

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

LINEHAN: Welcome to the hearing. My name is Lou Ann Linehan and I'm from Elkhorn, Nebraska, representing the 39th Legislative District. I serve as Chair of this committee. The committee will take up bills in the order posted. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. If you are unable to attend the public hearing and would like your position stated for the record, you must submit your written testimony by 5:00 p.m. the day prior to the hearing. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please turn off your cell phones and other electronic devices. Move to the chairs in the front of the room when you're ready to testify. The order of testimony is introducer, proponents, opponents, and neutral, and then closing remarks. If you will be testifying, please complete the green form and hand it to the committee clerk when you come up to testify. If you have written materials that you would like to distribute to the committee, please hand them to the page to distribute. You will need 11 copies for all the committee members and staff. If you need additional copies, please ask the page to make copies for you now. When you begin to testify, please state and spell your name for the record. Please be concise. It's my request that you limit your testimony to five minutes. And we will use the light system, so it's four on green and then really try to wrap up when it's yellow. If your remarks are reflected in the previous testimony or if you would like your position to be known but do not wish to testify, please sign the white form at the back of the room and it will be included in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. I would like to introduce committee staff. To my immediate right is legal counsel, Mary Jane Egr Edson. To my immediate left is research analyst, Kay Bergquist. And to my left at the end of the table is committee clerk, Grant Latimer. With that I would like the senators to introduce themselves.

LINDSTROM: Brett Lindstrom, District 18, northwest Omaha.

FRIESEN: Curt Friesen, District 34, Hamilton, Merrick, Nance, and part of Hall County.

CRAWFORD: Good afternoon, Senator Sue Crawford, District 45, eastern Sarpy County.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

BRIESE: Tom Briese, District 41.

LINEHAN: Today our pages, if you'd stand up please, Brigita Rasmussen is a sophomore at UNL and majoring in agriculture and education. And Cooper Wright is a junior at UNL majoring in Spanish and Arabic. Tough language. Excuse me. Please remember that senators may come and go during our hearing as they may have other bills to introduce and-- have bills to introduce in other committees. Please refrain from applause or other indications of support or opposition. I'd also like to remind our committee members to speak directly into the microphones. Also for our audience the microphones in the room are not for amplification but for recording purposes only. Lastly, we are electronic equipped committee and information is provided electronically, as well as in paper form, therefore you may see committee members referencing information on their electronic devices. Be assured that your presence here today and your testimony are important to us and is critical to our state government. Senator, would you like to introduce yourself.

KOLTERMAN: Mark Kolterman, District 24, Seward, York, and Polk Counties.

LINEHAN: With that we will open with LB560. Senator Geist.

GEIST: All right. Thank you, Chairman Linehan, and good afternoon, members of the Revenue Committee. I am Suzanne Geist, for the record that is S-u-z-a-n-n-e- G-e-i-s-t and I represent the 25th Legislative District which is the east side of Lincoln and includes Walton and Waverly. I come before you today as the Chair of Legislative Performance Audit Committee to introduce LB560. This bill introduces concerns raised in a 2018 Legislative Performance Audit of the Beginning Farmer Tax Credit Act. As Vice Chair of the Performance Audit Committee last year, I introduced this bill because the new Performance Audit Committee had not been formed by the last day of bill introduction this year. Before I discuss the specifics of LB560, I want to mention that Senator Williams has also introduced a bill on this subject that gives your committee an option on addressing the policy questions identified in the Performance Audit. LB560, which I'm introducing, sets out the problems identified in the Performance Audit and to the extent that the Beginning Farmer Board was found to be out of compliance with existing laws by my-- with existing laws, reiterates that they must follow the existing law. Senator Williams' bill, LB623, takes the position that the law should be changed to reflect the board's current practices. Senator Williams and I have

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

discussed the two approaches and share the goal of ensuring that the board's actions are in accordance with statute whether you choose this approach or his approach. As you know, the Beginning Farmer Tax Credit Act provides a refundable credit to two distinct parties: a beginning farmer or a livestock producer and an asset owner. The act encourages established farmers to lease their assets such as crop land, pastures, and machinery to less established farmers or producers. The asset owner-- the asset owners get the bulk of the credits issued under the act as a percentage of the total lease agreement amount set between the two parties. The beginning farmer receives a personal property tax exemption of up to \$100,000 for a period of three years, and a refundable credit of up to \$500 for their participation in a statutorily required financial management program. Since its passage in 1999, the Beginning Farmer Tax Credit Act has issued over \$12 million in credits. LB560 responds to three issues related to the board's practices and the Beginning Farmer Act raised in the audit. First, the audit found that the board has allowed both beginning farmers and asset owners to enter into multiple lease agreements, but the plain language of the act allows them to only have a single agreement unless that agreement is terminated due to no fault of the beginning farmer or the asset owner. The audit also found that the introducer of the Beginning Farmer Act, indicated in the legislative history, that his intention was for beginning farmers to be limited to one successful agreement, but for asset owners to be allowed to have multiple agreements on different assets. The Audit Committee did not want to recommend a statutory change regarding the asset owners based on the legislative history and instead recommended that the board follow the existing law. LB560 reiterates that beginning farmers are eligible for only a single successful agreement, but the committee believed the provisions relating to the asset owners are clear and LB560 proposes no changes to them. Second, the audit calls attention to a specific type of lease called "flex rent" which is not specifically authorized in statute but is allowed by the board. The Performance Audit Committee took no position on the legitimacy of flex rent lease agreements, but believes the board should not approve them under the act because they are not specifically authorized in statute as the other two types of leases are. LB560 does not contain any provisions related to this issue as we believe it already prohibits leases other than cash and share rent. And finally, the audit identified a conflict between the language of the Beginning Farmer Act and the tax statutes about whether the beginning farmer credits are refundable. Tax statutes state that the credits are refundable, whereas the act itself suggests the credits are not refundable. The

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

Department of Revenue, which implements the relevant tax statutes, follows the provisions in those statutes that the tax is refundable. The Audit Committee report recommended that the tax statutes and Beginning Farmer Act be harmonized to reflect the original legislative intent and the tax statutes to make the credits refundable. LB560 also makes that change. In closing, the new Performance Audit Committee met recently to consider whether to support LB560. The committee also discussed Senator Williams' LB623 and Senator Friesen's LB417 which would eliminate the beginning farmer program. The Audit Committee concluded that any of these three bills would resolve the problems raised in the audit and voted to generally support resolution of the problems, but not to support any of the specific bills because the policy decision is more appropriately made by this committee. We have submitted a letter to that effect and it's available if you would like to have it. But we've submitted a letter to that effect-- effect which will be entered into the hearing record. Thank you for your time and I would be happy to answer any questions the committee may have. I also have staff here from the Audit Office if you have more detailed questions that I may not be able to answer. Thank you.

LINEHAN: Thank you, Senator Geist. Are there questions from the committee? Senator McCollister.

McCOLLISTER: Thank you, Madam Chair. Welcome. You mentioned that staff, will they be testifying behind you?

GEIST: They will if needed. If you have some specific questions you would like to ask them, they are willing to testify. Yes.

McCOLLISTER: So would you characterize this bill as a cleanup bill?

GEIST: It is a bill that reiterates what needs to be happening. It's not reflective of what is currently happening, but it is a restatement. And, yes, in some instances, with respect to harmonizing the language, it is a cleanup bill. But it's also a bill that restates the original intent of the act.

McCOLLISTER: So in terms of the fiscal note, did that change from-- with the advent of this bill?

GEIST: The fiscal note-- the fiscal note that is included with this provision shows a savings to the state because it limits the number of agreements that-- that a beginning farmer can enter into. And so

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

that's the reason for the savings. So, yes, the fiscal note does reflect this specific bill.

McCOLLISTER: Did the report and the work that you've done before indicate whether there's a rate of return or any kind of-- could you characterize the beginning farmer?

GEIST: Do you mean a-- a rate of return like a return on our investment?

McCOLLISTER: Yes.

GEIST: I don't believe that specifically was looked at. It was more compliance with the statute, but not the financial return on the investment. And if I'm incorrect about that, I'm sure that they would be happy to correct me. But that-- my understanding it was looking specifically at if the act is in compliance with the intent of the statute.

McCOLLISTER: Thank you, Senator Geist.

LINEHAN: Thank you, Senator McCollister. Other questions from the committee? Senator Kolterman.

KOLTERMAN: Thank you very much, Senator Linehan. Thanks for bringing this bill.

GEIST: You're welcome.

KOLTERMAN: What-- can you explain the flexible rents?

GEIST: No.

KOLTERMAN: OK.

GEIST: I can't.

KOLTERMAN: Somebody coming behind you can?

GEIST: Someone coming behind me can.

KOLTERMAN: All right. And then you talked about this being beginning farmer and it talks about land, but it also talks about other types of programs. What would those be?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

GEIST: OK. It was land, machinery, and-- hang on, I just read that-- it is crop land, pastures, and machinery.

KOLTERMAN: OK. Thank you.

GEIST: You're welcome.

LINEHAN: Thank you, Senator Kolterman. Other questions for the committee? Seeing none, you'll be here to close?

GEIST: I will be here to close. Thank you.

LINEHAN: Thank you. Proponents, are there proponents?

CRAIG BECK: Good afternoon, Chairwoman Linehan, members of the Revenue Committee. For the record, my name is Craig Beck, that's C-r-a-i-g B-e-c-k, and I am from the Legislative Audit Office. As Senator Geist alluded to, and I was the lead auditor on the Beginning Farmer Tax Credit Act audit. I don't have any prepared testimony, I am just here to answer any questions that you may have.

LINEHAN: Are there questions? Senator Kolterman. I'm sorry, Senator Kolterman and then Senator McCollister.

KOLTERMAN: Thank you, Senator Linehan. Mr. Beck, can you explain the flexible credit-- or flexible lease payments?

CRAIG BECK: Yes, so I admittedly am not an expert in leasing of farm assets, however from the audit of this program the flex rents are treated as a cash rent lease which under the Beginning Farmer Tax Credit Act provides a 10 percent refundable credit to the asset owner. So the asset owner leases these assets to the beginning farmer, but the 10 percent credit goes to the asset owner. The difference between the flex rent and a straight cash rent, as far as my ability to explain, is that the flex rent lease is adjusted based on crop yield at the end of the lease. And I think there may be a couple other factors that they can adjust for. But it does not-- the cash rent is defined up front, whereas the flex rent can be adjusted.

KOLTERMAN: And so-- and so you're putting into statute a flex rent that could work, or is that-- or you just don't buy that.

CRAIG BECK: LB560 does not authorize flex rents. And as stated in the audit report, LB560 is-- is more clarifying that only the two types that are currently outlined in statute, which are cash rent and share

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

rent, are acceptable. The board currently approves flex rent leases, but the audit report recommendation by the Performance Audit Committee states that those are the only two types of leases that should be accepted under the program. Now there is a bill, LB623, by Senator Williams which would authorize flex rent in statute.

KOLTERMAN: OK. And the reason I bring that up is because our-- as our environment changes in the agricultural field and there's three-- there's two farmers here can talk much greater about that, but we need that flexibility so that as prices go down, like they are now, we can adjust the cash rent down and that's what a flex rent really intended to do. And so that flexibility probably needs to be in the bill. When-- when they were originally written, cash rent-- when this bill was originally written 20 years ago, this cash rent or sharecrop.

CRAIG BECK: That's correct. Flex rents did not enter the picture.

KOLTERMAN: But it's-- it's a committee recommendation that we just honor the two?

CRAIG BECK: The Performance Audit Committee recommendation is that the law be followed as is currently written unless it is changed.

KOLTERMAN: OK. OK. Thank you.

LINEHAN: Thank you, Senator Kolterman. Senator McCollister, and then Senator Groene.

McCOLLISTER: Yeah, thank you, Madam Chair. How long has the beginning farmer program been in effect?

CRAIG BECK: It was passed in 1999 and I believe the first year that applications were accepted was 2001.

McCOLLISTER: How many agreements do you typically review every year?

CRAIG BECK: That-- the yearly average, I'm not sure. However, there have been 694 total cases since 2001.

McCOLLISTER: OK. Do you make qualitative judgments on-- on the terms of the arrangement? So, following up on Senator Kolterman question, you know, if the cash rent is too high or outside the norm, do you make any judgments on those applications?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

CRAIG BECK: Well, so I am from the Legislative Audit Office. So we just went in and did the performance audit as we are required to do under statute from the 2014 LR444 Committee, the Tax Valuation Incentive Special Committee. So as far as making qualitative judgments on specific cases that-- that was not our-- our purview.

McCOLLISTER: Which you probably would review those agreements that go bust, right?

CRAIG BECK: We didn't look necessarily at-- at agreements that-- when you say go bust, do you mean weren't accepted or fell through?

McCOLLISTER: Where one wasn't completed for some reason or another.

CRAIG BECK: You know, that-- that was not part of our audit scope. So we didn't-- we didn't look into that.

McCOLLISTER: Thank you for your testimony.

CRAIG BECK: Sure.

LINEHAN: Thank you, Senator McCollister. Senator Groene.

GROENE: Thank you, Chairman. How many dollars are we talking here? What is that-- I forgot was the credit is? Is it maxed out, it's got a lid on it, doesn't it?

CRAIG BECK: There is no lid, no. It has paid out twelve point-- about \$12.6 million since 2001.

GROENE: When it took in full effect.

CRAIG BECK: Yeah.

GROENE: Is that number increasing or is that--

CRAIG BECK: Umm, so in the last three years, I believe, it has been increasing. So it was \$1.259 million in 2015, \$1.34 million in 2016, and 1.31 in 2017, and that-- it's held pretty steady around a million dollars a year since 2008.

GROENE: So, presently if somebody signed up in 2001 and they were 38 years old, are they still getting it?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

CRAIG BECK: So, the Beginning Farmer Tax Credit Act operates on three-year agreements.

GROENE: All right.

CRAIG BECK: Part of what LB560 does and part of what the Legislative Audit-- Performance Audit Committee report states is that we believe that the law limits an asset owner and a beginning farmer each to only one application. The board however has been approving through their regulations multiple lease agreements for both beginning farmers and asset owners. So as far as one person participating since 2001, they could not have been participating under the same lease agreement, but they could potentially have been-- they could potentially still be participating.

GROENE: When do they no longer become a new farmer?

CRAIG BECK: So, the-- there are stipulations, and what we found in the audit report was that the most binding regulation that the Beginning Farmer Board uses is that a beginning farmer is no longer considered a beginning farmer once they have farmed for 10 of the previous 15 years, so.

GROENE: On their own, on their own, not working with dad or as a hired man.

CRAIG BECK: Sure, it could be participating in a program on their own, whatever.

GROENE: So, but you could argue, so 2001 somebody got 480 acres, all right, and they farm-- and they started farming and there haven't been ten years yet. And then another neighbor had another 240 acres, they could enter another agreement there, and then after six years of farming, then they find another neighbor with a thousand acres and they do it again-- they could do that before they were farming for 10 years?

CRAIG BECK: Sure. So the Legislative Audit Office report, we believe that the statute limits beginning farmer participation to one successful lease agreement. However, the board has been approving--

GROENE: Subsequent.

CRAIG BECK: --subsequent applications, so--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

GROENE: To the same individual?

CRAIG BECK: To the same individual, yes. So that instance is-- that theoretical instance is possible, yes.

GROENE: It could happen.

CRAIG BECK: Yes.

GROENE: Thank you.

LINEHAN: Thank you, Senator Groene. Senator Kolterman.

KOLTERMAN: Thank you again, Senator Linehan. So in 20 years, you got 694 participants; does that just take into account the farmer? Does that take into account the farmer and the property owner?

