

**McKINNEY:** Well, good afternoon. Welcome to your Urban Affairs Committee. I am Senator Terrell McKinney from Omaha, Nebraska. I represent District 11, which is in north Omaha. I serve as the chair of the committee. The committee will take up bills in order posted. This is a public hearing, and it's your opportunity to be a part of the legislative process and to express your position on proposed legislation before us. If you're planning to testify today, please filled out-- fill out a green testifier sheet that are on the back table in the room. Be sure to print clearly and fill it out completely. When it is your turn to come forward to testify, give the testifier sheet to the page or the committee clerk. If you do not wish to testify but would like to indicate your petit-- position on the bill, there are also yellow sign-in sheets on the back table for each bill. These sheets will be included as an exhibit in the official hearing record. When you come up to testify, please speak clearly into the microphone. Tell us your name, and spell your first and last name to ensure we get an accurate record. We will begin each bill hearing today with the introducer's opening statement, followed by proponents of the bill, then opponents, and finally, anyone wishing to speak in the neutral capacity. We will finish with a closing statement by the introducer, if they wish to give one. We will be using a five-minute light system for all testifiers. When you begin your testimony, the light on the table will be green. When the yellow light comes on, you will have one minute remaining, and the red light indicates you need to wrap up and finish your thoughts. Questions from the committee may follow. Also, committee members may come and go during the hearing. This has nothing to do with the importance of the bills being heard; it is just part of the process, as senators may have bills to introduce in other committees. A few final items to facilitate today's hearing. If you have handouts or copies of your testimony, please bring up at least 12 copies and give them to the page. Please silence or turn off your cell phones. Verbal outbursts or applause are not permitted in the hearing room; such behavior may cause for you to be asked to leave. Finally, committee procedures for all committees state that written position comments on a bill to be included in the record must be submitted by 8 a.m. the day of the hearing. The only acceptable method of submission is via the Legislature's website, [nebraskalegislature.gov](http://nebraskalegislature.gov). Written position letters will be included in the official record, but only those testifying in person before the committee will be included on the committee statement. I will now have the committee members with us introduce themselves, starting at my right.

**J. CAVANAUGH:** Senator John Cavanaugh, District 9, Midtown Omaha.

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**QUICK:** Dan Quick, District 35, Grand Island.

**CLOUSE:** Stan Clouse, District 37. It's Kearney, Shelton and Gibbon in Buffalo County.

**ANDERSEN:** Bob Andersen, District 49, northwest Sarpy County and Omaha.

**SORRENTINO:** Tony Sorrentino, District 39, Elkhorn and Waterloo.

**McKINNEY:** Also assisting the committee, to my left is legal counsel, Elsa Knight, and to my right, committee clerk, Sally Schultz. Our pages for today-- do we have any? Nope. No pages. Well, with that, we'll start with Senator John Cavanaugh, LB447. Thank you.

**J. CAVANAUGH:** Thank you, Chairman. I assume the pages are still trying to find out which room we're in too.

**McKINNEY:** No problem.

**J. CAVANAUGH:** Good afternoon, Chair McKinney, and members of the Urban Affairs Committee. My name is Senator John Cavanaugh, J-o-h-n C-a-v-a-n-a-u-g-h, and I represent the 9th Legislative District in Midtown Omaha. I'm here today to introduce LB447, which would create and expand incentives for apprenticeship programs under the Community Development Law. LB447 is a version of a bill that this committee heard and advanced last session-- I believe it was unanimous when we advanced it last session-- introduced by former Senator Mike McDonnell, LB948. After working with the committee and Senator McDonnell last session on the committee amendment, I brought this bill to continue the effort to help train and develop skilled labor in Nebraska. LB447 requires at least 15% of labor hours in a redevelopment project using TIF to be performed by qualified apprentices. It contains prevailing wage requirements for contract-- contractors under TIF. These requirements are only applicable to counties with a population of 60,000 or more, so that's Douglas, Lancaster, Sarpy, and Hall County, if I'm correct. Developing skilled trades and keeping those jobs in Nebraska is important for our workforce development and our economy. Without the workforce training to fill these jobs, contractors will look for out-of-state, temporary workers who will not contribute to the local economy. Providing these incentives, particularly in the case where projects are relying on tax incentives for redevelopment, give us an opportunity to train up our workforce and ease the labor shortage. I want to thank the committee for your time and your consideration. I'd ask for your support on LB447, and I'd be happy to take any questions.

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**McKINNEY:** Thank you, Senator Cavanaugh. Any questions from the committee? I-- Senator Clouse.

**CLOUSE:** Yes, thank you, Senator McKinney. Yeah. The, the questions that I have, Senator Cavanaugh, I guess, really looks like-- in, in counties under 60,000, which is pretty close, is there any consideration to bumping that up? Because, you know, I think Hall County would have problems meeting with that-- those types of numbers.

**J. CAVANAUGH:** Do you mean--

**CLOUSE:** [INAUDIBLE].

**J. CAVANAUGH:** --raise the number so that it-- that Hall County doesn't have to--

**CLOUSE:** Yes.

**J. CAVANAUGH:** --adhere to this? I mean, I'm open to lots of conversation. This bill originally, when it was introduced, applied to all counties, and through kind of the conversations last session we settled on the 60,000. I think it was specifically because Buffalo County had concerns that they couldn't. You know, I-- I'm certainly open to more conversations about how to make this bill workable for folks.

**CLOUSE:** OK. Thank you.

**McKINNEY:** Thanks. Any other questions? Senator Andersen?

**ANDERSEN:** Thank you, Chairman, and thank you, Senator Cavanaugh. I'm not a construction guy, so I question one-- same thing as Senator Clouse. One is 60,000, first class, that only applies to Omaha, Lincoln and Bellevue, basically. But when I looked in here, it talks about the prevailing rate of, of-- for construction. Seems to me like it sounds like-- kind of like wage control. Is that the intent?

**J. CAVANAUGH:** Well, so the intent-- there's-- it's more kind of akin to the federal Davis-Bacon laws, but it's essentially saying if you're going to receive government benefit, that you should pay a living wage. And that's really what it-- the, the requirement of a prevailing wage is. You don't have to take the government money, but if you do take it, then we're going to hold you to a higher standard.

**ANDERSEN:** So, so you consider TIF government funding?

**J. CAVANAUGH:** Well, it, it is gov-- I mean, it's money that you are forgoing from gov-- going to the government. You have to go to the city--

**ANDERSEN:** Right. The taxes that we pay the, the loan.

**J. CAVANAUGH:** It's the, it's the taxes you owe to the city, or to municipality. And that, if you are under TIF, then that money is not going to the city to pay for property taxes, or even to the school districts for that matter. Instead, it's going to pay for the construction costs.

**ANDERSEN:** But it will go to it when they make the money, right? Then the taxes go to repay the loan, the TIF money.

**J. CAVANAUGH:** It goes to repay-- yeah. It is used to repay the TIF loan. You are right about that.

**ANDERSEN:** OK, so if the government loans you money, then they get to choose the rules, basically you're saying.

**J. CAVANAUGH:** If the-- if you are choosing, as a developer--

**ANDERSEN:** Sure.

**J. CAVANAUGH:** If you're choosing to go through this community development program that is a government program, where the government is, is-- rather than requiring that you pay taxes, they are allowing you to take that tax and defer it to pay for the cost of construction. If you choose to undertake that program, my bill proposes that if you choose to take that program, then you would have to be held to this higher standard. It does not require anybody to participate.

**ANDERSEN:** Sure. Yeah, but you're adding another, another determining requirement onto the construction business by mandating how much you have to pay your workers. And how many--

**J. CAVANAUGH:** If you choose to participate in the government program, yes.

**ANDERSEN:** Right. And how many apprentices you have to use, right? To, to teach that as well, I think.

**J. CAVANAUGH:** The number of apprentice hours, yes. But it does also expand the eligibility-- eligible expenses to include those apprentice hours.

**ANDERSEN:** All right. Thank you.

**J. CAVANAUGH:** Yeah.

**McKINNEY:** Thanks. Any other questions? Senator Sorrentino, then Senator Clouse.

**SORRENTINO:** Thank you, Chair McKinney. Thank you, Senator Cavanaugh. Regarding this prevailing wage-- and this is more of a-- and if, if this is best handled by somebody else, please say so. Prevailing wage in these larger cities, Omaha, Lincoln, Bellevue, is it a-- is there enough competition for workers that it's likely the prevailing wage is paid already? Or is there a gap between what reality is and what prevailing wage is that's going to cost a lot more? I'm not in construction either. I don't know.

**J. CAVANAUGH:** We don't have Senator von Gillern here. So, that, that is a good question. And it is probably a better question for-- I'd say both-- there are going to be some proponents and maybe opponents who might be--

**SORRENTINO:** OK.

**J. CAVANAUGH:** --better qualified to tell you what's going on in the actual marketplace currently.

**SORRENTINO:** All right. Thank you.

**McKINNEY:** Thanks. Senator Clouse.

**CLOUSE:** Thanks, Senator McKinney. Yeah, I guess, Senator Cavanaugh, won't this just drive up the cost of the projects?

**CLOUSE:** --McKinney. Yeah, I guess, Senator Cavanaugh, will-- won't this just drive up the costs of the projects?

**J. CAVANAUGH:** Well, I guess that's a good [MALFUNCTION] Sorrentino's question of whether folks are already paying prevailing wage. But what it-- the intention is is that [MALFUNCTION] used to help build the infrastructure portions of a project. And we spend a lot of time currently talking about our workforce; skilled workforce shortage is, is essentially an infrastructure problem. You don't have enough people who can do the job, that we have to either import people or jobs go unfilled. And so, this is an attempt to say let's address workforce as infrastructure. And so, if you're going to get tax dollars to pay for infrastructure, then we asking you to include our human infrastructure

as part of that. And so, it might increase the cost in some respects, but it will also allow us to build more projects, have more skilled workforce, and have more people in the marketplace that can do these jobs.

**CLOUSE:** OK.

**McKINNEY:** Thanks. Senator Andersen?

**ANDERSEN:** On page 11, lines 26 through 29, it talks about redevelopment, and it talks about a subdivision (7)(a). When it talks about qualified apprentices have to be requested from a registered apprenticeship program via certified mail. Can you explain that one? What-- is that a union thing? Or is it [INAUDIBLE]

**J. CAVANAUGH:** No, that's a great question. That's kind of-- so, as this bill came through last year, there wasn't a mechanism to make sure-- there were folks who came, and may testify again, that were concerned that they would attempt to get an apprenticeship program and one would not be available. And so, they wanted to have some way to verify that they had requested, and then it was denied. So, essentially what the process is, you'd send it to whatever-- you know, if you need electricians, you'd send it to a local apprenticeship program for electricians. Then, they would have to essentially acknowledge receipt and either say, no, we don't have apprentices, we can't do that project; then, you would be off the hook. But if they say that we can accommodate, then you would have a record that you asked. And then if they don't reply within 15 days, you're also off the hook. So it's just-- it-- that is just to, to create a record that people are actually doing their due diligence as opposed to just signing an affidavit and saying "there's no one available," or we didn't try, or whatever.

**ANDERSEN:** So, the registered apprenticeship program, is that-- who's them-- who's that executed by? Is that a local union apprenticeship? Or the electricians' union, or?

**J. CAVANAUGH:** So, the registered apprentice is under the, the-- I believe it might go on to the next page there. There's a definition for the-- under the Department of Labor. So, it's down on page 12, if you go down to-- I think it's 16 through 25, kind of gives you the definition. But so, there's a registration with-- under 29 C.F.R. part 541. A qualified apprentice means an individual who is represented by an organization described in Section 501(c)(5) of the Internal Revenue Code of 1986, and Section (B) is employed by a redeveloper, or the

contractor or subcontractor participating in the regi-- registered apprenticeship program, whose training facility is in the state. So, you have to be in a program here, and the registered apprenticeship program has the same meaning as 26 U.S.C. 3131(e)(3)(B), which-- my recollection is that that def-- it defines labor-affiliated apprenticeship programs, but it doesn't, I think, exclusively have to be labor-affiliated. I think that's just what most of these programs are. But that could-- maybe somebody who is on both sides of that issue would have a better answer to that. I do recall, when we were working on this bill last year, we did look for language, and I actually did reach out to the Department of Labor-- the national, federal Department of Labor-- for some guidance on how to broad-- how to define that to encompass all apprenticeship. And I'll just tell you, I have not yet heard back from them a year later.

**ANDERSEN:** Any idea-- you're a lawyer. Any idea what a 501(c)(5) is?

**J. CAVANAUGH:** So, I mean, it's a nonprofit category under the 501(c) category of the, the Internal Revenue Code.

**ANDERSEN:** So, it's a labor nonprofit?

**J. CAVANAUGH:** Well, I, I would imagine labor organizations are organized as 501(c)(5)s, yeah. I don't know-- I-- I'm not saying that's exclusively-- I don't know if that's exclusive to organized labor organizations.

**ANDERSEN:** What would be an example of that, then? I, I have no idea. 501(c)(5) for labor.

**J. CAVANAUGH:** Well, you'll hear from folks from the building trades,--

**ANDERSEN:** OK.

**J. CAVANAUGH:** --specifically IBEW, I think is one. But I, I guess I just don't know.

**ANDERSEN:** IBW? [SIC].

**J. CAVANAUGH:** International Brotherhood of Electrical Workers. They-- so, electricians, that's what-- but I, I guess-- I, I would-- my assumption is, and they can speak to this, but I-- so I don't want to speak out of turn-- is that that does, does encompass them. I don't know if it's exclusive to them and not other apprenticeship programs.

**ANDERSEN:** OK. And that's a union, right?

**J. CAVANAUGH:** They are, yeah.

**ANDERSEN:** IEBW? [SIC]. Thank you.

**McKINNEY:** Thanks. Senator Clouse.

**CLOUSE:** Yes, thank you, Senator McKinney. So, who-- so, the reporting responsibility, who is that? Does that fall on the, the contractor or the community-- or, who's doing the work, or? Is it onerous, or is it just pretty simple, or-- how is that reporting?

**J. CAVANAUGH:** So, my intention-- and obviously, somebody could complain about this-- is that the requirement would be certifying that you've engaged in a, in a contract with folks. So, the best case scenario, somebody goes and applies for TIF. And when they apply for TIF, they're going to say, included in that application, we have, you know, this amount of laborers, work is going to be this, and the-- and we have an agreement with a certified apprenticeship program to provide apprentices that will make up that 15% of labor hours. And so, they would certify at that point. I think you'd have to obviously keep records so that you could verify that if somebody comes and says you aren't doing that, you've entered into that sort of agreement and then didn't follow through just so you could secure that TIF application. But it's a requirement of the TIF application. So, before the city-- city of Omaha or Grand Island or Bellevue or Lincoln-- but not Kearney-- would then have to have that included in the application before they approve the application.

**CLOUSE:** OK. Thank you.

**McKINNEY:** Thanks. Any other questions? No? Oh, Senator Quick.

**QUICK:** Yeah, thank you Chairman McKinney. And you may not know the answer to this, but I know electricians have to go through-- whether that's union or nonunion, they, they have to go through an apprenticeship program to become journeymen electricians. But I-- do you know offhand if that's for sure, or do you know if there's other employers that also have to have apprenticeship programs?

**J. CAVANAUGH:** You mean like other skilled labor, the--

**QUICK:** Yes.

**J. CAVANAUGH:** --whether they have an apprenticeship program that meets the definition? You know, that's kind of-- that was part of what we were working on this bill last time, and we're trying to figure out



how to make sure we're encompassing formal apprenticeship programs; not, you know, somebody saying that they can, you know, do a job or whatever. So, the idea is that we're encompassing folks who are going through a formal program, and we're incentivizing employers to have that kind of on-the-job apprenticeship as part of any construction that is, again, taking government money when they're making-- building that project. So, I know we had letters of support from the Building Trades Council, from, I think from laborers. I don't remember all of the different folks. Steel workers, I think, as well. So, my guess would be that they also have a similar program to electrician apprenticeship programs.

**QUICK:** All right. Thank you.

**McKINNEY:** Thanks. And kind of looking online, I guess 501(c)(5) provides for an exemption for labor, agriculture and horticultural organizations.

**J. CAVANAUGH:** Thank you.

**McKINNEY:** No problem. Any other questions? No? Thanks. Any proponents?

**JON NEBEL:** Thank you for having me. My name is Jon Nebel, J-o-n N-e-b-e-l. I'm president of the State Council of Electrical Workers. I want to thank Senator Cavanaugh for bringing this bill back this year. I'm sure I can get to some of your questions as we go through, but I just wanted to highlight what it is we're trying to accomplish here. I think for far too long we've been asking just one question when it comes to building things out in this state, and that's "What's the lowest bid?" All we care about is what the lowest bid is, and we never asked what did it take to get to the-- get to the lowest bid? What has been on the cutting room floor? And we believe it's the training. All of us in the room, I think, have said at one point or another we have a skilled trade shortage, and this could be a solution to fix that. The handout I provided kind of goes to the main high points of the bill, but also the following two pages are the guidelines of what an apprenticeship that would be under this bill would qualify to do. Right now, in the state of Nebraska, you only need on-the-job hours to become a journeyman electrician. Yet, of course, it's 8,000 on-the-job hours, and you got to pass a test saying you know how to basically take a good test. So, what our apprenticeship does is take those 8,000 hours, divide them up to make sure that you're getting a well-rounded on-the-job training, and then also, there's 600 and-- 650-some classroom training hours associated with that apprenticeship as well. So, what we're doing here is giving you the classroom training and

making sure when you get on the job site, you're not just pigeonholed into one process, become really good at running conduit, and four years later, you're not ready to be a foreman on the job training other electricians. What we found is this process works; it builds skilled workforce people because they're rotated through. The portion that you were talking about with the 501(c)(5) is-- we think that's critical, because it represents a group that promotes labor. So, it's, it's working for the, the worker side of the industry. For us, that means getting them through the apprenticeship. Not only are the contractors invested in the apprenticeship, there's a training center that's training them on the apprenticeship, but it's the, it's the crews on the job that are also filling out satisfaction requirements-- for lack of a better word, just the, the advancement, is the apprentice making it all the way through? And we're working hand-in-hand with the crew, with the contractor, with the training center to make sure each apprentice is getting all the training they need to become a skilled worker. So, that's why it's important to have those pieces of it. The prevailing wage part of it, that is-- we recognize that not everybody is doing an apprenticeship, so we kind of wanted to set the tone of, OK, this is what apprenticeships are making. Prevailing wage, of course, is the dominant wage that's being paid in the county that you're in, so. I don't know that it's a drastic increase unless most of the TIF projects aren't paying what the dominant wage is, what the prevailing wage is for the county. That might be something to, to-- others can speak on, but I think it's a good way to kind of set the tone of what it's going to cost, so there's a fairness in the bidding process, so you know how much an apprentice is going to cost you when you're doing it. Right now, on a TIF project, there's no requirement to have someone trained on the job, it's just to have bodies on the job. And we see it as-- you come in as a low bidder, you're on a TIF project, it's a-- construction is a temporary job. It takes me four years to become a skilled worker in the, in the eyes of the state. If the job is only less than a year, a lot of times those workers never make it those four years, and they're just off to the next job. Maybe it's not even in construction, maybe it's back in retail or whatever, so you're not getting people to skilled trades. So, we're-- all we're saying is there should be a certain amount of people that are being trained to become skilled workers. That is a longer investment than the job, but I think this is, this is the type of outlook that it would take to get, to get these apprenticeships expanded. Part of the apprenticeship, as well, with the DOL requirement, anybody can create this apprenticeship. Just the two pages I gave you was-- it's just kind of the guidelines of what that apprenticeship would involve. So, it's not a union/nonunion

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thing; it's a, it's a training thing, is the way we see it, so. We just happen to be the ones that have been doing it for a long time, so we think we got it down pat pretty good, so. I think that's most of the questions. If I didn't answer, I'll be happy to answer any further. Thank you.

**McKINNEY:** Thanks. Any questions from the committee? Senator Sorrentino?

**SORRENTINO:** Thank you, Senator-- Chairman. Jon, just a couple of quick questions [INAUDIBLE] just more statistics. We're talking about only TIF product-- projects, only in, basically, Omaha, Bellevue and Lincoln. So, I'm trying to figure out how much-- how deep this goes. Are there 100 TIF projects going on at any one time, are there 20? How many projects are we talking about here?

**JON NEBEL:** You know, I'm not sure on, on the amount of projects that are happening with TIF. We just saw it-- so, one of the concepts we came up with here was-- in the Inflation Reduction Act, they, they did the similar language for solar projects. So, there was a tax credit involved for that and it was a way to incentivize more workers being trained. I'm not sure on the amount of TIF that--

**SORRENTINO:** Right. And if you had to guess-- I mean, given your role as the president, you probably have some idea of those projects that are not using workers who are in a collective bargaining agreement. Just, in your opinion, is there a big gap in pay there? Are we talking about an extra dollar an hour, an extra \$20 an hour? For those of us on the committee who aren't in the construction business, we don't know.

**JON NEBEL:** I know-- we have 120-- 132 contractors that work under our CBA, and so we know where they're all at. I'm not sure-- it's a case-by-case outside of that. I'm sure they want to keep up with what we have going so that-- I don't think it's drastically different, but it, I'm sure, is different.

**SORRENTINO:** And are your apprenticeship program or the-- at the training facilities full? Or, or you're hard up to find apprentices?

**JON NEBEL:** No, we-- so, we have-- typically, there's a 400-person waiting list, and we take in about 100 a year. So, the-- there's a lot of demand to get in the industry. It's-- think of it kind of as a scholarship to, to learn the trade, to get in the apprenticeship. We can put people to work that aren't in the apprenticeship just as

unskilled people on the job, but once you get into the apprenticeship, that's a commitment from the contractor and training center and the 501(c)(5), to say we're going to get you all the way through the apprenticeship. So, we take in about one out of every four into the apprenticeship. We have room to expand; it's the opportunity that's missing, and we think that TIF is a good way to create opportunity.

**SORRENTINO:** I'm sure we'll have people who, who want to speak in opposition, but why would someone oppose this bill? Not a trick question. I'm just curious.

**JON NEBEL:** So, maybe if your interests aren't to train and upskill skilled workers, you would say that's not my position, that's not what I'm trying to do here, I'm just trying to build buildings. That would be a way to oppose that bill, if you, if you don't see it in your purview to, to train these individuals.

**SORRENTINO:** Quality of work.

**JON NEBEL:** Yeah.

**SORRENTINO:** Thank you.

**McKINNEY:** Thank you. Any other questions? Senator Clouse?

**CLOUSE:** Yes, thank you, Mr.-- Chair McKinney. Does this-- doesn't this give preferential treatment to, to the, the union labor, I suppose, when you got two people bidding it, and this gets preferential treatment this way?

**JON NEBEL:** It-- so, it-- nothing says you have to be union. It's, it's just the apprenticeship requirement. So, you can set up this apprenticeship outside of a union hall. You can do it on your own. You just have to have the guidelines of the USDOL apprenticeship.

**CLOUSE:** OK.

**McKINNEY:** Thanks. Any other questions? Senator Andersen.

**ANDERSEN:** Thank you, Chairman. Thank you for your time. What is the-- again, as Senator Sorrentino mentioned, two guys not in construction-- what is the percentage of union versus nonunion workers? Is that, is a known number or approximation?

**JON NEBEL:** I don't think-- I don't, I don't know that it's being tracked in-state. I don't think I know.

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**ANDERSEN:** OK. But this applies to predominantly all union workers, right?

**JON NEBEL:** No, no, it, it--no, it doesn't. It-- yes, union apprenticeships would qualify, but it doesn't apply only to it. Like I said with Senator Clouse, you can set up this outside of that. And I believe there's other times that these apprenticeships have been set up, it's just the standards that we're talking about that need to be followed. The-- that's what we see as a successful apprenticeship program. There's a-- there is training programs outside of this that are happening, but they don't seem to be near as successful, like what happens to the community colleges. Those are more just classes for electrical, or it's not an apprenticeship-- they're not requiring you to be on-the-job training at the same time. This is, this is the program that we're talking about: on-the-job training and in-classroom training. Anybody can set that up with these guidelines.

**ANDERSEN:** You know, we're seeing, like, with the lack of a, a workforce that we have in the state right now, that that's probably the last thing to happen is [INAUDIBLE] apprenticeship programs. How many, how many builders out there have their own apprenticeship program outside the unions?

