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Revenue Committee  
December 10, 2009

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[LR106 LR139 LR182 LR215]

The Committee on Revenue met at 1:30 p.m. on Thursday, December 10, 2009, in the Bellevue University Criss Auditorium, Hitchcock Humanities Center, Bellevue, Nebraska, for the purpose of conducting a public hearing on LR215, LR106, LR139, and LR182. Senators present: Abbie Cornett, Chairperson; Merton "Cap" Dierks, Vice Chairperson; Greg Adams; Pete Pirsch; Dennis Utter; and Tom White. Senators absent: Galen Hadley; and LeRoy Louden. []

SENATOR CORNETT: Good afternoon, everyone. Please have a seat. I'll give everyone a moment to have a seat. Good afternoon. I'm Senator Abbie Cornett from Bellevue. The committee members today present are Senator--Vice Chair Senator Dierks from Ewing to my immediate left, Senator Pete Pirsch from Omaha, Senator Greg Adams from York. Joining us today is Senator Scott Price also from Bellevue and Papillion. Senator Annette Dubas will be joining us later. To my immediate right, I'd like to introduce Senator Dennis Utter from Hastings and Senator Tom White from Omaha. Committee staff today is legal counsel Shannon Anderson. Committee clerk is Erma James. And legislative assistant is Brenda Larson, and she'll be in the back of the audience. Today's hearings are on interim study resolutions LR215, LR106, LR139, and LR182. They were introduced to give the committee members an opportunity to research and gather information on three issues. All testimony is considered neutral, so there's nothing specific to support or oppose. Copies of the resolutions are available at the door. If you are planning to testify, the sign-in sheets are on the table by the door and need to be completed. Please print your name and complete the form prior to coming up to testify. When you come up to testify, please hand your testifier sheet to the committee clerk. We have the table at an angle today; we figured if it was straight on with the committee, someone might fall off the stage. (Laughter) That looks like a little bit of a distance down. If you do not wish to testify but would like to have your name entered into the official record as being present for the hearing, there are clipboards also available at the table. Please turn off your cell phones and pagers, or turn them to

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vibrate. We will follow--we are going to make a change on the agenda today. We were going to start with LR215 and then move to LR282--I'm sorry; pardon me, LR182. As you begin your testimony, please state and spell your name for the record. If you have handouts, please give them to the committee clerk for distribution. With that, we will begin the committee hearings on LR215. [LR215]

RICK KUBAT: Good afternoon. My name is Rick Kubat, K-u-b-a-t. I work for the Douglas County Board and am the coordinator for the Douglas County Board of Equalization. The one issue as it relates to you guys studying TERC cases that I believe the Douglas County Board is interested in is the issue regarding how long it takes to resolve a TERC filing. Roughly 5 percent to 10 percent of cases filed at the initial BOE stage are because folks still have their TERC cases pending--tends to lead to various amounts of frustration from the public. I get phone calls all the time: Why can't you guys get these cases resolved? I filed in 2008, why do I have to file again in 2009? I know one of the ideas that this committee floated around yesterday--not speaking for the county board but speaking for myself--that seemed to be a good idea is for residential properties valued at X dollars and below could be heard by a single commissioner. I don't know what the opponents to that measure would be, but that seems like a good idea as far as trying to get TERC cases held in a timely fashion. With me today is Mike Goodwillie from the Douglas County Assessor's Office. And I don't believe Mike plans on testifying, but one of the things that our Douglas County assessor has to do is for all of those folks that have pending TERC cases, their office sends them a letter saying: We understand that you filed a TERC appeal in 2008. Please know--because that case wasn't resolved in time, and final values have to be due by a certain date--you must file again in 2009. That's really all I have for testimony. Anything that you could do so that TERC cases could get resolved faster would definitely be helpful from Douglas County's perspective. [LR215]

SENATOR CORNETT: Questions from the committee? [LR215]

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RICK KUBAT: Thank you. [LR215]

SENATOR CORNETT: I do have a couple. How many cases were unresolved in 2008? [LR215]

RICK KUBAT: You know, in 2008 we did 5,800 BOE protests. And, again, just a rough estimate: I believe roughly 5 percent to 10 percent of those filings--those folks had pending TERC cases. So, whatever--5 percent to 10 percent of about 5,800. [LR215]

SENATOR CORNETT: Now when you said you had 5,800 that you actually heard, how many were actually filed? Did you hear every protest? [LR215]

RICK KUBAT: If I can back up a bit--as the committee might be aware of, Douglas County doesn't have face-to-face hearings; we've gone to a paper system. When I say 5,800, those are 5,800 cases in which we actually ruled on. [LR215]

SENATOR CORNETT: Cases. Okay. [LR215]

RICK KUBAT: And that was for 2008. I'm looking at the numbers for 2009--we did 4,800. [LR215]

SENATOR CORNETT: And how about--do you remember 2007? [LR215]

RICK KUBAT: I don't, but I have it in front of me. [LR215]

SENATOR CORNETT: And when did you go to the paper system? [LR215]

RICK KUBAT: 2008. [LR215]

SENATOR CORNETT: That's what I thought. [LR215]

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RICK KUBAT: Two thousand nine was our second year. In 2007 we did 10,660. [LR215]

SENATOR CORNETT: 660? [LR215]

RICK KUBAT: 10,660. [LR215]

SENATOR CORNETT: Yeah. And was every one of those heard? [LR215]

RICK KUBAT: If it was requested by the property owner, I would say 99 percent of folks that wanted to have a face-to-face hearing in 2007 got one. There were a handful of people that called in at the very end of the month, and there was no time available for face-to-face hearings. [LR215]

SENATOR CORNETT: One more question: Do you have any insight as to why less than half the number of protests were filed in 2009 as 2007? [LR215]

RICK KUBAT: The best person to have a conversation with on that would be Douglas County Assessor Roger Morrissey. Oftentimes I'd say the biggest indicator for number of filed BOE protests is how many valuation-change notices are sent out by the assessor's office. And I know in 2007 that was one of the biggest years as far as Mr. Morrissey and the Douglas County Assessor's office changing valuations. Not only were many valuations changed, but those people that did get a change notice that year, the number--the percentage of change on homes was, I believe, somewhere in the neighborhood of 12 percent. So if you got a change notice that year and you lived in a \$100,000 home, on average that house would be...the new value for that house would be roughly \$112,000. [LR215]

SENATOR CORNETT: One more question, Mike (sic)--I lied. [LR215]

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RICK KUBAT: Yes. [LR215]

SENATOR CORNETT: How...do you know if the number of valuations or revaluations has changed that his office did between 2007 and 2009? Are the same number of assessments being done? [LR215]

RICK KUBAT: The number of people getting valuation-change notices in their mail? [LR215]

SENATOR CORNETT: Yes. [LR215]

RICK KUBAT: It's substantially decreased, thus reflecting the numbers. In 2007--and, again, Mr. Goodwillie is here, and he can give you the exact number--I believe they sent somewhere in the neighborhood of 82,000 change notices out. And that was the year we did the 10,600 protests. This year we did 4,800 protests, and I believe about half the valuation-change notices were sent out--somewhere in the neighborhood of 40,000. [LR215]

SENATOR CORNETT: Okay. I'll speak to...ask Mr. Goodwillie the remainder of the questions. [LR215]

RICK KUBAT: I don't mean to put Mr. Goodwillie on the hot seat; I don't know if he planned on testifying today or not. [LR215]

SENATOR CORNETT: Okay. [LR215]

SENATOR WHITE: Let me ask a question; it may clarify, and then he may not need to. You sent out change-in-valuation numbers. Were the same number of properties reviewed in '09 and '08 as were in '07--maybe reviewed but there was no change or not a significant change in their valuation? [LR215]

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RICK KUBAT: I guess I'll try my best to answer the question. As far as how many properties the assessor's office reviewed in a given year, I would have no idea. I would have to ask the county assessor's office. As far as the...when I talked earlier, on average in '07 if you lived in a \$100,000 home and you got a notice, it was about a 12 percent--my recollection was that it was about a 12 percent bump. If you got a change notice in '09, that number came way down, because I believe the assessor's office believed they had caught up to the market. There were substantial number of change notices that were actual decreases as compared to '09. And if you received a change notice in '09 versus '07, I believe--and I would defer to Mr. Goodwillie on this--but that \$100,000 home, it wasn't revalued at \$112,000, maybe it was \$104,000, \$105,000, \$106,000, so the changes weren't as big in '09 as they were in '07. [LR215]

SENATOR CORNETT: Let me just follow up to what the reasoning behind this line of questioning is. There has been a number of discussions about the fact that Sarpy County reassesses valuation every year for every home and that Douglas County does not reassess every home but meets the minimum statutory requirement for assessment, where Sarpy County runs at about 99 percent to 100 percent. Am I correct, Senator Price? [LR215]

SENATOR PRICE: I think they run 84 percent to 85 percent. Their minimum is 75 percent, but they do it every year... [LR215]

SENATOR CORNETT: Correct. Yeah. [LR215]

SENATOR PRICE: ...versus a six-year cycle. [LR215]

SENATOR CORNETT: So the question is...the heart of the matter for Sarpy County, which I represent, is: How often are the houses getting reassessed? And what percentage of the houses in Douglas County are assessed every year? And did that

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change between 2007 and 2009? [LR215]

RICK KUBAT: It's difficult for me, because I work for the board of commissioners...  
[LR215]

SENATOR CORNETT: Correct. [LR215]

RICK KUBAT: ...and I don't know; I would defer again to the assessor's office. My guess is once every five or six years. What I can tell you is that if you're in Sarpy County, historically, and you get a change notice, you're probably looking at a 1 percent, maybe 2 percent bump; whereas if you're in Douglas County and you get a change notice, your bump's going to be substantially higher. In other words, yes, you're not getting systematic change notices in the mail in Douglas County--maybe you get looked at once every five or six years--but when you do get a change notice, on average, your bump is going to be substantially higher than one getting a change notice in Sarpy County. [LR215]

SENATOR CORNETT: Okay. Thank you. Oh, Senator Price. [LR215]

SENATOR PRICE: Senator Cornett, if you don't mind. Can you tell us, of the number of cases that are heard, how many cases are resolved in agreement to the person bringing it forth versus your office and the counties? [LR215]

RICK KUBAT: If I understand your question, Senator, are you asking me, do I have a rough idea of how many people get a valuation decrease upon filing a...? I can give you the numbers as far as how many people get what I would say is relief--whether or not that relief is sufficient in their eyes I would have no idea. But, yes, for example, in 2009, according to my numbers, 56 percent of people who filed at the BOE level retained some sort of relief. In 2008 that number was 63 percent. And generally speaking, you're looking at a range from 55 percent to 65 percent of BOE filers obtaining some sort of

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relief over the last few years. [LR215]

SENATOR PRICE: Thank you. [LR215]

SENATOR CORNETT: Any further questions from the committee? Seeing none, thank you. [LR215]

RICK KUBAT: Thank you for your time. [LR215]

RANDY LENHOFF: Senators, my name is Randy Lenhoff, and I'm with Seldin Company in Omaha. We manage properties across the state of Nebraska. We have--a large number of our portfolio is in the Omaha area. And I wanted to take a few minutes to give you my overview of the problem. I also represent Nebraska Association of Commercial Property Owners here at this hearing. Douglas County is, of course, the largest county and has a lot of problems with their system. As we see it, it creates a problem from the front end, where we don't get a chance to meet with the assessor or anyone who represents the assessor's office. I think that leads to a large number of filings with TERC, which kind of balls the system up. And so what we found is we file our protests; we don't get a hearing, so then we go through--file with the TERC. So we have to do two filings. Then after we've filed with the TERC--usually we have a sit-down with the assessor's office after that period. And then many of the cases are settled. But it seems like the process just doesn't work very well. We don't run into this in the other counties. We're in Sarpy County; we file protests there. We've filed them in other counties across the state. Douglas County just has a problem because of the large volume, as you probably already heard or are already aware of. The other problem that I see is that when we do get to TERC, the process is very formal, difficult to get through. I mean, we've got to walk in with an attorney. I tried going down there once without an attorney and basically got thrown out. It's supposed to be set up as an informal process. The other thing that bothers me is the standard of evidence. I know that there's been conversation that the standard of evidence is really even or they use a preponderance

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of evidence. If that's what they do, I'd really like to see that said in the law, because I do worry about one of these days there's going to be a decision by the TERC, and right now I think it's almost like you've got to prove they were arbitrary and capricious on a local level if you'd even get a finding in your favor. So that's a very dangerous standard for the TERC to be working under, and I don't understand why that continues to be a position that the TERC feels they need to have. I guess, bottom line, is it seems like there ought to be a better way to do this without us having to file--we have to file with the county; we file with the TERC. And then because of the lag with the TERC, we have to come back and file with the county again the next year before we get the first year we filed for. And if you don't know how to do that...I mean, it's bad enough for us--we have to watch it. I can just imagine for the single-family homeowner or anyone else out there how confusing that is or if you own a six-plex or a duplex somewhere why you should have to file three times before you finally get a hearing. So there is a problem, and it needs to be addressed in Douglas County. [LR215]

SENATOR CORNETT: Thank you very much. Questions from the committee? I would like to welcome Senator Dubas. Thank you very much. [LR215]

RANDY LENHOFF: Okay. [LR215]

SENATOR CORNETT: Next testifier. Can I see a show of hands for the people here to testify on LR215? [LR215]

MIKE GOODWILLIE: Mike Goodwillie, Douglas County Assessor's office. Good afternoon, Senators. And I want to thank my good friend Ricky Kubat for inviting me up here. (Laughter) [LR215]

SENATOR CORNETT: There's nothing like getting thrown under the bus. [LR215]

MIKE GOODWILLIE: Well, I wouldn't say being thrown under the bus. Let me provide a

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little background information to try and answer some of the questions that you folks had. What we try and do in our county is analyze each and every neighborhood each and every year. We have a database--a sales file database--where we know what properties throughout the county have been selling for. And we compare those to assessed values on an annual basis. You may have heard some discussion of the assessment/sales ratio. In our state, the standard is it needs to be--for residential, for example--between 92 percent and 100 percent of value. When we compare those sales prices that the buyers are paying--because in the end, when the buyer is scratching out that check, that's a pretty true indicator of what he really does think the property is worth and what the market is. And we simply compare the assessed value to those sales prices. If we have ratios in the upper end of the range--you know, between 95 and 100, say--the likelihood is we're not going to adjust it very much for that year, if at all. It's already qualifying. Understand, the median level of value--what that means is half of the ratios are above that and half are below that. And just as a philosophy, we're not going to micromanage that parcel, that neighborhood that's at 96 or at 98 or at 99. I mean, it's really not a very effective tool at that point. If, on the other hand, those ratios are down at the low end of the range or below the range, then there's going to be an increase--usually to get it up to around the midpoint, to around 95, 96, 97, someplace like that. This past year in doing that we found a number of neighborhoods where the median was over 100 percent. And so we sent out a significant number of change notices this year with valuation decreases. I think about two-thirds of the residential notices we sent out were decreases. So do we walk each and every neighborhood every year? No, we don't. Do we analyze the data that we have for each neighborhood each and every year? Yes, we do. I would sort of echo the sentiments of Mr. Kubat. I thought the one-commissioner hearing on residential below a certain point was probably going to be an awfully good idea. I'm not sure that person who's protesting a 10 percent or 12 percent increase in the value of his \$100,000 house needs the formality of a--or wants the formality of a four-commissioner hearing. What I would ask about that process to think about is: Where do you want to go in the event that either the county or the taxpayer is dissatisfied with the outcome of that one-commissioner hearing? If you

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want to appeal to the full commission, I don't know that a one-commissioner hearing, then, is any real savings, because all you've ladled on is a short hearing, you know, on top of a long hearing. I don't know what you want to do in terms of any kind of appeal rights. Do you want to send that taxpayer, or the county in some odd instance, to the district court or the Court of Appeals and under what circumstances? Or do you want to turn it into some sort of a--almost a binding-arbitration one-and-done kind of proposition? You know, there may be some due process arguments there. But I do think, you know, in the shoes of the guy who's protesting an \$8,000 bump in his \$100,000 house, one-and-done might be enough to be user-friendly, to get access, to get their protest resolved. So that would be a question I would ask on that one. I would also make a mild argument, maybe more than a mild argument, in favor of leaving the burden of proof where it is at the TERC. And the reason I make that argument is currently, statutorily, the burden is to show that the value of the county was unreasonable and arbitrary. The burden of persuasion just recently upheld again by the Supreme Court in the last year or so in a case out of Banner County was the burden of persuasion is clear and convincing. And I don't know why that's been the burden; it's been the burden for about 100 years. I suspect it's because when you're doing mass appraisal work, value is kind of a range, okay. If you hired three fee appraisers to appraise your house or my house, I'm guessing you're going to get three different numbers. And so absent some showing that the county has, you know, failed to contemplate some data they should have or failed to properly apply an approach to value, the recognition that that's a range means that if you lower the burden, I think all you're really doing is throwing darts at a dart board in terms of numbers. And you're going to say: Well, okay, this number is more persuasive today than that number is. And I think the original adoption of that burden of proof was that, you know, because value of individual property is relatively unprecise, it's going to take maybe a significant bit more to make a change. The other suggestion I would make is if it becomes--if the burden becomes too low, here's the parade of horrors that I think you could have. If all you're doing is showing that one number is slightly more persuasive than another, I don't know that I'm necessarily concerned about the individual residential taxpayer. Quite frankly, in

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our county, it would take a very significant number of them to make a big difference in the tax base. Where I would be a little concerned would be high-dollar-value commercial property. Because if, for example, you view--if you view value as a range...and the international association of assessing officials measures level of value anything between 90 percent and 110 percent of actual value is within the acceptable range. So let's say that your range is 10 percent either end of the number the assessor chooses doing their approaches to value in a \$10 million property. The taxpayer protest finds a more persuasive number that's 10 percent less. That's \$1 million off the value. And that assessor and that county may not have done anything really wrong. It's just that the range of value encompasses all that. Obviously, multiply that \$1 million by whatever the tax rate is, and that's a significant hit to the local tax base, plus you have some impact in terms of the requirement that's known as equalization--uniform and proportionality clause of the constitution. Does that then affect everybody in that class or subclass, which can ripple through the tax base? So I would just put that out there on the table. I know that's something that was discussed a bit last legislative session. And I suspect any discussion of CBOE and TERC process would encompass that for this go-round. [LR215]

SENATOR CORNETT: Senator White. [LR215]

SENATOR WHITE: You've talked about the burden of persuasion, the burden of proof. Those two combined are almost unique in the law. And I can tell you why they're that way, because judges hated hearing them. They didn't want any appeals. [LR215]

MIKE GOODWILLIE: I can understand that. [LR215]

SENATOR WHITE: That was deliberately set up to discourage appeals. If we left those alone, one of the other problems that we haven't discussed is the evidentiary standards of the homeowner. Right now, TERC is insisting on independent appraisals, I understand, with affidavits to disprove the database of the county. Well, that is just

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financially prohibitive; there's no way somebody with a \$120,000 home can afford to get an appraisal with an affidavit to offset a 10 percent increase in their tax basis that's affordable. [LR215]

MIKE GOODWILLIE: Senator, may I ask a question about that? [LR215]

SENATOR WHITE: Sure. [LR215]

MIKE GOODWILLIE: You know, I know there's a long line of cases that talk about the property owner who's familiar with his home... [LR215]

SENATOR WHITE: Can testify to his own value. [LR215]

MIKE GOODWILLIE: ...can testify about his value. Are they completely disregarding that, then? Because it seems to me... [LR215]

SENATOR WHITE: Well, they're certainly not finding it persuasive when they talk about it. [LR215]

MIKE GOODWILLIE: ...well, because it certainly seems to me...and I've certainly seen taxpayers do this--you know, the person that goes out to our Web site--and by the way, I've had people stop in mid-rant to tell me they like our Web site. But, you know, the person that goes out and diligently does his homework and finds properties that are like his on the Web site--I've seen that guy put on a good case. And you know, I would not be...I'm not real pleased to hear that the TERC isn't finding that persuasive in all instances, because I think, as you know, there are some people that come in, and they take the requirement seriously, and they find something useful to say about the value of their property versus that of their neighbor's. And then the next person that comes in--maybe he's just upset about his taxes, and he doesn't have quite as much that's useful to say. [LR215]

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SENATOR WHITE: What would you think of a system not limited just to homes but a system limited to valuation--maybe under a \$500,000 valuation? [LR215]

MIKE GOODWILLIE: Bifurcate the burden and make it here for something higher and here for something lower? [LR215]

SENATOR WHITE: No, allow for a fast track on an amount that's lower. If you have a \$500,000-or-below property, you can elect into a system where there is a very relaxed burden of proof. They can come in, and they can use your own database and say: Look at these comparable properties. They don't have to testify; they don't have to get an affidavit; they don't have to inform themselves as an expert. They just have to say: Compare inside your own database. Appeal to a one-person panel, and that becomes their record. So it's easy to put a record together... [LR215]

MIKE GOODWILLIE: Obviously, the devil is in the details, but I think that was kind of what the proposal for the one-commissioner hearings were... [LR215]

SENATOR WHITE: No, there was no change, necessarily, in the underlying rules of evidence on what gets in. [LR215]

MIKE GOODWILLIE: Oh, okay. Okay. I get you. You know, depending on where that...I mean, obviously, there has to be discussion of where the right place to draw that line is. [LR215]

SENATOR WHITE: On valuation. [LR215]

MIKE GOODWILLIE: On valuation, sure. But in principle, I think our office is all in favor of fast-tracking relatively low-dollar-value properties. [LR215]

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SENATOR WHITE: Here's the basic concern that drives that--if I have a multimillion-dollar piece of property and I have the economic ability and the economic incentive to spend the money to push through a real appeal--with a lawyer, anyone else... [LR215]

