

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee January 23, 2020

**LINEHAN:** [RECORDER MALFUNCTION] the Revenue Committee public hearing. My name is Lou Ann Linehan. I'm from Elkhorn, Nebraska. I represent the 39th Legislative District. I serve as Chairman 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 a 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 cell phones and other electronic devices. Move to the chairs at the front of the room when you're ready to testify. In order-- the order of testimony is introducer, proponents, opponents, and then neutral remarks and then closing remarks. Neutral position, I'm sorry. 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 pa-- a page to distribute. We need 11 copies for all committee members and staff. If you need additional copies, please ask a page to make copies for you now. So if you don't have 11, as soon as I introduce the pages, if you'd have them make copies it goes a lot quicker. When you begin to testify, please state and spell your name for the record. Please be concise. It is my request that you limit your testimony to-- how many people are here to testify today? Limit your testimony to five minutes. We will use a light system. So you have four minutes on green. You have one minute on yellow. And then when the red light comes on and I'm trying to be very hard on this this year, when the red light comes on, you need to be done. If there are a lot of people wishing to testify, oh, we could skip that. If your remarks are reflected in previous testimony or 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-- record. Please speak directly into the microphone so our translators are able to hear your testimony. I'd like to introduce the committee staff. To my right is legal counsel, Mary Jane Egr Edson. To my left is research analyst, Kay Bergquist. To my left at the end of the table is committee clerk, Grant Latimer. So with that, I would like the senators to introduce themselves starting at my far right.

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**KOLTERMAN:** Senator Kolterman: Seward, York, and Polk Counties, 24th District.

**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 from District 45.

**BRIESE:** Good afternoon. Tom Briese, District 41.

**LINEHAN:** Oh, excuse me. I'd also like to introduce our pages. Erin, can you stand up so people can see you? Erin and Noa. They're both students at Doane. Please remember that the senators may come and go during our hearing as they may have bills to introduce in other committees. Refrain from applause or other indications of support or opposition. I'd like to also 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 electronics-equipped committee and information is provided electronically as well as some 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 critical to state government. So thank you all for being with that. And with that, we will open on LB747. Senator Blood.

**BLOOD:** Thank you, Chairperson Linehan, and good afternoon to you and the entire Revenue Committee. My name is Senator Carol Blood and that is spelled C-a-r-o-l B as in boy-l-o-o-d as in dog. And I represent District 3, which is composed of western Bellevue and southeastern Papillion, Nebraska. Thank you for the opportunity to bring forward LB747, which amends the Nebraska Advantage Microenterprise Act. I know that I tend to say that my bills are simple bills and some of them turn out to be a bit more complex than we'd like. But this one truly is a simple one. The bill adds language to the definition of microbusiness, which reads "includes an investment adviser representative, as defined in section 8-1101, who is registered under the Securities Act of Nebraska." The long and the short of it is that this is a way for us to define registered representatives and investment adviser representatives of independent broker-dealers as independent contractors rather than employees of those broker-dealers. This is basically for tax purposes and brings the state statutes more

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in line with federal regulations. What can confuse the issue is that there may be a large broker-dealer who treats and pays the representatives as employees and not independent contractors. People who work in this industry consider it the old school business model that was the only game in town until the independent broker-dealer business model came into existence. Independent broker-dealers tend to have independent reps who get paid via 1099s and cover all their own expenses, including costs for services provided by the IBD. I've had constituents contact me who say the way the law is written currently allows for the Revenue Department to incorrectly determine that these IBDs are indeed employees, despite the fact that they are being paid through 1099 procedures. That can cause quite a few problems come tax time for both the IBD and the firms they work with. As you know, tax law is vast and very complex. But I believe when it comes to correcting issues like this, the best way to go about it is to approach it like you would if you were eating an elephant. We'll do it one bite at a time. So LB747 is indeed taking one bite of this issue. And while it's not going to completely and totally take care of the incorrect determinations from time to time, it will provide some aid to the situation. So with that, I will say that we had some experts who were scheduled to come and testify today for the bill, but did not feel they wanted to travel all the way to Lincoln. But I believe you may have one or two letters of support that will speak a little bit on this issue. And I'll endeavor to answer any questions the best I can.

**LINEHAN:** Thank you, Senator Blood. Do we have any questions from the committee? Senator Friesen.

**FRIESEN:** Thank you, Chairman Linehan. Senator Blood, do you know how much of this program is funded at right now?

**BLOOD:** I do not know how much this program is funded at, but I would be happy to find out the answer for you.

**FRIESEN:** OK. No problem. Thank you.

**LINEHAN:** Thank you, Senator Friesen. Any other questions from the committee? Senator McCollister.

**McCOLLISTER:** Thank you, Chairwoman. I guess I'd direct this question to the members of the committee. Didn't Chairman Stinner come into our committee and suggest that we would cancel this particular program?

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**BLOOD:** Think you have a bill after mine today on that.

**McCOLLISTER:** Say it again.

**BLOOD:** I think you may have a bill after me that actually is asking that.

**McCOLLISTER:** OK. Sorry.

**LINEHAN:** Thank you, Senator McCollister. Senator Crawford.

**CRAWFORD:** Thank you, Chairwoman. I wonder-- I think we had a letter from Mr. O'Donnell who I think is one of your constituents. I wonder if you might just share did he-- did he bring this concern to you or how-- how did this-- what constituent concern has raised this as an issue?

**BLOOD:** Actually, he was the first person to bring it to our attention. And then after we started talking to more and more people, we found that it was an ongoing issue for many of these independent professionals. And he provided us with a stack, and I'm not exaggerating, about that high of documentation that showed the complex conversations he had been having where they kept identifying him as an employee. And he was unable to take advantage of certain tax exemptions, as we just talked about, because of that. But the bottom line is if you are receiving a 1099, you're not anybody's employee. You're self-employed. Right? If you have campaign workers, they usually work under 1099s. They're not your employees. They are your workers. Yet you don't give them benefits. You don't give them retirement. I think you see that in the beauty industry. Frequently in beauty shops, they rent the chairs. They don't work for the beauty shop. The 1099s, they're responsible for their own taxes. In many cases, not all cases. So there are a lot of examples.

**CRAWFORD:** So our Department of Revenue, when he was applying for this incentive--

**BLOOD:** He was refused.

**CRAWFORD:** He was refused because they were treating it as an employee.

**BLOOD:** Correct. Yes. I've not seen his letter and I don't know if there's more explanation in it or not. But again, consistently the concern people have is that they're not working for the insurance companies that they have the products from. They're representing the

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products. Right? They don't work for-- I don't-- name a financial company.

**CRAWFORD:** Edward Jones.

**BLOOD:** They don't work for Edward Jones. They might work for the products Edward Jones has available to them. So they're not Edward Jones's representative. They're, in Bill O'Donnell's case, he represents Bill O'Donnell and he'll have multiple products from multiple organizations that he can offer you, whatever fits your needs the best. So-- and he doesn't get any other benefits from them except the ability to provide their products.

**LINEHAN:** Thank you, Senator Crawford. Senator Kolterman.

**KOLTERMAN:** Thank you, Senator Linehan. Senator Blood, thank you for bringing this bill and bringing clarity to this. I happen to be one of those brokers that got a 1099, but I'm also-- I was also an employee of the same company. And so it worked both ways and this just brings clarity to it. I appreciate that.

**BLOOD:** Thank you, Senator Kolterman.

**KOLTERMAN:** And now I don't have any of those darn licenses [INAUDIBLE]

**BLOOD:** Well, and I have to say the people that express concern about this, that have applied and been denied, they were really concerned to find that the next bill was to eliminate the program so.

