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Natural Resources Committee
January 23, 2008

[LB724 LB725 LB726]

The Committee on Natural Resources met at 1:30 p.m. on Wednesday, January 23, 2008, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB724, LB725, and LB726. Senators present: LeRoy Louden, Chairperson; Carol Hudkins, Vice Chairperson; Tom Carlson; Mark Christensen; Annette Dubas; Deb Fischer; Gail Kopplin; and Norman Wallman. Senators absent: None. []

SENATOR LOUDEN: Well, welcome. This is the first committee hearing on Natural Resources Committee for 2008 and I'm Senator LeRoy Louden, chairman of the Committee. Senators to my right are Senator Gail Kopplin from Gretna; Senator Tom Carlson from Holdrege; and Senator Norm Wallman from Cortland. Senators to my left is Senator Carol Hudkins from Malcolm, she's vice chairman of the Natural Resources Committee; then Senator Mark Christensen from Imperial; and on the end is Barb Koehlmoos, committee clerk; and sitting next to her is Matt from the...which committee? []

MATT RATHJE: General Affairs. []

SENATOR LOUDEN: General Affairs Committee that's learning how to be a committee clerk and he's working with a professional here today. To my right is Jody Gittins, counsel for the Natural Resources Committee. Okay, did I forget anybody yet? Oh, and then today, Kristen Erthum is our page. She's from Ainsworth, Nebraska. Her folks ranch up there by Norden, is it? []

KRISTEN ERTHUM: Meadville. []

SENATOR LOUDEN: Where? []

KRISTEN ERTHUM: Meadville. []

SENATOR LOUDEN: Nenzel? []

KRISTEN ERTHUM: Meadville. []

SENATOR LOUDEN: Oh, okay. And she's a sophomore at Doane College and I thought the other day she told me she was taking political science so you guys want to be careful what you do here (laughter) because she'll whip you with it in probably 15 years from now when she's down here. []

SENATOR CARLSON: We won't be around. []

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SENATOR LOUDEN: If you would turn off any silencers, cell phones, or pagers or put them on a mode that they won't make any noise and then those wishing to testify on a bill should come to the front of the room when that bill is to be heard. As someone finishes testifying, the next person should move immediately into the chair at the table. If you do not wish to testify but would like your name entered into the official record as being present at the hearing, there's a form by each door that you can sign. This will be part of the official record of the hearing. This year we're using a computerized transcript program and it is very important to complete the green sign-in sheets for testifiers prior to testifying. They are on the tables by the doors and need to be completed by all people wishing to testify, including senators and staff introducing bills and people being confirmed. If you are testifying on more than one bill, you need to submit a form for each bill. When you come up to testify, place the form in the box by the committee clerk. Do not turn the form in before you actually testify. Please print and it is important to complete the form in its entirety. If our transcribers have questions about your testimony, they use this information to contact you. As you begin your testimony, state your name and spell it for the record even if it is an easy name. Please keep your testimony concise and try not to repeat what somebody else has covered. If there are large numbers of people to testify, it may be necessary to place time limits on testimony. If you have a handout material, give it to the page and she will circulate it to the committee. If you do not choose to testify, you may submit comments in writing and have them read in the official record. No displays of support or opposition to a bill, vocal or otherwise, will be tolerated and if you need a drink of water, please ask the page. We try to keep everybody happy. With that, we're ready to start with the first bill. Jody Gittins will introduce it. The bill is LB724. []

JODY GITTINS: Good afternoon, Chairman Louden and members of the Natural Resources Committee. My name is Jody Gittins, J-o-d-y G-i-t-t-i-n-s. I'm committee counsel for the Natural Resources Committee and introducing LB724 on their behalf. This bill was presented to the Natural Resources Committee by the Department of Environmental Quality. The purpose of the bill is to reduce fees, which is a little bit unusual, that the department receives under their voluntary cleanup program. Currently an application fee is \$5,000 and the initial deposit for review after the cleanup is completed is also \$5,000. What the department has requested with this bill is that the initial application fee be reduced to \$2,000 and the initial deposit would be reduced to \$3,000. Keeping in mind that any expenses that would be over \$3,000 in that initial deposit would be allowed to be collected by the department from the individual who has requested to be part of this program. It's a volunteer program and what the department is hoping to accomplish by reducing these fees is to encourage more participation in the program for faster cleanup on relatively large spills. There will be testimony after me from the department to go into details about how many people have taken advantage of the program so far, what they hope to accomplish, and what's been done with the funds thus far. [LB724]

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SENATOR LOUDEN: Okay. Let me for the record mention that at this time, Senator Annette Dubas from Fullerton has joined the committee and are there any questions for Jody? Seeing none, thank you, Jody. And a first testifier, please. [LB724]

DAVID HALDEMAN: (Exhibits 1 and 2) Good afternoon, Chairperson Louden and members of the Natural Resources Committee. My name is David Haldeman, that's spelled D-a-v-i-d H-a-l-d-e-m-a-n, and I'm here to testify in support of LB724. In my testimony I will provide a brief description of our existing voluntary cleanup program and then explain why the department supports this bill. The Remedial Action Plan Monitoring Act is the state's voluntary cleanup law. It was enacted by the Legislature in 1994. The act allows the property owner or other entity to apply to the department for review and approval of plans for the voluntary cleanup of a contaminated site. These sites are typically ones where a property owner or developer wants to clean up a site so that it can be redeveloped and approval by the department of the cleanup is necessary in order to secure financing and to limit future regulatory liability. Federal...future federal cleanup liability has long been a concern for individuals who want to purchase and redevelop sites. The department has entered into a memorandum of agreement with the federal Environmental Protection Agency that ensures cleanups undertaken and approved in accordance with the state's voluntary cleanup program will not be subjected to further scrutiny by EPA. The way the program is designed to work is as follows. First, an applicant submits a plan to the department for approval that proposes cleanup actions which conform to state and federal EPA standards. Provisions were recently added to the act requiring public notice and an opportunity for the public to comment on the proposed cleanup plans as well. After the site has been cleaned up, the applicant may receive a no further action letter from the state. The major benefit to the state is that cleanup of sites proceeds under department oversight at no expense to the general taxpayer. The intended benefit to the applicant is an expedited cleanup without duplicative state and federal oversight. If enacted, LB724 will lower the upfront costs for an entity to enter into our voluntary program. The bill proposes reducing the application fee from \$5,000 to \$2,000 and reducing the initial deposit from \$5,000 to \$3,000. These combined changes would effectively cut in half the upfront costs of an applicant wanting to enter into the program. Since the program was created in 1994, we've only had 24 sites that have entered into the program. We believe this legislative change will encourage more participation in the program. We don't want the initial fees to act as a disincentive to property owners and developers who are willing to voluntarily clean up contaminated sites. In reviewing what other states charge in application fees, we found that Nebraska has one of the highest initial fees to enter a voluntary cleanup program in the nation. Washington, D.C., has comparable upfront costs of \$10,000. Maryland appears to have the next highest cost at \$6,000 and the remaining states have fees less than \$5,000. The states surrounding Nebraska have fees that range from no fee in the state of South Dakota to \$2,000 in Colorado. We believe that by reducing initial fees, we may see an increase in the number of sites entering the program. From our perspective, managing sites in the voluntary cleanup program is desirable because it can result in