CRAIG BECK: OK, so there have been 694 total cases, of that there are 700 individual asset owners and 452 individual beginning farmers who have participated.

KOLTERMAN: If you just take the \$12.6 million and divide it by 694, that's on the average \$18,156.

CRAIG BECK: That's correct.

KOLTERMAN: So, over a 20-year period, we've got a lot of young farmers into the business. I don't disagree that we need to correct it, make sure that it's a one-time deal, because that's-- I think that's what the intent was, but that didn't seem like an over-- and that includes that 60-- or that \$18,000, that's a three-year period and that includes the landowner as well?

CRAIG BECK: That that is the credit--

KOLTERMAN: So the \$12,600 is total credits including landowner and the farmer.

CRAIG BECK: Yes, that's correct. One of the things that we outlined in the audit is-- is the breakdown of the actual credits, so-- so the amount of credits. So total asset owner credits, 49 percent of the case numbers that in the program since 2001, 49 percent of the cases received less than \$10,000 over the three years. So the average of \$18,000 is-- is correct when it's averaged, but that's not quite-- I mean the numbers break down differently, of course.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

KOLTERMAN: Sure. So you've audited the program. You have an opinion one way or another, should it be continued or discontinued?

CRAIG BECK: I can't comment on that.

KOLTERMAN: All right.

LINEHAN: Thank you, Senator Kolterman. I'm sorry, did you have another question?

KOLTERMAN: Just thought I'd ask.

LINEHAN: Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. In the-- in one of the statements here it said, such assets-- assets shall be rented at prevailing community rates as determined by the board. Do you know how they determine those rates?

CRAIG BECK: That question may be better answered by someone else, but what I-- I believe their practice is that they look to the UNL extensions for prevailing rates.

FRIESEN: When you're-- when you're doing the audit, do you look at whether the cash rental rates are what you would consider high?

CRAIG BECK: That was not part of the scope. So we-- we did not look at--

FRIESEN: Theoretically, I mean, a rent-- a lease could be entered into that is extremely high cash rent which would increase your tax credits?

CRAIG BECK: Of the two types of rent, cash and share, that are authorized in the statute, cash is the lower percentage, so cash is 10 percent and share is 15.

FRIESEN: Right.

CRAIG BECK: As far as mechanics of leases, I-- I can't speak to that, so.

FRIESEN: OK. Thank you.

LINEHAN: Thank you, Senator Friesen. Are there other questions from the committee? I'm going to ask one I-- just so if it comes up later,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

when we originally-- when the bill was originally passed, it couldn't be family right? And then at some point they changed?

CRAIG BECK: Correct.

LINEHAN: Can you just run us through that.

CRAIG BECK: Sure. So, in 2006 a bill was passed that did a few different things to the act, one of which being that related parties could lease ground and participate and receive the credit.

LINEHAN: And then there was an uptick in the use?

CRAIG BECK: There was. So our audit found that since 2006, 98-related parties had participated. You do see-- we did see a spike in applications after-- after that bill was passed and then subsequently the property tax provision for the beginning farmer was added in 2008, and then there was a significant uptick after those-- after that bill in particular in 2008. However, I believe that the department did a pretty heavy marketing campaign that year so.

LINEHAN: So was there an uptick and then did it fall back down? Was it a spike or was it up and then leveled off?

CRAIG BECK: It up-- and then it pretty much leveled out. Higher-- higher rates of applications, certainly, after those two provisions were passed.

LINEHAN: OK. Thank you. Any other questions from the committee? OK. Thank you very much for being here. Other proponents? Anyone else wishing to testify in favor? Are there any opponents?

ROGER WEHRBEIN: Oh, Roger Wehrbein, farmer from Plattsmouth, had this bill in 1999, it's 20 years ago. Roger--

LINEHAN: You have to spell it for us.

ROGER WEHRBEIN: W-e-h-r-b-e-i-n. I wasn't used to doing that.

LINEHAN: Good afternoon, Senator.

ROGER WEHRBEIN: I'm here-- I'm here, I guess, more philosophically than anything. I am opposed to this and for the other bill, mainly, because the other one, as I understand it, updates it. And agriculture has changed a lot in the last 20 years. It's changing all the time.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

Ten years from now we probably won't recognize what we're at now. Cash rents are different. Share rents are different. So the intent of the original bill was to get a young man start-- a young person-- the young person started and with three years hopefully they could move on to their own. And it's been changed, I think, three or four times since I've been here, so I'm not expert in the details of it. Mr. Anthony will follow me, who will be neutral on it, if there's extreme detail on how they researched it. But I just want to say that times have changed. I think it helped a lot. It is, you know, it's difficult to get into business. They changed the net worth statements and things like that. I could wax philosophically for quite a while, but I won't. But it's hard for a young person to get started. And so this was a net attempt to do that. Part of the credit thing was if you take a-- more money-- you ask about cash rent, today we're talking 250 and 300, back then we were talking maybe 100. But it was an effort that a person retiring could afford to take a little less in cash rent if he was-- got a credit somewhere else, rather than being outbid by a larger neighbor. So that was kind of the crux of that.

LINEHAN: Thank you very much. Are there questions from the committee? Seeing none, thank you very much for being here.

ROGER WEHRBEIN: I don't know, I'll be here, I guess, for the other one just for the record.

LINEHAN: OK.

ROGER WEHRBEIN: Thank you.

LINEHAN: Thank you. Good afternoon.

JOHN HANSEN: Madam Chairman, members of the Revenue Committee, good afternoon. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n, I'm the president of Nebraska Farmers Union. We supported Senator Wehrbein's bill when he brought it. We worked on the issue for a very long time before that. I think the first time I was appointed to a beginning farmer task force was by Governor Bob Kerrey in about 1982. The issue of how it is that we try to get new folks involved and started in agriculture has been talked about for a long time. It's a lot-- has a lot of support. It's not an easy thing to do. The bill, as it was originally approved, was taken out and-- and ran for a while. And as it turned out, there was not much participation. And so the board did some things that were common sense things to try to help make the program work better. It did work better. There were

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

improvements made. So really the-- the choices before the committee is do we now go back and make the-- the way the bill was interpreted by the audit and do we modify the language to be consistent with the interpretation of the audit, do we do that? I suggested that there's not a lot of need probably for that program if that's the way we go. We have the approach to get rid of it altogether. I think that would be a tragic mistake. And then we have the approach that Senator Williams will be bringing forward which is to make the language consistent with the way that the program has been run. I think that is by far the better more reasonable approach. The goal at the end of the day when we pass bills and we set up programs is to try to make them work. And so I think that our better choice here is to try to make the program work. And we are in bad need of more beginning farmers. We're going to lose a lot of beginning farmers that we got started when commodity prices were higher, and so they got started assuming that as a lot of farmers who were more established also thought, wrongly, unfortunately, that this was the new normal, this is the way things are going to be. So they capitalize based on what they thought the expectations were. And so that turned out not to be a very good idea. And so as the economy has gone south the last five years, we're going to have the net farm incomes going to be half of what it was in 2013. There's going to be a substantial shakeout of ag producers themselves, as well as beginning farmers. So one of the positives that comes out of a collapse, as we're seeing now, is that land prices, rents, come down. And that when things go down, if you have the right kind of support and the right kind of attitude, that's also a better time to get involved and get started. I made the case for many years to my banker that-- that the-- based on the way the banking community looked at getting in the cattle business was exactly upside down, because every time when things got high they wanted you to buy and everything-- and every time when the bottom dropped out they want you to sell. And if you're going to be in the business for any length of period of time at all, you ought to be doing exactly the opposite. So every time the price of cattle went in the tank, I wanted to buy more because I was growing and I was getting started. And so there's different ways to look at this. I thank Senator Geist for bringing the bill forward. But I'll be testifying also in Senator Williams' bill. I think that's the better course. Thank you very much.

LINEHAN: Thank you, Mr. Hansen. Are there questions from the committee? Senator Kolterman.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

KOLTERMAN: Thank you, Mr. Hansen, for coming. Just to make it clear, maybe I'm-- you support the concept of beginning farmer?

JOHN HANSEN: Yes.

KOLTERMAN: You just think that Williams is a better bill.

JOHN HANSEN: Yes.

KOLTERMAN: And you'd be willing to-- would you be open to taking the best aspects of each bill and merging them together?

JOHN HANSEN: Well, I-- in my view, Senator, what this bill does is simply goes back to the base understanding of the bill and would take the practices that had been proven to work, wipe them out and make the language consistent with the interpretation of-- the legal interpretation of the audit. And so if we go that direction, what that gets us is a program that, in my opinion, doesn't work.

KOLTERMAN: OK. Thank you.

LINEHAN: Thank you, Senator. Kolterman. Other questions from the committee? Seeing none, thank you for being here.

JOHN HANSEN: Thank you very much.

LINEHAN: Other opponents? Anyone wanting to testify in the neutral position?

DON ANTHONY: Good afternoon, Chairman Linehan, members of the Revenue Committee. I am Don Anthony, D-o-n A-n-t-h-o-n-y. I farm near Lexington, Nebraska. I am chair of the Beginning Farmer Board. I am here to testify in a neutral capacity on LB560. I have additional documentation that is being distributed and I ask to be placed in the record for this bill. The board is responsible for administering the Beginning Farmer Tax Credit Act. The act was created to encourage the pursuit of farming as a career and to aid the beginner in acquiring access to agricultural assets by providing a tax incentive to owners willing to rent their assets to beginning farmers. We approve or deny applications based upon applicants meeting criteria set forth in the act and seek to carry out the intent of the act to the best of our abilities. The program has been in existence since 1999. Neither the current board of directors, nor the program administrator have served since the inception of the program. Practices and policies have been passed down and are supported by historical documentation. Based on

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

historic data, we believe the intent of the act was to limit applicants to one three-year rental agreement per asset. The beginning farmer eligibility requirements contained in the act naturally limit beginning farmer participation, has been the practice of the board to allow beginning farmers to continue to use the program as long as they meet the eligibility requirements. Likewise, owners have been allowed to enter into multiple rental agreements with the same or other beginners so long as the asset has not previously been in the program. In 2018, the program was the subject of the Legislative Performance Audit resulting in recommendations from the Performance Audit Committee to limit beginning farmers and owners to one rental agreement. The board implemented the committee's recommendations January 11, 2019. Agriculture is Nebraska's number one industry. To maintain the liability of the industry and the communities it supports, we need beginning farmers. The act helps beginning farmers with limited financial resources to access through lease agreements the land, equipment, and livestock that require large amounts of capital. The majority of program participants are traditional crop farmers. The audit identified the average amount of cropland leased per case at 247 acres and the median sized rental agreement at 160 acres. It would be unlikely for a beginning farmer to acquire enough land in just one rental agreement to provide a viable operation. There is legislation, LB560, before you to clarify the act to align with the legislative performance committee's interpretation of limiting each applicant to one rental agreement which would reduce the value of the program to beginning farmers in their pursuit of acquiring access to agricultural assets. There is also legislation, LB623, today to support the board's previous interpretation and practices which date back to the implementation of the-- excuse me, date back to the beginning of the program and which we believe support the act's intent of encouraging the pursuit of farming and provide beginning farmers an aid in acquiring access to agricultural assets. Thank you for your time. Be glad to answer any questions.

LINEHAN: Thank you very much. Are there questions from the committee? Senator Kolterman.

KOLTERMAN: Go ahead, Senator Briese, you're up first.

BRIESE: OK. Thank you, Senator Kolterman.

LINEHAN: Oh, I'm sorry.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

BRIESE: Thank you, Chairman Linehan.

LINEHAN: Senator Briese.

BRIESE: Thank you for your testimony here today. Thanks for being here. Question: you identify roughly 50 percent of the applicants that wouldn't qualify if this provision was in place because of, you know, of being limited to only one lease.

DON ANTHONY: Yes.

BRIESE: Do these folks have leases occurring-- or agreements occurring simultaneously, multiple leases at the same time, are they consecutive?

DON ANTHONY: Yes, oftentimes they do.

BRIESE: OK. Some are consecutive but some are simultaneous?

DON ANTHONY: Depending on how the beginning farmer, as long as they continue to qualify to the agreements.

BRIESE: OK. OK. OK, thank you.

LINEHAN: Thank you, Senator Briese. Senator Kolterman.

KOLTERMAN: So obviously, you think this is a good program that's been working?

DON ANTHONY: Well, I've volunteered my time on this board for almost 16 years; that kind of speaks right there.

KOLTERMAN: Talk a little bit about the board itself. So you have a board-- who actually administers the program? Is it through the Department of Agriculture?

DON ANTHONY: Yes, our administrator is a part of Department of Agriculture, part time-- her duty is part time of her total position. The board itself consists of one producer from each of the congressional districts. It also has one member of the-- from the banking industry; you have one member from the University of Nebraska, and a representative from the-- well technically, the one member from the Department of Revenue, and then the director of agriculture, his representative is also on the board.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

KOLTERMAN: So, and you meet on a regular ongoing basis?

DON ANTHONY: We typically meet-- there are times-- about two to three times a year, depending on the number of cases we have to deal with and to meet deadlines as to when tax credits have to be certified and those types of things. Usually we'll have a meeting in August, one in December, sometimes one in November, sometimes one about now, depending on case load.

KOLTERMAN: Sure. As agriculture is changing--

DON ANTHONY: Yes.

KOLTERMAN: --constantly, and we hear a lot of things as we-- as we work on economic development issues in our state. One of the things that I've been a strong proponent of is getting our farmers-- our young farmers back to the farm. As this-- as this progresses, do you see this as an economic development tool that we have for our-- for our young farmers?

DON ANTHONY: I absolutely do, Senator. When you look at the beginning farmer and look at agriculture, there's three huge buckets of capital that you need. You need land, you need machinery, and you need working capital. Now FSA has programs for purchasing land and for working capital, we have also have the NIFA, the Nebraska Investment Finance Authority who is a source of working capital. But no one else assists in obtaining leases. And this program you can assist in leasing both the machinery and land. And we have a handful that have been able to work leases with livestock operation, primarily cow-calf.

KOLTERMAN: That was-- that was the next question I was going to ask; would there be any room in this bill for leases with livestock operations like the chicken plants that we're putting up all over the state.

DON ANTHONY: We haven't had a chicken plant yet.

KOLTERMAN: Well, I mean, the growers.

DON ANTHONY: Yeah, it is-- if it is an agricultural asset.

KOLTERMAN: We got, we got a good grower coming back and spending \$2.5 million in investment, would that qualify do you think?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

DON ANTHONY: It can. We've seen some corporations lease a hog barn and then do contract feeding. Like I say, there are cow-calf leases that occur. We don't have very many of them, handful.

KOLTERMAN: But you do have--

DON ANTHONY: We do have some-- if it's an agricultural asset and the-- meets the other things, yeah, there's no strict definition of what an asset is.

KOLTERMAN: Again, I was just asking because if-- if-- if there's a way we can bring our young farmers back and keep them on the farm and grow our economy, that's what we ought to be doing.

DON ANTHONY: I agree with you completely, Senator.

KOLTERMAN: Thank you very much.

LINEHAN: Thank you, Senator Kolterman. Are there other questions? Senator Frie-- I mean Senator Briese.

BRIESE: Thank you, Chairman Linehan. Thank you again. What percent of the participants here deal with related parties?

DON ANTHONY: I believe that's in your handout. About 18 percent.

BRIESE: Eighteen percent. OK. Yes. Yes. Are you fully supportive of that provision that allows related parties to participate in this as part of a succession plan?

DON ANTHONY: Senator, I'm going to measure this act to the best of my ability however you decide you want it done.

BRIESE: OK.