**JON NEBEL:** I'm not sure that-- I'm not sure the number on that. No, I'm not sure on that.

**ANDERSEN:** Are there any?

**JON NEBEL:** I know there's other programs out there. There's, there's other apprenticeship-like programs; it's just we need to figure out what the, what the definition of apprenticeship is. This is our definition, which is the on-the-job training and classroom training.

**ANDERSEN:** Thank you.

**McKINNEY:** Thanks. Any other questions? Senator Clouse?

**CLOUSE:** Yes, thank you, Senator McKinney. I think that goes back to the question on the 501(c), when it, when it talks about a qualified apprentice. There's a very-- it looks like pretty strict, direct definition of what that is and who participates in that. I, I guess that was kind of-- to follow up on that question, that's what it looks like to me. Is that true?

**JON NEBEL:** Say-- I'm sorry. I'm not--

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**CLOUSE:** What it's defining here, on page 12, section-- line 19, where it lays that out, what a qualified apprentice means. And it's by an organization described by Section 501(c)(5) of the Internal Revenue Code, 1986. Now, without looking that up--

**JON NEBEL:** Yes.

**CLOUSE:** --does that mean that they are an apprentice for a union program?

**JON NEBEL:** That-- so, that means that they're represented by a, a non-profit that's advancing the cause of the workforce. So, the labor side of it. So, for us, yep, that's a union. It doesn't necessarily have to mean you're a union; it just means that you're representing the workers.

**CLOUSE:** Thank you.

**McKINNEY:** Thanks. Senator Rountree.

**ROUNTREE:** Thank you, Chairman McKinney. Sir, as we go into the program and we get the 15% in here, how will we watch the oversight of that, to ensure that the good training and on-the-job and hands-on skills are being utilized?

**JON NEBEL:** I think-- I think we could do a studies showing the people that were in a program like this, and did they complete the apprenticeship to a level of getting their license, I think would be the good metric on that. We can, of course, bounce that off, in our trade, off of the state electrical license; if they, if they get that state electrical license, we'd say that was a successful program.

**ROUNTREE:** All right. Thanks so much. I appreciate it.

**McKINNEY:** Thanks. Senator Quick?

**QUICK:** Thank you, Chairman McKinney. Is there-- is-- maybe I'm misunderstanding, but it's always been my understanding that there are state, you know, like, guidelines for electricians. They have to have so many hours as an apprentice, so many hours of, of work experience to become a journeyman. And that, and that's a requirement whether, whether you're union or nonunion. Is that correct?

**JON NEBEL:** Correct. The, the definition of apprentice there is a little bit looser than we all understand it. Anybody can register as an apprentice in the-- under the eyes of the state, and all they're

requiring there is that you've been working in the field for 8,000 hours, and then they'll allow you to test for your journeyman's license. We see apprentice as a different thing in our world. We have apprentices that are in this apprenticeship program, and then we have construction wiremen that are registered as apprentices with the state, but they're not getting the in-classroom training, so they still are seen as apprentices, but they're just not-- they're not getting the full-rounded scholarship that I was talking about. But yeah. It doesn't matter. In the eyes of the state, anybody can register; they just have to have hours before they test for a Journeyman's.

**QUICK:** All right. Thank you.

**McKINNEY:** Thanks. Any other questions? Senator Sorrentino?

**SORRENTINO:** Thank you, Chairman McKinney. We talk a lot about apprenticeships in this bill. I assume this bill has nothing to do with-- once you've completed an apprenticeship and you're a journeyman, this bill has nothing to do with that, right? Just the apprenticeships?

**JON NEBEL:** Just the appren-- yeah. Nope. Once you're a skilled person, you go on about your business, you know--

**SORRENTINO:** So, theoretically, I'm a redeveloper. I have to meet the requirements of all the apprenticeships. Beyond that, if I wanted to use journeymen that were not affiliated with a labor union, I could?

**JON NEBEL:** Yes.

**SORRENTINO:** Doesn't have anything to do with that?

**JON NEBEL:** Yep. Nope. You don't have to-- no, we're not requiring any membership that-- since we're a right-to-work state, we're not requiring membership.

**SORRENTINO:** Thank you.

**McKINNEY:** Thanks. Any other questions? No? Thank you for the-- coming.

**JON NEBEL:** Thank you.

**McKINNEY:** Any other proponents? Any opponents?

**SCOTT VOGT:** Good afternoon. My name is Scott Vogt, and I am the general counsel for Hoppe Development. Hoppe Development is an affordable multifamily developer, has projects across the state of Nebraska, and has significant experience with TIF. I'm also here on behalf of the Greater Omaha Chamber of Commerce, the Nebraska Chamber of Commerce, and the Nebraska Bankers Association in opposition to LB447. First, speaking on behalf of the-- as a Nebraska developer, while we certainly support attempts to get more skilled trades, more-- into construction, and there's clearly a need, we feel that this bill, as currently written, would actually serve as a limitation on finding qualified subcontractors, and would result specifically in increased costs. Not so much from the minimum wages, because it's a competitive market right now; the, the wages are not that far off of-- and, and sometimes exceed what you might see in these mandated limits-- but really, just the cost of the project itself to find subcontractors who want to go through the trouble of finding, you know, apprenticeships and the journeymen. People have done this, the tracking of it, the requirements of meeting those minimal obligations, there's just not enough of them out there right now. And to try to impose it on TIF projects which already have, you know, limitations on the costs and everything else that we see from just TIF projects alone makes it really difficult to try to find people who can meet the needs and, and bid these projects properly. We would see-- you know, just-- there's a lack of infrastructure on how to track this properly; we would see issues of availability of these type of contracts. Subcontractors might be available who would qualify under those restrictions and that can occur and track those changes-- or, track the, the compliance requirements for the law. If the bill was effectuated, we'd think we'd see an enormous shortage of qualified contractors who could do it. It would further eliminate our ability to use emerging new subcontractors who are just starting in the business because they haven't met these terms or aren't part of these labor unions. They would not be able to bid on these projects. A real-world analogy to this is what we already see, and we've been complying with is Bacon-Davis restrictions. We found that there's a large shortage of people, subcontractors who qualify for Bacon-Davis, or want to qualify for Bacon-Davis because the incentive isn't enough for them, and it's too cumbersome and expensive for them to do it. When we have used Bacon-Davis, Bacon-Davis restrictions and requirements, it's generally increased the project scope by at least 5%, and generally, 5% is, is what the TIF is the benefit for us; it's a gap. So, it basically moots itself; it becomes not important or not very useful for us going forward. It's just tying it to these sort of projects doesn't work all that well from our perspective. The Omaha Chamber of Commerce asked me to say



that they, they, they support Senator Cavanaugh's desire to see more workforce development through the use of apprenticeships, commend his e-- his efforts to increase apprenticeship opportunities, but they cannot support it mandating use on TIF projects just because of the economics that I've sort of outlined. The Chamber believes the risk exac-- the risks of LB47 [SIC] would exacerbate the qual-- quickly-rising costs of new construction; it would-- threatening the progress of many cities, cities that are using TIF to build new multifamily residential projects, in particular. For example, in projects approved under TIF in 2-- 2023, Omaha will add 2,642 additional housing units, including 413 units that will be designated as affordable housing. Adding this requirement could increase the cost of that new construction, it could risk stalling the momentum, and could ultimately raise the cost to renters and buyers for lack of supply. Language of LB447 "metty"-- mandating wage floors at the prevailing rate is similar-- again, as I pointed out-- to Bacon-Davis rent-- requirements. On the federal level, these rates have ultimately led to a closing off of construct-- contracting with newer and emerging firms, harms the very workers LB447 seeks to help. Mandated wage floors distort markets in a way that disincentivizes employers from hiring less-established workers. [INAUDIBLE] you know, it eliminates the ability to hire new subcontractors who can gain experience working on these projects. While it seeks to solve these issues by mandating apprenticeships, a wage floor actually creates artificial barriers for new employees. Further, cities are free to place requirements of LB447 into their TIF agreements as it is. Giving in the variance in work floor, real estate markets, and construction activity from municipality to municipality, the decision to place new requirements on TIF is best left to the cities and the local government, the ones who are directly receiving the impact of these projects. Moreover, the paucity of local economic development tools that Nebraska has in contrast to other states already means that Nebraska has to punch above its weight, for example, when compared to other peer cities that it competes with. The Greater Chamber believes we should leave as much flexibility in the program as possible to allow the city officials to use the program in which they see feet-- fit, and ultimately can be held accountable by the municipal voters. Statewide changes to program like LB47 [SIC] risk eroding the effectiveness of TIF as a tool, and move the decision one step further away from the voters. Thank you.

**McKINNEY:** Thank you. Any questions from the committees? Senator Sorrentino, then Senator Andersen.

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**SORRENTINO:** Thank you, Chairman McKinney. Thank you for your testimony.

**SCOTT VOGT:** Sure.

**SORRENTINO:** Couple questions. I assume you-- not personally, but those you represent; Chamber, et cetera-- you're fans of the TIF program? You think it's a good thing?

**SCOTT VOGT:** Yes, we are.

**SORRENTINO:** How would you-- if this bill were to pass, how do you think this bill would affect or would it affect the number of TIF applicants? A negative effect? No effect?

**SCOTT VOGT:** I mean, it's hard to know, but my assumption would be it would be harder to do these projects going forward, because of these requirements and the inability to find labor that can meet these requirements, basically.

**SORRENTINO:** Do you, do you have any experience or knowledge of other states-- and a lot of states have TIF programs-- are you familiar with any other state that has attempted to do something like this, and whether there was a negative effect, or?

**SCOTT VOGT:** I've not looked at other states to see how they have implemented such things like this. I mean, I-- again, we think the corollary, the analogous situation is that, you know, Bacon-Davis, because it's already-- it's federal law, and already is used in certain projects, and we can already see that it increases the project cost.

**SORRENTINO:** OK. Thank you.

**McKINNEY:** Thanks. Senator Andersen.

**ANDERSEN:** Thank you, Chairman. Thank you for your time and being here. You mentioned Bacon-Davis. Can you explain what that is?

**SCOTT VOGT:** Bacon-Davis is a federal law that requires, when you use certain projects, that you have to have a minimum standard of, of an hourly wage. And it has a-- as all federal programs do-- has a significant compliance, compliance requirement within it. And so, subcontractors have to show that they're meeting the terms of Bacon-Davis, that they are hiring workers who have a certain level of skill, that they're paying a certain amount. And it's-- because of

that, it-- it's, it's difficult to find them, who want to do it because it's just-- you know, there's not that many Bacon-Davis projects out there, because people stir-- steer away from them if they can. And when they do, there's a lot-- not a lot of subcontractors who want to comply with it, because it's just-- there's not-- it's not a huge enough incentive to want to go through the trouble. And that's, that's kind of similar to what they're proposing here, is to-- they'd have to make sure that they have journeymen or apprentices who--

**ANDERSEN:** So, it's similar to--

**SCOTT VOGT:** --complied with it. Here's how we do it, here's our compliance, here's what we've done, and here, here-- we're making sure we're paying these that-- the proper amount under the, under the law.

**ANDERSEN:** So is it your opinion that if LB447 is implemented that it will limit the available workforce?

**SCOTT VOGT:** Definitely, yes.

**ANDERSEN:** Which is already a problem, so it'll exacerbate the existing workforce problem.

**SCOTT VOGT:** It's already-- yeah, it's already difficult as it is, so.

**ANDERSEN:** OK. So, my assumption-- I mean-- and I should ask if it's your assumption that if you continue to limit the workforce, it's going to increase ways that-- wages. And by default, increased construction costs, as well. Is that a fair statement?

**SCOTT VOGT:** It-- it's-- everything's going to, you know, it-- it's going to increase the cost of the project, it's going to make us have to do projects that we can, you know, scale it larger, and, and it's going to just increase those costs, which is going to be passed on at the end of the day to the tenants, the ones who need the affordable housing in the first place.

**ANDERSEN:** All right. Thank you.

**McKINNEY:** Thanks. Senator Clouse.

**CLOUSE:** Thank you, Senator McKinney. Thank you. You do a lot of TIF projects, a lot of community projects like that?

**SCOTT VOGT:** Correct.

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**CLOUSE:** This may be a loaded question, and if you don't want to answer, that's fine. But how-- do you have many projects that aren't awarded on a low bid?

**SCOTT VOGT:** You know, honestly, we try-- we generally try to work with people that we're experienced with, that we know will do good work for us. You know, we, we can get low bid, but if we end up having to fix it 28 times, it doesn't make much sense. So, I think we do a lot of-- we're, we're-- you know, we're working with people we know will provide us a good product so that we don't have to continually go back and fix it. Low bid--

**CLOUSE:** You've been awarded projects that you weren't the low bid, then?

**SCOTT VOGT:** For TIF? I mean, you mean for--

**CLOUSE:** For TIF.

**SCOTT VOGT:** --construction costs? Sure. Yes.

**CLOUSE:** Thank you.

**McKINNEY:** Thanks. Senator Rountree.

**ROUNTREE:** Thank you, Chairman McKinney. So, we talked about prevailing wages. In doing the TIF projects, do you pay prevailing wages, or are you below the prevailing wage? And, and if we made exceptions for those emerging contractors, you talked about, would that make the bill more palatable for you?

**SCOTT VOGT:** It would seem to me that you don't need to make that, because it's currently that way as it is, right? The emerging people stand [INAUDIBLE] ability to bid as anyone else would be. If you imposed these restrictions, then you'd have to carve out an exception for emerging workers, which doesn't make much sense to me. And again, I mean, wages are-- it's, it's expensive to build things. And, and subcontractors are paying healthy wages to subcontractors because it's hard to find employees right now who can do this skilled labor. So, I, I don't think it's a real concern of raising wages. I think that we see it every day, as to what-- when, when the bid-- bids come in, they keep coming in higher and higher every project we do, so.

**ROUNTREE:** All right. Thank you. Thank you.

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**McKINNEY:** Thanks. Any other questions? I have a few. So you mentioned that, you know, the, the price of, like, homes or developments will go up, but currently, under the current process of things, is the price of houses going down?

**SCOTT VOGT:** No. The price of houses is not going down.

**McKINNEY:** It's going up, right?

**SCOTT VOGT:** Correct.

**McKINNEY:** So, are, are-- is housing affordable?

**SCOTT VOGT:** I don't think housing is very affordable right now, no. Which is why it's important to preserve the ability to do multifamily affordable housing projects in Nebraska.

**McKINNEY:** OK. So do you have an issue with paying "prevailable" wages?

**SCOTT VOGT:** No. Our concern is really the, the, the right labor force; being able to get people who can actually do these projects and, and not have to comply with a, a law that restricts their desire to want to do projects with us, basically.

**McKINNEY:** What, what makes it hard to find these people?

**SCOTT VOGT:** There's just not enough of, of people who have gone through a, you know, an apprenticeship and a journeymanhip. It-- there's just not the infrastructure in place in Omaha or Lincoln to have these level of subcontractors, as we sit here now.

**McKINNEY:** Why would you say that doesn't exist?

**SCOTT VOGT:** I'm not saying it doesn't exist, I'm saying it's difficult. Oh, why? There's just not enough of them out there. They haven't gone through this journeyman or, or apprenticeship process. And they may not want to, from what we can tell.

**McKINNEY:** But isn't that the purpose of the bill? It's to incentivize apprenticeship programs so we can have an increased skilled labor force?

**SCOTT VOGT:** Absolutely. I just don't think it should be tied to TIF, because it impacts the ability to keep these projects affordable.

**McKINNEY:** But don't-- but, but in contrary, the lack of a skilled labor force makes, you know, the cost of housing not affordable as

well. Because you don't have a lot of workers, it's increased costs as well, right?

**SCOTT VOGT:** Right. I don't think-- it-- there's, there's not enough workers as it is. And I think making the workers have to go through a longer process, it's going to actually make less of them want to get involved, not more of them.

**McKINNEY:** Well, how do we solve the problem if we don't invest into the problem today?

**SCOTT VOGT:** Right. I, I mean, I-- again, I think there's a place for this. I just think tying it to these affordable multifamily TIF projects is not, not the right place to do it.

**McKINNEY:** Where is the right place?

**SCOTT VOGT:** I think generally, if you could increase it in any, you know, any kind of construction pocket-- project, market rate, things like that. Unfortunately, you're right. The price of houses keeps going up. And there's not a lot of ways to lower that. And the, the problem is, is increasing the cost of, of contractors doesn't help with that; it, it supercharges it. It makes it even go higher, in a lot of ways.

**McKINNEY:** Is the city of Omaha requiring your, your organization to set aside a percentage of affordable housing in your developments?

**SCOTT VOGT:** Depending on the project, right. If, if we are doing a TIF project that'll have-- it, it-- most-- almost everything we do-- Hoppe Development, at least-- is affordable housing. We have some market-rate projects, but they're generally always part of a affordable housing project. So, every time we do any project, we look for affordable spaces to build.

**McKINNEY:** OK, my-- but what percentage? Because last I checked, the city is slated to build about 2,000-plus houses, but only 5% of those houses or units are affordable--

**SCOTT VOGT:** Right.

**McKINNEY:** --or what we would consider affordable. So, what percentage of your development is actually allocated to affordable housing?

**SCOTT VOGT:** Most of our projects. Almost every project we do is affordable. So, we, we really-- we are laser-focused on that area. We,

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we are an affordable housing developer. So we're not-- for example, like in Omaha, we're not a Celebrity Homes, you know, or another builder out there of, of scale. That's not what we do. We look to build affordable housing in our projects.

**McKINNEY:** OK. Because I've seen other TIF projects that would have, like, 150 units, but only 10 or 15 of the units are considered affordable.

**SCOTT VOGT:** Right.

**McKINNEY:** OK. All right. Thank you.

**SCOTT VOGT:** Thank you.

**McKINNEY:** Yep. Any other questions? Senator Quick.

**QUICK:** Thank you, Chairman. Could you tell me what-- maybe the-- what you or, or-- for a TIF project, what affordable would be, the price range? I'm sure there's a range in there.

**SCOTT VOGT:** Yeah. I mean, you know, our projects are based off of minimum, you know, minimum income; you know, it has to be like 60%, or a certain level of that within it. So, it's always based off of the median income. And then, we have to have it brought in at a percentage of that to make it affordable for people below the median income level.

**QUICK:** OK.

**SCOTT VOGT:** And it, it depends on the project, but that's,--

**QUICK:** OK.

**SCOTT VOGT:** --that's where we-- you know, that's when-- our projects, what we always end up doing.

**QUICK:** All right. Thank you.

**McKINNEY:** Thanks. Any other questions? No? Thank you.

**SCOTT VOGT:** Thank you.

**McKINNEY:** Any other opponents?

**BILL BROWN:** Thank you, Mr. Chair-- Mr. Chairman, and members of the committee. My name is Bill Brown, B-i-l-l B-r-o-w-n. I'm president of

the Associated Builders and Contractors of Nebraska, and I'm here today to oppose LB447. We believe this legislation imposes unfair and unnecessary burdens on Nebraska's construction industry, particularly contractors, small businesses, and taxpayers. While the bill is presented as a way to ensure fair wages and workforce development, its actual impact would be to limit competition, drive up costs, and create unnecessary red tape that would hinder economic growth in our state's two largest cities. LB447 mandates that redevelopment contracts follow union labor rules, effectively shutting out merit-based contractors who operate outside of union structures. This approach is neither inclusive nor beneficial to our broader workforce. The bill requires that 15% of sort of labor hours be performed by registered apprentices who must be part of a union-affiliated program. This unfairly favors union contractors and excludes nonunion contractors who provide alternative, high-quality craft training programs, or lack access to registered apprenticeships. This measure does not promote workforce development; it actually restricts it. LB447 enforces prevailing wage requirements, which will significantly increase the cost of redevelopment projects in Omaha and Lincoln by limiting contractor participation and reducing competitive building-- bill-- bidding. This bill will ultimately lead to "inflative"-- inflated project costs. Studies have shown that prevailing wage mandates can increase construction costs. The requirement that any contractor employing four or more workers must hire at least one registered apprentice creates unnecessary administrative hurdles and workforce restructuring. Many nonunion contractors operate efficiently with their own training systems. Enforcing them to conform to union apprentice to journeyman ratios will disrupt business operations and reduce productivity. The construction industry is already struggling with a labor shortage of nearly 439,000 workers nationwide in 2-- in 2025. Instead of expanding opportunities and making it easier to bring in skilled workers, LB447 restricts the available labor pool by favoring union apprenticeships over other training programs. Nebraska should be focused on increasing workforce participation across the board, not limiting to union-only pipelines. LB447 is not about fairness; it's about forcing union labor rules onto all redevelopment projects, regardless of whether they align with the needs of contractors, workers, and taxpayers. This bill does not solve workforce development challenges, nor does it create a level playing field. Instead, it creates an unfair advantage for unions, increases costs, and reduces competition. I urge this committee to reject LB447 and instead pursue policies that genuinely support a broad and inclusive approach to workforce development, one that allows all Nebraska contractors, both union and nonunion, to compete fairly, to



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contribute to our communities. ABC, who has an apprenticeship program, is a 501(c)(6), so we wouldn't-- our people who go through our apprenticeship program would not be part of this bill at all. So, thank you for your time and consideration this morning.

**McKINNEY:** Thank you. Any questions from the committee? Senator Sorrentino?

**SORRENTINO:** Chairman McKinney, thank you. I don't know if you received this handout from the president of electrical workers, Jon Nebel, but it talks about just a schedule of instruction. And you have your own sort of a program, I'm guessing. Is that correct?

**BILL BROWN:** Yes, sir.

**SORRENTINO:** Without getting into the details, does your program, in your opinion, measure up to those of the electrical union? Are your workers less skilled, more skilled? Less time, more time? How would it compare?

**BILL BROWN:** We feel that it stands up to a very great-- fine standard. And our contractors that participate in the apprentice program have a very good and strong safety record.

**SORRENTINO:** I've asked this question of two others. The gap between the prevailing wage and the wages that are currently out there, is it a big gap, or is-- you suggested that it might add cost to projects. Excuse me.

**BILL BROWN:** Well, I think anytime you're putting wage requirements on, it can increase. But in a competitive market like we have in the two markets that are in this bill, it's already competitive, as was mentioned before. So, it may not create too much cost increases, but depending on the project size, I'm not-- it's possible. As well as the fact that these-- any-- you know, this takes some of the competition out of it as well, but--

**SORRENTINO:** And that could change going forward. It's competitive right now, but if we're in a recession three years from now, would a law like this potentially drive the cost up, because now we're not in a competitive [INAUDIBLE], is that correct?

**BILL BROWN:** It-- it's very possible, Senator.

**SORRENTINO:** Thank you.

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**McKINNEY:** Thanks. Any other questions? Senator Andersen?

**ANDERSEN:** Thank you, Mr. Chairman. Thank you for being here today. As Mr.-- was it Voth [PHONETIC]-- before you spoke, I asked him the question about increasing, increasing the, the stress on the available workforce, meaning that you have less available [INAUDIBLE] workforce. Is that your assessment as well?

**BILL BROWN:** Yeah, I, I mean, by the, the, the fact that this bill would actually exclude people who have gone through our apprentice program, I think it would make it more difficult and could create issues for finding enough workers for some of these program-- projects.

**ANDERSEN:** So, you said that your program was a 501(c)(6)?

**BILL BROWN:** Correct.

**ANDERSEN:** I don't know what that is. I know what a 501(c)(5) is, thanks to Senator Cavanaugh, but there's really no distance-- difference between your apprenticeship program and theirs. It's just simply the way you're organized as a 501(c)(6) as opposed to (c)(5)?

**BILL BROWN:** Correct. I'm sure we'd both say our programs are better than each other. They're both very comparable.

**ANDERSEN:** But this would, this would eliminate you, or take you out of being competitive.

**BILL BROWN:** I believe as-- I believe as written, correct.

**ANDERSEN:** And it's your assumption that with the increased wages and less workforce, you're going to have higher wages and construction costs will be higher. Is that--

**BILL BROWN:** Well, I think if you're, if you're excluding some of the workforce, it could create higher costs.

**ANDERSEN:** Thank you.

**McKINNEY:** Thanks. Any other questions? I'ma have ones. So, what if (c)(6) were included? Would you still oppose this bill?

