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LINEHAN: Welcome to the Revenue Committee public hearing. My name is Lou Ann Linehan. I'm from Elkhorn and I represent Legislative District 39. I serve as Chair of this committee. For the safety of our committee members, staff, pages and public, we ask those attending our hearings to abide by the following procedures. Due to social distancing requirements, seating in the hearing room is limited. We ask that you only enter the hearing room when it is necessary for you to attend the bill hearing in progress. The bills will be taken up in the order posted outside the hearing room. The list will be updated after each hearing to identify which bill is currently being heard. The committee will pause between each bill to allow time for the public to move in and out of the hearing room. We request that everyone utilize the identified entrance and exit doors to the hearing room. We request that you wear a face covering while in the hearing room. Testifiers may remove their face covering during testimony to assist committee members and transcribers be clearly hearing and understanding the testimony. Pages will sanitize the front table and chairs between testifiers. Public hearings for which attendance reduce the seating capacity or near capacity, the entrance door will be monitored by the Sergeant of Arms. He will allow people to enter the hearing room based upon the seating availability. Persons waiting to enter a hearing room are asked to observe social distancing and wear face covering while waiting in the hallway or outside the building. The Legislature does not have the availability due to the age fact project of an overflow hearing room for hearings which attract several testifiers and observers. For hearings with large attendance, we request that only testifiers enter the hearing room. We ask that you please limit or eliminate handouts. The committee will take up the bill 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. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please turn off your cell phones. The order of testimony is the introducer, proponents, opponents, neutral, and closing remarks. If you will be testifying, please complete the green form and hand it to the page when you come up to testify. If you have written materials that you would like to be-- would like distributed to the committee, please hand them to the page to distribute. We need 12 copies for all committee members and staff. If you need additional copies, please ask a page to make copies for you now. When you begin to testify, please

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spell both your first and last name for the record. Please be concise. It is my request you limit your testimony-- how many are here to testify today? OK, let's go with four minutes so you get-- get three on green, and then at the end of yellow, you need to wrap up. If there are a lot of people wishing to testify-- OK. If your remarks were reflected in previous testimony, or if you would like your position to be known but do not wish to testify, please sign the white form on the table outside of the room by the entrance. It will be included in the official record. Please speak directly into the microphones so our transcribers are able to hear your testimony clearly. First, I will introduce committee staff. To my immediate right is committee counsel, Mary Jane Egr Edson. To my immediate left is research analyst, Kay Bergquist. To my left at the end of the table is committee clerk, Grant Latimer. Now, I would like the senators to introduce themselves starting at my far right.

PAHLS: Thank you, Chair. Rich Pahls, District 31, southwest Omaha.

FLOOD: Mike Flood, District 19, all of Madison and a part of Stanton County.

BRIESE: Tom Briese, District 41.

ALBRECHT: Joni Albrecht, District 17, Wayne, Thurston and Dakota Counties in northeast Nebraska.

LINEHAN: This morning, gentlemen, this morning our pages are Thomas and Turner. Both attend UNL and both are studying political science. Please remember that senators may come and go during our hearing as they may have bills to introduce in other committees, which is probably why we're missing some. Please refrain from applause or other indications of support or opposition. I would like to remind our committee members to speak directly into the microphone for our audience. The microphones in the room are not for amplification, but for recording purposes only. Lastly, we are an electronics equipped committee. Information is provided electronically as well as in paper form, therefore, you may see committee members referencing information on electronic devices. Be assured that your presence here today and your testimony are important to us in critical state government. And with that, we'll open the hearing on LB1-- LB542. Senator Walz. Good morning, Senator Walz.

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WALZ: Good morning. How are you today?

LINEHAN: Very good.

WALZ: Good. Good morning, Chairperson Linehan, and members of the Revenue Committee. My name is Lynne Walz, L-y-n-n-e W-a-l-z, and I proudly represent District 15. I'm here today to introduce LB542, a bill that would authorize the issuance of highway construction bonds. This option for the-- this option for the Department of Transportation to use bonds will bring Nebraska's infrastructure into this century and ensure safety, accessibility, economic growth and efficiency. With the amendment, these bonds would not exceed \$450 million over the next six years and will be paid back fully by 2040, with conservative debt service limits and fixed interest rates not to exceed 5 percent. The bonds would be repaid out of the State Highway Capital Fund Improvement Fund, which would consist of the state's share of the quarter cent of sales tax that was established through LB84, the Build Nebraska Act. This is in accordance with the state constitution, as this bill would require a three-fifths vote of the Legislature and the resource is a state revenue fund that is closely related to the use of highways completely separate from the General Fund. Bonding would be an option. It's an option for the Department of Transportation that could be used for specific projects already identified under the Build Nebraska Act, which includes the long, very long overdue expressway system. With the amendment, 75 percent of these funds would be committed specifically to finish the expressways. I don't have to remind you of all the highway projects that are waiting for completion. I'm sure we're all aware of that, but I think the timeline is an important point to make. In 1988, the Nebraska Legislature placed into law the creation of the expressway system. It consisted of 16 coordinators connecting major cities to more-- more rural populations with over 600 miles of roadway. Thirty years later, one-third of that project is still unfinished. The initial projected cost of this project was around \$200 million. And now, just to complete the 161 miles, will cost upwards of \$500 million, with the cost increasing every single year. I do not think anyone would disagree that the expressway needs to be finished. By putting this project off year after year after year and letting it sit on the shelf, we are guaranteeing the loss of more taxpayer money. Inflation and construction cost have raised the cost already, and I assume will continue to do so if we do not have the ability to bond. From where I stand, it seems incredibly financially irresponsible to wait any

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longer on this 30-year-old plan because at the end of the day, this is about how much taxpayers are going to pay for the services, not only promised, but required of our government. If we would have completed this project when it was introduced, more sales tax revenue could have gone to things like schools, possibly decreasing property taxes. But instead, we are stuck with an unfinished 30-year-old project that cost more than twice of its original estimate. I know that historically we have been a pay-as-you-go state, but let this project be an example as to why this approach is no longer able to serve the state, our constituents, and their needs. Bonding is not a new concept. We bond on the local level on a regular basis to complete projects that otherwise would remain unobtainable and unfinished. By bonding, we were able-- able to leverage historically low interest rates and stop the buck in terms of compounding cost. Our future economic growth and revenue depend on what we are willing to invest in infrastructure now, and ultimately, our constituents really do deserve safe highways. Passing LB542 would mean accelerated projects, less time with orange cones on the road, and a full stop on the accumulation of inflated construction costs that are already burning a hole in our pocket. Additionally, the revenues promised to these bonds would ensure that the General Fund remains untouched, and the 15 percent of the Build Nebraska Act that goes to cities and counties would also not be affected by this bill. The future of our state depends on infrastructure. We have been a very proud-- we have been very proud to pay for these projects with the pay-as-you-go mindset. But that is no longer working and it is not fine-- it does not make financial sense. The 2019 State Highway Needs Assessment-- Assessment compiled by the Department of Roads has quantified our next 20-year needs at \$12 billion to have good instruction-- infrastruct, infra--, excuse me, infrastructure and build our economy, we need to fund it. To be on track and not fall further behind than we already are, other options need to be considered and again, bonding is not a new concept. We bond at the local levels on a regular basis. In fact, over 40 other states across our nation use bonding for roads. LB542 will allow us to leverage the Build Nebraska Act monies and wisely invest in our infrastructure, strengthening our future. I would encourage your support on this bill and there will be a lot of mayors and other stakeholders coming up behind me to answer questions, but I'd be happy to try and answer any for you. Thank you.

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

FRIESEN: Thank you, Chairman Linehan. So have you come up with what
the total would be to finish the expressway system to Build Nebraska
Act?

WALZ: \$400 million, I think as far as--

FRIESEN: That would completely finish all of the aspects of the Build
Nebraska Act?

WALZ: I-- I will check and maybe somebody knows behind me.

FRIESEN: OK. So I'm just curious of, you know, there is a whole
expressway system, would all components of that be able to get
finished with this \$400 million.

WALZ: I'll check on that.

FRIESEN: Thank you.

LINEHAN: Thank you, Senator Friesen. Other questions from the
committee? Seeing none, are you going to stay to close?

WALZ: Absolutely.

LINEHAN: Thank you.

WALZ: Thank you.

LINEHAN: So first, we will have proponents. You're all going to come
up, so don't be shy. Good morning.

ERNEST PRESTON GOSS: Good morning. I'm Ernest Preston Goss,
E-r-n-e-s-t P-r-e-s-t-o-n G-o-s-s. I'm with Goss & Associates and also
Creighton University. And thank you, Chair Linehan and other Revenue
Committee members for allowing me to testify today on this very
important issue. And I'll be testifying on my findings from a study
that I did earlier on the expansion, and that is, did this study a few
years ago. I will not address specifics of LB542. I'm an economist,
not a policy advocate. As such, I'm not privy to the many trade-offs
that U.S. policymakers are faced with. So I'm-- I'm here to talk about

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what the pluses, as I see it are, for expanding this Highway 275. And that's what I did and I'll attest to that. Many positives, I think, regarding that expansion. First off, is the safety issue. I, and my colleagues, addressed that, examined the safety issues and the average traffic on two-lane portions of Highway 275 are about 69 percent higher than they are on the four-lane portions of the highway. The heavy traffic is about 148-- heavy traffic, heavy truck traffic is about 148 percent higher on the two-lane portions than the four-lane portions of the highway. And as such, the estimated that widening-- widening the Highway 275 will reduce accidents per mile by .65 per year. So per-- .65 per year per mile for each-- for the conversion or the expansion of that-- of the Highway 275. Also, I like to attest to the fact that-- testify to the fact that this is a high-- high demand highway. In other words, you're talking about a portion of the state that is pretty heavily populated by manufacturing and agriculture. And those, as you know, are two industries, two sectors that depend heavily on highways, and I'll talk about that. In our recent Creighton's survey, 8 out of 10 of our firms, 8 out of 10 firms indicated that the-- the bottlenecks, that's transportation bottlenecks was slowing down their companies. Now, some of those companies are-- all the companies are manufacturers. Now, not all, not just Nebraska, now, I have to say, this is a nine states, but nonetheless infrastructure and supply bottlenecks are a big, big, big issue right now across the U.S. and especially, I will say, in Nebraska. The county served by Highway 275, employment per 100 miles of highway, manufacturing is 984.1 per highway-- 100 miles of highway compared to the rest of the state of 926. Now, that's not that significant, but it is higher. In other words, you've got more manufacturing for the counties served by Highway 275. And, of course, portions of it are four-lane, portions of it are two-lane. Now, particularly primary metal products that depend heavily again on a good highway system and rail as well, primarily metal along this corridor, the 275, there's a-- there are about-- there are 52.3. The employment is 52.3 per mile and that's compared to the rest of the state of 11.8 employment per mile, jobs per mile. So you see it's about five times higher, the employment in-- in primary metal products along this corridor, the 275, both four-lane and two-lane, of course. Per highway mile there-- the-- the-- the counties along on this corridor, 912 head of cattle versus 528 for all other portions of the state. So you're talking about a portion of the state that served,

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again, heavily serves manufacturing, primary metal products and also
cattle.

LINEHAN: Professor, I need to ask you to wrap up, but I bet somebody
will have a question for you.

ERNEST PRESTON GOSS: I'm sorry.

LINEHAN: I need you to wrap up, your right-- your light's gone red--

ERNEST PRESTON GOSS: Oh, sorry.

LINEHAN: --but somebody might have a question, I'm guessing.

ERNEST PRESTON GOSS: OK, sure.

LINEHAN: Does anybody have a question?

ERNEST PRESTON GOSS: Yes.

FLOOD: Mr. Goss, thank you-- or Dr. Goss, thank you for your
testimony. I wanted to just have you repeat that about the cattle,
almost double the amount of cattle being transported on this highway--

ERNEST PRESTON GOSS: Right.

FLOOD: --than the state average. When you-- when you looked at those
other numbers, what other numbers stand out at you in the testimony
maybe you haven't got to yet?

ERNEST PRESTON GOSS: Primary metal, of course. That's-- those-- and in
our-- in our Creighton surveys independent from my study, we found
that primary metal, there are a lot of bottlenecks right now across
the region. Now that's currently right now. That's before we did the
study. But nonetheless, we're talking about delays, bottlenecks, and
it's slowing down overall economic growth among other companies that
need these primary metal products. That's particularly important. Of
course, cattle as well. We're delivering cattle from these counties
that are served by 275 to the rest of the nation and Nebraska as well.
So we're talking about, as you said, the numbers for cattle were 912
average cattle per mile versus the rest of the state of 528 cattle per
mile. So quite significant. Also grain as well. The grain is not as--
not as-- the gap is not as significant for grain as it is for cattle,

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but nonetheless. And given, let me turn to my lav, if I may, if I can just go-- some of the hidden cost. OK, in other words, reducing commute time. The value is about \$1.7 million per year, just reducing the commute time of individuals traveling from-- from portions of the county, portions off counties to other portions of the state. That will involve increased highway maintenance. There is no doubt about that. In other words, expanding the highway, there will be maintenance costs and we estimated about \$672,000 per year. Timing, say on-- we're really, one of the huge issues right here as I see it, we're talking about-- if you talk about 100, \$100 million. For every \$100 million, the current municipal bond rate, the current municipal bond rate is 1.87. OK. If we go back to the historical norm or what we saw two years ago, it will go-- It will rise back up and I expect it to. In other words, we're talking about interest rates rising over the next couple of years, next year and even this year. So any delays in borrowing are going to be penalized with higher interest rates. And for example, if we move back on 100, this is for \$100 million for 30 years. I did the estimate based upon 30 years, \$100 million, you save \$36 million-- \$36 million dollars on the \$100 million assuming that we go back up to the historical norm on interest rates. And now will we move back up to the historical norm? I don't know. No economist does, but we're moving in that direction. Anybody that doesn't see higher interest rates rising over the next few years, I don't think you're seeing the full picture. I mean we've got a \$1.9 billion stimulus package that's coming down the pike and that's going to push interest rates up. So I think any-- any borrowing and I would advise, even in your own personal situation, if you need to borrow money, borrow it now, it's not getting-- going to get any cheaper. So with that, that's-- those are just some issues. I did do the impacts and that's in the study that I left, the economic impacts of the widening and they're very positive. And it's in the billions of dollars, the impact on the state of Nebraska. A number of jobs, if I remember right, I think it's about 1,300 jobs per year that will result in widening the highway. So, again, I'm not speaking necessarily on behalf of 542, but I am speaking on behalf of widening that highway system from two-lanes to four-lanes.

FLOOD: OK.

LINEHAN: Thank you, Senator Flood and Senator Goss-- I'm-- Senator Goss-- see we're promoting you already. Maybe not. Just how you look at it. [LAUGHTER]

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ERNEST PRESTON GOSS: Hey, I'm up for that. I imagine the citizens of
Nebraska aren't, though.

LINEHAN: Senator Briese.

BRIESE: Thank you, Chairman Linehan, and thanks for your testimony
here today. How about the inflationary pressures on highway
construction? Do you have any numbers on that historically?

ERNEST PRESTON GOSS: It's-- it's-- historically no, I don't. But over
the last couple of years, it's been significant, rising perhaps
somewhere between 5 to 10 percent in that neighborhood.

BRIESE: In the last couple of years, but historically--

ERNEST PRESTON GOSS: The last-- the last two years, something like
that, yes.

BRIESE: But a lot of things have faced some abnormal inflationary
pressures here in the last six months or a year, correct?

ERNEST PRESTON GOSS: Absolutely. Absolutely.

BRIESE: And does that impact that 5 to 10 percent you just referenced?

ERNEST PRESTON GOSS: Yes, it will. I mean, in other words, we're faced
and again, you'll hear very-- all economists, we never-- no
economists. You find two economists that agree, then bring them to
Creighton, we'd like to hire them. We'll-- no, it's a-- but I think
that it's pretty well agreed upon that-- that inflation is rising,
will continue to rise, and that-- what does that mean? That means
increase in costs. But the more-- perhaps the more important factor is
it increases interest rates. Interest rates have risen along-- on the
long end. On the long end, 10-year Treasury has risen about six-tenths
of 1 percent over the last three months. Over the last three months,
that's remarkably high. And again, it's just now's the time to borrow.
I just don't know if we're ever going to-- we're going to see
borrowing as favorable as in the future as we have right now.

BRIESE: But if we throw out the last 6 to 12 months, you don't have a
number really on the inflation rate for highway construction. I'm
assuming maybe some other folks would.

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ERNEST PRESTON GOSS: Yeah, over the last year, I don't-- I'm not-- I would say between 5 and 10 percent over the last couple of years. Now, over-- over the last 10 years, I don't have that number.

BRIESE: OK, thank you.

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

FRIESEN: Thank you, Chairman Linehan. So you talked about the cost of delayed travel. What is your estimate of the amount of time the average traveler is delayed?

ERNEST PRESTON GOSS: I have that in the study. And I'm just-- I think it's about 24 minutes. By-- by widening it, the average commute time is 24 minutes. I believe that's correct. But I don't-- can't attest to it. The savings is 1.7 million per year. And I did write that down. But it is in the study and I didn't bring enough copies for everyone today, we-- so.

FRIESEN: OK, thank you.

LINEHAN: Thank you, Senator Friesen. Senator Pahls.

PAHLS: Thank you, Chair. Then you are telling me that when the citizens of Omaha voted for \$200 million bond issue within this last year or so, that was a good move because of the savings.

ERNEST PRESTON GOSS: All I can testify to is the savings, whether it was the use of the bonds, I don't-- I can't.

PAHLS: It's for the roads-- for roads.

ERNEST PRESTON GOSS: Yes, it is a good-- it was a good time. It probably-- it's going-- we're talking about in the next six months, interest rates will be rising. I can't imagine them not rising. So as far as borrowing last year as opposed to later this year, I would say that's a good deal, yes.

PAHLS: That was approved by the citizens of the City of Omaha.

ERNEST PRESTON GOSS: Correct.

PAHLS: Thank you.

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LINEHAN: Thank you, Senator Pahls. Other questions from the committee? A follow up on Senator Briese and other questions, if the Biden administration-- OK, so they're talking about the senate or the stimulus, whatever they're calling the next \$1.9 trillion, then their next project, I think, if I recall, is infrastructure, right?

ERNEST PRESTON GOSS: That's correct. That's-- that's very likely. They haven't announced it yet.

LINEHAN: So if-- if the federal government starts a big infrastructure project, won't that also increase cost, I mean--

ERNEST PRESTON GOSS: Absolutely. There's no question, the trend that we're looking at, more inflationary pressures. Our re-- just our wholesale price gauge at Creighton University, and that's nine states, rose to a record high last month. We've never seen numbers this high. In terms of growth, now, I'm not talking about the movement trend. And that's true. The national number that came out yesterday and these are-- we're talking about manufacturing in our survey. We're talking about manufacturing in the national survey that came out, I said yesterday, it was Monday. And the inflationary pressures are higher than I think at the national level, higher than I've seen in the last 20 years. So now the question becomes, how much of that do we see in the CPI, the consumer price index? Not as much, but we're nonetheless faced with higher inflationary pressures. And Senator Linehan it's-- you're correct that the pressures are going to grow in terms of infrastructure because there is very likely to be an infrastructure bill passed by the U.S. Congress and Senate and passed-- and signed by the President in-- at the end-- in the second half of this year.

LINEHAN: Thank you. Other questions? Thank you very much for being here. Thank you.

ERNEST PRESTON GOSS: Thank you.

LINEHAN: Next proponent. Good morning.

MOSER: Good morning. My name is Mike Moser, it's M-i-k-e M-o-s-e-r. I represent the 22nd District in the Legislature. And I know it's not commonly done, it has happened where Senators have appeared to testify for a bill. But I really appreciate Senator Walz bringing this bill. I think it's a bold move on her part, and so I appreciate her bringing

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it. I know some of the other members of the Legislature talked about doing it, too, but once we saw that she had a bill entered, we just didn't see the wisdom of having two or three competing bills doing the same thing. So with that, I think what we've got here is a system that's kind of oscillating back and forth. We're not progressing toward the goal that we need to progress toward. I don't know if you've ever seen any of Zig Ziglar's motivational tapes or his speeches he gives and he has one that he talks about seeing somebody on a boulevard in a town looking down the boulevard and the light is green and the car didn't move. And so Zig asks this guy why he stopped at a green light and he said, well, I can look down the road away and I see that there are-- some of those lights are red, so there's no point in me starting if I can't get to the end. And Zig says, if you don't start, you're never going to get to the end. So the point of that story is that bonding might solve one of those red lights along the way, for roads progress we need permitting. We need engineering, we need funding. And then we have local political problems. Sometimes we can't decide where we want the road to go. We can't decide who's going to maintain the roads that are being vacated or replaced. So this gives us one more way to eliminate blockages. The handout I gave you starts out with a picture of Deb Fischer on the front who was at our ribbon cutting and that's the day this picture was taken in 2016. She was excited because Highway 30 was beginning. The construction was beginning. And we have other pictures from that event, but I just like that picture with her pointing at the sign made by the Nebraska-- made possible by the Build Nebraska Act. I also like the, Jesus I trust in you sign. OK, second page-- well, page number one, the next page is just the cover of LB84 which Fischer wrote and introduced. The next three pages, on both sides, are the file from my Chamber of Commerce on the expressway system. And this is only part of the file. The-- they-- they didn't want to burn up two reams of paper, so they just burned up this much. This is a synopsis of this. They're all promises and comments from the Department of Roads, from the local entities to the Department of Roads about what we believe in. OK. Then the continuity of these projects is in question. We've had five governors, five different state senators and eight directors of Department of Transportation. Then I've got some emails there. There's a page in there, somebody asked about construction costs from 2003 to 2019, construction costs have almost doubled and it's about 5.7 percent for a year. The next page is a picture where we are on Highway 30, and

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that's the end of my handout. I'd be glad to answer any questions if
you have any questions.

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

FLOOD: Thank you, Senator Moser. This file from the Columbus Chamber
is almost infuriating if you think about how long this has been going
on.

MOSER: Yes, there's a lot of frustration. I may have given you the Ben
Stein presentation here that I didn't-- surprising I didn't pound on
the table or throw stuff in the air or something. I mean, it's been a
frustrating process.

FLOOD: Describe for this committee how your constituents think about
the completion of the expressway. Like what do they-- when they talk
to you, do they feel forgotten?

MOSER: They-- I don't know about forgotten. It is a very frequent
comment that I get. We had a groundbreaking where we cut a ribbon for
a viaduct and Mayor Bulkley was speaking and he graciously let me talk
just for a minute or two to the crowd. And I asked a hundred or so
people there what they thought about completing the expressway system,
and everybody raised their hand in favor, including Director
Schneeweis. He was there.