DON ANTHONY: I'm here neutral. If you'd asked me personally, so much of the Beginning Farm-- even related parties, it's tough bringing somebody back in whether it's a son, a daughter, son-in-law, daughter-in-law. My own children have chosen not to come, so I've got to figure out who I'm going to lease to.

BRIESE: OK. OK. Thank you.

DON ANTHONY: And one of the things, if I may add, I'm going to use my personal farm as an example here because my children aren't coming back; they've made that clear. They have wonderful careers of their

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

own. And I do have a neighboring young farmer that may qualify, I don't know his financial net worth and so forth, but for him to rent what is my farm, and it's all family owned, that's between my two sisters, myself, my wife has some land, it would take four leases to rent my nine hundred acres. And if we implement the Performance Audit Committee's restrictions, only one of us is going to get the tax incentive. So that's just one case, and that's just one example of how it could-- the restriction to one lease can be problematic and will reduce the use of program.

BRIESE: OK. Thank you for sharing.

LINEHAN: Thank you, Senator Briese. Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. You say 18 percent of the cases are the applications are related. Do you know what dollar amounts make up those 18 percent versus the total?

DON ANTHONY: I do not have that number, Senator.

FRIESEN: OK. Thank you.

LINEHAN: Thank you, Senator Friesen. Other questions from the committee? When you say it's because the land-- you all four own the land together?

DON ANTHONY: Yes. Well, we-- we have individual pieces we each have title to.

LINEHAN: OK.

DON ANTHONY: So I'm renting from my sisters.

LINEHAN: OK. So you're managing it all.

DON ANTHONY: But I have it-- but it is what my parents put together and what little-- what the piece my wife inherited, plus a couple pieces Linda and I were able to purchase over the years. But it's-- what you would look at it and you would say that's the Anthony farm. It's the family farm. But there are four distinct owners in it.

LINEHAN: OK. With titles that's different plots.

DON ANTHONY: Exactly.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

LINEHAN: OK, because if you owned it jointly then you could figure out whatever your LLC--

DON ANTHONY: Well, it would go to-- yeah, if it's an LLC or something that you know that might be a way around it; but then you've got-- it's hard enough to split it apart and put it back together.

LINEHAN: All right. OK. Thank you. Other questions? I'm sorry, Senator McCollister.

McCOLLISTER: Yeah, yeah, thank you, Chairwoman Linehan. So following up on Senator Kolterman's idea, we take the best elements of each bill. You know, maybe we could address that issue that you raised.

DON ANTHONY: They're big challenges.

McCOLLISTER: You have-- do you have an opinion on which bill would be the best vehicle to do that with?

DON ANTHONY: Well, I know how to administer the act as we have been interpreting it in the past, so I would have to say that probably would be easiest, from my standpoint and the board practices to do Senator Williams' bill. If we bring in the LB620 or a modification, then we're going to have to completely change our implementing regulations and those things.

McCOLLISTER: Thank you. Thanks for being here.

LINEHAN: Thank you, Senator McCollister.

DON ANTHONY: I will be here for the second bill, if you think of more questions.

LINEHAN: OK, thank you very much. Neutral?

MARTHA CARTER: Thank you, Chairman Linehan and members of the committee. My name is Martha Carter, M-a-r-t-h-a C-a-r-t-e-r, and I'm in charge of the Performance Audit Office. I just want to make one clarification for the record and that has to do with the discussion of the audit office's interpretation of the Beginning Farmer Act, because, at least when I hear interpretation, I envision that there are gray areas in a law and you may have different perspectives and different people can argue it different ways. And in my opinion, that was not the case in this-- in this act. I'm not an attorney, but we have a legal counsel and we have other attorneys in the office who

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

looked at this. The plain language of the act limits a beginning farmer and an asset owner to a single lease agreement. Is that our interpretation that that's what it means? Yes, that is our interpretation that that's what it means. We provided that information to the board. The board had an opportunity to provide us with an alternative interpretation. And had they done so, we would have presented both in the audit report and said here are the two interpretations. You may now choose what you're-- what you-- Legislature, you may now choose which of these you believe is the correct interpretation. But I think it really in this case is, not so much a matter of interpretation as it went when the act was initially implemented, it was implemented to allow additional leases. Whether that is a good idea or not is not the job of the audit office to determine. The Audit Committee has said essentially if this is what the law says, this is what the program should do and it's up to the Revenue Committee to decide if there is a better way to do-- either-- either make the statute match what they're doing now, or if you want to-- you know, times have changed. If there's a better way to do it, by all means do it. But I just think that needed to be clarified about-- I don't think there's actually a lot of ambiguity in the language of the act itself.

LINEHAN: Thank you. Are there questions from the committee? Senator McCollister.

McCOLLISTER: Yeah, thank you, Madam Chair. If we adopt this particular bill or Senator Williams' bill, and we allow multiple related parties to participate in this, do you see a downside to that-- that kind of arrangement?

MARTHA CARTER: Senator McCollister, I honestly have not considered that-- that level of detail about this program. I would be hesitant to express an opinion about that.

McCOLLISTER: Thank you, Martha.

LINEHAN: Thank you, Senator McCollister. Other questions from the committee? Seeing none, thank you very much for being here.

MARTHA CARTER: Thank you.

LINEHAN: Anyone else wanting to testify in the neutral position? I have letters for the record. There were no proponents; one opponent, Steve Martin, We Support Agriculture; and neutral, Sarah Curry of

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

Platte Institute. And with that, Senator Geist, would you like to close?

GEIST: Thank you. And I do appreciate all of the testimony, both the proponents and opponents, because I think you got to hear what the conflict is. And I know you don't hear this very often when someone comes before your committee, but the responsibility that the Performance Audit Committee took and the reason that we addressed the bill this way is because our responsibility is to show what is reflected in the law. Your responsibility is to decide which way you want to go with it. And I will be upfront and let you know for full disclosure that the Performance Audit Committee will prioritize which ever bill you decide, because our responsibility as a committee is not to make the policy, it's to present what the difference between the intent of what's in the law and what is occurring. So if you prefer that if what is occurring, which would be reflected in Senator William's bill, we're not opposed to that. If you prefer what's reflected currently in the law, which is my bill, we're not opposed to that. So it's not taking a position on the policy. I know you never hear this by the way. But the policy part of that is what your responsibility is, rather than us telling you what our preference of policy is. So that's why there's a little bit of confusion here. And I understand that. But what my bill does, just to reiterate, is to reflect the current policy; right, wrong, indifferent, that's what the responsibility was and that's why LB560 is represented and appears the way that it does. And with that, I'll answer any questions that I can.

LINEHAN: Thank you, Senator Geist. Are there questions from the committee? You must have explained it very well.

GEIST: Oh good.

LINEHAN: Thank you very much.

GEIST: Thank you.

LINEHAN: And with that, we'll close the hearing on LB560 and go to LB623, Senator Williams' legislation.

WILLIAMS: Good afternoon. And Chairwoman Linehan and members of the Revenue Committee, my name is Matt Williams, M-a-t-t W-i-l-l-i-a-m-s, from Legislative District 36 in Gothenburg, and I'm here to introduce LB623. I first of all, like to thank Senator Geist for her explanations and the Audit Committee for bringing this forward and

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

then having the opportunity that you will hear with LB623 to put into statute the actual practice that has been-- being conducted by-- by the board. LB623 was introduced to better align statutory sections of the Beginning Farmer Tax Credit Act with the real world administration and practices of the Beginning Farmer Program. The program was created by the Legislature, as you heard, from the senator that introduced it, in 1999. And since 2001, has issued a modest \$12.6 million in tax credits; less than \$1 million per year during those years, to assist owners that lease their assets to persons who met the definition of a beginning farmer. The program has allowed over 450 Nebraskans who might not have had access to assets necessary to begin farming to start taking on agriculture production as their career. The program had beginning farmers working nearly 80,000 acres of land between 2011 and 2017; and a 2015 survey of previous program participants found that 99 percent were still in farming. I think that's success. The program works. In 2016, the Legislature passed LB20-- or excuse me, LB1022, which extended the sunset date of the program from 2019 to 2022. In fact, LB1022 was the Performance Audit Committee, its priority bill in 2016. LB623 addresses the concerns raised by the Performance Audit in 2018 and clarifies in statute the current practice of the Beginning Farmer Program and board. Specifically, LB623 makes three distinct changes to address findings in the 2018 Performance Audit. First, it clarifies that qualified beginning farmers and agricultural asset owners are eligible to submit applications for subsequent or additional rental agreements, so long as the asset that has been-- being used under the program has not been used before. It also is-- has to be clear that the beginning farmer continues to qualify each time there would be an application. It also makes clear that a single agricultural asset cannot have tax credits issued under the program for more than three consecutive years. And let me give you a couple of examples of the multiple situations. As you heard, sometimes a beginning farmer needs to rent enough acres to be a viable farm operation. So if you were to adopt LB623, which is how the program is being administered, a qualifying beginning farmer could form a rental agreement with asset owner, landlord A, landlord B, rent a hundred acres here, rent a hundred acres here, all the parties would qualify for the program. Also, another example would be if you have a landowner that owns land in one of my counties, Custer County, has some pasture ground there, and in Dawson County has some farm ground, that asset owner, or landowner, could deal with two beginning farmers. One beginning farmer in Custer County that might have his cows and rent his pasture ground, put his cows on; and a different beginning farmer in Dawson County that would rent his farm

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

ground and farm it. This would make that clear that has been the practice of the board since the beginning and the inception, and LB623 would make it clear that that is statutorily OK. Second, LB623 clarifies that the tax credits available under the program are refundable tax credits. The Department of Agriculture and the Department of Revenue has-- have always viewed these credits as refundable, but the Performance Audit found that this was not clear in the statute. Finally, LB623 adds to the statute the meaning of a flex or variable rent agreement. And that's found on page 6, line 9 in LB623. And by way of explanation, back in 1999 when this was started, we basically had two types of rental agreements. You had crop shares and you had cash rent. We now, as Senator Friesen knows, have everything in between. And that is defined in this act as flex rents, and there is a definition included in here, and they become part of the scope of the act. LB623 places that definition in statute so that this common practice can continue to occur as it has been under the department's regulation. Closing, I want to stress that the language of LB623 tracks and follows how the beginning farm-- farmer program has been and is currently being administered. And I would point out that I handed out a sheet based-- Senator Briese on your questions of those applications that are received and how many would qualify and how many would be denied if we did not go this direction. And that's that handout that shows you, and I think-- I think I have that in front of me now. That last year in 2018, 68 percent would have been denied had we not allowed the multiple amounts here. Also, you should take a note at the department's fiscal note, even though you might argue that LB623 placing these definitions in multiple rates would have some effect; it has no financial or fiscal impact because that's the way they've been doing the program since the inception. I would really like to thank Don Anthony for being here today, and all the other board members that, as you've heard, Don has been on this board for 16 years and continues to serve and as have many of them. Senator Kolterman, you asked the question about flex rents, and that is described, and I know you understand what we're talking about there and this makes that clear. Senator Groene, who is no longer with us here, was talking about arrangements where three years, three years, three years; every time there is an opportunity to do this, the beginning farmer has to qualify as a beginning farmer. And I would draw your attention to page 7, line 21 of LB623 where the qualifications for a beginning farmer are listed. And they are fairly extensive. First of all, they cannot have balance sheet net worth in excess of \$200,000. So if they're growing and growing, they will at some point clearly not qualify. But those-- those things are all in

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

statute and easy to follow. So with that, I certainly would contend that from a policy standpoint continuing this program is-- makes good public policy sense. And continuing it in a way that has been proven to be successful with over 450 farmers already having taken advantage of this program, I would appreciate your moving this forward to General File. Thank you, Madam Chair.

LINEHAN: Thank you, Senator Williams. Are there questions from the committee? Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. So over several times now, we've heard that 18 percent of the applications are related parties. And I was curious, how much did we spend last year? What was the fiscal note? Do you have any--

WILLIAMS: I think the testimony that the person from Performance Audit mentioned in their testimony on the previous bill was it was 1.2 or 1.3 million was the-- were the total credits last year. It's amounted to a little over \$12 million since the inception of the program.

FRIESEN: So do you know what-- what percent of those dollars went to those 18 percent of the related parties?

WILLIAMS: I do not know the answer to that, Senator Friesen.

FRIESEN: OK. So I mean, I understand what the program is trying to do. You as a banker, if I was a beginning farmer and I came to you and I want to rent 600 acres of crop ground, cash rent, and the farmer wants 300 bucks an acre, am I going to get a loan from you because of this tax credit program?

WILLIAMS: I think it could give the arrangement between the landlord and the farmer a better chance for happening. From the standpoint of the bank involved with the situation, you'd have to look at the whole situation of his cash flows and everything on the situation. So you would still-- he would still have to present a cash flow situation, as Don Anthony mentioned. You know, you've got capital intensive for land, capital intensive for equipment, and then the--

FRIESEN: OK. So if it's just beginning row crop farmer, I think the answer would be no. There's no way I would get a loan from a bank in today's market conditions no matter what. That be a fair answer?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

WILLIAMS: No, I don't, I don't think that's a fair answer. We make those decisions all the time and there are many more variables than you put in your example.

FRIESEN: Not a beginning farmer, they have nothing. They will get nothing. That's quite all right. I think \$8 corn had more to do with bringing farmers home than-- than any programs we've put out there. And I'm not-- I'm still torn on this one. When-- when you do it with related parties, I have a problem with it. For starting out someone new, this would be great; but even then it needs to be improved. Because I don't think if an unrelated party came and even if I wanted to rent him my whole farm and I even had a reasonable rent, there's no way he's going to a bank to get a loan to do it. It's not going to happen. I've been in business too long. So, again--

WILLIAMS: I'll bet you if you walked in and guaranteed that loan for your son or daughter--

FRIESEN: Yes, if somebody is willing to guarantee that.

WILLIAMS: The banker would make that loan.

FRIESEN: That's right.

WILLIAMS: Yep. See, I would-- that's what I was suggesting there are many more variables involved.

FRIESEN: Many things involved, but as far as just coming in, it's not going to happen. That's-- this isn't that big a deal in the scheme of things, but it does help. But again, a beginning farmer that has no relation to someone, it's almost impossible, even with this, to start farming these days.

WILLIAMS: It's very difficult. I agree with you it's very difficult.

FRIESEN: Thank you, Senator Williams.

LINEHAN: Thank you, Senator Friesen. Other questions from the committee? Senator McCollister.

McCOLLISTER: Yeah, thank you, Madam Chair. Thank you, Senator Williams, for this bill. As a banker, if a beginning farmer comes in to you with one of these agreements, does that enhance their chances of getting funded or some of the other terms matter to you as well?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

WILLIAMS: All of the other terms would be-- would be more important. I think this program gives the beginning farmer an opportunity to create a rent agreement with a landlord that will be a better improvement. I don't know that it improves his ability to get a loan.

McCOLLISTER: But the terms of that agreement probably matter to the banker in terms of whether or not they want to finance it, correct?

WILLIAMS: Correct.

McCOLLISTER: If somebody comes in unreasonable cash rents or anything else, that would probably preclude it alone.

WILLIAMS: Yes.

McCOLLISTER: Thank you.

LINEHAN: Thank you, Senator McCollister. Senator Kolterman.

KOLTERMAN: Thank you, Senator Linehan. Senator Williams, thanks for bringing this bill; cleaning it up. Is it fair to say that this doesn't just benefit the young farmer, but it also benefits the, maybe, the retired farmer that's got some land to lease that wants to help the young farmer?

WILLIAMS: Certainly, I think that's part of the-- the ingredients behind it, Senator Kolterman.

