investment has gone to each of those different areas. As Director Rippe stated in the Department of Economic Development's appropriations hearing this session, these internships have gone to companies both big and small. As we continue to look for innovative ways to attract and retain young professionals in the state, I believe it is critical that we continue to fund this important program that links students and recent graduates to our Nebraska businesses, especially since, according to the Nebraska Association of Colleges and Employers, more than 50 percent of interns become full-time employers at their place of an intern-- at their place of internship. As Director Rippe also pointed out during the same hearing, the InternNE program and customized Job Training Cash Fund, in which the program is located, are both out of money now. Neither of these programs have a sustainable funding source, but instead have been replenished with sporadic General Fund appropriations over the years. As the InternNE program is currently housed in the Job Training Cash Fund, statute outlines that DED may allocate up to \$1.5 million to the InternNE program on an annual basis. Because this is simply permissive-- a permissive statement, nothing requires this program to receive funding even though the funding source is identified for the Job Training Cash Fund for that year. In its 2017 annual report, the Economic Development Task Force

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identified as one of its critical priorities the continuation of funding for the InternNE program for next year and a sustainable future funding source for the program. For this reason I introduced LB1055. LB1055 removes the InternNE program from the Job Training Cash Fund and creates the InternNE Cash Fund. Having a clear and separate location for this program's funding is an idea that DED has been supportive of in the past. This ensures that money can be allocated directly to the program and used to create impactful internships instead of competing for funds shared by the Job Training Cash Fund. LB1055 also requires that all funds in the Job Training Cash Fund that were dedicated to carrying out the InternNE program, but were not yet expended, be transferred to the InternNE Cash Fund. Finally, in order to secure a sustainable ongoing funding for the InternNE program, LB1055 creates legislative intent that the annual appropriation for the Business Innovation Act will be reduced by \$1.5 million and that these funds will be used for the InternNE program. As this committee knows all too well, in times of fiscal shortfall when no additional money is available in the General Fund the Legislature must have serious discussions about funding priorities and how we're utilizing existing resources. Seeing as the InternNE is a successful program that has been connecting businesses to young professionals across the state, I brought LB1055 to have a conversation about sustainable funding for this-- spending options for this critical economic development program. Writing the bill as it was introduced allowed me to start this conversation in a budget-neutral way. Although I've heard from Director Rippe that the BIA is using all funds allocated, even with a reduction in funding directed by LB1055, all the funds allocated year to year, even with the reduction of funding directed by LB1055 in future years, the BIA will still receive more General Funds in future years than any other program in DED. Even with the reduction in LB1055, the BIA will still receive an annual appropriation of \$4.5 million from the General Fund. The next largest General Fund appropriation to a DED program is state aid to the development districts which is \$500,000 and has a 4 percent proposed reduction next year per the Governor's budget. Clearly, we need more sustained investment in workforce development and economic development in our state. After introducing this bill, I had several conversations with the Legislative Fiscal Office to identify a possible one-time funding source for next year in case BIA funds were already committed. I brought an amendment that would authorize a one-time transfer from the Progress Loan Fund to the InternNE Cash Fund. The Nebraska Progress Loan Fund was authorized under the Federal State Small Business Credit Initiative, the SSBCI Act of 2010, to provide credit to businesses in Nebraska. This federal program ended September 30, 2017, leaving an unobligated fund balance of approximately \$1 million. Beginning in

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October 1, 2017, future repayments of loans under this program are directed to the Bio Science Innovation Fund per LB641. LB1055, as amended by AM1832, would require the Treasurer to transfer the unobligated balance of the Nebraska Progress Loan Fund existing on September 30, 2017, to the InternNE Cash Fund. Although in his budget recommendation, the Governor proposed that this money go to the General Fund, it is my understanding that the committee received information that federal requirements may not allow a General Fund transfer of these funds, but would instead require that the funds be transferred to a program targeted to small business, as was the program's original intent. Director Rippe also testified in his hearing before you that DED has received federal guidance from the Treasury that these funds should be used to support small business. InternNE is a great program for which we can utilize these funds that benefits over 600 businesses, many of these small businesses like Sandel Accounting and Business Consulting in my district and-- and also invest in our state work force. AM1832 still creates the separate InternNE Cash Fund creating a distinct fund for this program will help create clarity as we continue to discuss sustainable funding source for this program in the future. The new language will also eliminate the immediate concerns about funding for the BIA. Leaving the intent language for next year, however, will guarantee a record of the Legislature's intent to fund the InternNE program from the General Fund if this bill were to pass. With that being said, it is my understanding the Appropriations Committee could use a funding source other than the BIA next year to fund the intern program and meet this intent if an alternative source could be identified during the interim. Colleagues, during my time as Chair of the Economic Development Task Force, I've heard over and over again that investing in our people is the key to getting them to stay and work in our state. We need to think critically about our investments and how investing in ways to grow our work force, and investing in ways to grow our work force will be key to economic prosperity in the coming years. LB1055 and AM1832 provides steps forward to ensure that InternNE, an important work force development program in our state, can continue. With that I appreciate your attention to this important issue and I'd be happy to try to answer any questions that you have.
[00:49:06][511.3]