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faster and more effective and efficient cleanups, reduce our dependency on federal cleanup program funding, and reduce the amount of federal oversight of sites that might otherwise be cleaned up under some other traditional cleanup program like the Superfund program. We have reviewed our fee structure and believe that reducing the fees will not have a negative impact on our ability to administer the program. You might be interested in a list of sites that have entered the program and the current status. That second handout that you have is a chart that illustrates the sites, their locations, status within the program, and the dates the sites entered the program. The chart was extracted from the department's annual report to the Legislature. The annual report is a good source of information about this program as well as the other regulatory and financial assistance programs that the department administers. And that concludes my testimony, and I would be glad to try to answer any questions that you might have. [LB724]

SENATOR LOUDEN: Questions for David? Senator Hudkins. [LB724]

SENATOR HUDKINS: Thank you. Mr. Haldeman, on the voluntary cleanup sheet that you gave us. [LB724]

DAVID HALDEMAN: Yes. [LB724]

SENATOR HUDKINS: I was just going down through here. Some have been completed. Some have been withdrawn. Some are active. The BNSFRR has been terminated. What happened there? [LB724]

DAVID HALDEMAN: In all of the sites that are terminated, generally what has occurred is that there's been inactivity at the site, meaning the applicant is no longer working on it and so we just terminate them from participation in the program. [LB724]

SENATOR HUDKINS: Okay. Thank you. [LB724]

SENATOR LOUDEN: Senator Dubas. [LB724]

SENATOR DUBAS: Thank you, Senator Louden. I'm sure I can probably get some of this information out of the annual report so I will be looking at that, but I guess I would like to know what...are there any parameters on what defines a contaminated spot? Is it... [LB724]

DAVID HALDEMAN: A contaminated site? Well, most of the sites that we're looking, or hoping to encourage coming into the program, are sites that might be covered under the Superfund program or the RCRA hazardous waste program. Those are the typical federal programs. Superfund programs are usually the most highly contaminated sites in the nation. Not every site ranks and is eligible to receive federal support where there's

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no...where the party's recalcitrant or there's no responsible party so the parameters that...we haven't really set any on them but what the program generally targets is some of these other types of sites. The original act when it was first created, I believe, targeted or was created for manufactured gas plants that used to provide power to communities and so I think that's how the act was originally set up, but we've been looking at some of these other type of sites that might otherwise be in other programs. [LB724]

SENATOR DUBAS: Okay. Thank you. Do you think there are a lot more businesses and entities out there that will take advantage of this by...if we lower these fees? [LB724]

DAVID HALDEMAN: The...well, I guess that is definitely our hope. There are plenty of contaminated sites out there and there are a lot of contaminated properties where people would like to redevelopment. We're looking at this as some form of incentive to bring them into the program by lowering that upfront cost. [LB724]

SENATOR DUBAS: I hope that's the case. Thank you very much. [LB724]

SENATOR LOUDEN: Other questions? I have a couple, Dave. One of these on these sites...I'm a little bit...Farmland Industries in Scottsbluff and that was done, started in what, 1996, still active, what is that? Is that where that gas, gas business was? [LB724]

DAVID HALDEMAN: It was where the refinery was at. [LB724]

SENATOR LOUDEN: Or the refinery, yeah. [LB724]

DAVID HALDEMAN: It's down by the riverfront. There's petroleum contamination that's down there being worked in our program and other types of contaminants that they've been working on. [LB724]

SENATOR LOUDEN: And that's where that refinery was just on the west side of Broadway there, is that the site where it's at or where's it at? Just south of the railroad track nearly and... [LB724]

DAVID HALDEMAN: I'm trying to place... [LB724]

SENATOR LOUDEN: ...just south of the railroad tracks in Scottsbluff. It's that old refinery that been torn down years ago. [LB724]

DAVID HALDEMAN: I believe so, yes. [LB724]

SENATOR LOUDEN: And when it blew the car dealership up across the street, that's

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the one you're talking about? [LB724]

DAVID HALDEMAN: It's been a while since I've been at the site, but I believe that's the one that my field office described. [LB724]

SENATOR LOUDEN: That's the one. Okay. How come, I mean, 1996, that's what, 20 years. Ten, 11 years. [LB724]

DAVID HALDEMAN: Ten, 11 years. [LB724]

SENATOR LOUDEN: Does it take that long to clean that up or are they not doing anything or how come it's taken that long? [LB724]

DAVID HALDEMAN: No, they're actually near the end of the process. They're in the process of developing the remedial action plan. Program was a little different back then. Back then, once they're in the program they went through the process of putting together a plan. The way the law is structured now, their plan is a part of the application so they do all their assessment work. You know, they go out and they look where there's contamination and they then come up with a cleanup proposal that we would approve and then they, and then they're able to enter into...that's set...they enter into the program on the front of the process now, whereas in the past that wasn't the case. But they're finishing up the remedial action plan and based on our staff's knowledge of that site, we're looking at very little, if any, cleanup and that primarily what would be required there is institutional controls. [LB724]

SENATOR LOUDEN: Okay. Well then, then when they...when you get all through this, is that going to be cleaned up out of there or is it just...you waited long enough that it evaporated? [LB724]

DAVID HALDEMAN: I'll be honest. I don't know all the...I don't know hardly any of the technical issues associated with the site but I could...I can get information for you on that. [LB724]

SENATOR LOUDEN: Okay. Thank you. The other question I had is, how...South Dakota you have that doesn't charge anything. How did they operate their deal and do they have more people involved in it than Nebraska does? [LB724]

DAVID HALDEMAN: I had a chart that illustrated that. I'm not...I'm not really sure. I can find that out for you. Every...each state sets up their programs differently and some states, for example, may get to the question about parameters. We have a really strong underground storage tank cleanup program in our state and that operates and so the majority of the petroleum sites end up over in that program. Some states encompass those types of sites in their voluntary cleanup program. The way they, their Legislature

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is set up, their fee structures, if there is any fee structure, how it runs is differently or can be different. In our state where we have this upfront fee and the application fee is for, to pay for administration, enhancing the program and some of our indirect costs and then the initial deposit pays for receipt and review of the application and negotiating an agreement so that we can be paid for our costs down the road. Now, that's what Nebraska does. I don't really know that much about South Dakota but I could, I could try to ferret that out for you. [LB724]

SENATOR LOUDEN: Okay. Thank you. Other questions for David? Seeing none, thank you for testifying. [LB724]

DAVID HALDEMAN: Okay. [LB724]