**LINEHAN:** Other ques-- thank you, Senator Kolterman. Other questions from the committee? Seeing none, thank you.

**BLOOD:** Thank you for your time.

**LINEHAN:** Now we can hear if there are any proponents for this legislation. I think she said they didn't get here because of the weather. Are there any opponents? Is there anyone wishing to testify in the neutral position? Do we have letters for the record? OK, so letters for the record, we had proponent, William H. O'Donnell, Heartland Financial Solutions, LLC. Opponents, none. Neutral, Center for Rural Affairs. Senator Blood, would you like to close?

**BLOOD:** I will. I would just like to say that we have a lot of people in my district and Senator Crawford's district who are retired military, and so many of them do tend to get involved in this type of

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self-employment. And it would be great if we could allow them and the others who do not benefit because of this glitch here in Nebraska, if we could fix this glitch, if indeed we don't cancel the program. So I do appreciate your time and I wish we could have done something much sooner than trying today.

**LINEHAN:** OK. Thank you. OK. I'm sorry. Yes. Questions from the committee?

**McCOLLISTER:** Yeah. I just want to apologize, Senator Blood. I was confused with the Angel Investment program.

**BLOOD:** No worries, Senator McCollister.

**McCOLLISTER:** Thank you.

**BLOOD:** You're still my friend.

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

**BLOOD:** Thank you for your time.

**LINEHAN:** And that we will close the hearing on LB747 and open the hearing on LB879. OK, well, we'll wait for her. I see her staff's running around trying hard.

**GEIST:** Sorry to keep you waiting.

**LINEHAN:** That's fine, it's not that bad. Hello, Senator Geist.

**GEIST:** Good afternoon and thank you, Chairman Linehan and members of the Revenue Committee. For the record, my name is Suzanne Geist, that's S-u-z-a-n-n-e G-e-i-s-t, and I represent the 25th District in the Unicameral. Today I'm introducing LB879 to allow the Nebraska Advantage Microenterprise Tax Credit to sunset in December of 2020. The \$2 million saved from the elimination of the Nebraska Advantage Microenterprise Tax Credit Act, would be used to increase the appropriation to the Department of Economic Development for the Business Innovation Act by \$2 million starting in fiscal year '21-22. The Nebraska Advantage Microenterprise Act tax credits will be reduced by \$100,000 for calendar year 2020. The \$100,000 saved will increase the appropriation for the Department of Revenue to implement this bill. Let me explain to you how I got involved with this. It makes the story a little bit more interesting and might make you think a little

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differently about my request. This past fall, one of my constituents, Annie Crimmins [PHONETIC], invited me to an Invest Nebraska networking event. Annie is not able to be here today, but she and her husband are the cofounders of a startup called Canary Box. And I'm just going to explain what this does. Her husband is an anesthesiologist and they listen in surgery to ear headphones and music as the surgery is going on. What his invention will do is sync the music with all of the vitals and alarms that are in the surgical room. So when the alarm goes off, the music goes down and all of the attending physicians can attend to what the alarm is. When the alarm is over, the music can go back up and everyone goes about their surgery. So a very unique invention. And with that, she started explaining to me that the road that she and her husband and the other investor, an inventor, and their company, have gone through in the state of Nebraska to get capital to start this business. Annie's enthusiasm inspired me to learn that. And so over the past two months, few months, I've had the opportunity to learn about Invest Nebraska initiative and tour a couple of the startup businesses that have received funding. According to a University of Nebraska-Lincoln study, the overall economic impact from the startups was \$284.3 million per year. The state has only invested \$19.9 million in the program since 2012. This is a great return on our investment as a state. This program will help with brain drain in our state by keeping entrepreneurs in the state and encouraging job growth for higher wage jobs. A couple of the companies that have received funding will be testifying after me to share their stories and how Invest Nebraska has assisted them. Richard Baier, who is the chairperson of the Board of Directors or Invest Nebraska, will also be testifying to answer any specific questions you have about the program. I thank you for your time and attention and I'd be happy to answer any questions.

**LINEHAN:** Thank you, Senator Geist. Are there any questions from the committee? Seeing none, will you be here to close?

**GEIST:** I will be here to close.

**LINEHAN:** Good afternoon.

**RICHARD BAIER:** Good afternoon. Chairwoman Linehan, members of the Revenue Committee. For the record, my name is Richard Baier. It's R-i-c-h-a-r-d, last name is spelled B-a-i-e-r. I appear before you today as the immediate past chair, thank goodness, of the Invest Nebraska Corporation Board in support of LB879. I've also been asked to offer my testimony on behalf of the Nebraska, Lincoln, and Omaha

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Chambers of Commerce and the Nebraska Economic Developers, excuse me, Association. For clarity in the record, I did want to note that I am a registered lobbyist with the Nebraska Bankers, but the NBA does not have a position on this proposal as our group does not meet until next week. On behalf of the Invest Nebraska Board, which consists of private sector leaders from across the state, I want to thank Senator Geist for introducing this legislation. I also want to thank the Legislature's Economic Development Task Force for their work in reviewing the state's various economic development programs this past year. This deep, deep dive clearly led to and was the impetus for this legislation that's before you today. LB879 redirects existing resources from an underutilized program and directs those funds to support the BIA. I thought it might be helpful just to give you a quick review of the BIA, which was passed in 2011 by the Nebraska Legislature. It includes five components, the first of those being the federal Business Innovation Research matching grants so, again, matching federal grant dollars. The second one is an R&D program for companies that are working with the university system. The third one is a prototyping grant program administered by DED. The fourth is the Innovation Seed and Commercialization Fund, where we're taking and making investments in some startup companies. And then finally, Microenterprise Lending and Assistance Program. Currently, the program was appropriated \$6 million a year for the 2019, 2020, and 2021 years to carry out these five strategic-- strategic priorities. I would note for the current fiscal year, the program actually ran out of available funds in the current year that we are in this past November. So it's been really, really strong demand. It is also important to note from the board perspective that funds that are-- that DED receives to implement these programs have been cut in recent years as part of our efforts. Since the inception of the program, Invest Nebraska has been pleased to work with DED to carry out the various aspects of this program. I personally, as the former DED director who helped put together the BIA program, am proud of the impact that these programs have had and the work that Invest Nebraska has had in growing our state's entrepreneurial innovation landscape. When we started this process in 2011, Nebraska was dead last in venture capital. and we only had company with Mississippi and Wyoming. So we were always kind of 48, 49 and 50. Most current rankings just came out and we've moved up to 38 position. But I would note we've been as high as 25th in the last several years. So I think we've made good progress. Senator Geist referenced some of the statistics that have been done as part of our measurement. I'll let you read those, but you will see that we are creating significant numbers of new jobs at significantly higher pay

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as a result of some of this effort. It's also generating sizable tax dollars. Finally, in my written testimony is a list of four or five companies that you will hear from a little later, I don't need to review those. But quite frankly, I just wanted to focus on the fact that the program is making a difference. This is an opportunity to take an underutilized asset and invest it for a greater good. And they clearly are having an impact. So with that, I would be happy to take any questions or thoughts that you might have.

**LINEHAN:** Thank you very much, Mr. Baier. Questions from the committee? Senator Groene.

**GROENE:** Let me get this right. You're taking a tax credit that may or may not be applied for by entrepreneurs and you're changing that into a general fund appropriation.