HILKEMANN: [00:49:08] Do we have any questions? Senator Kuehn.
[00:49:08][0.3]

KUEHN: [00:49:08] Thank you, Senator Hilkemann. Thanks, Senator Crawford. I appreciate that you've worked out the funding side of things. But I'm going to ask a question before we get to the funding

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which you probably can anticipate I'm going to go there which is how do we evaluate that this is in any way, shape, or form a good use of these funds. I don't doubt that internship programs have value, but given some of the issues that we've-- which we've already identified in some of the other larger programs in DED in terms of evaluation of the effectiveness in making sure that the dollars are used wisely. In the-- in some of the funds we've identified challenges in even the application process, understanding with clarity how the decision-- decisions are made to disperse those funds among applicants, why some applicants are accepted, why others are rejected. So I guess if we're looking at intent language that would codify that we're intending to invest a million and a half annually, how do you propose, and I guess I would like to see in the statute, how do you propose evaluating whether they're used appropriately. I would like to see a little bit more clarity on the process that you see for how those funds, the decision about those funds, and why is none of that included, I guess, in your proposal? [00:50:32][84.1]

CRAWFORD: [00:50:35] So our proposal focuses on the funding language, because it's an Appropriations bill, it's in my sense the Appropriations Committee is where I bring bills that are really about where the funding comes from and goes. And when there are policy questions, I would have crafted a bill probably designed to go to Banking and Commerce in terms of should we change the policy of InternNE. So that's what I was thinking. I was thinking it was an Appropriations bill, so I focus on money flow. But you raised an important point about part of what you care about with money flow as well as how we measure it. And so whether it would be this bill or whether it be a bill in Banking, Commerce and Insurance I don't know. I think a key objective of this program is retention and development of work force. So I would say the measures would be how many of these interns stay in the state and also the-- that would be a key measure, that's part of what we're doing. So national studies show at least half of them stay at the place they actually worked. So that's definitely in the state. I did not prepare to bring to you today what some studies would show in terms of what we expect from national studies or other studies in terms of staying in the state in which they had an internship. But we did just give you that one measure in terms of people staying at that company where they had an internship. And so I would think, yes, retention of work force in the state and increases in numbers of trained, qualified work force and in those businesses that actually are using the program. And I-- I don't know a great deal about the decisions made in terms of who gets how many

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interns currently or if there need to be adjustments to that part of the program. [00:52:37][121.2]

KUEHN: [00:52:38] So I guess, I mean-- [00:52:38][0.5]

CRAWFORD: [00:52:38] I will say one other thing is that I have talked to the director, and it is his intent to really step up that-- that exact kind of analysis. [00:52:48][9.2]

KUEHN: [00:52:49] And I-- and I-- hope that too. [00:52:49][0.4]

CRAWFORD: [00:52:49] So he's very interested in having that analysis. He wants to be able to talk about the return on investment of all of these programs. And so I also, in part, because I-- he had that conversation and I think that he will also be helping us think about how to do that. [00:53:06][17.0]

KUEHN: [00:53:07] And I agree with all that and I think Director Rippe is focused on that, but he's also our third DED Director in three, four years time. [00:53:14][6.7]

CRAWFORD: [00:53:14] Sure, [00:53:14][0.0]

KUEHN: [00:53:14] So I guess if you're looking at amended language and would like to move that this session, I would like to see a little bit more intent in terms of if we're going to dedicate a substantial amount of money on an annual basis, not just as it's available, when you talk about, you know, current research suggests 50 percent of interns stay at that location. [00:53:33][18.6]

CRAWFORD: [00:53:34] Right. [00:53:34][0.0]

KUEHN: [00:53:34] So what's our target? So we're investing another million and a half, do we want to raise that by 10 percent? Do we want to raise that by 20 percent? Do we want to target, you know, out-of-state students who do in-state internships? I guess I'd like to see a little bit more clarity in terms of what is going to be the expectation so next time we're in a fiscal downturn and we're having to examine sweeping funds, we can look at this and say this did or didn't achieve what we were wanting to and so these are funds which we can't-- we don't want to potentially sweep or reduce, or we can say, well, this is a program that's had mediocre effect. [00:54:11][36.5]

CRAWFORD: [00:54:11] Right. [00:54:11][0.0]