MIKE GOODWILLIE: Oh, that's absolutely right. [LR215]

SENATOR WHITE: But if you're in a situation where you don't have that, effectively we shut all these folks out of any kind of appeals, because it's not cost-effective--it's cost-prohibitive. They lose more in trying to perfect an appeal and push it through than they gain. So would your office support a streamlined, easy system so that someone with a lower-value piece of property can get a day in an appeal above the county level? [LR215]

MIKE GOODWILLIE: I think, in principle, we would have no problem with that idea. [LR215]

SENATOR WHITE: Okay. Thank you. [LR215]

MIKE GOODWILLIE: I mean, I'd like to see the detail. [LR215]

SENATOR WHITE: Always. Always. [LR215]

MIKE GOODWILLIE: And, in fact, if you want, I'd be more than happy to assist or participate in any way. The one issue I would...just, now that you've brought it up, thinking about...the one issue we do sometimes see in residential appeals, even of relatively low dollar value, is the question of condition. That is the major sticking point almost always. You know, what is the property like inside? Does it have its original 1940s finish, or have there been quite a bit of updates--perhaps permitless updates? And that does tend to be an issue that is a little harder to do on paper without any kind

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of inspection process. [LR215]

SENATOR WHITE: Right. [LR215]

MIKE GOODWILLIE: And so if there were some mechanism, you know, to manage that, with respect to condition issues, you know, that might be a very appealing way to deal with the lower-dollar-value properties. [LR215]

SENATOR WHITE: Then you could go to a one-commissioner appeal that would be final. [LR215]

MIKE GOODWILLIE: Where would...okay. So a one-and-done kind of proposition? [LR215]

SENATOR WHITE: Yeah. But you go to easy, and you make it cheap and affordable and efficient for lower dollar amounts. [LR215]

MIKE GOODWILLIE: I think we're on board with the idea of one commissioner. [LR215]

SENATOR WHITE: Let's call it the property equivalent of a small claims court. [LR215]

MIKE GOODWILLIE: I wasn't going to call it that, because everybody that... [LR215]

SENATOR WHITE: No, I think it's a good thing to call it. [LR215]

MIKE GOODWILLIE: Well, but everybody that calls us--they take their protests and their values pretty seriously, and... [LR215]

SENATOR WHITE: Well, small claims court is very serious to somebody making minimum wage. A \$200 amount is hugely serious. It's just you relax all the standards so

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they can get some kind of access to justice. [LR215]

MIKE GOODWILLIE: I don't think we'd have any problem with that in principle, though. [LR215]

SENATOR WHITE: Thank you. [LR215]

SENATOR CORNETT: Senator Utter. [LR215]

MIKE GOODWILLIE: Yes, sir. [LR215]

SENATOR UTTER: Mr. Goodwillie, previous testimony indicated there's maybe it's a substantial carryover of claims from year to year and people having to file twice and... [LR215]

MIKE GOODWILLIE: Yes, sir. [LR215]

SENATOR UTTER: Have you any suggestions about how that can be cleared up and taxpayers can get a quicker response? [LR215]

MIKE GOODWILLIE: If, well, I...let me give you a little back story, if I can. It's been black letter law in Nebraska forever that each year stands alone--that because I file a protest in 2008, that doesn't really have any impact on the next valuation year. Our Supreme Court says that periodically. A number of years ago, there was a bill in the Legislature--and I can't remember which year or what the number was--that would actually have said that if you file a protest, that that is sort of a standing protest on that value for years going forward. I don't even think that got out of the Revenue Committee. So as it stands now, you know, if you file your protest and you file your case--you know, you don't get the resolution you like in front of the county board--and you file your appeal with the Tax Equalization and Review Commission and for whatever reason

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we're approaching--usually it's in the springtime when we send this letter out, because we're obliged to send out any valuation-change notices on or before the 1st of June. If we don't send a notice out, that value remains the same as the previous year; people don't always know that. And so, for example, if you have an ongoing TERC case that has not yet been resolved for that previous year, as a means of being sure that you are able to exercise your rights, we do--we send you out a letter that says, you know: Your value is staying the same this year as last, or this is what your value is going to be; you have a TERC appeal pending; please understand that doesn't apply to 2009. And if you still have an issue with that value, in order to protect yourself, you know, that's a very narrow window--June 1 to June 30--to file your protest. And so to be sure you're protected in 2009, because 2008 doesn't act as a, you know, an ongoing appeal for future years or an ongoing stay for future years...I mean, we do--we come out and tell them. And some people pick up the phone and call and yell because they don't like the process, but I think I'd rather do that than have June 30 go by, and then they get their TERC resolved, maybe we settle with them. The value is lower, and then they want to know why they haven't gotten the same deal for 2009. You don't want to have to go back and say: Well, you know, because the way the statutes are currently written, you didn't file a protest, and you're out of luck. As far as going faster--I don't know what the TERC's total caseload is. I know that we try and contact the taxpayers that file a TERC appeal, with an eye toward settling as many of them as we can. But from a time constraint, if you have 1,000--I mean, physically calling 1,000 people and trying to arrange inspections or share some data or sitting down and have a cup of coffee and talking about it--I mean, there is a time element involved there. So I don't know what to tell you about what the TERC process works. I do know how we try and expedite process, and it doesn't always happen. You do have appeals pending when the next valuation protest process comes rolling around. And the best we try and do is make sure people understand what their rights are. [LR215]

SENATOR UTTER: Now my old, tired ears sometimes don't listen fast enough, but it seemed that--I thought that we were describing a situation where the tax protest was

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filed with the county. [LR215]

MIKE GOODWILLIE: By the county? No, with the county. [LR215]

SENATOR UTTER: No, with the county. [LR215]

MIKE GOODWILLIE: Yes, sir. [LR215]

SENATOR UTTER: The taxpayer comes to the assessor's office and files a protest...  
[LR215]

MIKE GOODWILLIE: Well, files with the county board, sure. [LR215]

SENATOR UTTER: ...and there's no determination made until the end of the next year.  
[LR215]

MIKE GOODWILLIE: Oh, no, no, no, no, no. No, no, no, no. There always is a  
determination made by the county board. In fact, statutorily... [LR215]

SENATOR UTTER: So you're not carrying them over from year to year. [LR215]

MIKE GOODWILLIE: No. Here's--let me try and describe the time line and...I think  
sometimes maybe I make assumptions and leave things out, and I don't mean to; I  
apologize. The way the time line works is you have between June 1 and June 30 to file  
a protest with your local county board of equalization. The board has to resolve that  
protest either by July 25 or by August 10 in the larger counties if they vote to extend that  
time. So you're going to get some sort of a letter, some sort of a notice from your county  
board of equalization soon after one or the other of those dates, saying: Okay, we either  
reduced your property to this, or we didn't change your property--or basically telling you  
what they did. You then have a window in which to file an appeal with the Tax

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Equalization and Review Commission. What Senator White was talking about and what I was talking about is sometimes when people file that appeal with the Tax Equalization and Review Commission for, let's say, 2008, that appeal is still pending by the time June 1 of the next year rolls around. And so in order to protect your value for 2009, you need to go back and file a second protest for tax year 2009 with your local county board of equalization. But, no, the boards are issuing an order resolving those protests. That's the springboard for the TERC appeals. [LR215]

SENATOR WHITE: Is TERC only one year behind? I've heard as much as three. [LR215]

MIKE GOODWILLIE: It kind of depends on the sort of case it is. If it is a fairly complex commercial case with a lot of issues floating around, I think it takes them longer to work their way through those. We may still have some 2007s floating around the office; I can't say that for certain... [LR215]

SENATOR WHITE: Okay. [LR215]

MIKE GOODWILLIE: ...but it's possible. [LR215]

SENATOR WHITE: Thank you. [LR215]

MIKE GOODWILLIE: Yes. [LR215]

SENATOR CORNETT: Senator Pirsch. [LR215]

SENATOR PIRSCH: And this might be a little tangential, so...but with respect to your giving us the time line there--June 1-June 30--is there something, you know...and you mentioned that was a narrow window of appeal for the homeowner--is there a way to expand out that time line without prejudicing your officers? That somehow... [LR215]

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MIKE GOODWILLIE: Well, it's--that time line is completely a creature of legislative will. If you folks wanted to do legislation tomorrow to run it from, you know, May 15 to June 30 or June 1 to August 15, that's fine. But understand, the calendar within the property tax year all kind of builds on itself. And so, for example, if you extend the county board of equalization time backwards, you know, then you're going to start cutting into the budget time frame for local political subdivisions and levy-setting date October 15. If you move it up earlier, you may cut into the time for statewide equalization that the TERC does. You may cut into the time frame that the assessor has to complete values. Values are supposed to be completed by the assessor's office on or before March 19 of each year. I'm not saying it's not doable, and I'm not saying it's a bad idea. What I am saying is if you're going to start to move one set of dates, you may end up having to move some other dates as well to maintain some of these relationships to one another.

[LR215]

SENATOR PIRSCH: Um-hum. And from your perspective--and, obviously, there's other entities that are involved here--but which would make your, you know...the assessor's office less...I mean, be more palatable? Moving up or moving on the backside of things?

[LR215]

MIKE GOODWILLIE: You know, it's funny. When we try and inspect properties--obviously in Nebraska the weather is best to be outdoors and do that kind of work in May, June, and July. That's county board of equalization time, and generally what happens is our appraisers are in the office putting together packets for the properties for which protests have been filed that we can send to the county board of equalization referees to review. So, you know, if I were king for a day, there are a whole bunch of things I might move around--including county board might be way early in the year or way late in the year, and maybe the assessment date would change. I don't know that there's a particular way to move those dates one way or the other that would be more or less palatable. We would work with whatever the Legislature chose to do.

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Yes. [LR215]

SENATOR CORNETT: Senator White. [LR215]

SENATOR WHITE: One of the problems we've got is that school boards and others need to set their budgets. [LR215]

MIKE GOODWILLIE: Exactly. [LR215]

SENATOR WHITE: And one of the associated problems we've had throughout arose in the Republican River Valley. There was a desire that one person who files a protest on property could perfect an appeal for the entire class of people with that. If we do do that, it will make it impossible for any of the subdivisions relying on property tax to budget. And so the delay in TERC, though--especially on the bigger issues, where they may have domino effects--threatens the ability for all subdivisions to budget. But if ever we go down the route which we were requested to do, which is that one person could file an appeal saying--raising any kind of issue on my property and that would affect a class, you would then have to pay the money back. You'd destroy the ability of any subdivision to budget. So this time thing is really important. It's more than just the ability of people to get appeals and be heard; it's the ability of almost every subdivision of government to function in a rational, predictable economic manner. [LR215]

SENATOR CORNETT: Senator Price. [LR215]

SENATOR PRICE: Senator Cornett, thank you. Sir, I'll ask you a question. I will put a caveat or overlay on it, and I'll ask you a quick question. In corresponding with your office, I was given a spreadsheet that said there's about \$7 billion in property that has gone three years or more without a revaluation in Douglas County. And in your statement you were saying in every neighborhood some homes or properties are evaluated. How does a homeowner become so lucky as to be the one chosen in that

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neighborhood, given that there are homes three to five years that have gone without? What's the process? Is there a mechanism like someone pulled a permit, a sale of a home? [LR215]

MIKE GOODWILLIE: Sure. [LR215]

SENATOR PRICE: Because it would be interesting to see that the same home...I pulled up about 1,000 properties... [LR215]

MIKE GOODWILLIE: Well, we work permits, obviously. I mean, if you take out a permit to add a, you know, a wing to your house, that's going to affect your value. But generally, if you don't have a permit, it's as I mentioned in my initial remarks: we are going to look at the assessment/sales ratio for that neighborhood. And if that neighborhood sales are flat, okay; if those values aren't moving, you know, the likelihood is you may not get an increase, or you may not get a decrease. If your level of value in your neighborhood is, say, between 95 percent and 100 percent, you know, you're where you need to be to begin with. So, you know, are you going to send somebody a 1 percent increase or a 1 percent decrease, you know, to trim your numbers out? Or are you going to say to people: Look, you're already valued at reasonably close--you know, at--within the statutory limits and close to market value; that's sufficient under state law. [LR215]

SENATOR PRICE: The reason...I looked at about 1,000 properties on my own, and I saw a lot of properties where we did see \$1,000 and \$2,000 property changes. But wouldn't--if you had a 12 percent change in property in a neighborhood, wouldn't all the homes in that neighborhood qualify to be revalued? I mean, would you only pick five in that neighborhood? Or wouldn't you pick a greater number? Or are you just going to leave it at whatever number it is instead of evaluating all homes? I mean, some neighborhoods might not have but a--like you said--a 2 percent valuation change. Or their assessment/sales ratio is not out of whack. But you find one that's at 12 percent,

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wouldn't you want to look at more in that neighborhood to make sure that it's all being equally shared--the burden? [LR215]

MIKE GOODWILLIE: Well, one home or a whole neighborhood? I'm sorry; I sort of lost where you were going with that question. [LR215]

SENATOR PRICE: Well, again, you say you look at a neighborhood... [LR215]

MIKE GOODWILLIE: Sure. [LR215]

SENATOR PRICE: ...and you look at homes; and I don't want to belabor the point. You look at...if you look at--you pick homes within a neighborhood. If that home was picked because of a sales ratio, and one of them was 12 percent higher--it had an increase, let's say, or a decrease... [LR215]

MIKE GOODWILLIE: Um-hum. [LR215]

SENATOR PRICE: ...whichever one, but you still see a lot of the properties in that neighborhood weren't revalued... [LR215]

MIKE GOODWILLIE: Well, I think... [LR215]

SENATOR PRICE: ...what drives the not revaluing more of the properties? [LR215]

MIKE GOODWILLIE: I think our appraisal staff in that instance would make a judgment about whether or not that sale was aberrational or not. I mean, outliers do exist. You know, my wife falls in love with a place, and we perhaps pay much more than the property right next door that's exactly the same sold for last year. I think there's a judgment call to that. [LR215]

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SENATOR PRICE: Okay. Thank you. [LR215]

SENATOR CORNETT: Further questions from the committee? Seeing none, thank you. [LR215]

MIKE GOODWILLIE: Well, thank you very much. [LR215]

SENATOR CORNETT: Are there any further testifiers on LR215? Seeing none, that closes the hearing on LR215. And we are going to skip to the bottom of the agenda. Senator Dubas, you are recognized to open on LR182. []

SENATOR DUBAS: Good afternoon, Senator Cornett and members of the Revenue Committee. My name is Senator Annette Dubas--that's D-u-b-a-s--and I represent District 34. Over the interim I have spent time meeting with volunteer firefighters and the EMS to discuss the purpose of LR182, that purpose being to recognize the critical problem of recruiting and retaining qualified men and women for local fire departments and EMS. While it may appear that this is a local concern, I really do feel we must recognize this as a statewide problem which deserves statewide attention. There's no doubt many of our cities, villages, and rural areas across the state could not afford the cost of maintaining their current level of protection. But I feel one of the main functions of government at all levels is to provide for public safety and welfare. I feel we are at a point in time where our volunteers are stretched to their limits, and that puts every citizen across our state in jeopardy. There have been many reports over the past several years that have dealt with EMS and firefighter personnel issues. Those reports have highlighted the decline in recruitment and the difficulty in retention, along with the increase in call volume from residents requiring emergency services. Included have been many recommendations for the very real need to provide some sort of benefit to offset the huge investment of time for these volunteers. We've had bills introduced several times dealing with tax credits, and those bills have never been able to make it out of committee. So I think we've reached a point where we need to ask ourselves a

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question: Is this a statewide issue that deserves statewide financial support? And if it's not a statewide issue, then do we need to give local entities more authority to address their individual needs? We know that rural populations are declining along with the system that is completely voluntary that provides for volunteer public safety services. Our population has decreased by 18 percent in 64 of our 93 counties since 1970. All of those counties with declining populations are rural. During that same period of time, the population in those rural counties that is 65 and older has increased from nearly 18 percent to 22 percent. A University of Nebraska Medical Center study of Nebraska emergency medical services found that 72 percent of community ambulance programs surveyed said they had difficulty covering calls, and 83 percent had a hard time recruiting personnel. Plattsmouth's volunteer rescue program has decreased from roughly 30 members ten years ago to about 13 members today. In addition to time-consuming training to volunteer, that same UNMC study found that 40 percent of volunteers surveyed had to use either vacation or leave without pay when responding to emergency situations that occur within the workday of their paying job. The same point was made by volunteers who testified at a hearing on the original bill that I introduced last session. And this is not just a rural issue. We're in Bellevue today, and Bellevue faces...relies largely on volunteers. The state does not require communities to provide these services, so, you know, Bellevue again relies on its volunteer services as well as volunteers from surrounding communities to help them with their work. During the legislative hearing on LB487, there were issues cited that are working, that have seen some success. Ann Fiala testified particularly about the use of critical-incident stress management teams. These teams were put in place in order to retain current volunteer members, besides just responding to significant calls that affect their lives. One of the most troubling aspects of being a volunteer, especially in rural areas, is you most certainly will know the people that you are responding to to take care of, because there are so few volunteers to respond to the issues. In addition, she made the point that she works in eastern Cherry County, which is served by two counties and by 12 volunteer members. Just for comparison's sake, the states of Rhode Island and Delaware are geographically smaller than Cherry County. So we have, basically, 12 people who are

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taking care of a pretty big territory. By statute, the Training Division of the State Fire Marshal's office provides six full-time employees and 100 part-time employees that are responsible for the training and certification of our state firefighters, both volunteer and paid. Training is typically delivered to the fire department, and by statute the Fire Marshal's office must train those volunteers for free. If a particular student wants to become a firefighter, it is my understanding that he may either go to...he or she can go to a community college and major in a fire science program and, upon finishing, receive the degree; or they may become certified by attending the training through the State Fire Marshal's office. If that student does not want to go to college and major in fire science but would like to be a volunteer firefighter, they may also take the certification classes that the Fire Marshal's office offers. Typically, if they want a paid position, they will go the community college route. The League of Municipalities also testified before the Revenue Committee last session. The league made the point regarding whether this issue is a municipal responsibility or a county responsibility. When we look across the state at our rural areas, at our community colleges, at our state colleges such as UNK, Wayne, and Chadron, there are literally hundreds of millions of dollars of valuation of state property that is being protected by volunteer services. From that funding standpoint, the protection of property of the state of Nebraska is a compelling-enough reason for the Legislature to really give this issue some thought as to whether this should be a state priority. It's obvious that the tax credit is not something that the Legislature has been able to support. I think we can also agree on the fact that we have very valuable state property, valuable human lives, and valuable infrastructure that necessarily needs to be prioritized in order to support. Increasing call volume to emergency lines, decreasing population, and younger members in the force are all adequate-enough reasons to make this a priority. So I'm looking forward to this hearing today. I don't know if all of the testifiers that were planning on coming were able to make it, because of the weather, but I think we will have some people who will be able to reinforce some of the things that I've brought to your attention today. We're already seeing response time lengthen when people are placing calls. We've already seen some issues where people have made an emergency call...very often the volunteers

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may live in one community but they work outside of the community. So if there's an emergency call during the day, they're not able to respond to it because they aren't in the community to take the call. So we've had people who haven't been able to receive the necessary emergency care in an appropriate amount of time simply because the volunteers aren't there. I happen to have a paid EMS department in my district--Aurora. They have a volunteer fire department, but they do pay their EMS; they have people on call full time. But even with their ability to pay, they struggle with recruitment and retention. They don't have a place where those people can sleep. So if they're on call for a 24-hour call, if they don't live in the community--and that used to be a requirement, that they had to live in the community. That became a challenge, so they kind of extended their area of where people can live. But if they don't have a place for that person to stay, they either have to rent a motel room or make other arrangements. Of course, they're not able to pay comparable to some of the bigger communities. They're being used kind of as a...people will come in and get their experience in a smaller department and then move on to, you know, a bigger department, where the pay is better, the fringe benefits are better. So even with those departments that are able to offer compensation, they're struggling with recruitment and retention. I represent parts of Grand Island, which has, of course, a paid fire department. But they rely on the surrounding communities and those volunteers to help them when they're in need of additional help in responding to fires or emergency situations. It's very important for them to have qualified individuals that they can rely on when they need that extra help. So, you know, we do a lot of studies. We look at a lot of things, and we get reports with really good information in it. But oftentimes those reports get stuck on our shelf, and that's about as far as we go with them. I feel this has been an issue that's been brought to the attention of the Legislature multiple times, and we have yet to either say: Yes, it's something we should be involved in--or no, you really need to go elsewhere to find a solution to your problem. And I hope that through this interim study and the work that I plan on continuing working on, that we can answer those two questions that I raised at the beginning of my testimony. If this is something that the state should be involved in, what are we willing to do? And if it's not, if we think this is a local issue that should be

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dealt with at the local level, then do we need to do something to give those particular subdivisions the ability to handle it on their own? So with that, I'd be happy to take any questions. [LR182]

SENATOR CORNETT: Senator Utter. [LR182]

SENATOR UTTER: Senator Dubas, early on in your testimony you mentioned giving local entities more authority as a possibility to this problem. Can you expand on that for us, please? [LR182]

SENATOR DUBAS: Well, I know, like, right now fire districts--they are able to levy a certain amount of tax dollars; they're under the county budget limits. Their levy authority is pretty limited, to my understanding. And so I guess I would question: If we need to provide additional incentives or financial supports for these, do we need to look at changing the levy authority of fire districts? [LR182]

SENATOR UTTER: Thank you. [LR182]

SENATOR CORNETT: Senator White and then Senator Dierks. [LR182]

SENATOR WHITE: Senator Dubas, thank you. So your proposal is to allow the levy authority to go up so that compensation can be paid to attract people to serve in these roles. Is that essentially what you're talking about? [LR182]