**RICHARD BAIER:** That's the way the bill is structured.

**GROENE:** That has to be \$2 million. While meanwhile this existing program has only had \$800,000 applied for tax credit. So you're taking a tax credit that may happen to a General Fund appropriation.

**RICHARD BAIER:** That's correct. Yes. And the way it's programmed in the budget now is a \$2 million appropriation. But clearly your logic is correct because it is an underutilized asset at this point for the state.

**GROENE:** But it doesn't cost us \$2 million. It's--

**RICHARD BAIER:** Some years it has. Most recently, it has not.

**GROENE:** The microenterprise hasn't.

**RICHARD BAIER:** Yeah, correct. Some years it got to \$2 million. In the last several, I haven't-- I don't know the history, but since '11, there were times when it did hit \$2 million.

**GROENE:** Thank you.

**RICHARD BAIER:** It's a good question. Thank you.

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

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**CRAWFORD:** Thank you, Chairwoman, and thank you, Mr. Baier, for being here. I wondered if you could speak to whether or not the business-- the BIA has any programs that target microbusinesses or very small businesses.

**RICHARD BAIER:** They do, Senator. And I would point to the fifth component of the leg of the BIA program, and that's the microenterprise lending and assistance. And I don't exactly-- I'm a little distant from DED these days in terms of how they're doing that. But I do know that they contract that out to several entities to provide technical assistance to microenterprises across the state. So it is being met as part of this obligation.

**CRAWFORD:** Thank you.

**LINEHAN:** Thank you, Senator Crawford. Are there other questions from the committee? Senator Briese.

**BRIESE:** Thank you, Chair Linehan. And thank you for your testimony here today. So as far as a smaller business, the businesses that are being addressed by the Microenterprise Program, is the BIA-- does the BIA sufficiently cover those areas? I kind of following up on Senator Crawford's question.

**RICHARD BAIER:** Well, it's--

**BRIESE:** If we eliminate the program, are we going to be leaving somebody out here? What are your thoughts?

**RICHARD BAIER:** Yeah, it's a little different, Senator Briese. It's good, great question. I think currently the way the microenterprise program works as it exists now, it's really a credit after the fact. So it's-- it's sort of a in some ways a tax strategy for many. And I would take you back in the history. It's one of the things there's a couple of us in the room that were involved originally in '10 or '11 with putting that together. And that was one of the things that we were worried about going in. And I think that's kind of what it's become is more of a tax strategy. Invest Nebraska is more of making an investment on the front end in high-growth companies and sort of new startups that are the ones that are going to grow our state's economy in the long term and bring in revenue from outside of our borders to help grow our economy as opposed to simply moving the pot of money around. And that's one of the challenges that we have as we talk about entrepreneurs versus startup is where are we bringing in new dollars

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to help grow the pot in the state as opposed to just dividing the pot into smaller circles.

**BRIESE:** Thank you.

**LINEHAN:** Thank you, Senator Briese. Other questions? Senator Groene. Oh, I'm sorry, did you?

**McCOLLISTER:** No.

**LINEHAN:** Senator Groene.

**GROENE:** This, what's the name of the-- the Business--

**RICHARD BAIER:** Business Innovation Act.

**GROENE:** That exists now.

**RICHARD BAIER:** That's correct.

**GROENE:** And it's how much?

**RICHARD BAIER:** It's \$6 million a year.

**GROENE:** How long has it been in effect?

**RICHARD BAIER:** Since I think we passed it in '10.

**GROENE:** How much?

**RICHARD BAIER:** In 2010.

**GROENE:** Can you tell me the success rate and how much money we've doled out? How many of the businesses actually were successful?

**RICHARD BAIER:** Well, each-- each of the programs is a little different. Again, each of those legs is managed by someone differently. So the prototyping I can't-- I mean, I don't have DED's numbers sitting with me. I can tell you the companies that went through it, we've invested since 2011, which is the first year of the program, \$22.5 million as the state of Nebraska.

**GROENE:** And they're all an existing company yet.

**RICHARD BAIER:** A lot of-- well, no, there's been a few that haven't been. Obviously, that's what you're going to get small business. But

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what I would tell you and there's a couple of them in here, that \$22 million has resulted in 100-- more than \$100 million in additional follow-up financing to companies in Nebraska. So about a \$4 return for every dollar that's invested. I think more importantly and the thing that I look at and really the impetus for this program in 2010 was to try and drive higher wage jobs, which I know is part of that conversation you're all struggling with is how do we do that? And what you'll see there, for example, like the average wage of these companies that have gotten assistance through this program, average salary is \$51,000, which is at the time about \$9,000 per job higher than the state average. The other thing I would tell you is in looking at Dr. Thompson's analysis, it generated about \$6.5 million annually in new tax revenue in terms of sales tax paid by the companies, income taxes paid by these folks will be after me talk about their relocation from other parts of the country that moved to Nebraska.

**GROENE:** How many jobs?

**RICHARD BAIER:** 630 during that same timeframe. And again, I think Senator Geist mentioned Dr. Thompson's analysis and looking at it, when you add on the jobs, the salary and the follow-on investment is about \$284 million a year in terms of economic impact.

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

**RICHARD BAIER:** All Right. Thank you, appreciate it.

**LINEHAN:** Next proponent.

**TYLER MARTIN:** Thank you, Chairman Linehan. My name is Tyler Martin. I'm a physician. I represent Adjuvance Technologies. My name is spelled T-y-l-e-r M-a-r-t-i-n. Adjuvance Technologies is a privately held biopharmaceutical company dedicated to empowering health through fundamental breakthroughs in vaccine adjuvant design and manufacturing. The vaccine adjuvants are compounds that stimulate the immune system and are the key to developing more effective vaccines and new vaccines. I grew up in Hebron, Nebraska. I went to my undergrad at the University of Nebraska at Kearney; got my M.D. at the University of Nebraska Medical Center; did a postdoc in infectious diseases and molecular biology at Washington in St. Louis; and then in 1993 moved out to the San Francisco area where I worked in biotechnology for 20 years. I moved back to Nebraska in 2013 with the idea to start new companies. Adjuvance as a company was founded in

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2012 in New York City. It's a spin-out from Memorial Sloan Kettering Cancer Center and the founders invited me to come and run that company for them. I said I would be happy to do so provided we built the company in Lincoln, Nebraska. And the Business Innovation Act was a critical component to my being able to convince the New York founders this was-- was a good idea. To date, we've received \$28 million in funding, including \$4 million from the National Institutes of Health, \$4 million in seed investment, and a \$20 million Series A investment just this summer, which I'm told is the largest Series A investment ever made into the state of Nebraska. The money came from a venture capital group in Boston. We've benefited from the Business Innovation Act in two ways. First of all, in 2015, Invest Nebraska invested \$500,000 as part of that \$4 million seed round that we-- that we raised. It was a critical investment for us. And twice we've received \$100,000 matching grants from the Department of Economic Development in concert with our NIH awards. In addition, Nebraska-based private investors have invested \$457,000 into our company as part of this seed investment. The 500k from Invest Nebraska came at a critical time and allowed us to advance our technology. The matching funds allowed the company to continue to advance while we completed our NIH research, such that we were then able to attract a Series A investment once the NIH-funded research was complete. In Q4 of last year of 2018, we had two employees; myself. I was an unpaid employee for the five years up until now and two other people: a UNL grad and another local-- local person. We now have nine full-time employees, five consultants, and we intend to have 27 employees by the middle of this year. The average wage for our employees is \$123,000 per year. The tax revenue that will be generated from income tax from those 27 employees will be \$180,000 per year. Finally, I'll just close by saying we're in Nebraska because of this act. We would not have been able to come here without it and our progress to date has fundamentally been impacted by it. We aspire to be an example of opportunities both to create value in Nebraska based on small but critical investments in emerging companies. Thank you.