FLOOD: What about-- and the last question for you. How do you-- how do
you-- how do you regard the Lincoln South Beltway? What happened there
that is significant?

MOSER: Well, I think they had good-- good political support from the
Legislature. I think was-- was good. It has an element of bonding in
it. It's not the same as what Senator Walz's bill would allow. They
put the bonding on the contractor so that the contractor could bond in
order to build the project. And then it's going to be paid for
overtime.

FLOOD: And who pays for it?

MOSER: Well, the citizens are still going to pay for it and--

FLOOD: But who specifically, who writes the check?

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MOSER: The state. Well, for the bonding, you mean.

FLOOD: For the bonding.

MOSER: Yeah.

FLOOD: The bonding that we don't want to do.

MOSER: The bonding that we don't want to call bonding, it's like-- it looks like a duck, it walks like a duck, it quacks like a duck, it's a duck.

FLOOD: Except if you had to guess, what kind of rate did we get? Did we get the municipal bond rate or did we get a commercial rate?

MOSER: Well, I-- that would be beyond my knowledge. But I did check on municipal bond rates for the full credit and faith of the state. And on a 10-year bond, it's around 1 percent at the moment. I think that's going to go up. And if you look at that construction cost of concrete paving, it's gone up. It's doubled since 2003 to now. So it's 5.7 percent a year that the costs have gone up and the interest rate would have been 1 percent.

FLOOD: Thank you.

LINEHAN: Thank you, Senator Flood. Are there other questions? Senator Albrecht.

ALBRECHT: Thank you, Chair Linehan, and thanks for all this information. This is good stuff. OK, if looking at this map, is the red all the way around it, because I'm not quite familiar with your area, is that-- where's this beltway? It's 30, but does it run through--

MOSER: Well--

ALBRECHT: --a portion of Columbus or go around.

MOSER: This bill would help the whole expressway system. It's-- it's a passion for my constituents because they want to be able to get to Omaha more quickly if they're going there for medical visits, if they're going there to a football game or baseball game or whatever.

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ALBRECHT: Or ag through your area.

MOSEER: Yeah, and truck traffic, you know, Behlen Manufacturing--

ALBRECHT: Right.

MOSEER: --ships \$200 million worth of cattle gates and buildings and things. And for a long distance, they're not on the expressway.

ALBRECHT: So was the City of Columbus involved in any way financially to get this project done? Is there any part--

MOSEER: The City of Columbus only had to pay the 20 percent local share on the part of Highway 30 that was in the city.

ALBRECHT: OK.

MOSEER: Beyond the city, then--

ALBRECHT: So even in the city, is it finished at all? Just that portion of it.

MOSEER: Yes. We have a four-lane through Columbus and seven miles south to where 64 goes, and then all the way to Norfolk to Senator Flood's district it's four-lane. But then it stops there and right now it stops if you look at that picture in a cornfield north of North Bend.

ALBRECHT: OK. So any safety hazards, because it-- in certain areas where it starts and stops?

MOSEER: The highway-- well, I can speak for Highway 30 as-- as a section of the expressway system, but Highway 30 between Columbus and Fremont is dangerous. The radiuses are tight. Some people don't want to travel the speed limit, so then you get convoys of cars and then some crazy person tries to pass seven or eight cars at once. And I have seen somebody have to pull off to get out of the way and there are no shoulders there to pull off on to. So if you pick a bad spot, you could be upside down somewhere. And then the train tracks are on one side and the opposing traffic can be on the other side of the highway. And they both had their lights on, you have to decide which path you're going to take. You know, you've got to look over here and look over here and make sure you're staying in the middle of it.

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ALBRECHT: But I mean, you're talking about Highway 30 and I travel that 275 and it's exactly the same way. You know, between West Point and Scribner, and it can be dangerous at times, to say the least. And it's like there's just this little bubble over that area because that's where everybody wants to pass. They don't pass you when you're on the four-lane, they only pass you on the two-lane, so. I appreciate your frustration and thanks for testifying this morning.

MOSER: Well, I think my comments about Highway 30 can be scaled up to cover the whole expressway system. I think frustrations are everywhere. And, you know, its-- highways are built by government, and government is sometimes two steps forward and one step back. And sometimes one step forward and two steps back, depending on what we're doing.

ALBRECHT: Thank you.

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

FRIESEN: Thank you, Chairman Linehan. So when you visited with the DOT, whoever you're visiting with, are you getting a consistent message on them-- from them on how the process and the progress is being made?

MOSER: Well, they always have a good explanation, but they aren't always, I would say, consistent. The emails that you saw in my handout kind of explain that. In August, and at your Transportation meeting, they were talking about funding being a problem. So I entered a bill to front the 70 million reimbursement from the federal government that we're waiting for to get them started on some projects. But then when they came to oppose my bill, they said, well, it's really not the funding, it's the permitting. Even if we had money, we couldn't build it. But, you know, you got funding, permitting, all these different red lights along the way. Senator Walz's bill removes, or makes easier getting through one of those red lights that you see looking down the pathway to success.

FRIESEN: Yeah. Thank you.

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

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MOSER: Thank you for indulging me.

LINEHAN: Yeah, this-- you're right, this is great. Senator Fischer
will be very happy. [LAUGHTER]

MOSER: Yeah, I thought it was a great picture. We had pictures of me
there, but I didn't think that would be as meaningful, so.

LINEHAN: Thank you. [LAUGHTER] Next proponent. Are there any other
proponents? Oh, I'm sorry, I'm sorry.

JAKE OWENS: Good morning, and thank you very much for giving me some
of your time today. My name is Jake Owens, J-a-k-e O-w-e-n-s. I have
the honor to represent the York County Development Corporation as a
board member, and the York County Health Coalition as its executive
director. I'm here today-- I do not have the depth or breadth of
information that the far more intelligent people than me that preceded
gave. What I do have is, I've come to advocate on behalf of our
community. We on the York County Development Corporation partnered
with Polk and Platte Counties to conduct an economic impact
assessment. I am not the economist, I apologize, but we did find that
roughly 200, oh, excuse me, \$200 billion could be added annually to
the GDP by expanding our section of the Interstate with 81 there. We
found that just under 2,000 jobs could be added-- supported annually.
I advocate as a Development Corporation member that GDP increase
supports our small business owners and as the executive director of
the Health Coalition that looks to improve quality of life for our
citizens, we find that those jobs create dignity. They create informal
supports that prevent crises. The-- the impact would be far beyond
just the-- just the money and just the number. And I can advocate for
that as an expert, as somebody that serves that population regularly,
that we as a community would greatly benefit. To be clear, we advocate
for the entire state to receive this benefit. But I have only data for
my own community. I understand that you pay as you go is a value for
us in Nebraska. I willingly choose to live in Nebraska. I transplanted
from another state for college and have stayed here because I love it.
We ask in York County and in our surrounding communities that we think
of some other values, though, as well. It's our understanding that the
expansion to four-lanes was promised in the 80's. I understand
completely that-- I don't know how long anyone here has been tenured
on this committee. I understand that you're probably speaking for
people that were here before you. I come with no anger and with no

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frustration, simply to ask that we make good on a promise that was made when there were only three Star Wars movies. [LAUGHTER] We ask that this be something that happened to support our community. I understand, and we thank you for your fiscal responsibility. We do thank you as taxpayers, as citizens, as somebody that works with grants and donations and daily navigates this field, we thank you for being responsible with our money. But we also want to say that we support this idea of getting a bond, that we ask that you be responsible with our money, not just by not spending it at the wrong time, but by spending it at the right time and by investing in something at a time when it is wise to invest and when people, again, much smarter than me, have just testified that we're not going to get another opportunity like this.

LINEHAN: Thank you, Mr. Owens. Are there questions from the committee? Seeing-- oh, Senator Briese.

BRIESE: Thank you, and thanks for your testimony. Can you repeat that statement about the increase in GDP so I can get ahold of this?

JAKE OWENS: Yes, sir. We estimated that it would increase GDP in the state of Nebraska by roughly \$200 billion annually, or million. Let me-- if I may be permitted to check my phone, I have the document on there.

BRIESE: You can check back with us.

JAKE OWENS: It does state-- oh, excuse me. I'm very sorry, I've embarrassed myself, 3.4 billion is the official number.

LINEHAN: Three point four--

JAKE OWENS: Billion with a b, yes.

BRIESE: OK. It's a big number. Thank you.

JAKE OWENS: I was struck, the 200 million to clarify does come from-- 200 million is what we estimate we lose by delaying two years at a time in the increase in costs.

BRIESE: Thank you.

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

JAKE OWENS: Thank you very much.

LINEHAN: Good morning.

JOSH MOENNING: Good morning, Madam Chair, members of the committee. My name is Josh Moenning, J-o-s-h M-o-e-n-n-i-n-g. I am the Mayor of the City of Norfolk. Nebraska Expressway System was a promise made to the people in Nebraska more than three decades ago, enacted by the Legislature in 1988 under the leadership of Governor Kay Orr. It was a plan to connect our state's major communities to each other and to the Interstate system. It called for 600 miles of four-lane highways to be built over a period of 15 years. It was a bold, visionary plan to modernize Nebraska's highway infrastructure and help our state grow. The only problem is, it never got done. Today, almost 20 years after the plan's initial deadline of 2003, almost a third of it is left unfinished. That means major highway corridors beyond Highway 275, Highway 30, 77, 75, 81 in the Heartland Expressway, and all the communities along them are still waiting and hoping that someday their turn might come. And as they wait, more people die. More motorists each year are killed on these outdated, crowded, dangerous two-lane highways. Beyond public safety, unfinished projects are significantly limiting communities opportunities to grow. One of the first check marks on any business recruitment effort is four-lane highway access. LB542 offers a solution. It would make Nebraska the 49th state-- again, 49th state in the Union to use bond financing to pay for highway construction. The reason all these projects are still languishing is that funding was never found to pay for them. And with bonding off the table, as an option, if the money wasn't in the bank, the work didn't get done. Pay as you go, as Nebraska's status quo, has proven to be a pennywise, pound foolish approach. The original price tag for the 1988 Expressway System was \$200 million. Today, more than 30 years later, with a third of the project left undone, the total price tag will be more than \$2 billion. Think of the money saved Nebraska taxpayers if the project would have been wholly funded from the beginning. Think of the opportunity cost of lost lives and economic growth by not having the infrastructure in place. Another note on bonding. It is not right or true to say Nebraska is strictly a pay-as-you-go state. Tell that to the cities, counties, and school districts that regularly utilize bonding-- fight to finance large

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infrastructure improvements. They do so because they have to. We have to. If we didn't, important projects that keep citizens safe and bring about new opportunities just wouldn't happen. To note, the City of Norfolk, a fiscally conservative community, currently holds \$17.6 million in infrastructure debt, spread over 10 different debt issues targeted primarily to streets and utility improvements. Advancing LB542 provides an avenue to finish the expressway program once and for all in a timely fashion, and the time is right. Interest rates are at historic lows, as we've heard, and there are designated transportation tax revenues in place right now. LB84 being one the state sales tax designated for roads and the infrastructure bank funded by gas tax revenue that could be used to pay off the bonds without obligating money from the General Fund. If instead we do nothing, continue the status quo and wait on current plans, the Expressway System will not be finished for another 12 years and cost inflation will add untold hundreds of millions more to the final bill. LB542 is a fiscally responsible solution to a long standing problem. Expressway communities have waited long enough. Our taxpayers have paid in for decades with no return and promises left unfulfilled. Today, let's not let politics get in the way of pragmatic policies. Embrace the real world solution in front of you. It will save lives and help our communities grow in the process. Thank you.

LINEHAN: Thank you, Mr. Moenning. Are there questions from the committee? Senator Flood.

FLOOD: Thank you, Chair Linehan. Mayor Moenning, thank you for testifying. Are you familiar with the Lincoln South Beltway project?

JOSH MOENNING: I am, yes.

FLOOD: Is that bonding?

JOSH MOENNING: It's bonding by any other name.

FLOOD: Why do you say that?

JOSH MOENNING: As was discussed with Senator Moser, the bond liability, as I understand it, is simply shifted to the private contractor in this instance. And the state of Nebraska is still paying that money, probably at a higher interest rate.

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FLOOD: The interest rate may or may not be higher, but are you familiar with LB84 which was passed in 2011 by Senator Fischer?

JOSH MOENNING: Yes, sir.

FLOOD: Is it your understanding that out of that fund of 65 million a year, \$30 million has been earmarked from that fund to pay the debt on the Lincoln South Beltway?

JOSH MOENNING: I didn't realize it was that number, no.

FLOOD: It's over 300-- over 10 years, it's about a \$300 million project. Doesn't that look and smell and walk and talk like a bond?

JOSH MOENNING: Very much so.

FLOOD: Doesn't that appear to be the state financing a project?

JOSH MOENNING: Yes.

FLOOD: And what's that like to be sitting there since 1988 and not have any progress on a four-lane highway and suddenly a-- a roadway that wasn't in the 1988 plan has the benefit of bonding at a time when we're still stuck with two-lane roads?

JOSH MOENNING: Yeah, I don't begrudge any part of the state for seeking to modernize its infrastructure. And I know the South Beltway project is a good project, but we should be able to do better for the rest of the state. And communities like Norfolk and Fremont and Columbus and York and many others have been waiting for decades now for their turn. Somehow we found a way to do it on this project. Let's find a way to do it on these other projects.

FLOOD: And what-- final question. What are your constituents, what kind of angst do they talk to you about when it comes to roads?

JOSH MOENNING: A lot-- a lot of frustration, a lot of cynicism. This has created-- these unfilled promises that have been held out there for so long, have really created a sense of cynicism among the general public, especially in the northeast corner of the state, because if you look at it, the unfinished projects, a disproportionate number of them are in that region. And we've-- a lot of people felt-- feel left behind by their state government.

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LINEHAN: Thank you, Senator Flood. Senator Pahls.

PAHLS: Thank you, Chair. I keep hearing the South way and I know-- I know nothing about it. But if that is such a good idea, why don't we just transpose that on this?

JOSH MOENNING: I couldn't say it any better myself, Senator.

PAHLS: To me, if that's-- and quote, I'm assuming legal. I need to, you know, to know a little bit more about that project. But if it worked for them, it should work for people in the northeastern part of the state.

JOSH MOENNING: I think because straight bonding from the state of Nebraska for highway construction has not been an option. There were some gymnastics done to arrange the financing for that deal. This bill would provide a solution so the state can participate in infrastructure finance that is commonplace across the country and probably fiscally more prudent and responsible than the arrangement that was made, especially for the Lincoln South Beltway.

PAHLS: Well, I understand gymnastics. I did take a class or two, so maybe I could help there. But it just seems if it worked at one time, it should work. If I-- I think you recall, Senator Flood, back in the day, if you talk bond, that you were committing a sin in this body. I mean, really, it was just-- I mean, I can even remember the civil engineer from Douglas County say, you can't bond, Pahls, you can't bond. So I'm just saying that's-- I'm coming from a little bit of that, but I mean, I could be swayed.

JOSH MOENNING: Yeah, yeah, and, and that is-- is somewhat of a foreign concept to local government leaders across the state, because, as I said, if we did not have the option to bond for major infrastructure improvements, they just wouldn't get done. And the longer we delay, the longer we delay for the money to be in the bank, the more expensive these projects become. And we've seen that play out in real life with the Nebraska Expressway System.

PAHLS: Just-- this is just a-- I'm a little bit curious. You have a four-lane going west for about 10 or 15 miles, that just seemed like that going to nowhere. I don't mean that in a negative way, but that was surprising.

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JOSH MOENNING: Yeah, there was discussion before this starts and stops
on these projects. That's added to a lot of the frustration.

PAHLS: OK.

JOSH MOENNING: Because we-- we seem to invest just a bit-- just-- just
as much as we can pay for with the money in the bank. Right? And then
it stops. And so what that has meant for Highway 275 is there is still
48 miles between Norfolk and Omaha of two-lane highway. That is very
dangerous. It's very crowded with a lot of heavy trucks, as we've
heard from Dr. Goss, steelmaking, cattle industry is very prevalent
there, and people take risks to move around slow moving traffic. And
they get killed more and more each year.

PAHLS: Thank you.

LINEHAN: Thank you, Senator Pahls. Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. So have you-- have you ever
looked at the DOT's needs assessment or the statewide needs for road
funding?

JOSH MOENNING: I've seen that program books, yeah.

FRIESEN: Pretty large number, isn't it?

JOSH MOENNING: Sure.

FRIESEN: Have you ever heard the comment from them that we'll never
have enough money to do all the roads in our state?

JOSH MOENNING: Yes, something that-- to that aspect.

FRIESEN: Well, I'm-- I'm going to ask this now. You talk about being
fiscally responsible, but wouldn't if fiscally responsible and I have
nothing against bonding, but if we'd raise some of that revenue to
help pay for those bonds, because the way I see it now, if-- if we
bond projects, it just delays projects somewhere else in the state
without more revenue. I'm not opposed to bonding at all. I brought
this up six years ago when I first got here and somebody didn't like
it. But I still think there's times to bond and there's times not to,
but to be fiscally responsible shouldn't we find the revenue to pay

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for that bond so we don't delay somebody else's project that's just as
important as yours?

JOSH MOENNING: Well, you know, I don't think the people where I'm from
would really care where the money comes from, just as long as the
projects get done like they were promised to us.

FRIESEN: OK. Thank you.

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

JOSH MOENNING: Thank you.

DIRK PETERSEN: My name is Dirk, D-i-r-k, Petersen, P-e-t-e-r-s-e-n,
and I'm the chairman of 4 Lanes 4 Nebraska and retired from Nucor
after 38 years of service to that company. I am somebody that probably
isn't-- been in the area involved with agriculture and steel more than
probably anybody else in this room would be. I grew up south of
Wisner, Nebraska on a farm. We grew cattle, hogs and all the grain and
all that. Also, I was a participant in a cattle feed-- feeding
operation in the Wisner area, as well as being the general manager of
Nucor Steel in Norfolk, Nebraska, since 2008 to my retirement in 2017.
So I'm very familiar with everything along the roads. The roads I
drove around in as kid-- as a kid. The roads I saw one of my friends
got killed on-- on 275, got rammed by a car when he was on his
motorcycle. A road where I saw a classmate of mine lose both of his
parents got killed, just east of Wisner. It's been a very difficult
road to deal with because a lot of people that we know are no longer
with us because of being fatalities on that road. To give you an idea,
just a little bit about what the truck traffic is in the Norfolk area
and down the road. Nucor Steel alone ships about-- I figured about 250
trucks per day coming out of their fac-- coming in and out of their
facilities. Because one thing when you make steel, Nucor-- Nucor can
produce about 1.2 million tons of steel in-- in Nebraska and through
the three facilities, but you've got to have inputs. You got to bring
in all the scrap steel. You got to bring all the ingredients to make
the steel, so there's approximately about two and a half million tons
of steel-- of products that have to come in just to produce the steel
that Nucor makes. Nucor is the number one steel company in the United
States of America. We are the number 11 largest company in the world
in steel. When I worked for Nucor, there was a lot of-- of concern

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about what we should do here in Norfolk because we-- we didn't feel like we were getting the support of the state by not getting our road done. You know, we were concerned about how do we get product in and out, so do we choose to expand in Norfolk or do we choose to expand somewhere else? Unfortunately, sometimes the choice was somewhere else. And our folks down at corporate-- down in Charlotte, North Carolina, often asked me, why isn't our state stepping up and supporting getting this road done because we need it. And we need it to safely transport our products and we need it for our efficiencies. Also, we have Norfolk Iron & Metal right there in Norfolk and they are one of the largest steel service centers in the country. Dick Robinson and his team have done an extraordinary job of taking that company that his-- I think it was his great-grandfather founded in the early 1900s. And they were fur traders and they started getting into scrap and eventually into becoming a service center. He's taken that company into one of the largest and best service centers in the country and a great customer of Nucor. I estimated they-- they need about 50 trucks a day. So just those two steel companies, you're talking about 300 trucks a day traveling these two-lane roads. Then you throw on the top being from Cuming County, you know, Cuming County is the live-- livestock center of-- of Nebraska and one of the largest cattle producing areas in the whole country. And just-- I just calculated and this may not exactly perfectly right, but I think it takes--

LINEHAN: Can I ask you to-- hold on and see if somebody has a question for you, because your red light is on.

DIRK PETERSEN: Oh, OK. 100 trucks a day. OK, so I got 400 trucks. That's what I wanted to make sure you knew. 400 trucks a day that are going through. So I'm ready for questions. Thank you.

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

ALBRECHT: Thank you, Chair Linehan, and thank you for being here today.

DIRK PETERSEN: Yep.

ALBRECHT: You know, do-- does the steel come in through rail as well?

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DIRK PETERSEN: Yes, about 50 percent of our product. And I say our,
I'm-- I'm not working-- I don't work for Nucor anymore, but--

ALBRECHT: 38 years, you-- yeah.

DIRK PETERSEN: -- Nucor, 50 percent-- about 50 percent comes in by
rail, in and out by rail, and 50 percent in and out by truck.

ALBRECHT: And when they come with the truck, do they-- is it-- do they
come from Sioux City a lot too?

DIRK PETERSEN: Yeah. We buy a lot of steel-- scrap steel from
companies up in the Sioux City area. Yeah, so they come down 35.

ALBRECHT: Yeah. So that's my neck of the woods. And they've been
promised that area, too, so you can add that to your highways and
byways. But-- and even 77, I know it gets a lot of truck traffic to,
you know, the largest beef plant, Tyson Foods. So we all have major
issues. But I really appreciated that list that Senator Moser brought,
the number of-- of governors, the number of state senators that have
been sitting on this. And it is concerning to me that, what does it
take? You know, if we have the number one ag industry, we have some
incredible manufacturing up in northeast Nebraska, I'm not quite
certain what the holdup is or how other people get to the front of the
line. So maybe we're just too nice. We are just Miss Nicey-nice and
Mr. Nicey-nice in Nebraska, but-- but you've-- you've spent a lot of
time up there and in the ag industry and manufacturing both. And the
equipment the-- I mean gets heavier and bigger, you know, when it
comes to agriculture. When the Governor decided and everyone else
except me to increase the speed limit up there, I just cringed because
these two-lane highways are not a place to raise speed limits in
northeast Nebraska with farming or the large trucks that come in with
your heavy, you know, loads. So, yeah, this is something that we-- I'm
glad we're talking about today. So, if you want to add anything more
to it.

DIRK PETERSEN: Yeah, I would like to add one thing. And, you know--
you know, I've-- we-- we work together very well with NDOT and we do
have approval for this section of 275 going from Scribner to West
Point. And that was a year ago, where the-- the estimate was \$120
million to do that section, which includes a bypass around Scribner,

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which is expensive to do, but they got flood control and such things
to work on.