**BILL BROWN:** I think any kind of restrictions to competition would be something that-- you know, Senator, we'd obviously look at it, and I'd have to go back to, you know, my board and others. But generally

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speaking, we're only adding restrictions here. We're for more open competition and let everyone, you know, let everyone compete for the jobs and leave it as open as possible.

**McKINNEY:** All right. And for the record, (c)(6) are exemptions of business leagues, chamber of commerce, real estate boards, boards of trades, and professional football leagues.

**BILL BROWN:** We don't represent the NFL, but thanks for looking that up, Senator. I appreciate that.

**SORRENTINO:** Would you like to?

**BILL BROWN:** We don't have that kind of money, but thank you.

**ANDERSEN:** Some tickets for the committee, I'm guessing.

**McKINNEY:** All right. Any other questions? Thank you.

**BILL BROWN:** Thank you, Senator.

**McKINNEY:** Other opponents? Anyone here to testify in neutral? Senator Cavanaugh, you're welcome to close. And for the record, there were 5 proponent online comments, 6 opponent, 0 neutral.

**J. CAVANAUGH:** Thank you, Chair McKinney, and thanks, committee, for your time and attention on this bill. So, I was listening to the opponent testimony, and a lot of it was saying the same thing that I'm saying. And what this bill is attempting to do is solve the shortage of skilled labor we have. I actually didn't catch the first opponent's name; I wrote down Scott Vogt, but I don't know if that's right. That's what it-- that is right? All right. Well, we got it right. So, Mr. Bogt [PHONETIC] testified, and he said that there's not enough out there, and it's hard to find construction contractors who can do this skilled labor. That's exactly what this bill is seeking to solve, is we're attempting to get more folks who can do this work. I asked Mr. Nebel how many folks they have apply for their apprenticeship program. They have 400 applicants for 100 spots. So, it's not a question of desire; it's a question of availability. And they have 100 spots because there aren't enough gigs out there that-- for apprentice labor. So, that's the-- the intention of this bill is to say we need more skilled labor; the only way to get more skilled labor is if we actually invest in training people; we invest in training people through apprenticeship programs; we need more apprenticeship job opportunities. You can't have apprenticeship training programs without apprenticeship jobs. And so, this bill says if you're going to take

this particular type of government incentive-- which is what tax increment financing is-- that, that you-- we are asking that you invest in the future of all of these construction projects coming down the road. I'm certainly willing to work with anybody in good faith to make this bill more workable for folks to find ways to-- we-- like last year, where we constrained it and took out Buffalo County because they made a good point that they would essentially-- if we had an exception, they'd always get the exception, they'd just be having to go through the paperwork. And that applied to everybody smaller than that. We do-- we did create an exception in here to Mr. Vogt's point and Mr. Brown's point that if a job can't find a, a skilled labor force, if there's not enough that we haven't built up yet, there is a, an exit valve. We do have a mechanism by which all you have to do is prove that you went and solicited work-- workers who are in an apprenticeship program. But if there aren't any available yet, then you don't have to do it. So, that addresses that concern. You know, I know it might be a, a big sting for ABC to reorganize as a 501(c)(5) instead of be thrown in with the NFL, but that's a possibility for them to participate in this program. My understanding is that to, to be a 501(c)(5), it has to be in the, in the interest of advancing the work. And so, the training and [INAUDIBLE]. So, that's a conversation I'm willing to have with folks, to talk about how to make things more workable there. One thing nobody brought up during the entirety of the hearing, pro or anti, is the fact that this bill includes as an allowable TIF expense, that extra labor. So, it allows for projects to extend their TIF bond and get further incentive from the government if they do participate and hi-- and, and bring in 15% apprenticeship labor. So it's not an exclusively-- it, it does add an extra requirement for getting TIF, but it does also allow these individuals or these companies who do take-- undertake these projects to bond more of that money, which means it does actually decrease the cost of the-- there will be potentially an additional cost, although we also heard that the wages-- they're paying prevailing wages already. So, the argument that it increased the costs at the moment is not true. I think Senator Sorrentino hit on a good point: if the market goes down at a certain point, that maybe we will be back [INAUDIBLE] where it-- if you could pay less than prevailing wage, you'd be paying more. But one, if we pass this bill in that market, there will be more skilled labor, then. We'll have more skilled labor, they'll be able to take up those jobs, which helps with-- alleviate the crunch at that point in time. And Senator McKinney, I think you hit on this point, that what good is there of building affordable housing if nobody can afford it? The point of prevailing wage is that more people can afford to live in a house, and we lift up the level at which we define affordable. And

so, this is a small ask for folks who want to get tax-- they want to-- rather than pay their property taxes for the first 15 years of a redevelopment, they're going to pay some of that into infrastructure. We're just saying included in that infrastructure is our future skilled workforce needs. That's what this bill says. Everybody came up here and said we have a workforce shortage, specifically, specifically a skilled workforce shortage. This seeks to address that, and it asks just a little bit that the developers who are benefiting from this put some skin in the game and help build that future workforce. So, I'd be happy to take any other questions. I don't know if I can answer any more better than the folks who came before me, but I'm here.

**McKINNEY:** Thanks. Any questions from the committee? Senator Andersen.

**ANDERSEN:** Thank you, Chairman. And, and thank you, Senator, for being here. One of the things that bothers me about this bill is, it seems to me that it's the government picking winners and losers. And I think that's fundamentally wrong. I think the government should stay out of the way and let the, the economy, the laws of supply and demand, let it run everything. Selecting unions at the detriment of nonunions, I think, is picking winners and losers. I think we should not be doing-- not in the business of doing that. I do believe that all companies want to build a workforce. Would you agree? I can't imagine any company is going to say, no, no, I don't want to train any apprentices.

**J. CAVANAUGH:** I think it's obvious that they are not willing to decrease their profit to build the workforce.

**ANDERSEN:** Well, I'm not, I'm not sure that's an obvious conclusion. But I think every company that builds things wants to have more builders, right? I mean, I think the logic tracks that they're all trying to create more apprentices so they have more qualified journeymen, more expertise. I just don't think we should be the ones that tell them how-- and mandate how they're going to do it, and then modify costs and everything else because of it.

**J. CAVANAUGH:** I, I appreciate the perspective, Senator Andersen, and I do think that the government really should stay away from picking winners and losers. And I think one of the problems we have is that the government's already involved here. Tax increment financing is not a private endeavor; it is a government endeavor. And you are going to the city-- in Omaha in particular, and other places-- and asking them to forego the taxes you owe so that you can increase your profitability, because that's really what it is. And I-- tax increment

financing is a but-for test, right? So, but for the tax increment financing, they won't build the project. The, the part about that is, the but-for is, if the profit's only 7%, they're not going to build it; they need tax increment financing to get it to 11%. And that is-- that-- that's where the government's getting in and picking winners and losers. The government-- if the government refuses to grant that, then that project is not going to go forward. The government has already been invited, not inserting themselves, but has been invited by the developer into this endeavor. And I'm saying when invited, that we have an obligation to ask something of them. So.

**ANDERSEN:** Where does it end? I mean, at this point, you're talking about the training requirements, and you're talking about wages for apprenticeship. At what point-- as you say, the but-for, I get it-- and they've invited the government in by taking that TIF funding. Where does it end, with the government telling the company what they can and can't do?

**J. CAVANAUGH:** I think it ends when you don't invite the government into the conversation. There's a distinction between int-- undertaking a project. I think we're going to hear some folks later about, you know, SIDs and things like that, and other non-incentivized development, and we'll have a conversation about what the government's role is in those endeavors. But I think in, in this conversation, that's a different-- the government's been invited into the conversation. I think we have an obligation to engage in that conversation honestly, fairly, and, and in the interest of all Nebraskans, not just the developers themselves. And so, I'm just-- this is a statement that we view our workforce shortages as an infrastructure problem. Just like you can't build a development without sewers, you can't build it without builders. And so, we need to make sure that we're investing, that we have the right infrastructure for the economy we need in the future.

**ANDERSEN:** Well, thank you for your time. I think it's a slippery slope, and you need to be careful.

**J. CAVANAUGH:** Well, I appreciate the conversation. Thank you.

**ANDERSEN:** Thank you.

**McKINNEY:** Thanks. Any other questions? No? Thank you, Senator Cavanaugh. That closes our hearing for LB447. And we invite Senator Juarez up for LB520. You can start.

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**JUAREZ:** Good afternoon, Senator McKinney. What an honor to be at your committee today. And rest of the members of the Urban Affairs Committee. My name is Margo Juarez, M-a-r-g-o J-u-a-r-e-z, and I represent District 5 in south Omaha. Today, I'm excited to introduce LB520, which changes requirements for food and fire safety and bed and breakfasts. Since becoming a senator, I've spent some time at a historic bed and breakfast in Lincoln, and I've gotten the opportunity to learn more about the challenges facing bread and breakfasts regarding food and safe-- fire safety requirements. You'll hear from the owner of that bed and breakfast shortly. He previously worked on a similar bill with Senator Conrad, LB546 in 2023. Locally-owned bed and breakfasts aim to create memorable stays for guests that are more than just a bed and, and a bathroom. This could mean showcasing the local community, offering stays in historical sites, or serving nice breakfasts for guests, and I can definitely attest to that. Unfortunately, regulatory barrier-- barriers have made serving hot breakfasts unfeasible for local B&Bs. Only a commercial establishment can serve hot meals, which means that a bed and breakfast wanting to serve hot meals must comply with a mountain of new food and fire safety regulations. This includes installing a sprinkler system throughout the entire building, an update that is nearly impossible for historic locations that have been converted into a bed and breakfast, and is financially burdensome for nearly all locally-owned bed and breakfasts. LB520 is based on legislation from surrounding states that updates both the food and fire safety standards applied to bed and breakfasts. The new regulations would make it easier for bed and breakfasts to cook quality, hot meals in-house without breaking the bank, while still keeping measures in place to keep guests safe. Finally, the amendment aims to fix a couple of concerns brought by other bed and breakfast owners. It allows bed and breakfasts to serve non-dairy milks; it eases requirements around food safety certifications; and it eliminates the need-- the requirement for a ventilation hood in the kitchen. Bed and breakfasts should be able to live up to their name and provide both quality lodging and quality breakfasts; this legislation aims to make that possible. With that, I'd like to thank you all for your time, and answer any questions that you may have. And testifiers behind me can also answer questions. And I do want to say that I have enjoyed the bed and breakfast that I've stayed in in Lincoln so far. It's definitely a, a fan favorite. And if you have any questions, I'd be happy to address them, or anyone behind me can.

**McKINNEY:** Thank you. Are there any questions from the committee? Senator Clouse.

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**CLOUSE:** Yes. Thank you, Senator McKinney. Senator Juarez, welcome back.

**JUAREZ:** Thank you.

**CLOUSE:** Sorry for the, the reason, but--

**JUAREZ:** Thank you.

**CLOUSE:** So, what'd you say the driver was behind this? Something-- we had a lot of issues, or?

**JUAREZ:** The fact that they couldn't serve hot meals for breakfast due to the current regulations at bread and breakfasts. That's one of the main-- that's one of the main issues. So, like when I go to the bread and breakfast, I just-- I was able to have coffee, but you just, like, have, like, a croissant, something that's already prepared. Nothing like eggs and potatoes, that kind of thing. So, it does keep the menu items limited.

**CLOUSE:** So, this, this frees that up? Or is that the other way? It frees it up?

**JUAREZ:** Yeah, so that-- because they would like to serve more quality hot, hot meals for breakfast--

**CLOUSE:** OK.

**JUAREZ:** --at their facilities.

**CLOUSE:** Thank you.

**McKINNEY:** Thanks. Senator Rountree?

**ROUNTREE:** Thank you, Chairman McKinney. Senator Juarez, as I have read the bill, it's a pretty in-depth bill. So, with the bed and breakfasts, a lot of the modifications that I see bill-- are bed and breakfasts going to make, like, the sprinkler systems and other things we're asking for handled though, handling the safety, and things that we see in the bill?

**JUAREZ:** Well, I think it's going to be too financially burdensome, you know, for them. But I would prefer that the owners address that issue with you, if you don't mind.

**ROUNTREE:** Yes, ma'am. Thank you so much. I appreciate it.



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**McKINNEY:** Thank you. Any other questions? No? Thank you. Welcome up any proponents.

**TODD KNOBEL:** I'm a proponent to this--the "Bed and Breakfast Act."  
[SIC] My name is Todd Knobel. Do I need to spell that?

**McKINNEY:** Yes.

**TODD KNOBEL:** T-o-d-d K-n-o-b-e-l. I'd first like to thank Senator Juarez for sponsoring the "Bed and Breakfast Act" and the members of the Urban Affairs Committee for attending this hearing. Prior to purchasing the Spalding House in the summer of 2021, I contacted various municipal authorities to better understand what regulatory requirements would need to be met in order to operate the property as a bed and breakfast. After renovation work was all but completed, and contrary to my initial discussions with the various regulatory authorities, I was informed that while the property could be offered to the public as a short-term rental pursuant to the short-term rental legislation, I could not host events that did not involve an overnight stay, or serve meals that would require the use of a stove, unless the property were classified as a commercial establishment. However, to do so would, among other things, require the Spalding House to be equipped with fire suppression sprinklers-- sprinkling system installed throughout every square foot of the house, including the basement. The requirement to install a sprinkling system was a requirement just too burdensome to overcome for, for two main reasons. One, first, the cost to install the system would be prohibitive for a small business like the bed and breakfast with an established-- excuse me, an estimated installation cost over \$100,000. Second, the installation of a sprinkling system would negatively impact the aesthetics of the property, including the oak beams in the den and dining room. Regarding the importance of maintaining the historical significance of the property, I would note that the Spaulding House is in the National Register of Historic Places, and was the first house built south of South Street in Lincoln, Nebraska. It served as a demonstration home for the developer Woods Brothers & Boggs, as well-- and was one of the first homes in Lincoln to have electricity. Over the years, it has served many purposes, including as a home for-- as a convent for the Sisters of the Blessed Sacrament, and is home to a University of Nebraska president. Nebraska has always been a place where we listen to each other and craft laws that meet our mutual interest. I believe that the "Bed and Breakfast Act" strikes a balance between providing safeguards to the public while also removing impractical and unnecessary barriers. Over the past few years, we have undertaken considerable restoration work on the Spalding House, but

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there is much more to do. Restoration work is often costly, as it requires retention of highly-skilled professionals. Using the house to operate a bed and breakfast helps ensure that there will be sufficient resources to re-lead crystal windows, restore oak veneer, and repaint a-- re-point outer stone. Bed and breakfasts have the potential to attract more visitors and bring in more revenue for the state, ultimately allowing for the collection of more sales, lodging and, in the case of Lincoln, occupation tax. For all the reasons noted above, I urge you to advance the "Bed and Breakfast Act" out of committee. Any questions?

**McKINNEY:** Thank you. Any questions? Senator Sorrentino.

**SORRENTINO:** Thank you, Chairman McKinney. I thank you for your testimony. I, I-- looking at the bill, and I just want to make sure I've got this right. And I know you don't have it in front of you, but page 2, Section 2, line 13, it talks about that the Nebraska Pure Food Act-- which I'm not super familiar with-- shall not apply to bed and breakfast establishments. And then it goes on from line 17 for 3 or 4 pages to add things about what you will do as an owner, the food served to guests will be this, the [INAUDIBLE].

**TODD KNOBEL:** Mm-hmm.

**SORRENTINO:** So, all the things that are in here I'm assuming are a little bit less burdensome than the Nebraska Pure Food Act, which I'm not--

**TODD KNOBEL:** Yes. Yes, I believe that is correct. And I--

**SORRENTINO:** So, the Pure "fedic" [SIC] probably applies to larger commercial restaurants.

**TODD KNOBEL:** That is correct.

**SORRENTINO:** So, yours is a little bit lesser extent? That's correct?

**TODD KNOBEL:** I believe that is correct, sir. Yes, Senator.

**SORRENTINO:** The second thing is-- that, that's really all I had on the food part. The fire extinguisher, sprinkler systems. I'm guessing most personal residences don't have those.

**TODD KNOBEL:** Mm-hmm.

**SORRENTINO:** There might be a few here and there. When your guests book a stay there, to them, it's a little bit of a commercial thing, and if they're paying to stay there, is there-- I assume you have an agreement with them? They sign an agreement. Does that agreement specifically state that, hey, by the way, we don't have sprinklers here? Just-- I'm just curious. I would never think to notice, and I-- I've obviously stayed at a lot of bed and breakfasts. But that's not something you're hiding, it's just--

**TODD KNOBEL:** No.

**SORRENTINO:** Is it something in your agreement? Or?

**TODD KNOBEL:** It is not something in our agreement. Basically, we're on most of the platforms. We're on Airbnb, Booking.com, Expedia.com.

**SORRENTINO:** [INAUDIBLE].

**TODD KNOBEL:** We have our own website. We have a list of of house rules, which is typical. I'm not really--

**SORRENTINO:** No smoking, pets, things like that?

**TODD KNOBEL:** Yeah, exactly. And I'm, I'm not aware of really any-- many establishments that go into this detail, whether they-- and there's no requirement that you say you have sprinklers or you don't have it. Now, of course we have a fire alarm system. It's all connected, so if one fire alarm goes off, they all go off, this type of thing. Furthermore, basically, I believe, if I'm not mistaken, the legislation provides that two forms of egress can be-- one form can be a window if it's on the second floor; if you go to the third floor, then it does require that, that either there is a second form of egress, and you can't just jump out the window, there'd have to be something built about or inside the house. Or you could put in some type of fire suppression system. There are what we call dry/dry systems that are foam-based that go off, and you can install those. You could-- the legislation allows for that to be installed, but you don't have to put, then, sprinklers throughout the whole building.

**SORRENTINO:** Right.

**TODD KNOBEL:** So, you're talking about maybe a cost that would be \$10,000 to \$20,000 to do something like that, versus \$100,000 for the whole building. So I thought that was a fair balancing of, of, of the matter.

**SORRENTINO:** Thank you.

**McKINNEY:** Thank you. Any other questions? Senator Clouse?

**CLOUSE:** Thank you, Senator McKinney. So, if you were starting out, just had a vision you wanted to start one, would this be onerous to you? Or do you look at all this and say, I, I can do this?

**TODD KNOBEL:** I would think this would be fantastic. It would be clear-cut. There is just a tremendous amount of confusion as to what you can do, can't do. We had a, a Zoom call-- this was during the pandemic-- and it took a long time just to get to an understanding. I was told originally by city officials that you could do this, and then they changed their mind. Of course, they have sovereign immunity; there's nothing you can do. At that point, I was just stuck with it, after we had been halfway through the rough-in-- after you buy a house, you're halfway through the rough-in, and then you find out, no, this isn't possible. Thankfully, we, we had a discussion. They said, yes, you can do coffee; yes, you can do a croissant, as long as they're not made on-site and so forth, and that's what we have been doing. We, we were hoping to get a-- give a fairly, we'd like to think, somewhat of a-- bit of an elevated experience, and obviously, it-- we haven't had a lot of complaints, but the, the breakfast is just not what we were wanting to give the customers, not the not not the level of, of service we want to provide.

**CLOUSE:** But this-- this, this goes more than breakfast, though. And, and when I look at some of this, I'm thinking, OK, the use of home canned goods is prohibited, except for jams and jellies. I'm thinking, well, we're in an agricultural state, and [INAUDIBLE] bed and breakfast out west, you might have canned corn, and, and then I look over at-- you can't-- portions of food, once served, shall not be served again. And I'm thinking, well, grandma's apple pie, there's a couple of pieces left--

**TODD KNOBEL:** Senator, I'm more than willing, if you would like to, you know-- anybody would like to make that less restrictive. Absolutely. We've-- basically, when I learned that we were not able to operate a hot breakfast and that we were going to have to be deemed the commercial enterprise, I jokingly tell my friends I'm, I'm a recovering attorney, and I fell off the wagon, and I went to the law library. And I started looking, and I noticed that almost every state had a bed and breakfast act. So, I spent two days reading bed and breakfast act after bed and breakfast act after bed and breakfast act, and they varied greatly. I liked West Virginia, had a lot of great

provisions. But one thing that was uniform: they all exempted bed and breakfasts from the sprinkler requirement. Now, they usually had other safety requirements. That was the one unifying thing that every single one of them had. And so, working with the, the senators, we looked at some of that state law and, and tried to be eclectic with it. But I'm pretty flexible, if you think it needs to be a little bit more relaxed on some of those things. I know Senator Blood mentioned maybe just replacing with ServSafe, things of this nature. Those are not really the big impediments. The big impediments are this enormous cost associated with putting a sprinkler system in a house that has plaster and all these type of things.

**CLOUSE:** Well, most of this that I looked at, it was fine. There's just a couple of things that I thought--

**TODD KNOBEL:** Sure.

**CLOUSE:** --huh, maybe we can tweak this a little bit yet--

**TODD KNOBEL:** Sure.

**CLOUSE:** --to make it work. I have some friends that run bed and breakfasts, and I forwarded this, said hey, give me your thoughts, so.

**TODD KNOBEL:** Well, I'm sure that we'd welcome that. We want to make the-- we want to have the best legislation we can have for the citizens of Nebraska.

**CLOUSE:** Thank you.

**McKINNEY:** Thank you. Any other questions? I had one. When you say enhance the experience, is that just a enhance-- enhanced experience at breakfast, or any other time during the day?

**TODD KNOBEL:** Basically right now, we were not also allowed to have any-- with this legislation, we would, but we're not allowed to fix it-- a lunch or dinner. Not to get into details, but I'm a founder of a company called Foogal; we're a metabolic health app, and we have a number of fairly well-known chefs who have contributed recipes. Martin Yan, Yan Can Cook, East and West Coast [SIC] on PBS; Bill Telepan out of New York. And our vision was we would have a bed and breakfast and dinner, and the idea would-- these famous chefs would come in, prepare the meal. Of course, I was interested in the digital content, to show people how to prepare these healthy meals, any of the cooking techniques involved. And then, we would go and photograph the dish, and we'd maybe videotape a little bit, and that was really the vision.

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I didn't really-- I liked kind of the idea of bed and breakfast, but the-- really, the driving factor was that. And so, when we found out we couldn't prepare the meals, the whole reason for, for buying the house, renovating the house, really, was, was vanquished. And we'd love to be able to do that. We'd love to be able to have those, those meals on site and, and, and really fulfill the original vision for what we had in mind.

**McKINNEY:** All right. Thank you. Any other questions? Senator Clouse.

**CLOUSE:** Again, it's more of a comment, because I'm just thinking as I read through this, my friends in Kearney that have one, they've got a nice gazebo set out there, they got the barbecue grill. When they have people stay there, they make relationships that last forever. And I'm not sure when they're out there grilling they're checking all this stuff out. But I don't know that it's a safety issue, either. So, I just want to make sure that we're not making anything too stringent,--

**TODD KNOBEL:** Sure.

**CLOUSE:** But yet, get the right safeguards in there.

**TODD KNOBEL:** Sure.

**CLOUSE:** Because they-- it's-- they're, they're fun for a reason.

**TODD KNOBEL:** Sure.

**CLOUSE:** And you meet a lot of good people, and we just want to make sure that things are safe, so.

**TODD KNOBEL:** Senator, I don't--

**CLOUSE:** There may be some things I want to look at yet.

**TODD KNOBEL:** I don't claim to be an expert in that area, but I do think there might be a slight distinction between whether the guest is allowed to have access and then prepares the food themselves versus preparing it for those individuals and bringing it to them. So, I would hope that they could still use a grill in the outdoor without running afoul of things.

**CLOUSE:** Yeah. Thank you.

**McKINNEY:** Thank you. Other--

**TODD KNOBEL:** Thank you.

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**McKINNEY:** Oh, Senator Sorrentino.

**SORRENTINO:** Chairman McKinney, one last question.

**TODD KNOBEL:** Sure.

**SORRENTINO:** As a capitalist, if I were owning a bed and breakfast, the ability to do this, breakfast, dinner-- I assume you-- in-- you could raise your prices now, right?