**LINEHAN:** Thank you, Mr. Martin. Well wait.

**TYLER MARTIN:** Sorry.

**LINEHAN:** They won't be that bad. Do we have any questions from the committee? Senator Kolterman and then Senator Groene.

**KOLTERMAN:** First of all, thanks. Welcome back.

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**TYLER MARTIN:** Thank you.

**KOLTERMAN:** We're trying to grow our state and we're trying to grow it from the ground up. Better-paying jobs are of utmost importance. Why'd you come back to Nebraska?

**TYLER MARTIN:** Yes. So there were really two important variables from our perspective when we moved back to Nebraska. One is we wanted to come home. And my-- the last company I was part of, we turned it from a \$50 million company to a billion dollar company during my five years there. I retired and kind of moved back home. But I saw an opportunity because I knew how to build biotech companies that I could be the impetus to build such a company and that the ecosystem here in terms of cost of operations and access to operational talent was such that we could-- we could start companies here and effectively move them forward in a cost-efficient way, build companies, and then advance more ideas. So that was-- that was sort of the strategy there. I thought it was a good environment that I could be the talent that we needed to-- to start this machine. But of course, I'm not sufficient in and of myself to be the talent to run an enterprise like this. So that's why we needed to attract the intellectual property from Memorial Sloan Kettering and bring in more talent now. But that was-- that was the idea. I thought it was a great opportunity to come to a place and-- and that the economic structure here was such that was-- would be a good place to build companies.

**KOLTERMAN:** So the 27 employees that you're bringing to the company, where are they coming from?

**TYLER MARTIN:** Yeah, so about 15 will come from here, and my 5 consultants who will be part of that 27 are not from here. So today we've imported one scientist from the Bay area. He's a Ph.D. from Stanford who worked in biotech out there, who I knew. The other remote employees right now are people who I worked with over the 20 years that I worked in biotech and people whom I think highly of their technical skills and that I enjoy working with. So there-- they represent talent that doesn't currently exist within our ecosystem here. So that's the-- that-- that's where those-- there's about 10 of those kind of people.

**KOLTERMAN:** So what's that? Can I just keep going, Senator Linehan?

**LINEHAN:** Well, not indefinitely forever and ever, but yes.

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**KOLTERMAN:** So what's-- as you recruit, I mean, obviously, you recruited from Stanford--

**TYLER MARTIN:** Yep.

**KOLTERMAN:** -- Bay area. What's the biggest obstacle you've had to overcome?

**TYLER MARTIN:** Yeah. So I'd say that the biggest one is people are concerned that if they move here from the Bay area-- let me just start off by saying biotech is a very risky and speculative business. And the issue is if you come here and there's only one biotech company here and it doesn't go well, you're kind of in-- in hot water. Whereas in the Bay area, if it doesn't go well, you go down the street, around the corner, there's another one. So people who move here really sort of step out onto an island if they come to work in my space. So that's-- that's probably the biggest challenge.

**KOLTERMAN:** True ent-- but they're true entrepreneurs.

**TYLER MARTIN:** Yeah. Yeah. But-- but of course, the issue for them is if a, you know, a young person with a family and you're out of work because there's not another opportunity here and you have to do a national search to find a new gig, there's-- there's some risk there. So it's risk, but there are people who are willing to take those risks.

**KOLTERMAN:** Are you finding any problems with the quality of life from those people or the obviously you're paying as well as--

**TYLER MARTIN:** Yeah.

**KOLTERMAN:** --you're getting paid out there.

**TYLER MARTIN:** Yeah. We don't pay them quite as well as they-- as they get paid out there but we pay them well.

**KOLTERMAN:** Doesn't cost as much to live here.

**TYLER MARTIN:** Exactly. That's-- that's exactly right. You know, the things that are attractive to the sort of people that we're recruiting right now tend to be young Ph.D.s or young M.D.s is the ability to raise a family well here is very different than it is in the Bay area. So there are lots of opportunities that we provide here in Nebraska: excellent education, good cost of living, the price of a house. That

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means people can have a-- have a good life at that sort of young scientist level that just has a really hard time making it in the Bay area.

**KOLTERMAN:** Thanks for taking a chance on us.

**TYLER MARTIN:** You're welcome.

**LINEHAN:** Thank you, Senator Kolterman. Senator Groene.

**GROENE:** So do you have a product on the market or--

**TYLER MARTIN:** We do not.

**GROENE:** are you just doing the research here [INAUDIBLE] ?

**TYLER MARTIN:** Yeah. Yeah. Yeah. Yeah. No, thank you. That's an excellent question. Let me just explain a little bit how biotech works. The average product to get approved by the FDA will take 15 years of R&D and require \$800 million of paid in capital. So it's a-- it's a big lift. It's not my intention to build commercial entities here, to build, say, the next Merck or Pfizer or an entity like that. Companies like mine exist to develop products and then sell them to a company like a Merck or a Pfizer who would then develop and we go back and start a new one.

**GROENE:** So you hope they come in and buy you out?

**TYLER MARTIN:** Yeah. Yeah. So-- so we-- we don't intend to be revenue positive for years. And it's a really important point because some of the issues, for instance, we will never benefit from-- from a tax credit because we won't pay tax in that-- in that way. We will never have revenue. Our investors come in because they expect to have an increased valuation as we advance our-- our products so the takeout price will be--

**GROENE:** So a company like Pfizer comes in--

**TYLER MARTIN:** Exactly. Exactly.

**GROENE:** --sees you're out there and buys you.

**TYLER MARTIN:** Yeah, exactly.

**GROENE:** So a lot of people on this committee have an agriculture background. What you're creating what we call a surfactant chemical,

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that-- that the plant uptake is better and get better results. You're creating basically a carrier for the--

**TYLER MARTIN:** Yeah.

**GROENE:** --vaccine, so you get a better uptake--

**TYLER MARTIN:** Yeah.

**GROENE:** --in the body?

**TYLER MARTIN:** Yeah.

**GROENE:** Is that basically what you're doing?

**TYLER MARTIN:** That's basically what-- what we're doing.

**GROENE:** Thank you.

**TYLER MARTIN:** It's-- in fact, our-- our product is-- is a chemical analog of a botanical product that is obtained from old growth bark of a tree that only grows in Chile. So part of our story was we thought we could synthesize this product and then be able to make as much as the world needs. It's currently part of a vaccine for malaria.

**GROENE:** [INAUDIBLE]

**TYLER MARTIN:** And part of a [INAUDIBLE] vaccine for TB.

**GROENE:** -- to figure out why he woke up in the middle of the night, a dog [INAUDIBLE] by a tree in Chile [INAUDIBLE] [LAUGHTER]

**TYLER MARTIN:** It's actually a fascinating story, which I'm happy to tell you about some-- some other time. It is a really interesting story.

**LINEHAN:** Thank you, Senator Groene. Are there other questions? Senator Kolterman, you have another question.

**KOLTERMAN:** Thank you, Senator Linehan. This kind of stuff fascinates me, so you indicated that you're a startup company, you're biomedical. You're going to develop a product. At the end of the day, you're going to sell that product. It will be manufactured on a large-scale basis. In your opinion, do we have the opportunity to develop factories here

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in Nebraska that can manufacture those products or, you know, obviously a Merck, we have Merck here.