SENATOR DUBAS: I mean, I'm not saying that that's something that I would support right now. I'm saying: Is that something we need to look at? If we don't at the state level...at the state level we've offered bills several times to provide that statewide tax credit, and that hasn't gone anywhere. So if that's not the direction we want to go, do we need to go back to the local level, to that taxing authority? If a particular subdivision wants to provide some kind of pay or incentive to their firefighters or EMS, are they able

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to do that within the levy authority that they have right now? [LR182]

SENATOR WHITE: Okay. So would you support doing that? [LR182]

SENATOR DUBAS: I'd definitely be interested in looking at it. And I would want to hear from my counties to see if that's something that they would want to do. I mean, of course, that would have an impact on local property taxes, so I don't know if that's something that they'd be interested in. [LR182]

SENATOR WHITE: Senator, you probably know this better than I, but I have heard stories from different people that say in their town there literally aren't enough young, able-bodied people to man an ambulance or, much less, a fire truck, even if they paid them. Given that, have you looked at other arrangements, for example, whether or not the state should project emergency services with prepositioned equipment--helicopters--into areas that can no longer serve themselves? [LR182]

SENATOR DUBAS: That's definitely an issue. Even, as I said, Aurora has paid EMS personnel and still struggled to recruit and retain those people. So again, that's--if this is something the state needs to be looking at, looking at what kind of resources should we be putting in, do we need to have that kind of statewide assessment of what is available? I mean, just think about the people that travel on the interstate from one end of the state to the other. The majority of them are going to rely on volunteer services if there's an accident of some sort. [LR182]

SENATOR WHITE: In your numbers, that you talked about population decline from 1970, we've seen the maps for the next redistricting, and, in fact, we're seeing 20 percent in many of these counties in the last eight years. [LR182]

SENATOR DUBAS: Um-hum. [LR182]

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SENATOR WHITE: So it's accelerating. [LR182]

SENATOR DUBAS: Yeah, and as I talked to some of the fire departments--the age and not having the young people who are either living in the community or have the time to invest in volunteers. And so I think we are at a critical crossroads as far as emergency services in our state. [LR182]

SENATOR WHITE: Are you aware of any studies that have talked about, for ambulance services, using helicopter--state-run teams to get there quicker or repositioning ambulances further away; but they call, and they can respond probably as fast as you can assemble a team in many of these areas? [LR182]

SENATOR DUBAS: I'm not fully aware, but I do know that UNMC does a lot of studying and have conducted a lot of studies. So I, you know, I would probably check with them but would not be surprised if they didn't have at least something along that line, as far as information goes. They do a lot of studies of just across-the-board medical services and the availability. [LR182]

SENATOR WHITE: One of the...this is one aspect of a number that are coming up with a rapidly declining rural population that we need to manage, which we haven't thus far. Thank you. [LR182]

SENATOR DUBAS: We certainly have not. [LR182]

SENATOR CORNETT: Senator Dierks. [LR182]

SENATOR DIERKS: Thank you, Senator Cornett. Senator Dubas, you mentioned economic incentives and noneconomic incentives. Could you expand a little bit on the noneconomic incentives? What does that entail? [LR182]

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SENATOR DUBAS: Again, usually when I come and testify or introduce a resolution, I like to think that I at least have some ideas of where we can go. And this has been an issue that's really stymied me. So as I've met with various people and I've asked them: Well, you know--talk about tax credits and those types of economic--what are the things that we can do, you know, as you said, in a noneconomic way? Maybe one of the things--and it's probably an indirect economic benefit--but these people that are required to take vacation days when they respond to...you know, how is it that we can work with employers so that if these people have to respond to a call that they aren't penalized through their workplace? And, I mean, I certainly understand where the employers are coming from too. But these--I think we need to be raising the level of this discussion to help our general public understand that this...we just automatically assume when we pick up the phone and dial 9-1-1 that there's going to be somebody there. And we're already starting to see that there isn't always somebody there. The public needs to be made aware of it, and the public needs to understand that there might be a cost in what we may have to do to change. So as far as specific noneconomic incentives, I don't have anything specific. But I hope through this discussion we can get some ideas.

[LR182]

SENATOR DIERKS: Maybe some of the people who come to testify might have some ideas. The other thing I was going to ask you: Is there an age limit for people who become firefighters? Or EMTs? [LR182]

SENATOR DUBAS: I'm not entirely...as far as state statute goes, we don't have very much that deals with firefighters and those types of...so I don't know if there's a minimum age. I know there's people who are quite old who are still on fire departments, who may not be active, but they are still on the rolls. So I think as far...I don't know if that would be a liability issue, if communities have different ages. But, again, somebody following me might be able to answer that question better. I would guess, you know, 18 would probably be a minimum age. But we'd need to find that out. [LR182]

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SENATOR DIERKS: Thank you. [LR182]

SENATOR CORNETT: Other questions from the committee? Seeing none, thank you, Senator Dubas. May I see a show of hands for the number of testifiers on this resolution? Okay. [LR182]

KYLE IENN: Good afternoon. I'm Kyle Ienn, fire chief from Ralston, and I'm also the president of the Nebraska Fire Chiefs Association. I testified I think it was last year at the Revenue Committee also, and I'll reiterate some of our numbers from Ralston and some issues that we have locally. I've been on the department for 20 years. When I joined 20 years ago, we had about 50 members on our department and responded to about 200 calls. And currently we have 22 members on our department and are responding to over 700 calls. And so that shows how that's changing. The last two years I've went to Florida for a recruitment and retention seminar that the IAFC, International Association of Fire Chiefs, puts on. And this is not just a statewide problem, obviously; this is a nationwide problem. And there was over 1,500 officers attended this one this year--which is a record--because departments are sending more officers down to these conventions because it is a top priority, and it is a big concern, like I said, nationwide. Some of the officers that attend these conventions down there have various incentives that they do in their state. I don't have a lot of details on them, but some of them are tax credits--just a flat tax, put it off their taxes. Some are credits on their vehicle taxes when they register their vehicles since they have to use their vehicles to respond as a volunteer. Some are insurance policies that the department, the fire district, or the city supply--could be a supplementary health insurance like an Aflac plan that covers the family; pay per call, which a lot of departments are going to, which we've gone to, which I'll talk about in a minute. But none of these--there's not a one-item fix when you go down there to these conventions. You know, some work for some departments; some work for others; and some increase a little bit. But there's not a one-item fix for this. One thing that Ralston did was we lifted our living restriction back in September. You had to live within a reasonable distance of our station before you could apply. We lifted that

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living restriction and started doing some marketing, did some advertising on the TV through a FEMA grant, and had 46 applications turned in within 30 days, which seemed to be good, seemed to be working. Through the background check, physical agility, health physical, interviews, stuff like that, we're ready to vote on 26 new members onto our department. So we're going to be doubling the size of our department based on this new change that we made. But with that comes growing pains also, because each of these members need to get outfitted with new gear, a pager, insurance, stuff like that. So it's going to be costly, but it's definitely worth it, and we've got the backing from our city to help us with that. So one thing that we're looking at is we've taken care of...and again, it worked in Ralston, but it's not going to work everywhere. The recruitment part of it--we've now got the members, but we need to retain them. And that's a big part of us. And recruitment and retention is two different issues. They blend together a little bit, but recruitment is one issue, and retention is another. And if we could have--you know, back when I got on--kept some of those 50 members that we had when I got on through some retention programs, incentives, then we wouldn't be having to recruit, because we could have kept some of the members on. And a number of those members left for various reasons but not because of age, but because of time, because of financial, whatever, they left. So a retention program is definitely something that Ralston is looking at. Our mayor is here, and the city is looking at--we're going to spend this money on these new applicants, but we've got to make sure we're going to keep them here. We don't want them to be just a revolving door--spend the money on this equipment and stuff and have them leave. It was mentioned a little bit ago about calling 9-1-1 and expecting somebody to come. Just a few months ago, in the 20 years that I've been on the department we had our first instance where an individual had a explosion at his house--a small aerosol can exploded--was in critical condition, called 9-1-1, and we had nobody respond. First time it had ever happened. And dispatch set off a second tone; nobody responded; dispatch set off a third tone; nobody responded. And dispatch didn't know what to do. And so finally one of our members that was listening to this--he's an Omaha police officer--finally got on the radio, called dispatch and said: Mutual aid, Omaha--because even the dispatch centers are--at least ours was in a deal where they

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hadn't had that happen, where nobody responded, and they wasn't real sure what to do. Now they were obviously, you know, going to be responding, but while this resident is sitting there expecting somebody to come, we didn't have anybody. The other side of this living restriction that we did was we are requiring them to spend a certain amount of hours in our station, because they live outside of our city, so now they're going to have to stay in our station, which is going to, hopefully, improve our response times and make sure we get vehicles out the door. So with that, we're now looking at some kind of sleeping quarters or something so that they can stay there. So we're trying to increase our volunteer side without having to go paid, because even a minimum staffing of a paid staff on hand is very, very expensive compared to volunteers. And we can bring on these 23-26 members at a cost of probably hiring one paid firefighter by the time you do benefits, health insurance, workmen's comp, pay, and all that kind of stuff. So we're bringing on 26 for a cost of probably less than one paid person. So that's kind of an overview of what we've done in Ralston, and I'll be happy to answer any questions that you may have that I can maybe answer for you. [LR182]

SENATOR DIERKS: Thank you very much, Chief. Any questions? [LR182]

SENATOR PIRSCH: Just one. [LR182]

SENATOR DIERKS: Senator Pirsch. [LR182]

SENATOR PIRSCH: In talking with these recent recruits, what was...and they're obviously outside of, you know, living in Ralston, but what is it that attracts them to the position? Why are they volunteering? Did you (inaudible) factors? [LR182]

KYLE IENN: Yeah, it was a number of reasons. A few of them lived just outside of the living restrictions from towns; two or three lived just outside of Gretna that was just outside of their living restrictions, so they couldn't join. A number of them were living on the border, obviously, of Omaha in Sarpy County; so a number of them lived just north

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of us in Omaha and trying to get on a paid department; they didn't live within a volunteer response area. But it was just a various deal. And I think out of the 26, if I remember right, 12 or 15 of them had gone through the Firefighter I certification, and some of them were already through their EMT certification. So they have the interest; they're going out and getting the training themselves, and they're wanting to get on a department. They just, because of where they lived, had no options of joining a department, and when they saw the marketing that we did that said you can live anywhere and join, that's when they joined. [LR182]

SENATOR PIRSCH: Thank you. [LR182]

SENATOR DIERKS: Senator Dubas. [LR182]

SENATOR DUBAS: Thank you, Senator Dierks. Thank you very much for your information. And I appreciate your point about recruitment and retention really being separate issues... [LR182]

KYLE IENN: Um-hum. [LR182]

SENATOR DUBAS: ...because we might be able to recruit them, but after we get them there, that's probably where it... [LR182]

KYLE IENN: If you can retain them, you don't have to recruit them. [LR182]

SENATOR DUBAS: That's where the challenge comes in. And, you know, what do you see as some of the reasons why you aren't able to retain? [LR182]

KYLE IENN: I think it's just a change in lifestyle nowadays. I think there's a lot of families that are sitting around the table at night saying: Okay, financially, time restraints, we've both got a job; we both have families; we've got to get rid of some stuff

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that's taking up some of our time. And being a volunteer firefighter is not a deal where you just sit at home and wait till your pager goes off and you respond to a call and come back in an hour and you're done for the day. You're required to go to training; you're required to go to calls; you're required to go to meetings, stuff like this. I've had to take off work to come here today. You know, there's fire schools, the conventions I go to in Florida. I mean, there's a number of things that you have to do. And as you work up the ranks, you know, me as fire chief, the least of my time is spent on a fire scene. It, you know, it varies. And so it takes a lot of time. And I think if we could have a list of things of when these families or whoever are meeting and they say: Well, if I quit the fire department, we're going to lose this supplementary health insurance, which is an Aflac or whatever. We're going to lose this, you know, \$100 a month pay per call or whatever we ended up being. Or we're going to lose this, you know, and we get some incentives. Or we're going to lose this \$500 tax credit or whatever that number might be. At least they've got some incentives to stay on the department instead of right now, where they're saying: Well, if we quit the department, then I'll be home every Tuesday night; I won't have to get up in the middle of the night with calls; I can stay home with the family, you know. And there's nothing to offset their time, unfortunately. You know, years ago people did it just to help out in the community, one-working family, stuff like that, where the times have changed. And I think we really need to have some items in there that influence them to--of a reason why they're staying on the department, because it does take a lot of time that people don't realize away from your house, work, stuff like that.

[LR182]

SENATOR DUBAS: Do you as a fire department do things in your community for extra fund-raising for...what types of things do you have to do extra fund-raising efforts for?

[LR182]

KYLE IENN: We don't do a lot of fund-raising. That was one thing that I...it was probably--well, it's ten years ago when I first became chief. Because that takes more time away from the family--I mean, our guys that are joining are joining because they

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want to be firefighters. Like I said, a lot of these new recruits have already gotten their Firefighter I and stuff. And they didn't join to come down and have to be required to come down here on a Saturday afternoon and flip hamburgers, flip pancakes, sell beer, whatever the--you know, they came down to fight fires, learn, train, and improve themselves. And so we actually did away with a lot of our fund-raising. We have a great rapport with our city council and our mayor and funding and stuff and justify what we need and stuff. So we used to have a huge beer garden once a year that gave us a lot of revenue, but to me it just wasn't right to go, and we've--I think the last year we did it, we went through, like, 28 kegs of beer in, like, three hours. I mean, it got to be really huge. Go through and feed the public all this beer and then at midnight you close the door and push them all out the door and say: Now get in your cars and get out of here because we want to clean this place up. It just didn't make sense to me. And, again, it's the change of ways. I mean, we used to have alcohol in the station, and we don't anymore. You know, it's totally different. And I just don't think that, like we just said, you know, the time restraints that people have, they just don't have time to come down and do all these fund-raising and stuff like that anymore. So we've, as far as Ralston goes...now some of the departments wouldn't be able to operate without fund-raising. Now every department across the state has a total different story and different wants and needs, but Ralston was fortunate that we don't do a lot of fund-raising, which gave more time for the members to give the time that they had towards training, answering calls, and stuff like that. [LR182]

SENATOR DUBAS: So then are the bulk of your services and the resources that you have available to you funded through a property tax? [LR182]

KYLE IENN: Right. [LR182]

SENATOR DUBAS: Is that...your city council? [LR182]

KYLE IENN: Yeah. We have two different funding agencies; there's the city of

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Ralston--the city--and then we've also got a fire district that we contract with. And we contract with both of them, and then--that's how we pay for our equipment and expenses and stuff like that. Correct. [LR182]

SENATOR DUBAS: All right. Thank you. [LR182]

KYLE IENN: Um-hum. [LR182]

SENATOR DIERKS: Other questions? I guess that does it, Chief. [LR182]

KYLE IENN: Thank you. [LR182]

SENATOR DIERKS: Thank you very much. Next testifier, please. [LR182]

BRUCE BEINS: Good afternoon. [LR182]

SENATOR DIERKS: Good afternoon. [LR182]

BRUCE BEINS: (Exhibit 1) My name is Bruce Beins. I'm the legislative representative for the Nebraska EMS Association. I'm also a volunteer firefighter-EMT from the village of Republican City, about four hours west of here. [LR182]

SENATOR DIERKS: Will you spell your name for us? [LR182]

BRUCE BEINS: The last name is B-e-i-n-s. I want to thank Senator Dubas for the fantastic opening. It's the first time I've heard a senator speak on this issue that really put a lot of the pieces together. She mentioned a lot of things in there that are really critical to this discussion. And whether this is the correct forum or not, I welcome the opportunity to be able to educate you on some of the issues and the things that are really facing us. I've handed out several pieces of paper that are just for your

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information. I'm not necessarily going to sit here and go over them with you. But I think the history on recruitment and retention legislation is interesting, because recruitment and retention of volunteers is kind of the 800-pound gorilla that's been standing in the corner. And while the Legislature has been aware of it for at least during the time that I have been involved with legislative activities, we've poked it with a stick a lot of times, but nobody has really grabbed the gorilla yet and tackled it. All recruitment and retention varies because we're such a diverse state. Everything from Bellevue to Republican City, Nebraska--which will have maybe 50 ambulance calls this year--and the needs and so forth are different in those different types of areas. This is unfortunately the third time that I have testified at a legislative resolution hearing on recruitment and retention. When I testified the first time, in 2000, I testified that my service had had 18 providers and was down to 8 providers. Well, since 2000, now my service is down to 4 providers. So the issue has not gone away even though we have, you know, tried to bring it to the attention, tried to work on different things to effect some sort of a change--something in it. Our fire and EMS systems aren't a system by design. They're a system because of evolution. They were handed down to us, so to speak. They came about through evolution. So the systems we have, while they tend to function fairly well, maybe not be the best systems that we could have, because of this evolution. A village the size of Republican City is never going to be able to pay anybody to cover the cost, because of the low volumes. So it makes sense in at least the rural areas that some sort of recruitment/retention benefits would help to support that volunteer system that we count on. It's also--I could argue probably both ways, that I choose to live in a rural-to-almost-frontier area, so maybe I shouldn't expect the same sort of response in fire and rescue that we would see in a city; but I could also argue just the opposite, that every citizen deserves that. Unfortunately, in statute right now there's nothing that says anybody has to provide EMS services. Thankfully, we've had a lot of people out there that do the right thing. We have rural fire districts that do have taxing authority for fire suppression that have helped out because of EMS being such a large job that some of these fire services are doing. So we do have some fire boards that have stepped up. And in the case of Plattsmouth, we have the city that stepped up even though they

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didn't have to. To me, the most important thing that we need for this system on the EMS side is somebody--some sort of a safety net. One of you mentioned staging some helicopters, ambulances, some services to cover--you know, that would be a type of safety net. Making somebody locally responsible for provision of the EMS in case those volunteers no longer do show up to answer the call would be a safety net. I don't have any great ideas on how best to accomplish that. I have my own ideas and things I think would work in some areas of the state that maybe wouldn't work as well in other areas of the state. I think we eventually have to look at more interlocal type of agreements, more consolidation, whether it be on county lines or on a regional basis. We already have basic regions set up that EMS, at least, operates in, in our critical access hospital system, to where we can be more efficient with our training, with our recruitment/retention, with our medical direction. That would go a long ways towards improving the quality of care that we provide. On the financial end of it, as you can see from some of the past legislation, we've tried different financial incentives, all of which I think would be good ideas--everything from a tax break to health insurance or at least access to health insurance. I mean, those are all, I think, good ideas that deserve looking at again. Funding--of course, it's a terrible time to be talking about funding, especially if you want to talk about new funding. To throw an unfunded mandate down to the local governments isn't necessarily a good solution. But maybe looking at some other, more creative ways--Senator Jensen some years back looked at a tobacco tax. And that would raise some money. That also raises money for us to cover a lot of the patients that we're responding to because of tobacco and some other things out there. So there's lots of different ways that a person could look at this. As was said before, call volumes have gone up; the number of people that we have on our services have gone down. Looking at the resolution itself, I looked at trying to answer these questions as far as really what the heart of this resolution was about. And, of course, economic incentives available to assist communities--I think it's time that we really looked at some sort of a fund or pool of money that communities could use if they formed interlocal agreements, if they combined services under one flag. That way we would be more efficient with the system and with the personnel that we have. Some of our areas in the

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rural areas--I may be just as close to the service next to me as I am to my own service, so why am I not responding both directions when I have the opportunity? So we could be more efficient, maybe, with the people that we have. The noneconomic incentives--there are programs and different things out there. Health and Human Services does provide leadership training; they do provide recruitment and retention training. But you have to have certain things in place to make all that work. Health and Human Services also does an EMS assessment of areas that are struggling. It has to be requested before they will go in; and they do an independent audit of that EMS system and then try to help them through some potential things that will help them be a better system and provide that service to the public in the future. And, of course, the last one--the financial cost. And I've struggled with this a lot. There's a very good calculator for the financial savings on the Internet. It's from the National Volunteer Fire Council. But it is very--it's something that's very hard to do as a statewide basis. I could sit down and use that calculator to figure what the savings to my community is or some other communities. But it's really going to be varying. But I'm not stretching it at all when I say that the subsidy that the volunteers provide to the system is in the hundreds of millions of dollars. We've been very lucky so far, very lucky that we haven't had that very bad outcome because nobody responded to a call. And Plattsmouth was a close example, and the city did the right thing and stepped up. I just hate to think of what's going to happen when we do have a bad outcome because there were no volunteers in an area. And I hope we don't have to wait till then to see some meaningful legislation that is going to help either support the volunteer system or start us in a transition towards more of a designed system that's going to ensure that we've got that quality of care there for people. And I'd be glad to answer any questions. [LR182]

SENATOR DIERKS: Thanks, Bruce. Any questions? Senator Adams, please. [LR182]

SENATOR ADAMS: The question--a couple of questions I want to ask you. And respond, if you would, as a citizen of Republican City but also in your position as representing from a statewide basis. Is it easier to recruit volunteers to fight fires or

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EMT? [LR182]

BRUCE BEINS: Fight fires. [LR182]

SENATOR ADAMS: Why is that? [LR182]

BRUCE BEINS: Lights and sirens and big trucks and axes and hoses and Jaws of Life and...where on the EMS side it's blood and vomit and sick people and sometimes death a lot of times. [LR182]

SENATOR ADAMS: Is it also fair to say that--as I look at this "National Standard Training Modules"--that the training for the EMT becomes burdensome and causes some to say: Hey, I joined up to do both; I kind of like the fire better than the EMT? And when you start dropping all these hours it's going to take on EMT on me, I am losing interest. [LR182]

BRUCE BEINS: Okay. I think that's a very fair question, but one thing I want to make sure you understand to start with: all that's fire is not EMS and vice versa. [LR182]