KOLTERMAN: So we're not just talking about the farmer, we're also talking about someone that's retired, and we're going to get a little bit of a tax break; and at the same time, they're going to be able to say I helped get that person started. Is that accurate?

WILLIAMS: Yes.

KOLTERMAN: Thank you.

LINEHAN: Thank you, Senator Kolterman. Other questions from the committee? Senator Crawford.

CRAWFORD: Thank you, Madam Chair. Thank you, Senator Williams, for bringing this bill. As I was listening, it sounds like your bill includes all the components that we've heard about that the board is using and implementing program, except they're talked about defining a beginning farmer as 10 years, 10 out of the last 15 years farming, and

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

I wondered-- as far as I know, that's still allowed, I guess, in your bill because it says as such other qualifications as determined by the board.

WILLIAMS: I think that's where it would be, Senator Crawford. I when I heard that testimony, I had not heard that before, but under the definition of beginning farmer the board has some qualifications that they can put on that it appears.

CRAWFORD: Would you be interested in codifying any of that in statute in terms of what a new farmer is besides a low level of capital?

WILLIAMS: I would defer to the board themselves and want to have-- have their recommendation on that having their-- they're the ones with the boots on the ground that work with it. We would certainly have that opportunity. As you heard, Performance Audit has agreed that if you move one of these bills forward or we move one into the other, it will have a priority. So there would be an opportunity then on the floor to do those kind of adjustments.

CRAWFORD: Thank you.

LINEHAN: Thank you, Senator Crawford. Any other questions from the committee? Thank you very much, Senator Williams.

WILLIAMS: Thank you.

LINEHAN: Proponents for LB623? Don't be shy.

ROGER WEHRBEIN: Roger Wehrbein again. Represent-- Miss Madam Chair and members of Revenue Committee, R-o-g-g-e-r W-e-h-r-b-e-i-n. I should say, back in '99, things were looking a little different, because 2002 was a tough year for us. So we had some tough years when this came in. I'm answering your question, Senator Friesen. The incentive in my mind at that time was really is to help the landlord as much as it was the beginning farmer because it's true even more today and I'm probably sticking my neck out a little bit. But today, along those lines, you hear criticism in the community for young people can't get started, or-- and the landlord will say I don't like the big guy down the road, he takes everybody out, which is happening. But the day the neighboring farmer retires, he goes down the road to the big guy and lets the small beginning farmer out. He's not as well established. There's risks there. Bankers know that. This is an attempt not only to make the incentive for the young person but for the retiring farmer to

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

appreciate the fact that he could take a chance on a young guy and get a-- get some credit for it too. And as I said in my previous comment, if the going rate on rent, which is various, 200 to 300, at least there is-- he could take the lower rent and get some assurance in the-- in the property tax relief, or whatever. So it's an attempt to-- to do this. And as I see here, I know it's not 100 percent responsible for leveling out the age bracket in Nebraska, but it certainly didn't hurt it to keep young farmers started. And so it was an attempt to actually help both. And that's what I think it's probably done. But I don't-- I don't have details except observations.

LINEHAN: Thank you, Senator Wehrbein. Are there questions from the committee?

ROGER WEHRBEIN: And I want you to know, I sweat out blood when I brought that bill at that time. I was Chairman of Appropriations Committee. I hardly brought any bills in my 20 years that spent money. This is one I did and I'm happy it turned out. That and ethanol were the two bills that I spent a lot of money. But far as I'm concerned, they've worked out.

LINEHAN: Thank you, Senator Wehrbein. Anyone have questions for Senator Wehrbein?

ROGER WEHRBEIN: Thanks for the time. And I appreciate the bill. I think the bill-- the statutes need to stay dynamic. And this bill does that, brings it up. We have-- things are changing, as I said, on the farm. I don't want to pursue it too far, but who knows what we're going to be in five years. We may have all automated foremen and we don't even need just but a few people run a computer. That's an exaggeration, but it's going on in the world today.

LINEHAN: Thank you very much.

ROGER WEHRBEIN: Thank you.

LINEHAN: Take care. Other proponents?

JOHN HANSEN: Again, good afternoon, Madam Chairman, members of the Revenue Committee. For the record my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I am president of Nebraska Farmers Union. We are in enthusiastic support of LB623. It embraces the opportunity to make a necessary and positive update in the statutes in order to be able to make an existing program work better and work in a fashion that's

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

consistent with the particulars of the statute. So of the three different policy options before the committee, this is the one that helps put a badly needed and keep a badly needed tool box in the tool box relative to farm succession. We have partnered with the Nebraska Department of Agriculture, the University of Nebraska Extension, Legal Aid of Nebraska who has been the primary player, along with others that have put together succession workshops with our Nebraska Farmers Union Foundation. So we've helped underwrite part of those costs. So I think we did about 18 public information workshops. They're pretty much day-long affairs in 2017, and again in 2018. We're back at it again in 2019. Farm succession is extremely difficult and it is-- we-- we work with a bunch of folks that are optimists to the point that a lot of them, I believe, have come to believe that they will never die. And so as a result, it is difficult to get folks to do succession planning. So this tool helps force the issue. So, I know of young producers; a young producer in particular that had three contracts, was able to secure one from his family and went down the road and talked neighbors into participating in this program so he could compete with those bigger farmers with deeper pocketbooks who tend to rent cash-- rent land away from beginning farmers. So did it work in that instance? Yes. And so is this a helpful tool? Yes, it is. Could it be better? Sure. But I thank everyone involved in this process, and Senator Williams for bringing it forward, because I think it gives us an update that's needed and I think it keeps a tool in the toolbox. And in the case of family members, I have not the least bit of heartburn at all because in a lot of cases it's extremely difficult to find anyone in your family who wants to take over period. And so where we're talking about not just kids, but nieces, nephews, cousins, all kinds of folks. And the-- the desire to keep land in the family is strong. And so the hurdle to try to get anybody, including people in your own family, to do estate planning and succession planning is high. So the advantage of this particular tool is that if it does go to a family member, I just look at it and go that's success; because with that agreement there is also the succession planning and there is also the agreement to be a part of turning over that land to the next generation. So success has been achieved. And so if you can kind of help edge it along, this is an incentive program. It's not a subsidy program. I'm-- I'm picking up from where the State Chamber of Commerce markets their opportunity to use taxpayers', money. So this is not a subsidy. This is clearly a cost-effective incentive. And with a smile on my face, I would tell you thanks. And would be glad to answer any questions if I could.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

LINEHAN: Thank you, Mr. Hansen. Senator McCollister.

McCOLLISTER: Thank you, Madam Chair. Welcome John Hansen. Do you-- you said you have some suggestions on making the bill better. Can you tell us what those suggestions are.

JOHN HANSEN: Well, you just-- you stand back and you look at it and you say, you know, how do we-- how do we more aggressively incent. And so given our state's resources and what we've been able to do in the political reality of that I've gone up against that and lost so many times that that's why I say, you know, thank you, Senator Wehrbein, for bringing this forward. It was as good as we could get. And so we've lived with that. But there's, you know, some states that have programs that do other kinds of things that try to recruit more, but-- and-- and more aggressively market it, do some of those kinds of things. And it's been, oh, maybe five, six, seven years before I really done the survey of other states to see what else is working. You know our program is considered OK. It's not the best program in the business, but it's a lot better than a lot of states who have next to nothing. So it kind of fits into, I think, what's-- what's going on. And I also I just, you know, thank the Beginning Farmer Board for their-- their efforts to try to make a program work.

McCOLLISTER: Thank you.

LINEHAN: Thank you, Senator McCollister. Other questions from the committee? Seeing none, thank you very much for being here, Mr. Hansen.

JOHN HANSEN: Thank you very much.

LINEHAN: Other proponents? Are there any opponents? Anyone wanting to testify in the neutral position?

DON ANTHONY: Thank you, Senator Linehan and members of the committee. The packets being-- my name is Don Anthony, D-o-n A-n-t-h-o-n-y. I'm chair of the Nebraska Beginning Farmer Board. I'm here to testify in a neutral capacity on LB623. I have documentation being distributed and ask to be placed in the record of this bill. This documentation is the same as you received for the previous bill. If you are keeping a file for each bill, you now have documentation for each file. So don't bother to read them both. And I'm not going to read my testimony twice. But as I've listened here, there are three small points that I would like to address, if I may. Number one, how did we get started?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

Well, I wasn't on the board at that time and we-- our administrator is different too, so we don't actually know. But I came on the board 15 years, almost 16 years ago, and the understanding was that we were limited to one lease per given asset, and we very carefully tracked legal descriptions, anything like that on the assets that are used in these cases that they cannot be in the program twice. And so that's where our history of one lease how-- and I assume that was done with legal counsel. I don't know. So that's how that came to be just for clarification. And as to our implementation, the Audit Committee said we didn't push back. Well, when we looked at it, we had the deadline in January to respond and so we decided to go ahead and implement the one lease restrictions because we had everyone through the system that had applied under the old rules, if you will. And we are not planning to do any more approvals until August. So we await your judgment. So that is how we've worked out why we didn't try to start a fight with them. Let's just let this get sorted out between these bills and then we'll administer it to the best of our ability. The third point, just a very small one on the flex cash rent, we did not change our rules on that. If you look at the University of Nebraska-Lincoln, Department of Ag Economics, literature, and several others, flex rent leases are considered a form of cash rents. So we feel that they are, and as been previously talked about today there is a whole continuum of leases from a very pure cash rent on one side to a very pure share everything share crop on the other, and there's everything in between. And the flex-- and both of those are approved specifically in the bill, the flex rent is in the middle. I don't see how you can exclude it. So those are just points of information. Do you have any further questions for me?

LINEHAN: Thank you. Are there questions? Senator Briese.

BRIESE: Thank you, Chairman Linehan. Thank you for your testimony again. So you have been recognizing flex leases?

DON ANTHONY: Yes, we have.

BRIESE: And how do you determine the amount of value of those leases?

DON ANTHONY: We are taking the base cash rent as-- as cash rent. And then we are looking at them. We have a formula that values flex rent and we just look at where we're at on the price. And right now, most of them there is no bonus. So it's not an issue. But we use our formula for cash rent for whatever goes above that. It's not easy. But again, how do you change between, you know, I've seen cash rent-- or

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

flex rents-- not flex rents, excuse me, share crop rents that every crop input and all of the crop is shared. And I've seen ones-- and some of them are one-third; some of them one-third, two-thirds; some of them are 60-40; some of them are 50-50. Then you have ones where the fertilizer is split, the fertilizer and irrigation costs are split, and the insect control is not; or the herbicide control is not. It's all over the board. And I don't know how you, you know, you'd be writing legislation this high to try to define every one of them and you'd still miss one.

BRIESE: So when do you determine the cash equivalent of a share rent agreement?

DON ANTHONY: At the time of application. And then if something changes, the participants are allowed to come in and provide documentation that it has changed and we will change that year, provided there is proper documentation for it.

BRIESE: So how do you determine price at time of application?

DON ANTHONY: If we have a formula based off of the futures markets that Professor VanMark--

BRIESE: When do you determine yield?

DON ANTHONY: That's judgment call. We look at, you know, the beginning producer provides that. That is the point of having a producer from each congressional district on the board. It's very strictly-- it's the same thing as what rent is too high. It's a very much a judgment call. I wish there was a better way. Don't know what it is.

BRIESE: When you say time of application, you mean up front though?

DON ANTHONY: Yes.

BRIESE: Really before the crop year.

DON ANTHONY: Yes.

BRIESE: So you're estimating or predicting yield, you're predicting price. What about inputs, same story?

DON ANTHONY: The-- well, the inputs don't factor into it. We convert it to a cash rent equivalent.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

BRIESE: Well, depending upon the type of lease, input could enter into it, couldn't it?

DON ANTHONY: Yeah. Well, the share crop, you're looking at the landlord's portion of it. And we take their yields and their and that's his income. So that's what the same as what a cash rent would be.

BRIESE: But some share rental arrangements land [INAUDIBLE].

DON ANTHONY: It's not perfect, Senator. It certainly isn't.

BRIESE: OK.

DON ANTHONY: But basically it's what's on the application.

BRIESE: OK. And then in the statute it talks about 10 percent of the gross rental income stated in a rental agreement that is a cash rent agreement. But a flexible cash rent agreement is not going to have a rental income stated in that agreement.

DON ANTHONY: You will have a base amount that is cash. And then there will be an adjustment-- usually it's just an adjustment up. What we saw happen, if for a historic point, is about five, six years ago when we were seeing the huge run up from \$2.5 to \$3 corn up to-- got as high as what, \$7, \$8; all of sudden landlord said, hey, I want a whole bunch more rent, you've got a windfall. And most farmers were astute enough to say this doesn't last. I'm not signing three, five year agreement based on this. So then you go-- this is where you started seeing this, OK, we'll keep the cash rent down about where it's been, you know, and-- but then we'll put a bonus on so when the tenant gets a windfall from a high price, the landlord shares. That's the basic idea behind it, you know, in a very simple manner.

BRIESE: OK. Is it fair to say though that we predict the landlords share of the share rent agreement up front, and by the end of the day their share may be somewhat less than that.

DON ANTHONY: That's exactly right.

BRIESE: And so their 15 percent could turn into 20 or 25 percent or more pending on the year.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

DON ANTHONY: Depending on the year. And it can also go down to five or seven.

BRIESE: OK. Thank you.

DON ANTHONY: It's a two-edge sword on a share crop.

FRIESEN: Thank you, Senator Briese. Any other questions from the committee? So if somebody comes in with a \$400 cash rent, do you approve that or do you look at it and say, nah?

DON ANTHONY: In today's environment?

FRIESEN: Yeah.

DON ANTHONY: It would absolutely be no.

FRIESEN: Would you-- would you set a different number or do you just deny the application?

DON ANTHONY: We would just deny the application.

FRIESEN: OK. So you-- and again, going back to the share rents, you can't hit it perfectly. You're doing the best you can, but you do have a-- I take it you have some estimates and you try to stay within a range.

DON ANTHONY: Yes.

FRIESEN: So it doesn't get too far out of whack.

DON ANTHONY: With most of that, it's just experience, judgment what we know from our network--

FRIESEN: Right.

DON ANTHONY: --each of us as producers and--

FRIESEN: OK.

DON ANTHONY: --and Dr. Lubben from what he hears at the university.

FRIESEN: Thank you for your testimony. Seeing no other questions.

DON ANTHONY: Thank you very much, appreciate your time.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

FRIESEN: Thank you. Any other want to testify in a neutral capacity on LB623. Seeing none, we have proponent Rocky Weber, Nebraska Cooperative Council; and Steve Martin, We Support Agriculture. That's all. Senator Williams will close.

WILLIAMS: Thank you, Vice Chairman Friesen. And thank you for your indulgence this afternoon on the beginning farmer issues that we're talking about. Seems to me the committee is-- is saddled with making three choices. One is whether you continue the Beginning Farmer Program at all, whether you believe that this incentive works. I hope you have heard testimony from both Suzanne Geist and from me that demonstrates that the program does work and is valued at continuing. I am reminded of the old Will Rogers quote about life insurance. Anybody that doesn't like life insurance should try dying once without it. And I would not want to see us kill this program. Second choice is to go with the LB560, the bill that was brought forward there. Again, as you saw from the handout that that I handed out that would substantially cut back on the potential for benefiting young farmers, or beginning, I should use the term beginning farmers in our-- in our state. So I would say that's-- that's potentially not the best option, or LB623, the legislation that I'm proposing which puts into statute what is currently being done by the Department of Ag and the board of the Beginning Farmer approach. So with that I would encourage your adoption and forwarding LB623 as you heard with the priority of the Performance Audit Committee. Thank you.