**TYLER MARTIN:** Yeah.

**KOLTERMAN:** We have Bayer here.

**TYLER MARTIN:** Yeah.

**KOLTERMAN:** Pfizer.

**TYLER MARTIN:** Yeah.

**KOLTERMAN:** All kinds of--

**TYLER MARTIN:** Zoetis.

**KOLTERMAN:** Yeah. Is that the intent? Are you-- are you--

**TYLER MARTIN:** Yeah.

**KOLTERMAN:** --going to help us do that as well?

**TYLER MARTIN:** It's-- it's-- I would-- I would explain it this way. It's-- it's a possibility. It is not-- it's not my intent today to do that. Today we do our manufacturing with a group that's based in Albany, New York. And they are a group that manufactures for all the major pharmaceutical companies is why I chose them. So I basically rent their plant instead of building my own. There may come a time when the economics of scale become such that we would be better off to build our own plant rather than to rent their plant. And if that should develop, we would look to build such a plant here.

**KOLTERMAN:** That's an end game for us.

**TYLER MARTIN:** Yeah, yeah.

**KOLTERMAN:** But at the same time, 27 jobs at \$100,000-plus is a pretty good deal.

**TYLER MARTIN:** Yeah.

**KOLTERMAN:** Thank you.

**TYLER MARTIN:** You're welcome.

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**LINEHAN:** Thank you, Senator Kolterman. Other questions from the committee? Seeing none, thank you, Doctor--

**TYLER MARTIN:** Thank you.

**LINEHAN:** --for being here. Appreciate it. Next proponent. Go ahead.

**KIRK ZELLER:** Thank you for the opportunity to speak today. My name is Kirk Zeller and that's spelled K-i-r-k, Zeller, Z-e-l-l-e-r. I'm a native of Nebraska, product of my ancestors who came under the Homestead Act and homesteaded here I was a farm-- my family are farmers here in Nebraska until the-- my father still is, but until my generation, the farming crisis of the '80s hit and I was displaced and had to find another way in life. So the path that I chose was working in healthcare and ultimately became a medical device entrepreneur. So the kinds of things that I do are a bit different than what Tyler's companies-- company does. I'm involved in several companies, one of which is Progressive Neuro, which is based here in Nebraska, Nebraska's first ischemic stroke company. We did our preclinical testing with funding from economic development and Invest Nebraska as an investor in it. And simply put, these devices go in and pull clots out of the brain. So when somebody has a stroke, our devices go in and physically remove that clot from the obstruction from the brain. So I got away, as I mentioned, but always had a vision of coming back to Nebraska. I was hoping to someday come back after having made tens of millions of dollars doing startups and-- and be the-- be the kind of pioneer of building a medical device industry in Nebraska like that enjoyed by Minnesota and Indiana, where in the case of Minnesota, it employs about half a million people and contributes hugely to their state's economy. Now while I didn't make those tens of millions of dollars, I did end up here. And how I-- how that happened is a couple of years ago, I was asked to give a speech during the 30th anniversary of the International Business Program at the University of Nebraska. And when I was back, I had the opportunity to tour Innovation Campus, hear about the One Nebraska initiative, learn what was going on at UNMC, UNeMed, learned just how much IP was coming out of the University of Nebraska system, learned about the programs that economic development has, and Invest Nebraska and decided pretty much immediately that I was going to come back to Nebraska. Within months, I'd bought one building here, later bought a second building, and rented a third building and started moving what I do slowly to Nebraska, and I intend to continue to innovate here in Nebraska. I'm confident in the talent coming out of our university. If programs like

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this can help us have the funding, I'm confident we can build companies here in Nebraska. It will take a few more folks like Tyler and myself and Evan Luxon [PHONETIC] and others that have come back from Silicon Valley to Nebraska to do it. But I think people will come if they know-- if they know that we've got the ecosystem to make that possible. That's my testimony.

**LINEHAN:** Thank you very much for being here. Do we have questions from the committee? Oh, I'm sorry. Senator Crawford..

**CRAWFORD:** Thank you, Chairwoman. And thank you, Mr. Zeller, for being here. So could you just speak to a little bit to how BIA fits in to your investment here?

**KIRK ZELLER:** So-- so I have an incubator here. One of the companies has been-- has been funded by programs such as Invest Nebraska and Economic Development. Economic Development actually funded our preclinical testing before that company. And we're working to-- to bring more companies to Nebraska. So the model that I'm using essentially is hopefully up to draw companies or entrepreneurs, really early stage entrepreneurs, people with ideas from places like New York and San Francisco where they're paying \$3,000, \$4,000 a month for a small apartment, having to pay themselves larger salaries to be able to do that, subsequently diluting their share in the company. Because, you know, we're all very passionate about what we do and we believe a lot in the value of our companies, but investors don't necessarily see it that way. So it's oftentimes very painful to see yourself dilute because you've got-- you get in these high-cost areas. So I believe we can innovate a bit more efficiently here. And so I hope that-- is to get other companies built and started here in Nebraska that continue to see that benefit. I'm trying to do it. Unlike most companies, I'm trying to do it out in central Nebraska where we do have an even lower cost, cost base. And all my buildings are all essentially adjacent to each other in a downtown area. So it offers a very efficient way to work.

**CRAWFORD:** Thank you.

**LINEHAN:** Thank you, Senator Crawford. Senator Kolterman.

**KOLTERMAN:** Yeah. So where's central Nebraska? Where are you?

**KIRK ZELLER:** I'm in Ravenna. So if you've ever been to Ravenna, I've got the building that has the newspaper and the cafe, the adjacent

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Carnegie Library I rented is my office and then the building across from the auditorium is my R&D space.

**KOLTERMAN:** How many employees do you have?

**KIRK ZELLER:** So right now, I'm the only one working full time in Nebraska. I'm using contract employees, most of which are outside of Nebraska with a vision as we grow and have full-time employees of employing those people here in Nebraska.

**KOLTERMAN:** Stay in Ravenna?

**KIRK ZELLER:** Yes, in Ravenna.

**KOLTERMAN:** Thank you.

**KIRK ZELLER:** Yes.

**LINEHAN:** Thank you, Senator Kolterman. Senator Groene.

**GROENE:** So you-- how do you contact the medical-- the doctor in this operating room?

**KIRK ZELLER:** Um-hum.

**GROENE:** How do you-- what's your-- how do you go out and harvest those ideals that a doctor says, boy, I wish somebody would have-- could do this? I think this would work.

**KIRK ZELLER:** Yeah. So--

**GROENE:** How do you come up with those?

**KIRK ZELLER:** So that used to be my job at one point. It's called upstream marketing to go out and engage with physicians to understand clinical needs and then work to develop those products. And so having done this over a period of 26 years in multiple different specialties, I have a network of doctors and I speak at a lot of conferences so a lot of doctors know that I'm a person to go to if they have an idea. I currently have a doctor on the other side of the world in India who's got a fantastic idea for a next generation mechanical heart valve, which he's contacted me about. And we're actually in discussions about potentially starting and building that company right here in Nebraska.