ALBRECHT: They're working on it right now.

DIRK PETERSEN: But this year they're estimating and I talked to NDOT
the other day at 142 million, that's an 18 percent increase. So we're
in danger in some of these projects, you know, have been committed
that we don't have enough money to do it. And that's why we need this
bill. It's another tool for us to get there. I know that wasn't a
direct answer to your question--

ALBRECHT: No, I appreciate that. I want to hear the information.

DIRK PETERSEN: --but I want to make sure that got down here. Thank you
for the question.

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

DIRK PETERSEN: Thank you.

LINEHAN: You're welcome.

FELICIA HILTON: Good morning, Chairman Linehan, and members of the
committee. My name is Felicia Hilton, F-e-l-i-c-i-a H-i-l-t-o-n. I'm
here on behalf of the North Central States Regional Council of
Carpenters in support of LB542. I want to thank Senator Walz for
bringing this issue forth. We're just here basically to speak to
allowing the Highway Commission to have bonding as an option to help
with the expansion of 275, but also just to allow it as-- as an option
for the state. We do believe that with every construction job, about
four jobs are created. We do know that this need is here in Nebraska,
but infrastructure as a whole is something that we've been advocating
for nationally, as well as across the states that we cover and the
north central states, which is six states, Minnesota, Wisconsin, Iowa
and Nebraska, both Dakotas. And we just know the urgency of allowing
for infrastructure and where we see where a city or a local political
subdivision can't actually do it, we think that the state should step
in and support those efforts because we do believe that good
infrastructure is the key to the future economy and the growth of the
economy. And we see-- I know there's people that come in, they always

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testify about what I was doing. But when I'm in Iowa, I'm always talking about what Nebraska's doing. [LAUGHTER] So just so you know. I think that this is a bold move. I think that it's important and it brings conversation that needs to happen nationally and locally when it comes to infrastructure and the importance not only just of safety, but the importance of job creation. And that's why we're here as the Union. We're not always speaking about our issues, but we do know that infrastructure is key to what we do. It's key to us being able to have public or at least political subdivisions that want to build vertically if businesses are coming in and they're seeing that there's good infrastructure, we have a better chance of working ourselves. But we also know that the creation of jobs from good infrastructure is key to the future economy. And so we're just here to support Senator Walz's bold effort and to encourage the committee to really consider it and to think about the future of Nebraska and the possibilities that-- that we have as far as job creation, because I know folks are, especially for data and tons of other industries, they're looking for cheap energy and good infrastructure right now in order to relocate. So we're excited about the bill and, and are looking forward to the future here. Thank you for allowing me to speak.

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

JIM BULKLEY: Chair Linehan, committee members, thank you for letting me come. Jim Bulkley, J-i-m B-u-l-k-l-e-y. I come here today as the Mayor of Columbus, Nebraska. I'm not going to sit in front of you and repeat what you've already heard. You've heard the facts. You've heard the figures. You've heard about the deaths. You've heard about the dangers. I'm here to ask you to step forward and do something that Nebraska hasn't done. I'm asking you to step forward and look at bonding as an option for road construction. Bonding is nothing unique to any municipality. We do that to grow and to prosper. In Columbus alone, just Monday night, we bonded \$10 million for a new community center. Bonding at this point in time is extremely beneficial from a financial standpoint. So is it something we look at when it's time and is it something we put aside when it's not time? It's another tool for our toolbox. Infrastructure growth is the key to economic development. If we do not allow people and the transportation of the people and the products to get to and from our communities, our communities will not grow. They will stagnate. We, in Columbus, have been extremely fortunate. You heard the mention of Belens. We also have two BD

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Medical plants. BD Medical has been in the forefront of the news with the Coronavirus, their ability to make needles and products that are bringing light to the end of the tunnel in that regard. We have been fortunate that the New Jersey corporate headquarters for BD has not let the incompleteness of the four-lanes hamper them in their continued expansion and investment in Columbus. But who's to say that will continue? I personally have traveled Highway 30 for over thirty years, at first, daily to a farm I own near North Bend. Actually, where the four-lane ends in the cornfield that Senator Moser pointed out was a turnoff where I would go north. I continue to drive it multiple times a week to a business I am involved in in Fremont. The last 12 to 14 miles is terrible. We have continued to put off repairs to that section because it was always going to get done. Well, 6 or 8 years ago that maybe made sense, fix this and fix that. Well, when you don't get it done and you're still going to continue to repair, we're to a point where there's nothing to repair. We're repairing the repairs. Now, again, I said I'm not going to repeat. You've heard the dangers. You've heard of the deaths. I'm here to talk to you and ask you to move forward with an option. Paying as you go has-- is great. I didn't do that when I bought my house. My children don't do that when they buy their homes. Most of you haven't done that when you buy a lot of things. Being good stewards of our dollars makes all the sense in the world. That's why we're elected. But there are ultimate ways and multiple ways to look at being good stewards of our dollars. That's all I'm here to ask you to do. I thank you for the time.

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

FLOOD: Thank you, Chair Linehan. Mayor Bulkley, thanks for being here. We are frustrated and it comes through, but for the committee's benefit, when Columbus is connected to Omaha and Fremont with a four-lane, what does that-- what kind of investment-- what does that mean for Columbus? Because my sense is, Columbus becomes a bigger town because people will choose to live there and have that easy access to Omaha.

JIM BULKLEY: Oh, absolutely. We hear of those that come to town economically looking for the job or the plants to invest in. And it is transportation that doesn't them bring here. It's that-- it's that last segment. We have the work-- workers. We have the support for the-- for the businesses. So it's that last section, which is the

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highway completion. I don't have a dollar amount, Senator, but I can
assure you, we lose a lot in not having it finished.

FLOOD: Columbus is growing.

JIM BULKLEY: We are growing tremendous. We are a very fortunate
community.

FLOOD: And you will find this interesting. My son's football team
played your grandson's football team and--

JIM BULKLEY: And you won. [LAUGHTER]

FLOOD: And I actually married his daughter's best friend from high
school like that. There were a lot of kids that go to Central
Catholic. For a parochial school in the middle of the state, I was
amazed at how many people are on the team. And that's the kind of
growth Columbus has seen in the last ten years.

JIM BULKLEY: Yes.

LINEHAN: Thank you. Are there other questions? Senator Pahls.

PAHLS: Thank you, Chair. Mayor, you said something about \$10 million
for a community center.

JIM BULKLEY: Yes, sir.

PAHLS: Now how did you get that money?

JIM BULKLEY: We are bonding for that money.

PAHLS: But how did you-- did you just-- did you have to get a vote of
the people?

JIM BULKLEY: Yes, we did, sir. We went to the people. We gave them the
option for this facility. We were overwhelmingly approved.

PAHLS: By the vote of the people.

JIM BULKLEY: By the vote of the people.

PAHLS: Thank you.

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

JIM BULKLEY: Thank you very much.

LINEHAN: Appreciate it. Good morning.

JOEY SPELLERBERG: Good morning, Chairman Linehan, members of the Revenue Committee. My name is Joey Spellerberg, J-o-e-y S-p-e-l-l-e-r-b-e-r-g, and I'm the Mayor of Fremont, Nebraska. I am here today to testify in support of LB542 in authorizing the issuance of highway bonds under the Nebraska Highway Bond Act. First of all, I just want to say, thanks to Mayor Moenning. He coordinated a group of-- of 20 of us mayors and village chairs that signed a letter in support of issuing of this bill, and I just want to say thanks for that. The state's expressways, first identified in 1988 and now prioritized in 2011 in the Build Nebraska Act, have seen construction delay after construction delay. You know, I've been Mayor now, was sworn in December 8, so it's been, you know, a little less than three months. And this-- this issue has already come to the forefront and our growing our city and growing our region. Under LB542 at least 25 percent of the bond financing is targeted towards completing and speeding up these expressways as mentioned by prior proponents. Section of these highways are dangerous. They're outdated and prevent economic growth in our region. Modern and safe expressways continue to play a critical role in attracting, as well as re-- retaining young workers to live, work and raise their family in Nebraska, especially northeast Nebraska. Using bond funding, especially at today's low cost of financing, is a smart move. Interest rates are low right now, which means borrowing is inexpensive and much less than the opportunity cost that taxpayers have. It will be much less expensive for Nebraska taxpayers to pay the debt service on highway bonds overtime due to the state's low cost of financing than it currently cost taxpayers under the pay-as-you-go method and what we're doing right now. In the end, binding highway projects gives Nebraskans more money to spend on what they enjoy rather than paying taxes to pay up front costs for highway construction projects. It's also very important to note that LB542 authorizes placement of special obligation bonds and not general obligation bonds, which are guaranteed by state income or property taxes. The special obligation bonds are payable only from the State Highway Capital Improvement Fund. This also, as Senator Walz mentioned in her introduction, caps it at \$400 million. So we're again, we're

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one of only few states that don't authorize financing for highway construction projects. This is a good way to dip our toe in the water for bond financing. In other words, let's show the taxpayers of the benefits of this financing for construction projects like most other states do, and this bill would do that. So this is-- for these reasons, Fremont supports LB542 authorizing the issuance of highway bonds under the Nebraska Highway Bond Act. Thank you for your time and take any questions.

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

ALBRECHT: Thank you, Chair. I just have a question. During the flooding that-- you're new to the Mayors, but did they have a lot of problems with roads and bridges, with the flooding? I mean, did-- did they come in and get all that done with no problem? Do you have any idea what--

JOEY SPELLERBERG: Yeah, I think you're speaking in 2019, we had-- Fremont was an island for a while.

ALBRECHT: Right.

JOEY SPELLERBERG: And I think mainly it was just the type of flood that we had covered-- covered these major roads to where we couldn't get in and out of Fremont, but when it comes to damage and things like that, I don't think it was--

ALBRECHT: Do you have any idea what Fremont had to put up to fix roads or bridges at that point?

JOEY SPELLERBERG: I don't have a specific number, but I know it was a great coordination between all partners, Dodge County, Fremont.

ALBRECHT: Right. But what I found remarkable is how quickly the State Roads Department took care of all the flooding in a year's time. It was remarkable. But yet this has been on the books for years and years and years. So it will be interesting to-- to find out how much you had to put up for that and then how long it's taking to get this done and the type of money. Thank you.

JOEY SPELLERBERG: And I say, Fremont, we are the-- I'd say the transportation hub of northeast Nebraska. When you look at 77, Highway

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32, 75, all roads go through Fremont. And so economic growth in our region, we have really seen a lot of growth and getting four-lanes on these roads, it's going to be critical for this region in the future to continue the economic growth and development of this area.

ALBRECHT: Thank you.

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

JOEY SPELLERBERG: Thank you.

LINEHAN: Good morning.

JERRY JOHNSON: Good morning. Thank you, Chairman Linehan. My name is Jerry Johnson, J-e-r-r-y J-o-h-n-s-o-n, and I am the Mayor of Wahoo. I've sat in your chairs, and I know when it gets late in the morning or afternoon, you don't want to hear a lot of repeat stuff. I'm going to try and edit down what's in that document. I'll go to what's happening in Wahoo right now. The expressway, Highway 77 was delayed, I'm going to say, 10 times before it even got to Wahoo. They told us that the expressway around Wahoo would be built in '10. They finished it up in '16. So another delay. What has happened now is Wahoo is-- has rebuilt the old highway through town. We couldn't have done it without bonding. If we would have had to pay it as you go, this two-mile stretch of road, we could do two blocks a year. It's kind of the same thing as what you do when you don't have bonding. They say that after the Beltway is completed that the portion of 77 on the east edge of Wahoo, which is still two-lane, will get finished to Fremont, mainly because of Cosco. That was economic development move that moved that forward and somebody else got pushed back, possibly. The other thing that I want to add, too, which is not part of the expressway, but it's a priority bill in this area is finishing from what's the Mead corner, which is where 92 and 81 split and goes into Omaha. It's about 20 miles to the west of Omaha, either to the Dodge, or it's to Center. On that road, their mile-- speed limit is 55 miles an hour because it's not safe, it's terrible. Economic development is hampered because of that situation. I was privileged to sit in on the meeting. I had to sign a confidentiality agreement because an industry was looking to locate somewhere between Lincoln and Omaha. They came to our area, \$200 million project. We were getting along fairly well until discussed transportation and it stopped because there's the road

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between Wahoo and Omaha. I go back to 1987. I lived in Polk County. Gentleman from York talked about it. It wasn't until 1990, I was on the 81 Highway Commission which trying to get 81 four-lane all the way from Texas to the Canadian border, but we finally got that done, got at least to York while I was living there. Four-lane expressway around Wahoo was only four miles, but the people in Mead their-- their rescue unit now that they don't have to go through Wahoo, they can get to the Community Hospital southwest of Wahoo six minutes faster. That's critical. It would be faster than that if it was a four-lane the rest of the way. It would be safer for the four-lane if we go into Omaha. We have transport into Omaha a lot. So we still are hampered by that. Our bonding rate for city of Wahoo when we finished up, the \$6 million project, we had some of our own money, our rate is 1.08. I don't think it'll get much cheaper than that. I've got a lot of other stuff, but I'll see if there's any questions.

LINEHAN: Thank you very much for being here. Appreciate it. Are there any questions from the committee? Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. Welcome back, Senator Johnson.

JERRY JOHNSON: Thank you.

FRIESEN: So you did mention in here that the gas tax increase and obviously back in the day the case was made to bring in more revenue for roads, and you were part of that, weren't you?

JERRY JOHNSON: Yeah.

FRIESEN: So, again, does-- does-- you have looked at the overall needs of the state. The communities that have testified here aren't the only ones waiting for projects to get done.

JERRY JOHNSON: Right.

FRIESEN: So by doing bonding without increasing any revenue, does it just push back projects other parts of the state?

JERRY JOHNSON: I've lived in seven different towns in the state, several of them have had expressway situations. What I see is being able to bond and get that interest rate and save some money that way will provide some opportunity. And I would hope maybe the money that we could save by bonding versus paying as you go higher rates would

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allow some money to be spent, more money to be spent on needed
priority roads. So, yeah, raising the revenue is the other side of it,
but.

FRIESEN: You know, I mean, doing the bonding without bringing in more
revenue speeds up the project, but it doesn't help in the overall
deficit of revenue needed all across--

JERRY JOHNSON: No, it doesn't-- it doesn't. Bonding does not address
that, but allows you to get more projects done.

FRIESEN: OK. Thank you.

JERRY JOHNSON: Yeah.

LINEHAN: Thank you, Senator Friesen. Are there-- Senator Pahls.

PAHLS: Thank you, Chair. I heard in your conversation you said that in
the-- in your city you had bond money for your roads.

JERRY JOHNSON: Yes.

PAHLS: And that was by the vote of the people or some other mechanism?

JERRY JOHNSON: We did two processes in order to move this on. We had a
\$6 million project. We asked the voters if they would be willing to
increase our sales tax to half a cent in order to lower the burden on
property tax and also allow those citizens that are noncitizens of
Wahoo to help us pay for it. That was overwhelmingly approved. So we
used some sales tax money to bring this down. We also had an agreement
with the Department of Roads instead of them coming in and tearing up,
milling the old road, putting on new asphalt, to give us the money
instead of doing the project. We were going to have to tear up some of
that infrastructure on that road with water and sewer lines and
whatnot, so they agreed to that. So they gave us \$660,000. That's what
it would have cost them to redo the road. So we had that. A half a
cent in some of the bigger towns is a pretty small amount of dollars,
but half a cent that comes in of sales tax, generates \$25,000 a month.
And that-- so that adds up. So because of those two things and some
cash on hand, instead of bonding \$6 million, we were able to bond \$4
million.

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PAHLS: Sounding pretty smart move. But the people did have to vote for part of that.

JERRY JOHNSON: Yes. Yes. They've been waiting for the road for a long time, so.

PAHLS: Yeah, I know. I appreciate that, because I take that route ever now and then. The issue that I have here is, I want to help the state. I see validity in what you-- your concerns because this can make us all connected. But I just-- I'm from Omaha, but I will hear in this committee, well, we can't have Omaha do that because we're-- we just think about doing some turn back on some of the taxes. Well, Omaha, it's-- we got to get away from that. I need to take a look at Norfolk, Columbus, your community throughout. But I have found out in my short tenure here and in the past, we're too parochial. We only think about my little part of the world. I'm trying to make this because I think it's great to have-- to have the state connected, to be honest with you. You know, that's-- I'm just trying to tell you where I'm coming from.

JERRY JOHNSON: Well, I've lived-- like I said, I've lived in several communities and people said, OK, Wahoo got their expressway around there now, are you going to participate if we have a lobbyist for us on the projects and stuff like that? I said, I'm going to stay in it. I want to stay in it.

PAHLS: Thank you.

JERRY JOHNSON: Because we've got to look at everybody else. I-- I'm told that once the Beltway-- South Beltway is finished, that the project between Wahoo and Fremont on 77 is going to get finished. I-- I hope.

PAHLS: I'm learning a lot about it. That's all we hear today. Thank you. I appreciate hearing it.

JERRY JOHNSON: Yeah, but Wahoo's other priority is 92 all the way into Omaha.

PAHLS: Yes.

JERRY JOHNSON: That's another four-lane highway between Lincoln and Omaha if we could fill that gap.

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PAHLS: Thank you.

LINEHAN: Thank you, Senator Pahls. Senator Flood.

FLOOD: Mayor Johnson, you referenced what road will get finished when
the Lincoln South Beltway is finished?

JERRY JOHNSON: The next priority when I talked to our engineer about
probably three months ago, I was at their district meeting, the next
priority in our district is-- our District 1 is from the east edge of
Wahoo to Fremont which connects Costco.

FLOOD: Did you know that \$30 million out of that LB84 money, the Build
Nebraska Act will be tied up for 10 years?

JERRY JOHNSON: No. No.

FLOOD: So I wonder if your project gets funded in 10 years after that
money gets paid back or if it gets-- they're talking about using
Highway Cash Fund or--

JERRY JOHNSON: I don't know their funding mechanism, but.

FLOOD: Because, did you know the South Beltway will be done here in
just a couple of years, but we'll be paying for it for 10 years.

JERRY JOHNSON: Yeah. Yeah.

FLOOD: Thank you.

LINEHAN: Thank you, Senator Flood. Are there other questions for the
committee?

JERRY JOHNSON: Thank you.

LINEHAN: Seeing none, thank you very much. Other proponents.

LYNN REX: Senator Linehan, members of the committee, my name is Lynn
Rex, L-y-n-n R-e-x, representing the League of Nebraska
Municipalities. We appear before you today in strong support of this
bill. Back in 2003, I was on Governor Johanns' Transportation Task
Force. We went across the state. I remember seeing many of you at some
of those meetings. This was an issue then. Obviously, bonding was one
of those issues considered. In addition, prior to that, obviously,

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1988 when this was announced and one of the things that happened when LB960 passed, that was the Transportation Innovation Act, and you may remember coming through your committee, Senator, and you may remember that Governor Orr, then Director Kyle Schneweis, Governor Ricketts and others went across the state of Nebraska celebrating that because it was a major, major accomplishment. And I think what's really important is to understand that we're all connected. This is nothing new. I appreciate your comments because one of the issues that our folks looked at is, well, but if you do this, then what about other municipalities? The reality is, this is a program that has set here for years where nothing has really moved forward significantly. I mean, the South Beltway is one of the big issues that-- that's happened. But meanwhile, we need to make sure that there are other areas of the state that can benefit economically as well. So we really support this. And in terms of the bonding issue, I think it's, you know, there are many innovative ways of doing it. You may or may not know that across the street west of the State Capitol is the-- one of your administrative offices that was bonded. My recollection is the City of Lincoln bonded it. Stayed in Nebraska, paid off the bonds through lease payments because the state didn't have authority to bond other than for roads. So there are all sorts of innovative ways that one can bond. The South Beltway is yet another example. So we really encourage you to do this. It's not just about the economy, it's about safety. I think that's first and foremost. And if you've ever been behind a truck on 81, you would understand the importance of this and what this means on Highway 275 and other areas in the state as well. But basically the expressway issues, whether it's the Heartland Expressway, you can name that tune wherever you want to go in the state of Nebraska. This is extremely important for our state, for public safety first, and for our economy second. With that, I'm happy to answer any questions you might have.

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

FRIESEN: Thank you, Chairman Linehan. So you probably know the history, but does the state currently have any authority to bond?

LYNN REX: I'm sorry?

FRIESEN: Does the state currently have any authority to bond?

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LYNN REX: Constitutionally, you have authority to bond. Not-- not--
not for anything other than roads.

FRIESEN: How much in--

LYNN REX: Article XIII, Section 3, I believe it is.

FRIESEN: Do you recall how much authority they have?

LYNN REX: It's 50 right now. I mean--

FRIESEN: Have they ever used it?

LYNN REX: --basically, but you have statutorily. I can reference it in
the pages here.

FRIESEN: Have they ever used it?

LYNN REX: You know, my recollection is-- wait, I don't know for sure,
but I think when Senator Warner was here, there was a very small
project that was done. But I can verify that and get back to you.

FRIESEN: OK. Thank you.

LYNN REX: But you have those provisions already in your statute right
now, and if I can reference to them here, if you look on page 7 of the
bill, after July 1, 1988, the issuance of bonds in a principal amount
to be determined by the commission not to exceed \$50 million, is what
their current authority is. Prior to that-- prior to July 1, it was 20
million, and then, of course, in this bill on page 8, it would
increase that not to exceed 400 million, so.

LINEHAN: Thank you, Senator Friesen. Senator Pahls.

PAHLS: Yes, thank you, Chair. Just a question because I totally do not
know the answer. The local, they can put a bond to the people to vote
like, let's say for a school bond, roads. Can the state-- can we do
that? Could we have a bond issue that have the people, the state vote
for it?

LYNN REX: I don't-- I don't think this-- no, the state does not vote.
The state of-- for example, if you wanted to have \$50 million upon the
recommendation of the Nebraska Department of Transportation Director,

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you would not go to a vote of the people. The state of Nebraska does
not have to go to a vote of the people.

PAHLS: I know, but could we do that? I mean--

LYNN REX: Oh, you know, I-- I will defer to committee counsel. I don't
know. I don't think so, but I don't know.

PAHLS: I was just after I--

LYNN REX: Yes, I don't know.

PAHLS: OK. Thank you.

LYNN REX: But for example, you can name any number of projects where
there's a reason why certain projects require voter approval and
certain projects don't. And I don't think-- this is on a local level
because there are some projects that have to be done, Senator, but
they're not popular. Building a jail, for example, is one of them, not
a popular option. But yet, sometimes you have to do it because you
have federal orders and other things on the local level to deal with
this one. I don't know whether or not the state of Nebraska can go to
a vote of the people. I know that on a municipal level, the initiative
and referendum process cannot be used just as a bellwether to find out
what people are thinking. So that's all I know, Senator--

PAHLS: Thank you.