FRIESEN: Thank you, Senator Williams. Any questions from the committee? Senator Briese.

BRIESE: Thank you, Chairman Friesen. Thank you, Senator Williams, for bringing this. And thank you for your testimony. I do note that in Section 2, the new language would suggest a flex or variable rent agreement is an alternative form, etcetera, etcetera, in which it's adjusted for actual crop yield, crop price, or both. So that would suggest that we would have to look at actual yield or crop price as opposed to possibly the current way of how we're doing it?

WILLIAMS: That's-- that's what I would suggest that means; that's the language that they brought to me on that, Senator Briese.

BRIESE: OK. Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

FRIESEN: Thank you, Senator Briese. Any other questions from the committee? Would you be willing to get me the number that-- of the 18 related parties, what those dollars were a percent of the total.

WILLIAMS: I'm assuming that's a number that they can produce for us; yes, Senator Friesen.

FRIESEN: If it's possible, I'd like to see that. Seeing no other questions, thank you, Senator Williams. And we'll close the hearing on LB623. OK, we will now open the hearing on LB542. Welcome, Senator Lowe.

LOWE: Thank you, Vice Chairman Friesen. And thank you members of the Revenue Committee. This is my first time here. I hope it's not my last.

FRIESEN: We are a friendly bunch.

LOWE: That's not what I hear, but it is today, it is today. My name is John Lowe, that J-o-h-n L-o-w-e and I represent the 37th District. Today I'm here to introduce LB542. This bill is intended to create an income tax credit for individuals who enroll in firearm safety courses as a way to encourage further education in the area of firearm safety. The credit would be limited to \$100 or the cost of the course, whichever is less. There would only be available to individuals once every five years. The idea for this bill came around during gun control conversation that was going around last year across the country. One of the more interesting examples of possible strategies in reducing gun-related tragedy was how the country of Israel addresses proper firearm handling. Israel requires training and continued education as part of the process of owning a gun. Israel can enact these mandates because private gun ownership is considered a privilege. However, in the United States, private gun ownership is a protected and-- and-- and an important right of the people. Even though Israel is very different challenges relating to violence and fundamentally different philosophy regarding gun ownership, I found the underlying concept of encouraging more training to be very interesting. I witnessed a number of gun owners in Nebraska who could benefit from training and continued education. Though I am completely opposed to mandating such training and continued education because I believe that it would be unconstitutional. I do think there are ways we can encourage such training though. After reading and listening to different individuals on both sides of gun control debate that came up with what I believe is a unique approach on some of these issues. If a

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

mandate, the stick, is unconstitutional, then why not offer a carrot in terms of a tax credit? The state of Nebraska uses tax policy to attempt to influence the behavior of groups and individuals. So perhaps we can approach the issue of responsible gun ownership in the same way. So that is why I brought LB542. As mentioned earlier, this bill creates an income tax credit of up to \$100 to take a firearms safety course. This-- the bill borrows very closely from existing statute in regard what is taught through the concealed carry class. In fact, if you look at 69-2432 and Section 4 of LB542, you will notice that they are-- that they are-- that there are only very slight changes. The first change is in that section of Section 4 of my bill. We will combine both Section A and B from 69-2432 and change the word from "handgun" to "firearm," and then added "including how to properly and safely clean a firearm and clear a malfunction in a loaded firearm." I wanted to add the language to ensure that people would be trained specifically to respond properly to these two common issues which is so often-- which has so often led to tragic active-- accidents on the part of otherwise responsible gun owners. We constantly hear stories of individuals improperly cleaning their guns with tragic results. The victim of such incidents was often an innocent bystander such as a spouse or a child. Proper education can lower the risk of these terrible mistakes. The other common situation that leads to accidents is when a malfunction occurs in a loaded firearm. I myself have witnessed individuals who are not properly educated to deal with such situations. As a matter of fact, one of my own sons was nearly shot at a gun range because an individual did not properly deal the malfunction of a firearm. In this section dealing with proper storage, the only major change was adding the word "theft" before "accidental injury to a child." I wanted to add this language dealing with theft because there are always concerns of people having their firearms stolen and later used in a crime. This is especially true in regard to people who have firearms stolen after leaving them in an unattended vehicle. The only other change in this bill from 69-2432 is the addition of a mental health component. As one looks at the data concerning firearm death in any given year, it is clear that in every year dating back to at least the 1980s that suicide is constantly the leading cause of death by firearm. That is why I think it is important to include mental health support in this bill. The committee is-- if the committee is interested in adding more specifics for the mental health component, I'd be happy to have a conversation about what can be done in this bill. I want to make it clear, this bill does not allow someone applying for a concealed carry permit under 69-2432 to use this income tax credit to pay for a concealed

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

carry permit. I believe there is a legitimate reason for the state to encourage responsible gun ownership, but I would be concerned about the state directly paying for an individual concealed carry. At the end of the day, this bill does not make it easier to get a firearm. It does not encourage people to buy a firearm. It does not allow for more concealed carry permits. It does not infringe on the constitutional rights of our citizens. What this bill does is provide a tax credit to encourage individuals to seek out better education to become more responsible and better firearm owners. With that I would be happy to answer any questions.

LINEHAN: Thank you, Senator Lowe. Are there questions from the committee? Seeing none--

LOWE: This is a good group.

LINEHAN: They get less energetic as we move forward. Proponents?

SHAWN STEINER: Chairman, committee members, thank you. My name is Shawn Steiner S-h-a-w-n S-t-e-i-n-e-r; I'm the president and owner of Steiner Academy of Firearms Training and Steiner Academy of Martial Arts. I was asked to come and talk a little bit about how I thought this would be a good bill. I've been doing training for a long time. I've been training people for over 10 years. I've been doing training myself for longer than that. The things that the senator said about there being people that have firearms and maybe don't have the training that they should have is true. But that's true with anything. I find that the educational process of teaching people firearms instruction makes them more responsible, encourages their family members and their friends to be more responsible, and in general is a safety issue. I run across plenty of people who shy away from training because of the cost. And I think an incentive like this, which develops a desire or maybe an opportunity to give further training, is a great idea. I think that covers it.

LINEHAN: Thank you very much, Mr. Steiner. Are there questions from the committee? Senator McCollister.

McCOLLISTER: Thank you, Madam Chair. What's the cost for a training course?

SHAWN STEINER: It depends on the length of the course and the material, sir. This concealed handgun permit course is not in this bill, but a basic training course like that would be somewhere around

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

a \$100 depending on the length. If it was a two or three hour class, it could be definitely be shorter. I pay up to \$800, \$900 to go to classes sometimes, but those are from national known, high-dollar people and really high-technical material. A safety course like this, like an NRA safety course, or as it's stated in the CHP law, that should be around a hundred bucks.

McCOLLISTER: So would that include the requirement the state of Nebraska has for young hunters to get a license? What would that cost?

SHAWN STEINER: You know, I don't know. A lot of times the people who provide that hunter safety course do that voluntarily. So I don't know if there's a cost required for that at all. It's not in my purview, I don't do that.

McCOLLISTER: So is the cost different for a handgun versus a shotgun or a rifle?

SHAWN STEINER: As far as the class, the instruction? No, I wouldn't think so. I mean it depends on individual instructors, but generally speaking my classes are on the material, the amount of time, the amount of setup, the investment that I have into it. I try to keep my class-- my classes priced competitively; but also on the lower end so that lots of people can take them because I think instruction and training is a really important thing.

McCOLLISTER: If-- if I recall correctly, don't you have to go through a training course in order to get a handgun?

SHAWN STEINER: No sir. In order to get a handgun; and don't quote me on this, I don't have it all, but in order to purchase a handgun you need a purchase permit which goes to the-- in Douglas County you go through the Douglas County Sheriff's Department, they run a background check, there's a fee. Then you can go and do that. And in Omaha, you have to take that handgun and register it with the city beforehand unless you have a concealed handgun permit.

McCOLLISTER: Thanks for coming.

SHAWN STEINER: My pleasure. Thanks, Senator.

LINEHAN: Thank you, Senator McCollister. Other questions? Senator Friesen. No. Anyone else? Senator Lindstrom.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

LINDSTROM: Thank you, Madam Chair. Mr. Steiner, good to see you.

SHAWN STEINER: Good to see you.

LINDSTROM: So if I had to-- I know they do some of these classes, how-- is it beginners, is it intermediate, advanced; how many different classes can one take? And how advanced or how--

SHAWN STEINER: The amount of training you want to get is really endless. I teach-- I teach firearm safety to children. I teach it to women, specifically; I teach it to women in groups; I teach it to men. I teach it to beginners. I teach it to advanced. I teach it to law enforcement professionals. So the material there that is covered in this is mostly basic safety, so cleaning, operation. And I've found in my experience that there are a lot of people that don't know what they don't know. So they come to a class, even if they are fairly experienced or they're-- I've been hunting since I was 10 or whatever, I've been shooting with my grandfather since on the farm, and they come in and I go--you've been doing that wrong for a long time. Which you need to understand these basic things. And overall, people who go to training classes are people who want to be responsible. They want to be good owners, they want to be good example of gun ownership. And I think that an incentive like this would go a long way to help people that are on the fence, because I run across a lot of people going--I ain't paying money for that.

LINDSTROM: Thank you.

SHAWN STEINER: Thank you, Senator.

LINEHAN: Thank you, Senator. Lindstrom. Other questions? Seeing none, thank you for being here, appreciate it.

SHAWN STEINER: Thank you, Chairman.

LINEHAN: Other proponents? Good afternoon.

JUSTIN GRUSING: Good afternoon. Chairwoman Linehan and members of the committee, my name is Justin Grusing, J-u-s-t-i-n G-r-u-s-i-n-g. I own Nebraska Shooters Training Academy. Nebraska Shooters teachers a wide variety of firearm training courses throughout the state of Nebraska. I am testifying in support of LB542 on behalf of the Nebraska Shooters Training Academy. As everyone knows, the Second Amendment is a fundamental part of our lives as Americans, even though not everyone agrees with its importance. One of the most distracting factors of the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

benefits of firearm ownership is the potential for accidents. Like any other tool, training is important to avoid personal injury. In past-- in the past, parents taught their children firearm safety because marksmanship skills were an important part of survival. Today, shooting has become more of a sport than a necessity, and many of our youth never acquire firearm handling skills. This leads to a population of untrained adults. We teach approximately 100-- 1,000 Nebraskans in our concealed handgun permit course every year. A surprising number of people take this course simply to obtain the knowledge and skills required to safely own and use a firearm with no intention of obtaining a concealed handgun permit. But there are also many who do not take the course at all because they cannot afford it. Most conceal carry classes cost between \$100 and \$150, plus they are required to pay an initial fee of \$100 for the background check and permit. Strong supporters of the constitution are sometimes regarded as hypocritical when promoting the idea of required training to exercise a constitutional right. This specifically says it shall not be infringed. To lessen the hypocrisy, I typically-- typically try and explain that this training is an investment that will likely make them safer and more knowledgeable about the many laws that will affect them as a gun owner. By the time they finish a long day of class, they always agree that they learn extremely valuable information that they are glad that they took the class. There is no statutory requirement for these students to take a refresher course unless they allow the permit to expire. Most of our students who took the course several years ago agree that they cannot remember all of the information we presented in the class and would benefit greatly from taking the class again. Education and training are perishable, so it's important to encourage continuing education for firearm owners. There have been record gun sales in the past decade resulting in many new gun owners without proper training. This bill would encourage gun owners to obtain quality training. Many laws have been made in an attempt to reduce crime, but the notion that we can influence criminal behavior by making laws is absurd. By definition, criminals do not obey laws. So creating more laws will have very little effect on their behavior. Anyone who has studied psychology knows that changing behavior is accomplished much more effectively through positive reinforcement. This proposal encourages positive behavior which will lead to fewer firearm accidents. If this bill were to pass, the financial burden associated with training would be significantly reduced and would likely increase the number of people who are able to obtain firearm

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

safety training. Once again, thank you, Chairman Linehan and members of the committee. I'd be glad to answer any questions you might have.

LINEHAN: Thank you. Are there questions from the committee? Seeing none, thank you very much for being here. Are there other proponents?

DOUGLAS ATKIN: My name is Douglas Atkin, D-o-u-g-l-a-s A-t-k-i-n. Appreciate the opportunity to speak before the Revenue Committee today regarding LB542, the Firearm Safety Act. I want to express my appreciation and commend Senator Lowe for introducing this legislation and bringing forth an issue that is very important and personal to me. On July 1, 2016, my daughter, Heather, her husband, Joe, a United States Army Captain, were traveling with their son who soon to turn three years old, Matthew, were coming from Wilmington, North Carolina, to their home in Fort Riley, Kansas. They stopped at the home of another Army captain in Clarksville, Tennessee. He's a West Point graduate, a classmate of my son-in-law, Joe's, one of their groomsmen at the wedding. They stopped to spend the night. While there, Matthew found a loaded gun on a nightstand in the bedroom where they were to spend the night. Matthew picked it up. He did not see his third birthday the next day. This issue is very, very important. I'm a highway engineer by profession, and when we consider highway safety we talk about three E's: engineering, education, and enforcement. These same three E's apply to gun safety. Similar to vehicles and roadways, guns have a built-in safety features by design. In addition, there are many safe storage options that are available. This is the engineering side of guns. Senator Lowe's bill addresses the second E, education, and I support it for that reason. However, without the third E, enforcement, there isn't a way to hold people accountable for negligent or irresponsible behavior. The individual that left a loaded gun laying on the nightstand in his home was well educated in gun safety procedures and gun handling procedures. However, there were no consequences for the negligent gun storage that led to my grandson's death. So in addition to addressing education, legislation should address account-- accountability through enforcement. This isn't restricting guns or restricting gun ownership, it's simply making people accountable for their choices. I grew up shooting guns and hunting. I own guns. I'm not asking you to outlaw guns or restrict gun ownership, but simply to hold people accountable and responsible for their ownership of their guns. Lastly, if you have kids, grandkids, or other loved ones, hold them tight, hold them dear. If you have guns,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

lock them up and keep them safe. Thank you. Do you have any questions for me?

LINEHAN: Thank you. Mr. Atkin, for being here. Are there any questions from the committee? I'm very sorry. Thank you very much for being here.

DOUGLAS ATKIN: You bet.

LINEHAN: Are there other proponents? Are there opponents?

AMANDA GAILEY: Hi, my name is Amanda Gailey, G-a-i-l-e-y. I'm president of Nebraskans Against Gun Violence and we oppose this bill. I believe what we heard and the presenting testimony from Senator Lowe was a great argument for a rigorous safe storage law for the state of Nebraska filtered through a revisionist and inaccurate interpretation of constitutional law and what various decisions have been around the country regarding what the right to private gun ownership is and what reasonable restrictions governments can put on that right. The state of Massachusetts has a tough safe storage law that's required to purchase and own a gun in the state of Massachusetts. And among the 10 states that have the lowest gun death rates in the nation, we see extremely dense populated states including New York, Connecticut, Massachusetts, all of which have laws stipulating either at city or state levels that people must keep their guns responsibly stored or meet training requirements prior to ownership. None of those laws have been deemed unconstitutional, despite what the NRA brainwashes its followers into believing. There were specific reasons that we oppose this bill is that it takes money that should go into public funds that we desperately need now more than ever and uses it to incentivize purchasing a firearm. Suddenly buying a gun comes with a little bit less of a burden, makes it a little bit easier to do, and introduces a risk into our community. Guns do not decrease crime. They do not decrease violence. They increase crime and violence. LB542 uses money that should go into public funds to subsidize firearm training. And firearm training, while the previous testifier may be a responsible teacher himself, it is overall an under-regulated industry. The National Rifle Association, which is a lobbying arm of the firearm industry, is the principal entity that issues certification to train firearms. So what we're really doing with this bill is taking money out of Nebraska public funds and funneling it into the pockets of the National Rifle Association. And I have attached a couple of documents that have come my way that just show some of the problems that happen when we start encouraging people to buy guns and then help build this

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

industry that gives people a false impression of their own safety training and what they're supposed to be doing with their weapons. So the first document is a screenshot of a currently certified firearms instructor in Nebraska, who a few years ago on Facebook was boasting about how he will only train Muslim Nebraskans if they publicly denounce militant Islam, as he called it, prior to the training. So what this bill is doing is saying that it's OK to take our public money and give it to a man who is using it for religious discrimination in our community. The second document is a flyer from the company 88 Tactical that you guys might recognize from driving into Omaha; 88, incidentally, is a well-known white supremacist code term. This organization sponsored a speaker, John Guandolo, a year ago, to give a class called Understanding the Threat, Protect Yourself, Your Family and Your Country. And it specifically is about supposedly teaching people to recognize the, quote, secret strategies of the, quote, Muslim Brotherhood among them. So once again, we have thinly disguised white supremacists who are using the facade of gun training to be injecting paranoia and racialized fear in our community, specifically to people who they are promoting gun usage among. This is a completely inappropriate use of public funds that should be something we're discouraging not encouraging.