**TODD KNOBEL:** Oh, absolutely.

**SORRENTINO:** Perfect. That's all I wanted to know.

**TODD KNOBEL:** Yeah, yeah, yeah.

**SORRENTINO:** All right.

**CLOUSE:** As a capitalist.

**McKINNEY:** All right, thank you. Other proponents?

**TODD KNOBEL:** I'm sorry. I'm sorry.

**McKINNEY:** You're all right. Any opponents?

**CLOUSE:** He's leaving, we're still here, so.

**KAY WUNDERLICH:** OK.

**CLOUSE:** Go ahead. State your name.

**KAY WUNDERLICH:** I was going to say "Thank you, Chair McKinney."

**SORRENTINO:** We come and go a lot.

**CLOUSE:** Yeah.

**KAY WUNDERLICH:** OK.

**CLOUSE:** State your name, and--

**KAY WUNDERLICH:** Time is starting now. OK. Good afternoon, Chair McKinney, and members of the Urban Affairs Committee. Our names are Jim and Kay Wunderlich-- it's spelled K-a-y W-u-n-d-e-r-l-i-c-h-- and we are here representing the B&Bs of Nebraska, a unique lodging with 25 minimum locations throughout the state, and the Nebraska Travel Association, NETA, which is consisting of nearly 100 organizations and

businesses from border to border that promote tourism throughout the state. We are also members of the Midwest Association of the Independent Inns, currently 15 Nebraska members, and we are here in-- today in opposition of LB520. We know some of Brad's [SIC] needs, and I think some of those are Lincoln-limited, but let me talk to you a little bit about what the B&B associations and unique lodgings play a vital role in both the generation of lodging tax and making Nebraska a truly unique place to visit. The Nebraska Tourism Commission reported a record \$9 million in revenue in taxes for lodging in 2024, up 12.5% from last year-- the last record of point-- \$7.2 million. Clearly, our industry is doing things right. NETA and our bed and breakfast partners have a number of issues and concerns with the burdens imposed on this legislation in its current form. First of all, the bill applies to B&Bs, but no such requirements, especially those on the fire suppression and the mitigation are non, non-- are not on Vrbo, Airbnbs, HomeAways, or other short-term rentals, which arguably have a lot fewer safety standards than B&Bs, where the owner-operator typically lives on the residence. Additionally, there is no oversight by any locally-- local governing body to hold them accountable for said standards. The bill particularly targets and "penaltizes" smaller B&B's under ten rooms who are less likely to be able to absorb the financial hit that the-- that comes with many of the requirements of LB520. The bill specifies that only use Grade A milk; that is unacceptable for those of us who run bed and breakfasts. Sometimes we have people with dietary needs; we need to give them other types of milk, like almond milk or other options. The bill states that the operator of the bed and breakfast will be certified to handle food by taking an exam offered by the department, and why should the state have to pay for that when we already have the salad-- "save surf" [SIC] course online for certification? Section 1, (15). The online course has been in effect for years. This bill awful-- also refers to installed sprinkler systems. According to LB546, which was tried to pass in July-- or was passed in July of '19-- the State Fire Marshal adopted rules and regulations, but in that pamphlet it also states in reference to installation, but not when doing so would impose an unduly severe or costly burden without substantially contributing to the safety of the persons or the property-- Section 2, (2)-- this should be on a case-by-case basis. If the property has a minimum, an operational interconnected battery "oper" smoke detector system, battery-powered or plug-in emergency lighting, and fire "extignatures" and a secondary means of egress, and monthly testing of such, this should be sufficient. Section 4, number 8. Lastly, the bill also states that a bed and breakfast that accommodates more than ten guests at any time and serves a hot brush-- shall equip its kitchen with a



fire suppression hood. As small independent lodgings, the need for a suppress-- fire suppression hood is extremely expensive and excessive. A normal bed and breakfast includes a bakery item, bacon/egg/cheese dish, and fruit. Deep-fried items are rarely served, if ever, so why the, the need for a fire suppression hood? Section 4, (8). Latest cost range start at minimum \$20,000, plus all the installations, and that's minimum. Many of the B&Bs are small, 1 or 2 owners, and our gross income would hardly cover this cost. We've been operating over 20 years and so have far-- have had no complaints about our food service. We operate the WunderRoost Bed and Breakfast outside of Lincoln. These points help illustrate the extensive burden you would be placing on small businesses with this legislation, as well as the cost to the government to oversee. Small, independent B&Bs and unique lodging help contribute to their state and local economy, and make Nebraska safer, an inviting place to visit. We understand that safety is important and the review that are now available-- the reviews that are quickly available for those traveling of the inns, so they can review the safety and quality that they-- before they book a room. This bill has been brought before the Senate [SIC] multiple times and failed. We are hopeful that either compromises can be met, or we can continue to operate on local compliances. The financial burdens would most likely close smaller B&Bs, as we have seen in the past few years with some of the additional regulations. Small, independently-owned B&Bs and unique lodgings help contribute to the state and local economies, and make Nebraska safer and make it a more unique-- and offer different options that aren't typically offered in motels. We appreciate the chance to share our testimony with you today, and we once again urge you to oppose LB50-- LB520 as it is written. With that, we are happy to take any of your questions.

**McKINNEY:** Thank you. Any questions? Senator Sorrentino?

**SORRENTINO:** Thank you, Chairman McKinney. I want to make sure-- you currently own Airbnbs, correct? Or, excuse me.

**KAY WUNDERLICH:** A bed and breakfast?

**SORRENTINO:** Bed and breakfast.

**KAY WUNDERLICH:** Correct.

**SORRENTINO:** So, that means that you fall in this range, you're not able to offer hot breakfasts, is that correct?

**KAY WUNDERLICH:** Well,--

**JIM WUNDERLICH:** We been doing it 20.

**KAY WUNDERLICH:** Under, under-- Nebraska statutes are different than Lincoln statutes [SIC]. And that's, that's, I think, where we're coming into a little misunderstanding.

**SORRENTINO:** I'm trying to see if there's a difference between prior testimony and yours.

**KAY WUNDERLICH:** Correct.

**SORRENTINO:** One says they can't, and you say you can?

**KAY WUNDERLICH:** Yes. And we--

**SORRENTINO:** Lincoln's still in Nebraska, right? What am I missing?

**KAY WUNDERLICH:** Correct. It's a-- well, we pre-make a breakfast, and it's-- they heat it up at their convenience, and-- but all bed-- most, most bed and breakfasts throughout the state, except in the city of Lincoln, are, are able to legally do that.

**SORRENTINO:** OK. I'll think a little bit. I may ask some more questions.

**KAY WUNDERLICH:** OK. That's fine.

**SORRENTINO:** Thank you.

**McKINNEY:** Thank you. Senator Clouse.

**CLOUSE:** Thank you, Senator. So, you said except for Lincoln, they can't do--

**KAY WUNDERLICH:** To my understanding. Yes.

**CLOUSE:** So, Lincoln is the exception.

**KAY WUNDERLICH:** Lincoln has different regulations. And we're, we're proposing to ditch this and go city-by-city and, and let each city have its own regulations and not make it a statewide mandate. That's what it would do to all the other--

**CLOUSE:** OK. So, some of these things that you'd mentioned, Senator Juarez has already had an amendment on it introduced, like getting rid of the hood, maybe not dairy milks, but, you know-- indicated a willingness to, to look at some of these things.

**KAY WUNDERLICH:** Correct.

**CLOUSE:** And, and you're OK with that, if we can sit down and work through those things?

**KAY WUNDERLICH:** We're, we're OK with taking some of those things off. However, we did not-- we were not made amen-- aware of those amendments until--

**CLOUSE:** Well, that's understandable. But yeah.

**KAY WUNDERLICH:** Correct.

**CLOUSE:** OK. Thank you.

**McKINNEY:** All right. Thank you. Any other questions? No? Thank you for your testimony.

**KAY WUNDERLICH:** Thank you.

**McKINNEY:** Are there other opponents? Anyone here to testify in neutral?

**SCOTT CORDES:** Opponent, sir.

**McKINNEY:** Opponent? OK.

**SCOTT CORDES:** Good afternoon, Chairperson McKinney, and members of the Urban Affairs Committee. My name is Scott Cordes, S-c-o-r-d-e-s, and I am the State Fire Marshal. I'm here to testify in opposition to LB520. Under this proposal, the agency would use adopted fire code standards except in certain carved-out areas for facilities classified as bed and breakfasts, where it would insert new requirements, such as the provision to remove the requirement for the fire sprinkler system in the facilities designed-- or designated as a bed and breakfast. The State Fire Marshal agency is required by Nebraska Revised Statute 81-503.01 (2) to adopt rules and regulations that generally conform to the requirements established within the National Fire Protection Association pamphlets. NFPA, the nationally-recognized leader in fire protection, develops these requirements through a collaborative, consensus-based process that involves input from all affected parties, including entities such as fire professionals, architects, engineers, business owners, educational professionals, and many others. The adopted fire code in Nebraska requires sprinklers in facilities that allow for overnight stays of six or more people. So, if you think about that, you could

have three couples here before these regulations kick in, but if you go-- if you want to go bigger, the rules apply. NFPA research shows that sprinklers reduce the rate of civilian fire deaths by 87% and injuries by 27%, and they can lower the risk of property loss by 70%. People staying in a bed and breakfast are not familiar with the building layout, and can easily become confused when trying to find the exits during an emergency. Fire sprinkler systems are designed to help contain the fire, allowing for greater escape times. The greater escape time can be a vital component in saving lives during an emergency. In closing, the potential safety benefits outweigh the costs associated with installing a sprinkler system in a bed and breakfast. Public safety is a paramount concern, and the state should maintain the standards set in the NFPA code requirements, and not adopt the reduced requirements listed in LB520. Thank you for your time. I'd be happy to answer any of your questions.

**McKINNEY:** Thank you. Any questions from the committee? Senator Cavanaugh?

**J. CAVANAUGH:** Thank you, Chair. Thanks for being here, Mr. Cordes.

**SCOTT CORDES:** Yes, sir.

**J. CAVANAUGH:** OK. So, I think Senator Clouse hit on this a little bit. I'm con-- a little confused. So, are all B&Bs required to have sprinklers installed currently?

**SCOTT CORDES:** Once you get greater than six.

**J. CAVANAUGH:** Anything greater than-- and is that greater than capacity for six, or, like, four bedrooms, essentially?

**SCOTT CORDES:** Yeah, the-- if you-- you know, you're, you're allowed to have three, three couples, for example, there. Once you get to the seventh person, that's, that's exceeding that requirement. So, I mean, you're asking if there's four bedrooms and one isn't used, would that? I mean, they're going to have to regulate how many are going to be rented at a time. But that's where the lodging and rooming regulations kick in. The National Fire Code Standard that classifies the, the governance for this facility starts once you exceed six.

**J. CAVANAUGH:** And did you hear Mr. Knobel's testimony about whatever the other type of fire suppression was? I didn't-- I didn't write down the name of it. Some kind of dry--

**SCOTT CORDES:** Well, the-- are we talking about over the cooking equipment?

**J. CAVANAUGH:** No, I think it was in-- it's in place of the sprinkler system-- installed sprinkler system. Some sort of-- you didn't hear that-- catch that part?

**SCOTT CORDES:** Yeah, I'm, I'm sorry. I'm not sure what we were talking about there.

**J. CAVANAUGH:** Well, he said something, and I didn't know he what was talking about either. And I guess I should have asked.

**SCOTT CORDES:** There's often confusion in the, in the, in the cooking area when we're talking about a, a hood system with a built-in suppression system, which may be dry or wet, that provides cook-- surface area protection. But that's only if it-- what they're cooking produces a grease-laden vapor, the, the type of stuff that, that has potential for a flash fire. If you're not cooking those type of foods, whether they're cold or hot, the hood system isn't required. So, that's-- you know, your choice in what you serve dictates what-- whether that system is installed or not.

**J. CAVANAUGH:** But there's no alternative bedroom or whatever fire suppression technology that you're aware of?

**SCOTT CORDES:** I'm not, not aware of anything that would reduce the requirement for a sprinkler system as an alternate here, so.

**J. CAVANAUGH:** OK. Thank you.

**McKINNEY:** Thank you. Senator Sorrentino.

**SORRENTINO:** Thank you, Chair McKinney. Just to be clear, the adopted fire code in Nebraska is required where there's overnight stays of six or more people. So, we're suggesting that, that does apply to bed and breakfasts.

**SCOTT CORDES:** Yeah.

**SORRENTINO:** And then, the testifier brought up Airbnbs and Vrbos. Would it apply to them also? So, if I rent my house out, it's not a business, but-- there is an event in Omaha, Nebraska, and 8 people want to stay in my house over the weekend. Does that apply to me?

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**SCOTT CORDES:** We generally classify those as simp-- single-family dwellings, so that's not captured by these regulations.

**SORRENTINO:** That would not be. But Air-- but B&Bs would? Bed and breakfasts?

**SCOTT CORDES:** Yes, yes. I'm looking at my legal counsel. Yes, they would be.

**SORRENTINO:** OK. Because they're in the business of providing overnight stays, whereas--

**SCOTT CORDES:** Right.

**SORRENTINO:** --mine was on ad hoc thing, the--

**SCOTT CORDES:** Right.

**SORRENTINO:** --College World Series was in town, I rented out my house--

**SCOTT CORDES:** Right. You're not in the business of overnight stay. That's a good way to rephrase it.

**SORRENTINO:** All right. Thank you.

**McKINNEY:** Thank you. Any other questions? Senator Clouse?

**CLOUSE:** Yes, thank you, Senator McKinney. So, the, the way this is structured, if, if it was less than ten or the six, you're OK with how it's written for, like, the rooms with the egress and those types of things?

**SCOTT CORDES:** Well, if they stay six or less, we, we have no business having, having anything to say about it, sir.

**CLOUSE:** OK.

**SCOTT CORDES:** If it goes greater, striking what's currently on the books and inserting this language diminishes what we feel is a necessary element of fire safety for the people that stay there.

**CLOUSE:** Thank you.

**McKINNEY:** Thank you. Any other questions? No? Thank you.

**SCOTT CORDES:** Thank you.

**McKINNEY:** Other opponents.

**JIM WUNDERLICH:** Waiting for the green light or not?

**McKINNEY:** Yeah, you can go.

**JIM WUNDERLICH:** OK. I'm sorry. I'm Jim Wunderlich.

**McKINNEY:** Yup. No problem.

**JIM WUNDERLICH:** Again. I and my wife, Kay, we operate the WunderRoost B&B. There was confusion. I was confused a little bit. We've been doing this for 20 years, approximately. We were-- 20 years ago, we were outside the Lincoln jurisdiction, outside the three mile limit. Again, we serve a breakfast, have since day one. I don't think anybody's ever gone home sick, you know, poison, whatever. I guess I can only say that's the way it is operated. I don't think we've ever been anywhere-- and we've stayed at a number of B&Bs in every-- any states in all the states we've, we've traveled to and never signed anything regarding any kind of disclosure about fire, kitchen, whatever. I guess we're-- again, we're on the farm, so we're maybe a little bit different than a lot of places. But again, we just try and provide a unique, pleasant experience for everyone. Now, the one thing that I did pick up on here-- and that's the only reason I kind of sat down-- there was a question about six people, as far as-- the issue comes into play after there's six people. Now, we live-- this is a 110, 115-year-old farmhouse that we live in. We typically hardly ever rent it out to more than two couples because of the bathroom situation. Everybody wants their own bath now. But we do have three bedrooms. But it is also our family home; we have family that come in. Typically, we're closed down just about the whole month of December because we have family that come to-- comes in from all parts of the country. It's-- again, we live there, we're not going to jeopardize our customers, our guests and ourselves and our family. If something, you know, is not safe. Not, you know-- not going to be, you know, an environment where we would, you know, want to stay in ourselves. So, I just-- again, I don't know, I-- most of us in this business are small mom and pop operations, if that's the right term to use anymore. But we are, and we just-- and in a lot of cases out in western Nebraska, in a lot of areas, it's the only place to stay, maybe, as far as lodging in a lot of these areas. So, it's-- it does provide a, you know, a unique service that a lot of people basically just are, are out there looking for when they're traveling. So, simple enough. Again, I don't know if there's any questions, but--

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**McKINNEY:** Can you please spell your name?

**JIM WUNDERLICH:** Oh, I'm sorry. Hardly. It's W-u-n-d-e-r-l-i-c-h.

**McKINNEY:** First name.

**JIM WUNDERLICH:** Jim.

**McKINNEY:** Can you spell that as well?

**JIM WUNDERLICH:** J-i-m.

**McKINNEY:** Thank you.

**JIM WUNDERLICH:** You bet.

**McKINNEY:** Any questions from the committee? No? Thank you.

**JIM WUNDERLICH:** Cool. Thank you, guys.

**McKINNEY:** Any other opponents? Anyone here to testify in neutral? No? Senator Juarez, you're welcome to come up. And for the record, as far as online comments, there were 2 proponents, 0 opponents, 0 neutral.

**JUAREZ:** Thank you. So, I just wanted to make sure that, you know, you took a careful look at the amendment sheet that I provided, because it-- I felt that part of the conversation was very confusing, but if you look at the amendments, I think it clarifies some questions. So, for my closing, I'd like to thank the testifiers for providing information. I understand the concerns regarding burdens on other bed and breakfasts, and those are certainly not intended. We want every bed and breakfast to operate safely and free of heavy regulatory costs. So, I look forward to working with both the Travel Association and the fire marshal to find a compromise to make these provisions work for both safety officials and bed and breakfast owners across the state. And as I stated previously, I think that the amendment was a good-faith effort to try to find common ground. And I'd like to thank you for your time and would like to know if you have any other additional questions for me.

**McKINNEY:** Thank you. Are there any questions from the committee? Senator Clouse.

**CLOUSE:** Yes, thank you, Senator McKinney. So, Senator Juarez-- so, a couple of these things we talked about, you would be extending additional amendments or clarifying a few of these things?



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**JUAREZ:** Well, I would be willing to bring that forth, but I just was-- my point I was trying to make was the amendment that has already been provided, I think provided good clarification for what's been submitted so far.

**CLOUSE:** But you would be open to a couple other things?

**JUAREZ:** Yes.

**CLOUSE:** I'm still worried about my apple pie that might be left over. Thank you.

**McKINNEY:** Thank you. Any other questions from the committee? Seeing none. Thank you.

**JUAREZ:** Thank you.

**KAUTH:** All right. Are you ready?

**McKINNEY:** Yeah. We're ready.

**KAUTH:** Thank you very much.

**McKINNEY:** Thank you.

**KAUTH:** Good afternoon, Chairman McKinney, and members of the Urban Affairs Committee. My name is Kathleen Kauth, K-a-t-h-l-e-e-n K-a-u-t-h. I'm here to present LB531. LB531 is designed to provide some relief from the overregulation that is endemic in building codes, specifically providing that relief to new construction or rental conversion projects that receive funding from the Affordable Housing Trust Fund. These projects would not have to meet the requirements of Section 72-805 related to complying with the International Energy Conservation Code and obtaining approval of building plans and specifications by the Department of Environment and Energy. By removing these requirements-- none of which affect safety-- each project could save several thousand dollars, which can make a significant difference to a homebuyer. As I'm sure you guys are all well aware, every time it costs more to build a house, we kick more and more people out of being able to afford that home. We have many experts behind me who are-- understand these regulations backwards and forwards, and I would ask that you ask any technical questions of them, but I am ready to entertain any questions.

**McKINNEY:** Thank you, Senator Kauth. Any questions from the committee? No? Thank you. Welcome up any proponents.

**K.C. BELITZ:** Good afternoon, Chairman McKinney. Members of the committee. My name is K.C. Belitz, K-.C-. B-e-l-i-t-z. I serve as director of the Nebraska Department of Economic Development, and I am testifying today in support of LB531. As Senator Kauth said, this would end a, a redundant regulatory requirement for certain housing programs that are administered by the DED. At present, any new construction project or rental conversion project that receives funding from the trust fund must have their plans pre-approved by Nebraska Department of Energy and Environment to ensure compliance with the 2018 International Energy Conservation Code. Currently, Nebraska statutes describe a public building as any building that is erected or repaired and for which any appropriation is made by the Legislature. As such, state building code requires that plans for housing constructed using grants from the Affordable Housing Trust Fund be pre-approved by NDEE for that compliance. In this sense, housing projects are being treated no differently than projects to construct public buildings to be managed by the Buildings Division of DAS. LB531 would exempt buildings constructed using funds appropriated by the Housing Trust Fund from the pre-approval for meeting the 2018 IECC standard; it would remain part of the state building code for any buildings constructed in Nebraska. Additionally, we would still require buildings constructed using those grants to meet that standard. It's already there. DED believes the pre-construction plan review and approval by NDEE is, is just redundant, and LB531 would significantly reduce the amount of time required to construct affordable housing in Nebraska while still meeting the minimum state standards for energy conservation. So, we are supportive of this legislation. I understand there are conversations that are going on about ways to enhance it, and as always, our department is happy to be a resource in those conversations. We're thankful to Senator Kauth and the Legislature for considering this change; making it would enable our, our department's housing team to more efficiently turn funds into housing, and that is everybody's goal here. So, as the Senator referenced, I believe there are others who are dealing with this day-to-day who will testify and, and certainly can answer questions. But I'm also happy to entertain questions from the department's perspective, if there are any from the committee.

**McKINNEY:** Thank you. Are there any questions from the committee?  
Senator Cavanaugh.

**J. CAVANAUGH:** Thank you, Chair. Thanks for being here.

**K.C. BELITZ:** You bet.

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**J. CAVANAUGH:** So, just so I understand. Your testimony is that this doesn't eliminate the requirement that they meet the standards, it's just that they don't have to submit for pre-approval?

**K.C. BELITZ:** Each time. Right, right.

**J. CAVANAUGH:** What-- I guess, what's the purpose of the pre-approval?

**K.C. BELITZ:** Honestly, I'm not, I'm not sure we understand the, the purpose, other than it's redundant. I-- that, that's the point, maybe, that there is not necessarily a, a purpose. We think it's already handled, and, and this piece of the pre-approval is, is just doing it over. It's redundant.

**J. CAVANAUGH:** OK. Thanks.

**McKINNEY:** Thank you. Any other questions from the committee? So, they would still have to adopt the, the codes?

**K.C. BELITZ:** Yeah, they still have to comply with the building codes, of course. Yep. Yep.

**McKINNEY:** OK. They just don't have to--

**K.C. BELITZ:** They don't have to go through NDEE to prove they're doing it, and then do it again.

**McKINNEY:** OK. All right. Thank you.

**K.C. BELITZ:** Yep.

**McKINNEY:** Senator Clouse?

**CLOUSE:** Senator McKinney. And it's the 2018 codes?

**K.C. BELITZ:** Right? Yeah, there are, as you may be alluding to-- there's also 2021, which federal-- any program with federal funding, that, that's on the 2021. But yeah.

**CLOUSE:** Thank you.

**McKINNEY:** All right. Thank you. Any other questions? No? Thanks.

**K.C. BELITZ:** Thank you.

**McKINNEY:** Any other proponents?

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**AMANDA BREWER:** Good afternoon, Senator McKinney, and members of the Urban Affairs Committee. My name is Amanda Brewer, A-m-a-n-d-a B-r-e-w-e-r, and I serve as the CEO of Habitat for Humanity of Omaha. Thank you for the opportunity to testify in support of LB531. I'm not going to repeat everything that Mr. Belitz said, but I agree with him 100%: this is redundant, it takes time, it costs money, and it delays projects. Senator Kauth asked us this summer what she could do to speed up the construction of housing and to remove regulation and barriers, and this is-- this was our strong recommendation. This causes 6- to 8-week delays and is very inefficient with redundant-- a redundant process. I'm happy to answer any questions.

**McKINNEY:** Thank you. Any questions from the committee? Senator Clouse.

**CLOUSE:** Thank you, Senator McKinney. Can you explain the process you go through, like, for the Habitat homes, that-- why it makes it redundant?

**AMANDA BREWER:** Yes. And the reason it's redundant is because, exactly as he said, we're already following energy codes-- the IECC, which is the International Energy Conservation Code 2018, in every municipality that we build in. This is a process that goes through the DED and-- or, or that's-- actually, actually it's not clear for me who requires it, but we have to submit our plans, the Nebraska Department of Energy and Environment reviews those. It takes quite a while. They return those plans, they have to be approved by the DED, and then, and then we can go, but it just takes a while.