SENATOR LOUDEN: (Exhibits 3 and 4) Next proponent please. Okay. This one here...we have a...enter into the record a support by Robert Anderson from the Nebraska Cooperative Council and then we have a letter from Esposito, Mr. Esposito from the city of Lincoln in support of LB724 and is there another...next testifier. I guess not. Any opponents to LB724? Anyone wishing to testify in the neutral? If not, I see no more, so I guess we'll close the hearing on LB724 and go to LB725 and Ms. Gittins will open on that one. [LB725]

JODY GITTINS: Good afternoon, Chairman Louden and members of the Natural Resources Committee. My name is Jody Gittins, J-o-d-y G-i-t-t-i-n-s, I'm committee counsel for the Natural Resources Committee and introducing this bill on their behalf. This is another bill that was presented to this committee on behalf of the Department of Environmental Quality. This bill amends the Waste Reduction and Recycling Incentive Act to add a new category for eligible grant funding to an existing program. This category would allow grants for reimbursements of costs to the cities of the second class, villages and counties of 5,000 or fewer population for the deconstruction of abandoned buildings. In order to be eligible for grant funding, it's the recyclable content and structure of the building must be processed for recycling or reuse. This change is sought to further encourage the recycling of materials from abandoned buildings, such as lumber, metal, brick, block, or fixtures that can be salvaged for reuse or recycled into other products. Building deconstruction can be an alternative to demolishing an abandoned building and disposing of it in the landfill. Again, a representative from the department will go through in greater detail. People that have contacted the department requesting, if there was such aid available to them, and especially with the smaller cities and more abandoned buildings being a problem for those small communities to handle. [LB725]

SENATOR LOUDEN: Questions for Jody? Seeing none, thank you. I guess we're ready for the first proponent for LB725. Go ahead. [LB725]

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DAVID HALDEMAN: (Exhibits 5, 6 and 7) Good afternoon again. Good afternoon, Chairperson Loudon and members of the Natural Resources Committee. My name is David Haldeman, for the record, that's D-a-v-i-d H-a-l-d-e-m-a-n, and I'm here to provide testimony in support of LB725. As you are aware, LB725 is a bill that would amend the Waste Reduction and Recycling Incentive Act by adding an additional category or type of project that can be funded through the existing grant program. If passed, the change made by LB725 would allow the department to reimburse certain smaller political subdivisions for the costs associated with the deconstruction of abandoned buildings, if the recyclable contents of the building are processed for recycling or reuse. The size of the political subdivisions identified as being eligible are cities of the second class, villages, and counties of 5,000 or fewer in population. In my testimony this afternoon I would like to explain why the department supports this change, and provide some general background information on the existing grant program. The goal for making this change is to create an incentive through grants to further encourage the recycling of building materials and decrease the amount of demolition material disposed of in landfills. We understand there may be some concern by the city of Lincoln or city of Omaha that by funding these types of projects it would impact available funding for the types of projects we currently fund, but we believe the grant program has adequate sources of revenue to fund these types of projects in addition to the projects that we already fund. If this bill is enacted there should be no impact to the funding level of the other projects. The concept of building deconstruction might not be familiar to some, but what it commonly means is the physical dismantlement of a building's components to recover the materials for reuse, recycling or other waste management options. It might simply be thought of as the reverse of construction of a building or taking a building apart piece by piece. Although there is some building deconstruction going on in our state, we think the primary method of getting rid of old buildings is simply razing them and then hauling them, hauling the waste to either municipal landfills or landfills that are specifically permitted to receive construction and demolition waste. Disposal in a permitted landfill is a lawful method for getting rid of a building, however the department is looking for ways to support and further encourage recycling and reuse over disposal. Most buildings have components like metal, lumber, block, brick or fixtures that can be sold or salvaged for reuse or recycled into other products. We think there is a fair amount of potential to recover these materials and others, which is a better alternative to placing them in a landfill. There are several other reasons we view this bill as a positive step. Every year our solid waste program receives complaints about the illegal disposal of building demolition waste. Typically illegal disposal occurs when disposal options are expensive or there are few management options to choose from. Promoting building deconstruction should at least make the public aware of one other management option that can be considered. We also think that building deconstruction would complement another of our existing programs that is designed to assist communities interested in redevelopment. We receive money from the Environmental Protection Agency that is specifically designated for land redevelopment types of projects. This money is primarily used for assessing sites for contamination. The clearing of unused

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properties of old structures is one part of redevelopment that the federal dollars we receive cannot effectively address. And finally, every year we receive calls from small communities that are interested in finding out if there is any financial assistance to help get rid of abandoned buildings because the cost is so prohibitive. The cost of demolition will often exceed the value of a piece of property. Although we recognize that abandoned buildings can be a safety hazard and economic blight in small communities, providing financial assistance is something that we have not been able to do in the past. We performed a limited evaluation to determine how many communities in Nebraska there are that are under 5,000 in population. Five thousand or less in population is the community size threshold for eligibility. Based on our review, we estimate there are 531 cities or villages and approximately 36 counties that would be eligible for grants under this proposed concept. For your information, here is some brief background information on the existing program. In 1990 the Nebraska Legislature passed LB163, the Waste Reduction and Recycling Incentive Act, which created the Waste Reduction and Recycling Incentive Grants Program. The grant program provides funding to both public and private entities for a wide variety of solid waste management activities. The program is funded through three sources of revenue which together generate about \$4 million annually. The revenue sources include a business fee on sales of tangible personal property, a \$1 fee per tire sold at retail, and 50 percent of a tipping fee for waste disposed of in municipal landfills. The department awards grants in this program once a year and the application deadline is February 1. For fiscal year 2000, the department awarded \$4,092,889 to 140 projects. The types of projects funded included many scrap tire management projects, which have a priority for funding under the act. The program also funded the purchase of recycling equipment like paper shredders, recycling bins, balers, recycling trucks and trailers, and composting equipment. It also funded activities like household hazardous waste collection events, electronics recycling, and used oil recycling. This is not an all inclusive list, but it should give you an idea of the types of projects that we funded last year and are fairly typical of the types of awards made in prior years. I gave you two handouts, one presents the grant awards from 2007 and one that illustrates the revenue sources for the program. That concludes my testimony and I would be glad to try and answer any questions that you might have. [LB725]

SENATOR LOUDEN: Okay. Thank you. I've got some housekeeping chores that I failed to do. Senator Fischer is so slim that she slipped in here a while ago and I didn't see her (laughter) so Senator Fischer from Valentine has joined us in the committee. [LB725]

SENATOR FISCHER: And Senator Louden needs his eyes examined. (Laughter) [LB725]

SENATOR LOUDEN: Questions for David? Senator Kopplin. [LB725]

SENATOR KOPPLIN: You may have said this. What do you anticipate in grant funds to

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be used? How much? [LB725]