**GROENE:** Thank you.

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

**KIRK ZELLER:** Thank you.

**LINEHAN:** --here Mr. Zeller. Next proponent. Good afternoon and thank you for being here.

**ANDREW RUSH:** Good afternoon. Thank you, Chairwoman Linehan and the committee for allowing me to speak to you today. My name is Andrew Rush. I'm the director of operations at a company called MatMaCorp here in Lincoln. Little bit about me: I grew up in York, Nebraska, went and played soccer at York College. And I understand what Nebraska has to offer. I love that I'm able to raise my family here and it's been a great opportunity for me. What drew me to MatMaCorp is it was a startup company that had true innovation. And to hear about that in Nebraska was very important to me. There is a risk involved. It was when I started I was only the second employee, but I knew that I had to jump at this chance because I want to make a real difference. And that was an opportunity we had. MatmaCorp was founded on the idea that we would try to make genetic analysis possible in the field and in the lab by eliminating lab tools, lab equipment, special lab training, refrigeration and try and get that reach to really anyone that's interested in looking at genetic analysis for specific traits. The last five years we have been more of an R&D company. And through that-- those five years, we've been able to morph this product into actually three products. It's a product-- three-product platform that the first product is DNA isolation, and then the second product is a customized test that can look for specific traits and detect within that isolated DNA. And then we've actually created a tangible device that's about six pounds and it reads the analysis and gives out the reports. And so all three products work together as kind of a sticky business model because you need one with the other. But it allows-- it allows people to actually use it on site, which is something that we have not been able to see in the market. And so we've been really proud of the work we've done. We're about 30 employees currently. We just expanded in the facility we're currently in here in Lincoln. And so we're doing a lot of really cool things that we think are gonna make a real impact in agriculture, science, medicine. We hope to establish something here in Nebraska. And to say all that, we could not have done what we've done to this point without the help of the Department of Economic Development and Invest Nebraska and all the things that they've-- they've done for us as far as investment or

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specific programs that we've been able to work with them through the Business Innovation Program. One specifically I wanted to bring up is we were a company that did utilize the prototyping grant through the Business Innovation Program. And if we didn't have that, I don't know if we would've got launched because people, especially when you're trying to start a company with a real tangible product that's not just a service, we're not gonna get revenue right away. We have to build this thing out. And so I remember when we were filing for this prototyping grant, we needed a 3-D printer because we needed to print out the concept of what this device is even going to look like. So really starting from scratch was-- was where we started. And it's been really rewarding to see that grow out. Like I said, we're-- we're about-- we're about 30 employees now, half of which have actually come from out of state. And so we've been able to bring people into the state of Nebraska and including one that we always like to pride ourselves on, that she brought her parents from New Jersey and her sister and her sister's child with her. So it's not just the impact of bringing in our employees, but they're bringing their families here, too, because I think there is a lot to offer in Nebraska and a lot of opportunity. And we-- we are committed to establishing ourselves on that. So thank you for your time.

**LINEHAN:** Thank you for being here. Are there questions from the committee? So you're here in Lincoln.

**ANDREW RUSH:** Here in Lincoln. Yes.

**LINEHAN:** OK. Senator McCollister.

**McCOLLISTER:** Yeah. Thank you, Chairwoman. Are your in-laws living with you now?

**ANDREW RUSH:** No, no. So my in-laws are in Kansas. This was another employee of ours that did that but no. No. But I did bring my wife from Kansas so.

**McCOLLISTER:** [INAUDIBLE]

**ANDREW RUSH:** I did that one so.

**LINEHAN:** Thank you, Senator McCollister. Seeing no further questions, thank you very much for being here.

**ANDREW RUSH:** Thank you.

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**LINEHAN:** Very helpful.

**ANDREW RUSH:** Thank you.

**LINEHAN:** Are there other proponents?

**LEE ADDAMS:** Good afternoon, Senators, and it's a pleasure to be with you here today. My name is Lee Addams. It's spelled A-d-d-a-m-s, two d's, and I am the CEO of CropMetrics LLC. It's a company that was founded in North Bend, Nebraska, currently with also employees throughout the state and also here in Lincoln. CropMetrics is a success story in the agricultural technology realm. It was founded in 2010. I've been the CEO for about two years and I'll give you a significant background on that. Part of the reason success-- success story is we just announced two weeks ago our combination with CropX, which is an Israeli-based company that makes soil moisture sensing hardware. So we're a combination of a very successful software company born out of Nebraska and combining with this Israeli group. It's a very good story. We're going to remain with a presence here in Nebraska at the Innovation Center with employees that have a long history here in Nebraska. And suffice it to say that the agricultural technology arena has taken notice, I think, of what we've been able to create here in Nebraska. As a little bit of a deeper detail onto the technology itself, it's founded by a farmer in North Bend, Nick Emanuel, currently the chief technology officer, trained at the University of Nebraska-Lincoln; spent some time with John Deere and decided I'm going to-- there's a lot of value being lost with poor irrigation. A lot of good equipment that's come out of this great state and people need to be trained how to use it better. Well, they do that through software. So that software product that tells you when and how to irrigate was-- it was very successful and still is. Now CropMetrics with respect to the BIA has been very fortunate. Before I was CEO to benefit from the seed fund, the order of \$250,000. I can say that the attraction element of that capital was significant. I don't think it would have happened otherwise that this very successful company would have hit a a plane and maybe not continued. But it was able to attract 10x that capital and it continued this very strong trajectory. So we're very grateful for the support of that fund for that purpose. It's probably worth-- I wasn't reference myself too much-- but probably for the purposes it is helpful to know that I came here to Nebraska about eight years ago to give a talk at University of Nebraska-Lincoln; became-- out of that, was attracted and came and was an executive at Valmont Industries and was very close to leaving the

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state as I was very keen to the innovation world. I met with Nick Emanuel. The funding that was just referenced had been secured and I was very excited to be able to pursue innovation here. I think we would like to see more of that to the points that were referenced earlier by a testifier that in the last two years, as an example, we were able to attract back to Nebraska a chief scientific officer who had been a professor here, been in the Bay area for six years, wanted a chance to do more innovation. We were able to attract him back, another very high-paying job as a data scientist for a homegrown talent. I'd say in Nebraska, all the way through a doctoral program. We're able to keep and retain those-- that talent here, and that will go forward with our-- our acquisition by the Israeli company CropX. So that's very exciting, I think. But we need more of those sort of companies so that they can be able to move around as needed. Just talking really quickly about the impact of our company in particular, it is not a couple of brain jobs here at the university only. It's brain jobs throughout the state. We've got employees. More importantly, we've created an industry around precision irrigation, which employs-- we'll have 100 of these partners here in Lincoln at the end of the month, and probably half of those will be from Nebraska. This industry did not exist before. So we feel there's a great multiplier effect, both for our own employees and for the broader ag industry. I'll leave you with those comments and appreciate your time.

**LINEHAN:** Thank you very much for being here, Mr. Addams. Are there questions from the committee? So your product saves water and money.

**LEE ADDAMS:** We save water and money precisely. We improve farmer profitability. Less water, more yield, more profit.

**LINEHAN:** OK. Thank you very much. Does anybody else? Thank you for being here, appreciate it.

**LEE ADDAMS:** Thank you.

**ROB OWEN:** Good afternoon, Chairwoman Linehan and the Revenue Committee. My name is Rob Owen, that is R-o-b O-w-e-n, and I am the executive director of Bio Nebraska in support of LB879. As background, Bio Nebraska is a trade association with a mission to support, promote, and grow the bio industry in Nebraska. There are over 80 bio Nebraska members, including Adjuvance Technologies, which Dr. Martin and MatMaCorp are members of ours. Our members range from one to two personal startups all the way up to your multinational corporations.