**CLOUSE:** So what you're saying is that it shouldn't go through that, it should just go to the DED and let them review it, or--

**AMANDA BREWER:** It's already-- it's completely unnecessary to go through anyone other than the, the municipality because--

**CLOUSE:** Oh, municipality. OK.

**AMANDA BREWER:** --the codes-- it's, it's the same.

**CLOUSE:** OK. So, when you submit it, you submit your building plans, or you go through the planning-- the department at the city--

**AMANDA BREWER:** Yes.

**CLOUSE:** --then you have to turn around and go get it approved through the DED or--

**AMANDA BREWER:** Yes.

**CLOUSE:** --the other processes.

**AMANDA BREWER:** Yes. And this is just for funds-- houses that are built with funds utilized by the Nebraska Affordable Housing Trust Fund.

**CLOUSE:** OK. Thank you.

**McKINNEY:** Thank you. Senator Sorrentino?

**SORRENTINO:** Thank you, Chairperson. I-- just a quick question. How long has this been a problem? Or is this just something new?

**AMANDA BREWER:** It's been a problem-- it's been a problem for a while.

**SORRENTINO:** It's been a problem.

**AMANDA BREWER:** Yeah. And we're so pleased to have the chance to fix it. It feels so obvious that this is a redundant process.

**SORRENTINO:** You're answering my second question. Who would oppose this?

**AMANDA BREWER:** Nobody. It's, it's ridiculous.

**SORRENTINO:** So, there's nobody going to be testifying-- [INAUDIBLE]  
[LAUGHTER]

**AMANDA BREWER:** Now, actually, I did speak to a few of my neighbors behind me, and, and--

**SORRENTINO:** It's a good-- I like "neighbors." OK.

**AMANDA BREWER:** --and I think there may be some confusion on the bill,--

**SORRENTINO:** OK.

**AMANDA BREWER:** --especially since it's--

**SORRENTINO:** I guess we'll find out.

**AMANDA BREWER:** --side by side with a future bill. Senator Kauth also let us know that some environmental agencies might have called her office. But in this particular case, this is a process issue. We're not changing the code. We just want us to be able to utilize the city

process for permitting and not have this extra step, doing the same thing that goes through the state.

**McKINNEY:** OK.

**SORRENTINO:** Thank you.

**McKINNEY:** Senator Cavanaugh.

**J. CAVANAUGH:** Thank you, Chair. Thanks for being here. I, I, I, I read the comments, and a lot of the opponents think that it's not going to hold these buildings to this standard. And so, that's-- it seems to be, and I'm just looking at it, and it does say-- maybe there's-- I'm misunderstanding it. So, projects that receive funding on the Affordable Housing Trust Fund to meet requirements of Section 72-805 related to complying with the international conservation code. So, it says the permit shall not require them to comply with the international conservation--

**AMANDA BREWER:** But they still have to apply-- they still have to follow city code.

**J. CAVANAUGH:** OK. So, it's just saying that the Department of Economic Development is not going to hold them to this standard. You-- your projects will still be held to this standard.

**AMANDA BREWER:** Absolutely, because that's what city code requires. And actually, it's Nebraska code, I believe, as well.

**J. CAVANAUGH:** So then, probably the source of the confusion is that it reads that way, that there-- that's what the bill says, I guess.

**AMANDA BREWER:** Right.

**J. CAVANAUGH:** So--

**AMANDA BREWER:** And sometimes in order to clean up something, it has to be very specific. But I'm sure-- if there's a way to clarify it, I'm sure Senator Kauth would be open to that.

**J. CAVANAUGH:** All right. Thank you.

**McKINNEY:** Thank you. Senator Clouse.

**CLOUSE:** Yeah, thanks, Senator McKinney. So, what you're-- and maybe provide some clarification. So, the city's adopted 2018 IECC codes,--

**AMANDA BREWER:** Mm-hmm.

**CLOUSE:** --so they don't do anything unless it fits that code. So, when you're referencing the cities, that's, that's the code that they're following, that they've adopted it after this date-- adopted it.

**AMANDA BREWER:** Yeah, exactly.

**CLOUSE:** And, and, and you're very confident about the opposition. And I used to be that way, too, till I got elected and got in this place. There's always opposition.

**AMANDA BREWER:** Well, I, I, I think there is opposition today, but, you know, maybe there's some ways to clarify the language.

**CLOUSE:** Thank you. That was a good clarification on, on process.

**AMANDA BREWER:** Yeah.

**McKINNEY:** Thank you. Any other questions? No? Thank you.

**AMANDA BREWER:** Thank you.

**McKINNEY:** Other proponents.

**JUSTIN BRADY:** Senator McKinney and the members of the committee, my name is Justin Brady, J-u-s-t-i-n B-r-a-d-y. I appear before you today as the registered lobbyist for the Nebraska State Home Builders, the Metro Omaha Builders, the Home Builders of Lincoln, and the Nebraska Realtors in support of LB531. As you previously heard, this is about getting rid of redundancy; it's not about eliminating the energy code applying to affordable housing projects. It is, as already previously been discussed, if I-- one of my people I represent, if they had a project, they would have to present the plans to the city to show that they adopted whatever the local code was. By state law, it has to be 2018, or cities can make it greater. So, the project still would have to comply with the energy code. All this is saying is after they've proven that it's complied with the energy code and they move forward, they don't also have to fill out paperwork with DED and wait for them to go through their process to say, yes, you did comply with the state code, which the city already said you did, and it speeds up that process. So, I think I would ask that the committee advance this bill with an issue with redundancy. I would also ask-- you know, I spoke a little bit to Senator Kauth-- I think there are a couple other housing programs that I think you also should look at. The middle workforce housing and the rural workforce housing are also ones where, you know,

you'd have-- potentially have this redundancy as well, to move forward. So, with that, I'll try to answer any questions.

**McKINNEY:** Thank you. Any questions? I have one. Maybe you can answer this. Do you know when and why this was put in?

**JUSTIN BRADY:** I do, only because I was lucky enough, Senator, that it, it actually says it, I believe on line 17, that it said any funds after gi-- July 1, 2020. And so, it was put in-- and I remember representing the, the building industry at the time. It was-- because there was always this discrepancy of what codes were locals adopting. Were they adopted the '18, the '15, the '21? And there at least was a discussion in the Urban Affairs Committee, which then moved to the floor and passed, which said when it comes to state buildings, we want to have it be at least the 2018 code. That-- so, at the time, it was-- I would say you were moving state buildings above what some locals were. Now, looking back, sitting here in 2025, all the locals have adopted at least the 2018 code, so it's not-- we aren't bypassing the system any more. If you had done this five years ago, I would-- I'd prob-- I'd have to sit here and say, well, there are some communities who are actually going to get a benefit and not have to abide by the code. That's not the case today, as they've all had to upgrade to the 2018 code. But so it's been in the last 4 or 5 years, and so I think that's what you're finally seeing this as redundancies, you know, to your question, Senator Sorrentino. It's taken a couple cycles of these grants for people to finally realize, wait a minute, we're doing this redundancy, let's figure out how to get rid of it.

**McKINNEY:** OK. Thank you.

**JUSTIN BRADY:** Yeah.

**McKINNEY:** Any other questions? No? Thank you.

**JUSTIN BRADY:** Thank you.

**McKINNEY:** Other proponents.

**ADAM FLANAGAN:** Good afternoon, Chairman McKinney, and members of the Urban Affairs Committee. My name is Adam Flanagan, spelled A-d-a-m F-l-a-n-a-g-a-n, and I'm testifying in support of LB531 on behalf of Welcome Home. As some of you know, we are an organization comprised of individuals, businesses, financial institutions, and other nonprofits committed to partnering with elected officials to make meaningful changes and improvements in the public policy arena to allow young families, first-time homebuyers, and future Nebraskans to own a home.



We're particularly focused on improving the regulatory environment in our communities. Before I go any further, I do want to thank Senator Kauth for introducing LB531. I do think we can all agree that the housing shortage in Nebraska is real, and it is significant; we lack tens of thousands of available affordable housing units in our state due in part to the regulatory environment. Most of these regulatory requirements add to the cost of a house with little to no benefit to the homeowner. In fact, they are pricing families out of being able to afford to buy a home \$250, \$500, or \$1,000 at a time. Whatever that number is, we all must ask ourselves, when presented with an additional regul-- regulation or bureaucratic fix where the final cost will be passed on to the home buyer, is this cost or delay worth keeping families out of the homebuying market? This answer is often no. Senator Kauth's bill keeping the regulatory measures to the 2018 and, and-- energy codes and allowing the local municipalities to enforce those codes just makes common sense. And in fact, we would actually like to see the broader application of this common sense and apply it to all new construction housing. For every \$1,000 of increased costs to a new construction home, over 50 families in the Lincoln metro area and over 400 families in the Omaha metro area are unable to purchase that home. If this bill reduces the delay and reduces the cost of new housing, then that just increases the amount of new homebuyers for the state of Nebraska. Again, I want to thank Senator Kauth for introducing this bill and shining a light on how the regulatory environment impacts the housing crisis in our state. And from there, I would be happy to answer any questions.

**McKINNEY:** Thank you. Any questions from the committee? Senator Cavanaugh.

**J. CAVANAUGH:** Thank you, Chair, and thanks for being here, Mr. Flanagan. You-- probably should have asked somebody else this. Do you know how many projects we're talking about here? Like, how many--

**ADAM FLANAGAN:** That would be a great question for Amanda.

**J. CAVANAUGH:** I should have asked somebody. It's always the way, right? Should have asked one of the people who already came through. I'm just looking at the fiscal note, and I don't underst-- if, if Senator Kauth was bringing a bill that required, say, DAS to review one more piece of paper, we'd get a fiscal note saying they had to hire another person. So, I'm just curious how many pieces of paper it takes to have them save money. But my other question was, you, you alluded to eliminating regulations for all other types of housing.

What, what other regulation are we talking about for state housing? State regulations for housing. New construction.

**ADAM FLANAGAN:** New construction? Well, we're about to get into that on the, the next bill. But that's, that's-- the, the, the next bill that's going to be brought up will increase housing costs significantly. You're going to hear from a lot of opponents, and they'll give you those numbers when they come testify on LB611. But increasing codes from 2018 up to 2021 with limited homeowner benefit is detrimental to keeping the housing costs down.

**J. CAVANAUGH:** I guess my question was-- you said eliminate others, so are there other sort of requirements like this, of reporting requirements that we're talking about for other--

**ADAM FLANAGAN:** Not on specifically state-funded projects.

**J. CAVANAUGH:** OK. All right. Thanks.

**McKINNEY:** Thank you. Any other questions? Senator Rountree.

**ROUNTREE:** Thank you, Chairman McKinney. Sir, thank you for your testimony today. We are eliminating a process step. Are there any fees that are associated with this particular filing step that we'd be reducing as well?

**ADAM FLANAGAN:** There are always application fees. So, the-- I think the, the bigger concern is the delay in, in projects on this particular bill, in the redundancy. By eliminating that extra step, you're, you're saving, you know, weeks and/or months at a time. And any time you can save time, that reduces costs.

**ROUNTREE:** OK. Thanks.

**McKINNEY:** Thank you. Any other questions? Senator Andersen.

**ANDERSEN:** Thank you, Chairman. And thank you for your, for you time. I apologize, I had a different committee, so I missed the opening by Senator Kauth. But from what I've read and what I've heard you say, it appears as if this, this bill is going to eliminate over-- overreaching, burdensome regulations. Is that, is that a fair characterization?

**ADAM FLANAGAN:** Yeah. It's eliminating the redundancy of filing multiple applications, essentially, where-- the local municipalities already have their energy codes in place, so the redundancy of filing

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a separate application through the state is, is unnecessary and will reduce some application costs and will also reduce time.

**ANDERSEN:** Thank you.

**McKINNEY:** Thank you. Any other questions? No? Thank you.

**ADAM FLANAGAN:** Thank you.

**McKINNEY:** Other proponents. Any opponents?

**BRYCE PUCK:** President's. And that's when I said, you know, who could have voted for. Good afternoon. My name is Bryce, B-r-y-c-e, Puck, P-u-c-k. I'll disclose now that I am a licensed professional engineer for the Nebraska Department of Environment and Energy. And I'm here as a concerned citizen, and I'm neither testifying on behalf of the NDEE or representing NDEE's position on the bill. I would consider myself one of the most knowledgeable people on the review process outlined in statute 72-805 and energy code applicability in Nebraska in general, and would like to offer, offer both objective concerns and more subjective concerns as well about LB531. I'll start off by going over more objective issues with this bill. First and foremost, there appears to be a conflict on the various documents and statements about this bill and what it exactly it aims to do. It seems like we covered that a little bit with the people who've talked to us already. The statement of intent says that this bill aims to exempt buildings constructed with state funds from complying with the 2018 IECC, the Nebraska Energy Code. We've kind of established that's not what this bill is trying to do, and that's not what the bill states. So, we'll kind of skip on ahead to what this bill appears to aim to do, is exempt these buildings being constructed with state funds from the Affordable Housing Trust Fund from needing to comply with Statute 72-805. 72-805 outlines the plan review and approval process for energy code compliance for state-funded new construction. This statute states that the Department of Environment and Energy specifically is the entity to carry out the review process for the Nebraska Energy Code compliance, and provides a copy of the review to the agency receiving funding. It then goes on to say that the agency receiving funding must verify that the building, as constructed, meets or exceeds the code, which essentially means that it was built according to the approved plans. To my knowledge, this typically takes the form of a signed letter from the builder or developer, you know, something they sign off on, saying that they built according to the approved plans. So, what's odd about the way the LB531 is written is that it states that the Department of Economic Development shall not require

builders to meet the requirements of 72-805. This phrasing is a little odd, as the state-funded plan review process has never really been carried out because of a requirement from the Department of Economic Development. For example, if a builder called into the NDEE today to ask about why they would need to submit plans for review when they've received state funding for a project, the NDEE would say it's because the state Legislature passed a law-- 72-805-- saying that the NDEE must review the plans for energy code compliance for all new buildings constructed with state funds; at no point is there a mention of a requirement from DED or any other body. DED typically lets builders know about the statutory requirement, but it's not DED themselves that is requiring this review to be done. In fact, if anyone has the authority to promulgate rules and regulations to carry out 72-805, it is the Department of Environment and Energy, as explicitly stated in the statute. The NDEE has a policy to get initial review of the plans completed within 20 days, and I'll kind of touch back on that because it seems delay was a big concern people had. I believe I understand what this bill is attempting to do, but as written, I believe this will cause significant confusion on what is required and what isn't. If this bill passes as currently written, I could see a scenario in the future where a builder calls in saying that DED told them they're not requiring the plans to be approved by the Department of Environment and Energy anymore for energy code compliance, but then the NDEE says, well, they weren't really the ones requiring it before, so we're still legally required to follow the process. And this is mostly a problem with the way the bill is written right now. If you want certain funded projects to be exempt from the review, the bill should probably just say that instead of talking about a DED requirement that doesn't really exist. Moving on to potential liability concerns and this bill's counteractive stance to the legislative findings, it is worth noting that even though the 2018 IECC is required statewide, no matter what, as I mentioned before, while enforcing 72-805, the NDEE still commonly receives building designs that do not meet the code. In fact, most do not meet the code. I'll say that again: most plans submitted to the Department of Environment and Energy are below code. This review process exists to confront that reality and make sure that the state is getting the quality of product that it is paying for, and should be legally getting anyway. The, the review is done proactively in the planning process, because it's much cheaper to catch and correct these problems when they're just lines and text on paper. I cannot stress this enough: a code-compliant house is the worst house you can legally build in the state of Nebraska. That's all that means; we're not asking for anything above that. If the worst house that can legally

built in Nebraska is prohibitive to construction, that is an entirely different discussion. Statutes 81-1616 and 81-1625 allow for building owners to submit a written request to the NDEE within two years of occupancy to inspect the building for energy code compliance. This could potentially happen with a state-funded project, and if the plans are not reviewed and approved beforehand, energy code compliance issues could be found. The NDEE can then order the builder to correct the issues. This would be a much greater financial burden to the builder, and would cause significantly more uproar than just correcting these problems in the planning phase. This also exposes the builder to potential civil legal action and expenses from the occupant that purchased the home. This scenario is eliminated by having the review and verification process outlined in 72-805, and is one of the primary reasons for its existence. As far as optics are concerned, it will likely be hard to encourage local code jurisdictions to fully enforce the Nebraska Energy Code, as the state would not even be effectively proactively enforcing its own code for projects that it paid for. This is presumably not a message the state would like to send. On top of that, the legislative finding in statute 81-1608 specifically mentions the need--

**McKINNEY:** Can you wrap up?

**BRYCE PUCK:** --for the 2018 IECC--

**McKINNEY:** Red light's on.

**BRYCE PUCK:** What does that mean?

**McKINNEY:** You got to stop.

**BRYCE PUCK:** Oh, OK. All right. Well, I'll skip to the end, I guess. In closing, the way LB531 is written currently appears to aim to waive the review process. Key takeaways are this process exists to protect Nebraska from receiving an illegal and lower-quality building that it's paying for, and exists for the benefit of the builder as well. The Nebraska Energy Code applies statewide regardless of funding source. It is much cheaper and causes less problems for the builder to correct noncompliance issues during the planning process as opposed to after construction. I guess we can go to questions. I'm supposed to stop talking then.

**McKINNEY:** Thank you. Any questions? Senator Sorrentino?

**SORRENTINO:** Thank you, Chairman. I have a few.

**BRYCE PUCK:** Yeah, sure.

**SORRENTINO:** Clearly I was wrong, there is opposition.

**BRYCE PUCK:** Yeah, well, I just-- I-- there's a lot of confusion about this process, and I just want to clarify.

**SORRENTINO:** Well, it's only the eighth time I've been wrong today, so--

**BRYCE PUCK:** Nah, don't worry about it.

**SORRENTINO:** I don't want you [INAUDIBLE].

**BRYCE PUCK:** Don't worry about it. It's--

**SORRENTINO:** So, one thing you said that really caught my attention, that most of these homes built-- we'll say out of Habitat for Humanity-- really have violations.

**BRYCE PUCK:** Well, not built; the plans we get submitted--

**SORRENTINO:** The plans. OK.

**BRYCE PUCK:** --to our office are not in compliance.

**SORRENTINO:** So currently, the-- are those issues caught? And they have to go back and say, hey, you got to fix it before we get it built? Is that [INAUDIBLE]

**BRYCE PUCK:** Mm-hmm. They just revise the plans and resubmit, and usually, we'll-- so, when we receive the submittal, within 20 business days, we'll get our list of concerns or compliance issues with the plans. If there's none, there's none. And then, the approval goes out and everything's great.

**SORRENTINO:** And--

**BRYCE PUCK:** And then the part that kind of takes the most time is usually waiting for the revisions to be done. And, you know, that can take as long as it takes for them to get back to us.

**SORRENTINO:** So, the prior testimony that it was, if you would, duplicative; we did it once, we don't want to do it again--

**BRYCE PUCK:** Well, that's in Lincoln or Omaha or Grand Island or even Valentine, but a lot of rural areas in Nebraska don't really have

local code enforcement, so it's not really redundant in those cases. And that's also another reason for why this exists, and I kind of had to skip over there.

**SORRENTINO:** And one of the reasons where it's-- this bill is being put forth is to save costs. One of them. One of the reasons. But you're suggesting that we're penny-wise and dollar-foolish.

**BRYCE PUCK:** Well-- and in theory, how would this save cost? If they have to meet the code anyway, what building cost is being saved? Right?

**SORRENTINO:** Well, I, I think the implication was if it went to the first inspection it was fine, you don't need a second one. That's-- time is money.

**BRYCE PUCK:** Yeah. I mean, you could plan ahead a little more. I mean, the-- it's a free approval process, and it does catch these issues that-- which would incur a greater energy burden on the occupants, which I imagine we would not want to pass down to them.

**SORRENTINO:** Do I recall at the beginning of your testimony you're not testifying on behalf of the department, but instead as a-- I think you said concerned citizen?

**BRYCE PUCK:** Yes. Yeah. And, and a professional.

**SORRENTINO:** Why, why are you not testifying on the behalf of the department?

**BRYCE PUCK:** I--

**SORRENTINO:** Do they not share your views, or?

**BRYCE PUCK:** I-- they're-- they have no official stance on the matter. And I, I--

**SORRENTINO:** Should they?

**BRYCE PUCK:** I'm not going to tell them what to do and what not to do. I'm just a professional that knows a lot about this topic.

**SORRENTINO:** Thank you.

**McKINNEY:** Thank you. Senator Clouse?

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**CLOUSE:** Yes, thank you, Senator McKinney. So-- and I might have missed this-- you-- even if you bypassed the front, are you required to review it at the end?

**BRYCE PUCK:** At the end? So--

**CLOUSE:** When the project close out?

**BRYCE PUCK:** So, this is a weird part of the statute, and something that can maybe be taken a look at. So, the statute says that the agency receiving funding verifies that it was constructed according to the plans. And again, that's usually just-- to my knowledge, because this is a process the agency receiving funding follows-- it's just a signed, signed letter that states, from the builder or developer, that we built this building according to the plans approved on this date by the Department of Environment and Energy. As far as what exactly they do beyond that, that's up to the funding agency.

**CLOUSE:** Another question, what type of things in, in-- wearing your other hat, what type of things do you find that were not-- missed or wrong?

**BRYCE PUCK:** Yeah. So, a big thing is air conditioning systems. A lot of times, they're oversized, which leads to higher energy costs. Basement wall insulation. If it's a slab-on-grade home, a lot of times the insulation isn't all the way up to the top of the slab edge, as it's supposed to be. Mechanical fresh air ventilation, a lot of times there's-- it's not there, just in general. Sometimes duct testing, if there's ductwork outside the, the building envelope. We don't get that a lot in Nebraska because we have basements in most of our houses, so we keep all our ductwork kind of inside. It's just stuff like that. And a, and a lot of it is kind of smaller things, but they make a big impact on the energy usage of the home, and life of equipment too, especially in mechanical systems, if they're short-cycling and turning on and off more, they break faster.

**CLOUSE:** Follow-up. Do you ever have contractors say, what are you doing this for?

**BRYCE PUCK:** Well, yeah, they ask why they have to do it, and I direct them to the statute and say we're just enforcing as we're legally required to do.

**CLOUSE:** So, we'd be better off getting rid of that statute?



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**BRYCE PUCK:** I mean, they wouldn't have to complain, because they don't-- no one would be watching. But I don't know if that's what we want to do. I mean, that's not my decision, I suppose.

**CLOUSE:** OK. Thank you.

**McKINNEY:** Thanks. Any other questions? Senator Cavanaugh?

**J. CAVANAUGH:** Thank you, Chair, and thanks for being here, Mr. Puck. So, the-- when they send it to you for review, has it already gone through the local approval? So, like, Omaha gets a free review from you, then.

**BRYCE PUCK:** Potentially, I guess. I mean, I don't know who it goes to first. If it goes to us first, if it goes to the city first, if it goes to both of us at the same time. You know, we're not really a part of that part of the process.

**J. CAVANAUGH:** So, you get it and you send comment, or give comment.

**BRYCE PUCK:** Mm-hmm.

**J. CAVANAUGH:** And you said most do not meet the standard first time [INAUDIBLE]

**BRYCE PUCK:** Most that go through the standard plan review process don't. We do get a fair number-- we have a few different ways to comply with meeting the code, and another way involves licensed engineers and architects signing off on a few elements. But a lot of projects, especially single-family homes, don't have a licensed engineer or even an arc-- licensed architect on it, so they have to go through the full plan review process. Those are the ones that take longer, because it's a plan review; it's not just signing-- having a few people sign a piece of paper and submit it to us. Those are the ones where we really catch a lot of the same issues over and over again, a lot of times. But that's where we catch the problems.