SENATOR ADAMS: Right. [LR182]

BRUCE BEINS: There are fire departments that just do fire, and there are EMS services that just do EMS. [LR182]

SENATOR ADAMS: Um-hum. [LR182]

BRUCE BEINS: So it varies. In my area, we have the city department, the rural department, and the EMS; and we're all one service. [LR182]

SENATOR ADAMS: Right. [LR182]

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BRUCE BEINS: But, yes. I recruit a young gentleman onto my service, and within the first year we're wanting him to kind of pick a direction--in my case. Do you want to take Firefighter I and start doing more fire training and so forth, or do you want to take the EMT class and become more of an EMS-er and then serve more of a backup role on the fire side of it? Ideally you'd get both, but yet the time restraints for both are somewhat restrictive. And that seems to me to be an equal problem. We have a hard time recruiting people onto our department that will take the time to do either. Now keep in mind that this is a system that has evolved. The only requirement we have to put you on my department is that you have a pulse and that you show up to a meeting. Then we hope to light a spark in you and get you to take some fire training, get you to take some first responder training, maybe go on to become an EMT. I mean, we handle them with kid gloves because we don't want to lose them. And that's still not enough in some instances. [LR182]

SENATOR ADAMS: And the greater percent of your calls, I'm going to assume, are EMT rather than fire. [LR182]

BRUCE BEINS: Over 90 percent. [LR182]

SENATOR ADAMS: How do these national standards...who--I mean, obviously some level of national whatever sets these. How do we decide in Nebraska that this is what we're going to use? [LR182]

BRUCE BEINS: It's in statute. It's in the EMS statutes that we use the--what used to be called the DOT guidelines--Department of Transportation. Now, those guidelines are switching or changing a little bit now. But it is in statute that that is what we're going to use. That's the minimum standard for EMS providers. [LR182]

SENATOR ADAMS: Are we scaring people away then? [LR182]

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BRUCE BEINS: I don't believe so. [LR182]

SENATOR ADAMS: By that standard in statute? [LR182]

BRUCE BEINS: I don't believe so. And if we are, that's a great argument. If someone's going to show up and pick up my mother because she fell on the ice this morning, I want that person trained to a minimal standard. I expect that as a member of the public. [LR182]

SENATOR ADAMS: Um-hum. [LR182]

BRUCE BEINS: I expect that they're not just going to drag her into the back of a van and haul her to the hospital. I expect they're going to handle her correctly. So I don't think asking them for the minimum standard on fire or EMS is out of line for the public. Now does that interfere with the reality in recruitment/retention? Absolutely it does. That also brings up another problem, is we don't let anybody go. If you can't take firefighter training, if you can't take EMT training, I'll make you a driver; you can clean the meeting hall. I mean, if you want to just provide some service to your community but don't want to get into all the rest of this, I understand, and we'll take you at whatever level you will participate. Some services don't have that luxury, because they have to have people to respond to their calls. We have to have people too, but our call volume is low enough that we can afford to not let anybody go, so to speak. [LR182]

SENATOR ADAMS: Thank you. [LR182]

SENATOR CORNETT: Annette. [LR182]

SENATOR DUBAS: Thank you, Senator Cornett. You've brought up some great points, and I really appreciate it. If we continue as a state--when I say "we," I mean at the state

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level--if we continue to just not do anything, do you think the local firefighters, EMS providers, communities are ready to step up and say: Okay, if they aren't going to do it at the state level, then what can we do at the local level to address this problem? You know, do we need to do something with our local levy authority? Do we need--what is it that we need to do at the local level? I know there's a great deal of pride among the volunteers, and they take their work very, very seriously. And so sometimes that pride keeps us from really looking at: What do we need to do to make sure that we don't end up in that place where we can't answer a call? [LR182]

BRUCE BEINS: I think you're correct. I mean, there's a lot of pride in our departments. There's also a lot of pride in our villages and cities and so forth in our departments. It is a sense of community pride and so forth. And I don't think any community would want to see it fail. But they also want to make sure there's going to be somebody there to answer the call. I don't--in my personal opinion, I see most people would be willing to step forward financially, whether that be for more taxes, as long as they knew that the system was going to be efficient and well run and that they could count on it. Unfortunately, with levy limits and financial problems that we have in our country right now, that's a really tough pill to swallow. So that gets back down to the philosophical question, is: Do you put money towards a volunteer system? In some areas of Nebraska I think that's absolutely what you do. I think the volunteer system is the best solution, but you have to have some way of compensating these people for the huge investment in time that they give up for community service. [LR182]

SENATOR DUBAS: You brought up the fact of interlocal agreements, and I think that has some strong potential. Are we better served at looking at resolving this issue at more of a local level? Or should we look at it from a state perspective? Or does there need to be a combination? [LR182]

BRUCE BEINS: I think it needs to be a combination. I think as a state perspective, you need to ensure that the person that leaves Bellevue and drives to Republican City,

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Nebraska, can expect the same type of care whether they're in a rural area or whether in a metro area. So I think the state definitely--there is a concern there with that also. But I...you know, all politics are local. So I think it comes down to--an ultimate solution probably is going to be either within the rural fire boards, to expanding their authority to also be able to levy to cover ambulance service also in the district, or to change--rewrite the statutes on ambulance districts. We have those statutes now, but there's nothing in that statute that says that anybody must do it. It's just that they can do it if they elect to. And so we still sit here with no safety net. If nobody steps forward, it's just going to go away. [LR182]

SENATOR DUBAS: Is there any liability on the state's part? I mean, there's nothing in statute as far as that we have to--any subdivision has to provide fire protection. We do have some statutes that deal with EMS issues. You know, what would happen if we had a fire and nobody came? Are there liability issues that the state would have to look at? Or what would come in there? [LR182]

BRUCE BEINS: That I cannot answer. I am just--I'm not educated enough on the rule of the rural fire districts and their levying taxes and buying equipment and supporting departments. I don't know what the liability would be. [LR182]

SENATOR DUBAS: Thank you. [LR182]

SENATOR CORNETT: Seeing no further questions, thank you. Next testifier. [LR182]

TOM HAMERNIK: Good afternoon, Senators. I'm Tom Hamernik; I'm the fire chief in Clarkson, Nebraska. And I'm a member of the NSVFA, the Nebraska state volunteer firemen's association legislative committee. Clarkson is a community of 700 people; we're about 95 miles northwest of the Omaha metro area. Fire and EMS is a family affair. My dad started in '61, was one of our first members of our rescue squad. I've got two brothers that are involved and a son-in-law who's a rescue captain, and now a

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nephew just joined while he's in college. And so this is very near and dear to our hearts. We also run a business in Clarkson. And four of our 14 EMTs work for my company, and two of our first responders. Many of our providers work out of town during the day, and so daytime calls get answered by the Bluebird Nursery crew, sometimes two or three people. We average about 100 calls a year--EMS calls--and then we'd have 20 or so fire calls and storm-watch calls and things like that. A few years ago we ran just over 200 calls, and it did put a strain on our volunteer department. In the past two years I've attended three different seminars on recruitment and retention around the state. And we're constantly looking for new ideas that can help us within our local departments. Our department does a really good job with the simple things: the food, the T-shirts, the service awards, the notification--the honoring them in the paper, crediting them for the time that they put in, all those kinds of things. That doesn't seem to go as far as it used to. Twenty years ago that was enough for a lot of people--that and the fact that they were doing something that they saw was desperately needed in their community. Our newest volunteers that doesn't seem to be enough for. They are, as Bruce and Kyle have stated earlier, they have more demands on their time. And in some cases they feel like they have a responsibility to their family and themselves. They are less willing to put that much time into an organization like the fire service and the rescue. And I really think we've got to find a way to incentivize that service within our community. We're very fortunate in Clarkson that we have a core group of about 12 people that they would do it if you didn't give them anything, because they know it's the right thing to do, and they're tremendously proud of their service. And I'm just--I want to make sure that there's another group that's ready to take over when that group can't do it anymore. We've got volunteers that are in their 70s and continue to do it. Just Saturday night I honored my previous fire chief for 50 years of service to our department, and I think he'll do 60, because he's that kind of guy. And I'm just worried about who's going to take over when those kind of people aren't around anymore. And we've got to find a way to fix this before we get to that point. It's been stated earlier, our group is aging. There are fewer of us than we once had. And I don't want to see the situation like Plattsburgh. I don't think it's fair to our patrons; I don't think it's fair to the people who have done it for so

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long. I think we've got to find a way to support those volunteer departments before we get to a critical state, which I think we're at now. And as Bruce said, we haven't had that one incident that brings attention to this whole situation--and the fact that we've all known that we've been in this type of a situation for ten years or so. There isn't one group that has responsibility for EMS anywhere in the state, that is required to have responsibility. In our small town, our city council is supportive; our rural fire board is supportive. But they don't want that responsibility. They pretty much hand it to us, and they count on us to do the right thing. And we have a lot of required training within our department. But they don't necessarily understand the situation as well as we do, and I don't think county commissioners are any different. They rely on it; they know it's a serious issue; but I don't think that they fully understand it and take the time to understand just how critical of an issue it is. I want to go back to a question that Senator White--or a comment that Senator White had. Regionally stationed equipment and manpower can work in many situations. But a year ago in February we had a ground blizzard, and we couldn't go anywhere. Just Tuesday night our neighboring department had a car accident with four victims. A helicopter couldn't come out and pick up their one critically injured patient, and so they spent four hours coming into Omaha with I believe it was a 5-year-old child and then driving home once they got done. So I don't think that there's any better way to serve those people than our own volunteers within our communities. Clarkson is 22 miles from Schuyler, our county seat; we're 35 miles from Norfolk and Columbus and West Point. We couldn't wait 35 minutes for a squad to come out from those departments. There's got to be a corps of volunteers in each one of those communities. Yes, we might be able to do some things organizationally with county departments; I think we've talked about it many times. There's a tremendous amount of pride within individual communities, and that's kind of like the school consolidation issue; that's tough to get through, but it may come to that point, you know, pretty soon--and not have to operate all these separate organizations. In Clarkson we have--fire and EMS is combined, and it's always been that way. But many, many communities have separate organizations. And so in just the three communities on the north end of Colfax County, we've got five organizations that operate. And it might work

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better with a single one. But I hope that the Legislature looks seriously at some other things that could be done and don't--and I don't want to offend anyone, but I hope that there is a more comprehensive solution to this that can come about quicker than waiting for attrition to happen or providing just enough incentive to get it moving in the right direction. I don't think we can wait for that; I think we've got to have something decisive done as quickly as we can. And I fully understand the financial situation the state is in. I don't expect this to get resolved this year, but I certainly hope that we can work hard at trying to find a solution, so that two years from now or three years from now we've got a good solution and we're starting to work with it to see if we can make some adjustments to have a real impact on the issue. With that... [LR182]

SENATOR CORNETT: Senator White. [LR182]

SENATOR WHITE: Let me explain some of the...and I share your concerns. And there's no question a local-based, well-trained unit is the best answer--there's none. But here are some of the problems we face: We have a county now--Arthur County has 380 people in it. We have counties that have lost 25 percent of their population in the last eight years. The average age is over 60. And as you have a handful of younger volunteers--and people get older--they get called and called and called and called, and they burn them out. We're looking at counties--even if we had incentives--wouldn't have enough young people there who could take it and do the job. I mean, we're really knocking on that door. It's as grim as you say in--west of Clarkson. And I'm from Platte County; west of there it's even worse. So one of the things we need to try to figure out is: What do we do when we have population stranded, literally, in counties where there just aren't enough young people--and there are not going to be? And certainly we need to buttress units like yours--you guys are doing the Lord's work, no question. But also, you know, any ideas you have for those areas that--literally, the population decline has gone beyond the level that a volunteer unit can be effective. Even if you organized one in a county of 384--you've got five people... [LR182]

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TOM HAMERNIK: Right. [LR182]

SENATOR WHITE: ...you could still be 40 minutes away. [LR182]

TOM HAMERNIK: And that occurs in Cherry County and some of the counties out there. [LR182]

SENATOR WHITE: Yeah. [LR182]

TOM HAMERNIK: I've heard Senator Fischer talk about 40-minute response time. [LR182]

SENATOR WHITE: And, you know, with a heart attack... [LR182]

TOM HAMERNIK: Yeah. [LR182]

SENATOR WHITE: You know, one of the things we talked about is, you know, everybody deserves the same service; I wish they could. But the reality is the cost of providing that service in Omaha, which the taxpayers in my city are up in arms at right now... [LR182]

TOM HAMERNIK: Um-hum. [LR182]

SENATOR WHITE: ...is so high--but to project that kind of level of coverage across the state, you'd bankrupt the state. [LR182]

TOM HAMERNIK: It can't be that same level of service, unfortunately. [LR182]

SENATOR WHITE: But any thoughts that you have, you know...I propose a state one only as--I don't know how else we can provide any kind of services out there if this

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population decline continues. Maybe not in Clarkson, hopefully, knock wood. [LR182]

TOM HAMERNIK: It has. Our population has declined almost 20 percent in 20 years or so. And that will continue, I'm afraid. [LR182]

SENATOR WHITE: And we're getting older. [LR182]

TOM HAMERNIK: Right. [LR182]

SENATOR WHITE: It's not just across all demographics... [LR182]

TOM HAMERNIK: Right. [LR182]

SENATOR WHITE: ...it's the younger people are gone and the older people who are staying. [LR182]

TOM HAMERNIK: Yeah. Yeah. [LR182]

SENATOR CORNETT: Senator Dierks. [LR182]

SENATOR DIERKS: Thank you, Senator Cornett. Tom, it's good to see you again. [LR182]

TOM HAMERNIK: Good to see you, Senator. [LR182]

SENATOR DIERKS: You mentioned a little bit in your testimony about something to incent the younger--the people who are on there today, as opposed to the way it was 20 years ago. What would some of those incentives be? [LR182]

TOM HAMERNIK: I think Bruce did a great job of describing some of that. I believe that

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some type of tax credit would help, whether it's vehicles or income tax. I believe the system that Senator Dubas supported was a workable system. We're required to track our training and our attendance within our departments. And I think it was a fair way to evaluate people's service, and it would be a comparable value for their time. There may be other things out there like that. [LR182]

SENATOR DIERKS: Do you--is there a minimum age? [LR182]

TOM HAMERNIK: I think that's established by your local department. It's always been 18 in our department and 17 with parental consent. [LR182]

SENATOR DIERKS: I'm not suggesting this, but I read in the paper the other day about some youngster who did CPR on somebody--I think the kid was, like, 10 years old or something. And I know you can't press people like that into service, but there are people out there that have the ability to do some of those things in an emergency. I mean (inaudible) some way to utilize that. [LR182]

TOM HAMERNIK: Yes, and as Bruce mentioned, not everyone's got to be at the fitness level of an interior firefighter. [LR182]

SENATOR DIERKS: Um-hum. [LR182]

TOM HAMERNIK: There are jobs for all of us to do. We have ladies; we have gentlemen that are older or have some physical disabilities. There are lots of jobs that they can do for us. And I think that requires flexibility within the organization. It also requires some common sense by the people who are leading the organization to try and work with that and not exclude people. It's judgment, and sometimes that gets you into a little trouble. [LR182]

SENATOR DIERKS: Thanks, Tom. [LR182]

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SENATOR DUBAS: Thank you, Senator Cornett. Do you think the general public understands that we are at such a critical crossroads with these service? [LR182]

TOM HAMERNIK: I don't think so--I think, unless you're in Plattsburgh and you've read about it in the papers or heard about it from your neighbors. In Clarkson there's always been somebody there to answer the call. And, yeah, they're a little grayer; or there's somebody new there. But there's always been somebody there to answer the call. [LR182]

SENATOR DUBAS: I know in my home community--and I'm going to guess it's the same in your community--whenever there's any kind of fund-raiser or anything that the fire department or EMS--there's good support; there's good financial support. You know, when people leave memorials, there's lots that go to the fire departments, etcetera. Do you think if the general public was approached with having to pay an additional tax--do you think there would be support? [LR182]

TOM HAMERNIK: I believe so. I think they see the value of it. I think there needs to be more education at the local level so that they see just how much time is volunteered. In a community where we have maybe eight fires a year, we still train every month, sometimes twice a month. We bring in speakers from the Fire Marshal's office. We put on two-, three-, four-night classes. That training goes on whether we have a grass fire or not; we still do that training, because we've got to be prepared for the Main Street fire, the hazardous materials incident that could occur, all of those kinds of things. [LR182]

SENATOR DUBAS: How do we help the public understand? [LR182]

TOM HAMERNIK: I think that some of it's just a communication issue. I was digging through some information for a presentation last Saturday, and I came across a

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front-page article from our press from 1967 where the fire chief had listed all of the volunteer hours that had been submitted to the department for that year. And I think it's--a lot of it's that simple. We just need to get it out in front of them, so that they see just how much time goes into it. And I think it's not hard for them to put a value once they see the thousands of hours that go into that department. [LR182]

SENATOR DUBAS: Thank you. [LR182]

SENATOR CORNETT: Further questions from the committee? Seeing none, thank you. [LR182]

TOM HAMERNIK: Thank you very much. [LR182]

SENATOR CORNETT: How many testifiers are there left? [LR182]

RODNEY TURPEL: Good afternoon, senators. My name is Rodney Turpel; I'm the assistant fire chief of emergency medical services with the Nebraska City Fire and Rescue Department. And I'm managing a cold here, so I'm going to try and keep my voice going. I heard the chief from Ralston bring up a point about he was just down in Florida not too long ago. I retired as a fire chief in Florida three years ago. And after 2 below today, I'm wondering what the heck I'm doing here in the great state of Nebraska. But the answer is that my wife is from Nebraska--so I'm always asked that question. So it's great to be here, and I bleed Husker red, and I was crying last weekend along with everyone else. I'm going to basically...because I can only echo what my colleagues have already told you. And I'm going to basically just tell you what we've done in Nebraska City in the past 18 months. It may not have been as well televised as Plattsmouth has been, but Nebraska City rescue and EMS services came very close to having the same type of problems that Plattsmouth had. I was brought on board as a full-time employee--the first full-time paramedic for the city of Nebraska City just this past December. But prior to that, the rescue squad had gone through a great deal of

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attrition, had many problems with the organization, and went from probably a pretty-much strong organization of 30-40 personnel--all volunteer--down to 10-15 very active members and not even that at some times. Calls were not being responded to efficiently; they weren't being responded to quickly. Some calls were in trouble of even being responded to. So basically the city of Nebraska City--the mayor; the fire chief, Alan Viox; the city administrator at that time, Scott Bovick; and a few of the members of the Nebraska City rescue squad--came together and joined a committee to try and evaluate what we could do better to (a) save the rescue service and then (b) how we could serve the city and the community around Otoe County in the eastern part of the county. It was pretty much a unanimous decision that what would probably be the best thing to do is unite both the 40-some-odd-year-old rescue service with the 160-some-odd-year volunteer fire department and make them one entire department under one chain of command and a fire chief and then eventually hire a rescue person to run the show for the EMS side. At that point I wasn't the paid person, but I did apply for the job and was very fortunate to be hired on in that position. We had pretty much a couple of goals to keep in mind--number one: We saw an opportunity to be able to strengthen our volunteer corps by just (a) bringing us together with the volunteer fire department with the rich history and the ability; the fire department has had very good luck with retention on the fire department side through the years, but the rescue squad was having a very difficult time for all the reasons that have been brought up already this afternoon. And so we wanted to try and retain that, but we also wanted to try and bring a service into Nebraska City that was much needed and being fulfilled by some of the private ambulance services, by shuttling patients in the community from the St. Mary's hospital in Nebraska City to either Lincoln hospitals or Omaha hospitals. With that in mind, we could essentially become a--what I like to call a combination paid/volunteer department, where we could have some paid paramedics come aboard; we could also stipend and start to pay some of the volunteers to help retain them and give them something to look forward to, and essentially run a two-party service: a 911 service--emergency service--and a nonemergency transport service for our patients that have to go to the big cities. Now again, we're very fortunate, because we're only 50-60

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miles away from both Lincoln and Omaha. Though we are rural, we're not nearly as rural as some of the places I heard about today. I live in the wonderful, bustling town of Dunbar, and we have, I think, as many people as in that one county you brought up, Senator, and I'm, you know...yeah, Arthur County, sure. And so I totally--boy, I can understand that. So we went ahead last December, and I started full time, and we tried to recruit old volunteers that had quit the service that still could come back and give good time to the service back. We also tried to recruit new volunteers. But we started some basically paid part-time personnel, both paramedics and EMTs. We've had some pretty good success with that. As a matter of fact, today we run a crew seven days a week, 12 hours a day--they're a paid crew. There's a full-time paramedic, who's actually a part-time person, and then there's a 12-hour EMT, which is actually one of our volunteers. We have a cadre of about a half dozen volunteers that go ahead and fill those positions during the daytime. Daytime was definitely the worst time; I'm sure my colleagues can mirror that, as we've already been said. In Nebraska City we couldn't get volunteers to cover calls in the day any longer, because of their jobs, because of their commitments, because of everything else that was going on, so we focused in on making the pay portion--particularly with the EMTs during the daytime. And then at nighttime the paid paramedic stays on board for 24 hours, and the volunteer crews will subsidize that paramedic and make the crews for the nighttime go through. So we've done that now for the past year. Again, we've had incredible success because we have the ability to manage some transport revenues to pay salaries to bring these people on board part time. We've had some incredible support through the community. We merged the department with the city fire department. We have a lot of support now on both sides of that. Our foundations--we're very fortunate that we have foundations locally around Nebraska City that are very, very strong supporters of both the fire department and in the past the rescue squad. So we were able to bring this together, but I have to mirror and I have to echo that we couldn't do this combination service without the volunteers; we just couldn't do it. And we could not afford to put on a full-time, 24-hour-a-day, seven-day-a-week completely paid service in Nebraska City. So we, too, have to continually work at not just recruiting but retaining the people that