LINEHAN: Thank you very much. Are there questions from the committee? Seeing none, thank you very much.

AMANDA GAILEY: Thank you.

LINEHAN: Are there other opponents?

DONNA ROLLER: Good afternoon. My name is Donna Roller, D-o-n-n-a R-o-l-l-e-r. Sorry. And I agree with the previous testimony. While I think Senator Lowe's bill is a good attempt to try and get some gun safety, I think it does the opposite. And let's first be clear, I don't own any guns. I think this thing, this issue about guns and everybody needs to own a gun, and all these mass shootings, I don't understand it, I really don't. It's involved around hate. And so I think we need to be addressing hate crimes. We need to be addressing the white supremacy. We need to be addressing those groups. And I don't see anything in this bill about AR-15s rapid fire ownership. Are those included in these safety lessons? And 100 percent of our mass shootings are because of a white supremacist with a very rapid fire automatic weapon. So I think that is the biggest threat to us right now. And they are in Nebraska. And there was some language in the beginning of the bill that I kind of didn't like. It was like

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

reinforcing the right to own a gun by our constitution and I didn't think that was necessary. Nobody's on restricting gun ownership right now. And then the fiscal note was \$59,188 and it's like we're ready, don't have money, because I have the physical note right here. You've probably seen it yourself. Disproportionate amount of taxes that this committee is not addressing. And the corporations are right down here. And every bill that is introduced to equality-- to make-- equalize our tax burden is thrown out. And so this is a small bill that will make supposedly \$670,000 of revenue, which is a drop in the bucket of what this state needs. So I don't really understand where that revenue is going to come. That's because I don't understand the economics of it, I guess. But-- there's a lot of things you to give tax credit for, and when you're giving a tax credit, you're encouraging a certain behavior. And I just want you to know that this is the reason I'm here today. You guys are not doing your job. And I was at a county commissioner meeting yesterday and the farmers were testifying on wind bill regulations in this county, because these farmers have been given up, they've given up on any meaningful tax legislation by this Legislature and they are desperately looking for ways to hang on to their farms. And one farmer has not seen any profit for the last four years. And so what I'm saying is, you're addressing gun bills, you're addressing this bill, this bill, this bill, but you're not attacking the real problem of the state. And now we have a terrible disaster in our state, and I think those kind of things should be taking priority. And I really don't think you're representing the mass majority of the people of this state. It's all about the wealthy and the rich, and because these people aren't getting any benefits from what you're doing here.

LINEHAN: Thank you very much. Are there questions from the committee?

DONNA ROLLER: Thank you.

LINEHAN: Seeing none, thank you. Other opponents? Anybody wanting to testify in the neutral position? Senator Lowe, would you like to close?

LOWE: Thank you, Chairwoman Linehan. I appreciate the time here. And this is a great committee by the way.

LINEHAN: We'll see. [LAUGHTER]

LOWE: You know, I did look up, while I was sitting out there, that the Nebraska hand-- safety course for the-- for the youth is \$5 for the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

certificate. So I don't think you'd use that for this. I'd like to thank the testifiers that showed up today, both pro and opponents. I'd like to thank the testifiers that were going to show up today. But because many of them are National Guardsmen or Reserves, they're busy working doing the goodwill of the people. So thank you, and my heart goes out to Mr. Atkins for his loss. And that is one reason why we need something like this bill to encourage education in-- in the use and safety of handguns. When I grew up, my grandfathers, my father would always take me out. And the first thing they would do is you'd go out with an unloaded gun and you learned to break that gun down, you learned how to put it back up, and then they would jam something in the barrel and then you had to clean it out. I saw a gun-- a shotgun one time go off where a fellow had stumbled and jammed mud into the end of the barrel. It peeled it back. It almost hit him with the flying metal and shrouds. Metal went everywhere. He should have had the knowledge of checking the barrel after he tripped and stumbled. Safety is our major concern when we're using firearms. Most of us that have been using them for, well, as old as I am now, we were all taught by our fathers and grandfathers. That's not being done anymore. We need to encourage people to use education, to learn how to use their weapons so that they're not even only protecting themselves but others, not only in their home, maybe in a home next door. So that's why we brought this bill, just as a little encouragement by offering a tax credit to pay for this and not infringing on anybody's rights. Thank you very much.

LINEHAN: Thank you very much, Mr. Lowe. Other questions? Mr. Lowe-- Senator Lowe. Are there questions from the committee? Seeing none, thank you very much.

LOWE: Thank you very much.

LINEHAN: With that we bring-- oh, letters for the record, I'm sorry. We have proponents: Travis Couture, Lovelady, National Rifle Association. Opponents: none. Neutrals: Sarah Curry, Platte Institute. And that's that. We will open our last hearing from our own Senator Brett Lindstrom, LB605.

LINDSTROM: Good afternoon, Madam Chair, members the Revenue Committee. My name is Brett Lindstrom, B-r-e-t-t L-i-n-d-s-t-r-o-m. I am representing Legislative District 18 here today to introduce LB605. I'm introducing LB605 to adopt the Renewable Chemicals Production Tax Credit Act. The bill creates a program to attract renewable chemical businesses to locate their initiative companies-- excuse me,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

innovative companies in Nebraska where they will add tremendous value to our ag economy. In order to be considered a renewable chemical, the product must be made from agricultural products. More specifically, the renewable chemical must be developed using biomass as the feedstock or raw material. A new renewable chemical industry is developing to create high, higher-value products from inputs available in Nebraska like ethanol, displacing petroleum based products with renewable alternatives made from our state's resources. You will hear from one of these companies that is at the forefront of this technology and has already made a substantial investment in our state that will be adding value to Nebraska as corn and ethanol industries for years to come. While Nebraska already has this initial-- innovative company located here, this is a newly developing and growing industry that Nebraska is uniquely positioned to attract, expand in their state-- in our state, excuse me. I passed around a publication published by the Corn Board that highlights on pages 4 and 5 how this industry can grow our state. It highlights a company locating in Blair that will be utilizing corn-based product to grow algae to produce an Omega-3 fatty acid feed additive that will feed salmon around the world. In order to build on Nebraska's potential to recruit these types of value-add agriculture companies, LB605 incentivizes renewable chemical production through the use of tax credits based on weight authorizing a 7.5 cent per pound production tax credit. The bill caps the total amount of credits available under the bill to \$3 million in the first year of the program, which is in 2021, and limits the amount of credit-- credits that can be received by any applicant to \$1.5 million per year. The program will go to cap of \$6 million dollars in credits per year. This is meaningful investment and-- this is a meaningful investment amount that would position Nebraska well against other states that are working against us to recruit these types of companies. While Iowa has committed \$10 million and Minnesota has similar-- a similar program, LB605 utilizes a lower cap with more attractive incentives for the individual applicant. Nebraska's per applicant credit will be capped at a higher amount and will also offer a higher credit amount per pound produced. There will be a number of proponents behind me who can tell you more about the importance and the innovation in this industry. But with that, I will thank you, the committee, and be happy to answer any questions that you may have.

LINEHAN: Thank you, Senator Lindstrom. Are there questions from the committee? Seeing none, we expect that you'll be here to close.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

LINDSTROM: I will be here.

LINEHAN: All right.

LINDSTROM: Thank you.

LINEHAN: Thank you. Proponents?

PHIL KOZERA: Thank you. Good afternoon. Chairwoman Linehan, members of the Revenue Committee, my name is Phil Kozera, P-h-i-l K-o-z-e-r-a. I am the executive director of the Bio Nebraska Life Sciences Association. We are a trade association with 80 members statewide making innovative products and services impacting animal health, plant sciences, and bio based products. Bio Nebraska is a proponent of LB605 which supports the growth of the industrial biotech industry. Industrial biotech is reshaping our world by creating bio-based products ranging from plastics bottles to fingernail polish remover to clothing to packaging material. The exciting part for Nebraska is that manufacturers are finding ways to convert bio-based inputs like ethanol or biomass into these higher-value products. Early on, replacing petroleum or other traditional non-renewable inputs to make these kinds of products did not make sense financially. But the technology is changing rapidly and these bio-based products are starting to compete with petroleum-based products. Bio materials and renewable chemicals are areas of tremendous growth and opportunity for Nebraska. One reason this industry is poised to grow exponentially is that many multinational corporations have come forward with plans to reduce their carbon footprint and become more sustainable. Companies like Coca-Cola with their World Without Waste initiative and Nestlé with their commitment to making 100 percent of its packaging recyclable by 2025. In addition, the newly formed center for bioplastics and bio posits-- composites consists of companies ranging from John Deere to Ford to Sherwin-Williams. These companies are looking for products to fulfill their sustainability missions and industrial biotechnology offers solutions. Industrial biotechnology leverages many Nebraska strengths, notably the 1.6 billion bushels of corn produced annually and the 2.5 billion gallons of annual ethanol capacity. LB605 is a production tax credit. This means that companies must come to Nebraska, build their plant, hire employees, and start production before receiving any benefit or costing our state money. Qualified companies will receive 7.5 cents per pound, with a minimum production requirement of one million pounds. It authorizes up to three million in credits for 2021 and 2022; and six million for 2023 and 2024. In 1985, Nebraska had one ethanol plant. Today we have 25

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

plants spread throughout much of the state. Combined, Nebraska ethanol plants use more than 700 million bushels of corn per year and represent a \$5 billion economic impact to the state. They provide direct full-time employment for more than 1,300 Nebraskans. We believe industrial biotechnology holds the same promise for Nebraska. It's starting to happen. Recent examples include Veramaris in Blair, and Prairie Catalytic in Columbus, who you'll hear from momentarily. I'd like to thank Senator Lindstrom for introducing this legislation. As this committee works towards crafting a package that allows the Nebraska Legislature to further support agriculture in rural Nebraska, we believe LB605 deserve serious consideration as a component of that plan. Thank you.

LINEHAN: Thank you very much for being here. Are there questions from the committee? Senator Groene.

GROENE: Are you talking about plastic bags made out of bio material instead of oil products-- petroleum products?

PHIL KOZERA: So, we're talking about products that are today made from petroleum.

GROENE: Plastics.

PHIL KOZERA: But it ranges from everything from components in our cars, the bottles that we have in front of us today, to clothing, to pharmaceuticals. So it's a really diverse opportunity from a products that are being produced.

GROENE: So a growing company, a million pounds isn't a lot of plastic bottles or plastic bags or gallons of paint. They're going to be-- to be economically feasible, they're going to be millions of pounds, right?

PHIL KOZERA: So what we're looking to, with this legislation, is to attract those companies that are looking to scale up. And we think Nebraska is a great place to scale. So the minimum production would be a million pounds, which would be very small. And the max, based on the numbers, would be 20 million pounds. But our hope is to attract those companies that are looking to scale. Once we get them here, they've made that investment, they're scaled up, then when they look to expand they're going to--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

GROENE: I've been into ag all my life, and I used to manage fertilizer plant, say 30 years ago, back then we had little packets of chemical; you threw the plastic bag and it dissolved because it was made out of corn. This isn't nothing new is it-- this bio?

PHIL KOZERA: So the-- so the newness is that the technologies that we have today are finally able to compete from a price standpoint with petroleum-based products. And historically that's been the issue.

GROENE: So you needed the credits 30 years ago, you don't need it now because the economic model now works.

PHIL KOZERA: Well we will, and as I referenced in my testimony, companies will come to Nebraska, but--

GROENE: That's not my point. So it's feasible now you're just competing with other field game again to compete with the other state.

PHIL KOZERA: This will accelerate the growth. And when we look at the ethanol industry and the impact that that's had on rural Nebraska and agriculture--

GROENE: Thank you.

PHIL KOZERA: --we think this will mirror that.

LINEHAN: Thank you, Senator Groene. Senator McCollister.

McCOLLISTER: Thank you, Madam Chair. Thank you, Mr. Kozera, for being here.

PHIL KOZERA: Thank you.

McCOLLISTER: You're absolutely right, you know, these value-added products have a promising future in Nebraska. But we're-- you're asking us to do is establish another incentive program for those businesses, correct?

PHIL KOZERA: Correct.

McCOLLISTER: The wide range of incentive programs we have now, are those insufficient to-- to incent those companies to expand in Nebraska?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

PHIL KOZERA: The programs that we have today, these types of companies would not qualify for those programs.

McCOLLISTER: Why is that?

PHIL KOZERA: Because the fact that the investment capital with the wage growth that current Nebraska Advantage focuses on job numbers and not quality of jobs, per se. And these companies tend to employ lower numbers of people at a much higher wage.

McCOLLISTER: Well the program we're working on now, the Imagine Act would actually incent higher wage jobs, whereas the Nebraska Advantage Act did so. But thank you for coming today, and thank you for the information.

PHIL KOZERA: Thank you.

McCOLLISTER: Let me ask one other question.

PHIL KOZERA: Yes.

McCOLLISTER: Apart from the employment issues, are there any other issue related to current number of programs we have in Nebraska that you could utilize?

PHIL KOZERA: There are programs through the Business Innovation Act that some of our smaller companies can utilize, especially those that are really looking. It's actually earlier than the scale up, but they're-- they're looking at the developmental, so it's very early on. But the programs that we have in the Business Innovation Act, we can use to attract some of those real early stage companies.

McCOLLISTER: Thank you.

LINEHAN: Thank you, Senator McCollister. Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. Are there any-- these are going to be all new companies that are starting to produce. There is no current companies producing that could apply under this?

PHIL KOZERA: Well, we could have companies that have a new product that they're looking to expand. So, we could have existing companies that are looking to expand a new grain product.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

FRIESEN: Mostly for a new product, not something they currently manufacture.

PHIL KOZERA: That's correct.

FRIESEN: Is there any reason you chose a million pounds? I mean I'm just curious that number, because the way I take it sometimes or it could be a real high value product made that may not make a million pounds, but you're-- you set an arbitrary number there for a reason?

PHIL KOZERA: Well, there's a-- there was research that went into that, and in looking at the million pounds in the typical capital investment that a company makes to get to a million pounds, we thought that when we looked at those factors that we would establish that as the minimum threshold. You are correct, there are companies that produce really high-value products at lower levels. But typically when we're looking at the capital investment, it's at a million pounds or higher.

FRIESEN: So if a company applied now and say they're currently manufacturing a product but they're going to come out with a new one and that could be one application if they can engineer another product they could apply again under that product? And so you could have one company with multiple applications, but they're manufacturing multiple products?