DAVID HALDEMAN: How much? Oh, the...in terms of being eligible there are a lot of entities that are eligible for it. The cost of deconstructing a building, say a 5,000 square foot building, as we understand, is between \$4 to \$6 per square foot. So if you use the average of \$5 and you multiply that times 5,000, it would be...per project could be, for deconstruction would be \$25,000 but the cost that we're looking at reimbursing would be the costs that are associated with the labor and equipment which would be roughly around 50 percent of that. We don't have a good sense of how many applicants will actually request to enter the program, but the applications would come in and they'd be a part of the overall pool of applications that are considered for funding and it's a competitive process. So what we would be funding is, you know, the very best of the projects that come in. We have field office staff that are out across the state and they visit quite a little bit with the small communities and abandoned buildings are a real issue for them and they're trying to figure out what to do with them. [LB725]

SENATOR KOPPLIN: So roughly, it'd be \$12,000 to \$13,000 for a building. [LB725]

DAVID HALDEMAN: Five thousand, yeah. [LB725]

SENATOR KOPPLIN: Somewhere in there times the number of grants you approve and then when the money is gone, then you stop (laugh) is that what it is? [LB725]

DAVID HALDEMAN: Well, we...right now we receive X number of applications and we know we have spending authority for roughly around \$4 million. And so we rank the applications by a program priority system and we look at all of them and make a decision on which ones we're going to fund and it generally, of the amount that's requested, it's generally the amount that's awarded. Very close. [LB725]

SENATOR KOPPLIN: Okay. Thank you. [LB725]

SENATOR LOUDEN: Senator Wallman. [LB725]

SENATOR WALLMAN: Thank you, Chairman Louden. David, in other words I could apply as a rural resident too, or is this just cities? [LB725]

DAVID HALDEMAN: This is just the political subdivisions. [LB725]

SENATOR WALLMAN: Thanks. [LB725]

SENATOR LOUDEN: Senator Fischer. [LB725]

SENATOR FISCHER: Thank you, Chairman Louden. Thank you, Mr. Haldeman, for

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being here. I noticed on one of the handouts you gave us for the scrap tire fee. Now are those, are those awards on there all for...they're not all for scrap tires though but they...or are they? I mean they're for rubber mats which I guess could be scrap tires. [LB725]

DAVID HALDEMAN: Right. It's the handout's broken out scrap tire fee, business fee and disposal fees so we're illustrating where we funded projects and so the what...where it says scrap tire fee, those are all scrap tire related types of projects. [LB725]

SENATOR FISCHER: Right. I notice on here there are communities that are less than 5,000 that are receiving grants now. I'm not clear on what this bill's going to do then. We're going to have a special category for communities or counties with less than 5,000 people? [LB725]

DAVID HALDEMAN: It creates another, I guess that would be the right way to say it. It creates another eligible type of activity that could be funded out of the program and the language indicates there would be reimbursement to villages, cities of the second class, and counties less than 5,000. [LB725]

SENATOR FISCHER: But those communities are already receiving grants, correct? [LB725]

DAVID HALDEMAN: Yes. There are a lot of small communities in the state that are receiving grants. [LB725]

SENATOR FISCHER: Will there be specific funds set aside for this new category, a certain amount of money? Are you going to divide the money up available for the total program, so much for municipalities, so much for cities and then so much for this new category that this bill would create? Is that... [LB725]

DAVID HALDEMAN: No. [LB725]

SENATOR FISCHER: I'm not sure about the purpose of the bill if these communities and counties are already receiving grants. [LB725]

DAVID HALDEMAN: Well, the concept of reimbursing to deconstruct a building, take apart a building piece by piece, is something that doesn't...it's a new concept of a type of project to be added into the program. We're not contemplating setting aside certain amounts of monies. That does occur in the scrap tire program obviously, because there's a priority for the first million dollars to go to those types of projects. [LB725]

SENATOR FISCHER: Yes. I understand that now. Thank you. It's...to make sure I

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understand it, let me say it back to you. [LB725]

DAVID HALDEMAN: Okay. [LB725]

SENATOR FISCHER: We're having a new category of what's possible to recycle in effect and it...a building, is that correct? And it's only for small communities. [LB725]

DAVID HALDEMAN: Right. [LB725]

SENATOR FISCHER: I'm sorry, I was a little slow on catching that. [LB725]

DAVID HALDEMAN: No, no. [LB725]

SENATOR FISCHER: And I am glad you're doing it because many of my communities are faced with that situation on a...especially abandoned buildings, so thank you. [LB725]

SENATOR LOUDEN: Senator Christensen. [LB725]

SENATOR CHRISTENSEN: Thank you, Chairman Louden. This does not necessarily pertain to...see a dollar fee collected on sale of new tires. That I understand, just bought some tires, get charged that dollar fee. Also got charged \$3 per tire disposal. Does that go in here too? [LB725]

DAVID HALDEMAN: The disposal fee does not. That's the...whoever sold you the tire, the \$3 they're charging you is what it costs them to get rid of your tires. The dollar that they charge you at retail sales is the dollar required by the current statute that goes into this fund and then the fund creates a priority for scrap tire projects that we would award grants to. [LB725]

SENATOR CHRISTENSEN: Okay. Thank you. [LB725]

SENATOR LOUDEN: I have some questions. The one I understand the disposal fee and that's when whatever is taken in to a solid waste landfill and of tire fee...this business fee I guess I wasn't familiar with that. That \$25 annual...do all businesses pay that? Just 25 bucks or how does that work? [LB725]

DAVID HALDEMAN: It's, if a business has annual retail sales of tangible personal property in excess of \$50,000 annually, they're subject to the \$25 one-time fee annually. So if a business does not sell \$50,000 at retail of tangible personal property, they don't pay the \$25 fee each year. If they sell more than that, then they pay, then the business will pay the flat fee of \$25. [LB725]

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SENATOR LOUDEN: Now, okay, do they, are they all on their goodwill to pay that or I mean, is there a way you follow up on that or do they pay that because they don't want to take a chance on some type of fine or something? What governs that, I guess? I didn't realize that was out there and I'm kind of interested in how that works. [LB725]

DAVID HALDEMAN: I'd have to look at the statute but I believe it's collected by the Department of Revenue. I don't really know the process they would use to ensure that every business that sells more than \$50,000 in property is submitting it, but I believe it's the Department of Revenue that collects that fee. [LB725]

SENATOR LOUDEN: I see. It comes right when they file their income tax or something and through that route or some place like that. [LB725]

DAVID HALDEMAN: Yeah. [LB725]

SENATOR LOUDEN: Okay. That was one of the things I was wondering about. This...what you're setting up on these buildings now, in order to be eligible for this grant, they have to try and recycle some of that material out of there. They've either got to go in there and clean it out and put it up for sale or try and sell it to somebody that will salvage that or is that the reason for some of this? I mean, in order to get the grant, you've got to salvage some of the material? [LB725]