LYNN REX: --but I can look into that and get back to you.

PAHLS: Thank you.

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

LYNN REX: Thank you very much for your consideration.

LINEHAN: Let me clarify here. So we can, it's not we can bond, then
you said something about the Constitution, then you went back to
statute, so.

LYNN REX: OK, so basically, if you look on page 7, this is in current
law and it references the Constitution, which is Article XIII, Section

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1. So under the authority granted by Article XIII, Section 1, I'm on page 7, line 23, under the authority granted by Article XIII, Section 1 of the Constitution in Nebraska, the Legislature hereby authorizes after July 1, 1988, the issuance of bonds in a principal amount to be determined by the commission not to exceed \$50 million. That's current law. That's based on Article XIII, Section 1.

LINEHAN: OK, thank you. Other questions? Thank you very much for being here. Appreciate it.

LYNN REX: Thank you very much. Thanks for your time.

***JENNIFER CREAGER:** Chairwoman Linehan and members of the Revenue Committee, I am Jennifer Creager, Senior Director of Public Policy for the Greater Omaha Chamber. I am offering the Chamber's strong support for LB542, legislation to increase the authorized bonding authority for Nebraska's highway construction program. We thank Senator Walz for bringing this to the committee for your consideration. The Chamber has long supported utilizing bond finance as a means to accelerate large highway construction projects. When targeted at specific projects, this allows completion of high-need expansions and extensions of our highway system, and it makes this possible sooner rather than later. This is a matter of smart and nimble financing. The interest paid on the bonds is low, especially in comparison to the increased cost of building infrastructure when delayed for years. In a favorable bond market, proceeds from the Highway Trust will deliver more, deliver it faster, and it will deliver it at a lower cost. I want to share a quote from a former Nebraska transportation director relating to the issuance of \$20 million in state highway bonds in 1969: "It was a good thing because in later years when inflation went up in a straight line, the work we did would have cost three or four times more. It gave us a highway across the state and allowed us to be the first state to complete its main-line Interstate." It allowed us to be the first state to complete its main-line Interstate. Nebraska is in a situation similar to that of the 1960's and 1970's. We have a need to rehabilitate Interstate 80. There is a pressing need to complete the state expressway system-highways that foster both economic development and road safety in communities across the state. We have highways in need of repair, replacement, or expansion. Bond finance can effectively address those needs in a timely manner. We can enhance safety on our state's highways; we can accelerate completion of an efficient, economy-building transportation network; and we can give

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those who are paying highway use fees a better return on their investment. We urge you to advance LB542, and we thank you for your time and consideration.

***RON SEDLACEK:** Chair Linehan and members of the Revenue Committee: My name is Ron Sedlacek, and I am testifying today on behalf of Nebraska Chamber of Commerce and Industry in support of the concepts contained in LB542. As a matter of policy, the Nebraska Chamber has supported past highway construction bonding legislation subject to the following conditions: • that the highway project proposed for bonding identifies a specific construction project; • that the highway project identifies a reliable source or sources of funding; and • that the highway project has a specific construction end date. Plans for the Nebraska Expressway System were initially approved by the Legislature in 1988 and yet, in 2021, approximately one-third of the system remains to be completed. Nebraskans are well aware of the importance of completing these projects for the benefit of our residents, economy and future economic growth. With historically low interest rates in the bond market and the challenges of inflating construction costs, the use of bond funds is a prudent, conservative approach to further completion of the Nebraska Expressway System. In considering LB542, we believe that the legislation should target and prioritize specified highway projects, coupled with expected completion dates of the construction projects. With the above stated parameters included in the proposal, the Nebraska Chamber asks that the Revenue Committee advance LB542 for further consideration.

***JON CANNON:** Good morning members of the Revenue Committee. My name is Jon Cannon. I am the Executive Director of the Nebraska Association of County Officials. I appear today in a support of LB542 that would authorize the issuance of highway bonds under the Nebraska Highway Bond Act. NACO supports the intent of LB542 to enhance the infrastructure of highways. Our highways transport a sustainable pipeline of food, energy, and other products that aid the entirety of the State's economy. In addition to joining goods and services with individuals, the transportation network itself creates greater opportunities for our state's residents and visitors to the state. With the ability to bond finance construction of Nebraska highways, the state will be in a position to better leverage itself to sufficiently finance the state's infrastructure needs, take advantage of historically low interest rates and continue to exercise the practices of Nebraskans to conservatively and efficiently meet the

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needs and desires of its constituency for purposes of constructing a strong infrastructure for highways throughout the state. We ask you to please consider our thoughts prior to taking action on LB542. Thank you for your willingness to consider our comments. If you have any questions, please feel free to discuss them with me.

***JEANNE McCLURE:** The engineering companies who are members of ACECNebraska are proud to partner with the Nebraska Department of Transportation, as well as the cities, counties, and municipalities across the state to design Nebraska's system of expressways, roads, and bridges. We applaud the efforts of Senator Walz and the communities of Nebraska who have come together to create LB542, as they have been put off time and again for the much-needed expressway system to connect their communities more efficiently. While we appreciate the process of NDOT - pay as you go program - when considering the effectiveness of funding programs used across the country, it is our belief that other methods should be considered. Nebraskans deserve a robust transportation system and would benefit from a broader spectrum of funding consideration. ACEC Nebraska represents 50 engineering firms doing business in Nebraska. ACEC Nebraska initiatives create an enhanced business climate for our members. Our members are engaged in engineering and construction projects that propel Nebraska's and the nation's economy and enhance and safeguard America's quality of life.

LINEHAN: Are there other proponents? Any other proponents? Are there any opponents?

MOE JAMSHIDI: Good morning, Madam Chair, members of the committee, my name is Moe Jamshidi, spelled M-o-e, last name is J-a-m-s-h-i-d-i. I am the Deputy Director of Operations and currently the acting director for the Department of Transportation. I'm here before you to oppose LB542. The bill would authorize the State Highway Commission at the request of NDOT to issue up to \$400 million bonds and the purpose of accelerating completion of the highway construction projects identified for funding under the Build Nebraska Act. The bill provides no new source of funding, but instead directs the department to pay off such bonds, including the debt service and interest from existing revenues. These existing revenues are currently designated by NDOT to complete highway construction projects already underway or planned for letting in the near future. I said it was mentioned. There is some constitutionality issue that needs to be researched, perhaps between

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our attorneys and the counsel to see-- to see where that-- where that lies. But there is a question as to how we repay this bonds and what kind of funding can be used. Bonding to build high priority transportation projects is a slippery slide. Once we start borrowing for high priority projects, it is all too easy for more projects to become high priority, resulting in more and more debt. That service reduces flexibility and funding flexibility is important to meet the changes needed for the-- for the state. It's crucial for the DOT to-- to be able to pivot quickly to address those changes. The pay as we go approach provides the maximum flexibility for a state to address emerging needs and to respond to emergencies like the flood of 2019. If our revenue is already committed to paying off bond debts, we lose the ability to rapidly respond to new and vital emerging needs or to complete emergency repairs. NDOT frequently applies and has recently received several significant federal grants for high priority projects. For us to leverage these grants, we must have unencumbered revenues available to provide the state match. Bonding indebtedness would dramatically reduce our ability to seek and obtain these federal grants. I think we all agree that our number one priority is to preserve and repair our current highway assets. If these assets deteriorate faster than anticipated, we will not have the funds available to keep up with the needed repairs. This will negatively impact all rural and urban Nebraskans who rely every day on our existing 10,000 miles of highways. To conclude, I appreciate all your efforts to provide funding or alternative methods of advancing much-needed projects. However, the reality is that there is a price to pay for bonding. The price of servicing the debt and the loss of flexibility that will occur if we incur these levels of debt will likely reduce our ability to meet the evolving transportation needs of the state. With that, I'll be happy to answer any questions you might have.

LINEHAN: Thank you very much. Senator Flood.

FLOOD: Thank you, Chair Linehan. Thank you for your service and for testifying here today.

MOE JAMSHIDI: Thank you.

FLOOD: I want to talk about the slippery slope. Prior to-- a bill that was passed in 2019 by this Legislature, which committed funds from the Build Nebraska Act to the Lincoln South Beltway, what were you using

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those funds for? And did you have anything else that was encumbered
from that fund?

MOE JAMSHIDI: I don't quite understand.

FLOOD: Well, let's back up. How much money comes in to the Build
Nebraska Fund? This is the one that was created--

MOE JAMSHIDI: Well, Build Nebraska Fund generally raises something
between right now, 65 to 70 and some years better than that a year. A
million dollars a year.

FLOOD: OK. And from 2011, when the bill was passed in 2019, what were
you using that money for?

MOE JAMSHIDI: We have since-- actually the funding started coming into
our accounts from 2013 and we have since then received about \$503
million of it. With that, we have about 45 miles of four-lane
expressways completed or is under construction, which by itself it's--
it's quite remarkable and-- and a major accomplishment.

FLOOD: So then in 2019, when the stage was set for the Lincoln South
Beltway, how much of that 65 to 70 million dollars became untouchable
because it was encumbered?

MOE JAMSHIDI: Good question. I think there's been a lot of discussion
about the South Beltway. And if I may, I like to kind of address
what's-- what and answer your question as well. Lincoln South Beltway
is a project that connects Highway 2 and Highway 77, and it is
entirely on a new alignment. And for us to invest in that kind of
endeavor, it's the biggest project we've ever had, to the tune of \$350
million. And we had an opportunity to either build it like we were
building the 275 and Highway 30 and others on segments, on pieces, but
because of the uniqueness of this project that we would not be able to
put any of this highway to real use until all of it was done, so it
was either nothing or all, we came up with this innovative solution to
build it--

FLOOD: Would this solution be financing? Did you finance this new
project?

MOE JAMSHIDI: We-- we allowed--

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FLOOD: And that is a simple question.

MOE JAMSHIDI: The question is-- the simple question is we did not
borrow money, but we allowed the contractor if they needed it, to
borrow the money, yes.

FLOOD: And does the contractor then on his own come up with the money
to pay the debt service?

MOE JAMSHIDI: The contractor, of course, passes all of those funds,
all of those expenses to the owner, which is us.

FLOOD: OK, so we are bonding. If we don't make our debt payment-- if
we don't make our contribution to the road, what happens?

MOE JAMSHIDI: We have made a commitment to the contract just like--

FLOOD: Who made the commitment?

MOE JAMSHIDI: The state of Nebraska has made a commitment, just like
we do on any contract, that if you build the project, we will pay you
for it.

FLOOD: And do you do that? Have you done that at the Department of
Transportation for any other project?

MOE JAMSHIDI: We have not, sir.

FLOOD: Is this the first time it's been done?

MOE JAMSHIDI: This is the first time because of the uniqueness of the
project.

FLOOD: But it is a debt that's owed by the state of Nebraska.

MOE JAMSHIDI: It is a debt we owe the contractor for accomplishing the
work.

FLOOD: So it's a financial obligation of the state that exists for 10
years.

MOE JAMSHIDI: That's correct.

FLOOD: And how much per year do we owe for this financial obligation?

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MOE JAMSHIDI: We have set up the payments such that we pay a certain amount every quarter for the next, I believe, 10 years to the-- to-- to pay off the entire project. But the project will be available to people to drive on it within three to four years of the start.

FLOOD: In your opinion, is this the closest thing that the state of Nebraska during your tenure at the Department of Transportation, formerly called the Department of Roads, has ever done that similar-- that looks as similar to bonding as anything else?

MOE JAMSHIDI: This is as close as we've ever come.

FLOOD: Thank you.

LINEHAN: Thank you, Senator Flood. Are there any other questions from the committee? Senator Albrecht.

ALBRECHT: Thank you, Chair Linehan, and thank you for being here. You've spent a lot of time in your position. So when you made-- we made the decision for you to take on the Beltway, I was here then, I voted for that. I know that we had other projects, too, but at what cost, I mean, when you-- when we sit here as legislators, it's one thing, but for the state you have your one-in-six-year road plan or whatever you think is going to be happening, but the whole time you've been employed for the state, the projects that we're talking about today have been on the books, correct?

MOE JAMSHIDI: That's correct.

ALBRECHT: So how is it that promises made, promises kept never happen with these other projects?

MOE JAMSHIDI: Well, I think--

ALBRECHT: And why would we start them and stop, and start them and stop?

MOE JAMSHIDI: Good-- good questions. Actually, you know that when 1988 identified the 600 miles of roads to connect all the communities of 15,000 to I-80 for economic development and safety and all that, I think that was a-- that was an amazing move by the-- by your predecessors to do something like this. Now, we've always said that we were going to build those projects as long as we're doing it within

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our means. And since 1988, there has been many other emerging needs that back in 1988 we didn't even think of. So we have been pay-as-you-go, build as many miles as we could. From the 600 miles after we get done with this year, we will only have 100 miles left. So I think we have to look at the entire picture. We have made tremendous progress. We've finished Highway 2 all the way from Lincoln to Nebraska City. We've done a lot of major, major projects.

ALBRECHT: OK, and I-- and I can appreciate all that. But when we pivot from one project to another, I mean, it pings us out and-- I mean, if you're-- if it's your project that they're walking away from, it's tough to do. But you talked about funding. So if we do bond for this, how much money is actually in the fund that they want to take out of, right now?

MOE JAMSHIDI: Well, if you do the-- if you do the math it's just kind of you have to speculate how much each one of these fundings is going to be. We think about a billion dollars. As you recall--

ALBRECHT: How much money is in that fund that she's asking to draw from right now, in the--

MOE JAMSHIDI: There are about a million-- a billion dollars left.

ALBRECHT: State Highway Capital Improvement.

MOE JAMSHIDI: There are about a billion dollars left until 2033.

ALBRECHT: And how much of that is obligated to the Beltway right now? The money that's in there.

MOE JAMSHIDI: Oh, I can't give you the exact answer because the project is not completed. I would say probably about between 200 to 250 of it because we got \$50 million from the City of Lincoln and those with that federal.

ALBRECHT: If there were-- if there were other ways and means to pay for what-- what we want to get done here, where would you think it should come from?

MOE JAMSHIDI: Well--

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ALBRECHT: What other pools of money does the DOT-- what can they put their hands on? Can we-- can we obligate 2 to 3 percent of the, the gas tax toward a bond to pay off-- to pay off the bonds that we would like to see?

MOE JAMSHIDI: By training I'm an engineer. I'm not an economist, and I don't make those kinds of decisions or things, but we do--

ALBRECHT: OK, so you can't go there. But one last question. So when we hear of when the Mayor from Wahoo, Mayor Johnson said that they-- they could have lost a very large company because of transportation. Surely, you're called in on the Department of Economic Development and you realize that, you know, we could have had that company had we had the connection. Does-- I mean, does that come into play?

MOE JAMSHIDI: It all comes into play. When we select projects, Senator, we look at safety, of course mobility. We look at economic development, potential economy development. All of that goes into the-- into the formula. In fact, Highway 30, there was a lot talked about just last week. We let the remaining of it that ends in the cornfield and-- and goes to-- to Schuyler, goes to Fremont. That last leg will be under construction this year and we'll be done Highway 30 from Columbus all the way to Omaha, four-lane. Highway 275 that we've talked a lot about. We're waiting for permits and I'm very, very--

ALBRECHT: So you're saying Highway 30 will be done from Columbus to Omaha, is that what you said?

MOE JAMSHIDI: Exactly. It will all be under construction. All of it. Most of it has been done, of course. This year we have another 10 to 15 more miles of it to do that is going to be under contract this year. It's going to take a couple of years to finish a contract to actually build it, but before 2024, we will have four-lanes between Columbus and Omaha.

ALBRECHT: And one other question. Do you finance those other companies, too, as we did the Beltway? Would you finance those folks if they wanted to go bond out for that money to finish 275, or 77?

MOE JAMSHIDI: Those don't really lend themselves to that kind of a financing simply because they're small pieces, 10 miles at a time, and the Lincoln South Beltway was \$350 million project. So it was really a

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unique and different kinds of project. And again, you know, we're here
to build highways and fulfill our promises, again, within the means,
within the revenues that we have.

ALBRECHT: Thank you.

MOE JAMSHIDI: And I think we've done a major-- we've-- we've-- we've
moved quite fast. In fact, in the last since 2013, when real money
became available for these expressway projects through BNA and TIA
Act, we've-- we've completed a lot of miles of expressways.

LINEHAN: Thank you. Senator Briese.

BRIESE: Thank you, Chairman Linehan. Thanks for your testimony here
today. This de facto bonding by the state of the Lincoln South Beltway
project we've been hearing about this morning, I think that was LB616
in 2019. Did you or your department or your predecessor testify in
opposition to that?

MOE JAMSHIDI: I don't recall. I don't think so.

BRIESE: Probably not, OK. And then I ask myself, why not? I looked
through the-- your testimony here and you raise the issues about the
slippery slope and pay as you go, concern about reducing flexibility,
talking about the price of servicing debt, wouldn't those same
concerns be equally applicable to LB616 back in 2019 as what they are
to this bill today?

MOE JAMSHIDI: Oh, absolutely. We didn't take that decision of-- of
building Lincoln South Beltway in 4 years and paying it in 10, we
didn't take that decision lightly and it was really between the
mobility of having the highways sitting there and nobody using it that
was-- push us over.

BRIESE: Why didn't you testify against it then?

MOE JAMSHIDI: I don't recall whether we did or not, I'm not-- I wasn't
involved at that time.

BRIESE: I would submit maybe perhaps it's because the concerns you
raise in here are not particularly compelling, or at least to me they
aren't, but thank you for your testimony.

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MOE JAMSHIDI: You're welcome.

LINEHAN: Thank you, Senator Briese and Senator Albrecht. Are there
other questions? Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. So, how long have you been the
acting director now?

MOE JAMSHIDI: Three and a half months.

FRIESEN: Welcome to the position. [LAUGHTER]

MOE JAMSHIDI: Thank you.

FRIESEN: You know, we've-- I've dealt with roads issues ever since I
came to the Legislature six and a half years ago, whatever. And when
we look at the needs assessment, we have that hearing, what are the--
what are the dollar amounts of the needs to finish all the projects in
the state? You know, we've always talked about there's never enough
money. Do you know what that number is?

MOE JAMSHIDI: I-- I-- I believe it's somewhere around close to \$13
billion at 20-year needs right now. But all-- those are all the needs.
Those are asset preservation needs. Those are capital improvement
needs and everything right.

FRIESEN: Well, how much would it take to totally finish the Expressway
System like was promised in the Build Nebraska Act, or--

MOE JAMSHIDI: I believe after we get done with this year, which I keep
saying that because we have two major projects we're going to let in
the next two, three months, which is 275, and, of course, we're going
to let the Highway 30. We're going to have about 101 miles of original
expressway left and that would cost somewhere between \$700 to \$800
million based on today's estimates.

FRIESEN: OK. How many other projects have been delayed across the
state, like the ones at Grand Island, Hastings?

MOE JAMSHIDI: Those are-- those are the two that comes to mind that we
are-- we've made a lot of progress on them and unfortunately, as you
recall, in 2019 flooding, we pretty much lost about \$40 million of our
normal funds that we would have used there and, of course, the

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pandemic hit. So we're-- we're constantly adjusting. So we constantly look at what the higher priorities are and we're constantly reevaluating the projects. We're-- we're doing Hastings, Grand Island. They will be delayed. How long? We don't know. We're going to be discussing those projects with the communities. Maybe perhaps there are some opportunities where the communities can participate, like the Fremont South Beltway where we-- communities stepped up-- stepped up and, and brought in some funding to-- to put us over the edge to build that segment.

FRIESEN: So on the South Beltway, you said Lincoln participated in that project?

MOE JAMSHIDI: Yes, we had \$50 million from the City of Lincoln and we have about \$25 million from the federal.

FRIESEN: How much did Fremont put towards the project there?

MOE JAMSHIDI: I believe it was about 20 million. That's what I'm recollection is, but I'm not totally sure.

FRIESEN: So it's possible for communities to participate and speed up projects?

MOE JAMSHIDI: It is because, again, when we're talking about accelerating projects, there are so much acceleration you can do, right? A project, say, like-- like the 81 that the 40-mile-- 41-miles of it between York and Columbus hasn't been done. That project we haven't started yet. We're going to start this year with the-- with the environmental assessment, right? That process in itself, environmental assessment, can take two to three years to four years and then to really get a segment of it ready to letting, it could take as long as six to seven years to get a project ready. So, and many of these projects that we're talking about accelerating, there's so much accel-- even if you have the money in the bank, there's so much acceleration you can do to move on. But if you have the project ready, like the Columbus and-- and we're getting the right permits, we've been working on it, then it's a matter of funding where we can cash flow those projects. And, of course, when the community comes in and puts in a big chunk of it, that can help the DOT or like the Highway 75 Expressway we did in Omaha, Murray to Plattsmouth, where we get

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federal funds to come in as a grant to pay for a portion of it, of
course, that speeds processes up.

FRIESEN: And that was the TIGER grants that we--

MOE JAMSHIDI: Yes.

FRIESEN: --talked about and the state has been pretty successful in
the last couple of years in getting those?

MOE JAMSHIDI: We were really successful during the-- President Trump's
year has been selected for projects that are interesting to the
national, if you will, and we've gotten, I think, \$66 million worth of
these kinds of grants. We got one for Heartland Expressway, one for
Omaha. So we've been very successful, relatively speaking. We went
about for three, four years, we were 0 for 10 requests, but all of a
sudden we got a whole bunch.

FRIESEN: So is that why some projects got moved to the front of the
list instead of having to wait?

MOE JAMSHIDI: That-- that-- the thing about the-- yes. To answer your
questions. The thing about federal funds is sometimes when they give
you a grant or they earmark something to a project, that may not
really be at the very top of your list, but it is on your list and
there is a deadline. You have to use that money up. So sometimes those
things come into play as moving the projects because we don't want to
lose money if we're going to get federal funds.

FRIESEN: OK. Thank you.

MOE JAMSHIDI: You're welcome.

LINEHAN: Thank you. Senator Friesen. Are there any other questions
from the committee? I know you said you're an engineer, not economist,
but you've been there a long time. Do you perceive that costs are
going to go up? I mean, the longer we wait, it does the cost increase,
right?

MOE JAMSHIDI: It's-- it's-- it's-- that's the fact of life. The cost
will go up, the construction costs, and I think Senator Flood asked
earlier during the-- during the flooding on 2019, we experienced a
spike in the price simply because we were throwing too many projects

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at our contractors that it would exceeded their capacity and they have to bring other contractors in and perhaps throwing \$400 million on one project on a bond, that could have also the same effect.

LINEHAN: OK. Any other questions? Thank you very much for being here. Appreciate it.