**J. CAVANAUGH:** Thank you.

**McKINNEY:** Thanks. Any other questions? No? Thank you. Are there any other opponents?

**JEFF McCASLIN:** Good afternoon. My name is Jeff McCaslin, J-e-f-f M-c-C-a-s-l-i-n. I'm a mechanical engineer from Omaha, Nebraska. I'm here today representing the American Society of Heating, Refrigeration and Air-Conditioning Engineers. And what I've just passed out to you

is, is testimony I'll be delivering on behalf of our society president, Dennis Knight. ASHRAE is a professional technical society of more than 55,000 members dedicated to energy efficiency, indoor air quality, resiliency and sustainability in the built environment. Through our society's research, standards, writing, publishing, certification, and continuing education, ASHRAE shapes tomorrow's global built environment today. As one of the premier subject-matter experts on the built environment, and on behalf of our 415 members here in the state of Nebraska, we wish to convey our opposition to LB531 and urge you to vote down the bill in your committee. As it's written, LB531 would, if passed, create an exemption in state's building code where new construction that receives funding from the Affordable Housing Trust Fund would no longer need to meet the minimum requirements of the state's building energy efficiency code. I think we've seen in the discussion today that that's not the intent of the bill, but as it reads, at least in my eyes, that, that is what it says. If I'm wrong, I apologize. Simply put, this proposed policy is penny-wise and pound-foolish. While it may result in lower upfront construction costs, it would also lock in a lifetime of higher energy utility bills. This legislation provides no alternative minimum standard to meet, and instead is a blanket exemption from complying with any energy efficiency code or standard whatsoever. This makes it hard to quantify the cost savings, but what we would expect to see is the housing that is exempted from complying with any energy code would be substantially less energy-efficient. This, in turn, would burden the building owners or tenants with higher utility bills every single month. This is concerning, because mortgage default rates are lower for homeowners who have homes built to modern energy standards. They simply have more money in their pocket each month, and subsequently have an easier time keeping their heads above water. Inversely, Nebraskans living at or below the poverty line are much more likely to be energy burdened. That is to say, they are more likely to spend a disproportionately high percentage of their income paying their utility bills. We would expect this legislation to exacerbate this trend. In contrast, a family living in a home built to an updated "modern energy" code should expect to save \$138-- \$163 more per year on their utility bills versus the current standard adopted in Nebraska. These savings, and perhaps even more, would be lost if the housing detailed in this legislation is allowed to be exempted from the state's building energy code requirements. There are also community-wide resilience improvements created by having more energy-efficient building stock in Nebraska. When extreme weather hits, buildings that are drawing less power help the grid stay online

for everyone. If the power does go out during extreme weather, buildings constructed to a modern energy standard keep their occupants safer for longer than buildings constructed to outdated codes. Again, these resiliency benefits would be lost if the housing detailed in this legislation is allowed to be exempted from the state's building energy code requirements. For these reasons, ASHRAE opposes LB531, and urges you to vote down this legislation in your committee. If you have any questions, please feel free to reach out to ASHRAE at GovAffairs@ashrae.org. Thank you for your work to improve building performance and improve the lives of Nebraska residents. And lastly, I'd like to wish you all a happy Engineers Week.

**McKINNEY:** Thank you. Are there any questions from the committee? Senator Cavanaugh.

**J. CAVANAUGH:** Thank you, Chair. Thanks for being here, Mr. McAllister-- McCaslin. Sorry.

**JEFF McCASLIN:** No problem.

**J. CAVANAUGH:** So, what is Engineers Week?

**JEFF McCASLIN:** National Engineers Week promotes the accomplishments of engineers past and present, and also encourages STEM education at all levels. Our particular chapter has a, an incentive where we, we read to secondary classes across the city of Omaha every year a book about engineering written by an ASHRAE member. I was actually just here last week for the signing ceremony for, for EWeek, so it's something we, we hold near and dear. Because we've got great engineers today, but we need more tomorrow.

**J. CAVANAUGH:** I just want to make sure I'm not supposed to have bought my wife flowers or something.

**SORRENTINO:** I think you need to.

**JEFF McCASLIN:** Is she an engineer?

**J. CAVANAUGH:** She is.

**JEFF McCASLIN:** Then you should. You got all week, though.

**J. CAVANAUGH:** A mechanical, mechanical, though, nonetheless. So, OK. I was just kind of flipping through your testimony. And so, you're talking about the importance of holding these buildings to the standard, but if the bill-- I mean, I, I generally agree with-- that

there's a little bit of confusion in how the bill's written, but I-- the intention of the bill is just to eliminate the reporting requirement, do you have a problem with eliminating the reporting requirement if we cleaned up the language in a certain way? Or?

**JEFF McCASLIN:** I don't, I don't believe I do. I think that if it were more clear that it was just-- that we're maintaining the 2018 IECC standard that, that-- and then, we're, we're building buildings to that standard, I don't have an issue with that. I don't know. I'm, I'm not a subject matter on this. I don't know if every municipality in the state of Nebraska has a city code that ascribes to that. I don't know the answer to that, but my concern would be, you know, hey, we're great in certain parts of the state, but other states [SIC], if they have not adopted the municipal accords-- codes, or have a review process that would allow them to enforce them, that we would be doing a disservice to future tenants and homeowners across the state.

**J. CAVANAUGH:** OK. Thank you.

**McKINNEY:** Thank you. Senator Sorrentino?

**SORRENTINO:** Thank you, Chairman McKinney. By the way, engineers get a week; lawyers get a day. Probably more than they deserve. I, I always ask this question when I'm not 100% sure. I, I don't know a lot about ASHRAE, but-- not your personal, but, but the organization's interest in this is purely out of safety, not, not-- we're not form over substance; it's not about the wording of the bill, necessarily, or the intent of the bill. Yours is-- you feel that this could present a safety issue down the road, or a cost issue on energy. Is that-- am I reading your testimony correct?

**JEFF McCASLIN:** Energy efficiency built-- energy-efficient buildings can solve a lot of problems. One of the problems being it costs a lot of money for electricity, and [INAUDIBLE].

**SORRENTINO:** \$163, allegedly. Right? Per year?

**JEFF McCASLIN:** The \$163 difference would be the-- for the state of Nebraska, the difference between the current 2018 standard and the proposed 2021 standard, which is the next bill up for debate. So, that's, that's where that number comes from. But yeah, there's costs associated with the safety, absolutely. When we're talking about-- as, as I had mentioned, during power outages, you know, if, if it's, you know, -10 degrees outside like it's been today, and you lose power or, or you lose the ability to heat your home, a well-insulated home keeps

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you safe for a lot longer than one that may not be built to modern standards.

**SORRENTINO:** So how could Senator Kauth cure your concern in the wording of this bill? Or can it be cured?

**JEFF McCASLIN:** Well, I think that if-- I don't know that the specific phrasing, the-- where it says exempt from 2-- IECC 2018 standards. I believe that's-- I don't have the bill in front of me, but I, I-- if, if the intent is to do away with the duplicate review process,--

**SORRENTINO:** Right.

**JEFF McCASLIN:** --then why mention the building standard at all? As it reads to me-- and I'm not a lawyer, but as it reads to me, it,--

**SORRENTINO:** You're lucky.

**JEFF McCASLIN:** --it appears to say buildings built using these funds do not have to abide by these standards. And so, that's, that's-- that is where-- that's where we actually raised the alarm and said we need to speak up about this bill, because that's-- in, in my eyes, that's how it reads.

**SORRENTINO:** Thank you.

**JEFF McCASLIN:** Thank you.

**McKINNEY:** Senator Andersen.

**ANDERSEN:** Thank you, Chairman. So, not talking about the reporting piece, talking about the compliance. And here in your testimony, you said it, it'd be penny-wise and pound-foolish. Right?

**JEFF McCASLIN:** Mm-hmm.

**ANDERSEN:** So, if you don't comply with the IECC requirements for energy efficiency, shouldn't that be the builder's prerogative? I mean, why are we forcing them to maintain adherence to a standard that arguably in here, as you, as you put--

**JEFF McCASLIN:** Sure.

**ANDERSEN:** You know, arguably will increase construction cost?

**JEFF McCASLIN:** Mm-hmm.

**ANDERSEN:** And I'll give you an example. When I built my house, my [INAUDIBLE] put in pink insulation. Right? It was the best. It had the best insulation. I didn't do it for-- well, I shouldn't say this, but I didn't do it to be, you know, energy efficient. I did it so that it wouldn't be cold in the winter, it wouldn't be in the summer.

**JEFF McCASLIN:** Absolutely.

**ANDERSEN:** Right? It's just human engineering. But that was my option. I paid an extra-- I don't know, \$10,000 or whatever it was on a house. And, and the way I see it is that the government shouldn't be burdensome upon the individuals. They should give everybody options and allow them [INAUDIBLE] what option fits them best.

**JEFF McCASLIN:** Sure. And Senator Andersen, that's an excellent point. Absolutely, you can make choices to make your home more energy efficient, whether that's-- whether you're doing that for the purpose of comfort or, you know, if you're-- if decarbonization is important to you. My concern here is specifically where it calls out funding from the Affordable Housing Trust Fund Act. If, if we're-- if the bill is allowing exemptions to energy codes for affordable housing, that sidles [SIC] our, our families in Nebraska who are living paycheck to paycheck with higher energy costs, when-- and, and saving-- and potentially saving builders money and costing the families more every month. That's, that's the concern, is that the end result of that would be.

**ANDERSEN:** But shouldn't that be their prerogative? If that-- if they can't afford to get in a house because the cost is so expensive,--

**JEFF McCASLIN:** Sure.

**ANDERSEN:** --then really, what's the point? It's kind of moot, right? They're not, they're not pay higher-- you know, lower energy costs if I don't have a house.

**JEFF McCASLIN:** I absolutely-- I get where you're coming from. I absolutely do. But to-- I surprised somebody, apparently. But I think to say, for these lower income homes, we will hold them to a lower standard than every other home in Nebraska-- I, I, I-- if that's not true, that's fine.

**ANDERSEN:** [INAUDIBLE].

**JEFF McCASLIN:** I'm, I'm, I'm, I'm delivering my testimony as I read it. And as I said at the beginning, if this is not the intent of the

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bill, then, then I would love to see it cleaned up. But that's-- my understanding would be if it-- if we can hold-- prevent buildings built with a "affordicable" care of money to be held to a lower standard than every other building in Nebraska.

**ANDERSEN:** Thank you.

**JEFF McCASLIN:** Thank you.

**McKINNEY:** Thank you. Any other questions? Seeing none, thank you.

**JEFF McCASLIN:** Thank you.

**McKINNEY:** Other opponents.

**JON NEBEL:** Thank you for having me. My name is John Nebel, J-o-n N-e-b-e-l. I'm president of State Council of Electrical Workers. I was really trying to get to neutral here today, after hearing that the intention isn't what the intention was stated as. But I'm still a little confused. If Senator Kauth gets up here and says that we're going to save thousands of dollars by exempting a certain entity from building a house under energy codes, the builders come up and say they're excited about the exemption because it's going to save them money, but nobody can explain why it's the-- well, what the savings is on the application side; the fiscal note is zero, so there's no, no more revenue or costs associated with the redundancy. And then, an engineer gets up and says the redundancy doesn't really exist, it's just a problem of reporting, and if they don't have to report the compliance anymore, I think that's the exemption in itself. So, I think the exemption, as it's intended, still is going to happen. And that's what my concern is, is that we are creating an avenue where we're allowing affordable homes to be built without energy efficiency, so that's going to make them less affordable to live in. These codes might be-- not be like safety codes, but they are energy-efficiency codes, so we're bringing down the cost of living in the home; we're bringing down the cost of upgrading the homes once you get to a level of, I suppose, like a-- if everyone starts driving electric cars, you don't have to put in an outlet, it's already going to be there. So, that's my concern, is that we're creating an avenue to not adopt the most up-to-date considered codes, and it seems like that's still the intent. I don't know. I'm-- maybe I'm confused, but that's where I'm at with it. So, that's why we're opposed.

**McKINNEY:** Thank you. Any questions? Senator Clouse.

**CLOUSE:** Thank you, Senator McKinney. My understanding of the bill is it's not to lower it, it's just taking out some re-- taking out another step in the process, because-- and I'm going to go back to, to my community. The city of Kearney, we have planners, our planning department; they review the plans, help housing, built-- whatever, commercial, residential-- to that code. And so, they review it. So, it's not lowering it, saying you don't have to meet there, this just takes another step of review out of it. And as far as some of the communities that don't have that, we have agreements with some of the smaller communities to do it for them because they don't have planning departments and things like that. So, unless I'm wrong, that's my understanding of what this is. It's not lowering it, it's just taking a step out of the process.

**JON NEBEL:** And I think that's-- I think-- I'm hoping Senator Kauth gets us there with it, and that's why I was hoping to get to neutral. But I just didn't hear it in the testimony that it was just a, a redundancy in reporting. If the, if the builder's already compiling all this information to do it in one entity, all they have to do is package it and send it to the next entity, and it's not a cost on them; it's just a cost on the next entity doing the approval process. And I think that's where we're--

**CLOUSE:** And if I may, it's kind of like when the, when the IBEW, they were, they were looking at electric code, they're looking at insulation, they're looking at, you know, like everything, the building envelope, all that. So, it's not just this piece of it on the energy efficiency, but it's also everything that our planning departments do. I think. That's my understanding. So.

**JON NEBEL:** I'm looking forward to the explanation. Hopefully the, the intent changes, and the bill itself changes. Because right now, it looks like everybody's getting exempted-- or at least affordable homes are being exempted from affordable [SIC] energy codes.

**CLOUSE:** Thank you.

**McKINNEY:** Thank you. Any other questions? No? Thank you.

**JON NEBEL:** Thank you.

**McKINNEY:** Other opponents? Anyone here to testify in neutral? No? Senator Kauth, you're welcome to come up. For the record, as far as online comments, there were 4 proponents, 26 opponents, and 0 neutral.



**KAUTH:** OK. Well, thank you very much, everybody. Good questions, good testimony, and I agree the bill is not here, as it's written, so I'm more than happy to clean it up so it does the actual intent. I do have some notes here from Amanda Brewer with Habitat. Habitat actually builds above the IECC standards using the ENERGY STAR standards, so she wanted to make sure everyone knows Habitat homes are so tight that they actually have to let in air in different ways. And if anyone has not gotten the chance to go visit the Bluestem community out in north Omaha, it is amazing. So, I, I would recommend that everybody take a chance to go see that. In response to Mr. Puck's comments, it's not saying we should get rid of the redundancy just how it's written. I agree we need to rewrite it. But he commented that there are some communities that don't have code enforcement, and so they just use the state. That, actually, is still in effect. If, if there is no code enforcement, the state-- the NDEE does that anyway. But what's happening now is those communities that have code enforcement are doing their code enforcement, plus then also the state. So, really the, the urban areas that have those code enforcement officers are doing double the work. And I know you just-- you submit the same thing to the same people. But time is money, especially in building, especially when we're building in an environment where today it's going to be 17 below zero. We have to be able to build quickly and efficiently to make sure that we are getting as much done as possible in the best way possible to keep those costs low. So, I, I would love to rework it to make sure it sounds a little bit clearer, to make sure that the intent is well, well established so that we kind of get rid of some of those, those concerns. But doing the same thing twice-- for half the state, for part of the state-- doesn't seem like a good use of our money. And the state is actually-- so, if the state is having to do it for the cities as a duplicate, it costs the state money. That is a cost. So, I, I would encourage you to let me rework the wording and get you an amendment so that we can get this passed.

**McKINNEY:** Thank you. Any questions from the committee? Senator Clouse.

**CLOUSE:** Yes, Thank you, Senator McKinney. Yeah, most of the comments I looked at or read, Senator Kauth, I think it's some of that misunderstanding. Like, we're not requiring [INAUDIBLE] That's not what we're hearing or what we're thinking this is, so. Yeah, if you're-- if we need to take another look at that, I think I understand what you're wanting to do, but--

**KAUTH:** Intent and, and how it's written in legalese is sometimes very different. So, I'm, I'm going to depend on couple--

**CLOUSE:** Thank you.

**KAUTH:** --of you lawyers here to help with that.

**CLOUSE:** Lawyers Week. Here we go. Thank you.

**McKINNEY:** All right, thank you. Senator Cavanaugh.

**J. CAVANAUGH:** Thank you, Chair. Thanks, Senator Kauth. Very interesting conversation. Don't you agree, if you require them to process one more piece of paper, they'd ask for another full-time FTE?

**KAUTH:** The, the, the-- that's the prob-- like, one more piece shouldn't cost that much. By the way, get your wife flowers.

**J. CAVANAUGH:** For Engineers Week?

**KAUTH:** Yes, for Engineers Week. Absolutely.

**J. CAVANAUGH:** She'll love it. Well, OPS just sent out a message while we were sitting here that they're closed for the next two days, so--

**ANDERSEN:** So is Bellevue.

**KAUTH:** Really?

**SORRENTINO:** Same in, same in Millard.

**J. CAVANAUGH:** So, she deserves more than flowers this week.

**KAUTH:** Yes. With chocolate.

**ANDERSEN:** [INAUDIBLE]

**McKINNEY:** All right. Any other questions? No? Thank you.

**KAUTH:** Thank you for the committee's time.

**McKINNEY:** No problem.

**CLOUSE:** OK, everyone. Senator McKinney is presenting this bill on LB611, Urban Affairs Committee hearing. So, Senator McKinney, are you-- are you all ready?

**McKINNEY:** Thank you. Good afternoon. Members of the Urban Affairs Committee, my name is Terrell McKinney, T-e-r-r-e-l-l M-c-K-i-n-n-e-y. I represent District 11 in the Legislature, and I'm here to present

LB611. LB611 updates the International Building Codes, International Residential Codes and International Energy Conservation Codes from 2018's edition to the 2021 edition. All section of this bill amends statutes to either 1) add references to the 2021 codes, or 2) replace all references of 2018 to 2021. If you look at the memo that summarizes LB611, a list of key changes from the 2018 edition [SIC] to the 2021 edition are provided. By adopting the 2021 IECC without weakening amendments, Nebraska stands to gain positives such as energy and cost savings for residents, improved air quality, resilience and grid reliability, and public safety. This bill was brought before this committee last year by our Senator John Cavanaugh, was faced with opposition testimony stating that updating the electrical code would result in increased costs. While there is some truth to that statement, it is also important that Nebraska standards are not allowed to be frozen for decades. If that were to happen, the need for an update would eventually result in a massive increase in costs rather than an incremental increase, which is-- this bill would-- which this bill would produce. We've-- I've also introduced this bill as well, prior to Senator Cavanaugh, and it has continued to be stuck in committee because of the argument of increased building costs, and, and I would just say that I understand the cost argument. But what I will say is the longer we do delay this, eventually, I would say-- we're going to eventually adopt some standards, and I would argue that the longer we delay, once we do adopt any standards, those costs are going to be, as I stated, more severe than just adopting the standards now. I understand, like, there is a housing crisis, but we also, in my opinion, should stay up-to-date with the codes as much as possible and try to make them work. I think we should, if anything, find a way to adopt these codes, or find a way to gradually adopt the code some type of way. But I think it's worth the conversation, which is why I introduced the bill, because I think we can't continue to delay, delay, delay, because eventually, we're going to have to adopt these codes. And the further-- the longer we keep saying "no" because of costs, the worse it's going to be. So with that, I'd answer any questions.

**CLOUSE:** OK. Thank you, Senator McKinney. Any-- Senator Sorrentino.

**SORRENTINO:** Thank you, Vice Chair Clouse. I've got to ask this, Senator McKinney. We just got over an hour of testimony about 2018.

**McKINNEY:** Yeah.

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**SORRENTINO:** So if this changes, how does that affect all the bills we've been talking about, about [INAUDIBLE]? Do we have to have more bills for those, to keep up with 2021 code, or?

**McKINNEY:** Yeah. I mean-- yeah. I mean, those programs would change, so--

**SORRENTINO:** Or does it just automatically-- if you were complying with 2018, now you got to comply with 2021?

**McKINNEY:** You would have to apply [SIC] with 2021. So, my assumption, we would probably have to bring some bills back, or adjust those program guidelines for some of those programs. Like, the Affordable Housing Trust Fund would just have to be adjusted.

**SORRENTINO:** Any new or current-- or something, not as--

**McKINNEY:** Yeah.

**SORRENTINO:** --[INAUDIBLE] going back. OK.

**McKINNEY:** Or, even if we were to pass, like, the previous bill, just say-- put some language in to say, but-- some type of language that says--

**SORRENTINO:** Like an evergreen clause. Just keep it going with a new clause.

**McKINNEY:** If, if, if other codes are adopted, adjust to those some type of way.

**SORRENTINO:** Is 2021 the most recent?

**McKINNEY:** Yes, I believe so.

**SORRENTINO:** Even though we're in '25 or whatever.

**McKINNEY:** I think so.

**SORRENTINO:** OK. Thank you.

**McKINNEY:** No problem.

**CLOUSE:** Thank you. Any other questions for-- Senator Cavanaugh.

**J. CAVANAUGH:** I just-- thank, thank you, Vice Chair. Thanks, Senator-- Chair McKinney, for bringing this. I would direct you to page 6. It

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does actually amend to that exact section that Senator Kauth was talking about, so it would-- they would be cross-amended if we--

**SORRENTINO:** I missed that somehow. OK.

**J. CAVANAUGH:** And that would be sec-- page 6, and it's Section 4 staring on line 15 essentially amends the 2018 to 2021 on that, so. The Revisors usually catches that, I think, when the-- they compile them, or-- but it-- that-- that's can be the Revisor bill. Not a question.

**SORRENTINO:** It was 6 [INAUDIBLE]

**J. CAVANAUGH:** Do you agree?

**McKINNEY:** Yeah.

**SORRENTINO:** It's page 6, line 15?

**J. CAVANAUGH:** Page 6, line 15 is 78-805 [SIC]. That's-- and that's the section Senator Kauth was amending.

**SORRENTINO:** Oh, got it. Got it. Thank you.

**CLOUSE:** Thank you. Any other questions, comments? Senator Andersen.

**ANDERSEN:** Thank you, Vice Chair. And thank you, Senator McKinney. In the summation, it talks about the different changes, some of the key changes. And as I-- you heard in the last-- talked the last bill, Senator Kauth's bill, I'm about less regulation, less mandates for the people building the house and more options for homebuilder; when they build it, they should be able to choose what they want in the house, right? And if they're-- if they don't have as much money, they're going to buy [INAUDIBLE]. And if they have more money-- like I talked about, the pink insulation in my house. I paid more money to have a better-insulated house. You're looking at some of the key changes for the International Residential Code. One of those says commercial gas cooking appliances are prohibited. Why would we prohibit anybody from having a, a gas cooking appliance?

**McKINNEY:** There's a lot of safety risks for gas cooking appliances, so I'm-- that's my assumption for that.

**ANDERSEN:** So, they-- they function in restaurants all around the country, [INAUDIBLE] people's houses. I've been in a number of houses that have gas stove, because they like-- it's better cooking for them.

So I don't know, why would we be mandating that they can't-- telling them they can't have a gas stove?

**McKINNEY:** I agree. But I would say-- because I've used gas stoves before, as well. But, definitely ended up in some risky situations because of gas stoves, and accidentally leaving them on and, you know, people going to sleep, sleep, and luck-- luckily you can smell it a little bit. So, there are some harmful risk of, like, gas-- of gas appliances, especially because-- especially with kids, and I don't think we're doing the best as a society to educate our youth on, especially, something like gas, because I don't even think a lot of, like-- it would be interesting to see how many homes today actually have gas, gas appliances. I, I get what you're saying, though, because some people might want to. But I, I think the safety risk probably-- why, why they put that in there, probably the safety risks far out-- far outweigh the-- just that--

**ANDERSEN:** Freedom of choice?

**McKINNEY:** Yeah.

**ANDERSEN:** Yeah. I think the personal responsibility is the key factor. If you're going to have a gas stove and you have children, then you need to educate your children on what not to do with a gas stove, right? Just like we do with a lawn mower, or anything else.

**McKINNEY:** I agree. But I think I've seen situations where people have had gas appliances, and the houses have blown up and not only damaged their house, but, like, their neighbors'. So, probably thinking of, like, the whole instead of the, the one, I think. I'm-- that's my assumption. I get what you saying, though. Personal responsibility. But I-- I'm pretty sure they probably outweighed the, the whole against the one in making that decision.

**ANDERSEN:** OK. So, putting to the side the extreme case of a house blowing up--

**McKINNEY:** Yup.

**ANDERSEN:** -and injuring somebody next door-- we'll put that off to the side as an outlier, right? But also, it has in here increased prescriptive attic insulation. So, why are we going to tell them how much insulation that they have to put in? It's a common theme with me. I mean, you can answer the question, or it's kind of rhetorical, but we can't-- we should not overregulate people. We should allow them freedom of choice, because they got to pay the bill, too, right?