DAVID HALDEMAN: That's the idea, correct. When you deconstruct a building, it is the reverse of constructing it and you do it in reverse order so, you know, the last parts in are the first ones out essentially is what they do. But they can go in and they can remove the piping, the lumber. If they want to, remove the brick face on the building or take apart the block. If there are fixtures in there that are of value, they would take that apart and we would be reimbursing that process of deconstructing the building and then the community would, as a part of being eligible, are supposed to be doing that for the purpose of taking those materials and then processing them for recycling and reuse. A lot of those materials have a pretty fair value to them, for example, metals. Metals market is pretty good right now so if the community wants to sell that metal, they certainly can do that and then that's some additional revenue that they would receive from going through this process. But if you estimate, and I've read some things and I've had some people that are experienced in this, explain to me that depending upon the type of building and how old it might be, you know, you might be able to recycle 30 to maybe 70, 80 percent of those materials. And so what you're doing is, you're, instead of that 30 or 70 percent of those materials going to a landfill and just being, you know, disposed, wasted, they're going back and either being resold or donated for reuse or recycled into other types of products. [LB725]

SENATOR LOUDEN: Now, when you're talking about recycling that, who gets the money for that stuff they recycled and is that, because that's quite labor intensive? Do

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you, is your grant money going to be paying to form to dismantle those recyclable materials or what is your grant money going to be used for? [LB725]

DAVID HALDEMAN: The grant money would be used...typically when you deconstruct a building, the highest costs are in the labor and equipment to have a crew of people out there with saws and hammers and screwdrivers taking it apart. That's what we're looking at reimbursing is the costs associated with just dismantling that building. Now if the community can sell those materials, the proceeds from those sales we would anticipate would also go back to the community. That's the concept that we had in mind for this. [LB725]

SENATOR LOUDEN: Then how do you decide how much grant money you're going to give on a particular building? Say you've got a residential house that's probably what, 2,000 square foot floor space in a residential house in some of these little towns there and there's not much in there. It's probably mostly gutted. There wasn't much to start with so there's not much to recycle unless you want to pull the nails. What would you...how much money would you grant? Would you just grant enough money to tear it down, haul it off or what kind of... [LB725]

DAVID HALDEMAN: Well, it might help if I explain how the process would work. What we would ask for in the application with the grant funds, when people are applying for the grants in this program, not just for this kind of project but any of the other projects that you see on the second and third pages of this, when they make application their application is going in with the rest of them. If a building is a good building for this process, it would probably have more of the materials that you can recycle. But the idea would be that they would have somebody like an architect or some kind of contractor that can go in, go through the building and say, we've got X amount of lumber, we think there's X amount of copper pipe or copper tubing or metal we can salvage, and that the grant proposal would basically provide an assessment of what the contractor or the architect thinks it's going to cost to deconstruct it and the amount of recyclable materials that are in that building and then we review the applications and we make grants announcements and they compete. If we choose to award a grant to an entity if they're successful in that process, we will base what we're going to potentially award in money on the contractor's estimates on what it's going to take to, you know, the labor and equipment to take the building apart and that's what we would be looking at awarding grant money for. However, we're not, we would not award the grant money upfront. What we would do and the language in the bill talks about reimbursement to a political subdivision. So we might make a grant award based on a contractor's estimate of, let's say, \$20,000 for the activities associated with deconstruction. And then when the building is taken apart and as they incur those costs, they'll keep track of how much time and money is actually spent on performing that deconstruction and then the department would actually then award or reimburse the entity for the money that's being charged to them to deconstruct. [LB725]

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SENATOR LOUDEN: Now you're not going to reimburse them 100 percent for deconstructing a building are you? [LB725]

DAVID HALDEMAN: Only for that which is going to potentially be recycled or reused. That will be as the language in the bill says, processed for recycling. They're going to be... [LB725]

SENATOR LOUDEN: Just a minute now. You're going to reimburse what can be recycled, is that what you're telling me? [LB725]

DAVID HALDEMAN: Well, you have the labor that will take the building apart and it's a selected dismantlement of the building to go in and actually dismantle it. Let's say you went in and you gutted it and all that you had left was the block walls remaining. All of the labor associated with, you know, getting it to the point where everything else that is left is going to be stuff that's destined for the landfill, would be what the grant program would seek to reimburse for. The material that cannot be recycled, the cost associated with putting that into a truck, hauling it to a landfill and paying the landfill tipping fees to receive it, we would not envision that to be a part of what the department would reimburse. [LB725]

SENATOR LOUDEN: Okay. Then in other words, on buildings that have more material that's going to be recycled in there would be the ones that would probably be more apt to be upfront on receiving the grants. Is that... [LB725]

DAVID HALDEMAN: We're going to look for very good proposals but, yes, if there's...in whatever process we come up in ranking applications, we could have a criteria for more points for a building that has the potential to have more of it recycled and less, you know, for less potential. I mean that would be one opportunity. I think part of the reality of it is, even if they did get funded, they probably would be funded at a lower amount if they didn't have that much that could be recycled. [LB725]

SENATOR LOUDEN: Okay. Because that's in the areas where some of these small towns usually these buildings are setting out there, they're already gutted. I mean that's the reason somebody turned them back for taxes is because they already pulled all the copper and everything out of them and sometimes including the copper wiring. So you have this shell sitting there that's an eyesore and that's what these towns are having to pay to get rid of. But what you're telling me then, there probably wouldn't be that much eligibility for grant money with those type of structures that are setting around in these small towns. [LB725]

DAVID HALDEMAN: A lot would depend on what they're going to do with the materials and I think, you know, let's take that scenario where it's gutted. The building has been

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guttled. If all that's left is the brick and block and their desire is to raze that and take it to a landfill, then, no, I wouldn't envision that there would be very much opportunity for reimbursement for recycling or reuse. But if they have a crew that comes in, and people do this, they'll take apart the brick wall or they'll take apart the block and they may reuse it as brick or block, or in some cases, because it's so clean it can be used or reused for other purposes. It can be ground up and used as an aggregate. It can be used potentially as a type of fill material in a beneficial way. It would depend upon, you know, once that building is gutted, what's left and what they intend to do with it. And are they taking what's left and going to recycle it or are they simply going to take it to a landfill and those are the things we're going to be looking at in any proposal that comes into the grant program. And when we look at buildings, we're not thinking solely of, like a commercial type of building, but residential buildings or structures as well. [LB725]

SENATOR LOUDEN: Okay. I think I understand where you're going. I think I can see some people that aren't going to be real happy when they do the grant money. Senator Wallman. [LB725]

SENATOR WALLMAN: Thank you, Senator, Chairman Louden. In other words, if I have an old elevator in a small town, what would be recyclable, mostly wood, you know, would you get...have you ever given any money out for that? [LB725]

DAVID HALDEMAN: No. This is a new concept really. [LB725]

SENATOR WALLMAN: Yeah. Would you give money for that, I should say? [LB725]

DAVID HALDEMAN: For the wood, the lumber? Wood, lumber has value. Lumber if you...provided you take care in how you take the lumber out, provided there's not infestation by pests like termites, provided there's not been a lot of adhesives used that cause, you know, when you're taking the materials out to be damaged, lumber is a type of material that can be sold or used to build other structures. [LB725]