MOE JAMSHIDI: Thank you.

LINEHAN: Is there any other-- any else want to speak in opposition to LB542? Anyone in the neutral position? Good morning.

KATIE WILSON: Good morning. It is still morning, so good morning, Chair Linehan and Senator Walz, and members of the Revenue Committee. My name is Katie Wilson, K-a-t-i-e W-i-l-s-o-n, and I am the executive director of the Associated General Contractors Nebraska Chapter, more commonly referred to as AGC. Our association is comprised of businesses that work to construct Nebraska's roadways, bridges and underground utilities. I appear today in a neutral capacity with respect to LB542. To be clear, AGC is an advocate for building and maintaining a robust highway system across our state. We have strongly supported a predictable, steady, annual program of projects versus utilizing current resources to pay off past projects. We've met with many of you at one time or another and we've explained the importance of that steady stream versus that peaks and valleys that we've watched some of our neighboring states struggle through in the last decade or two. So we like sustainable funding. So AGC has proudly endorsed and fought for legislative efforts through the years, such as Senator Deb Fischer's LB84, that established the Build Nebraska Act, Senator Jim Smith's LB610 that worked to build a more stable foundation for continued funding for the road program, and Senator Smith's LB960 that set up the Transportation Innovation Act. It is with this goal in mind that we support the foundation of this bill with Senator Walz's efforts to prioritize, fund, and complete Nebraska's Expressway System. Nevertheless, I appear today in a neutral capacity because we feel that AGC and we're strong supporters that LB542 lacks a critical provision necessary for the success of the bill and the future of Nebraska's highway funding program. Notably, the bill lacks a dedicated revenue stream to service debt payments through the repayment period on any bonds that may be issued. I passed around a one page handout, which shows a simple breakdown of the five Nebraska revenue sources, which are the majority of sources which fund our

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highway program. So if you look at that, you know, half of it comes from our gas tax, 25 percent from the sales tax on motor vehicles, 15 percent from the Build Nebraska Act's quarter sales tax earmark, 8 percent from vehicle registration fees and 2 percent from other sources such as interest. So understanding these sources is critical in considering whether to issue bonds and take on debt service in the long term. You know, the whole-- the whole pool of funds paid for the DOT's expenses, pays for the construction program, pays for some of the local projects, so it's one big pot and a lot of things get paid for out of it. So prior to passage of the Build Nebraska Act, the highway program struggled to meet capital expansion needs, like adding new highway lanes and intersection improvements. There is no better example of this than the decades in progress, Expressway System, LB542 sets its focus on, which many agency members have constructed over the past few years. But without the dedicated revenue stream built into BNA, our state will continue to struggle with completing these new and necessary capital expansion projects. LB542 raises the same sort of problem. So if bonds are issued without a dedicated revenue source, how are we still going to maintain what we have? Are we still going to maintain what we've expanded? You know, if you add assets, you got to take care of them. We add a roof, we add a-- we add to our house, we still have to maintain that. Simply put, AGC believes that bonding should only be an option if the debt service on those bonds is back to the consistent and dedicated funding stream so as not to jeopardize the future maintenance and capital needs of Nebraska's road system. We offer our assistance in discussing potential options for such dedicated revenue to the committee and have had productive conversations with Senator Walz and her staff. With that, I give thanks, Senator Walz for introducing the bill and furthering the conversation about how we can build on and improve Nebraska's roads. So I'm happy to answer any questions if you have them.

LINEHAN: Thank you, Ms. Wilson. Do we have any questions from the committee? Senator Albrecht, and then Senator Flood.

ALBRECHT: Thank you very much. I appreciate your comments today. So if we were to look for-- if this were to-- to pass, the state motor fuel taxes, if we just for however much of this that we've talked about today were to get done, what would you propose or what would-- because you're the one that works with those that do take care of this.

KATIE WILSON: Yeah, so--

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ALBRECHT: But, of course, the state has to work-- we all have to work
together.

KATIE WILSON: Yep.

ALBRECHT: So if it's not the funding that they're looking for in the
fiscal note where they think they're going to draw the money from, I
mean, that's all right here in what you're showing us, right? That's
what that fund is.

KATIE WILSON: It's the pot.

ALBRECHT: That's the pot of gold that everybody gets to-- so if we
were to designate just a portion, I mean-- I mean, is that--

KATIE WILSON: Well, if you designate a portion of that, which is
probably what would happen, I have no idea how the DOT finances and
moves all their money around, but it takes away from everything else.
So the program, you know, the program that we watch is the whole
program. We don't-- we don't really look at the Beltway or this job or
this job.

ALBRECHT: You're looking at all of the--

KATIE WILSON: We look at the needs and then we want to meet those
needs and we will build what is brought to us. We're just afraid, you
know, we have a Better Roads NE advocacy site, social media. And so
many of those comments that come back to us are, our roads crumbling.
And it's a two-lane road out in the boonies, you know? Well, we got to
take care of those roads, too, and absolutely, we have to expand our
system. I get it. You know, we like it too. We have truckers that
hauling, you know, equipment and everything across, so we like that.
But we also know that there is a, you know, the program as it is, the
capital assets that are out there, we have to take care of those. So
if you start taking from our current program to pay for a bonding
program or whatever that is, you know, the South Beltway for instance,
it takes away from that current pot. So we're just advocating for,
let's look at a new funding source or increasing what we have.

ALBRECHT: OK. Thank you.

LINEHAN: Thank you, Senator Albrecht. Senator Flood.

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FLOOD: Thank you for being here today. You have a long view of road
funding in Nebraska, and how many years have you been doing this?

KATIE WILSON: I-- 20-- oh, geez, now 25 years, probably, in the
industry.

FLOOD: And I can see where somebody would look at this bill and say
slippery slope. That's fair, isn't it? I mean, I'll give them that.

KATIE WILSON: Sure.

FLOOD: I served between 2005 and 2012 and during that time I had
several themes that were beaten into my head, one of which is the
Legislature doesn't tell the Department of Transportation where to do
a project, is that correct?

KATIE WILSON: Yep.

FLOOD: We had another theme that was put into our heads that you can
put expressways in the mix, but you've got to give the Department of
Transportation the ability to do its work and deal with preservation.

KATIE WILSON: Right.

FLOOD: We also have this concept that you pay as you go, which has
been something that everyone's embraced. Now, in 2019, the Legislature
changed course, is that correct?

KATIE WILSON: Yep.

FLOOD: And how did we change course that broke what I would call the
trust with those of us that have been fighting for 30 years for these
highways. What trust was broken?

KATIE WILSON: Allowing more people to get involved in the discussion
and the decision process.

FLOOD: And who got-- well, I'm not going to go there. Did the
Legislature actually say, we will do this project with this money and
we're going to finance it?

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KATIE WILSON: You know, I don't know. I know they-- they were looking at an option for projects to get done. I don't-- I don't necessarily think it was for a specific project. I would say for future.

FLOOD: But I-- I think that the people that are listening today have to realize that so many of us bought into a system that Jerry Warner, Senator Warner built, Senator Fischer supported and funded, and-- and people wonder why we're upset when the trust was broken in 2019. Does that make sense?

KATIE WILSON: Yeah. Yeah.

FLOOD: Thank you.

LINEHAN: Thank you, Senator Flood. Any other questions from the committee? Thank you very much for being here. Is there anyone else who wants to testify in a neutral position? OK, Senator Walz, would you like to close?

WALZ: All right. Well, first of all, I just want to refer to a document that I have on LB619 and those people or organizations who came to testify as proponents. One was the Director of the Nebraska Department of Transportation, and the other one was from the Association of General Contractors, the Nebraska chapter. So both of those organizations came in as proponents on LB619. In closing, I want to thank everybody so much for coming in to testify today. As you can tell, this issue is important to a lot of people and it's important to a lot of communities. In fact, we've heard from several mayors today who represent, I would say, over 100,000 people, 100,000 constituents, constituents who elected them because of their vision for their communities and their priority of making sure that their constituents are safe, and they believe that their communities are also unique. Columbus is unique. Norfolk is unique. Fremont is unique. I'm not sure why Lincoln was chosen to be even more unique. You know, the Lincoln Premium or Lincoln Poultry plant that we have in Fremont brings in millions and millions and millions of dollars in revenue. So I think that we're unique. This bill is important to my constituents as well as Nebraska. I plan on prioritizing this bill because I am tired, I'm concerned, I'm saddened when I hear news that another person who lives in my district was killed on Highway 30, just like the young mother and her three children who were hit from behind while attempting to make a left hand turn. You know, we continue to raise the speed limit.

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Thank you, Senator Albrecht, I agree with you, but we don't improve the roads. My trip to and from Fremont to Lincoln is a pretty stressful trip. That highway is surrounded by farmland, which means there are a lot of trucks and there's a lot of farm machinery on that highway and it is very, very busy. People are driving very fast-- fast. So I choose to go another route. I choose to go out of the way to get to Lincoln. The second reason I'm prioritizing this bill is that we have to have the ability to grow our state and provide increased economic development and stability. As you know, Nebraska sits in the middle of our country-- in the middle of our country. We should absolutely be the hub of transportation. We should be the center point of transportation for the rest of our country. We should make every effort to use our location and take advantage of that opportunity. It's an asset. The fact is that there are many advantages to modernizing our infrastructure and those directly affect all of your constituents. I would like to take the opportunity to get this bill out of committee and on to the floor so we can untie the hands of the Department of Transportation and just enable legislation to use bonding as an option. I appreciate-- I really appreciate what the gentleman from York said. He said, we appreciate the decisions that you make, not spending money at the wrong time, but spending money at the right time. And I believe that now is the right time. With that, I close. Thank you.

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

FRIESEN: Thank you, Chairman Linehan. One simple question. You willing to raise the gas tax to pay for this?

WALZ: You know, and maybe I'm way off-- off track here, but I-- I would say that our ability to modernize our infrastructure would bring economic development. Economic development would bring in added revenue and added revenue could probably be used to fund.

FRIESEN: And it doesn't bring it in fast enough to build the roads, so would you be willing to raise the gas tax?

WALZ: I think it's an important enough issue.

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FRIESEN: Would you be willing to raise the gas tax? I mean, really, it's what it boils down to. We have to pay for what we're doing and I'm-- I've raised the gas tax before. I'm willing.

WALZ: You know, Senator Friesen, just as she talked about, we-- I have had conversations with the contractors on other ways that we could raise revenue and other ways that we could pay for future projects. I'm not going to say that, you know, raising the gas tax is the only option that we have because I don't believe it is the only option. I think there are other things that we can do.

FRIESEN: OK. So, I mean, I'll-- you can throw other things in the mix, so I've been looking for property tax relief for six years too. My constituents are angry. Are you willing to raise the gas tax to pay for roads?

LINEHAN: You only get to ask--

FRIESEN: I'm sorry. [LAUGHTER] Just say you don't want to answer the question.

LINEHAN: Thank you, Senator Friesen. Senator Flood.

FLOOD: Thank you, Chair Linehan. Would you be willing to go out and find a contractor that can finish Highway 30 and 275 and use \$35 million out of the LB84 fund, just as the Legislature did in 2019, to finish your roads?

WALZ: Absolutely, Senator Flood.

FLOOD: Thank you.

LINEHAN: Thank you, Senator Flood. Any other questions? For the record here-- excuse me. We had LB542, written testimony proponents: Jon Cannon, NACO; Jean-- Jeanne McClure, ACEC Nebraska; Ron Sedlacek, Nebraska Chamber of Commerce; Jennifer Creager, Omaha-- Greater Omaha Chamber. We had no opponents, no neutral. On letters for the record, we had ten proponents, no opponents, no neutral. And I just feel like I need to say, we do have some money. [LAUGHTER] Oh, yeah. OK, thank you very much.

WALZ: Thank you all.

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LINEHAN: With that, we bring the closing to LB542. We're going to-- is there anybody in the room that's here for the next two bills? Tony-- excuse me, Commissioner Fulton, is he the only one? Yeah, I know, I see him, but is there anybody else?

PAHLS: No.

LINEHAN: OK, I'm-- Senator Friesen can you-- Senator Friesen. Senator Friesen, we have-- I have a conflict, so I'm going to introduce whatever bill I'm going to introduce. Which one, guys?

FRIESEN: Sure.

LINDSTROM: LB180.

LINEHAN: LB180. And then I'm going to ask, it's Senator Lindstrom will take over as Chair. And then Senator Friesen, would you take over as Chair when Senator Lindstrom, who knows nothing about what I'm asking you here right now, because I didn't give him any heads up.

LINDSTROM: That's OK.

LINEHAN: If you would introduce this bill. Or do you want to do an entry? OK, we'll let, we'll let Senator Lindstrom run the hearing and I'll introduce the first one and then M.J. will introduce the second one. And we'll, we'll take your remarks, Commissioner, so I don't miss it. Just kidding, we have a transcript.

LINDSTROM: We'll now open the hearing on LB180, introduced by Chairwoman Linehan.

LINEHAN: And this could be M.J. too, because she wrote this and I have yet to read, so I'm channeling her. Good morning, Vice Chairman Lindstrom and members of the Revenue Committee. My name is Lou Ann Linehan, L-o-u A-n-n L-i-n-e-h-a-n, and I'm here to introduce LB180. This bill was born of my frustration with the monthly general fund tax receipts statements issued by the tax commissioner. Those reports compare monthly net, net tax receipts to the certified forecast. Unfortunately, the forecasting board may have revised their forecasts, but that revision is not the same as a certified forecast. I want to be able to compare the actual net receipts to the most recent forecast, not just the certified forecast. It's important to note that the certified forecast, which is done by the Tax Commissioner and the

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Legislature, Legislative Fiscal Office-- analyst, excuse me, Tom Bergquist, by July 15 of each year, is not revised unless the forecasting board lowers its forecast. If the board increases the forecast, no change is made to the certified forecast. In addition, the monthly reports do not show a comparison to the same month as the prior fiscal year. This is something that I would like to see. LB180 would, would like-- LB180 would require the Tax Commissioner to show these comparisons in the monthly report, as well as the fiscal year end report. So one of the things over the summer when we were getting different numbers, if you really remember when we left in August, everybody we said we were going to be short \$450 million, and then you couldn't-- when you get the reports, Tom Brandt called me one day and he's like, I can't, like what do we have last year? Like, what does this mean? So what I'm trying to do here is have a report that you don't have to understand when the forecasting board meets and certified versus recent. So it's like everybody can read it and understand what it's saying. That's all this does.

LINDSTROM: All right, any questions from the committee? Seeing none, thank you.

LINEHAN: And I'll waive close.

LINDSTROM: OK, sounds good. First proponent. Seeing none, any opponents? Seeing none, any neutral testifiers?

LINEHAN: Thank you. I'll see you [INAUDIBLE].

LINDSTROM: OK. And Senator Linehan waives closing on LB180, and that will end the hearing on LB180. We will now-- I'm sorry, we did have written testimony from Camdyn Kavan with OpenSky Policy as a proponent of LB180.

***CAMDYN KAVAN:** Good morning Chairperson Linehan and members of the Revenue Committee. My name is Camdyn Kavan and I'm the policy and outreach coordinator at OpenSky Policy Institute. We're here to testify today in support of LB180 because we believe the proposed changes in the bill will make the state's monthly fiscal position relative to the fiscal year more easily understandable. Currently, monthly General Fund receipt news releases are compared to the certified forecast. This can lead to some confusion when reading these news releases because they don't always reflect the most recent data.

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Take this fiscal year, for example. The certified forecast is \$5.001 billion but the most recent forecast -- from just one week ago -- is \$5.490 billion. The February forecast last week does not require a recertification, as only downward revisions do. This means that the state's monthly General Fund receipt news releases are compared to the certified forecast of \$5.001 billion, which also means current monthly and fiscal year-to-date receipts are shown as coming in significantly higher than forecast. The budget, however, is based on the most recent forecast -- which may not be certified -- so there can be a disconnect between what is being shown in the news releases and what the legislature is relying on to set its budget. LB180 would ameliorate this disconnect by comparing the monthly news releases to the most recent forecast and would ensure that they are being compared to the forecast utilized for budgetary purposes. For these reasons, we support LB180 and urge the committee to advance the bill to General File. Thank you.

LINDSTROM: There was one letter for the record as a proponent, zero opponents and zero neutral on LB180. And with that, we will close the hearing on LB180. Did Grant need some-- can we start here or does Grant need some?

MARY JANE EGR EDSON: Well, I'll get started. Grant-- we have a-- Senator Linehan has an amendment on LB431, but it was in her book and she took off with her book.

LINDSTROM: OK.

MARY JANE EGR EDSON: So Grant went to chase her down so.

LINDSTROM: OK.

MARY JANE EGR EDSON: I will just get started.

LINDSTROM: Yep. We will open the hearing on LB431.

MARY JANE EGR EDSON: Thank you very much. It's still good morning, Vice Chairman Lindstrom, members of the Revenue Committee. My name is Mary Jane Egr Edson, that's spelled M-a-r-y J-a-n-e E-g-r E-d-s-o-n, and I serve as legal counsel to your committee. I am introducing actually what is a committee bill, LB431. This is the Department of Revenue's technical bill that portions of which were introduced last year but never quite made it, because it kind of fell by the wayside

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as the Legislature was working so hard on property tax relief and tax incentives. It does four things. First of all, it harmonizes the filing date as March 1 for the special assessment of improvements on leased public land and leased private land. Right now, there's kind of a conflict, it's they're not quite clear, so the bill would harmonize both of those as March 1 for the separate assessment. Second, the bill provides for the electronic filing of a report of undervalued and overvalued property from the county clerks as determined by the county board. The property tax administrator does not currently receive this report, and it would be helpful to the property tax administrator to receive it. Third, the, the bill harmonizes the filing dates for county lodging tax and the tire recycling fee with the filing dates for the litter fee. And hopefully I'm getting all of this right, that Commissioner Fulton is here to clarify if I don't. All of these taxes and fees would be due in the same manner as the general sales tax that's collected by these retailers. So right now, retailers, depending on how much they collect or how much they sell, how much they have in gross receipts, they might be filing monthly, quarterly or annually for sales tax. Some of these other fees, like tire recycling fee and things in the lodging tax, are monthly. And so for the smaller retailers, this would allow them to consolidate all of their filings so that they're only filing once every quarter or once a year. And then finally, the bill would allow the department to send assessment notices to taxpayers using the department's secure electronic system if that is agreed to by the taxpayer in advance. Currently, the department just sends the assessment notices by regular mail because we had a bill a couple of years ago that removed the requirement for certified mail. So this would allow them to do this electronically. As I said-- did we catch the amendment? Yeah, OK. What?

GRANT LATIMER: It's getting copied.

MARY JANE EGR EDSON: Oh, it's getting copied. All right. Well, Senator Linehan had asked to have an amendment drafted to this bill. She has frequently been frustrated when she finds out that there has been a change of interpretation of the statute by the Department of Revenue. And this has occurred a few times, several times over the last few years. And typically, the way she finds out about it is when a taxpayer is audited and for-- they're audited and assessed for something that had traditionally been exempt or not taxed. And so she asked for this amendment and I had it drafted, and what it does is it

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adds language in, I believe it's the 300 series of Chapter 77, and it's patterned after language that is currently in the statutes with regard to Medicaid and also is included in LB429, which was heard earlier this year in the Health and Human Services Committee. And it provides that if the Tax Commissioner deems it necessary to change an existing interpretation of an existing law or policy without absent a change in statute, then the Legislature must be notified so that it may consider the proposed change. Rules and regulations that are proposed by the Tax Commissioner are required to be published and have a public hearing, and then they must be sent to the Legislature and the Attorney General before they are finalized. Once finalized, the rules and regulations have the force and effect of law. But other types of determinations by the Tax Commissioner and the Department of Revenue can be changed very easily without any notice to taxpayers and without consulting with the Legislature. We understand the Tax Commissioner is appointed by the Governor and is therefore part of the Executive Branch of government, but Senator Linehan feels that the Legislature should not be shut out when it comes to making changes in tax policy. And that's the reason for the amendment. And that concludes her opening, and I would answer questions if you have any.

LINDSTROM: Very good. Thank you. Any questions from the committee? Seeing none, thank you.

MARY JANE EGR EDSON: I think Senator Linehan would waive closing.

LINDSTROM: OK. First proponent. Good afternoon, Commissioner.

TONY FULTON: Good afternoon. Thank you, Vice Chairman Lindstrom. For the record, my name is Tony Fulton, T-o-n-y F-u-l-t-o-n, I serve as Nebraska's Tax Commissioner. We support LB431. And you guys want to go to lunch, I'm sure, so I'm just-- she nailed it. Those four provisions, we don't think they're controversies-- well, I'm positive they're not controversial. If there's anyone who has an issue with it then, with any of the provisions, then I'd be glad to sit down and listen as to why. But I think these are truly harmonizing, and to provide more efficiency. With respect to the amendment, I haven't seen the amendment, but generally it's not as-- I can't just change my mind and reinterpret the statutes. So insofar as this amendment says that the Department of Revenue or the Tax Commissioner can't do that, well, I can't do that. And you know how I'm wired. That wouldn't be right, wouldn't be fair to the taxpayers. There is a process by which if the,

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if the department does take a position that's different than a position that's been taken in the past, there is a process by which that gets communicated either through a revenue ruling, which is a formal document. I can go-- there are formalities that are made in the objective order such that everyone knows if there is a change in a position that the department takes. So I'll leave it at that. When I look at the amendment, I can give you advice on it.

LINDSTROM: OK.

TONY FULTON: But it doesn't sound unreasonable in any way, as it's explained by your capable counsel. Any questions, I'd answer them.

LINDSTROM: Thank you, Commissioner. Any questions for--

TONY FULTON: I did provide a written copy of my testimony in the event that you do want to go into more detail about the bill.

LINDSTROM: OK. Senator Friesen.

FRIESEN: Thank you, Vice Chair Lindstrom. So thanks for coming, Commissioner. So in the past, we've dealt with several times where rulings on what is charged sales tax and what is not has come before this body. When you make a change, and sometimes those, we'll say those exemptions have been in place for years and suddenly they make a determination they're no longer exempt. Do you send out a notification to anybody that those rulings have changed? Does that come to the Legislature or where does that go?

TONY FULTON: It's posted publicly. So I want to be careful here. What I've learned in the, you know, four years or five years or whatever it's been now since I've been over there at the department, there is that which is perceived to be the position of the department or an interpretation of the state. And then there is that which is. Most of the time those to match up. Some of the time, they don't. And I have heard it said that, you know, this has never been taxed in the past. And invariably when I get in and look at the record and the history, it was taxed in the past. So I'm not, I'm, I suppose I can point out some specifics, but that has been my experience. If indeed the department takes a different position then there is a document that's posted publicly, and it depends what that, how-- there are different forms that takes. So revenue rulings, general information letters,

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these are terms to describe levels of certainty, I guess, is what I--
the way I see it. Those are put forward publicly and there is what's
called a GovDelivery, so an email that goes out to anyone who's on
that GovDelivery listserv. So that, that is what happens.