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**McKINNEY:** I agree, people should have freedom of choice. I would--

**ANDERSEN:** That's awesome.

**McKINNEY:** --assu-- I can't speak directly for them, when they made that decision. I think people should have freedom of choice. I think sometimes, when these decisions are made, it's made with probably the understanding of, like, the changes in society, the changes in the climate, changes in the world, and just making sure that the minimum standards that we are allowing in are, are, are changing. Because I-- because a house in 1950 is not the same house as in 2010 because of changes. And--

**ANDERSEN:** Thankfully so.

**McKINNEY:** Yeah.

**ANDERSEN:** The last thing I had, and then I'll be done with my question-- I don't want to be confused with Senator Cavanaugh-- is that the-- it talks about the number of receptacle outlets on a peninsula and mandates how many outlets have to have. Now, that's not something that's going to affect a house blowing up, or the kids getting-- whatever. You know? That's just somebody trying to tell you how many outlets you should have on your peninsula or your island. And it seems to me like that's overregulation, again.

**McKINNEY:** I mean, probably. I don't, I don't know. That's a-- it could be. I'm not into construction or building like that to, to say how many is too many, but I, I get what you saying.

**ANDERSEN:** All right. Thank you.

**McKINNEY:** No problem.

**CLOUSE:** Thank you. Any other questions? I, I do have a comment. And Senator McKinney, this, this goes back to a number of years ago when we adopted-- we had a-- the 2018 code, it was brutal. And when we started looking at what the, the cost-benefit was there, many times it wasn't there, but there were things stuck in there that if you only followed those recommendations, it, it made it cost-prohibitive. And quite honestly, some people thought it was ridiculous where we were going with some of those requirements. So, I get a little hesitant on-- without doing a, a very detailed-- kind of like Senator Andersen did. And I know that when I talk to my colleagues back in the city of Kearney, and the contractors, and all those folks, they're very hesitant and oppose just blindly adopting it. And I also know that you

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can't go on forever, like you said. But what's reasonable and what isn't? And I think some of this, on these code things, comes to philosophical differences.

**McKINNEY:** Yeah.

**CLOUSE:** So, I-- it's just more of a comment that I'm very reluctant just to jump in and say we need to do this. Because once we do it, then communities, they're going to be required to do it, and it just cascades down without really-- what is the financial impact on those end users? And that's really what I think we need. If I told my wife she couldn't have a gas stove. Oh, man. Because she's--

**ANDERSEN:** Don't come home?

**CLOUSE:** Yeah, yeah, don't come home. So, anyway, just a lot of things like that that I think it's a-- it's-- infringes on personal rights, too. And who knows, with the-- and, and I'm just going to lay it out there-- with the political climate now, they could change some of that. Because this is 2021, under a different administration. So,--

**McKINNEY:** For sure.

**CLOUSE:** --I just don't know where we're headed with a lot of it, but--

**McKINNEY:** No, I understand, and--

**CLOUSE:** Yeah.

**McKINNEY:** Yeah. Thank you.

**CLOUSE:** Any other comments or questions? OK. Thank you. You'll stick around? You're not going anywhere? It's not 7:00 yet. Hey, any proponents?

**JON NEBEL:** My name is John Nebel, J-o-n N-e-b-e-l. I'm representing the State Council of Electrical Workers. We are a proponent. We're updating codes that are thoughtful. It's months-long process. If you want to know the intent behind each code updated, there's a-- there's pages and pages of why industry says, why inspectors say, why, why everyone says the code should be adopted. I just want to speak to a couple. You mentioned about the electrical outlets. With some of these codes, we're getting to a situation now where we, we were refusing to update codes, just blanket, we don't need any updates because it's going to cost money. Part of this is that it becomes less affordable to install the outlet later. So, if I'm talking about an electric



vehicle outlet, I'm not forcing anybody to buy an electric vehicle; I'm just giving them the option of the elec-- outlet is there when they do decide to buy an electric vehicle. It's much cheaper to add that now than it would be later. One of the things that's happening in buildings, there's a lot of downward pressure to lower costs, so everything is built to the minimum. If you think about the electrical panel, you're sizing it based on what you're going to put for electrical outlets in the home. If you don't have anything in there for an electric vehicle, that's big power, and your panel's not going to be sized properly. And so, you're going to have to update the panel and upgrade that service in order to get an EV outlet in the garage. So, it's going to become a lot more costly to do it after the fact. So, think of it this way: nobody's, nobody's thinking about it, enforcing anybody to buy a dryer, a refrigerator or anything when you buy at home. But you're certainly happy when the electrical outlet is there when you, when you decide to buy that type of thing. So, we're, we're talking about codes that maybe aren't life safety, but they are affordability side of things. To that life safety side, the peninsula, the island stuff, that is a life safety one. The reason why that code was changed-- outlets were on the side of a peninsula, crock pots were being plugged in, kids were running around, snagging the crock pot cord, dumps on the kid, burns the child. So, there is safety considerations to be included here. But overall, I'm looking forward to the discussions about to happen with this, because I think we can take everything on a code-by-code basis, and if there's a reason not to adopt a code, let's get into that specific code. But as far as the updated version-- 2018, 2021, 2024-- they all need to be considered as a very thoughtful process. And unless it's not specifically going to work in the state, we should consider them individually, not as a blanket non-adoption.

**CLOUSE:** Thank you. Any questions? I do have one, and it's one that I have often use when I'm talking to people about kind of where we go with a lot of statutes and a lot of regulations. And I always use the example of a GFCI, you know? That's around the sinks, in the bath-- well, somebody might think, well, that's a great-- that's a double protection, because then you have your main breaker, and then you got your GFCI, so well, if that's-- that might be a good idea to put that all around the house. And then, somebody'd think, well that is a great idea, and maybe we need to make that a regulation. The next thing you know, there goes-- everybody's putting GFCIs all over the house because somebody thought it was a good idea, and not giving any thought-- because it is a good idea, if you think about it. But where does it stop and start on some of those things? So, that's, that's

just a natural hesitancy I have on some of these things that-- you need to look at this and what's, what's practical. And, and I haven't looked at those. I'm going to give-- be honest. I haven't looked at-- I haven't talked any of my electrician friends, any of my contractor friends, or-- because they'll tell me what doesn't make sense and, and, and what does. But that's just, you know, kind of a comment. I, I hear what you're saying. I appreciate that. That gives some insight, but-- not really a question. It's just kind of a "where do we go from here?" type thing.

**JON NEBEL:** I could speak to it if you want, on the GFCI.

**CLOUSE:** Oh, yeah.

**JON NEBEL:** So in Nebraska, we actually did think that was-- well, the National Electric Code did think it was a good idea to put that everywhere. Nebraskans thought it might not have been. A certain number of them, enough to say we exempted that GFCI coverage to happen. But it-- that is a life safety thing. If you think about a GFCI, it's-- I think of it as a smart circuit breaker. It's reading the electricity coming back, and, and it can tell if someone's being electrocuted. So, it'll automatically trip the circuit. That's why it's in, in, in a restaurant-- or a-- is in a restroom. Also, we should put it on heavier equipment. To that point, Senator Andersen, when you said it should be a person's choice, sometimes people don't know they have a choice. They don't know that they're sacrificing safety or efficiency when they're buying a house. They just think that I'm buying the-- a new house, I'm buying the most updated version. They think their choices are picking this type of fixture, this type of countertop. What we're doing with adopting these codes, we're allowing them to have the most updated, safest, efficient home. So, if they don't know they have a choice to upgrade, it's, it's not really a choice as much as-- it's just a sleight-of-hand, I think.

**CLOUSE:** OK, Senator Andersen.

**ANDERSEN:** Thank you, Vice Chair. I appreciate your comment, but what that sounds like to me is what you're telling me is that you know better what the people need than what the people need. What they want. Is that you know better, that you should be able to tell them, and you should [INAUDIBLE] direct or we shouldn't legislate and tell them what they need, because they don't know enough to make decisions now. I'm not trying to twist your words, but that sounds kind of like what you just said to me.

**JON NEBEL:** Yeah, there's a professional credential that goes along with it, so I do understand why certain codes are happening, and I think we should take that into consideration. I don't know if the home builders are actually saying, "Hey, we can make your home safer. The code doesn't require it to, but we can make it safer." If they're not informed, then I guess I do know better.

**ANDERSEN:** But you don't need to be a credentialed individual such as yourself to understand don't put a crock pot with a long cord hanging over the edge, so my kid [INAUDIBLE] counter and snags it. That's not a credentialing issue.

**JON NEBEL:** No, accidents do happen. But the credentialing issue, I guess, would be do you know how to not get electrocuted by touching the dryer?

**ANDERSEN:** I was talking about the outlets on the--

**JON NEBEL:** I, I know, but that, that-- some people don't know, and don't think about what could happen when a kid runs around the corner and snags that. Sometimes, we prevent ourselves. We, we put things in place to make sure accidents like that don't happen, if we, if we know that could have been-- be avoidable by designing a better building.

**ANDERSEN:** I'd submit we should give the people more credit.

**JON NEBEL:** Sure.

**CLOUSE:** OK. Thank you. Any other-- go ahead, Senator Cavanaugh.

**J. CAVANAUGH:** Thank you, Vice Chair. Thanks for being here, Mr. Nebel. So, I, I heard-- I walked in while you were talking, but did, did you say we can adopt, basically buffet-style, certain sections? We don't have to adopt the entire--

**JON NEBEL:** We can and we have.

**J. CAVANAUGH:** OK. So, we can-- after we hear everybody out, we can pick and choose, maybe, some of the stuff that is not ready for Nebraska yet.

**JON NEBEL:** Yes. I think that's the hope here.

**J. CAVANAUGH:** OK. Thank you.

**CLOUSE:** Any other questions? OK.

**JON NEBEL:** Thank you.

**CLOUSE:** Any other proponents? You have any opponents? Oh, we had another proponent?

**JEFF McCASLIN:** Good afternoon again. My name is Jeff McCaslin, J-e-f-f M-c-C-a-s-l-i-n, and I'm once again testifying on behalf of ASHRAE. LB61 [SIC] would, if passed, adopt a more modern energy code in Nebraska, the 2021 edition of the International Energy Conservation Code. This model code references several ASHRAE standards that we actually wrote and contributed to. It includes ASHRAE standard 90.1-2019 as an alternative compliance pathway for commercial construction. Adoption and use of the most up-to-date energy codes and standards creates a healthier, more resilient built environment while also benefiting the state's economy and lowering energy costs for Nebraskans. The family living in a home built to this more modern code should expect to save \$130-- \$163 per year on utility bills. For commercial construction, the energy efficiency gains are so substantial and the upfront costs are so minimal that in most cases, the owner for-- would expect to see an immediate payback period. The savings on their first utility bill would fully cancel out any increase upfront in construction costs. There are also community-wide resilience improvements created by having more energy-efficient building stock in Nebraska. When extreme weather hits, buildings that are drawing less power help the grid stay online for everyone. If the power does go out during extreme weather, buildings constructed to a modern energy standard keep their occupants safer for longer than buildings constructed to outdated codes. Finally, there is a job creation and savings for taxpayers associated with adopting a modern code. The money that would be saved on utility bills would circulate in Nebraska's economy. Subsequently, adopting the 2021 IECC is expected to create over 100 jobs in the first year after adoption. Taxpayers will also benefit because they would not be on the hook for paying unnecessarily high utility bills for public buildings constructed to outdated codes. For these reasons, ASHRAE supports the adoption of the 2021 IECC proposed by this legislation, and we urge swift passage. The attachments along with the written testimony I've included are a, a report from the UNC Center for Community Capital, Home and a-- at-- Home Energy Efficiency and Mortgage Risks, a comparison of residence cost effe-- cost-effectiveness analysis, considering the lifecycle cost of a building. I've also included an article from the U.S. Department of Energy. Nebraskans say it can save energy, money, and mitigate the effects of climate change through building energy codes. And lastly, a report entitled Cost Effective-- Effectiveness of ASHRAE Standard 90.1 for Nebraska from Pacific

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Northwest National Laboratory. Thank you for your time. I'll-- I'd be happy to take any questions.

**CLOUSE:** Senator Cavanaugh.

**J. CAVANAUGH:** Thank you, Vice Chair. Thanks for being here again, Mr. McCaslin, and obviously I haven't read everything you gave us here. I appreciate homework, though. I-- but I think the one thing you said that perked up my ears is the part-- a family living in a home built to a more modern code should expect to save \$163 per year on their utility bill. For commercial construction, the energy efficiency gains are so substantial and the upfront costs so minimal that the costs-- most cases, owners would expect to see an immediate payback period. So, I-- what you're saying there is if we adopt this for commercial buildings, they'll save the money in the first year? Or?

**JEFF McCASLIN:** Yes.

**J. CAVANAUGH:** OK.

**JEFF McCASLIN:** That's what we show.

**J. CAVANAUGH:** And for homes, \$163 a year. I mean, I had talked to somebody in the lobby-- I apologize, whoever it was, this morning-- that said something like tens of thousands of dollars, \$10,000, \$15,000 for a home-- new home construction.

**JEFF McCASLIN:** For, for increased costs?

**J. CAVANAUGH:** Increased costs.

**JEFF McCASLIN:** So, as a matter of fact, one of the-- one of the handouts I provided, this one called Comparison of 21-- 2021 Residential Cost-Effectiveness Analysis [SIC] addresses that very thing. There was a study performed that said that updating to 2021 building codes would increase the cost of a home to-- by approximately \$17,000 per home. This disputes that claim by looking at overall lifecycle cost of the buildings, and, and maybe calls to question some of the methodology used in, in coming to that number.

**J. CAVANAUGH:** OK. Do-- does it posit its own number?

**JEFF McCASLIN:** I do not remember.

**J. CAVANAUGH:** Not to put you on the spot for all the homework you just gave me.

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**JEFF McCASLIN:** No, no, no. Absolutely. Yeah. I know it-- I have another document I did not bring with me, but I'd be certainly happy to share with you, where what we did is we compared the medium-- median new build home cost for other states who have adopted this building code prior to and after, after the fact, and showing that the increased building cost was significantly less than the \$17,000 [INAUDIBLE] the previous study.

**J. CAVANAUGH:** OK.

**JEFF McCASLIN:** I would be happy to set-- share that with you and the committee and-- as soon as I get home.

**J. CAVANAUGH:** All right. Thanks.

**JEFF McCASLIN:** Thank you.

**CLOUSE:** Thank you. Any other questions? I do have one.

**JEFF McCASLIN:** Yes, sir.

**CLOUSE:** How thick is the code?

**JEFF McCASLIN:** You know, that-- that's, that's the thing about codes. As an engineer, we tend to focus on one piece.

**CLOUSE:** Is it like this? Or is it--

**JEFF McCASLIN:** Oh, it's-- oh, it's bigger. As far as how many pages, I, I couldn't tell you because I concern myself with a very small swath of it.

**CLOUSE:** OK.

**JEFF McCASLIN:** As a matter of fact, within ASHRAE, I sit on Technical Committee 9.6, which has to do with health care. And I don't even care about 90% of what they do, I care about hot water and health care and [INAUDIBLE] with health care. So, I get very detailed discussions about these things with other professionals from around the world, and we come to what we think is the best conclusion. And what's amazing is that there's groups like that in droves, you know. We had a, a previous speaker talking about electrical codes. I'm not a electrician, I'm not an electrical engineer; I couldn't, I couldn't hand a-- hold a candle in that conversation. But if we're going to talk about hot water in a hospital, by, by all means, I can do it. So I think that's-- that-- that's the, the idea here is we have scores of

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experts. As I mentioned, ASHRAE is instrumental in writing the codes adopted both by IECC and IBC, and our Standard 9-- 90.1 is adopted in whole or in part by both those standards. So-- and, and, and the amazing thing in, in doing this kind of work is seeing the sheer amount of brainpower that's applied to it. It was pretty impressive.

**CLOUSE:** OK. So if we were to start from scratch--

**JEFF McCASLIN:** Mm-hmm.

**CLOUSE:** --and just say that we're going to sit down and, and just look at those things that apply to a, a home that requires for rural workforce housing or something like that, and we need to look at those electrical, insulate-- how long do you think that would take? If a group of people [INAUDIBLE] through that?

**JEFF McCASLIN:** I wish I had a good answer for you, and I, and I don't. I, I, I think that previous testimony also showed that piecemeal adaptation or piecemeal removal of parts of the code is an acceptable practice. You know, obviously, my organization would prefer to say, accept-- you know, go with the code as it's written. And I know that all my friends who are specifying engineers like it when the codes are standardized across states, because they don't have to pick up a different book every time they take on a project in a different state or apply their PE license in a different state.

**CLOUSE:** OK. Thank you. And engineers, like, are generally risk-averse.

**JEFF McCASLIN:** Yeah. And we love big stacks of paper.

**CLOUSE:** Yeah. OK, thank you. Any other questions? Thank you.

**JEFF McCASLIN:** Thanks for your time.

**CLOUSE:** Thanks for the reading. It'll keep my, my legislative research assistant busy. Another opponent-- or, proponent.

**REBECCA WELLS:** One more proponent.

**CLOUSE:** Pro. Pro, yes. Sorry.

**REBECCA WELLS:** I'm here, so I-- and this has been such an interesting topic. My name is Rebecca Wells, that's R-e-b-e-c-c-a W-e-l-l-s, and I am a citizen. My background is health care. My father, though, was a builder here in Lincoln for years, so that industry has always interested me. And of course the question is, are energy codes

exacerbating the housing shortage and affordability crisis? And it's interesting. The Institute for Market Transformation upgrading the IECC codes are cost-effective. The, the lower initial cost versus long-term affordability is what has to be looked at. And I'll tell you what, as a consumer, if I went to buy a new house in-- currently, I would not think of, of the-- it being built to code of 2018, and har-- here we are in 2025. Seven-year-old code? I wouldn't know enough to look at the cost, and, and I might think, oh, this builder will build it cheaper, and not realize that it's not really up to what could be done. And as a health care provider, I was particularly interested in the fact that updated energy codes can save lives. Heat wave protection. Where there is prolonged heat, they-- people could shelter in place if electricity went off much better in a home that's up-to-date in the codes. Disaster resilience; the envelopes are updated now, where they can withstand strong wind and heavy rainfall much better and protect the occupants inside. Indoor air quality; asthma is a leading health problem of children up to age five, and moisture control, of course, is one of the components of the codes, and so, you know, the indoor air quality. Energy consumption, of course, is what everybody thinks of, and saving on energy bills is important. And I think, particularly with the affordable housing-- and one thing-- a quote I'm going to give you here: energy efficiency and newer energy codes are critical for affordable housing. Families living in affordable housing often has limited financial resources, so reducing their monthly energy costs improves their ability to afford food, education, health care, transportation, and it creates a healthier community. And I would strongly urge the committee to put forth these 2021-- they aren't the latest. No, there's 2024. So, you know, let's at least upgrade to the-- for current new construction, so that the public can be getting something that, again, is not going to have to be retrofitted in the future, or not be able to afford maintaining and living in. So.

**CLOUSE:** Thank you. Any questions? OK. Thank you. Any more proponents? Any, any opponents?

**NICK DOLPHENS:** Good afternoon, Chairman McKinney, and members of the Urban Affairs Committee. My name is Nick Dolphens, N-i-c-k D-o-l-p-h-e-n-s, and I'm testifying on behalf of the Metro Omaha Builders Association as an opponent to LB611. The attachments we're sending around-- we had three builders in town, including myself, take several of their popular floor plans and apply the new code to the floor plan cost to see what the cost impact would be. So, I 100% agree with the-- Rebecca, that just talked up here. I think if this makes sense to the future consumer, it's absolutely something the building



community should consider. These, these are facts that show that's not even close to doing what we would all hope for, so, I think we need to question all of this. This would lead to a huge step backwards for affordable housing. Chairman McKinney talked about the incrementality of these code changes. To me, this isn't incremental. If we're looking at-- like, my affordable fourplex townhome is the last one on there, this would add \$9,840; the return on investment there would be 49 years if we're saving \$200 per year, which is what my third-party energy analyst projected. That's-- I'm giving more credit. \$200 a year versus-- the previous gentleman said it'd be \$163. So, 50 years almost, before it would pay itself back. We all know in 49 years you'll be on your third furnace or your fourth furnace. So, this never pays itself back. This makes no sense. So, also, with every \$1,000 increase of median price for a home, we leave out 106,000 Americans. We need to keep this in mind when we're making affordable housing decisions. This bill affects affordable housing at a greater percentage than larger, more expensive homes. The \$9,840 on our small interior townhome, that almost adds 5% to the cost of the home. Something again nobody is asking for-- none of the customers are asking for it. I don't think they'd recognize much of this. They're certainly not going to recognize \$163 worth of savings per year. Lastly-- well, the furnace thing-- I think we do need to just question all of this. I think this group here is responsible for Nebraska to question all of these things, so we can develop more reasonable regulations. I think for years we've seen these come down the line. Not everybody is from the building industry, so we assume all of these code changes have everybody's best interest in mind. I think those days are over, and what we're seeing now, from a building perspective, is codes that are not life-safety issues and energy mandates that don't make a lot of sense to me. If I had \$10,000 to spend on this home to make it more energy-efficient, these aren't the things that I would do. I, I don't understand some of this logic, and I think it's our obligation to push, push back on some of this. Lastly, I will tell you the National Association of Home Builders and 15 state attorney generals, including Nebraska's Attorney General, filed suit against these energy code mandates. The summary of that is the last thing I've attached to this. I would like you guys to look into that a little further; it's, it's definitely worth looking into. But I just think, as we've said before in these hearings, it, it just really takes critical thought to push back on some of this, because what we're doing is we're leaving really good people out of ever considering owning a new home. And what they're doing is they're staying in 80-year-old homes that might not have much of the health safety things

implemented. So, we, we need to question that, and what's the best for the majority of Nebraskans.

**CLOUSE:** OK. Thank you. Any questions? Senator Cavanaugh?

**J. CAVANAUGH:** Thank you, Vice Chair. Thanks for being here. I live in a 100-year-old home. It's very cold right now. I just wanted to talk a little bit about your-- I think it's the one that says Fremont, is that the townhomes?

**NICK DOLPHENS:** Uh-huh. It is.

**J. CAVANAUGH:** Kind of wonder if you would walk through that with me.

**NICK DOLPHENS:** Mm-hmm.

**J. CAVANAUGH:** So, these-- the one column over here is what the cost of these changes-- is this all of the changes that this bill would require you to implement?

**NICK DOLPHENS:** This was the ones we went through, yes.

**J. CAVANAUGH:** OK. So-- and in a townhome-- and the-- is this-- so, for-- is this a fourplex? What was the townhome?

**NICK DOLPHENS:** So, it's a fourplex. This is an interior unit. So, we picked the most efficient, least costly home we build as a company.

**J. CAVANAUGH:** OK. Interior-- what does that mean, interior?

**NICK DOLPHENS:** Yeah. So, fourplexes, this is one of the interior units, so you have two shared walls--.

**J. CAVANAUGH:** Oh, OK.

**NICK DOLPHENS:** --and only two walls exposed to the exterior, so it should be the most efficient home.

**J. CAVANAUGH:** So, that was going to be my question. So, all of these costs are, I guess, disaggregated down to one fourth or less than one fourth, it sounds like?

**NICK DOLPHENS:** This is just for one unit. Good question.

**J. CAVANAUGH:** Just for one unit. OK. So, what, what are these requirements? HVAC duct test requirement for all systems. What is that?

**NICK DOLPHENS:** That's testing the, the duct system when you're done installing it.

**J. CAVANAUGH:** OK.

**NICK DOLPHENS:** To a certain efficiency. The electricals-- I can go through them all if you'd like.

**J. CAVANAUGH:** Yeah, if you would, thanks.

**NICK DOLPHENS:** The electrical systems, that's the code changes. Some of these were, like, light switches or motion sensor switches that turn off when you're not using the light in a room, like you see in hotels. Insulating certain sized water pipes. Mechanical ventilation is bringing in fresh air into the home.

**J. CAVANAUGH:** That one's free.

**NICK DOLPHENS:** Yeah. At my house it is.

**ANDERSEN:** It's called a window.

**NICK DOLPHENS:** Yeah, it's called kids. Whole-house air leakage testing, same thing. It's, it's a test you do when the home's complete to make sure it's performing to certain efficiencies. Slab insulation, down at the bottom, the \$200; that's putting two-inch foam between your foundation wall and your slab to help separate those two products. Upgrade frame walls, that would be making walls thicker on the exterior and adding additional insulation. Additional added ventilation, air ceilings, this is where it gets a little cryptic. So, you can build a home based on a prescriptive path where you just tell them every way you're going to build it, or you can actually model the home and pick and choose what you want to do as far as efficiency. So, this would be sealing up a bunch of our home areas to make sure that it performs within this air changes per hour. And lastly, the HVAC equipment upgrade forcing you to use a heat pump, and then dramatically upgrading the unit we would have to install in this townhome.