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Our membership is also quite diverse. We have folks in the renewable fuels, in medical device, human health, animal health, industrial, biotech, agriculture, and educational institutions. And on top of that, we have members in Grand Island, Kearney, Columbus, Blair, Omaha and elsewhere. So we are-- we are all over the state, but even our membership is diverse. I think every Bio Nebraska member has a single goal and that is to increase and grow the bio sector in Nebraska. And as we know, Nebraska has limited resources. And I think a decision has to be made how those resources are invested with the ultimate goal of growing our economy, keeping talent in Nebraska, attracting talent, and growing our jobs. So I think the real question here today for the committee is to decide whether or not the Nebraska Advan--, excuse me, Nebraska Advantage Microenterprise Tax Credit should be part of that equation. Now everyone's kind of talked about all this so I just think I want to add a couple more things about the two-- two programs. One, the Microenterprise Tax Credit, and I'm sure it had great intentions when it started, but I think it lacks focus and structure. If I'm not mistaken, into-- professions such as attorneys and lobbyists may be eligible for the tax credit. I'm not trying to disparage that profession. I graduated from University of Nebraska Law School, but I'm not necessarily sure those are those professions that we're thinking about when we're talking about growing the state of Nebraska, building industry. And there's no structure to that at all. And I'll explain that here. As we get into the-- oh, on top of that, I want to say, as I was preparing for this hearing, I was flipping through the Internet and I ran across-- ran across a Web site for a CPA firm. And they were advertising that this Microenterprise Tax Credit is free money. They are advertising to their clients that this is free money. So I want to keep that in mind. As we look at the Business Innovation Act, there's focus, structure, success, and it's not free. If you look in the Nebraska statutes, the Business Innovation Act is to, quote, encourage and support the transfer of Nebraska-based technology and innovation in rural and urban areas in Nebraska in order to create high-growth, high-technological companies, small businesses and microenterprises, and to enhance creation of wealth quality jobs. That's what we all want. If we look at the structure, applications are sent into the Department of Economic Development for review. Depending on what program they're looking at, they may go to Invest Nebraska for approval before they go back to DED. So there is actually someone looking at whether or not these applications are credible. We've already kind of talked about how this has been a very beneficial program with the jobs created, economic impact. And I think finally, it's not free. They're matching funds are needed in order for the

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Business Innovation Act to be-- to be applied for. So I think if you look at those four things, what we have here is a program that is worth investing in. And especially if we want to create jobs, talent, and grow this economy, we need to figure out the best way to invest limited resources. So representing Bio Nebraska, I think that sunseting the tax credit and allocating the savings to the Business Innovation Act is a prudent decision and a safe investment for the state of Nebraska. Thank you very much. Happy to answer questions.

**LINEHAN:** Thank you very much, Mr. Owen. Senator Kolterman.

**KOLTERMAN:** Thank you, Senator Linehan.

**LINEHAN:** You're welcome.

**KOLTERMAN:** I couldn't agree with you more. My question is, you're going to sunset one program, which is just a tax credit, but we're going to take that \$2 million and advance it into this bill, increase the funding by roughly 25 percent, what kind of-- what kind of return on investment do you speculate that will bring us?

**ROB OWEN:** I would have to defer to Richard [LAUGHTER] but I mean, I think just seeing that the-- the program has already run out of money in November of last year, that there is an actual need for this. Obviously, you're investing in startups and there's always an inherent risk with that. But I think looking at the numbers that have been put together by the University of Nebraska in their biannual report, a kind of analysis that it looks to me that is somewhat-- is a worthy investment for the state. You know, I think at some point we need to take control of what our future is. We can't control when companies leave, but we can certainly invest in industries that we have the natural resources here to grow. I forgot to mention that out of those applications in the Business Innovation Act, most of those were from agriculture, engineering, bio sciences, and software section. I mean, those are the industries we want to focus on and not necessarily complete service industries, but we're focusing on those industries that this state has the natural resources to grow with.

**KOLTERMAN:** Thank you.

**LINEHAN:** Thank you, Senator Kolterman. Senator Groene.

**GROENE:** I probably should know this, but in your area of bio,--

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**ROB OWEN:** Um-hum.

**GROENE:** What's the greatest success story we've had in the last 30 years a Nebraska company?

**ROB OWEN:** I would say one of my-- my former employers, Streck, which is a medical device company in Omaha that they started in the mid '70s, makes hematology controls. So when you go to the doctor, they draw your blood in a blood collection tube, put it on a big analyzer, Streck makes a little control product that's in a vial about that big that is fake blood. But when you run it on that analyzer that the FDA requires in the morning and afternoon to test if that machine is working, Streck, when-- is now a 380 employee company with sales over \$180 million and such. And if you talk to anyone in the medical world, they know about Streck. So--

**GROENE:** Is there another one up and coming one that's producing past the research stage?

**ROB OWEN:** That is Nebraska grown, that's a good question. There's a lot of neat stuff going on in Nebraska, a lot of innovative, interesting work, not only in the medical world, but in the industrial biotech.

**GROENE:** And agriculture.

**ROB OWEN:** And I've been up to Blair in agriculture. There is with the natural resources, especially corn in this state, the-- the opportunity for Nebraska to grow in the industrial biotech sector is quite amazing. And so we have those resources here. It's just whether or not we're willing to invest in that and take control of that.

**GROENE:** Thank you.

**LINEHAN:** Thank you, Senator Groene. Any other questions? Senator Briese.

**BRIESE:** Thank you, Chair Linehan and thank you for being here. So-- so it's your testimony that the BIA relative to the Microenterprise Advantage Act is a much better return for the taxpayers?

**ROB OWEN:** Correct. I mean, if we're looking again everywhere we go, we talk about growing jobs, growing the economy, retaining talent and such. The tax credit more as a reward to folks that you've done a good job so we're going to give you \$10,000 and it could be for anyone,

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again, the service industry as such. So if we're looking to invest in what the state has and grow industries and keep people here, then the BIA is a much better investment, I believe, to take advantage of what's here if we want to go into the bio science, engineering, agricultural sectors and grow something there.

**BRIESE:** Call me a skeptic when it comes to these tax incentives, but I think I heard testifier after testifier suggest that it wouldn't happen without this program. And you agree with that assessment as far as--

**ROB OWEN:** Well, and I'm not sure there--

**BRIESE:** --the typical enrollee?

**ROB OWEN:** --it's-- it's not necessarily tax incentives. It's-- it's startup funding. But yeah, it means--

**BRIESE:** I shouldn't say tax.

**ROB OWEN:** I would say when I started with Bio Nebraska, say, 9 or 10 years ago, I think that Nebraska was even 51st maybe in capital funds venture behind Puerto Rico. And so to get where we are today, I mean there's been a lack of funding in this state. And so, again, if the state of Nebraska is willing to invest, then I think that's a prudent way to go to invest in these startups.

**BRIESE:** OK. Thank you.

**LINEHAN:** Thank you, Senator Briese. Are there other questions for Mr. Owen? Senator Groene.

**GROENE:** Angel investment what they call it. Do we have much of that in Nebraska? Do you help coordinate that too or [INAUDIBLE]?

**ROB OWEN:** No, that's I think over the years we've had angel investors, I mean, companies. But I know that with-- that is being phased out at some point, too, here, correct, with the legislation?

**GROENE:** In my industry, there's people that go out and start things and they hope to build it up and then they try to sell it off. Fertilizer plants, for example, is big in Kansas. But so those angel investors is the wealth on the coast and they don't know anything

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about Nebraska? That there might be some startups here they might be wise to invest in?