FRIESEN: So the Revenue Committee would be notified?

TONY FULTON: You'd be, you would be made aware if you're, I assume
you're on that listserv.

FRIESEN: OK. Thank you.

TONY FULTON: Yeah.

LINDSTROM: Any other questions? Senator Briese.

BRIESE: Thank you, Vice Chair. Thanks for your testimony here today.
So this amendment would require you to wait to implement any change
until after we've had a chance in this body to introduce a bill to
address the issue into the--

TONY FULTON: I don't know what, I haven't seen the amendment.

BRIESE: OK.

TONY FULTON: I don't know.

BRIESE: OK. It would detract from your flexibility to some degree, it
looks to me like, but--

TONY FULTON: I don't know, I'd have to see the amendment. I just, I,
the way it sounded, what I heard said, there already is a process in
place by which this gets done. If there is a change in the
department's position on a given statute, then there's a process by
which that's communicated to the public. What I, what I have seen is
that oftentimes there is, you know, some misunderstanding about what
the department takes a position on. These are generalities, by the
way. I mean, I-- but I, I probably, there's probably a half-dozen
issues that someone has brought up to me that, you know how it is. I,
I'm-- a lot of people know who I am, a lot of people knew that I was a
Tax Commissioner. Hey, Fulton, what's up with this, that and another?
And so I've probably had that happen a half-dozen times. And every
time I go in and look, well, you know, this is, here's a document from

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1990 and the, you know, the department took this position. That is
what my experience has been. If there were a change, there is a
process by which that's made known.

BRIESE: Probably unfortunate you didn't have the benefit of this
before you, you know, the amendment before--

TONY FULTON: Yeah, but that's all right. I know how it is. You guys
are, you're busy.

BRIESE: Sure.

TONY FULTON: We'll take a look at it and we'll provide feedback to
you.

BRIESE: OK, thanks.

LINDSTROM: Any other questions? Seeing none, thank you.

TONY FULTON: Thank you.

LINDSTROM: Any other proponents? We had-- any opponents? Any neutral?
And closing has been waived. There was zero written testimony, zero
letters for the record. And that will end the hearing on LB431.

LINDSTROM: Welcome to the Revenue Committee public hearing. My name is
Brett Lindstrom. I am from Omaha and represent District 18 and I serve
as Vice Chair of this committee. For the safety of committee members,
staff, pages, and the public, we ask that those attending our hearings
to abide by the following procedures. Due to social distancing
requirements, seating in the hearing room is limited. We ask that you
only enter the hearing room when it is necessary for you to attend the
bill hearing in progress. The bills will be taken up in the order
posted outside the hearing room. The list will be updated after each
hearing to identify which bill is currently being heard. The committee
will pause between each bill to allow time for the public to move in
and out of the hearing room. We request that everyone utilize the
identified entrance and exit doors to the hearing room. We request
that you wear a face mask while in the hearing room. Testifiers may
remove their face covering during the testimony to assist committee
members and transcribers in clearly hearing and understanding the
testimony. Pages will sanitize the front table and chair between
testifiers. Public hearings for which attendance reaches seating

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capacity or near capacity, the entrance door will be monitored by a Sergeant at Arms who will allow people to enter the hearing room based upon seating availability. Persons waiting in the hearing room are asked to observe social distancing and wear a face covering while waiting in the hallway or outside the building. The Legislature does not have the ability due to the HVAC program of an overflow hearing room for hearings which attract several testifiers and observers. For hearings with large attendance, we request only testifiers enter the hearing room. We ask that you please limit your-- or eliminate your handouts. The committee will take up the bills, the 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. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please turn off your cell phones. The order of testimony will go introducer, proponents, opponents, neutral, and closing remarks. If you will be testifying, please complete the green form and hand it to the page when you come up to testify. If you have written materials and you'd like them to be distributed to the committee, please hand them to the page for distribution. We need 12 copies for all committee members and staff. If you need additional copies, please ask a page to make copies for you now. When you begin to testify, we ask that you please state and spell your name for the record. Please be concise. It is my request that you limit your testimony to five minutes. If necessary, we will use the light system. Green is four minutes. You'll have-- with one minute to go, you'll see yellow and at red, we will wrap up-- please wrap up. If there are a lot of people wishing to testify, we will use three minutes. Doesn't look like there is, so five will be fine. If you-- if your remarks were reflected in previous testimony or if you like your position to be known but do not wish to testify, please sign the white form on the table outside of the room of the, of the entrance and it will be included in the official record for today. Please speak directly into the microphone so our transcribers are able to hear testimony clearly. I would like to introduce committee staff. To my immediate left is committee counsel, Mary Jane Egr Edson. To my further left is research analyst, Kay Bergquist. At the end of the table is committee clerk, Grant Latimer. And I will have the senators introduce themselves, starting with my far right.

PAHLS: Rich Pahls, District 31, southwest Omaha.

BRIESE: Tom Briese, District 41.

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LINDSTROM: And I think the other senators will be here shortly, they may be introducing other bills. Please-- oh, I'm sorry. And in the afternoon, we have Jason, who attends UNL and is a political science and history major. We also have Reid, who also attends UNL as an ag econ major. Please remember that senators may come and go during the hearings. We have other bills that we may have to introduce in, in other committees. Please refrain from applause or other indications of support or opposition. I would also like to remind our committee members to speak clearly into the microphones for our audience. The microphones in the room are not for amplification, but for recording purposes only. Last, we're an electronics equipped committee, information provided electronically as well as in paper form. Therefore, you may see committee members referencing information on their electronic devices. Please be assured your presence here today and your testimony are important to us and is a critical-- is critical to our state government. With that, we will have our opening on LB434 introduced by Chairwoman Linehan.

LINEHAN: Thank you, Vice Chairman Lindstrom and members of the Revenue Committee. Thank you for being here. My name is Lou Ann Linehan, L-o-u A-n-n L-i-n-e-h-a-n, and I'm here to introduce LB434. LB434 is a Revenue Committee bill that makes three changes. The biennial tax expenditure report produced by the Department of Revenue is intended to estimate the revenue loss from exemptions, credits, and deductions under Nebraska's tax code. Several years ago, the legislation was passed to include estimates of revenue loss from not subjecting certain services to tax. Some of the services included in that legislation are already subject to sales and use tax. Therefore, are not appropriate inclusions in the tax expenditure report. Since the tax expenditure report does not significantly change from year to year, the annual requirement that it be presented to a joint hearing of the Revenue and Appropriations Committee is removed. Any information, in addition to the report requested by three or more committee members, is still required to be provided within 30 days. LB434 also removes the annual presentation of a tax incentives report to the joint hearing of the Revenue and Appropriations Committees. The Department of Revenue is still required to produce the report on an annual basis. The presentation at a joint hearing is changed to a biennial basis beginning on or before September 1, 2022 and every even-numbered year thereafter. And I did talk to Senator-- Chairman

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Stinner and he was OK with this, right? I think that's my
recollection, yes. So thank you. I'd be happy to answer any questions.

LINDSTROM: Thank you. Any questions from the committee? Senator Pahls.

PAHLS: As I can recall, this was instigated because people didn't
realize at one time the number of exemptions, so this is to keep us
aware of that. The reading every year, I can see why that's probably a
little overdone. But I think changing any of those reports, I don't
know what the advantage is to change because you said you want to
leave out, not appropriate to include. If it's been included for
several years, apparently, hasn't hurt anybody. I would think if we
leave the reports alone, just do not report as often, we have not
really lost anything.

LINEHAN: OK.

PAHLS: You can see because I just--

LINEHAN: But I think the, the-- I understand. Yes, I would agree. The,
the meetings are-- I don't think the meetings because they're usually
when we're not in session--

PAHLS: Yeah.

LINEHAN: --and it's-- and they're usually-- well, usually, I've only
been here a couple of years as Chair, but it seems to me that it's
like two days before we have to get it done because, you know, so if
we just it once every two years.

PAHLS: I agree, that to me is overkill. But I have to be honest with
you, when I was dealing in my past on exemptions and I told Governor
Heineman it was like over \$6 billion, he didn't even realize the
amount of exemptions because it had been just happening over the
years. And this is just to keep us abreast of what's it about. That's
the reason why I see this [INAUDIBLE].

LINEHAN: Thank you.

LINDSTROM: Any other questions from the committee? Seeing none, thank
you.

LINEHAN: Thank you.

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LINDSTROM: We'll now have our first proponent to LB434. Seeing none, any opponents? Also seeing none, any neutral testifiers? Seeing none, Senator Linehan waives closing, and that'll end the hearing on LB434. We did have-- excuse me, we did have written testimony. Excuse me, yeah, opponents: Camdyn Kavan with OpenSky Policy Institute.

***CAMDYN KAVAN:** Good morning, Chairperson Linehan and members of the Revenue Committee. My name is Camdyn Kavan and I'm the policy and outreach coordinator at OpenSky Policy Institute. We're here to testify today in opposition to LB434 because we believe the proposed changes in the bill will lessen both transparency and legislative oversight of the state's tax expenditures and tax incentives. The bill also goes against a trend towards supporting more transparency by many in the Legislature, not less. While we believe the bill's provision to move the Nebraska Advantage joint hearing to a biennial basis would not hinder transparency nor legislative oversight as the program has sunset and accepts no new applications, we are concerned about the bill's provision to move Imagine Nebraska's hearing to a biennial basis. Imagine Nebraska just went into effect this calendar year and the joint hearing between the Revenue and Appropriations Committees is meant to review the annual report and give the Legislature a platform to ask questions about the program's effectiveness. We are concerned that some legislative oversight and transparency will be lost by moving the joint hearing from an annual basis to a biennial basis, especially in the early years of the program. We also are concerned with the bill's proposed elimination of the joint hearing of the Revenue and Appropriations Committees regarding the tax expenditure report. This hearing, again, is an important part of legislative oversight and we are concerned its elimination will limit the body's ability to adequately oversee tax expenditures, which are significant tax policy. While we understand the intent of the bill, we believe the risk of doing too little on legislative oversight and transparency outweighs the risk of doing too much. And so for these reasons, we oppose LB434. Thank you.

LINDSTROM: And then we didn't have any letters for the record on LB434 and that'll end the hearing on LB434.

LINEHAN: So we'll open the hearing on LB459. Senator Cavanaugh. Good afternoon.

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M. CAVANAUGH: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. I am Machaela Cavanaugh, M-a-c-h-a-e-l-a C-a-v-a-n-a-u-g-h, and I represent District 6, west central Omaha in the Nebraska Legislature. I'm here today to introduce LB459. According to the Campaign for Tobacco-Free Kids, Nebraska ranks 42nd out of 50 states in the amount of excise tax imposed on cigarettes. Forty-one states have higher cigarette taxes than Nebraska, and only eight have lower. Cigarette smoking causes \$170 billion annually in healthcare costs in the U.S., with more than 60 percent of it paid through government programs like Medicare and Medicaid. A person who smokes can expect a lifetime healthcare cost averaging \$21,000 more than a nonsmoker despite shorter lifespans. In Nebraska, it's estimated that smoking costs every household in the state an extra \$737 a year in healthcare expenses and lost productivity. Businesses lose \$605 million worth of productivity due to smoking. In 2017, 2,500 deaths were attributed to smoking. That's the entire population of Ashland, gone. Smoking illness and death is totally preventable. I've asked Dr. Ali Khan, a physician and public health expert, to give you more information about the damage smoking does to our neighbors, friends, and families who still smoke. The current 64 cent tax-- cigarette tax has been in place since 2002. We continue to allow our tax structure to give smoking a place of privilege and it is time to raise it. LB459, if passed, will increase the cigarette tax from the current 64 cents a pack to \$2.14 a pack. Out of the \$1.50 increase, LB459 puts an additional 37.5 cents into the General Fund for a total of 86.5 cents of the tax going to the General Fund. LB459 would increase the amount of cigarette tax going to the Health Care Cash Fund. Currently, the Health Care Cash Fund gets an annual dollar amount of \$60 million-- \$60.4 million. This would also give the Health Care Cash Fund a per pack amount of 12.5 cents of the cigarette tax. LB459 adds electronic nicotine delivery systems in the definition of tobacco product. Therefore, electronic nicotine delivery systems would start being taxed at the same rate as other tobacco products, 20 percent of the wholesale price. The related revenue would be directed to the Health Care Cash Fund. There is legislative intent and LB459 is used to indicate where some of the dollars from an increase in cigarette tax and going into the Health Care Cash Fund could be used if other legislation is successful, my LB416, that funds an array of maternal health-related programs and it would increase the amount of funding for smoking cessation program at the Department of Health and Human

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Services. And with that, I will take any questions that you might
have.

LINEHAN: Thank you, Senator Cavanaugh. Senator Flood.

FLOOD: Thank you, Chair Linehan. Senator Cavanaugh.

M. CAVANAUGH: Yes.

FLOOD: I have a lot of people in my district who like to smoke.

M. CAVANAUGH: Um-hum.

FLOOD: Are you trying to use the state's tax policy to stop them from
smoking?

M. CAVANAUGH: Yes.

FLOOD: You want to raise their taxes--

M. CAVANAUGH: Yes.

FLOOD: --230 percent?

M. CAVANAUGH: Yes.

FLOOD: What about a low-income family and they're trying to make ends
meet,--

M. CAVANAUGH: Um-hum.

FLOOD: --the only real joy a maybe a single mother has during the day
is maybe a 15-minute smoke on a break, one at lunch and one at night.

M. CAVANAUGH: Um-hum. Yes.

FLOOD: You want to tax her more?

M. CAVANAUGH: Yes.

FLOOD: Why?

M. CAVANAUGH: Because smoking causes significant illnesses and is a
huge cost to that single mother, to her children, and to society.

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FLOOD: And making her pay more will teach her a lesson.

M. CAVANAUGH: It won't teach her a lesson. It will make it harder to
afford. Yes, that's the intention. Yes.

FLOOD: Thank you.

M. CAVANAUGH: You're welcome.

LINEHAN: Thank you, Senator Flood. Are there other questions from the
committee? Seeing none, thank you. Are you going to stay to close?

M. CAVANAUGH: I have an Executive Session right now and I will come
back if this hasn't concluded.

LINEHAN: OK. All right,--

M. CAVANAUGH: Maybe.

LINEHAN: --thank you very much.

M. CAVANAUGH: Thank you.

LINEHAN: Proponents.

MAGGIE BALLARD: Good afternoon. Good afternoon, Chairperson Linehan
and members of the Revenue Committee. My name is Maggie Ballard and I
work at Heartland Family Service. I am testifying in support of LB459
and want to thank Senator Cavanaugh for bringing this bill forward. I
also want to thank you for the opportunity to speak about something
that I am very passionate about. I'll let you look through a little
bit about Heartland Family Service. You know, the work that we do is
kind of in that first paragraph, but we do serve as the fiscal agent
for MOTAC, the Metro Omaha Tobacco Action Coalition. So MOTAC has a
history of implementing evidence-based practices that are shown to
reduce exposure to secondhand smoke, help people to quit smoking, and
even more importantly, to prevent people from ever starting. So this
is particularly important when it comes to preventing youth from using
nicotine. While the number of youth using cigarettes has continued to
decrease for several years, we are seeing vaping become such a problem
that it was declared an epidemic. You may remember, may or may not
remember when e-cigs and vape pens first came out around 2007, they
were marketed as a way for people to stop smoking. And at that time we

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saw e-cigs go for like \$40 or \$50 apiece. And while we still hear radio ads encouraging people to make the switch, which, by the way, just to be clear, it's not an evidence-based measure recommended for cessation. One interesting thing has occurred, the price of vaping products has dropped significantly. And this is not because the technology got cheaper or their advertising let up. Instead, they realized that to get people to start using at an age when they can really make some money off of them and get them addicted, they dropped the price down to an amount that kids can afford to pay with their allowance or their lunch money. While the tobacco industry may continue to say that they are not targeting young people with their ads, I invite you to think about how affordable a pack of cigarettes costs, how many flavors you can buy of e-juice. Spoiler alert, there's over 15,000 and they're remind-- they're set to remind people of their childhood. We're talking bubblegum, cotton candy, strawberry shortcake. Also, think about how close to candy you will find cigarette ads in your gas station that I want you to remember this number, \$1 million an hour. That's how much money the tobacco industry spends per hour on advertising. Now studies show that when the tobacco tax goes up, use goes down. We unfortunately won't see much of a decrease by increasing taxes, just a dime or a nickel, but of at least \$1. And currently, Nebraska ranks 45th in tobacco tax, well below the national average of \$1.88 per pack. If you pass LB459, which I hope you do, we have estimates of what lives it's going to save, what people that's going to prevent from starting to smoke. So we're looking at 5,200 Nebraska youth from starting to smoke. It will lead 8,900 Nebraska adult smokers to quit and 3,700 deaths will be prevented. So I want you to also think about how many people have died in Nebraska from COVID-19 or in the United States. And don't get me wrong, Heartland Family Service, and I personally, we take the pandemic very seriously. But the parallel between these numbers of deaths is not lost on me and shouldn't be for you either. We're talking 500,000 people, 500,000 people in less than a year have died from COVID-19. And we've also seen every year just under 500,000 people die from smoking. So I ask if we had the opportunity to save some of those lives, not just anywhere, but here in Nebraska, why wouldn't we want to take action? Lastly, I want to address a common argument or concern that I know you all hear when we're talking about tobacco taxes, which is the issue of no new taxes or we pay enough in taxes. If we are talking about taxing products that people have a right to or a necessity like food, water, energy, air, property,

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shelter, you know, that would, that would be an understandable argument. But with a tax on nicotine products, we are not placing a burden on things that we need. Nicotine use continues to be a major health problem in our state. And LB459 gives you an opportunity to choose to be part of the problem or part of the solution. So I'm asking that you please be part of the solution and vote for LB459 out of committee and I'd be happy to answer any questions.

LINEHAN: Thank you, Miss Ballard. Are there questions from the committee? Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, ma'am, for your testimony. Senator Flood brought up an interesting point--

MAGGIE BALLARD: Sure.

BOSTAR: --with the introducer Senator Cavanaugh, concern over the expense to, let's say, a single mother who doesn't have a lot of income.

MAGGIE BALLARD: And-- oh, I don't want to interrupt you. I was just going to relate to that, that that's very similar to a lot of the clients that we have at Heartland Family Service. But sorry, go on.

BOSTAR: So this-- one of these handouts from the Nebraska Department of Health and Human Services says that \$692 per household is spent on smoking-related healthcare expenses and lost productivity. So let's say that single mother doesn't smoke, is low income, trying to provide for her family. Would you say that, that almost \$700 per household would be a burden for her?

MAGGIE BALLARD: I think it's a burden for everyone. I haven't looked at that exact graphic. But my understanding is that what they're saying is smoking cost every taxpayer money. So whether I am a smoker or not, I'm having to pay for the medical costs or the lost productivity or the other costs related to that person who does smoke.

BOSTAR: Thank you very much.

MAGGIE BALLARD: Yeah.

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

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MAGGIE BALLARD: Thank you.

LINEHAN: Good afternoon.

ALI KHAN: Good afternoon, I am Ali Khan, A-l-i K-h-a-n, dean of the University of Nebraska Medical Center College of Public Health. My thanks to Chair Linehan and other members of the committee for allowing me to testify in support of senate bill LB459, which seeks to increase the state tobacco tax by \$1.50. I'm here speaking on behalf of the Nebraska Medical Association and as a public health expert. I do not represent-- I should probably take this off. I do not represent an official position of the University of Nebraska. LB459 represents a tremendous opportunity you have here in Nebraska to dramatically save lives. There's strong evidence that interventions that increase the unit price of tobacco products are effective in reducing tobacco use, especially among youth, youth who are most price sensitive. So 95 percent of all tobacco initiation in Nebraska is among children less than 17 years of age. This is the target of Big Tobacco advertising to recruit replacement smokers. Tobacco use is the largest cause of preventable morbidity and mortality in Nebraska and the United States. Approximately 220,000 Nebraskans smoke cigarettes excluding this electronic nicotine delivery devices and an estimated 2,500 die prematurely each year, including 250 from secondhand smoke, from cancer, heart disease, diabetes, premature birth, and a number of other health conditions. Going to the earlier comment, tobacco and poverty are linked, 72 percent of smokers are from lower socioeconomic status. Data suggests that spending on tobacco leads to a wage penalty and less, less expendable income for necessities like food, education, and healthcare. So tobacco taxes do not penalize the poor. Tobacco use makes people poor. Nebraskans also understand that decreases in tobacco expenditures such as at convenience stores do not disappear from the economy, but rather, they are redistributed to the consumption and production of other goods and services generating income and employment in other sectors. Finally, data, data on adult medical expenditures by the state of Nebraska Medicaid program, UNMC estimated that smoking-related Medicaid expenditures are approximately \$242.2 million annually. They also estimated an additional economic loss of \$1.3 million from over 6,000 lost workdays due to sick leave among currently smoking state government employees. Nationally, estimated smoking-related health costs and lost productivity, if you actually tax it, would be \$24.10 per, per pack. However, even a minimal \$1.50 tax increase in Nebraska is predicted to save 3,700

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early deaths and result in over \$304 million in long-term healthcare cost saving, including \$1.8 million in savings for the Nebraska Medicaid program in the next five years. I'm requesting that you please protect youth from predatory practices of Big Tobacco, save a whole lot of lives, and cut taxes for all Nebraskans that currently subsidize smoking by raising the taxes on all tobacco products. Thank you very much.

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

ALI KHAN: Thanks very much. Thank you, committee.

ALBRECHT: Oh, you've, you've got your pin.

LINEHAN: Your pin.

SARAH CURRY: You left your pin up there.

LINEHAN: Next proponent.