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we do have. Some of the things that we've put on the table--we're doing extra training for them. I'm the training officer on top of their EMS chief. We're going to be doing a paramedic class in Nebraska City here starting in January. So the folks who could never go to Lincoln or Omaha to do extra training are going to get it right there within their own community. We very much have tried to work with other neighbors within Otoe County to discuss mutual aid and being able to help out countywide. We're working on that. We're also trying to...it's--one of the senators, I think it was Senator Dierks, brought up the fact that we're trying to recruit young people. We started a Boy Scout Explorer post, where kids 14 years of age are now becoming part of our EMS division, and they're being trained. And once they become 16, they can ride on the ambulances; and once they become 18, they can become members of the department. So we're doing that; we've got 15 members in our Explorer post. So we're looking at everything and listening to everyone and trying to do anything we can. Unfortunately, I'd like to think that Nebraska City is one of those in-between-ers: we're not too small, but we're not too big. But we have a lot of opportunities because of where we lie within the state itself. So that's what's occurred in Nebraska City. And again, we couldn't make this work without our volunteers. If our volunteers all went away tomorrow, we'd have a major problem just like a lot of the other communities and the counties within Nebraska. Thank you. [LR182]

SENATOR CORNETT: Thank you. We were just discussing the issue, and at what point is the tipping point when someone is considered paid versus volunteer? I had this discussion last week when I was in D.C. with someone that said they were a volunteer firefighter for 10 years, but they actually got paid for every call they made. And I said: So what is the tipping point? When do you go from being classified as being a volunteer to being paid? Is it when you receive benefits? [LR182]

RODNEY TURPEL: Sure. Everything is labor driven and fair labor standards rules. We pay our volunteers a stipend, so they're not classified as a full-time or a paid person, so they still maintain their volunteer status. [LR182]

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SENATOR CORNETT: So a stipend per call or per month? [LR182]

RODNEY TURPEL: Per shift. Per shift, correct. Correct. The paramedics that we have are full-time paramedics elsewhere. I'll give you an example: I have three paramedics working part time that work for Omaha Fire Department; I have other departments... [LR182]

SENATOR CORNETT: And they get paid by you also, correct? [LR182]

RODNEY TURPEL: Right. They're being paid a stipend also. They're being paid part time. [LR182]

SENATOR CORNETT: But you consider them... [LR182]

RODNEY TURPEL: They're...we consider the paramedics part time. Right. [LR182]

SENATOR CORNETT: You...they're considered part time. [LR182]

RODNEY TURPEL: They're not volunteer members of the department. [LR182]

SENATOR CORNETT: Okay. [LR182]

RODNEY TURPEL: Right. [LR182]

SENATOR CORNETT: Okay. [LR182]

RODNEY TURPEL: Right. [LR182]

SENATOR \_\_\_\_\_: Thank you. [LR182]

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SENATOR CORNETT: Further questions from the committee? Seeing none, thank you.  
[LR182]

RODNEY TURPEL: Great. Thank you. [LR182]

JOHN WESTCOTT: I'm John Westcott with Bellevue Volunteer Fire and Rescue. This being a recruitment and retention deal, the recruitment part is, you just put out--what we've always done, we've just put out the word that we were looking for people, and--qualified people. And we generally got a pretty good response as far as the recruitment end. We've got a recruitment class now--this one coming up I believe is 20-plus people, and the last one was 20-plus people. One of the problems we run into--with the amount of training you've got to do, because we're talking fire and EMTs--is when we get a person on, they're in training for a year before they get to ride on the apparatus. All of our people are EMTs and then Firefighter I before they ride. The EMTs--we've gone to...we've got a fast-track program. We've had people come on that are paramedics and work in the medical profession. If they've already got an EMT certificate, we bring them up to speed on our procedures and check them out on our equipment. Then they ride as a probationary member for a short period, and then they're turned loose. That was in an effort to get more people on the squad, because like everyone else has said, the EMT side is much more taxing than the fire side--as in the number of calls. As far as retention, we've got the benefit--if you want to call that a benefit--of having over 2,000-some calls a year. When I say the benefit of that is--when we went to the city some time ago, back in the '80s, saying we would like to come up with some sort of a program to be able to give something to the volunteers to get them--to keep them around, to show the gratitude to them, they kept coming up with, well, they didn't have any money, so they didn't have this or--you know, I mean, it's like every other city. They're always--you know, we assume they're telling us the truth; they're always broke. But in an effort to help them out, okay...then they said, well...between it was Mayor Baldwin--anyhow, the officers in charge says: Well, we

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want to start a length-of-service awards program. And they said: Tell you what, you guys go ahead and you charge per call, just for the rescue call, and then we put this in a program. Now, the way it was originally set up was any member that had been on for 20 years--and there was a point program; you had to maintain your points; you had to have 50 points a year. That was made up by training, drills, calls, and just general participation. What qualifies as a good year? If you had 20 good years in by the time you reach the age of 60, you would get a certain amount, a length-of-service award. That went along just fine for quite a while, until last year, at which point that had changed. One thing we were talking about changing on that was: a lot of the guys that came on...a young guy--if you tell a young guy: You're here for 20 years and you're going to get this when you're 60 years of age--you might as well try to convince him Frosty the Snowman is going to run through the door. You know, a 20-year-old man doesn't look at 60 years old and being on anything for 20 years as being a promising deal. And I can say that with a great degree of accuracy, because when they started it, that's where I was. (Laughter) And now I'm one of those guys I looked at and said: What's this old guy doing here? But what you found out was once that guy was on there for 5 years, 10 years, 15 years, well, then that 20 years of service and then 60 years of age seemed to be a viable deal. We had looked at changing the program to have it vested at 5, 10, and 15 years to make it more attractive to the people that were only going to be here a short time, because we have quite a bit of military. We, like many of the other places, have changed the recruitment end...initially we did not--being in the Offutt community--we did not--well, we didn't entertain taking on too many base personnel because at the time there was about a two-year, three-year turnover, and they were gone. And it took us a year, like I say, to train someone. Excuse me. Since then, you know, we've embraced them, and we've done fairly well there. We've expanded the base at which, you know, we go ahead and get our members from. They can be from...as long as they're going to be in town and we can have a daytime person--they can be around the station and answer a call--then we've let them be on. And we've had some pretty good success with that. One thing I've seen over the years is a volunteer's life is very cyclic. When you get a guy on, a young man that's 18 years

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old, I mean, that's all he lives for. He wants to come down and answer a fire call; he wants to go on a rescue call. Then he meets somebody, then he drops off just a little bit. Then he gets married, and he might drop off a little bit for a while, but then they come back. But when I say a volunteer's life is cyclic, there are times when a person's spouse or their health is in jeopardy; they take care of them or a family member. So when you've got a volunteer, you've got to keep in mind that that volunteer isn't going to be able to give you 100 percent all the time. I mean, there's times when you've got to realize that they're going to have time to take care of somebody else, and they'll not be able to give you as much time as we would like to have or they would like to even give out. You know, as far as the benefits to keep these people around--you know, when you start talking about just what education opportunities--I would think would be a big thing. One thing that seems to help us a little bit on our recruitment is the fact is if we get an 18-year-old person that comes in that wants to be a firefighter/EMT, we'll send them to paramedic training. It won't cost them anything. We'll train that person as a paramedic, but we have them sign--well, in the past we've had them sign a six-year contract that they will give us six years of service, you know, for that schooling. So when we go ahead and train that paramedic, we don't want them to go to Omaha tomorrow, when they graduate. We want to be able to use their service here. So they can go and get a job someplace else, but we want to make sure that they're going to give back to the community. We've got quite a few paramedics in our community right now. But education opportunities, I would think--if there's anything that you people can do to gain any kind of education, whether it be--I would assume if you could even--education opportunities for a family member or a discount deal like education, you know, at the university, if there's any--whether it be UNL, UNO, Metro tech, I mean, any kind of education supplement I would think would be a good thing. One thing we've talked about is insurance. I mean, I don't know if there's a way that a firefighter would end up qualifying for any kind of a discount deal that would be tagged on with a state insurance policy, I mean, that they get for state insurance workers, if there's any kind of deal like that. I mean, I have no idea what's available there. But I would like to think that there would be something, you know. Since, you know--since LB1096 we're in kind of a state

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of flux right now because there's--we're in a state of transition. We've gone from 100 percent volunteer, and we've been that way since we've been going, to now; well, we've got a paid chief, and now they're talking paid on-call staffing. So the status of the volunteers in the city of Bellevue is really up in the air right now as to how many are going to be able to be around, you know, what their role is really going to be. The real tale is going to come out in the tax base. If they start switching more to paid, you know, it's going to cost--it is quite a bit. We've given a tremendous amount of service to the city for many, many years, and most our people--I mean, they're dedicated people; they get on a fire service because they want to give back to the community, and they want to better themselves, and you just feel good about it. Like I say, we've had 142 members, basically; we've lost 30 here just by some cuts just recently. So is there anything I can tell you? Yes, sir. [LR182]

SENATOR CORNETT: Senator Utter. [LR182]

SENATOR UTTER: Thank you, Senator Cornett. I'm interested in your service awards thing. What did that--the 20-year service award--what did that amount to? [LR182]

JOHN WESTCOTT: Initially, it started out being \$100. You got \$100 a month for the rest of your life. And as it progressed, as the call volume went up and the money in the account got better, it turned out to be you get--the last was \$500 a month for the rest of your life for a member that was...and that--I can't really tell you when that was. It went from \$100 to, like, \$200 and \$300 and then... [LR182]

SENATOR UTTER: And did I understand you to say that you've scrapped that program now and not doing that anymore? [LR182]

JOHN WESTCOTT: Yeah, it basically got scrapped because of LB1096. And then there was a question about--you know, there's all kinds of questions, you know, regarding the LB1096. We won't even get into all of that. But when LB1096 came about, our mayor

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and city administrator said: Oh, don't worry; we're going to start a new length-of-service program, and--because that was really the backbone of our recruitment/retention deal. And we thought that would be a great opportunity to implement the 5-, 10-, and 15-years program to get these other people. And since then, we've got a paid chief that wants to go paid on-call staffing, and he says: Well, we're going to start paying these guys, so there's no point in having this length-of-service program. So we were fairly disappointed that we were promised they were picking that up. We had to stop ours to fall in line with everything else, because we started a program before the state had a deal going. And, like I say, they were going to pick one up, and then they've backed out on that. [LR182]

SENATOR UTTER: Thank you. [LR182]

JOHN WESTCOTT: Yes. [LR182]

SENATOR CORNETT: Further questions from the committee? Seeing none, thank you, John. [LR182]

JOHN WESTCOTT: Okay. Thank you. [LR182]

JERRY STILMOCK: Good afternoon, senators. I'll try to curb 15 minutes into 2 minutes and just fill some gaps, because I know there's people waiting and you have other commitments. By way of background, in 1999 there was a statewide recruitment and retention program that was initiated by Senator Paul Hartnett. It would be statewide; it would be in the form of length of service--the same as retirement. The funding was going to be part state and part from the local level. As that bill was progressing to Final Reading, the word came that the Governor's office wasn't going to support the state-funding-mechanism part of that. So rather than going forward and the threat of a veto, that item was stripped out--that item, the item of state assistance, the state half, if you will. And the bill went forward then to be funded 100 percent by a community. So

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today there's probably about half a dozen communities that took part in that--for example, Gering. They throw out \$24,000-\$25,000--the city of Gering throws out to the volunteers on an annual basis to help fund the Gering award program that they have in place. So there's that piece of history that we did try to do something; we did try to involve the state, and we had a piece of it. So we've given one tool out to the communities, but the state--there's no state funding. The second item that I want to share with you is out of the Panhandle of the state of Nebraska. And it really doesn't go to incentive programs, but it goes to the lack of volunteers. And it goes something like this: State law requires workers' comp for volunteer fire and rescue; state law requires life insurance of \$10,000 minimum policy for fire and rescue. I believe most volunteer programs have insurance to protect--liability insurance--out there. There's a area in southwest part of Nebraska that has none of that. And it just shocked me. I heard that this year; I couldn't believe it. So there's EMTs out there functioning, basically, as community do-gooders. And there's a hub community in the area--McCook serves as the hub community. So during the daytime, McCook responds to these outlying communities, but the funding comes from city of McCook taxpayers that are going out to the outlying areas in the county and providing services. When these noninsured EMTs are providing services--when they are back at home in their...I couldn't believe it. So I wanted to share that second piece with you. The third piece, please: The Nebraska State...I don't think I introduced myself. The movie Dances with Wolves--I was so interested in sharing, not my introduction, but sharing and getting on with my testimony. Jerry Stilmock, S-t-i-l-m-o-c-k, lobbyist for the Nebraska State Volunteer Firefighters Association. I was more mindful of the watch than protocol; excuse me. The third piece is the NSVFA, the organization to which I represent, has decided to go forward with a study at the University of Nebraska at Omaha through the public administration office or public administration department there. And what we're engaging to do with the professors and the graduate assistants is put together a package of study that, hopefully, would give us as well as you, as the policymakers for our state, a picture of--a survey of volunteers across the state so we have a database in which to work with. And I think the second component will be to do a survey--an in-depth survey--of, I'll say, ten

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communities, probably not more than a dozen because of cost limitations--but go in and do a study and pick different-size communities, from Clarkson to Ralston to Culbertson to Gering, and see what impact those volunteers are having on a community. Now, fortunately or unfortunately, in 2010, with what you all just went through, the special session, we know the budget situation. The study won't be done, probably, until the fall of 2010 anyway, if not toward the end of 2010. But I wanted to share those three pieces with you--the McCook situation, the backdrop of the state retirement program that kind of went bust before and is just on the local level, and then let you know the UNO study--that as quickly as we can get that we want to use that to bolster the position, provide a fact basis. The gentleman and one lady that chose not to testify because of time constraints is here today, the people you've heard from before--we all have our situations, we all have our stories to share with you, but we're anxious to get some type of state aid. I have other comments, and maybe it'd be best if I try to do that individually with you unless the committee has any questions. You've been just so generous with your time, the weather, everything else. Thanks for being here. Senator Dubas, again thank you for your time before today and throughout, and all of you in your comments concerning the volunteers. Thank you. [LR182]

SENATOR CORNETT: Go ahead. [LR182]

SENATOR WHITE: With regard to state aid--I'm from Omaha, as you know, Jerry--the costs of providing fire and ambulance service are very high in Omaha. What can you tell me I should tell my constituents when I tell them they should be taxed to provide ambulance and fire services in other parts of the state as well as pay for their own? [LR182]

JERRY STILMOCK: Yeah--a tremendous question. Part of my response, Senator White, would be...I have to expand and say, well, as that person drives up and down Interstate 80--and then you take all those assumptions out. The person, for a moment, does drive up and down the interstate system and does encounter volunteer services

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between Omaha and Lincoln and Lincoln beyond. Another assumption--that that person would go to a state park facility and participate in the state parks--it'd be offered by volunteers. So part of it is based upon assumptions, and wipe all that out and say: Well, Jerry, but in central Omaha, you know, my people are pretty much going to work; they're going to their parks in Omaha. I think at that point it becomes a question of: Should the state become involved? And if the state should not become involved, if the policy argument of providing EMS care in a population of 500 people cannot be the same as what it should be in Omaha, and policy reasons say we can't do the same. And the people of Omaha would have to--we'd have to overcome that basic policy decision that we're--it's the state of Nebraska. And somebody--everybody should at least have a level of care even if it's not the Omaha Fire Department level of care. [LR182]

SENATOR WHITE: One note: Should the state also help support emergency services and fire services in Omaha and Bellevue and Ralston and Columbus and Norfolk? I mean, if it's a state right... [LR182]

JERRY STILMOCK: Yeah. Um-hum. [LR182]

SENATOR WHITE: ...like schools, we treat that--we're deeply involved in all those areas. Is that what we're looking at? [LR182]

JERRY STILMOCK: I don't think so, because the population base is there to support the taxing, you know, base in Omaha, in Columbus. You know, I... [LR182]

SENATOR WHITE: So then you're proposing people in the city should be taxed at a higher rate to provide services out of state, and those folks shouldn't share in that cost? [LR182]

JERRY STILMOCK: [LR182]

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JERRY STILMOCK: Well the constitution tells us in the state, on education, that we have an obligation to provide an appropriate education for every child K-12. That's a constitutional obligation placed by the people on state government across the state. There's no such obligation in the constitution for fire. Now I don't disagree with you necessarily at all. I'm just asking you--you know, it's real easy to come here and say: Find money to help the rural areas. But there's a whole lot of other issues that get involved--equality for people who live in the cities; they're paying a lot of money... [LR182]

JERRY STILMOCK: Sure. [LR182]

SENATOR WHITE: ...a lot of money in taxes to have an ambulance that is going to be there in two minutes. [LR182]

JERRY STILMOCK: There's no doubt. There's no doubt. And it's those same cities that--or fire districts--that are up against the levy limitation, that they can't move any further anyway--they--even if they wanted to. It's not exactly the illustration that you painted earlier, but even if there was money there, maybe there's no body there in order to provide that service in Arthur County. [LR182]

SENATOR WHITE: Absolutely. I mean, we've got a real problem. [LR182]

JERRY STILMOCK: I don't know if I answered your question, but I--for what it's worth, I understand your point you're making, Senator. [LR182]

SENATOR CORNETT: Two questions. [LR182]

JERRY STILMOCK: Please. [LR182]

SENATOR CORNETT: Senator Dubas brought up earlier, and Senator White and I had

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discussed it briefly: Is there a liability issue if a municipality or a county cannot provide fire service? [LR182]

JERRY STILMOCK: Yeah, I look to: Where does the municipality obtain its authority? It obtains its authority from state statute. State statute says that a--I believe, says a city or village may create a fire department to protect. [LR182]

SENATOR CORNETT: What about if--and this has actually got a basis; that's why I'm asking--if a rural fire district contracts and then is unable to meet their contractual obligation because they're against their lid levy? Is a municipality still required to provide fire service? [LR182]

JERRY STILMOCK: Ooh. [LR182]

SENATOR WHITE: Which is happening right now. [LR182]

SENATOR CORNETT: It is currently happening. That's... [LR182]

JERRY STILMOCK: Well... [LR182]

SENATOR CORNETT: I'm not talking morally--walking away from a fire district--I'm talking about legally. [LR182]

JERRY STILMOCK: No, no. Right, you prefaced it by "legally." And then you add fuel to the fire, because it's happening right now. A city, municipality, chooses not to fund, operate its own department; it contracts with a... [LR182]

SENATOR CORNETT: A rural fire district chooses to contract. [LR182]

JERRY STILMOCK: ...it contracts with a rural fire district. [LR182]

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SENATOR CORNETT: No, the rural fire district chooses to contract with the city and then is unable to meet their obligation. [LR182]

JERRY STILMOCK: Tell me--I'm sorry. Who is "they"? Because the fire district is unable to make the payment? [LR182]

SENATOR CORNETT: It is...yes, because of the lid levy. [LR182]

SENATOR WHITE: They're at their lid levy, but they ran out of money to meet their obligation. [LR182]

JERRY STILMOCK: State law says that any area outside of a municipality has to be included in a fire district. The fire district is required to provide fire protection and services. The fire protection district has some problems legally. [LR182]

SENATOR CORNETT: Okay. [LR182]

JERRY STILMOCK: I just sat on the Supreme Court for 30 seconds; I guess that's my decision. (Laughter) [LR182]

SENATOR CORNETT: Well, you're our resident expert on volunteer firefighters. [LR182]

SENATOR WHITE: And volunteer Supreme Court. [LR182]

SENATOR CORNETT: Yes. [LR182]

JERRY STILMOCK: I do my best with this peppering... [LR182]

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SENATOR CORNETT: Senator Adams. [LR182]

SENATOR ADAMS: Jerry, you and I have talked about this on numerous occasions. And we've talked about the EMT training standards and those kinds of things. And you don't even have to answer if you don't want, but I look at this one table that's here, called "Retention and Recruitment Root Causes": "Time Demands," "Training Requirements," "Increasing Call Volume," "Changes in the 'Nature of the Business,'" sociological changes--the list goes on. And we do have a real problem, yet here's what I'm struggling with--a tax credit as a solution to all of these things. And I guess maybe it is. It's untested, but this is pretty complicated stuff. Demographic and sociological changes that I sense go beyond a mere tax credit in recruiting and retention. [LR182]

JERRY STILMOCK: Let me try to be brief--my wish list. The wish list is--there is an entity that's responsible for EMS in the state of Nebraska under state law--that we create that. There's three choices: fire districts; regional health department, regional health units, I don't have...regional health; or counties. Kansas uses counties. We don't have anything. I think the wish list begins with a priority: Who is responsible? From there we look at: How is it going to happen? Arthur County versus Plattsmouth. You cannot do it; Senator White said you cannot do it. You cannot have somebody treated for a triple-A when that aneurysm breaks and you've got whatever you have--whatever, 10 minutes, 15 minutes--and that is not going to happen. So if I choose to live in the outskirts, I'm going to have a triple-A--I'm going to be gone. If I live in Omaha, I'm going to survive; I have a better chance at surviving, pardon me. The national standards which you spoke of earlier--I was aghast when a Rhode Island speaker came in for an afternoon and said: By a show of hands--to the EMTs in the room--how many people...when you go in and drop off patients, are your emergency rooms just jam-packed? Nobody's hand went up. It's like, well, no, they're not jam-packed; we're fine to get people to respond to the calls. So he had this illusion--and I'm going to tie it up as quickly as I can--he had this illusion that EMS services are just getting banged away; they're in emergency rooms all the time; and they're doing all this. And that isn't