SENATOR WALLMAN: Thank you. Thank you, Chairman. [LB725]

SENATOR LOUDEN: Did you ever tear a building down for that reuse lumber (laughter) and pull the nails and do all that kind of stuff? [LB725]

DAVID HALDEMAN: I've done small projects. [LB725]

SENATOR LOUDEN: Okay. Because I was going to say when I was a kid and before I got old enough and got smart enough that's what my folks made me do is when we tear them old buildings down and pull those nails and haul that lumber around and then reuse it again. And I think mostly because I was working for food and (laughter) for bed and board, why it probably worked. But I've got about three houses sitting out there on

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the prairie that we're not doing anything with because it costs you too much and too much time. It's cheaper to go see Morton Building or somebody and build a steel building than to tear them all down and fool with them. Anyway, what about just burning the building down for fire training exercises? Do you pay for anything like that or anything? [LB725]

DAVID HALDEMAN: No, no. (laughter) Burning would not fit, you know, within the purview of this act but you can use, you can burn a building down for fire training purposes and there are some small community fire departments that do that and it's legal provided they remove the asbestos and they get the appropriate authorization from the fire marshal's office. However, it's a...we don't see it quite as much but it's an activity we would discourage. As an environmental agency, we're concerned about the quality of our air, land, and water. And when they do these exercises, one of the things they try to do is allow it to be as close to a real fire as possible for purposes of training and just from an environmental standpoint, we would discourage it. [LB725]

SENATOR LOUDEN: Okay. Thank you. Senator Christensen. [LB725]

SENATOR CARLSON: That's Senator Christensen over there. (Laughter) [LB725]

SENATOR LOUDEN: Carlson. Well, that's the first time this year. (Laughter) [LB725]

SENATOR CARLSON: Senator Louden. David, when I look down this list, just help me out and I had to step out and maybe somebody else asked it, but Atkinson amnesty, 600 tons, \$66,000. Bellevue amnesty. Now, does that mean it was recyclable stuff or that's, what does that really mean? Several of them in here have large amounts and it says amnesty and then they were given grants. [LB725]

DAVID HALDEMAN: Right. I'll try and explain what that is. One of the eligible categories in the existing act has enabled the department to grant money for tire cleanups that are conducted by communities and there are a lot of, a lot of communities will hold these what they call amnesty days. And it's where if in that community you're a citizen that has a couple of old tires in your garage that didn't get left at the retailer or you're a farmer and rancher and you're tired of looking at those tires and the blowout or whatever else, you know, what if somebody drops it off in the ditch or something like that and you've accumulated some of them, when those amnesty days are held, the community will select a location where people during a one-day or two-day event can bring their tires in and drop them off and then the community gets grant dollars to have a tire recycler come in and pick those tires up and haul them off and recycle them. [LB725]

SENATOR CARLSON: Okay. And because I see other crumb rubber and so forth, but that amnesty, that's tires. [LB725]

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DAVID HALDEMAN: That's tires. That's paying communities for the disposal of tires that are... [LB725]

SENATOR CARLSON: Thank you. [LB725]

SENATOR LOUDEN: (Exhibit 8) I guess seeing no more questions, why thank you for testifying. (laughter) And we have in support Gene Hanlon from the city of Lincoln also is in support of LB725. Next testifier, please. [LB725]

GARY KRUMLAND: Senator Louden, members of the committee, my name is Gary Krumland, last name is spelled K-r-u-m-l-a-n-d, representing the League of Nebraska Municipalities in support of LB725. Abandoned buildings are a problem across the state. Just by their very definition, they're not maintained. Many of them become unsafe and it becomes up to the city or village to deal with them. These are buildings that either the landowner has...is unavailable or doesn't have money so that if you go after the landowner you're not going to get reimbursed. The...if you take the property, the property is not going to cover the cost of the demolition of the building so it comes out of the taxpayers' money. So cities and villages when they do this are looking at the cheapest, quickest way to do this so that it doesn't cost taxpayers a lot of money. In order to deconstruct a building, it does take additional revenue and so I think this program will help those cities to use this as a choice when they're faced with getting rid of an abandoned building and it will help, you know, in those situations where the building does have recyclable materials to choose to deconstruct rather than just demolish and would then help recycle some of the materials for use again. So without this, they're generally not in a position where they can go to the extra expense of deconstructing a building. I'd be happy to answer any questions if you have any. [LB725]

SENATOR LOUDEN: Questions for Gary? Do you think the way the thing is written and what we're thinking here, Gary, that this will help a lot or because it looks like to me it's going to be kind of narrow on who can get some grant money. You're going to have to have something that's kind of recyclable out of that. [LB725]

GARY KRUMLAND: Yeah, I don't think it's going to help if the building doesn't have a lot of recyclable materials in it. It's probably not going to help even if it does. It still may end up costing more than what it would be to just demolish it but I think at least it will give a choice for the cities and villages to look at to say, well, there may...you know, and there are good public policy and environmental reasons to look at this and this will grant incentives to do that. [LB725]

SENATOR LOUDEN: Okay. My next question would be, you think then if we can get something like this started it can always be fixed in the future? [LB725]

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GARY KRUMLAND: Oh yeah, I mean there's always at least that and I know it just applies to smaller cities now and there may be questions that should apply to others, too, which is another issue to look at but... [LB725]

SENATOR LOUDEN: Okay. Other questions for Gary? Seeing none, thank you. You got off real easy. Other testifiers in favor of LB725? Are there opponents of LB725? [LB725]

JACK CHELOHA: Good afternoon, Senator Louden and members of the committee. My name is Jack Cheloha, the last name is spelled C-h-e-l-o-h-a. I'm the registered lobbyist for the city of Omaha and I wanted to make the record in opposition to LB725 for two reasons today, if you will. First of all, maybe I should back up a little bit and tell you about the fund that's out there that we're looking at. Omaha has been a beneficiary of this fund. We've received funding for probably the primary one that my fellow employees told me about is a program called Under the Sink where we've set up a recyclable situation and a shop, if you will, where citizens can bring their chemicals or old paint cans, etcetera, to dispose of them instead of filling the landfills and so that's probably been the biggest one and it is, if you will, an ongoing grant. If I can shuffle through my papers here I thought...yeah, here's the...and we receive, I think it is, about \$277,000 for this operation. And so now I can go on to why I'm an opponent to the bill. First of all, I guess we're worried about the source of funds, if you will. As you can see in the bill, LB725, there's currently eight different eligible categories for these grant funds and most of them from a logical standpoint are tied to the Waste Reduction and Recycling Incentive Act in order to encourage, you know, the recycling, etcetera. It's a new concept, if you will, to, if you will, recycle or deconstruct buildings. I mean it's been going on for years and some people may do it voluntarily but it's a new concept introduced to this particular program. So we're worried that if we start a new program, that maybe some of these other eight areas may suffer in terms of the amount of money available, etcetera. Also if you look on page 3 of the bill, we're striking some old language from 2002 where basically when the state hit some tough times we had to basically take \$2 million out of this fund to help with our general fund and so we're probably in the process of still trying to recover and rebuild a little bit from that, if you will. So that's the first one. The second reason why we're opposed, or at least opposed at this point, is just because of which communities are eligible. As I discussed this with my colleagues from Lincoln, I know that they would like to be eligible for these types of grants. Omaha probably would be as well and even our first-class cities. But of course we're looking at a finite amount of money, and so how far would it go and that's to be determined, I guess. But in particular, you know, Omaha is roughly a city of about 400,000 people and I've heard our latest number of buildings on our list to get to in terms of demolition of condemned buildings is about 400 now. We set aside a certain amount of money that we can afford each year to demolish buildings and obviously we do that for various reasons, but the biggest one is they've been, you know, so run down on, in terms of city code or abandoned, etcetera, that they're to the point that they've been condemned by