***ASHLEY CARROLL:** Revenue Committee: On behalf of March of Dimes, the leading non-profit organization fighting for the health of all moms and babies, thank you for the opportunity to express support for LB459- Change provisions relating to the cigarette tax and the Tobacco Products Tax Act and distribute tax proceeds as prescribed. "I had my first cigarette when I was eight years old. I couldn't wait to do it; it's what everyone did. I was a full-time smoker by the time I was 13. My daily routine for the past 46 years has been plotted around a cigarette." Julie C., now retired, describes the hold nicotine has over her this way, "I hate smoking with a passion. I hate that when I'm watching my grandkids, I have to step out to have a cigarette. I have to. My mind cannot focus on anything until I get a cigarette." Unfortunately, Julie's story is an all too familiar one. Nearly 70 years after the Surgeon General's 1964 report on smoking and health, the negative health effects of smoking are well known. Smoking is the leading cause of preventable disease and death in the U.S. Currently, 34 million people smoke nationwide, including 14.7% of Nebraska adults. Nationwide, smoking causes 480,000 deaths each year; in Nebraska it claims 2,500 lives annually. Over half of Nebraska smokers report trying unsuccessfully to quit in the past. Tobacco use has a profoundly negative impact on maternal and child health, which is

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troubling given 13.6% of Nebraska smokers are women aged 18 years and older. Smoking can cause significant reproductive problems for women of childbearing age, including reduced fertility, increased risk of ectopic pregnancy, placenta previa, placental abruption and preterm delivery. Smoking during pregnancy carries an increased risk for delivering a low birthweight baby and greater risk of sudden infant death syndrome (SIDS). In 2019, 6.8% of Nebraska mothers reported smoking during pregnancy. The Solution: Tax Tobacco to Fund Prevention & Health Care Improvement One of the best ways to reduce smoking is to prevent young people from starting and to entice current smokers to quit through pricing intervention, in laymen's terms: a tobacco tax increase. In the 2021 State of Tobacco Control report, Nebraska received a grade of 'F' in tobacco prevention/cessation funding and tobacco taxes. The American Lung Association called on Nebraska to increase state funding for prevention/cessation and increase the tobacco tax by at least \$1.00 or more per pack. The current state tobacco tax in Nebraska is 64 cents per pack, roughly one third of the average state tax rate of \$1.88 per pack, ranking Nebraska 42nd out of the 50 states and D.C. It's been 19 years since Nebraska raised the state tobacco tax rate, despite more than a dozen legislative attempts. A tobacco tax increase of at least \$1 or more per pack has been shown to effectively reduce youth initiation and quitting among current smokers, most notably low-income adults, youth and pregnant women. Increases less than \$1 can more easily be offset by tobacco industry coupon and discounting schemes, thus doing little to disrupt sales of tobacco products. Analysis from the Campaign for Tobacco-Free Kids and American Cancer Society Cancer Action Network projects the following impacts with a \$1.50 tobacco tax increase in Nebraska: • 17.3% reduction in youth smoking • 12,300 fewer adult smokers • 7,000 premature smoking deaths averted • 2,900 fewer smoking-affected pregnancies and births • \$13.47 million in health care cost savings resulting from fewer cases of lung cancer, smoking-affected pregnancies/births and smoking-related heart attack and strokes. March of Dimes supports LB459, which will increase the state tobacco tax rate by \$1.50 per pack (20% of the purchase price of electronic nicotine products) and generate additional revenue for tobacco prevention/cessation, as well as efforts to improve maternal health in Nebraska. Please reach out if you have any questions or require additional data. Thank you.

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***BRIAN KRANNAWITTER:** Chairwoman Linehan and members of the Revenue Committee: On behalf of the American Heart Association, I am submitting written testimony to express our support for Legislative Bill 459. LB459 increases the cigarette tax by \$1.50 per pack. Significantly increasing tobacco taxes is a proven strategy for saving lives and health care dollars. Tobacco use takes a tremendous toll on Nebraska in both lives and monetary costs. According to the Campaign for Tobacco Free Kids, in Nebraska 2,500 die each year from smoking. In fact, smoking kills more people than alcohol, AIDS, car crashes, illegal drugs, murders, and suicides combined. Tobacco-related illnesses are also expensive. In Nebraska, smoking is estimated to cost \$795 million in annual health care costs. A \$1.50 per pack increase in the Cigarette tax would help to decrease smoking - particularly among youth. It would also help save lives. Projections from a \$1.50 per pack increase in the cigarette tax are that it will prevent 5,200 kids from growing up to be adults who smoke and prevent 3,700 smoking-caused deaths. Increasing the Cigarette tax to \$1.50 would also reduce monetary costs due to tobacco use. It is projected that a \$1.50 increase in the cigarette tax would result in \$304.17 million long-term health care cost savings from adult and youth smoking declines. LB459 saves lives and saves in health care costs. We respectfully urge the Revenue Committee to advance LB459.

***JINA RAGLAND:** Chair Linehan and members of the Revenue Committee: My name is Jina Ragland, testifying in support of LB459 on behalf of AARP Nebraska. AARP is a nonpartisan, nonprofit, nationwide organization that helps empower people to choose how they live as they age, strengthens communities, and fights for the issues that matter most to those 50 and older and families, such as healthcare, employment and income security, retirement planning, affordable utilities and protection from financial abuse. Health security, in particular, is vital to aging with dignity. To help further our health security agenda, AARP supports policies that enable states to expand access to health coverage, including Medicaid, as well as secure the revenue needed to make health care and related programs more accessible and affordable. Every Nebraska household now pays nearly \$691 extra in taxes annually to help cover the cost of smoking. This is a financial burden that is even more difficult for folks who live on fixed incomes to bear. Moreover, 2,500 Nebraskans die each year from smoking. It is the number one cause of preventable death and is attributed to 27 percent of all cancer deaths annually in our state. LB459 would help

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to promote health security by generating revenue from an increased tobacco tax that would provide much needed funding for Medicaid and other critical public health programs such as the Respite Program, Aging and Disability Resource Center program that benefit all Nebraskans. Tobacco tax increases also encourage people who use tobacco to quit or cut down and prevent young people from starting to smoke. Both increased funding for vital health related programs and services and reduced smoking are laudable goals that will enable Nebraskans to live healthier, more productive lives. For these reasons, we encourage you to support and advance LB459.

***PATRICIA LOPEZ:** Thank you, Senator Linehan and members of the Revenue Committee. My name is Pat Lopez and I am representing Friends of Public Health in Nebraska in support of LB459. It has been nineteen years since the state of Nebraska has increased the tobacco tax, and Nebraska is currently ranked only 42nd in the country in the amount of tax on cigarettes. At the end of 2020, twenty-nine states had imposed a tax on vapor products. Numerous health and economic benefits exist related to this change, including fewer youth starting to use tobacco and more youth and adults who currently use tobacco, quitting. Friends of Public Health in Nebraska recognizes that this reduction in tobacco use will have immediate as well as long term health benefits for thousands of Nebraskans resulting in improved quality of life for individuals and reduced health care costs statewide. LB459 also provides for an influx of funding to the Health Care Cash Fund, which would improve public health statewide. Specifically, by allocating an additional two million dollars for the Tobacco Prevention and Control Program and allocating funds to the Department of Labor for upfront administrative costs of any paid family and medical leave program that may be enacted by the Legislature. All these fund allocations will allow for additional reduced health care costs statewide, as well as improved quality of life for individuals. I encourage the legislature to include a percentage of the funds for Public Health Districts to address priority public health issues determined by each public health department and its community partners. The statewide system of local public health departments works collaboratively with local providers and community organizations to assess local health needs, identify strategies to meet those needs, and develop health policies. Providing funding to support the work of public health departments will positively impact the health of all Nebraskans. I urge you, Senators, to take the bold step of supporting passage of LB459.

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***ERIC GERRARD:** Thank you Senator Linehan and members of the Revenue Committee. My name is Eric Gerrard and I am representing Voices for Children in Nebraska in support of LB459. Voices for Children supports LB459 because the revenue generated from the proposed increased tax on cigarettes and tobacco would provide funding to programs that support the health and well-being of Nebraska children. It is vital to develop new revenue streams to support current and innovative programs for Nebraska families. The revenue generated by a tax increase on tobacco products proposed under LB459 would benefit programs that support children during critical periods of development. We know from neuroscience research that most of the key brain infrastructure built in babies' brains happens during the first few years of life. Connections made or not made during this critical development period become increasingly hard to change as children grow up. Investments funded through LB459 will help us as a state make key early investments in children that will pay dividends in years to come. LB459 designates funding for start-up costs for a paid family and medical leave program. As Nebraska looks for ways to keep our state economy prosperous, we must first think of the important connection between child development and economic development. During life's most precious, stressful, or important moments, Nebraska parents shouldn't have to choose between the family they love and the job they need. Adequate time off after the birth of a new child is linked to reduced infant and post-neonatal deaths, longer periods of breastfeeding, and improvements in maternal health and financial well-being. A state paid family leave program also offers a systemic solution to the significant costs that employers are already paying for in the form of employee turnover, absenteeism and presenteeism, and lost productivity. The COVID-19 pandemic also illustrated the importance of paid leave as health issues and caregiving have been a significant focus for most families over the past year. The bill also contains additional funding to support maternal health, which is another important investment in maternal and child well-being. We urge the committee to advance LB459 to provide additional funding to invest in children and families. We thank Senator Cavanaugh for her continued commitment to Nebraska children and this Committee for your consideration.

***JULIE ERICKSON:** Members of the Revenue Committee: The American Cancer Society Cancer Action Network (ACS CAN), the nonprofit, nonpartisan, advocacy affiliate of the American Cancer Society, appreciates the

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opportunity to provide written testimony on LB459. My name is Julie Erickson, and I am testifying on their behalf as a registered lobbyist in support of LB459. ACS CAN supports evidence-based policy and legislative solutions designed to eliminate cancer as a major health problem. At this critical moment with focus on protecting respiratory health, we must do everything in our power to keep our communities healthy and safe. We urge you to vote "yes" on this life-saving legislation to increase the tax on cigarettes by \$1.50 per pack and add e-cigarettes to the definition of other tobacco products (OTPs) to prevent kids from starting to use tobacco and help adults quit. Significantly increasing tobacco taxes saves lives, reduces health care costs and generates revenue. In fact, it is one of the most effective ways to prevent youth from starting to use tobacco and encourage those already addicted to quit. In 2021, it is estimated that approximately 11,180 Nebraska residents will be diagnosed with cancer while 3,560 will die from the disease. And a recent analysis from the American Cancer Society estimates 26% of cancer deaths in Nebraska were attributable to smoking in 2017. Here in Nebraska 14.7% of adults smoke and 18.8% of high school students use tobacco products. Smoking harms nearly every organ in the body and increases the risk for many types of cancer, heart attack, stroke, cap, emphysema, chronic bronchitis, and other diseases. People who smoke or who used to smoke are at increased risk for severe illness from COVID-19. Smoking is also a proven risk factor for cancer, chronic obstructive pulmonary disease (CaPO) and heart disease, which also put people at increased risk for severe illness from COVID-19. Regardless of any association with COVID-19, the adverse health effects of smoking are well-documented and irrefutable. While the health costs of tobacco are high, this deadly product also costs the U.S. economy billions of dollars in preventable health care expenditures and lost worker productivity. Smoking is estimated to cost Nebraska \$795 million in direct health care costs annually, including \$162.3 million in Medicaid costs. Additionally, Nebraska experiences \$605.5 million in productivity losses due to smoking each year. Significantly increasing tobacco taxes is a proven strategy for generating revenue while saving lives and health care dollars. LB459 is supported by strong science and evidence. The 2014 U. S. Surgeon General Report, The Health Consequences of Smoking - 50 years of Progress concludes that increases in the price of tobacco products, including those resulting from excise tax increases, prevent initiation of tobacco use, promote cessation, and reduce the prevalence and intensity of

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tobacco use among youth and adults. This conclusion reaffirms findings from previous Surgeon General's reports on tobacco use that raising the price of tobacco is one of the most effective tobacco prevention and control strategies, and that increasing the price of cigarettes and tobacco products decreases the prevalence of tobacco use, particularly among youth and young adults. A \$1.50 per pack increase in Nebraska's cigarette tax would prevent 5,200 kids from becoming adults who smoke, help 8,900 adults who smoke quit, and save 3,700 lives. Additionally, this cigarette tax increase would save Nebraska \$304.17 million in long term health care costs and generate \$68.13 million in new annual revenue. The good news is that a cigarette tax increase of \$1.50 per pack as contained in LB459 will result in a significant price increase, providing a strong antidote to the aggressive marketing tactics being employed by tobacco companies. In Nebraska, the tobacco industry spends \$62.8 million each year to market cigarettes and smokeless tobacco alone, not including their other deadly and addictive products. Tobacco advertising has evolved with most of it now being focused on pricing and retail promotions. In 2018 tobacco companies spent 96% of their total advertising and promotion budgets on strategies that facilitated retail sales, such as price discounts, point-of-sale advertising, coupons, and payments to ensure prime retail space. Anything less than the tax increase proposed in LB459 can be easily offset by tobacco companies using these same types of coupons, discounts and price manipulations that are designed to keep people addicted despite a tobacco tax increase. For that reason, it is critical to protect the state's interest in both health and revenue and not appease the tobacco industry with a tax increase of a lesser amount. While we support the bill increasing the cigarette tax, it is also important that all other tobacco products, including e-cigarettes, are taxed at 45% of wholesale to parallel the new cigarette tax rate in order to encourage people who use tobacco to quit rather than switching to lower-taxed, lower-cost products. As currently written, all tobacco products will not be taxed at an equivalent rate, Nebraska can expect to see diminished positive outcomes for both revenue and public health. We should not allow such highly addictive products to avoid being taxed at the same rate as cigarettes. In closing, from the cancer control perspective, we believe the status quo that perpetuates preventable tobacco-related death and disease is unacceptable. The relatively low price of tobacco products makes it too easy for youth to afford to start smoking and continue smoking, and current tobacco tax rates do little to defray

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the enormous societal cost smoking has on the economy. If we are serious about reducing the toll of preventable cancer and chronic disease in our state, a high-impact tobacco tax increase such as this will help us achieve that life-saving mission. We urge you to vote "yes" on LB459 to increase the cigarette tax by \$1.50 per pack and to also consider language that will increase the tax on all other tobacco products to 45% of the wholesale price. Your support of these efforts will ultimately save lives, save money, and generate much-needed revenue for Nebraska. We ask that this proponent testimony be included in the official record for the hearing for LB459. Thank you.

LINEHAN: Are there any other proponents? OK, opponents.

SARAH CURRY: Good afternoon, members of the committee. My name is Sarah Curry, S-a-r-a-h C-u-r-r-y, and I'm the policy director at the Platte Institute. It's a well-established and empirically supported statement that cigarette taxes are not a stable source of revenue. In the last decade, 85 percent of cigarette excise tax increases missed their revenue projections. There are 23 separate instances where there is state data to show how far states missed projections. And of those, only four experience more revenue while the remaining experience less. Another survey found that tobacco tax collections failed to meet initial revenue targets in 72 out of 101 recent tax increases. From a policy standpoint, this regressive tax would affect lower-income adults and those with disabilities the most. According to the CDC, current cigarette smoking is significantly higher among adults with a disability as compared to adults without a disability and disproportionately affects adults with an annual household income of less than \$35,000. Under current law, Nebraska is ranked 41st in the nation, with Missouri and Wyoming, the only neighboring states with lower cigarette tax rates. If this bill is enacted, the 234 percent increase will give Nebraska the 15th highest rate in the country and the highest among its neighbors. Evaluating the impact of LB459 on a national scene is important because research has found that higher tobacco taxes reduce usage by an insignificant amount and are more likely to increase smuggling, creating an illegal tobacco market without necessarily improving health outcomes. Economists at the Mackinac Center for Public Policy in Michigan have created a statistical model to estimate the degree to which cigarette smuggling occurs in all 50 states. Over the years, they have found that as a general rule, smuggling rates rise in a state after they adopt a cigarette tax increase. They also see smuggling rates decrease when a

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neighboring state enacts a higher cigarette tax rate. Right now, Nebraska is considered a net exporter of cigarettes. For every 100 cigarettes consumed in Nebraska, less than 1 percent was a function of tax evasion and avoidance on net. If LB459 were to be enacted, this would be quite the opposite. Nebraska would see a decline of the sale of legally taxed tobacco products, but not the assumption that fewer people are smoking. The Journal of Health Economics found that 85 percent of the change in legal sales after tax increase is due to tax avoidance and evasion, not by quitting smoking. Evidence for this was demonstrated after the 2002 cigarette tax increase, when Nebraska lost \$121 million in cigarette excise tax revenue to neighboring states, and the budget saw a revenue 20 percent short of projections. Another reason for opposition of LB459 is the inclusion of electronic nicotine delivery systems, or vapor products in the tobacco products definition. A December 2019 study by the National Bureau of Economic Research found that taxing vapor products the same as traditional cigarettes would result in an 8.1 percent increase in smoking and would deter many smokers from transitioning away from cigarettes. For many, vapor products are a smoking cessation product. To group the entire product under the same definition is counterintuitive if the goal is to encourage people to quit smoking. The taxation for vapor products must also be looked at on a nationwide scene for possible policy and economic impacts. The proposal before you would levy a 20 percent excise tax on vapor products, which would be the highest of our neighboring states. Only Kansas and Wyoming currently have a vapor tax. Wyoming is at 15 percent and Kansas has the lowest rate nationwide at 5 cents per milliliter. Vapor products are already subject to sales tax in Nebraska. If this high of an excise tax is placed on vapor products, the state of Nebraska and local governments will more than likely see a reduction in their sales tax revenues due to cross-border sales. After a review of the evidence and sound tax policy, we believe that an increase in the cigarette tax would do more harm than good in Nebraska. Thank you.

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

BRIESE: Thank you, Chairman Linehan. Thank you for your testimony here today. Why are-- why is Nebraska a, a net exporter of cigarettes?

SARAH CURRY: Because our cigarette tax rate and meaning that the retail price of cigarettes are so low and neighboring states are higher, people actually come to Nebraska to buy cigarettes.

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BRIESE: OK. Thank you.

SARAH CURRY: You're welcome.

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

FLOOD: Isn't it interesting how a competitive tax like that draws
people into the state? It works, doesn't it?

SARAH CURRY: It, it does. My uncle, he lives in New York City and he
runs convenience stores. He does their wholesale buying. And he said
when New York increased their cigarette tax, I mean, he lost 50
percent of his business because they all drove down to the south and
bought carloads full of cigarettes and drove them back up to New York
City and started selling them. And so it really does make a big
difference.

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

SARAH CURRY: Thank you.

LINEHAN: Other opponents? Are there any other opponents?

SARAH LINDEN: Hi. Good afternoon, Chairwoman Linehan and members of
the Revenue Committee. My name is Sarah Linden, S-a-r-a-h L-i-n-d-e-n,
and I'm the owner of Generation V, a vape retailer with seven
locations in Nebraska and also president of the Nebraska Vape Vendors
Association. I'm testifying today in opposition to LB459 due to the
inclusion of vapor products in the 20 percent wholesale tax. First of
all, our customers and small businesses are already hurting
financially due to the pandemic. One Lincoln vape shop is actually
closing at the end of this month due to the slowdown from coronavirus.
Secondly, I believe taxing vapor products is overall bad for public
health, 31.5 percent of Nebraska smokers are below the poverty line
and 79 percent have incomes lower than \$35,000 per year. A 20 percent
wholesale tax on vapor products will make it less affordable for
smokers to make the switch to a less harmful alternative to smoking.
Vapor products are greater than 95 percent less harmful than
cigarettes. And although someone else spoke earlier and said that
there's no evidence of this, the national-- the New England Journal of
Medicine actually published in 2019 that e-cigarettes are twice as

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effective as any other nicotine replacement therapy, even taken all combined at the same time at helping smokers quit. So in my opinion, if Senator Cavanaugh really wants to help smokers, she should be championing vapor products rather than trying to tax them and make them less affordable. Vapor taxes would drive revenue out of the state. As Sarah said before me, half the population of Nebraska lives within 15 minutes from Iowa. They can simply drive across the bridge where there is no vapor tax and consumers would be encouraged to do this. And we've already seen it happen in our sales. When Omaha enacted a 3 percent retail tax on vapor products, we saw our sales go down in Omaha and up in our Council Bluffs location. Taxes would be devastating to small businesses, especially right now, vape shop owners already have heavy burdens. We already pay 25 percent tariffs on all of our products that come from China, which is 99 percent of the vaporizers we sell. We already have a 3 percent Omaha tax on retail sales. Right now, because of the federal pact act, we're going to be paying double, if not triple the cost for shipping to have products come into our distribution centers to be sold at our stores. And there's multiple federal bills that were introduced to tax vapor products. It seems like everybody wants a piece of us right now. More taxes would mean more vapor stores would be forced to close, leading to lost jobs, lost income, and lost tax revenue for the state. If you look at the case study in your packet on Pennsylvania, in 2016, Pennsylvania passed a 40 percent wholesale tax. One hundred thirty vape shops went out of business or moved out of state just across the border. Monthly tax collections actually dropped by two-thirds and adult smoking increased 4 percent. The vapor industry contributes \$10.4 million right now in state and local taxes for Nebraska. I personally, Generation V with seven locations, contribute \$800,000 to Nebraska every year. Overall taxes on vapor products will be bad for Nebraska. It will result in less revenue, not more, less sales tax, less business income tax, less withholding tax. I know other people talked about the state Medicaid expense, but I have from 2018 that it was \$115 million annually. I believe that if Nebraska champions vapor products, we could bring that number down by getting smokers to make the switch. So far in the-- since, 2007, zero people have died from vaping nicotine products. We know that they are safer. There is research that says that they are safer. I did want to just speak to a couple of things that other folks talked about before me. We, we keep hearing we're Big Tobacco, we're trying to get teens hooked. We're not Big Tobacco. Like, I opened a vape shop because my grandma died from

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lung cancer and my dad almost died. Like, I'm not trying to hurt people or get teens addicted. I'm not sitting in my office thinking up ways I can get teens to vape. I, I don't think that that's the way things work. It, it was a bad byproduct that happened. However, we are making good strides to change that. And in 2020, with the age increase to 21, teen vaping actually fell 29 percent back to the levels of 2018 before it was called an epidemic.

LINEHAN: Thank you very much. Questions from the committee? So Omaha has a tax on vaping?

SARAH LINDEN: On vapor products. It's 3 percent and it's due monthly, but it includes anything, any component and e-liquid.

LINEHAN: So can other city-- I, I have to-- embarrassed to admit,--

SARAH LINDEN: Cities can.

LINEHAN: --I learn something every day. So any city can do that?

SARAH LINDEN: Yes.

LINEHAN: Occupation tax.

SARAH LINDEN: Yep.

LINEHAN: All right, any other questions? Thank you very much for being here.

SARAH LINDEN: Thank you.

LINEHAN: Oh, I'm sorry. Senator Pahls.

PAHLS: Chair, I-- but that tax that you talked about, though, that's passed onto the customer. You don't eat that tax do you?

SARAH LINDEN: That is true. But we still have to be competitive with online and so and out of city so we don't really-- we still have to make sure that we're competitive.

PAHLS: That part I understand, but I'm just trying to [INAUDIBLE]. The last two, you already talked about tax. I thought it'd be a little bit more help. But if I buy it online, I still have to pay the tax.

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SARAH LINDEN: They're not paying the tax.

PAHLS: But then, then there's-- they're doing-- it's illegal.