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our problem--of congestion in emergency rooms. His second point--and then I'll tie it. His second point was: This is going to be great--this, the new national standards--because it's going to allow an advanced EMT to be able to do procedures that they're not able to do. And for you folks out in the rural communities that don't have paramedics, wow, this is going to be a lifesaver. It's like, we don't have paramedics; we don't have advanced EMTs; we're fortunate if we have any EMTs, and some are looking at the basic level of first responders. So with all that backdrop, here comes the national standards, and the national standards are generated because of the...that start at the national level, that it's basically forced upon Nebraska. Why? Because national standards are going to formulate how that testing is done; and how the testing is done is going to focus off those national standards. Nebraska would be an island pretty much to itself if it said: No, we don't want to do these national standards. They're going to take a 140- to 150-hour class to be an EMT. In Syracuse, Nebraska, are they going to take it to 160-190 hours? That's reverse of where we want to go. We're having problems; why are we putting more on these people? Because this train came through--the train of national standards--and there was no other way to do it. There's no other way to do it, because of money, because then you'd have to create your own test and on and on and on. So this excitement at the national level: Well, this is going to be great. Because after, unfortunately, Katrina and 2001 with September 11, one of the things talked about at the national level was reciprocity--that they wanted to make sure that people trained in Nebraska--boy, if they go to Atlanta, we want to make sure that they can go down there and walk in and have training that the Atlanta people have. Well, we don't care about that; we just want to be able to do the services in Nebraska. There was a train that was happening; the train was going quickly; Nebraska has gotten on the train because there's no other way for Nebraska EMTs to be tested and trained, because this is the program that was created, and it's good for Chicago, and it's good for Broken Bow, Nebraska, and there's no difference. And that's crazy. [LR182]

SENATOR WHITE: Just so you know, your chances of surviving a heart attack is better in Omaha than in Manhattan, because of the traffic. [LR182]

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JERRY STILMOCK: Good point. [LR182]

SENATOR WHITE: It really is. [LR182]

JERRY STILMOCK: I believe that. Sure it is. Sure. [LR182]

SENATOR WHITE: And because your ERs are not jammed. [LR182]

JERRY STILMOCK: You bet. Taxicabs and everything else that blocks, and...I'm going...I agree. You're right. No doubt about it. Kept somebody in my life alive--somebody in my family alive. [LR182]

SENATOR CORNETT: Any further questions from the committee. [LR182]

JERRY STILMOCK: Thank you for your patience. And good day. [LR182]

SENATOR CORNETT: Are you going to be around for a moment? [LR182]

JERRY STILMOCK: I can be. [LR182]

SENATOR CORNETT: Oh, please. Are there any further testifiers on LR182? Seeing none, that closes the hearing on LR182. I'm just going to open from here on LR106. It is an interim study to examine the economic impact of retirement income on the state of Nebraska and the most appropriate way to tax such income. Basically, this legislative resolution came about from a number of years of introducing bills in regards to military retirement and the economic impact that the base has on Nebraska and due to the numerous bills over the course of my time on the Revenue Committee dealing with taxation on retirement income. With that, I will...hold on one second. Brenda, is Jeremy's...? Okay. Why don't you go ahead and enter a "open" on Senator Nordquist's

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legislative resolution also. And we will hear testimony for both LR106 and LR139 at the same time. []

SENATOR DIERKS: Go right ahead whenever you're ready. []

ERIC VAN HORN: (Exhibit 2) Great. Thank you. Members of the committee, thank you for holding this hearing today. My name is Eric Van Horn; that's E-r-i-c V-a-n H-o-r-n, and I am legislative aide to Senator Jeremy Nordquist, who represents District 7 in Omaha. Senator Nordquist regrets not being able to make it today. I offered to take his place in San Diego so he could be here in Bellevue with you, but for one reason or another that didn't work out. Many of Nebraska's seniors are struggling to make ends meet, and by taking a cut of their Social Security checks, Nebraska state government isn't making life any easier for them. According to the AARP study I've distributed, Nebraska is one of only five states nationwide that offer no Social Security benefit exemptions from state income tax. Of the 41 states with income taxes, Wisconsin became the 27th to end all state taxes on Social Security benefits last year. That number will grow to 29 as Iowa and Missouri complete their phase-out of their income taxes on Social Security over the next few years. Of the seven states neighboring Nebraska, none currently tax Social Security benefits to the same extent that we do. Nebraska is on the wrong side of this national trend, and it's costing our local economies. Our taxation of Social Security and other pensions has, by some projections, chased over 5,400 Nebraska seniors out of the state. Their retirement income, over \$100 million, is money that would be spent in our businesses and in our stores on Main Street in towns like Seward, Hartington, Minden, Chadron, and Hastings. A recent study by Kiplinger determined that Nebraska ranks 41st in retirement tax climate. That puts us behind every Midwestern state including all of our neighbors--Iowa, Missouri, Kansas, Colorado, Wyoming, and South Dakota. When the Legislature learned that Nebraska had a low-ranking business climate, it took action. According to the Milken Institute, Nebraska now has the third-lowest cost of doing business. Forbes magazine puts us in the top ten states for doing business. I ask this

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committee to consider whether or not we should give the same focus and the same attention to those that have landed in and rely on the federal safety net. You'll hear from several people after me that will offer important perspectives on this issue. Thank you again for holding this hearing today. I'll be happy to field any questions that you might have for me. [LR106 LR139]

SENATOR DIERKS: Thanks, Eric. Are there questions? Senator Price. [LR106 LR139]

SENATOR PRICE: Senator, thank you. Eric, real quick. You said 5,400 seniors, they think, may have left the state? [LR106 LR139]

ERIC VAN HORN: Yeah. I believe that figure is contained in the AARP report. I don't know if it made it around to you. [LR106 LR139]

SENATOR PRICE: Okay. All right. Yeah. I think I have it. Do you know the period of time? I mean, is that over ten years, one year? [LR106 LR139]

ERIC VAN HORN: I do not. [LR106 LR139]

SENATOR PRICE: Okay. [LR106 LR139]

ERIC VAN HORN: I'll have to look into that, and I'll get back to you as soon as I can. [LR106 LR139]

SENATOR PRICE: That's great. Thanks. [LR106 LR139]

SENATOR DIERKS: Other questions for Eric? Senator White. [LR106 LR139]

SENATOR WHITE: Eric, if we did exempt Social Security in its entirety, how much revenue would be lost on a yearly basis? Are you aware of that number, sir? [LR106

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LR139]

ERIC VAN HORN: Well, I do have the fiscal note from our attempt to do just that earlier this year. It says here--and it was a not-so-gradual phase-out the way that bill ended up being written. And so in year two of that bill, which is the best I can do right now, it would have been a loss of nearly \$68 million. [LR106 LR139]

SENATOR WHITE: Given the economic climate, has Senator Nordquist any suggestions, since he's on Appropriations, how we can accommodate the loss of that kind of income, particularly with the end of the stimulus money in sight? [LR106 LR139]

ERIC VAN HORN: Yeah. And I asked him specifically about that this morning before I came here. And he said that--you know, obviously, he knows as well as anyone that we're in deep, you know, financial difficulties, especially when we're talking about \$68 million. [LR106 LR139]

SENATOR WHITE: I agree. I think he used a different adjective: deep something--but yeah. [LR106 LR139]

ERIC VAN HORN: Yes, well, that could be. He suggested that the next time the state takes a look at tax cuts--and we all know we eventually will come out on the other side, and we'll be in position to take a look at tax cuts--he suggested that next time we should consider Social Security as a part of the plan, and it should be a part of that plan. [LR106 LR139]

SENATOR WHITE: Okay, so Senator Nordquist recognizes the straits the state are in but says this should be first on the list. [LR106 LR139]

ERIC VAN HORN: Right. It should be on the--you know, under consideration for the next time that we're taking that action. [LR106 LR139]

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SENATOR WHITE: Thank you. [LR106 LR139]

SENATOR DIERKS: Other questions for Eric? I guess not. Thanks very much, Eric.  
[LR106 LR139]

ERIC VAN HORN: Thank you. [LR106 LR139]

SENATOR DIERKS: Anyone who wishes to come and give us their testimony is  
welcome to come up now. [LR106 LR139]

ROGER REA: I didn't realize they were going to be together, so I've got two  
handouts--one for each bill. And here's my testifier sheets. [LR106 LR139]

SENATOR DIERKS: Go right ahead. [LR106 LR139]

ROGER REA: (Exhibit 3) Thank you. Good afternoon, Senator Cornett and member of  
the Revenue Committee. For the record, I am Roger Rea; my last name is spelled  
R-e-a. I live in Omaha, and I'm a retired public school employee here in Nebraska. I'm  
also president of the Nebraska State Education Association-Retired. As a side note, I  
volunteer as chairman of the board for the First Nebraska Educators Credit Union, serve  
on the Educators Health Alliance board of directors--that's a Blue Cross Blue Shield  
plan that insures almost all the school employees in the state. I serve as a trustee for  
the Omaha School Employees Retirement System and volunteer for three other  
organizations with issues dealing with retired Nebraskans. I'm just one of the thousands  
of retirees who donate their time to make Nebraska a better place in which to live for all  
citizens of the state. I'm here today to give testimony for LR106, the ultimate intent of  
which is to help make Nebraska more retiree-friendly. LR106 seeks information on the  
impact that retirees have on Nebraska, both economically and culturally. Other aspects  
of the interim study are to seek information on other ways other states tax retirees,

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alternatives to the current ways that Nebraska retirees are taxed, and measures that other states use to attract retirees as residents, and an examination of the reasons that retirees move outside the state to live elsewhere, and an examination of tax-related changes that would make Nebraska more retiree-friendly. The main focus of my testimony will be on the economic impact that retirees have on the economy of Nebraska. I distributed several documents that pertain to the economic impact. The first page of those things is the testimony for this bill. You could skip over that; behind the testimony you'll find the first number I'm referencing here. It's a spreadsheet that shows the amount of money paid by defined-benefit pension plans that are now part of state law to retirees in each and every county in the state. The defined-benefit pension plans that are part of state law include the school employees, Class V school employees, State Patrol, the judges' plan, the state workers' plan, and the county workers plan. The data are from December of 2008, the most recent year that has complete data. You'll note that there were 17,863 Nebraskans living in Nebraska and receiving retirement payments from one of the defined-benefit plans in the state, with a total monthly pension of just over \$29 million. That's an economic engine pumping almost \$350 million per year into the Nebraska economy. Every single county in the state has at least some retired public employees, and every county in the state receives part of this \$29 million in pension payments each month. The total amount of pension money paid to beneficiaries of the retirement system is \$32.4 million per month, with \$3.4 million of that being sent to retirees living in other states. A second document, which is behind that set of spreadsheets--it says "Nebraska" at the top--relates to the economic impact of retirement income in the state of Nebraska as prepared by the National Institute on Retirement Security, or NIRS. NIRS is a nonprofit research group dedicated to providing quality research on pension matters. The NIRS data uses 2006 data, so it understates the current economic impact of retirement income. This and other NIRS reports are available online at the NIRS Web site: [nirsonline.org](http://nirsonline.org). The NIRS study shows the multiplier effect of pension income. When a retiree receives pension income, the retiree spends that money where he or she lives, providing direct economic impact to the local economy by purchasing goods and services there. There is an additional, indirect

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economic impact on the local economies in the state when the businesses serving the retirees purchase additional goods and services in the local area. Finally, there's an induced economic impact on the economy when the employees hired as a result of the direct or indirect impact make purchases of additional goods and services in the area. The NIRS study concludes that for Nebraska each dollar a retiree receives in pension and spends locally produces \$1.32 in local economic impact. Finally, the NIRS study concludes that the public pensions supported almost 4,000 additional jobs in Nebraska with an annual payroll of about \$200 million in wages and salaries. That makes the public sector pension plan one of the biggest single employers in the state and the only large employer with an economic impact in every one of Nebraska's 93 counties. The broad impact of pension income on economic activity in Nebraska is unequalled by any other employer. The two groups that receive the greatest impact from retiree pension spending are retail trade and health care, businesses that form the economic backbone of rural Nebraska and ensure access to health care for rural citizens. In addition to the direct and indirect impact on the state economy due to pension income, there's an additional benefit to both retirees and to the state. A 2009 study by NIRS shows that fewer individuals with a defined-benefit plan are classified as either poor or almost poor than is the case for retirees who do not have a defined-benefit pension plan. Comparing retirees who do not have a pension plan with those who do have a pension plan, the NIRS study concludes that approximately twice as many individuals without public pension plans are classified as poor or nearly poor as are the retirees who receive a public pension. The number of individuals who have food insecurity or shelter insecurity or healthcare hardship is more than twice as high for those without a defined pension plan as for those who do have a defined pension plan. Further, individuals with a defined-benefit plan are three times less likely to need public assistance as those who do not have a defined pension plan. Those individuals with a defined-benefit pension plan who also qualify for public assistance require on average about \$1,000 less per year than those who don't have the plan. The message here is very clear: the higher the retirement income is, the less likely a retiree is to need public assistance. Unfortunately, taxation of the benefits for retirees accelerates the need for public assistance and

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increases the burden the state has to provide services for low-income individuals. Taxing retiree benefits has the net effect of pushing many retirees into poverty, thus costing the state more money for social services than would be the case if the retirement benefits were not taxed. One of the handouts I provided shows which states receive Nebraska pensions. That's the next page here, shows where each of the states go. While 90 percent of the money paid to Nebraska retirees stays in Nebraska, some money does leave the state. About \$3.4 million per month is paid to almost 2,500 retirees living outside the state of Nebraska. That is money that cannot be used to generate economic activity in Nebraska, a fact that is not lost on other states, who actively recruit retirees to move to those states. Recruiting takes many forms, and one form of recruitment is encapsulated in the tax policy of the state. I have provided a copy of a set of PowerPoint slides that, for this information, I'll direct you to now. I'm going to ask you to skip over to page 8 of that presentation and slide number 15. On page 8 and slide 15, it shows the nine states that have the largest amount of money from Nebraska pension income, including Wyoming, which is not one of the nine largest states but is one of the seven contiguous states. I want to call your attention to South Dakota, which ranks seventh, at \$230,000, and Kansas, which ranks ninth, at \$144,000. Kansas and South Dakota share approximately the same number of miles of border with Nebraska, with most of Nebraska's population living closer to Kansas than to South Dakota. But South Dakota, with about a quarter of the population of Kansas, receives about twice as much pension income from Nebraska than does Kansas. Why is that? Public pension income earned from outside the state of Kansas is fully taxed by Kansas while the public pension plan paid by the state of Kansas is not taxed, while South Dakota does not have a state income tax at all. I submit that retirees are not flocking to South Dakota for the balmy weather; they're moving to South Dakota for the favorable tax climate. The same thing is true regarding more favorable taxation of Social Security benefits by other states. While Nebraska retains approximately 90 percent of the pension income per month, a nonscientific survey shows that the people who leave Nebraska are among the wealthiest--the people who purchase, on average, more goods and services than their counterparts and who require far less in terms of social services that are paid for by the

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state. Does tax policy make a difference in the behavior of people? And can Nebraska afford to give more tax exemptions? I call your attention to the college savings plan 529 that Nebraska sponsors. College savings 529 plans allow individuals to save money for the benefit of a student's education; typically it's a child or a grandchild. To encourage citizens to participate in that 529 plan in Nebraska, Nebraska provided a tax credit of \$1,000 per individual when the program began in the year 2000. Money flowed into the plans, and to encourage more participation the exemption from state income taxes was increased to \$5,000 in 2006. According to testimony given last week at the Legislative Retirement Committee hearing on the 529 plans, the increased exemption encouraged even more people to save in this fashion and to save more per individual. Senator Pankonin, the Chair of the hearing, said this about the increased exemption: "The key question is, are we increasing opportunities or decreasing opportunities to stay in Nebraska and to invest in Nebraska?" While there is a cost to increasing the exemption in the form of lost tax revenue, the net result is more incentive to stay in Nebraska and to invest in Nebraska. The same can be said about providing tax relief for retired Nebraskans to encourage them to stay in Nebraska. Providing tax incentives does change behavior. What are some ways Nebraska can become more retiree-friendly? Well, a number of opportunities present themselves. The best situation from a retiree perspective would be to fully exempt all Social Security and public pension income from Nebraska state income tax--that is done in many states. The exemption could be phased in over a five-year time frame to accommodate the transition to lower state revenues, or Nebraska might apply the approach taken in other states: to exempt a flat dollar amount of either Social Security income, public pension income, military pension income, or some combination of those three. The flat dollar amount could be phased in over time to ensure a gradual change in Nebraska revenues. You will hear additional testimony today giving a short history of the taxation of Social Security at the federal level and how Social Security began to be taxed in Nebraska. You will hear about the efforts other states are making to attract retirees to live in those states. And you'll hear about the contributions retirees make to the culture of the state as volunteers who perform needed services without pay. Museums, zoos, performing arts and sports

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venues such as the Qwest Center, hospitals, and many other organization that depend on volunteers would not be able to function were it not for their volunteer workers, many of whom are retired. Every governmental body uses its taxing authority to encourage desired behaviors, and Nebraska is no exception. Witness the 2006 change in the deduction allowed for the college savings 529 plans. I ask you to use the opportunity created by LR106 to develop a legislative action plan that would make it more attractive for Nebraska retirees to stay in Nebraska than it is to establish permanent residence in another state. As an outcome of this hearing, I ask that you draft a bill or bills that would make Nebraska more retiree-friendly. Anything you can do to make Nebraska more retiree-friendly will be appreciated by the retirees, and Nebraska itself will be rewarded by having more retirees stay in the state to spend their pension incomes and contribute their talents and time and skills as valued citizens in the state. In thinking about the purpose of Social Security and public pension income, the following statement I think rings true: Social Security and public pensions were intended to keep our elderly and disabled citizens out of poverty. They were never intended to be a source of revenue for the states. I'd be glad to respond to your questions about LR106. [LR106 LR139]

SENATOR DIERKS: Thank you, Roger. Are there questions? Senator Utter, please. [LR106 LR139]

SENATOR UTTER: I do have a few questions. Mr. Rea, have you given any consideration at all to folks who have retired that aren't covered by a defined-benefit pension plan, which, in my opinion at least, raises some real questions as to the sustainability of that as far as the state is concerned. Or that provide their own retirement, should they have some benefit or not? How do you justify your position there? [LR106 LR139]

ROGER REA: The suggestion that we're making here is that you look at the governmental sources of income--Social Security, defined-benefit plans paid by the state, and military pensions--those are the three things we think are... [LR106 LR139]

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SENATOR UTTER: Why should they be more important and receive a tax benefit than somebody that has been a self-employed shopkeeper and provides his own retirement? Should he not be entitled to some type of a tax break? [LR106 LR139]

ROGER REA: Well, keep in mind that everybody who receives a public pension also has personal investments that provide them with their own savings as well. If you want to make that expansion to all the savings, I'd be more than happy to entertain that notion. But the fact is almost every state provides exemptions for public pensions that are paid by the government, either from Social Security or from military pensions or from state pensions themselves. It helps to reduce the cost to the government by providing a tax break in that fashion so you don't have to pay as high a salary while they're working. [LR106 LR139]

SENATOR UTTER: The next question I would have would be with regard to South Dakota--you brought them up as an example where this money goes. Do you have any idea what the difference is in the total tax burden to a citizen of South Dakota as compared to Nebraska? It...and I'm talking about the whole scope of taxes and how sales tax and what have you is...do you have any information on that? [LR106 LR139]

ROGER REA: I don't have specific information about that. I know that in some places where they have no income tax--like Wyoming, for example--a substantial portion of the state revenue is obtained from natural resources. From South Dakota, I understand, quite a bit of it's obtained from tourism. [LR106 LR139]

SENATOR UTTER: The figure was mentioned of a cost of about \$68 million to the state. As a member of the Legislature, could you give me some suggestions as to who ought to pay that \$68 million of exemptions that you folks are talking about. Have you got some ideas where we can get that money? [LR106 LR139]

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ROGER REA: I think the question ought to actually come the other way around. For years, Nebraska got by without taxing Social Security. They suddenly started to tax Social Security. Why would the retirees then have that money taken away from them? Why isn't that money given back? What's the purpose of having that taxed on those...? [LR106 LR139]

SENATOR UTTER: Well, I think you're missing the point. Right now we're getting--according to the fiscal note--we're getting, like, \$68 million. [LR106 LR139]

ROGER REA: It is a windfall profit to the state. [LR106 LR139]

SENATOR UTTER: Well, I don't know whether it's a profit or not. We just got finished a special session and carved \$335 million out of it. So I don't think the state is making a lot of profit. It becomes a matter as to who's paying the taxes. I guess I need some help to tell me who should pay that \$68 million in taxes. [LR106 LR139]

ROGER REA: I guess the question is if a business were to come to you, like they did with LB775 years ago, and say: We'll bring in \$350 million worth of money every single year; we're going to pay it in every single county in the entire state, and we're going to generate another \$250 million in other jobs in your state; will you give us a tax break? Would the answer be yes or no? I think the answer has been yes. If large employers come to the state and wish to spend money, you say: Come on in. Other states are looking at retirees and saying: What could we do to get those retirees to come in? Because when a retiree comes in, not only do you have the pension income and the Social Security income, you also get the Medicare benefits. You get a substantial amount of money coming in. And they don't require any additional services. You don't have to give them tax breaks. There are no additional tax credits that are going to be given to them in the form of tax increment financing. You don't have to put up infrastructure. They don't do any polluting; they don't put anything into the air, into the water that you have to clean up. They come in, and they're a green source of revenue.