**ROB OWEN:** I think that's part of it, is that we've maybe not as, well, the bio industry maybe do as good of a job as we should of promoting what's happening here in the state. And I think as a trade association that is one of our goals to do a better job of promoting. I mean, again, like Streck in Omaha, no one knows about Streck. So if no one in Omaha knows about Streck, I mean, really unless you're in that industry, you don't know anything about it. You don't know anything about MatMaCorp. So we need to do a better job as an association, as an industry of telling the world what we're about and what we're not. And I think that helps--

**GROENE:** Bring investment into the state.

**ROB OWEN:** --bring investment here.

**GROENE:** Thank you,

**LINEHAN:** Thank you, Senator Groene. Are there any other questions? Thank you, Mr. Owen, for being here, appreciate it.

**ROB OWEN:** Thank you, Chairwoman Linehan. Thank you very much.

**LINEHAN:** Mr. Owen used to work-- we worked together for a few years. Are there other proponents? Are there other proponents? Are there any opponents?

**JOHN HLADIK:** Good afternoon, Chair Linehan--

**LINEHAN:** Good afternoon.

**JOHN HLADIK:** --members of the committee. My name is John Hladik. That's J-o-h-n H-l-a-d-i-k and I am testifying on behalf of the Center for Rural Affairs. Now I'd like to make four brief points before I get into prepared remarks. First, I want to remind the committee that we are discussing a bill that will move money into BIA at large. There are several programs under that. Not every cent of this bill will go into Invest Nebraska. There are a lot of very exciting and compelling stories we heard today. We are not talking about funding those-- those programs right now. We're talking about putting more money into BIA, which has several subprograms. The second point I would like to make and Senator Groene got to this a little bit, to remind the committee that last year we passed LB334, which sunset the Angel Investment Tax

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Credit and the \$4 million saved by sunseting that tax credit is going to go into BIA starting in 2021. And so BIA is not going to only have a \$6 million budget as we've heard today. It's going to have a \$10 million budget effective 2021. And we don't know how that's going to play out. We haven't had that experience yet. It may be a bit premature to add two additional million dollars on top of the \$4 million extra we just put into this program last year. There was some talk about micro and how that's treated under BIA. I think, Senator Crawford, you had that question. There is a micro program under BIA. That program is a grant to one nonprofit in Nebraska to use that money to make loans to micro entrepreneurs and to provide technical assistance. So it's a much different program. It's not a tax credit and it's not necessarily available to those small business individuals themselves. It's available to that-- that nonprofit organization who, again, turns around and makes loans to those individuals. And the fourth quick point I would like to make is that, again, I'm these are some very exciting stories, the most exciting history, excuse me, the most exciting hearing I've been in so far this year, I think. And I'm very glad that they've all came back to Nebraska. But those stories are-- they're here for a reason, which is that they're extraordinarily unique. When we're talking about rural Nebraska, that's not available to everybody. Not everyone there has a college degree. Not everyone there has access to capital. And not everyone there is technologically sophisticated. Some of us don't have Internet. So when we talk about what-- what these programs are, we need to remember that there are some people in rural Nebraska who need to make their own jobs and they don't have access to the fortune that some of these individuals do. And I think that's important to keep in the back of our mind as we think about this program. As kind of a refresh on the program, I think we know enough about it already. But Nebraska statutes defines microenterprises as a small business with five or fewer full-time equivalent employees. And this locally owned and owner-operated microenterprise approach drives the economy in areas that have not been successful in attracting manufacturers or other large employers. Nebraska has 145,000 microenterprises, which is 86 percent of all of our businesses in the state, and approximately 24 percent of Nebraskans are employed by microbusiness. This act was passed in 2005 and its explicit legislative purpose is to provide tax credits to applicants for creating or expanding businesses that contribute to the state's economy through the creation of new or improved income, self-employment, or other new jobs. Again, it's only available to small businesses with five or fewer full-time equivalent employees. The individual applying must be personally involved in the day-to-day

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operations. These are refundable tax credits that are awarded to operators for 20 percent of increased investment over a base year. So if I applied today, my base year is 2020, I will have to increase investment in my business by 20 percent in the next two years to get the full allotment of this tax credit. I can increase that. I can earn those by securing new buildings here in Nebraska, by maintaining businesses or buildings here in Nebraska, by increasing my wages to Nebraska-based employees, or by investing in professional services such as advertising. As you know, in 2018 it was the subject of an audit. Of the 620 firms they reviewed, 44 percent paid more in annual wages four years after receiving their tax credit, 58 percent averaged more employees in 2017 than 2013, 13 percent were in distressed areas. In 2014, they looked at all the applicants in that year. And of those 164 that applied, they created between 416 and 472 new jobs and the estimated cost per job was \$2,300 to \$11,000. And this has provided benefits to individuals in 79 of Nebraska's 93 counties. The audit made some very good recommendations about how this program can be improved, and I think we should seriously look at those. The audit suggested that we have a thorough and-- thorough interim hearing that fully explores the recommendations we made. And I know that this was discussed over the interim, but I don't know if we can say we had a thorough hearing to fully explore. I suggest that we follow the recommendation of the Audit office and we take a look at what this program has done for Nebraska and what it can do. I also think it's--

**LINEHAN:** I'm sorry. Your-- you need to wrap up.

**JOHN HLADIK:** Oh, it was red, not amber.

**LINEHAN:** That's-- that's red here.

**JOHN HLADIK:** I'm sorry.

**LINEHAN:** That's stop. I'm sorry. I wasn't paying attention. Question, but thank you for being here. Do we have any questions from the committee? Seeing none, thank you very much for being here. Are there other opponents? Is there anyone here in the neutral position? Senator Geist, would you like to close?

**GEIST:** Thank you, thank you for your time. I-- the-- I agree with Jonathan. The most exciting hearing I've been to today, too. And you can see why after hearing just a little bit of what some of the companies have done really with very limited, I mean, we deal with large sums of money here, so very limited resources, how they've

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grown. From the interviews that I've done with many of the individuals you've heard from and some others, they necessarily stay in Nebraska because Nebraska has supported them. And so I just get excited when I hear the potential, the opportunity. I am a fiscal conservative and I'm bringing a bill that has a fiscal note. I understand that. However, what I look at is return on investment. We've talked about growing jobs, growing well-paying jobs, getting people to stay in Nebraska, to commute people from out of Nebraska into Nebraska. That's exactly what this program does. It is so exciting. I do want to address the \$4 million potential that could be diverted to BIA in the budget that last year was taken out of the budget and diverted to a different direction. There was some uncertainty with property tax relief, which I know you all know very well that some of those funds are going to be redirected this session as well, which is one of the reasons I thought of this, because it could be a sure mechanism for this program getting funding beyond what you may have been dealing with, with property tax relief. So this was my mechanism of thinking of a different way of assuring that we can get additional funds to this program so that we can have more success stories like what you've heard. And I'm happy to answer any questions that you might have.

**LINEHAN:** Thank you, Senator Geist. Are there any questions from the committee? Seeing none, letters for the record. I should have said this first, I'm sorry. So we have proponents: Rocky Weber, Nebraska Cooperative Council. Opponents: Reinke's Farm and City Service, Inc.; Lisa Hurley, York County Development Corp.; Denise Wilkinson, Norfolk Area Chamber of Commerce; Allen Steinmeyer, Lyons, Nebraska; Lauren Sheridan-Simonsen, city of Neligh; Charles Shapiro; Dennis Demmel, Ogallala; Roger Kirkpatrick, RCK Creations and More. Neutral: None. So with that, we will close the hearing on--

**GEIST:** Thank you.

**LINEHAN:** LB879. Thank you very much.

**GEIST:** Thank you, Committee.