SARAH LINDEN: Well, right, but that's why the federal government just passed-- added vapor products to the pact act because nobody was paying the tax. Online retailers weren't paying a tax. Now the pact act, unfortunately, people are getting messages from the state of Nebraska saying that they don't even have to register for the pact act, which I was surprised. I get that we don't have a vapor tax currently in Nebraska, but I would think that the state of Nebraska would at least want to get the sales tax revenue. But the state of Nebraska literally just responded to an email yesterday to the vapor industry saying you don't need to register for the pact act. So the state of Nebraska is going to allow people to continue to do online sales in Nebraska without paying the tax. I don't-- I'm guessing that the-- whoever they talked to or got an email from didn't know what was going on. And that's totally common, by the way. It's not just the state of Nebraska. Like, nobody knows what's going on with this whole pact act thing right now. But I think that that was-- the intention was so that we-- online retailers would have to pay the tax. But right now, that's not happening. And I don't know that anyone just in the vapor industry knows that there's a tax in Omaha. I mean, you-- most of you guys probably didn't know that there was a tax in Omaha. I, I doubt that people are going to be looking at cities and municipalities, even though they're technically supposed to according to the law. I think they're going to look at the state. And if the state doesn't have a tax or whatever the tax is, they'll pay that.

LINEHAN: Senator Pahls, is that-- thank you, Senator Pahls. Is there anybody else-- excuse me, other questions from the committee? So not for public, not-- you don't have to answer this question, but I would appreciate if you would let Revenue Committee staff know who in the state of Nebraska said what, because to your point, sometimes people don't understand the question they're getting asked, so they give the wrong answer. So-- but if you would share with the committee who.

SARAH LINDEN: I can do that for sure. And I'm sure it's also a newer thing and--

LINEHAN: Right. Just so we can follow up.

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SARAH LINDEN: --hasn't been communicated everywhere.

LINEHAN: Thank you very much for being here. Appreciate it.

SARAH LINDEN: No, thank you.

LINEHAN: Other opponents?

SCOTT LAUTENBAUGH: Good afternoon, Chair Linehan and members of the committee. I'm not going to take my whole five minutes, so I'm going to waste a little bit of it first and just observe what a pleasure it is to be before this committee, because so many of my mentors are on here. When I was appointed to the Legislature, I inherited the Government Committee and it was Senator Pahls who taught me early on that it was OK to get up and leave if you were getting frustrated with the testimony. And that, that changed my life. And even earlier, when I first got involved in politics, Senator Linehan was our executive director for the county. So she tried to mentor me then and I'm sure Speaker Flood tried as well. But he's only one man. So you know, what can be done. We do come in, I represent the Nebraska Vape Vendors Association, my name is Scott Lautenbaugh, by the way, we do come in in opposition.

LINEHAN: You have to spell it by the way, too.

SCOTT LAUTENBAUGH: I'm sorry. L-a-u-t-e-n-b-a-u-g-h. We do oppose this bill. What it seeks to do as far as vaping is add it to the other tobacco tax products tax and the other tobacco tax products tax is a disaster. It makes all the-- currently, it's premium tobacco that pays them. And it is collected when the goods arrive in Nebraska, not when they're sold in Nebraska. So this is an upfront cost. This excise tax is. There's no way to collect it from the online sellers. So it puts all of the people that are currently under the other tobacco products tax at a competitive disadvantage against all the other out-of-state sellers. This-- rather than repealing this bad tax, this would add vaping to that. And it has been reported and I believe it to be the case. I don't vape, but I have never smoked cigarettes either. But a lot of people use this to stop smoking cigarettes. Perhaps someone very close to you, perhaps someone at arm's length is familiar with the fact that vaping can help you quit smoking cigarettes. To add vaping to this would just be a disaster for this business. We were not the bad actors that everyone was hysterical about a year ago, two

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years ago, it seems like a lifetime ago now when people were using--
buying products on the street that were laced with THC, I believe, and
already illegal that caused some deaths. That's not what my clients
sell. We supported measures in the past year to raise the age to keep
kids from vaping. That's not what my clients are about either. This
would simply penalize a Nebraska-- group of Nebraska small businesses
to no benefit, really. And we would just urge you to IPP this bill
with extreme prejudice.

LINEHAN: You did work with Senator Flood. Are there questions from the
committee? Yes, Senator Flood.

FLOOD: Mr. Lautenbaugh, you were the first testifier to suggest an
action like indefinitely postponing a bill. What message would that
send if we were to take that action to people in this state on this
bill?

SCOTT LAUTENBAUGH: That you don't want to raise taxes. I think that's
a good message.

LINEHAN: Thank you, Senator Flood. Are there any other questions from
committee? Thank you, Mr. Lautenbaugh, for being here today.

SCOTT LAUTENBAUGH: Thank you all.

LINEHAN: You're welcome. Are there any other opponents? Good
afternoon.

BRUCE RIEKER: Good afternoon. By the time he gets the testimony passed
out, I could probably be done with it. My name is Bruce Rieker, it's
R-i-e-k-e-r. I'm vice president of Government Relations for Nebraska
Farm Bureau here in opposition to LB459. And Senator Flood, you'll see
in our request at the bottom of the letter, we do ask that the bill be
indefinitely postponed. However, our reason for opposing this is we
would prefer to see the revenues be used to balance the tax burden
between property, income, and sales tax. And so we have strong policy
that our members adopted to, to that effect, and that is the reason
for our opposition.

LINEHAN: Thank you. Are there questions for Mr. Rieker? Seeing none,
thank you for being here.

BRUCE RIEKER: You bet. Thanks.

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***TIM KEIGHER:** Chairwomen Linehan and members of the Revenue Committee, my name is Tim Keigher. My last name is spelled K-E-I-G-H-E-R. I appear before you today on behalf of the members of the Nebraska Petroleum Marketers and Convenience Store Association (NPCA). NPCA represents over 100 independent petroleum marketers, convenience store and truck stop operators throughout the state of Nebraska operating more than 1,000 retail motor fuel facilities. I am here today providing opposition testimony on LB459. A \$1.50 increase in the cigarette tax would take the current rate from \$0.64 per pack to \$2.14 per pack - a 234% increase in the cigarette tax rate. This draconian tax would put Nebraska retailers at a huge competitive disadvantage with their rivals in neighboring low-tax states. Tax increases threaten retailers. At \$2.14 per pack, Nebraska retailers would face competition from their rivals across every border. Colorado (\$0.84), Iowa (\$1.36), Kansas (\$1.29), Missouri (\$0.17), South Dakota (\$1.53), and Wyoming (\$0.60) all would have lower tax rates than Nebraska. The Missouri tax, at \$0.17 per pack, is a real worry, as more than 50% of Nebraska's population resides in the southeast portion of the state. While the theory is that increasing the tax on cigarettes will bring in more revenue, that can be spent on other programs, the very opposite may be true. This is because with Nebraska's tax advantage, with Iowa alone, bordering state's residents are coming to Nebraska to purchase their cigarettes. An advantage that Nebraska retailers do not want to lose as customers are making additional purchases when they cross the border as well. I remember back when Nebraska and Iowa were exchanging cigarette tax increases in the early 2000's. One candy and tobacco distributor, in the Omaha market, shared that they had customers on both sides of the river and when Iowa had a tax advantage over Nebraska that the sale of one very popular brand of cigarette decreased by 24% in Nebraska and at the same time increased by 25% in the Council Bluffs market. The following year or two when Iowa increased their cigarette tax these sales numbers reverted to what they had been previously in both states. • Tobacco sales are important to Nebraska Retailers. Nebraska stores sell approximately 88 million packs of cigarettes in, with a gross retail value of nearly \$460 million. Nebraska merchants earned nearly \$ 75 million in gross profits on these sales. • Tobacco sales support Nebraska jobs. It is estimated that nearly 1,200 Nebraska retailer and wholesaler jobs were supported by in-state tobacco sales. • Tobacco sales have a magnified impact on C-Stores. Nearly 65% of all tobacco sales occur in the nation's 152,794 C-Stores, according to a National Association of

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Convenience Stores report. The average C-store sells about \$669,000 worth of cigarettes and other tobacco products each year. These sales are the number one in-store item for C-Stores comprising 37.4% of in-store sales. • Nebraska's 975 C-Stores sell an estimated \$304 million worth of cigarettes, with gross profits of nearly \$50 million. Therefore, the members of the NPCA ask that the Revenue Committee vote to IPP LB459, allowing Nebraska retailers and the State of Nebraska to continue to have a tax advantage with our neighboring states, keeping the revenue in Nebraska. Thank you for your time and I would be happy to answer any questions.

***ANSLEY FELLERS:** Chairwoman Linehan and Members of the Revenue Committee: My name is Ansley Fellers and I'm Executive Director of the Nebraska Grocery Industry Association, testifying in opposition to LB459 which would increase the cigarette tax and impose a tobacco product tax on electronic nicotine delivery systems. As you may know, cigarette tax revenue is volatile due to the narrow nature of the tax and the declining demand for tobacco products. Nebraska's cigarette revenue has declined nearly 22 percent over the last 10 years and it continues to fall. And despite the revenue generation referenced in the associated Fiscal Note, in years following tax increases, revenue tends to decline rather quickly after the initial increase - a major concern given all the distributions provided for in this bill, including maternal healthcare and paid family leave. This 230% tax increase would put Nebraska well above the \$1.88 average state cigarette tax per pack, and well above Iowa, South Dakota, Kansas, Wyoming, and even Colorado. Meanwhile, eighty percent of Nebraskans live within 50 miles of the state line, making it relatively simple to get to surrounding states for cheaper goods. With this loss of sales, the Master Settlement Agreement fund dwindles, retailers along the border suffer, and tax collections drop. For these and many reasons, we ask you do not advance LB459. Thank you for your time. Please feel free to reach out with questions.

***KENT ROBERT:** Chairperson and Members of the Committee, thank you for the opportunity to speak today. My name is Kent Rogert, and I am offering testimony to the Committee today, on the behalf of Altria and its affiliates Philip Morris USA, John Middleton and U.S. Smokeless Tobacco Company regarding LB459 and the potential impact on Nebraska. My comments and opinions were prepared for me by Monte Williams who enjoyed a 30-year career with the California State Board of Equalization, held the positions of Chief of Excise Taxes and Chief of

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Criminal Investigations during his tenure with the Board of Equalization and has over 20 years of experience with tobacco tax administration and enforcement at the state level. He is a past chair of the Federation of Tax Administrators Tobacco Tax Section. Since leaving government 15 years ago, his practice has been almost exclusively dealing with tobacco issues. In the interest of time, I am going to limit my testimony to three areas: • • Revenue estimates on cigarette tax increases, • • Impact of this proposal on revenue and cross border issues, • • Impact of this proposal on adult consumers and retailers. My comments will focus on the impact on cigarette excise tax increases. However, these comments also apply to other Tobacco Products and Vapor Product tax increases. Revenue Estimates Revenue estimates on cigarette tax increases are difficult to make. The revenue is based on a declining market which will create funding shortfalls that will have to be paid for with other budget revenues or tax increases. To illustrate how difficult it is to make cigarette revenue estimates, 85% of the last state revenue projections on cigarette tax increases missed their mark. Several states even collected lower revenues than before the increase. A material part of that shortage was due to cross border issues and consumer attitude. Impact on Cross Border Issues My second area of concern with this proposal is the issue of cross border trafficking of cigarettes. If this proposal is adopted, Nebraska's cigarette excise tax will be from \$0.64 to \$2.14 higher than any of its neighboring states. If a resident of Omaha were to make the short trip to Iowa, they would save \$0.78 per pack. If they instead make the quick trip to Missouri, they would save \$1.97. This is a significant difference. And when you look at a 10-pack carton, or a 50-carton case, the money adds up quickly. Based on my experience, this tax differential will cause adult smokers to seek out cheaper sources of cigarettes and change their attitude regarding paying taxes. This may begin with casual smuggling. That could be a neighbor going to Iowa or Missouri and offering to pick up some cigarettes for friends. However, there will be too much money involved for it to stay casual for long. There could also be issues with any tribal sales as this tax differential will also be present on tribal lands. For example, a 20' U-Haul type truck that goes to Missouri and brings back a load of Missouri tax paid cigarettes will have an excise tax advantage in Nebraska of nearly \$464,920. The trunk of a Ford Taurus can bring back cigarettes with an excise tax advantage of over \$8,865. To underscore this point, the Mackinac Center for Public Policy completed a study on cigarette smuggling for

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each state. Using 2018 data Nebraska was rated at -0.7% which means that only 0.7% of cigarettes sold in Nebraska left the state. If we look at Kansas with a tax rate of \$1.29 per pack, they have a rating of 21.5%. Meaning 21.5% of cigarettes consumed in Kansas came from outside Kansas. Based on this information a tax increase of the size considered here would significantly change the current dynamic and change the estimated revenue in a negative manner. Impact on Adult Consumers and Retailers of Tobacco Products This proposal to raise the excise tax on cigarettes to \$2.14 per pack is a 234% increase in the excise tax. This is significant and material increase for hard-working Nebraskans. The CDC estimates that 16% of Nebraska's population are smokers. Therefore, this entire tax increase will fall on this small percentage of the population. In addition, the majority of these smokers are in the lower income brackets. For example, 26% of smokers have incomes less than \$15,000 and only 10% of smokers in the state earn more than \$50,000 per year. Most of this increase will fall on those that can least afford it. According to the National Association of Convenience Stores, tobacco is the top revenue generator, accounting for 38.8% of in-store sales nationwide. Increasing the excise tax could hurt legitimate retailers when adult tobacco consumers shift purchases across state lines or to other outlets, such as the Internet. This would negatively affect Nebraska's more than 2,530 retailers. For the reasons I have outlined I believe that this tax proposed increase should not be adopted.

LINEHAN: Is there any other opponents? Anyone wanting to speak in the neutral position? OK, I don't think Senator Cavanaugh was coming back, right? So we do have written testimony. Proponents for LB459, so this was testimony that was delivered this morning: Julie Erickson, American Cancer Society Cancer Action Network; Eric Gerrard, Voices for Children; Patricia Lopez, Friends of Public Health; Jina Ragland, AARP; Brian Krannawitter, American Heart Association; Ashley Carroll, March of Dimes. Opponents, again, testimony delivered this morning. Tim Keigher, Nebraska Petroleum Marketers and Convenience Store Association; Kent Rogert, Altria; Ansley Fellers, Nebraska Grocery Industry Association. Letters for the record, there were six proponents, three opponents, and no one in the neutral position. So with that, we bring the hearing on LB459 to a close. And we open the hearing on LB655. Senator Wayne.

WAYNE: Good afternoon, Chair Linehan and members of the Revenue Committee. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e, and I

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represent Legislative District 13, which is north Omaha and northeast Douglas County. This is a very simple bill. I bring it every year. This year, you won't have anybody testifying.

LINEHAN: Can anybody IPP it?

WAYNE: No, it's a great bill. I'm all about lowering taxes. Ironic. This bill simply adds a cap to a tax on what a cigar would be charged. As it stands today, cigars are cheaper to purchase online, significantly cheaper. And it might-- the tax imposed when buying in state got a, a little out of control. And this is just the way to put a cap on it. Our neighboring states, like Iowa and Minnesota, have enacted similar legislation that found that cigars in those areas actually go up in state from in-state retailers. It's not really a huge fiscal note. Again, this is something that we're also battling with in General Affairs when we talk about different alcohols. I think it's just an ongoing thing to try to level the playing field for our local retail. With that, I'll answer any questions.

LINEHAN: OK, are there questions from the committee? So you're saying that if I want to buy a cigar, which I don't, but if I did, it would cost me more in Nebraska than Iowa?

WAYNE: Correct.

LINEHAN: How much more?

WAYNE: Depends on type of cigar, but it's usually \$1 or \$2 more per cigar. So if you buy a box, that's significant, \$30--

LINEHAN: So people do drive to Iowa to buy cigars?

WAYNE: Yes, or they order it online because how we-- it's how we charge, how we charge-- it's the upfront charge we, we charge when we get it instead of when we sell it. And so those, those retailers have to mark that price up to see if, if it sells or they lose all their money where it's not a typical at the transaction sales tax. So that's part of the issue of how we tax it.

LINEHAN: Did we raise this tax at some time?

WAYNE: No.

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LINEHAN: It was just [INAUDIBLE].

WAYNE: It's always been that way, yeah.

LINEHAN: OK.

WAYNE: But in Iowa, they actually passed it about five years ago and it actually lowered-- I mean, it increased their local sales because you can compete easier with your local cigar shop. And we didn't-- part of it was we passed no-- we banned cigar bars and then we brought them back. And so there was a gap in how it was done. And when we brought them back, it's the local retailers who are struggling, competing with the online people, that's just because of how we tax cigars versus everything else.

LINEHAN: Cigar bar. Do you buy your cigars at the cigar bar?

WAYNE: Me personally?

LINEHAN: Because I--

WAYNE: Yes.

LINEHAN: I'm not asking personally, I just wanted to know.

WAYNE: No, I do. I do. Yes, but it's-- but you can buy them there. But it's, it's, it's the manner of which, and I've still-- every year I get confused when I talk about it, it's the manner in which how we tax cigars. It's taxed-- the wholesaler pays it up front. And so they have to calculate, are they really going to sell that many? So they always charge a higher price. That's why it's-- it cost more. So we're trying to put a cap on that to, to even it out. We're not trying to change how the tax is done, just a cap on it.

LINEHAN: Other questions from committee? Senator Briese.

BRIESE: Thank you, Chairman Linehan. And thank you, Senator, for bringing this. And this would only impact cigars that are more than \$2.50 apiece. Correct?

WAYNE: Correct.

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BRIESE: And, and I don't know much about it. Is that a high-end cigar
or what, what's typical?

WAYNE: No. To buy--

BRIESE: I assume not or else it would have a [INAUDIBLE].

WAYNE: No, what we were trying to do is get away from the, the ones
that are sold at the gas stations, the little one-- like, I mean,
those are pretty much all the same price no matter where you go. But
on your higher dollar cigars, it is a significant tax when you can
order online a box versus go to your local person.

BRIESE: The cigar bar you talked about where, where they typically
charge, what's the price range?

WAYNE: Oh, they can go anywhere from \$6 to \$30 per cigar.

BRIESE: OK. Thank you.

WAYNE: I'm not buying a \$30 cigar. I, I bought-- I buy Costco alcohol
so it's, it's fine.

BRIESE: There you go.

LINEHAN: Other questions from the committee? OK, seeing none--

WAYNE: I'll waive closing.

LINEHAN: And you didn't bring anybody with you?

WAYNE: Huh?

LINEHAN: You didn't bring anybody with you. Do we have proponents?
Opponents?

***JULIE ERICKSON:** Members of the Revenue Committee: The American Cancer
Society Cancer Action Network (ACS CAN), the nonprofit, nonpartisan,
advocacy affiliate of the American Cancer Society, appreciates the
opportunity to provide written testimony on LB655. My name is Julie
Erickson and I am testifying on their behalf as a registered lobbyist.
ACS CAN supports evidence-based policy and legislative solutions
designed to eliminate cancer as a major health problem. At this
critical moment with focus on protecting respiratory health, we must

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do everything in our power to keep our communities healthy and safe. The ACS CAN opposes LB655 which would cap the tax on cigars. Ample research has been done on tobacco excise taxes indicating that as price of these products goes up, the actual usage rate decreases. Because of this correlation, ACS CAN recommends raising, not reducing or capping the tax on cigarettes and all other tobacco products, including cigars. In 2021, it is estimated that approximately 11,180 Nebraska residents will be diagnosed with cancer while 3,560 will die from the disease. And a recent analysis from the American Cancer Society estimates 26% of cancer deaths in Nebraska were attributable to smoking in 2017. Here in Nebraska 14.7% of adults smoke and 18.8% of high school students use tobacco products. Smoking harms nearly every organ in the body and increases the risk for many types of cancer, heart attack, stroke, COPD, emphysema, chronic bronchitis, and other diseases. People who smoke or who used to smoke are at increased risk for severe illness from COVID-19. Smoking is also a proven risk factor for cancer, chronic obstructive pulmonary disease (COPD) and heart disease, which also put people at increased risk for severe illness from COVID-19. Regardless of any association with COVID-19, the adverse health effects of smoking are well-documented and irrefutable. Cigars are indeed harmful and do cause cancer. Regular cigar smokers have an increased risk of cancers to the lung, oral cavity, larynx, and esophagus. Although cigarette smoking has declined, total consumption of cigars in the United States has increased dramatically since 1993, reversing a decline in consumption that had persisted for most of the twentieth century. Between 2000 and 2017 cigar consumption increased by 116% while cigarette consumption declined by 43%. Unfortunately, many mistakenly believe that cigars are not harmful, but cigars are addictive and harmful. The health and economic burden of cigar smoking in the United States is large and may increase over time because of the increasing consumption of cigars in the United States. In fact, here in Nebraska, the overall high school rates of cigar smoking nearly mirrors the overall high school cigarette-smoking rates. In closing, from the cancer control perspective, we believe the status quo that perpetuates preventable tobacco-related death and disease is unacceptable. The relatively low price of tobacco products makes it too easy for youth to afford to start smoking and continue smoking, and current tobacco tax rates do little to defray the enormous societal cost smoking has on the economy. If we are serious about reducing the toll of preventable cancer and chronic disease in our state, capping the tax on cigars

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will not help us achieve that life-saving mission. For these reasons, ACS CAN opposes LB655 and urges the Committee to uphold existing laws which protect and promote the health and wellness of all Nebraskans. We ask that this opponent testimony be included in the official record for the hearing for LB655. Thank you.

***BRIAN KRANNAWITTER:** Chairwoman Linehan and members of the Revenue Committee: On behalf of the American Heart Association, I am submitting written testimony to express our opposition to Legislative Bill 655. LB655 creates a cap on the amount of taxes that a purchaser can be charged for cigars, cheroots, and stogies. According to the Centers for Disease Control, "Cigars contain the same toxic and carcinogenic compounds found in cigarettes and are not a safe alternative to cigarettes." The FDA has concluded that "all cigars pose serious negative health risks" and that "all cigar use is harmful and potentially addictive." Also according to the FDA, large cigars can deliver as much as 10 times the nicotine, two times the tar, and more than five times the carbon monoxide of a filtered cigarette. Nicotine is a dangerous and highly addictive chemical. It can cause an increase in blood pressure, heart rate, flow of blood to the heart and a narrowing of the arteries (vessels that carry blood). Please oppose LB655.

LINEHAN: Neutral? OK, wait, we got to do the letter thing. So we had written testimony, opponents, dropped off this morning: Julie Erickson, American Cancer Society Cancer Action Network; and Brian Krannawitter, American Heart Association. Letters for the record, we had none. So with that, we bring the hearing on LB655 to a close.