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You bring them in; they spend money. It's like tourism. [LR106 LR139]

SENATOR UTTER: Can you think of some--are there some other reasons why retirees don't stay in Nebraska? Do you think it's--is it strictly a tax reason, in your mind? [LR106 LR139]

ROGER REA: No. I think there are a number of things. When...people I talk with who are close to retirement or who have just retired and are thinking about moving outside the state look at two things. First of all, they look at: Do I like living where I am living? If they like living where they're living, they're likely to stay if the tax environment is proper. If they don't like living where they're living, they're going to move out anyway. So you're going to lose a portion of the population just because they don't want to live here. But we have a lot of people who live part time in the sunny parts of the country. They go to Arizona for part of the winter, or they go to Florida or Texas, someplace that doesn't tax their benefits with--you know. They actually maintain their permanent residence here. But many of them actually do make that decision on retirement, on where they're going to live. I was talking to a gentleman who said when he retired--he happened to be the head of TD Ameritrade--he said: When I retired, I took up permanent residence in Wyoming. And the reason I took up permanent residence in Wyoming is that they give me tax break. They want me there; Nebraska does not. And he said: Since I retired from TD Ameritrade, I've started five businesses; I have 200 employees that I've hired brand new. Not a single one of them lives in Nebraska. He said: I come from Nebraska; I grew up in Nebraska City. I would like to have my businesses in Nebraska; I would like to live in Nebraska. If they made it attractive for me, I would live in Nebraska. He said: I live in Wyoming. My wife lives in Nebraska. [LR106 LR139]

SENATOR UTTER: All kinds of ways to game the system, isn't there? [LR106 LR139]

ROGER REA: There are. [LR106 LR139]

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SENATOR UTTER: Thank you. [LR106 LR139]

SENATOR CORNETT: Senator Price. [LR106 LR139]

SENATOR PRICE: Senator Cornett, thank you. Mr. Rea, going back to your slide 15 you were talking about there, do you have or can you get the number of people this represents? All these millions of dollars? Because we've heard one testifier say we had 5,400... [LR106 LR139]

ROGER REA: If you look on page--let's see... [LR106 LR139]

SENATOR PRICE: I've seen a lot of the numbers. My eyes are starting to swim with numbers. [LR106 LR139]

ROGER REA: Yeah, on the spreadsheet that says, "Monthly Pensions Paid by States"... [LR106 LR139]

SENATOR PRICE: So that would be your second... [LR106 LR139]

ROGER REA: Second handout. Actually, it's about the third one--gives each and every state, and it tells you how many pension dollars are paid in that state and how many retirees there are from Nebraska living in that state. [LR106 LR139]

SENATOR PRICE: So would that 2,470 retirees make up all that income? [LR106 LR139]

ROGER REA: Exactly. So, for example, if you skip down to Kansas...Kansas: \$144,000 into Kansas; 130 retirees. [LR106 LR139]

SENATOR PRICE: All right, thank you. [LR106 LR139]

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ROGER REA: If you go down to South Dakota: \$230,000 in pensions; 157 retirees.  
[LR106 LR139]

SENATOR PRICE: Got it. Thank you. [LR106 LR139]

ROGER REA: You're welcome. [LR106 LR139]

SENATOR CORNETT: Further questions from the committee? [LR106 LR139]

ROGER REA: I did have a couple of other items I was going to indicate on LR139 that...it doesn't entail a great deal of additional time, if I could. I'd just go through this PowerPoint presentation; that's what I was going to do on LR139. I've given some simple facts on the first slide about "Key Facts about Retirement"--the 17,000 retirees from the state: 14,000 from the rest of the state outside Omaha and 3,000 from Omaha. I've talked about how other states treat retirement income; that was also mentioned in the first here. There are 41 states that have an income tax, and 27 of those provide full exclusion for Social Security. Of the 14 states that tax Social Security, only 5 of them tax it to the full extent that it's taxed by the federal government. I've given some information about which those states they are. For state pensions, there are 10 states that exclude all federal, state, and local pensions from taxation. Four states allow no exemptions on pensions, and Nebraska is one of those four states. I've given a couple recent developments. You've heard about the seven-state area, where...I've got several slides that compare each of those states with each other. I think you've heard that information, so I'll skip over to the--I guess on page 9. I would propose what I call a FEE "Simple Solution"--a FEE "Simple Solution," F-E-E. "F" stands for "fairness"; "E" stands for "equity"--the first one; the second "E" for "economic impact." Fairness to retirees: Is it fair to tax unearned income for retirees? If other states don't do it, then why is it fair in Nebraska? Keep in mind that Social Security and public pensions were intended to keep our citizens out of poverty, not to be sources of revenue for the state. Second,

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equity--equity for retirees: Is the current tax structure for retirees treating Nebraska citizens equitably compared to other, surrounding states? Does unfavorable tax treatment of retirees have a negative consequence in Nebraska? I submit that it does. The current tax treatment of retirees encourages them to move to surrounding states, and the data which I've given here supports that conclusion. And the third "E"--economic impact on the state: I've documented the economic impact of the money that stays in Nebraska during my testimony. I ask you also to consider the lost opportunity for retiree income that is received by former Nebraskans who are now living in other states and spending their money in other states. Every retiree who moves away from Nebraska takes with him not only his pension income but also Social Security income and all the Medicare benefits. Those are green dollars; they do not require infrastructure or put pollutants into the air or waterways of Nebraska. They are a source of economic development that requires very little, if any, maintenance. What this source of economic development needs is encouragement from Nebraska tax policy. With that, I'll conclude my testimony for LR139. [LR106 LR139]

SENATOR CORNETT: Thank you. [LR106 LR139]

ROGER REA: Thank you. [LR106 LR139]

SENATOR CORNETT: Next testifier. May I see a show of hands from the people that are going to testify. [LR106 LR139]

DAN DONOVAN: (Exhibit 4) Good afternoon, Senator Cornett and members of the Revenue Committee. My name is Dan Donovan; I am a representative of the Military Officers Association of America, the Omaha-Bellevue chapter. I retired from the Air Force in 1988 after 26 years of service, and I have stayed here in Nebraska for a couple of reasons. They're very personal reasons; circumstance drove me here. My marriage was crumbling, and divorce soon followed, and I had a 14-year-old girl that I was custodian of. And the schools here are so great. The quality of life here is so great. My

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daughter graduated from Papillion High School, Creighton University, and UNO with a degree...her final degree was in speech pathology, and she was a speech pathologist right here in Bellevue for five years, working for the Bellevue schools. She's now married to another Air Force man, a major, stationed down in Montgomery, Alabama. After I left the Air Force in 1988, I worked for two companies: the first--First Data Resources; the second...and that was for 6 years; and then I did 12 years with the aforementioned TD Ameritrade, where I had the opportunity to work with both the man we talked about earlier and also his son. It was a well-run company; it was a very entrepreneurial company. It was a great place to work, particularly in the--as it went public and the ensuing years--just a wonderful place. Since I left Ameritrade a couple years ago, I've gotten more involved in other veterans activities. I've gotten involved with the Service Corps of Retired Executives, which is now known as SCORE. And having been a member now for about 15 months, I became the Omaha chairman of this S-C-O-R-E about two months ago. And so I've got a different perspective about retirees and how retirees can be used in our society. The Small Business Administration, you know, has wonderful programs. There's so many ways to help entrepreneurs get started in business. That's what SCORE does; we coach people that want to start businesses and people that want to expand their businesses. And I learned the hard way, by the way. I went in with two civilian trainers who were looking for a military contract. We submitted an excellent bid, but we didn't win it. But along the way I started to develop the contacts, and I took the classes to learn about business. Now why do we want to retain the retirees in Nebraska? Well, their average age is 43-44 years of age. I was about two years older when I retired. But--so I messed up the curve. But the ones that have that entrepreneurial bent--and it seems to be quite prevalent--they're hard workers; they're technologically savvy. And I believe that's something that Megan (phonetic) might have said if she had been up here. I get--I have counseled veterans; I love counseling veterans when I'm working at SCORE, as well as retirees, and it's just a wonderful experience. When you ask a retiree or someone about to retire, are they going to stay in Nebraska? The answer is probably not. Because when people get ready to retire, they look at various things. They look at: Where is the job opportunities?

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What's the cost of living going to be? What's the other--there's a couple of other big ones too. How good are the schools? That's probably one of the biggest ones. And local taxes. And the previous gentleman referred to the Kiplinger article. I have the printout of it; it talks about Nebraska. "The Cornhusker"--if I may read it. "The Cornhusker State doesn't offer any great tax breaks to retirees unless you're a former railroad employee. Railroad retirement benefits are exempt." And now we've heard from the previous testimony about all the states around us have higher taxes than Nebraska, and there's a good reason for it. And again, I think it's the quality of life that does it. However, in this study, you're looking at going ahead and evaluating these systems, which I think is great. And Senator, your two questions during the last presentation I thought were right on the mark. You know, why exempt military, Social security? And I forgot what the third category was. Well, in the case of the military, we believe there's a significant economic benefit by retaining those military people in here, because they'll not only be able to possibly start up businesses, there's also a demand for those skills that they have. We have strong contractors to STRATCOM and Offutt Air Force Base here in the community, and I know several of those jobs are always vacant. They cannot fill those jobs. So I think--you asked a second question; I thought I...you had...I was going to answer, and I can't recall what it was. Do you recall, sir? You...it was a good one. [LR106 LR139]

SENATOR UTTER: (Laugh) I'll think about it. [LR106 LR139]

DAN DONOVAN: Okay. It was a great question. Yes, sir--ma'am. [LR106 LR139]

SENATOR CORNETT: How are we going to pay? What is the benefit of exempting that \$68 million? How are we going to recoup that loss? [LR106 LR139]

DAN DONOVAN: Well, that's--\$68 million. I think that's not the--wasn't that the... [LR106 LR139]

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SENATOR WHITE: Social Security. [LR106 LR139]

DAN DONOVAN: Social Security one. [LR106 LR139]

SENATOR CORNETT: The Social Security. [LR106 LR139]

DAN DONOVAN: Yeah. I don't know how we're going to recoup on Social Security. But I think if you were to just focus on a partial--possibly--exemption for the military retirees, there'll be a payback in the economic benefits that follows along. [LR106 LR139]

SENATOR WHITE: One of the areas that--and I start out skeptical on the military area, though--is the security clearances. It's my understanding we have a large number of defense industry employers right now that are looking for employees with security clearances, and they're having trouble attracting them. [LR106 LR139]

DAN DONOVAN: Yes, sir, it is. A lot of people in the military have spent time in states such as Texas or Florida, where there are no taxes at all. And I think that's an--that tends to become an overriding consideration. I think--like I said, I was a couple years older than average. I made my choice to remain here based on circumstances. My circumstances was divorce and custody. I heard other people testify today that they chose to live here because their wife was from here. And believe me, that is a prevalent reason why people do come back to Nebraska. But I think the value--the quality of life that we have here in Nebraska...having been here for 29 years now, I know it's true, the work ethic of Nebraskans--it's a great place to do business; it's a great place to work; it's a great place to retire. And I'm very happy to be a Nebraskan. And by the way, I am from Rhode Island; and Rhode Island was mentioned a couple of times today. (Laughter) I know that Senator--the boss is gone, and the fireman is gone, and so...but I'm proud of...I spent the first 17 years of my life in Newport, Rhode Island. And that concludes my testimony. [LR106 LR139]

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SENATOR CORNETT: Senator Price. [LR106 LR139]

SENATOR PRICE: Senator Cornett, thank you. Sir, does MOAA keep numbers of the advantage--Glenwood, Iowa; Council Bluffs; and/or South Dakota--take advantage of...people who retire out of Offutt Air Force Base, live over there in Iowa, and pay a dollar to come over on the bridge because of the perceived tax advantage? [LR106 LR139]

DAN DONOVAN: I'm not aware that MOAA has those numbers. They may be available in the system, and I can see what I can do about finding them if they exist. [LR106 LR139]

SENATOR PRICE: Thank you. [LR106 LR139]

DAN DONOVAN: Yes, sir. [LR106 LR139]

SENATOR CORNETT: Senator Utter. [LR106 LR139]

SENATOR UTTER: Thanks, Senator Cornett. Are you aware--do we get some inflow that come back to Nebraska because of the things that you're talking about--family connections. Seems to me in our small community, where I came from, that we're starting to see people come home, you know, that have been in God-forsaken California or someplace like that, you know, that has really got serious problems. And as an aside, I'm just wondering if--are you aware of any information that there might be out there that would let us--that we could see in the Legislature that would indicate what the inflow is? [LR106 LR139]

DAN DONOVAN: I would imagine, sir, that the people who do your research might have access to that through the, like, you know, through a Freedom of Information Act of the military pay system, because they know where the checks are going. [LR106 LR139]

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SENATOR CORNETT: Further questions? Seeing none, thank you. [LR106 LR139]

DAN DONOVAN: Thank you, Senator Cornett. [LR106 LR139]

MARK INTERMILL: (Exhibit 5) Good afternoon. My name is Mark Intermill from AARP. The last name is spelled I-n-t-e-r-m-i-l-l. I have a folder that has some information, some of which has been referred to, and I just wanted to go over some of that and also may answer a couple of other questions that have come up. Starting on the left side of the folder, we have some information from Department of Revenue about income tax filings for people over the age of 65. The interesting thing about this information--one of the questions that arose in this hearing was: What is the economic impact of retirees on the state of Nebraska? We have that top section, "Adjusted Gross Income," of people who have filed taxes, which not all people over 65 would have done--about \$6.3 billion in adjusted gross income for those who did file. This also provides just some information about what amounts of taxable pensions and annuities there are in Nebraska for people over 65, also Social Security benefits and what's taxable. The shadings in the--on the sheet were something that I developed a couple of...last year had proposed a change in the homestead exemption to exclude Social Security income, something that did have a fiscal impact, as I recall, of about \$12 million. The people who would have been affected by that are the folks in the blue shaded area, whereas those who would be affected by some sort of change in Social Security benefits or pension benefit taxation would be the folks in the yellow shading. I also just included some "AARP Principles" I think related to taxation. And obviously the first purpose of a taxation system is to raise revenue for the necessary cost of government. And that's something that we always need to be cognizant of and make sure that our system does raise that revenue. But also that equity, economic neutrality, and then other social and public policy goals, which include providing--ensuring that we attract people to our state are some of the other things that we need to take into effect. On the right side of the folder, the "Taxation of Social Security Benefits," quickly. We...this goes back to 1984, which was when the federal

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government first taxed Social Security benefits. For people who had an income over \$25,000 for a single person, \$32,000 for a couple, 50 percent of the Social Security benefits were taxed. This has not been adjusted for inflation at the federal level and consequently at the state level as well, in terms of taxation. So adjusted for inflation, that \$25,000 in 1984 is over \$51,000 today; or the purchasing power of that \$25,000 would be a little over \$12,000. So every year we pick up a few more people in the taxation of Social Security benefits, both in the 50 percent...and then the 50 percent to 85 percent level was enacted in 1993 to bolster the Medicare Part A trust fund. That has a little bit higher level of income. But again, we pick up a few new people every year who we tax their benefits because they're--except for this year when there's no cost-of-living adjustment in Social Security. As those cost-of-living adjustments take place, a few people slide into the taxable income level. There have been some questions about taxation of Social Security benefits in our neighboring states, and I did include...the next sheet back is what bordering states are doing in terms of taxation of Social Security specifically. Iowa and Missouri are in the process of phasing out taxation of Social Security benefits, and Nebraska is now one of five states that taxes Social Security benefits to the full extent that they're taxable federally. Kansas has sort of means-tested taxation of Social Security benefits. So anybody with an adjusted gross income of less than \$75,000 would have those Social Security benefits exempt, so they're looking more at targeting that tax benefit to people under \$75,000. Colorado, on the other hand, looks at both Social Security and qualified retirement income. And you can exempt either \$20,000 if you're 55 to 64 or \$24,000 over 65. So it's a way of addressing income other than Social Security or public retirement pension benefits, so that there can be a broader application of retirement income to the exclusion. A question came up about the 5,400 people that are missing--5,400 Nebraskans who are between the ages of 62 and 68. Last year my wife ran for Lancaster County Commission, so we went door to door a lot. And since the county board is financed by property taxes, one of the things we continued to hear was: We're tired of taxes. And those who are approaching retirement were saying that: We're thinking about leaving. And being an analytical sort, I wanted to see if there's any evidence that we could find

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that indicates that people are leaving Nebraska at retirement. Recognizing that we probably can't compare ourselves to Arizona, which has a different climate--so I looked at three states--Iowa, Kansas, and South Dakota, which have similar climates, which are agriculturally based, which have a rural and urban mix similar to Nebraska--and looked at what their population did between 2000 and 2008, compared to what Nebraska's population did. And that's what the "Comparative Population Growth" chart is, for each year--single-year age groups. And we saw that, on the back side, for the 62- to 72-year-olds, there was a substantial drop in the numbers of people in Nebraska--the growth in the population, less than what those other three states experienced. Is that because of the tax system? I can't say that that's the case, but there's something that's going on that is--especially in about the 62 to 67, 68 age groups--that is leading us to grow at a lesser rate in those age groups than the comparator states, or states that are similar to Nebraska in climate, economy, and other factors. So that's where the 5,400 people that we seem to be missing came from. Based on that same type of analysis, I wanted to look at an area that...where three states come together. And I looked at the Sioux City area, which is the next sheet. We looked at the population change in the Sioux City area, which has--there's a South Dakota county, a Nebraska county, and an Iowa county that kind of form that urban area. And what we found was a similar type of occurrence happening. And if you look at the 65-to-69 grouping, Dakota County, Nebraska, from 2000 to 2008 grew by 4.3 percent; Woodbury, County, Iowa, 13.2 percent; but Union County, South Dakota, 55 percent--so substantially larger growth in Union County, South Dakota. We also were able to look at where people moved from and moved to. And on the back of that sheet you have, for Dakota County, what are the counties where people moved from and where did they relocate to. What we see in the comparison to Union County, South Dakota, 65 more people left Dakota County and went to Union than the other way around. But the interesting difference here: we also have adjusted gross income for those individuals--substantially higher for the people moving to Union County than from Union County to Dakota County. The net effect in just the total income of those people moving is about \$1.2 million. So there is some indication that we are losing some population. Again, this isn't causality; we can't say

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that it's because of the tax system, but we have some anecdotal evidence that this seems to support. The last sheet is one that...we continually hear concerns about property taxes from our members. And this is just a summary of a report that was prepared by AARP's Public Policy Institute about the tax burden, where AARP looked at what are the property taxes paid by individuals and compared it to census data on income to find what the property tax burden is. The figures listed are the median property tax burdens in states in terms of percentage of income. In terms of homeowners over the age of 65, Nebraska ranks 13th in terms of property tax burden. But I would point out that this analysis--none of the states that ranked above Nebraska took into consideration any property-tax relief programs for people over 65. Nebraska's homestead exemption was included in this calculation. So our property tax burden is understated in comparison to those 12 states ahead of us. And I've been trying to figure out what the degree of that impact it. It looks like we'll probably be close to being in the top ten if you factor out that homestead exemption difference in Nebraska that's not included in any of the other states above us. So with that, I'd be happy to try to answer questions. [LR106 LR139]

SENATOR CORNETT: Senator White. [LR106 LR139]

SENATOR WHITE: Thank you, Mark. Mark, you know we only have so much money, and this is an...I guess we look at it like an expenditure even though it's reduction in income. If you had the money to spend, is it better to expand the homestead exemption? Or is it better to start giving exemptions on income? [LR106 LR139]

MARK INTERMILL: I think the answer to that question is what policy goal you want to achieve. AARP is--our interest is in a progressive tax system. So I think, in that regard, we would probably look at the property tax issue, which is--property taxes are regressive...tax...if we had to choose one or the other. On the other hand, if you're looking at trying to attract or retain retirees, you would probably want to look more closely at the income tax, because I think that might be what is...in that calculation that

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was discussed earlier, that may be something that is a greater issue. [LR106 LR139]

SENATOR WHITE: So would Nebraska do well, then, under the AARP model to exempt, for example, the first \$10,000 of income if it includes retirement income from any source? [LR106 LR139]

MARK INTERMILL: I think that would add to the progressivity of some sort of an approach to try to enhance retirement income. [LR106 LR139]

SENATOR WHITE: So either property tax relief through the homestead exemption or exempting the first dollars of retirement income and taxing the higher dollars. [LR106 LR139]

MARK INTERMILL: And I think that that is something that you can phase in, too, recognizing that we don't have a lot of extra money to spend. That would be an approach to...and Missouri and Iowa are looking at this as phasing out Social Security taxation. You could look at... [LR106 LR139]

SENATOR WHITE: ...which came in in, what, '85 or something through a fluke of the federal laws? [LR106 LR139]

MARK INTERMILL: '84--that we began taxing Social Security benefits. And since Nebraska's income tax system is coupled with the federal tax system, there was... [LR106 LR139]

SENATOR WHITE: Okay, thank you. [LR106 LR139]

SENATOR CORNETT: Senator Utter. [LR106 LR139]

SENATOR UTTER: Mark, your--to me, the research that you've done--and I appreciate

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this very much--seems to suggest to me that Nebraska may be better off to get rid of property taxes and get rid of income taxes and--I'm sorry Senator Pahls isn't here to hear this discussion, because he'd love what I'm about to say--and just go to a sales tax, because that...at least when you look at the South Dakota figures. Does that lead you to believe that too? [LR106 LR139]

MARK INTERMILL: Well, here's... [LR106 LR139]

SENATOR UTTER: And that's really regressive. [LR106 LR139]

MARK INTERMILL: Yeah, we would not support (laugh) that approach. As I said, we support progressive taxation, and the income tax is the most progressive of the taxes that we levy. South Dakota has been a puzzle for me as to how they're able to spend so little in state-raised revenue. And as I've looked into it, what I have concluded--and what I found--is that they receive much more per capita from federal payments than Nebraska does. So... [LR106 LR139]

SENATOR WHITE: You can thank Mr. Daschle for that, till they threw him out of office. [LR106 LR139]