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the city and they're a hazard to our citizens and we need to...well essentially, the burden that's thrown on the local government then to be the caretaker of these, if you will. And so that ultimately costs the taxpayers locally and so we can only afford to do so many and so that's why our backlog is roughly about 400 structures and so, if we could find a way to help pay for that that would, that may go a long way. Yet at the same time, you know we realize that we're motivated by recycling and trying to deconstruct these and so I guess it was not surprising to me but on the proponents' testimony it's going to cost more to do that because you're going to have to be more careful to, you know, keep the brick intact or the copper pipes intact as you bring them out, etcetera. And so for those particular reasons, I mean, I guess we're an opponent because of the source of funds and on also because of the eligible participants and I'll try to answer any questions you might have. [LB725]

SENATOR LOUDEN: Questions for Jack? Senator Fischer. [LB725]

SENATOR FISCHER: Thank you, Chairman Louden. Welcome, Jack. [LB725]

JACK CHELOHA: Thank you. [LB725]

SENATOR FISCHER: Do you know how much since this program, not this program, but since the waste management program has been in effect what the total dollar amount in grants has been? [LB725]

JACK CHELOHA: I do not. [LB725]

SENATOR FISCHER: Do you know how much Omaha has received in the total dollar amounts? [LB725]

JACK CHELOHA: Once again, I don't, and I'd like to have a copy of the handout in from DEQ. Maybe that would help me. I don't know if that has...how long that goes back but I'm sure it shares with you who's been awarded some of the money. I do have some information in terms of what the source of funds are and things like that. [LB725]

SENATOR FISCHER: I don't have a question on that. (Laugh) How about under the current program, you mentioned the Under the Sink program that Omaha is able to do, do you know how much money Omaha received for that? [LB725]

JACK CHELOHA: I do. That one is \$277,000 annually, and I think has been up and running for a few years and I don't know, you know, I can't tell you at what point there's going to be a cutoff or a shutoff of it or if it's ongoing indefinitely. I don't know that but I think it's been at least \$277,000 for at least for now, at least two or three years probably. [LB725]

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SENATOR FISCHER: Okay. And it sounds like a really good program. Do you know how much or if Omaha has received any money for the scrap tire programs? [LB725]

JACK CHELOHA: I think we have two. I know there was a huge storage site in south Omaha where it was a major undertaking to get that cleaned up. I think the name of the business was Wally, Wally's Wheels or something like that and so... [LB725]

SENATOR FISCHER: Wally World's Wheels. [LB725]

JACK CHELOHA: Yeah, Weird Wally, but anyhow. Yes, so we have been the beneficiary of it, you know, based on the eight existing criteria and so if we add a new one, that's why we're worried. [LB725]

SENATOR FISCHER: Thank you for saying that. I guess from Mr. Haldeman's testimony he said the scrap tire management projects have a priority for funding under the act and until you came up I didn't think of this question. But do you know if any of those scrap tire programs have been turned down and money given for other programs that possibly your city has been a beneficiary of? [LB725]

JACK CHELOHA: That's possible. I think that the numbers I had estimate that the scrap tires generate maybe \$1.8 million annually whereas \$1 million of it is earmarked for, you know, tire programs and recycling and so I guess I'm not smart enough to give you the percent right now, but you know, so that's how it's divided at least. [LB725]

SENATOR FISCHER: So basically what I guess I heard you say, you're opposed to this program, to this bill for this program, because Omaha would not qualify. [LB725]

JACK CHELOHA: Right. That's my second reason. [LB725]

SENATOR FISCHER: And your first reason is, this program you feel would take money away from possible grants that Omaha would receive the money for. [LB725]

JACK CHELOHA: Well, or any community for that but, I mean, any of the eight categories already listed above and you know, I think there's a way, though, that we could maybe meet and discuss it and look at some other things and maybe we could ultimately erase Omaha's opposition to the bill, hopefully. I mean, but for now we want...I've been ordered, if you will, by my bosses to come in and make the record as an opponent. (Laughter) [LB725]

SENATOR FISCHER: Now don't back-pedal on me. Come on. (Laughter) [LB725]

JACK CHELOHA: I'm just here to help and take my fair share. That's all. [LB725]

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SENATOR FISCHER: That's good. Okay. I appreciate it and I understand where you're coming from. Thank you. [LB725]

JACK CHELOHA: Okay. Thank you. [LB725]

SENATOR LOUDEN: Questions I have and Senator Fischer asked some of them for me but you said it, yeah, Omaha got \$277,000 for household waste, paint, and that sort of thing and the city of Sidney got \$5,800 so, I mean, Omaha probably doing quite well the way it is, right? And you're concerned that... [LB725]

JACK CHELOHA: That's rhetorical, right? (Laughter) [LB725]

SENATOR LOUDEN: ...that if we put something in there, it will dilute Omaha's chances. I'll just say chances because some of the other places, you know, Lexington, they're whole solid waste they got about \$28,000 according to this and Lancaster County got \$80,000 so Omaha got considerably more than some of the others. So I'm wondering, you said you can't afford to demolish some of these old buildings that are abandoned. Now I presume, does the county own those buildings or does the city own those buildings? [LB725]

JACK CHELOHA: Well, most of the time, Senator, they're within the city limits and in terms of ownership, I mean, it's still maybe...well, it could be in a number of places. It still could be in the private landowner and under the auspice of condemnation it still could be theirs, or it could have been sold at a tax foreclosure sale and it could either be, you know, owned by a new owner or it could be in this limbo land. There's this thing, we just had a bill heard yesterday in Urban Affairs that's got a Land Reutilization Commission where they come in kind of in between the sale and their duty is to take these parcels of land and try to get them sold to get back on the tax rolls and so there's a number of spots of where ownership may rest, Senator Louden. [LB725]

SENATOR LOUDEN: What I was wondering is why the county doesn't go ahead and demolish some of those buildings. Now don't tell me you can't afford it because I know about what the mill levy is for Douglas County (laughter) when you compare it to what the mill levy is for the counties out west. [LB725]

JACK CHELOHA: Right. [LB725]