PHIL KOZERA: But all new products. Yes. Yes.

FRIESEN: OK. OK, thank you.

LINEHAN: Thank you, Senator Friesen. Other questions? Senator Briese.

BRIESE: Thank you, Chairman Linehan. Somewhere here I saw that Iowa and Minnesota have some similar type program.

PHIL KOZERA: They do. Yes.

BRIESE: And how are they compared to this?

PHIL KOZERA: So the Iowa program, they've allocated more dollars to their program. But their program provides 5 cents per pound tax credit, where we're 7.5 cents. The Minnesota program is a little different in its nature. It's focused a little more on the value chain itself and it is funded at a much higher level.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

BRIESE: OK. Thank you. And in response to Senator Friesen's question, you indicated it had to be a new product perhaps. I'm not quite seeing that in here. I see the fact they expanded in our state after the effective date of this act. Are you sure that doesn't mean just expansion of capacity or--

PHIL KOZERA: It can be an existing company that is investing in the development of a new product. And I can find that for you, Senator Briese.

BRIESE: Because here in Section 7, it talks about its tax credit shall be amount equal the product of 7.5 cents by the number of pounds each calendar year in excess of the eligible business' pre-eligibility production threshold. Sounds to me like they're producing the same product and just to qualify for the credit.

PHIL KOZERA: I will get that clarified for you.

BRIESE: OK. Very, very good. Thank you. We talked about 7.5 cents per pound. I have no idea what a pound of these renewables are worth. What is the value of a pound? Maybe Senator Groene was asking that earlier, I'm not sure.

PHIL KOZERA: You know, it varies depending on the product. And we have a gentleman that will testify later from Prairie Catalytic that can talk to you about the specifics of his product.

BRIESE: OK. Thank you.

LINEHAN: Thank you, Senator Friesen, are there-- Senator Groene.

GROENE: Thank you, Chairman. So they're limited to four years.

PHIL KOZERA: Four years. Yes.

GROENE: And if they come out with another new chemical, they get another 4 years. Every time they can-- and who decides if it's new or just added an ounce of this and that to this same formula?

PHIL KOZERA: So the way that it's set up, from a approval standpoint, it goes through Department of Economic Development. And then from a tax credit standpoint, they apply for accreditation through the Department of Revenue.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

GROENE: So what was your position again? I mean no-- what--

PHIL KOZERA: I'm the executive director of the Bio Nebraska Life Sciences Association.

GROENE: So why didn't they just go to Senator Kolterman and add it into everything else but the kitchen sink is in there, why didn't they just add that in LB720?

PHIL KOZERA: Well we thought it was important because of the significance of this opportunity in agriculture and rural economic development that we look to have a specialized bill. We're not opposed to working with Senator Kolterman on LB720, but this is a real specific opportunity for the state of Nebraska and it's an area where we compete at a very high level today. And when we look at the significance of our ethanol footprint, this--

GROENE: Why do you keep bringing up ethanol? Because these two are related, or--

PHIL KOZERA: They are-- they-- well, the opportunity today is to develop co-products, and a lot of those ethanol plants will be great locations for co-products.

GROENE: All right, for their enzymes or using their by-products.

PHIL KOZERA: So the one that's in the handout that Senator Lindstrom, Veramaris is in Blair and they're using dextrose from corn to develop--

GROENE: And that's extracted through the--

PHIL KOZERA: It's extracted through the ethanol process.

GROENE: Ethanol process.

PHIL KOZERA: So they have a joint venture with Cargill on the Blair campus.

GROENE: All right. All right. Thank you.

LINEHAN: Thank you, Senator Groene. Other questions from the committee? Thank you very much for being here.

PHIL KOZERA: Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

LINEHAN: Next proponent?

LUCA ZULLO: Chairwoman Linehan, member of the committee, thank you for your time. My name is Luca Zullo, L-u-c-a Z-u-l-l-o. And I'm vice president of business development for Prairie Catalytic and the parent company, Greenyug. As was alluded earlier, we are building, we have actually built a plant in Columbus, Nebraska, to convert the ethanol into Ethyl Acetate. The plant was supposed to ship the first shipment of product to the market on April 10. The railroad condition right now probably delayed that for about a month, but the product-- the plant has been built and represents an investment of about \$50 million between capital cost and working capital in other and technology investment. The plant will employ about 20 people and our payroll is about \$1.7 million. So our lowest paying job is \$20 an hour. So due to relatively small amount of employee as typical of processing industries, our pay rate is much higher. Let me explain what Ethyl Acetate is at the core of these type of this bill is a chemical-- is a chemical that exist, but we are innovative in that this is the first time in the world that we produce Ethyl Acetate completely with bio-based resources. We'll take ethanol and convert it into a Ethyl Acetate through our proprietary process which is a process very similar to what you will find in the chemical industry, but the feedstock is different, is bio-based ethanol. And we produce 50,000 tons per year for under ten thousand million pounds of this product which makes it a world class plant under any circumstances, but is actually going to be-- going to be the largest in the world that produces this product completely by renewable resources. Ethyl Acetate is, as I said, not a new product. Deliberately we wanted to introduce a product already exist to displace fossil-based material, is used in a variety of common application as a paint thinner, wood varnishes, consumer product and personal care, nail polish for example, flexible packaging, and so forth. The total market worldwide for this product is about 4 billion. Talking about the price-- the price of Ethyl Acetate today in the market varies depending on volume between 50 to 65 cents a pound. So is and is almost twice as much-- was pretty much twice the value of ethanol. So we have great substance the ethanol and consequently the bushel of corn that the ethanol is used to produce. For reference, we produce about 50-- we're going to consume around 60 million bushel of corn yearly to produce Ethyl Acetate. They-- and so we obviously have chosen Nebraska before this bill was presented. Columbus was a fantastic location for us, obviously, as a-- as a process industry we tried, we want to be close to the feedstock. That's why, you know, you're going to find the chemical industry in

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

the Gulf of Mexico. We want to be close to the feedstock, obviously, so, Nebraska, you are a typical good location, so we want to be close to do with infrastructure and, obviously, the adjacency to the ADM plant which produces the ethanol and from which we buy the ethanol is-- was also an important motivator. But having said that, we are a small company too. The company started about 10 years ago. We spent the first five of R&D with private investor, and the following five, before starting to build the plant about a year ago, pretty much trying to raise money. That is the single largest task that we had, and we raised all the money including the financing for this project. So incentives like that while will not prevent the, you know, we may not necessarily stop project to happen, will be the remarkably effort to help more companies to compete with the Fortune 500 multinationals in entry to the market, and most important, able to compete considering that we all our competitors have same cost and paid off capital.

LINEHAN: Thank you. Are there questions from the committee? Senator Briese.

BRIESE: Thank you, Chairman Linehan. I was taking notes here and I missed something. I think you talked about your total production in pounds of this product.

LUCA ZULLO: One hundred ten million pounds per year. And as I mentioned, that this is a world class plant under any circumstances, and of course it's going to be the largest using a completely renewable feedstock.

BRIESE: Thank you.

LINEHAN: Thank you, Senator Briese. Senator Groene.

GROENE: And you say that your product is an ingredient of other--

LUCA ZULLO: Yeah, it's a solvent.

GROENE: --it's not the final.

LUCA ZULLO: No, our customers are all-- are all industrial customers. So goes into other formulations. So wood varnish is big example, nail polish, flexible packaging, electronics, cleaners, and so on. There may be some small amount in the consumer market, but the majority goes out for that other [INAUDIBLE].

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

GROENE: So, when you came here, you didn't apply for the Advantage Act because the Advantage Act has, you said, 50 million in an investment. The Advantage Act gives a pretty good kickback for-- for-- real property to investment. But you didn't apply for the Advantage Act?

LUCA ZULLO: We did, and we have qualified, and there's good too, but as I said, it's skewed towards job creation. And so while from a revenue perspective when you look at the revenue we're talking about when we're in a capacity about \$60 million per year revenue. So we will be within the highest bracket. As an employment, we actually were in the lowest bracket, because our number-- total number of [INAUDIBLE] employees only 20.

GROENE: But you got sales tax; and I'm assuming on 50 million you had a lot of sales tax.

LUCA ZULLO: Yeah, we are-- we are a good break on stocks for some capital.

GROENE: I'm not criticizing, If the money is there--

LUCA ZULLO: And we appreciate that.

GROENE: I'm just saying, but you were incentivized by the Advantage Act.

LUCA ZULLO: Oh absolutely. I mean I'm not-- we're not denying that.

GROENE: No, I don't-- take it if it's available. You're a businessman. Thank you.

LINEHAN: Thank you, Senator Groene. Senator Briese.

BRIESE: Thank you, Chairwoman Linehan. And thank you again. Does your company anticipate expansion in Columbus anytime soon?

LUCA ZULLO: We hope so. One of the reason why we have chosen Columbus among the other that is the ability of land around in this specific site. One of the-- one of the things that we produce as a core product right now is renewable hydrogen, comes from the origination of ethanol. Right now, in first phase, we will [INAUDIBLE] the boiler to provide the energy to the system, but this kind of wasting a very valuable resource, 2,000 tons per year of renewable hydrogen is going to be one of the largest source of renewable hydrogen in the United States. So we are looking at potential uses for biochemical

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

productions that are in order for renewable diesel and such. We are-- we are right now outlining some path. But as I said, my investor wants first to see some revenue coming in, so I'll have to wait a couple of years.

BRIESE: You would anticipate expansion with or without this credit?

LUCA ZULLO: Ultimately, we will-- we see that-- we see the expansion happening. But as I said before, we look at this type of incentives not something that will make things necessarily up and make it easier for-- especially for a small company to happen-- to happen.

BRIESE: OK. Thank you.

LUCA ZULLO: Thank you.

LINEHAN: Thank you, Senator. Briese. Other questions from the committee? Sure, Senator Groene.

GROENE: This might be a bad analogy, but is this industry something like the Silicon Valley that if you get-- that you actually work together and this type of where employee base is shareable and the research and everybody goes to the same spot once-- once you have a pretty good seed stock of companies there?

LUCA ZULLO: Absolutely. And I think they-- there is a value in this concept of creating campuses, because ultimately you create, let's say, a mass of competence in people it makes it easier to actually recruit people because there is less risk of moving a location where people know that they have plenty of job opportunity. And as a company, you build up in this communal, say, expertise. So most definitely, yes. So when I look at the site of Columbus, you know, an ADM site, I can see a location where, you know, a lot can be created around that not nucleus. But by the way, that is what also, I'm [INAUDIBLE], my background is in oil and gas, how the oil industry grew. Today some with this larger petrochemical complex and in places where under 20 years ago they were fundamentally just making kerosene for lamps and throwing away the rest, and there was very small outfit. And now they're massive plants. But the analogy with the oil is also somewhere else. We have looked at the ethanol as a kind of renewable naphtha in terms that they should do it. Today you look at the bottle of oil, only for 7 percent approximately goes into chemicals. Yet, they represent the chemical present almost 50 percent of the overall value that they extracted by the barrel of oil. And really we look at

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

that using ethanol or starch that crucial to go in chemicals which are much smaller volume, but can dramatically add value to the feedstock if there's corn. And we don't see that competing with continually using and expanding the use of ethanol as a fuel, something of which--

GROENE: To make it clear, 7 percent of a barrel of oil is used for chemical, but it's 50 percent of the value.

LUCA ZULLO: Yes. When you look at the overall value of the product coming out, yes.

GROENE: Thank you.

LINEHAN: Thank you, Senator Groene. Other questions? Thank you for being here, that's very helpful.

LUCA ZULLO: Thank you.

LINEHAN: Thank you. Other proponents.

DAN WESELY: Good afternoon. My name is Dan Wesley. Chairman Linehan and members of Revenue Committee, it's D-a-n W-e-s-e-l-y. I serve as chairman for the Nebraska Corn Growers Association and I'm here to testify in support of LB605. We appreciate Senator Lindstrom introducing LB605 and that would provide a credit for production of renewable chemicals. Nebraska Corn Growers Association was very supportive as we witness expansion of ethanol industry across Nebraska. Today over 20 plants, when I've heard, maybe, 25 now, are in production across Nebraska utilizing over 700 million bushels of corn. While this is part of our foundation of demand, we need to continue to create further demand for corn in all forms. Nebraska corn growers are some of the most efficient and productive in the world. LB605 would support another evolution of demand across the state, turning our ethanol plants into bio refineries thus greatly expanding the number of value products. These additional products will provide further revenue streams thus demand for corn. Beyond being chairman of the state association level, I also serve as chairman of the National Corn Growers Association, Feed, Food, and Industrial Action Team where one of our tasks is new uses for corn. Over the past couple of years, I have taken part in many federal discussion emphasizing the kernel of the corn as a building block for bio products. We also are in second year of Consider Corn Challenge where proposals are submitted by private companies that are having nearly commercial products originating the use from corn. Consider Corn Challenge was just a way

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

of means of identifying new companies across-- really we had submissions across the whole world, and we had 35 submissions last year and we narrowed down to six and we awarded six companies that really had potential for expansion. And those six companies have gained their second level. And one company has generated \$40 million since that Consider Corn Challenge and is-- most of that money-- over half of that money as has happened after Considered Corn Challenge I. And we are just closing submission dates on Consider Corn Challenge II, so it's been very successful and we're looking forward to that. In front of you, you have-- should have a chart in that it gives the numbers of what's the added value to corn. And I'll kind of try and go through that a little bit. If you work in left-- left to right, this is some of the things that are happening in the past, and currently, and what we hope to see in the future. So the blue box there, you'll see is corn today. If it's valued at, say, \$3.50 a bushel, no added value to it yet. You proceed over to the next column, Gen 1, you start using ethanol and DDGS and see you see increased value in that same bushel of corn and we equated it against the bushels that are used in the state of Nebraska; this chart is for Nebraska, so you add another \$1.9 billion of value to that same-- same bushel of-- bushels of corn versus the blue box. Continue on to the next level, you-- you take a process, then you take the oil out of that same kernel and you create-- it moves up to \$2.7 billion. The value keeps increasing each time that-- that you take a product out of it. If you noticed in Gen 3, the DDGS are shrinking; they're taking more value product out of there. You're adding a protein. Right now, the DDGS carry a lot of protein and when you feed it to cattle, it-- they're not using it all. It's just going through them and it's a waste. What they can take and specify that certain proteins then they can feed it to chickens and hogs and have a better feed product for the farmer in that way. And as you move across, you begin to see that DDGS disappear. On Gen 4 there, they're no longer are the DDGS. So, that credit-- what's left over is a fiber and that can-- you get a credit for cellulosic ethanol. So which, again, adds another value. As you can see across the chart, it just keeps continuing. And those processes are happening in other states now, in other plants, if that's going on. The final-- our goal is the final one where you can see ethanol. Although in this process, it disappears completely, but it becomes a more valued product. It's at \$9.5 billion. So it-- you can see it's increased the value. So I think it's good for farmers, good for Nebraska in better feedstock for the people raising livestock.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

LINEHAN: Thank you.

DAN WESELY: So I really want to thank you. And if I can answer any questions, I'd be happy to.

LINEHAN: Thank you. Are there questions from the committee? You want to run by that, please, I'm sorry. You can take corn for cattle, I didn't quite--

DAN WESELY: Well it will-- right now the cattle are feeding the DDGS.

LINEHAN: OK.

DAN WESELY: And that has high-end protein.

LINEHAN: OK.

DAN WESELY: It's more protein than the-- than the cattle can use. So if they break it down and they give them the exact amount that a cow would consume, they'd give the right amount to the cow, and then chickens don't eat DDGS, it's not a real viable source. But if you take that protein out of it and then they can use the protein and same with hogs, it's too much fiber. And so if they can just--

LINEHAN: Do they do that now? Can they do that now?