MARK INTERMILL: So that may be one of the ways that they're able to keep their state-levied taxes low. But I think we do need to have a progressive taxation system. And I don't necessarily think we need to look at the South Dakota model but maybe just to be a little more competitive with them. [LR106 LR139]

SENATOR UTTER: And I think it's a great idea; we do need to be competitive; there's no question about that, and I certainly would agree with that. My next question would be if we're going to be more competitive from a taxation standpoint, that's going to lower state tax revenues. So now I want you to help me and tell me: Where do you think the most logical place is to cut? Do we cut K-12? I say this for the benefit of Senator

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Adams, who's here today. Do we cut aid to education? Do you cut in the Health and Human Services area? Do you cut higher education? Where do we go to achieve the ability to work with less state revenues? [LR106 LR139]

MARK INTERMILL: Um-hum. Well, the first thing I would say is I think any tax relief we need to phase in; so it needs to be gradual. The second thing I would say is that in the Medicaid program, we spent less in fiscal year 2009 for services to people over 65 than we did in fiscal year 2002. And one of the ways that we did that was to shift long-term-care services from nursing homes to in-home care. We've gone from having the second-highest rate of institutionalization of people over 65 to fourth, which is progress, but it still tells me we have a lot of opportunity to save money in Medicaid. So one of the things I would say is that we need to be looking at how we can make the long-term-care system work more efficiently. We've made some progress, but I think there's a lot more to gain there. So that would be one place that I would certainly take a look. [LR106 LR139]

SENATOR UTTER: Two? [LR106 LR139]

MARK INTERMILL: I'm not going to go to K-12, I think. (Laughter) So I'd have to think some more about that. [LR106 LR139]

SENATOR UTTER: See, I think the Legislature would sincerely appreciate having these suggestions. And I think we'd be--the Legislature as a whole--would be more in tune to make the type of cuts that we're talking about in the taxes on retirees' income and those type of things. But it seems to me like we've got to go somewhere that don't increase the taxes on the people that are paying taxes. You know, somehow or another, there's got to be a balance in there somewhere or another. [LR106 LR139]

MARK INTERMILL: Yeah, and you know, speaking for AARP, our members pay a substantial amount of those taxes, so we're very attuned to that belief. [LR106 LR139]

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SENATOR UTTER: It actually hurts our competitive position, you know, when we're trying to attract businesses and people to come to Nebraska, which we definitely try to do. And so I...there's a big part to that puzzle, other than just granting exemptions from the payment of taxes. The other half of that puzzle is that we've got to cut somewhere... [LR106 LR139]

MARK INTERMILL: Hmm. [LR106 LR139]

SENATOR UTTER: ...and we really need help there. [LR106 LR139]

MARK INTERMILL: Yeah, okay. I'll think about it. [LR106 LR139]

SENATOR UTTER: Okay, thanks. [LR106 LR139]

SENATOR CORNETT: Senator Price. [LR106 LR139]

SENATOR PRICE: Senator Cornett, thank you. Mark, let me ask this question--the very same question from a different vantage point, and maybe your group or another group that was here will come up with the information at a later time. When we ask for those cuts in revenue, right, we say: How do we pay it back? And we say, well, where do we raise it from? Isn't there a way to measure and quantify the revenue generated by the products and the services--well, not services, but products that we purchase? I mean, if we have 5,400 people in that age group of 62 to 68--they're earning--you already know how much money they're getting in. And they're going to have to buy a certain amount of different products that we raise taxes--isn't that what we're saying? Aren't we trying to say that and convincing people to say...the economic engine? And can we come back with more finite detail--saying, well, these people will have to buy x amount, so this would be a 4 on the increased revenue to the state, based on the people being here? I mean, if you make \$25,000 a year and you're retired, you're going to spend all \$25,000

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of it here. A certain amount of it's going to be--you're not going to pay taxes on, because, like you said, homestead exemptions and stuff. But that's the way, I think, to come back, to say if we could have numbers that say this is how much revenue it generated. Just like someone said before, if you come--if a company comes here, if Google says or another company, Microsoft, says: We're going to relocate there, and we're going to generate \$400 million a year in revenue, well, then all bets are off, and we're good to go. But we don't see that come back; I haven't seen that quantified that way. [LR106 LR139]

MARK INTERMILL: Um-hum. And I think Mr. Rea mentioned \$1.32 for every--that there's a velocity of money effect that takes place. If you retain somebody in the community and they keep that \$25,000, that does generate some other jobs. I think we can see what we can do to try to quantify that a little bit more. [LR106 LR139]

SENATOR PRICE: Thank you. [LR106 LR139]

SENATOR UTTER: It has to do more than just be quantified, because it takes some time to get from here to there, I think. [LR106 LR139]

SENATOR CORNETT: To play the devil's advocate here, and I'm going to regret saying this, but if you're quantifying how much they bring in to the community, at a certain age people start using services. So at what point--I mean, you have to have an offset, you know, a cost-benefit analysis that, yes, they may be bringing this much into the community, but how much are the services that the state is providing to them offsetting what they're bringing back? Because we're really talking about two separate issues here when we talk about military retirement, retirement of pensions, and taxing Social Security. As was stated earlier, the average retirement from military is 44, 43 years, and we're talking about people here 65 and above. So, yes, we want to retain them, but even though they're leaving \$25,000 or whatever that amount is in the state, at some point you're going to be using services. So there has to be some offset there also.

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[LR106 LR139]

MARK INTERMILL: And when we looked at those single-year age groups, where we saw the 62- to 69-year-olds, that we didn't grow as fast. What we saw was that in the 80-plus we grew faster than the other states. [LR106 LR139]

SENATOR CORNETT: I was looking at those numbers. [LR106 LR139]

MARK INTERMILL: And I think... [LR106 LR139]

SENATOR CORNETT: So they move to South Dakota and spend their good years, and they come back here and use the services. [LR106 LR139]

MARK INTERMILL: Well, and... [LR106 LR139]

SENATOR WHITE: Or they just live longer here. [LR106 LR139]

SENATOR CORNETT: Yeah. [LR106 LR139]

MARK INTERMILL: I'll use my parents as an example who moved to Arizona when they were 65 and moved back when my dad needed long-term care when he was 75. So that's a recurring pattern we see. [LR106 LR139]

SENATOR WHITE: Thanks, Mark. [LR106 LR139]

SENATOR CORNETT: Thank you. [LR106 LR139]

JOHN JENSEN: (Exhibit 6) I'm John Jensen, Omaha retired teacher; it's J-e-n-s-e-n. A side piece of information: that individual that Mr. Rea talked about going to Wyoming--he went to Jackson Hole. And I did some research on the

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highest-average-wage communities in the United States. And guess what. Jackson Hole is the highest-average-wage community in the entire U.S. It's all because of that one person. My message is simple: Retirees equal economic development. I want you to consider retirees as an industry and as a growth industry. For Nebraska, this industry brings in over \$5 billion annually. And as Mr. Rea said, we don't pollute. We're a clean industry; we don't have a carbon footprint. We're everywhere in the state; we're in every community in the state, and we help every community in the state; it's not concentrated just in Lincoln or Omaha. The impact is huge. This amount of money coming into the state generates over 50,000 jobs in the state of Nebraska. And those 50,000 jobs generate income that you tax, some as sales tax, some as property tax, some as income tax. That's an economic engine for the state of Nebraska. With all that in mind, I'm not sure why the state of Nebraska does not want to grow that industry. By growing the industry--you can do that two ways: retain more early or newly retired individuals so they don't leave Nebraska and actually do some things where you try to attract retirees from other states. It can be done. They may not come up from Arizona, but they might come down from Minnesota. One of the handouts lists what other states have done and are doing. I just came back from a conference in Washington, D.C., and this happened to be on pensions. And I talked to an individual who came and talked to us: Ron Snell. He's a research analyst for NCSL--that's National Council on State Legislators (sic). And I had read something that Ron wrote about several years back, and the title was "The Gold in the Gray." And for the NCSL--and that's who he is writing for; it wasn't for me--he basically said that the economic impact of retirees is positive, and it's not negative for states. So taking a look at this, the National Governors Association...I'm not going to read all of this but highlight a few things. They say studies in Florida and Louisiana have found that retirement-age residents provide a net public economic benefit of \$1.42 billion there. In Maryland, for every new elderly household that leaves Maryland on an annual basis one-half of a job is lost in that state. Over \$70,000 in new income is lost. And I kept saying "new income" because, you know, there's several types of income in a state. And since I was a physics teacher, I have a prop here. One type of economic activity in a state comes when I use services from someone else that

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lives in Nebraska: So there's a dollar that I help provide to my barber when I get a haircut. That's a transfer within the state. If I buy a car--like a Buick--much of that money goes outside of the state; much of it goes to Michigan--and it leaves the state. Yeah, some of it stays here in Nebraska, but most of it goes outside. So there's that--provides some help but not much. Here's money coming into the state from outside of Nebraska. That's the best kind. Where do we get that? There was an article in the paper, the World-Herald, about a month ago, said the top two places in Nebraska that bring in outside money is agriculture--and this is when we sell grain outside of the state of Nebraska; and this outside money comes in. And the other was tourism. But I want to point out that our industry of the elderly beat tourism by a long shot, and all of our money is outside money, folks. All of the Social Security payments we get come from Washington, D.C. Medicare: Over \$6,500 per year, average, for Nebraskans on Medicare come in from Washington, D.C., for Medicare payments. This is new money. It's spread throughout the entire state in every community, even in Arthur County. Here's what we represent here: the good money; it really helps the state. It is an economic driver. We move on to Arkansas. The average income for Arkansas' in-migrating retirees is twice the income for those who stay. Twice. In other words, who can afford to move? It's the ones who are making the higher wages. They're the ones that are moving. The poorer ones are not going to be moving. By the way, Senator Cornett also saw a study that suggests that when people...they move back in. If they move out, they move back in when they get old enough that they need the services or they need to be close to family again; that's when they start to cost. Before then, we use fewer services by far. I'm not going to have any more kids. So I don't have a need for additional schools. Look at all the services that you provide working Nebraskans. Many of those services we do not use and don't need. Nebraska had a study that came out from--it's called the Nebraska Renaissance; some of you might be aware of this. One of their recommendations for the state of Nebraska was to stop taxing all retirement distributions--all, not just Social Security. But this would include investment income that you start using from 401(k)'s, 403(b)'s, and so on. Alabama: This is a 1985 study, but it still...they found that at that time \$4,000 of Social Security payments is sufficient to

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create a job in Alabama; this was a long time ago, though. At the same time, it cost \$91,743 in manufacturing payroll to create that same job and \$65,516 to create the same job from agricultural income. They also found in Alabama that 77 percent--in this study that they did--77 percent of the nation's personal financial assets were held by people 50 and above. That will make your local bankers very happy, even rural communities, because a lot of that money will be in those banks, in CDs. Eighty percent of the money in savings accounts come from those 50 and above, 68 of all money market accounts from people 50 and above. All those things help your local banks. That helps your local economy, because then the banks are healthier and can make more loans to small businesses and to farmers. They said--a 1986 study by the Federal Reserve Bank of Kansas City found that rural counties where incomes are based on retirees have outpaced all others in per capita income growth. So they see it as definitely an economic engine. As has been mentioned before, retirees don't pollute, they don't destroy the environment, and you don't have to pay for any services to clean up that pollution. Finally, they concluded: Why is it good to have retirees come to the state? Why should Alabama try to spend tax money to actually recruit retirees? And by the way, they've done a good job of it too. Increased tax base; increased number of positive taxpayers, because as a group retirees use fewer service--fewer services, I'll repeat that--than they pay for in taxes. They increase retail sales; they increase the economic multiplier effect; they increase local expertise in a variety of areas; they increase numbers of volunteers, increase church contributions, and increase employment. And attracting retirees will not strain the social services; they will not strain healthcare services. In fact, in rural Nebraska, it's all this money coming in from Medicare that is helping save the medical services in these rural communities. If it weren't for the retirees, there would be no rural medical services in many communities. They would go. We keep them viable for those who are working, so that they have available services. In Florida, they find that retirees provide \$4 in revenue for every \$3 they cost in government services. In Georgia, Governor Sonny Perdue--this is awhile back--he pushed for the state to exempt income from retirement plans from the Georgia state income tax; he wanted to exempt all retirement income. And he sees it as a

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revenue-positive proposal, not as a cost. Tennessee: much the same. I also have a spreadsheet I gave you. This breaks down by county. The "Total Population"--this is basically from 2007. The "Percent Covered by Medicare"--and this varies from a low of 9 percent, I believe, right here in Sarpy County to a high--one of the counties was 30-some percent. Over--almost a third of all residents were 65 and higher. The "Number Covered by Medicare"--then I multiplied that by the "Medicare Payments per Person" for Nebraska; this is average for Nebraska: \$6,532. So you can see for each county how much comes into the county through Medicare, and these dollars directly help those medical services stay in that county. Then I took the average Social Security payment for those 65 and above for the state of Nebraska--again, it's 2007 data: \$11,800, and I assumed it was average for all the counties; I know that's not true, but that's the best I can do for you--and multiplied that out, so you know how much is coming in from Social Security into each county. And I added those together. And from the NIRS study that Mr. Rea talked about earlier--for Nebraska you have to have roughly \$100,000 in public pension income to create a job--using that same figure of roughly \$100,000 in public pension--if we do that for Social Security and Medicare payments in all the counties--if you look at the last page, where there's a bunch of figures at the bottom, I'll tell you what it is. I didn't leave enough room on my spreadsheet. Total for Medicare: \$1.73 billion in the state of Nebraska. And for Social Security it's \$3.12 billion per year, and that's for those 65 and above. And if you add in those from all Medicare, then the total will go above \$5 billion per year. That creates almost 50,000 jobs in the state of Nebraska. My final chart here--I got this--I'd have to look where I got the information. Actually, it's from the same studies as this. I graphed the percent of people in counties that are 65 and above versus the average income of the counties. Now you can see that the dots are all over the place, but there's a trend line here, and the trend line shows that the higher the income in each county, the lower the number of people 65 and above. This is not definitive, of course, but it's an indication that perhaps the higher-paid newly retired people are the ones that are going to be moving from the state of Nebraska, and those are precisely the ones that we need to keep. With that, I'll take my \$3 back and try to answer any questions. [LR106 LR139]

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SENATOR CORNETT: In the essence of time, how many people are left to testify? Two? Okay. Three? Right. I'm going to limit testimony to five minutes at maximum for the remaining people. Are there questions from the committee? Seeing none, thank you. [LR106 LR139]

MARY KAY GIBSON: My name is Mary Kay Gibson. My last name is spelled G-i-b-s-o-n. [LR106 LR139]

PHIL KALDAHL: My name is Phil Kaldahl, K-a-l-d-a-h-l. [LR106 LR139]

MARY KAY GIBSON: (Exhibit 7) Okay, I am one of the co-presidents of the Bellevue Education Association-Retired. Excuse me. Chair Abbie Cornett and other senators serving on the Revenue Committee of the Nebraska Legislature, thank you for holding this hearing on LR106 in Bellevue and for giving us the opportunity to testify. We represent the Bellevue Education Association-Retired, commonly known as the BEARS. We have retired from the Bellevue public school district. We commend the purpose of LR106 to examine the economic impact of retirement income on the state of Nebraska and the most appropriate way to tax such income. Our testimony is limited to two sections of LR106: Section (1)--the impact that the retirees, the BEARS, have on the state of Nebraska, both economically and culturally; and Section (5)--the reason BEARS leave the state and whether those reasons focus on taxes. The economic impact of BEARS: Our estimate of the economic impact of BEARS is probably low for two reasons--we cannot identify all of the retirees from the Bellevue Public Schools, and our estimate of the annual retirement income of BEARS is conservative. We have identified 352 retirees who still live in the Bellevue area. These individuals retired after at least 15 years of service to the Bellevue schools and are on a mailing list of retirees who receive a school district newsletter. We do not know how many have selected not to receive the newsletter, and we do not know how many receive pensions based on less than 15 years of service. An annual retirement payroll of 352 individuals includes three sources

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of income: Nebraska school employees pensions, Social Security, and incomes from pre-retirement savings. As a group, school employees have good savings habits. We estimate the average retiree's total annual income at two levels, both of which are probably low. We estimate a local annual impact of \$17.6 million, based on pension income plus full Social Security income plus pre-retirement personal savings annual income, totaling \$50,000 for each of the 352 retirees. The local annual impact increases to \$21.12 million using a combined pension: full Social Security and pre-retirement personal savings incomes of \$60,000 for each of the 352 retirees. Annual average Medicare payments of \$7,000 for each of the 352 adds \$2.46 million. BEARS own their homes and pay real estate taxes. They pay taxes on motor vehicles; they pay sales taxes on their purchases. They donate money to local churches and community organizations. Their economic impact is substantial. On the next page of the testimony, you will see that we...I'm not going to read all those in my five minutes (laugh), unless I change my name, right? We do...there are over 70 listed here of where we have an impact on the community, and I know there are many more that are not listed there. At the bottom it has "BEARS Who Left Nebraska." We have no hard data on the number of Bellevue public school district retirees who have left Nebraska. BEARS knows retirees have moved away for economic reasons including lower taxes. So we urge the Revenue Committee to survey retirees living outside of Nebraska who receive pension checks from Nebraska Public Employees Retirement Systems. And this survey could be expanded to include the Omaha School Employees Retirement System and some city retirement systems. Thank you. [LR106 LR139]

SENATOR CORNETT: Thank you very much. Phil, were you...? [LR106 LR139]

PHIL KALDAHL: Oh, I just want to mention, perhaps, that Senator--here--Adams is probably receiving the same kind of pension checks that we receive from the same place. And he's made a tremendous cultural impact on the state of Nebraska as well. I wouldn't say you're donating your time to the Legislature, but almost, when you figure out the amount of money you guys are paying. So thank you, Senator, for all that you

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do. And thank you for all that you guys do. [LR106 LR139]

SENATOR CORNETT: Questions from the committee? Seeing none, thank you. [LR106 LR139]

MARY KAY GIBSON: Okay. [LR106 LR139]

PHIL KALDAHL: I was amazed at how many things our people do, and I'm sure that's true all over the state. [LR106 LR139]

SENATOR CORNETT: How many what? [LR106 LR139]

PHIL KALDAHL: Cultural things they're involved in. [LR106 LR139]

SENATOR CORNETT: Oh, yes. [LR106 LR139]

PHIL KALDAHL: My goodness, retired people are active. [LR106 LR139]

SENATOR CORNETT: Next testifier. [LR106 LR139]

SUSAN GOOS: (Exhibit 8) Hello, my name is Susan Goos, G-o-o-s, and I'm the state president for the American Association of University Women. And most of our members are receiving Social Security benefits, and a lot of them are also receiving public pension benefits. Our organization works toward equity and education in improving those situations for women and girls. But women have historically earned less than men, currently receive only 77 cents for every \$1 that a man earns. In addition, many women have shortened the history of earnings, due to being out of the work force while raising a family. So these conditions can translate into smaller pensions and Social Security benefits that are available to these women. Women also live longer than men, and thus their reduced sources of income are more quickly depleted in their retirement

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years. When this happens, the burden of their support becomes a problem for Medicaid--the state. So we feel that it would be a wise decision for the state not to tax those benefits, so that women can remain more financially solvent in their retirement years. And that's all I have. [LR106 LR139]

SENATOR CORNETT: Questions from the committee? Thank you very much. [LR106 LR139]

LIZ REA: (Exhibit 9) Good evening, Senator Cornett and members of the Revenue Committee. Happily I am the last one. My name is Liz Rea, spelled R-e-a. This is bookends here: My husband started this on LR106, Roger Rea, and I'm finishing it. I'm offering testimony tonight that comes to us from Bob Kuhn, and that's spelled K-u-h-n. And Mr. Kuhn is the executive director of the Nebraska Association of Retired School Personnel. He resides in Grand Island, and because of the weather he could not be here today. So I've given a copy of his testimony over here to the clerk and have asked that a copy be made for each one of you. I won't go through everything he has here, but I do want to focus on two aspects of his testimony. One is the cultural aspect that retirees have when they get involved as volunteers in their communities' groups and organizations, which is a huge benefit, as we all know, across the state. The other thing that's important is the level of poverty that some of our elderly residents fall into that require state assistance eventually through Medicaid. He gives an example of--and perhaps you already are familiar with this, in terms of the volunteer hours that retirees contribute. He says: "Our state organization keeps track of volunteer hours that are spent working with the youth of Nebraska. This past year, we presented a facsimile check for \$1,600,000 to Senator Gloor and Senator Utter at our state convention. It represents just a portion of the volunteer time and the value of that time that retired teachers give to their respective communities. This check has been displayed in the Capitol Rotunda, so you have probably seen it." The other thing he mentions is that--he gives two examples of retired educators who ended up in--because their savings and their retirement income didn't sustain them--ended up in Medicaid nursing homes

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toward the end of their lives. And his conclusion here is that: "I believe the intent of our government when the Social Security program was initiated was to provide a financial safety net for our older population when they enter retirement age. I believe also that it should not be taxed. Had Doris and Albert's pensions not been taxed"--and these are the two examples that you'll read about--"maybe they wouldn't have had to face living in a Medicaid nursing home and dying penniless. We need to consider giving our pensioners taxation relief as they enter retirement age rather than having to provide relief in the form of Medicaid in their later years." And so with that, I'll end my testimony, and I appreciate your time and your interest in this topic. [LR106 LR139]

SENATOR CORNETT: Thank you. [LR106 LR139]

LIZ REA: Thank you. [LR106 LR139]

SENATOR CORNETT: Questions from the committee? Seeing none, thank you. [LR106 LR139]

LIZ REA: Thank you. [LR106 LR139]

SENATOR CORNETT: That will conclude the hearings for today. Thank you very much. [LR106 LR139]