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KUEHN: [00:54:11] So that's where I would, I guess, my comment in terms of if you want to look at amended language to help ensure the dollar we're doing, what we want them to do. [00:54:20][8.4]

CRAWFORD: [00:54:20] In the future. [00:54:20][0.2]

KUEHN: [00:54:20] Yep. [00:54:20][0.0]

CRAWFORD: [00:54:21] Right. [00:54:21][0.0]

KUEHN: [00:54:22] Thank you. [00:54:22][0.3]

CRAWFORD: [00:54:22] Thank you. [00:54:22][0.2]

HILKEMANN: [00:54:29] Are there additional questions for Senator Crawford? I'm curious. On your map-- [00:54:31][2.8]

CRAWFORD: [00:54:31] Yes. I handed them all out. Thank you. [00:54:36][4.9]

HILKEMANN: [00:54:38] I'm looking at the map index here, why the three color changes there? [00:54:42][4.1]

CRAWFORD: [00:54:43] Okay, so green are areas where members of the Appropriations Committee have their districts. [00:54:48][4.5]

HILKEMANN: [00:54:50] Okay. [00:54:50][0.0]

CRAWFORD: [00:54:50] To see Omaha, Lincoln are all just behind that dot. [00:54:54][4.3]

HILKEMANN: [00:54:55] I see. [00:54:55][0.1]

CRAWFORD: [00:54:55] But the rest of you might be able to find where you live. [00:54:59][3.4]

HILKEMANN: [00:55:00] Okay, very good. [00:55:00][0.0]

CRAWFORD: [00:55:01] Thank you, Senator Hilkemann. [00:55:02][0.1]

HILKEMANN: [00:55:03] Thank you, Sue. Additional questions? [00:55:05][2.1]

CRAWFORD: [00:55:13] Thank you. [00:55:13][0.2]

HILKEMANN: [00:55:13] Okay, thank you. Are there additional proponents for LB1055? Is there anyone here that would like to testify against

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LB1055? Seeing none, is there anyone here who would like to testify in the neutral position on LB1055? [00:55:36][23.0]

CRAWFORD: [00:55:36] If I don't get back in time, I waive closing.
[00:55:36][0.0]

MARCO FLOREANI: [00:55:54] Thank you. Members of the Appropriations Committee, again, my name is Marco Floreani, M-a-r-c-o F-l-o-r-e-a-n-i. I am a manager of business development, the Greater Omaha Chamber of Commerce, and I'm here today in a neutral capacity on LB1055. I appear today on behalf of the Greater Omaha Chamber of Commerce, the Lincoln Chamber of Commerce, and the Nebraska Chamber of Commerce and Industry. We are neutral today because we oppose the bill as written due to the effect on the Business Innovation Act funds. But we would support the bill with the adoption of an amendment being proposed with the caveat being that we would ask you to strike the existing Section 3 on page 3. We would like to thank Senator Crawford for recognizing the importance of the InternNE program and for introducing this legislation. As you all are acutely aware of the state's fiscal constraints, and we are feeling those constraints right now in existing programs at the Department of Economic Development which support job training programs and requests, I know you have all previously heard the state's customized job training program which also provides funding for InternNE has no remaining funds to allocate. InternNE remains one of the more popular programs utilized by Nebraska employers. And again, this is evident every year when allocations are exhausted immediately after the application process begins. A young woman a few weeks ago who was a beneficiary of InternNE at Buildertrend testified to-- in another committee on a bill addressing work force development in the state. Her personal experience is a great testament to the value of the InternNE program. For a small expenditure of state dollars, a home-- homegrown startup, growth startup like Buildertrend, trained a new intern, a young professional in the state, embarked on her first career experience and we all retained a talented Nebraskan who could have gone anywhere else in the country. In my position, I work with companies on a day-to-day basis. Never before has the issue of talent or work force and developing that work force been greater. This is a horizontal issue across all industries that I meet with and we are in a battle for keeping these Nebraska-- young Nebraskans here and trying to attract new Nebraskans to the state at the same time. We recognize this committee has historically supported Customized Job Training Fund, and by extension InternNE by way of transfers of the cash reserve. We are grateful for that investment. We appreciate Senator Crawford has found some available dollars to keep money in the program. However, the ongoing

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challenge remains finding a stable and ongoing funding source to address work force and talent development needs. We stand ready to work with the committee, identify options in that regard. Again, we thank Senator Crawford for introducing LB1055 and for her leadership in economic development issues. I'm happy to answer any questions you might have. [00:58:58][183.7]

HILKEMANN: [00:59:01] Are there any questions that we can ask slowly? Seeing none, thank you very much. Is there anyone else that would like to testify in the neutral category? Well, seeing none, Senator Crawford is waiving her close. And we will end the hearing for LB1055.