DAN WESELY: Yes, some of those-- that is a-- is a process. The earlier bars-- the last bar-- the last graph is the one, kind of more in the future, to get refined. But, you know, it's in the works, it just need--

LINEHAN: More time. Other questions? Senator Crawford.

CRAWFORD: Thank you, Madam Chair. And thank you, Mr. Wesely, for being here. Is there currently a role for the Corn Checkoff involved in recruiting these companies?

DAN WESELY: The checkoff is more promotion--

CRAWFORD: OK.

DAN WESELY: --to promote the corn. I don't know that there is incentive dollars directly for that.

CRAWFORD: Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

LINEHAN: Thank you, Senator Crawford. Senator McCollister.

McCOLLISTER: As I was reading through the book, Mr. [INAUDIBLE]; thank you, Madam Chair, is it the Corn Challenge. Haven't you driven toward some of these higher value products that-- did I misread that in your book? There's a corn challenge.

DAN WESELY: Yes.

McCOLLISTER: And you have established winners.

DAN WESELY: Yes.

McCOLLISTER: And they get a what? A \$25,000 credit?

DAN WESELY: \$25,000, yes, was an award. And in the research world, \$25,000 is just a token. They were interested in the exposure and the connections we can make in the education that we can make for them. That's where they realize-- the company that got the \$40 million, they got that afterwards because they got the exposure and the recognition that national corn has a good standing, so, just, they were taken more seriously.

McCOLLISTER: So did one of your winners, did they actually do this business, this last area in the bar graph?

DAN WESELY: I'm not quite sure, you think [INAUDIBLE]. It's very possible they could fall in that category, Lygos is one of the winners and they're making-- they could probably-- the scientists could probably answer that a little bit better if that would fall into that category is chemical. I would say it would from what I remember, it was part of a paint hardener that would replace the baking process in a-- say in a factory, if you-- instead of baking the paint on a car-- I mean, eventually I asked them could you go to your local hardware shop and buy a can of paint and paint something at home, paint a chair or something and have that same baked quality. And they said that-- that's what their ultimate goal was to have it in everybody's [INAUDIBLE].

McCOLLISTER: These are exciting prospects.

DAN WESELY: Cheaper and faster, yeah it is very-- it is. It's-- and it's all renewable. It's here in Nebraska. With my travels, going to other biochemicals, both coast to coast, and they always ask, you know, do you have state incentives and what do you offer there? And

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

some of them go out of the country because they don't know what we have here in the U.S. We are competing against the world. But then when it comes locally, we'd like to get them back into our state. And you kind of-- you naturally do compete with your state neighborhood. We want them to use corn. They're going to be somewhere. We want them to be in the U.S., but we really want them to be, obviously, in Nebraska in our backyard.

McCOLLISTER: Thank you, Mr. Fletcher.

LINEHAN: Thank you, Senator McCollister. Other questions from the committee? Seeing none, thank you very much.

DAN WESELY: All right. Thank you. Thanks for having me.

LINEHAN: Other proponents?

DAVID BELL: Senator Linehan and members of Revenue Committee, I've shored up my presentation because I don't want to repeat what's already been said. So mine will be pretty brief. I'm co-chair. My name is David Bell D-a-v-i-d B-e-l-l. I'm co-chair of the Columbus Economic Council in Columbus, Nebraska, with the Columbus Area Chamber of Commerce. I've been in that role for 19 years. So I've worked with the industrial development a great deal. I'm testifying today on behalf of the Nebraska Economic Developers Association, sometimes referred to as NEDA or often referred to as NEDA in support of LB605. NEDA is a group of over 300 economic development professionals in the state of Nebraska. NEDA took a position in support of this bill because of the important recruitment tool this bill will give to our communities in recruiting high-tech companies like Prairie Catalytic that you just heard from earlier. I have worked in economic development for over 40 years now and I've seen some things come and go. And I've seen a lot of things promises as being the next big thing whether it be data centers or call centers or wind facilities. But the one thing that was true in my 40 years was ethanol. And I believe LB605 will make ethanol even stronger with its passage. Columbus also is already seeing the benefits from having Prairie Catalytic in our town. They built a new \$40 million investment facility and have excellent paying jobs. Now, we were able to host some of you, along with Governor Ricketts, to Columbus last fall for the ribbon cutting at Prairie Catalytic. We believe that with 25 ethanol plants in the state of Nebraska that this is a good move. Columbus was able to recruit Prairie Catalytic because of our existing ethanol plant, our rail access, and other considerations that make Columbus a great place to live and work. But

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

since our recruitment, that town-- things have changed and you've learned about Minnesota and Iowa and I won't go into that this time. In summary, on behalf of NEDA and also the Columbus Economic Council we ask the committee to advance LB605. We believe this is a good bill and be good for Nebraska. Thank you.

LINEHAN: Thank you, Mr. Bell. Are there questions? Seeing none, thank you very much.

DAVID BELL: Being a former government teacher for seven years, I thank you for your job that you do.

LINEHAN: Thank you. Are there other proponents? Good afternoon.

JAN TEN BENSEL: Good afternoon. My name Jan ten Bensel J-a-n t-e-n B-e-n-s-e-l. Good afternoon, Chairman Linehan and members of the Revenue Committee. I am testifying today in support of LB605. I am interested in and supportive of this legislation from my role as a member of Nebraska's Ethanol Board, the Cambridge Economic Development Board, and as a farmer from Cambridge, Nebraska. Agriculture is an uncertain career where uncontrollable-- uncontrollable events like the weather, as we see, and markets, black swan events, can change your life at any moment. Creating and maintaining a stable market for our crops and our produce is one of the few things that we can actually control. I remember when I would hear guys talk about not wanting their kids come back to farm in the 90s and the early 2000s. And then as corn hit \$7, we had a lot of guys bring their kids back to farm; their kids, their son-in-law. Suddenly families were back in our communities again. A lot of this was because of ethanol, of course, but the price of grain, you know, reflects that a lot. Now, I can honestly say if I would've started farming four years ago without my-- my family's history of pulling out the fuses on the water heater and the air conditioner when things were bad, I probably wouldn't be farming today. That being said, rural net Nebraska's future depends on the growth and success of our homegrown ethanol industry. The ethanol industry will grow as the demand for ethanol grows. The first way we can do this is to promote and encourage ethanol use in Nebraska communities. And those who know me or follow me on any social media know that I'm very passionate about Nebraska farmers using Nebraska farm products. Another way that we can drive demand for Nebraska's ethanol and grain crops is to encourage use of ethanol and bio based products outside our state. I see raw commodities with much potential to be value-added products. Why export corn overseas when we can turn it into beef, ethanol, and corn oil and export those value-added

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

products. We can take this further down the value-added chain. But for this, tools are needed. Tools to encourage facilities to grow and expand in Nebraska, facilities that use our ethanol and our other ag products as inputs. These value-added products can then be moved to the national and the international markets. This would do a great deal to expand the demand of ethanol and ag products in Nebraska. LB605 is an innovative policy approach on the front end of recruiting the best new scientifically advanced companies. And as producer of these inputs, I'm excited about this opportunity. I have passed around a map of Nebraska's ethanol plants, or as we should say, Nebraska's ethanol campuses, because each of these campuses has the ability to host biochemical, biopharmaceutical, and advanced chemical production. With the-- with the technology that we know exists today, we see great potential for ethanol plants to be these campuses. To locate renewable chemical plants like the one you have just heard from, this is truly a business recruitment tool for all of Nebraska. Thank you. And if I can struggle through any questions, I'll be glad to.

LINEHAN: Thank you for being here. Are there questions from the committee? Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. So the ethanol industry, when that developed, how much-- how much did the Nebraska corn producers invest in that economic expansion?

JAN TEN BENSEL: Oh, I don't know that number.

FRIESEN: Could you find that out?

JAN TEN BENSEL: We could-- I could probably find somebody to find that out for you.

FRIESEN: That was part of our checkoff, also the EPIC Fund.

JAN TEN BENSEL: I'm-- I know that the-- the-- the Corn Growers and the Corn Board does do a lot of work on attraction and, obviously, retention and in the development stages, but that was mostly before my time. I'm fairly new to this operation. I was out trying to get people to use E10 gas back in those days.

FRIESEN: OK, thank you.

JAN TEN BENSEL: Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

LINEHAN: Thank you, Senator Friesen. Senator McCollister.

McCOLLISTER: Yeah, thank you, Madam Chair. You gave us a list of all these ethanol plants.

JAN TEN BENSEL: Yes.

McCOLLISTER: Are all of them operating open now?

JAN TEN BENSEL: The Mead plant, I believe, is not operating at this time, but it is still a facility. Now let me ask you to clarify your question, you mean today or in general, because due to the floods there's been problems with a few plants.

McCOLLISTER: I mean in general.

JAN TEN BENSEL: In general, OK. In general, all these plants, with the exception of Mead, are operating today during this time frame.

McCOLLISTER: But ethanol consumption went down last year, did it not?

JAN TEN BENSEL: That's true.

McCOLLISTER: Can you explain what happened?

JAN TEN BENSEL: Well, part of the problem is the self [INAUDIBLE] of small refinery exemptions with the EPA. Just this Wednesday, the EPA struck 360 million gallons of demand from the books. And this has just been going on indefinitely. The-- you know, corn is considered-- corn ethanol is considered a conventional ethanol, whereas advanced ethanol, cellulosic ethanol, is considered an advance ethanol. The corn ethanol, or the non-advanced ethanol, the conventional ethanol, should be, and the number is around 15 billion gallons a year. However, the Renewal Fuels Nebraska could probably back me up on these numbers a little closer, but I believe the destruction of demand has been around 1.4, 1.6 billion gallons off of that 15 billion gallon mark. The additional gallons of ethanol, fortunately, have been exported to different countries. Some-- some are taking the slow boat to China through other countries, as they say. And-- but the ethanol is still getting out into the world. It's just our use in the United States has actually gone down by a-- by a small amount.

McCOLLISTER: Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

LINEHAN: Thank you, Senator McCollister. Other questions from the committee? Seeing none, thank you very much for being here.

JAN TEN BENSEL: Thank you.

LINEHAN: Are there other proponents?

TROY BREDEKAMP: Madam Chair, members of the committee, my name is Troy Bredenkamp, spelled T-r-o-y B-r-e-d-e-n-k-a-m-p. Serve as executive director of Renewable Fuels Nebraska. We are the trade association for Nebraska's ethanol producers. And we are certainly here in strong support of LB605. We thank Senator Lindstrom for introducing. I think there's been a lot talked about in terms of what the ethanol industry has meant to Nebraska. There was an initial investment by the state of Nebraska to help make that happen. Certainly corn farmers put millions and millions of dollars in, but so did the state of Nebraska. That has resulted in \$5 billion of infrastructure being put in the ground; \$3.8 billion of annual economic impact; 1,300 well-paying jobs, about \$130 million a year in taxes being paid. I think that was an investment well made. We see renewable chemical as that next step in the evolution of the ethanol industry for Nebraska. Frankly, renewable chemicals needs to be part of ethanol's future. As we see the challenges in the transportation field fuel market continuing to increase, the ethanol industry is certainly looking to diversify what we do with that ethanol, and renewable chemicals is certainly a part of that diversification. We talk about Iowa. We talk about Minnesota. It's important to keep your eye on them. Iowa ranks number one in the nation in ethanol production. Nebraska is number two. Minnesota is number three. Iowa and Minnesota have put in place this very tax credit for renewable chemicals. So our two major competing states on the ethanol front have done this. So it's certainly why we're bringing this to you-- bringing it before you today. Lastly, I would just talk a little bit about, you know, many of you are aware of the Cargill campus at Blair where probably a dozen, at least a dozen different companies co-located where we are, as Jan said, continually breaking down that corn kernel, that magical corn kernel that can be turned into so many different things. The 25 ethanol plants could be those campuses spread out all throughout rural Nebraska. You want to talk about economic development, you want to talk about rural economic development, you want to talk about increasing your tax base. So many things would come out of that. I've been privileged to be involved in the Blueprint Nebraska program that's currently ongoing. One of the concepts that is

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

being strongly developed there is this concept of-- of-- of these campuses-- of these sites that are already made. And the beautiful thing about those 25 ethanol campuses is that you already have all the infrastructure there. The rail is there. The ethanol plant becomes that initial cracker of that corn and creating that initial seed stocks for all these different diversified businesses to come in and start to use that ethanol in many, many different ways. That, I believe, is the future for Nebraska ethanol, for the world's ethanol. And we certainly want to see Nebraska to be a huge part of that. That's why we're asking for LB605. And I would be happy to answer any questions you may have.

LINEHAN: Thank you very much. Are there questions from the committee? Seeing none, thank you very much for being here.

TROY BREDEKAMP: Thank you.

LINEHAN: Are there other proponents? Are there any opponents? Anyone wanting to testify in the neutral position? It looks like you get a--

LINDSTROM: I call that a good hearing.

LINEHAN: Yeah. Helps when you get later in the day. [LAUGHTER]

LINDSTROM: True, fair enough. Thank you, Madam Chair, members the committee, I thought it was interesting to sit in here today and former Senator Wehrbein came up and said there's two things that were successful and how he approached it. One was the ethanol. And so I look at this as very similar. We often talk about we're an ag state; we want to grow the pace. We've talked about certain industries, incentives. If there ever was an industry or sector in our economy, it's a target, I would say this would be the one. Yeah, I look at the ethanol plants, and this map was pretty interesting. You know, being in Omaha, the incentives often-- people talk about, well, only Omaha and Lincoln get those incentives. And this would be an opportunity to maybe expand to the rural part and have a direct impact on ag and demand out in the western part of the state. So yeah, if you look at ADM ethanol plants, it's kind of the center in what could spin off from there and different companies and potential using the Business Innovation Act and incentivizing some of those, I think it's-- it's a good investment. I think, I believe that the ROI is exponential in the state Nebraska and we're oftentimes competing with other states. Again, this just seems to be with the logistical aspect of what we're looking at and the companies that are located and want to expand, I

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 20, 2019

think a shot in the arm would be a good use of taxpayer money, in particular in this sector. So with that I'll be happy to answer any final questions, but I appreciate-- I appreciate the testimony today. Thank you.

LINEHAN: Are there questions from the committee? Senator Crawford.

CRAWFORD: Thank you, Madam Chair. And thank you, Senator Lindstrom, for bringing this bill. I think it's an important area for us to invest. The credit as is now is refundable. Can you tell why you made it a refundable credit or if that's something you're willing-- you're interested in talking about more?

LINDSTROM: Well, we can talk about it more. No particular reason. We don't-- we-- we put out in 2020 with the ramp up to go from 3 million to 6 million at some point. So I think Senator Briese you asked about the question about new products. We'll get clarification on that. But any production after 2020, which would-- that would be what is included in the definition of whatever that-- that product may or may not be. So no, that there was never-- not a particular reason for that, just probably a better policy position. And Senator Groene brought it up as far as incentives, I think this would complement, as we get in this discussion, complement Senator Kolterman's LB720. So I'd just ask the committee, maybe, think about that as we move into more discussions.

CRAWFORD: Thank you.

LINEHAN: Thank you, Senator Crawford. Other questions from the committee? Seeing none, thank you very much.

LINDSTROM: Thank you very much.

LINEHAN: Letters for the record, I'm sorry, second. Proponent: Stephanie Batchelor, Biotechnology Innovation Organization, Corn Refiners Association. Opponents: none. Neutral: Sarah Curry, Platte Institute. So thank you. And with that, we close the hearing on LB605. Thank you all very much.