**J. CAVANAUGH:** OK. Well, thanks for walking through that. So, what do you charge? What-- what's the-- I guess, what do you-- what do you offer this home for sale at?

**NICK DOLPHENS:** Right now in Fremont, we're selling these for about \$205,000. So, we're pretty proud of that aggressive price point. And

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again, it affects a home like that at a much higher percentage than a \$500,000 home we would sell.

**J. CAVANAUGH:** Yeah. And what's the accounts of-- for the difference? Why is the ranch so much less expensive to-- for the additional cost for the--

**NICK DOLPHENS:** That's, that's a good question. So, this is a different homebuilder. A lot of times, ranches can be more efficient because there's less exposed walls, and there's fewer walls.

**J. CAVANAUGH:** But the other-- if the other one's the interior townhome--

**NICK DOLPHENS:** Right. That's a slab-on-grade product. So, that makes a difference, too. I thought you were talking about the ranch--

**J. CAVANAUGH:** I don't speak your language [INAUDIBLE]

**NICK DOLPHENS:** --versus the two-story. Yeah, sorry. Yeah. Slab-on-grade town-- is just-- there's no basement, so it's actually on a slab.

**J. CAVANAUGH:** And that's-- which ones were townhomes?

**NICK DOLPHENS:** That's ours. The last one.

**J. CAVANAUGH:** OK. So, I guess I'm still not understanding why the ranch would be cheaper than--

**NICK DOLPHENS:** It could be the products he's already installing in that ranch.

**J. CAVANAUGH:** Oh, so maybe already doing some of these things.

**NICK DOLPHENS:** Yup.

**J. CAVANAUGH:** Gotcha. All right. Thank you.

**CLOUSE:** Thank you. I have a question. So, all these-- the new regs require all blower door testing?

**NICK DOLPHENS:** Yes.

**CLOUSE:** All of them?

**NICK DOLPHENS:** Yep.

**CLOUSE:** OK. Thank you. Senator Sorrentino.

**SORRENTINO:** Thank you, Vice Chair. Just a quick question on this upgrade HVAC. You said that requires a heat pump.

**NICK DOLPHENS:** Yeah. It would, for this floorplan.

**SORRENTINO:** For this particular floor-- not necessarily all the models.

**NICK DOLPHENS:** I don't believe so, because it is your calculations of finding a way to get to the efficiency they want you to have.

**SORRENTINO:** So, you're a builder, I'm not. Heat pump's great in Nebraska, or not so great?

**NICK DOLPHENS:** I don't think they're great.

**SORRENTINO:** I'm-- well, I don't know very much about construction. We just-- we've just built our fourth house. We've never had a heat pump.

**NICK DOLPHENS:** Yeah.

**SORRENTINO:** Every single builder we had said "don't do it.".

**NICK DOLPHENS:** I don't have one. I heard the same, where-- they're, they're getting to be better. But your real efficiencies are when you're not in Nebraska's type of climate.

**SORRENTINO:** Yeah, right.

**NICK DOLPHENS:** Right.

**SORRENTINO:** Wrong climate.

**NICK DOLPHENS:** Yeah.

**SORRENTINO:** Especially a day like this.

**NICK DOLPHENS:** Correct.

**SORRENTINO:** Thank you.

**CLOUSE:** I've always had heat pumps, and I've had geothermal, and I love them. But you know, there's arguments about that.

**NICK DOLPHENS:** That's why I was political in my answer.

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**SORRENTINO:** Oh, you can't offend Senator Clouse.

**CLOUSE:** No, just, just interesting requirements here. And I was looking at the SEER rating. You know, it wasn't long ago it was at 10 and 12 and 14 and 16 and--

**NICK DOLPHENS:** Yeah.

**CLOUSE:** --and, you know, with the incentives coming back from your utility companies, it just keeps going up, so. Do you think the efficiency gains are equivalent to how the SEER ratings keep going up?

**NICK DOLPHENS:** I, I can't speak to that. I just know this is so underwhelming from your efficiency of what you're going to save per year. I mean, it's not even close. It's not even close.

**CLOUSE:** OK. Thank you. Any other questions, comments? Thank you.

**NICK DOLPHENS:** Thank you.

**CLOUSE:** I have one other question. Is Marty your brother?

**NICK DOLPHENS:** Marty is my dad. Yeah.

**CLOUSE:** God, he's old. Tell him I said hi.

**NICK DOLPHENS:** I will.

**CLOUSE:** That's-- thank you. All right. Any other opponents?

**SCOTT SCHNEIDER:** Thanks to Chairman McKinney and the members of the Urban Affairs Committee for their service to their communities and for this opportunity--

**CLOUSE:** Name, name.

**SCOTT SCHNEIDER:** --name-- Yup. Getting there. To testify on behalf of-- to testify on LB611. My name is Scott Schneider, S-c-o-t-t S-c-h-n-e-i-d-e-r, and I'm here to testify in opposition on behalf of the Home Builders Association of Lincoln. We believe that LB611 is bad for housing affordability, and therefore bad for Nebraskans. You probably think I'm here to tell you that LB611 raising how-- raises housing costs, and it does. You probably think we're concerned about these housing costs affecting sales, and we are. But more than that, we're concerned that as housing costs continue to rise, the attainability of homeownership, homeownership is slipping away from individuals and families. We're concerned that we're headed towards a

nation of renters who can only access housing at the mercy of private equity firms and large corporations. The reality is that this version, the 2021 IECC, is expensive, bloated and ineffective with unrealistic expectations for an ROI. The actual costs and the resultant ROI is a losing proposition for Nebraskans, as highlighted on the schedules attached. Much like my colleague Nick there, I, I also have some figures that we have run through to look at actual costs. The first page is our two-story townhome that my company builds. I believe last time I checked, we're one of the least expensive new construction products in the city of Lincoln, and you can kind of see there, as it lays out what the damage is in terms of overall cost to the project. The second page shows the ROI on the savings-- and I'm using air quotes when I say savings-- on efficiency, and it's calculated to be somewhere between 32 and 68 years. I think the last time I checked, time horizon of a homeowner in a house is somewhere around seven years, somewhere in that, in that realm. The increased costs mandated by the 2021 IECC amount to a regressive tax on Nebraskans, your local communities, and your constituents. It is housing inflation in real time. Furthermore, costly code updates like this and the unwelcome housing inflation that goes along with it don't just affect new construction, but by extension, raise the cost of existing homes hand-in-hand. The next page shows in Lancaster County, or at least in Lincoln, the average sale price of a home over the decades. And you can see in '21 and '22 when we all experienced quite a lot of inflation-- I mean, that-- that's an aggregate total of both new construction and existing, so it doesn't just affect new homes, it raises the cost of existing homes hand-in-hand. The best hedge against inflation eroding the wealth of Nebraskans when the purchasing power of the dollars in their pockets is under attack is to own tangible or physical assets, and in specific, to own a primary residence. As noted in a recent report, the median renter in the U.S. has a net worth of around \$10,400, while a typical homeowner's net worth is around \$400,000, nearly 40 times more. Codes like this and the cost associated with implementing serve to widen the wealth gap in the United States by pushing homeownership further out of reach, especially for the working class and hourly wage earners. I believe we all have shared goals of a strong, vibrant community. It's very difficult to achieve that without affordable homeownership and the neighborhood stability that flows out of it. LB611 works against those goals.

**CLOUSE:** OK. Senator Cavanaugh.

**J. CAVANAUGH:** Thank you, Vice Chair. Thanks for being here. I'm s-- I wrote "Schmitter."

**SCOTT SCHNEIDER:** Schneider.

**J. CAVANAUGH:** Schneider.

**SCOTT SCHNEIDER:** Schneider, yes.

**J. CAVANAUGH:** My handwriting's terrible. What-- so, you build-- this, this is a townhome built in Lincoln?

**SCOTT SCHNEIDER:** Yes.

**J. CAVANAUGH:** OK. What's the-- like, what is the dollar amount at which homeownership is considered affordable?

**SCOTT SCHNEIDER:** That's a great question. I think that's a, that's a term that's kind of-- the affordable housing term is kind of bandied about a lot. I think it means different things to different people. In Lincoln, our goal is simply just to provide, you know, new housing that's the least costly thing that we can come up with. And this is, this is, this is a, a plan that we have worked on and tweaked on and fine-tuned, both on the drafting side, efficiency side, to try to come up with something that can be affordable for people. So, I, I think that's a-- it means a lot of different things to a lot of different people.

**J. CAVANAUGH:** OK. So, it's what you can afford, I suppose.

**SCOTT SCHNEIDER:** I suppose.

**J. CAVANAUGH:** But when we talk about it in the Legislature, I think we're talking about something like, you know, the middle income housing, or workforce housing is 265, or somewhere around that range is what we're incentivizing people to build. And Mr. Dolphens had the house in Fremont, which, you know, maybe the most affordable housing I've seen in my five years since I've been here. But it-- I mean, you're, you're saying this is the best, the best product-- which-- \$309,000 does seem pretty good, but it's still-- we're talking about not passing this requirement because it puts out of-- puts homeownership out of the hands of people who are all trying to get into homeownership. But it's already out of their hands. People can't afford this house. I mean,--

**SCOTT SCHNEIDER:** Sure.

**J. CAVANAUGH:** --the folks we're talking about when we all are sitting here and saying, let's not put this-- price this out, they're already



priced out of this house. So, I guess, what's the answer to that? Why-- we shouldn't make houses-- we shouldn't increase the building code for the folks that already can't afford it?

**SCOTT SCHNEIDER:** Well, I just think-- I mean, it's a game of incrementalism, and I guess the question we need to ask ourselves is how expensive do we want housing to be? We can continue to-- as we talk about, death by a thousand cuts, adding more codes and more restrictions and more costs. And it's not just code-- obviously, as you guys know, codes that are causing, you know, houses to be more expensive. It's, you know, never just one causation; it's always 50 or 100. And so, this is just one area where we have an opportunity to not do more damage from our perspective to the housing market and to our local communities.

**J. CAVANAUGH:** Thank you.

**CLOUSE:** Thank you. Any other questions? OK. Thank you.

**SCOTT SCHNEIDER:** Thank you.

**CLOUSE:** Any additional opponents?

**MATT KINNING:** Hi there. I'm Matt Kinning, M-a-t-t K-i-n-n-i-n-g. I'm here representing LIBA today. I want to thank you for taking the time to listen to me. I'm presenting a sheet, I believe that was in, in Scott's packet that he just gave to you. I'm going to highlight a couple, couple of different things on there. You know, when we go to update a code, or-- and especially the energy code, we do have to look at the return on the investment that we're getting there. When we went from '09 to-- I guess it-- to the '18, where we're at now, you know, that, that cost us about \$6,000, give or take, on a home. We saw that ROI in nine years. Nowadays, we're looking at adding-- you know, my sheet has \$10,000 to \$13,000, and we're looking at 32 to 68 years to pay that off. And as stated before, you know, the average homeowner stays there for seven years. You know, code was originally a minimum standard in-- of a safe place for someone to live, and this is going above and beyond that. When we're telling people they have to put in an outlet for their EV that they may never have is, is not a minimum standard, is not a life-safety issue; that is somebody else's agenda getting pushed into this code. With all of that being said-- I've lost my train of thought there. I'm sorry. You know, we have-- house-- housing is an ecosystem. The big houses need the little houses, and it, it all goes around. And as with any other ecosystem, when you cut a chunk out of it, it quits working. So, when we've cut out this chunk

of, of the starter homes and new homes, being able to put those on the market, we put pressure on the existing stock. All of that comes back down. So, the person-- when we, when we bump this, this from whatever Scott's was, \$309,000 to, to \$319,000, that-- those people that got cut out in that \$10,000 are going and taking an existing home and putting more pressure on that, raising the prices of those. My urge to you is, is this year that-- this energy code, particularly in 2021, is, is not the one that we want. That is adding return on investment of over, over 30 years is, is not good for anybody in that ecosystem. And we need to take the time, encourage the people that are writing these codes-- we need to go back and work on Mr. Cavanaugh's 100-year-old house and, and get that thing more efficient. None of that-- none of this code is, is doing that. It is hindering us trying to fix the ecosystem of housing so that absolutely everyone, from a brand new house to a 100-year-old house can have a nice, efficient home. You know, us in the homebuilding community would, would love to be able to do that and want to provide that. And unfortunately, this, this definitely hinders us in being able to do that. With that, I'd take any questions.

**CLOUSE:** OK. Any questions? Senator Sorrentino.

**SORRENTINO:** Thank you, Mr. Vice Chair. So, to go to the 2021 code, who does benefit?

**MATT KINNING:** Who does benefit?

**SORRENTINO:** Who does benefit?

**MATT KINNING:** Short answer, quick answer off the top of my head, the person making money on the extra products being sold and put in the home.

**SORRENTINO:** Not necessarily the consumer.

**MATT KINNING:** Not necessarily consumer. I can-- I couldn't tell you what-- you know-- no. The-- in the-- when we're looking at the basic home, the person that's getting-- wanting to get in there and just have a home to own, nope. And, I mean, we're-- they're not going to see it. I mean, it's a, it's \$168 to \$200 a year in energy cost savings that, depending on what-- you know, even if you picked \$5,000 as the number, and that \$168-- I think that's still like 29 years that it's going to take to pay, pay that off in the energy savings. And I think if I laid that out to a homeowner and gave them the choice, I'm sorry, there's not many of them that are-- they're going to take that

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\$10,000 and, and go elsewhere. And we do offer the upgrades. You know, if you want to build a zero-energy home that heats and cools itself for nothing, we can do that. That's-- but just-- but that's a consumer choice. That should not be mandated upon everybody.

**SORRENTINO:** Thank you.

**CLOUSE:** OK. Any other questions? I have one. What's LIBA?

**MATT KINNING:** Lincoln Independent Business Association.

**CLOUSE:** OK. Thank you. Sorry. I didn't know.

**MATT KINNING:** You're, you're fine. Thank you very much.

**CLOUSE:** OK. Thank you. Any other opponents?

**ADAM FLANAGAN:** Good afternoon, Vice Chairman Clouse, and the members of the Urban Affairs Committee. Again, my name is Adam Flanagan, spelled A-d-a-m F-l-a-n-a-g-a-n, and I am testifying in opposition of LB611 on behalf of Welcome Home. I'm not going to take up too much more of your time, as I've already testified once, but I do want to reiterate some of the costs that Nick and Scott and Matt have brought to your guys's attention, along with bringing another handout of a homebuilder in the Omaha market and his 1,700 square foot ranch home and his 2,500 square foot two-story, and the costs that these-- enacting these energy codes would bring-- \$5,600 on the ranch and \$14,000 on the two-story. And please, Senator Cavanaugh, do not ask me to go through this line-by-line. I am just a dumb finance guy, and I rely on my experts behind me to tell me how much, you know, these increased energy codes regulations would cost us. I want to, though, reiterate something that I mentioned earlier about-- for every \$1,000 dollars of, of home increase, it's another 50 homeowners in the city of Lincoln and another 400 homeowners in, in the Omaha metro that are priced out of owning that home. So, if, if the average increase on these homes is \$10,000, we're talking about 4,000 homeowners that are now being priced out. And, and to Matt's point, those homeowners are either staying in apartments and, and increasing rents or they are buying existing homes and increasing the costs-- or, the home price of, of increasing-- of existing homes. So, our stance at Welcome Home is to work with, you know, our local politicians and state politicians on regulation, and we do feel that as we look at any-- passing any additional regulations and any other bureaucratic fixes, is this cost or delay worth keeping families out of the homebuying market? And, and adopting these new codes will, in fact, keep families out of the

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homebuying market. And therefore, we res-- we respectfully ask that you do not forward LB611. Thank you.

**CLOUSE:** Thank you. Any questions? Senator Cavanaugh?

**J. CAVANAUGH:** Thank you, Vice Chair, and thanks for being here again, Mr. Flanagan. And, and I won't ask you to go line-by-line. Could you give me the-- it's-- \$1,000 is 50 people in Lincoln?

**ADAM FLANAGAN:** Yep.

**J. CAVANAUGH:** And how many in Omaha?

**ADAM FLANAGAN:** 400.

**J. CAVANAUGH:** 400 in Omaha. Do you know how much the 1,770 square foot ranch is being offered for? The going-- the market rate?

**ADAM FLANAGAN:** That's probably \$450,000.

**J. CAVANAUGH:** \$450,000?

**ADAM FLANAGAN:** Mm-hmm.

**J. CAVANAUGH:** I mean, so I think-- you're the one who told me \$17,000, right? Did we talk in the lobby?

**ADAM FLANAGAN:** So, \$14,000 was the--

**J. CAVANAUGH:** \$14,000. Sorry.

**ADAM FLANAGAN:** --number for the, for the, for the two story, correct. Yes.

**J. CAVANAUGH:** Yeah. OK.

**ADAM FLANAGAN:** \$17,000 was [INAUDIBLE] national.

**J. CAVANAUGH:** \$450,000 for 1,700 square feet. I mean, how many people can afford that in Omaha? That's, that's not affordable housing.

**ADAM FLANAGAN:** And, and you are exactly correct. That is not the market that we are all trying to hit on, as far as the affordable housing goes. This is-- was an example that I was requested to bring to you from a homeowner-- or, from a homebuilder in Omaha, Jerry Standerford at Sherwood Homes. On his particular models, or product that he builds, to Nick's point, his \$205,000 townhome is being

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affected by 5%. Scott's point, his ten-- \$309,000 townhome is being affected, you know, 6% on that increase, increase.

**J. CAVANAUGH:** Is anybody building \$200,000 homes in Omaha or Lincoln? I'm seeing a "no" from the audience.

**ADAM FLANAGAN:** Stand alone? No.

**J. CAVANAUGH:** Any-- anything.

**ADAM FLANAGAN:** Town-- townhomes in O-- the Omaha metro, we are starting to see some fourplexes and such around that \$250,000 mark.

**J. CAVANAUGH:** And are--

**ADAM FLANAGAN:** So, so we're trying to get down to that number.

**J. CAVANAUGH:** And are those construction using LIHTC or any other type of--

**ADAM FLANAGAN:** We're using--

**J. CAVANAUGH:** --government--

**ADAM FLANAGAN:** No, not LIHTC. No, that, that is--

**J. CAVANAUGH:** Or TIF?

**ADAM FLANAGAN:** Nope. They, they are inside SIDs.

**J. CAVANAUGH:** They are inside SIDs. That's what-- yeah, you were here representing SIDs--

**ADAM FLANAGAN:** I'm here representing Welcome Home.

**J. CAVANAUGH:** That's, that's why we didn't see you on my bill.

**ADAM FLANAGAN:** I am here representing Welcome Home. However, yes, I, I am a municipal advisor. We do work very closely with SIDs all the time. We do feel SIDs do reduce costs on-- at least on the lot cost, and also provides for a larger supply of, of homes, which then in turn also reduces costs. So.

**J. CAVANAUGH:** All right. Well, thanks for being here.

**CLOUSE:** Senator Andersen.

**ANDERSEN:** Thank you, Vice Chair. And thank you for your time testifying. Just like we discussed on the last bill, if we pass LB6-- LB611, isn't that really us telling the consumer that we know better what they need than what they do? And now we're going to mandate a higher standard that they have to pay for, regardless whether they want it or not? Isn't that what we're doing to them?

**ADAM FLANAGAN:** Yeah. And, and as, as far as Welcome Home, that, that is one of the things that we do want to continue to have discussions about, is let's look at each, you know, proposed code increase and make a decision on-- is that a vital code increase for either energy efficiency, or is it vital for my safety? And what are the costs and, and what are the benefits of that? I, I think it's been laid out here pretty well that the costs are overwhelmingly more costly in this particular case. And, and to your point, mandating someone to have some of these increased features when it-- when the benefits are so minimal probably goes against what most of us believe as far as, you know, keeping overregulation out of, you know, the consumer's decision-making.

**ANDERSEN:** All right, so I'm a small-government guy; I-- I'm not a big believer in overregulating, or-- I believe safety and security are the purpose of government regulations. I think that all these other optional things should be on a Chinese menu for the homebuilder. When they build it, they can select this one, select that one; they can have outlets that are not around the crockpot, around kids if they so be-- if they so want it. And that we should only-- only for safety and security should we be mandating regulations.

**ADAM FLANAGAN:** I agree.

**ANDERSEN:** Thank you.

**CLOUSE:** Thank you. Any other questions? Thank you.

**ADAM FLANAGAN:** Thank you.

**CLOUSE:** Any other opponents? Any neutral? OK, Senator McKinney, welcome to close.

**McKINNEY:** Thank you. That was a good conversation. Interesting. Just curious if anybody is building affordable housing without government incentives. And I bring that up because we talk about mandates and what we should or shouldn't be telling people to do, but a lot of these entities are coming to the state for resources to build. So, what is the state asking them? And I think, as a state, we should have

some standards ourselves as far as the resources we're providing these people. If they want our resources and they want our votes to put money towards affordable housing, we should at least ask them to make sure these-- this housing is efficient. I understand some people might not like the codes, but we're already three years b-- we're already behind. There's 2024 codes. And one of the individuals testified that they didn't update the codes until 2018, and that took nine years. So-- and then, it was expensive because it took nine years. And we're on that track again. So, you can come here and say, no, we shouldn't do this. But if we wait until 20-- I guess 2030, it's going to be very expensive, and you're going to be complaining because of that. So, I'm just throwing that out there. So, with that, you know, we could try to find a pathway forward, but arguing about the expensiveness of housing and the cost-- I'm just saying, just kicking the can down the road isn't going to solve that issue. So, with that, I-- I'll take any questions.

**CLOUSE:** Any questions for Senator McKinney? So, I think what I heard-- sorry [INAUDIBLE]. I think what I heard you say is if, if they're going to-- it's state funding, maybe we should apply this, but maybe not necessarily if it's private?

**McKINNEY:** We can have that conversation.

**CLOUSE:** OK.

**McKINNEY:** Yup.

**CLOUSE:** Yeah.

**McKINNEY:** For sure.

**CLOUSE:** Senator Andersen.

**ANDERSEN:** Thank you, Vice Chair. Thank you, Senator McKinney. I'd submit to you that it's a-- that it's a separate issue, that if somebody gets government funding like TIF funding or whatever for a house, I don't think that that gives us the right to overregulate them. And I would submit that when they get-- those who want government money or state money or general fund money-- and I think sometimes we lose track of the fact that those are taxpayer dollars. Those are from our friends and families and neighbors. That's where the money's coming from. I don't think it gives us rights to regulate or overregulate and force them to do what we want them to do. I think they still should have the ultimate choice. I don't think this is a gateway for the government to overregulate.

**McKINNEY:** I don't think it's a gateway for the government to overregulate, but I think it's a gateway for us to have the conversation that-- do we want to build substandard housing in our communities? Do we want to invest in housing that 20, 30 years down the line is looking dilapidated because we didn't want to implement standards 20 or 30 years prior? I think that it's worth the conversation. I'm not saying overregulate anything, but I think it's worth the conversation, to say if these people are coming in and saying their projects can't get off the ground unless we step in, then why can't we step in and say, also do this? That's a-- I think that's a fair question. If, if they're saying we need your \$20 million to pull this off for affordable housing or else we can't do affordable housing, then why can't we say, well, if you can't do affordable housing without our \$20 million, why, why can't they do this? Why can't they meet some other standard? That's-- I, I just think it's a fair question and a fair conversation to have.

**ANDERSEN:** I think it's a good conversation to have. I think you and I have a different perspective on what government funding gives a right to the government to do. Because I still think it ultimately comes down to choice by the individual.

**McKINNEY:** True, but I don't-- but we're, we're talking about taxpayer dollars, and I don't think-- there's a lot of things taxpayer dollars go to that I don't think taxpayers think the dollars should go to.

**ANDERSEN:** Probably true. Look at D.C. right now, right?

**McKINNEY:** For sure.

**ANDERSEN:** Thank you.

**McKINNEY:** No problem.

**CLOUSE:** Any other questions for Senator McKinney? OK. Senator McKinney, thank you.

**McKINNEY:** All right. Thank you.

**CLOUSE:** Everyone, we had thirt-- or 12 proponents online, 4 opponents, 1 neutral, and no ADA comments. So, with that, the, the hearing is closed. Thank you.