SENATOR LOUDEN: I mean, you know, why isn't something like that done to demolish them? If you've got 400 buildings and they need to be done, why don't the county take up the, take up the gauntlet and go after them? [LB725]

JACK CHELOHA: Yeah, well, I think in terms of, you know, what powers are bestowed on local governments, if you will, I know within the city limits we have an understanding

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with Douglas County that that's our domain and our problem, if you will. And so we...all I can speak about is the geographical area of Omaha that there is, you know, 400 backlogged and in terms of outside the city limits I don't know the number and frankly I'm not sure, in terms of the county having...I don't know if they have the authority to condemn and move forward or not. I'm not sure. [LB725]

SENATOR LOUDEN: Okay. Well, if it's been sold for taxes, in our part of the country usually if nobody buys it, the county ends up buying it for the taxes because otherwise it just sets there. Okay. Thank you. Other questions? Senator Kopplin. [LB725]

SENATOR KOPPLIN: Yes, just a thought. I'm trying to figure out, here it is. We did a little discussing about how much various cities get. I'm wondering if there was a chart that shows how much that is per citizen. [LB725]

JACK CHELOHA: Well, that's a good point. I mean, Senator, I see which way you're going to, I mean. And on terms of where the fees are generated, too, I guess that's a consideration as well. [LB725]

SENATOR LOUDEN: Other questions? Seeing none, thank you. [LB725]

JACK CHELOHA: Thank you. [LB725]

SENATOR LOUDEN: Any other opponent to LB725? Anybody wishing to testify in the neutral? Seeing none, then I guess we close the hearing on LB725 and go to LB726 and Jody will open with that one. [LB725]

JODY GITTINS: Good afternoon, Chairman Loudon, members of the Natural Resources Committee. My name is Jody Gittins, J-o-d-y G-i-t-t-i-n-s. I'm opening on LB726 on behalf of the Natural Resources Committee. This bill is another bill that was brought to the Natural Resources Committee by the Department of Environmental Quality. This bill amends the Wastewater Treatment Facilities Construction Assistance Act to provide additional grant and loan funding opportunities in Nebraska to plan, design, and construct wastewater facilities. We did something similar last year under the clean drinking water act where we said the department could use a percentage of their interest that they gain on their administrative fees so nothing is taken away from the program that now funds our large cities, which was a concern raised by Senator Schimek last year on the floor. And again, this bill will not take away from large cities. It simply says that the department can use the interest off of their administrative funds to assist smaller communities in dealing with their wastewater treatment design and plans and construction of those facilities. And that would be again under the Clean Water Act and these are a federal impositions of requirements that cities comply with. [LB726]

SENATOR LOUDEN: Questions for Jody? Seeing none, thank you, Jody. And we'll

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have our first proponent for LB726. [LB726]

PAT RICE: (Exhibits 9 and 10) Good afternoon, Senator Loudon, and members of the committee. My name is Pat Rice, last name is spelled R-i-c-e. I'm the assistant director for the Department of Environmental Quality and I manage the water quality division. I'm here today to represent the department in support of LB726. This amends the Nebraska Wastewater Treatment Facilities Construction Assistance Act of 1988. Back in 1988 this program was commonly referred to as the Clean Water State Revolving Fund and it was set up to provide revolving fund loans to communities to assist them in construction of wastewater facility projects that were required under the federal Clean Water Act. Under the state act, again it was a mechanism whereby we would use federal capitalization grants along with a small matching portion of state funds to provide loans to communities for the collection, treatment and disposal of wastewater. This has been a very successful program for us, providing financing to 166 total projects in 129 communities. The map that you have shows the location of those communities and we've loaned out since 1989, \$275 million to these communities. On the back is also a listing of the communities and the years in which they received their various loans. The source of these funds has been \$955,000 worth of general funds which were provided in the first couple of years of the program to get things off the ground, and since then we've used \$27.8 million of NIFA issued bonds to provide the state's match portion. We've received \$130 million in federal capitalization grants and we've received back about \$107 million in loan repayments which we continue to turn around and loan back out to communities. And we currently receive about, or have received about \$10 million in interest on the funds that we have control of. LB726 would amend the Wastewater Treatment Facilities Construction Assistance Act to allow expanded uses of the fund for such things as increasing the level of funds available for financial assistance and increasing the size of the eligible municipalities. Currently we have a limit of 5,000 population and we're proposing to increase that to 10,000 population. It would provide for construction grants for up to half of the project costs, concurrent with loans to municipalities of 10,000 in population, which demonstrates serious financial hardship. It would provide for financial assistance to municipalities of 10,000 or less to receive up to 90 percent grants to encourage wastewater reuse and for a variety of studies to help communities meet the requirements of the federal Clean Water Act. And it would also allow the transfer of money to the Wastewater Treatment Facilities Construction Loan Fund to help cover our portion of the federal required match dollars. These changes would allow NDEQ to enter into agreements with public wastewater systems of 10,000 population or less for construction. Since the initiation of the program, we've had about 52 total construction grants that we've provided to communities totaling about \$4.5 million. We provide planning grants and since 2004 we've done 28 of those grants totaling, about \$350,000 and would also provide money in emergency situations for communities. The money to finance these grants would come from our Construction Administration Fund. This fund and the planning grants would be limited to 65 percent of the revenue from our administrative fees that we collect in the prior fiscal year. And

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in...for this year, for instance, that would amount to about \$975,000. This proposal may look similar to you. Last year we passed legislation for the drinking water state revolving fund program that was virtually identical in concept to this and that concludes my formal testimony. I'd be happy to answer any questions that you might have. [LB726]

SENATOR LOUDEN: Any questions for Pat? Gee, I guess you get off pretty easy, Pat. I guess you told us everything that we needed to know. Thank you for testifying. [LB726]

PAT RICE: Thank you, Senator. [LB726]

SENATOR LOUDEN: Next proponent for LB726. [LB726]

GARY KRUMLAND: Senator Louden, members of the committee, my name is Gary Krumland, spelled K-r-u-m-l-a-n-d. I'm representing the League of Nebraska Municipalities in support of LB726. Cities and villages across the state face huge costs in wastewater treatment and very often don't have the customer base to pay for it so it really increases any charges. A project like this which removes some of the limitations on grants and financial assistance is really helpful for those cities who are facing financial hardship and help them to improve their systems and to comply with both state and federal requirements. And so, for that reason, we do support the bill and we appreciate both the committee and DEQ's efforts to help cities in those situations. With that, I'll be happy to answer any questions. [LB726]

SENATOR LOUDEN: Questions for Gary? Seeing none, I guess thank you, Gary, for testifying. Next proponent for LB726. Are there opponents to LB726? Those wishing to testify in neutral. Seeing none, then I guess we close the hearing on LB726, and... [LB726]

JODY GITTINS: That's it for today. [LB726]

SENATOR LOUDEN: That's it for today. []

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Disposition of Bills:

LB724 - Advanced to General File.
LB725 - Advanced to General File.
LB726 - Advanced to General File.

Chairperson

Committee Clerk