

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Executive Board Committee  
March 04, 2014

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[LR444]

The Executive Board of the Legislative Council met at 12:00 p.m. on Tuesday, March 4, 2014, in Room 2102 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LR444. Senators present: John Wightman, Chairperson; Bob Krist, Vice Chairperson; Greg Adams; Bill Avery; Kathy Campbell; Ernie Chambers; Mark Christensen; Russ Karpisek; and Heath Mello. Senators absent: Steve Lathrop.

SENATOR WIGHTMAN: I'll go ahead and open. Welcome to the Executive Board committee. My name is John Wightman. I am from Lexington and represent the 36th Legislative District. We have only one resolution today that we'll take up so, again, I'll give you a few of the procedures. Turn off cell phones or silence them. As I say, we'll be an introducer, proponents, opponents, neutral testimony and then an optional closing by the introducer. So please spell your name, but the person who is going to need to spell his name isn't here so (laughter). If you have written testimony anybody here but do not have the needed 13 copies, that can be done for you by the committee clerk (sic--page). Our committee clerk (sic) today is Audie. Well, we'll go ahead and introduce. We'll start with Senator Avery over here on my far right and let them introduce themselves.

SENATOR AVERY: My name is Bill Avery. I represent District 28 here in south-central Lincoln.

SENATOR CHRISTENSEN: Mark Christensen, District 44, Imperial.

SENATOR KARPISEK: Russ Karpisek, District 32, Wilber.

SENATOR WIGHTMAN: I'm John Wightman, District 36 from Lexington.

SENATOR KRIST: Bob Krist, District 10, Omaha and Bennington.

SENATOR CHAMBERS: Ernie Chambers, 11th District in Omaha.

SENATOR ADAMS: Greg Adams, District 24.

SENATOR CAMPBELL: Kathy Campbell, District 25, east Lincoln.

SENATOR MELLO: Heath Mello, District 5, south Omaha.

SENATOR WIGHTMAN: Thank you. So we have, as I say, only LR444 and Senator Watermeier is here to introduce that on behalf of the Performance Audit Committee.  
[LR444]

SENATOR WATERMEIER: You ready for me, Senator? [LR444]

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SENATOR WIGHTMAN: Welcome. [LR444]

SENATOR WATERMEIER: (Exhibit 1) All right. Thank you, Senator Wightman and members of the Executive Board. For the record, my name is Dan Watermeier, spelled W-a-t-e-r-m-e-i-e-r, representing District 1; and I am the Vice Chairman of the Legislative Performance Audit Committee. LR444 will create an interim committee to develop a plan for ongoing, regular review of tax incentive programs, including who should conduct evaluations and how often. The committee would consist of the seven members of the Legislative Performance Audit Committee, the Chair and Vice Chair of the Appropriations Committee, the Chair and Vice Chair of the Revenue Committee, and one member at large selected by the Executive Board. The committee would review how other states evaluate their tax incentive programs, consult with interested individuals and stakeholders, and make recommendations to the full Legislature for consideration in 2015. The need to develop an evaluation system arose from the Performance Audit Committee's three reports last year on tax incentives in Nebraska and our work with the Pew Center for the States on this issue. Our November 2013 report outlined a process for legislators to follow in improving the evaluation process for the state's tax incentive programs that was recommended by the Pew Center. According to the Pew, three key program concepts are at the core of this process. The first is the goals which are clear, measurable statements of what the program is intended to achieve. The second is the metrics, which are the quantifiable measures to be used to determine how well a program is achieving its goals. And the third is benchmarks, which are the thresholds policymakers should set that will determine the level of performance necessary on a given metric in order to consider that the related goal is being achieved or at least progress is being made towards the goal. The Pew also recommends that states conduct regular, rigorous, and comprehensive evaluations of these programs to inform policymakers of the return on investment they are receiving from the economic development tools. The committee believes that while tax incentive program evaluations may not be able to fully understand or answer the question of what a business would have done had it not received an incentive, there is still value to be gained from them. Regular review of progress towards well-articulated goals and measures can help policymakers identify the relative effectiveness of different approaches, eliminate those that are not being used, and decide whether benefits provided are sufficient to justify both the program and administrative costs. I wanted to also let you know that the Performance Audit Committee introduced and prioritized LB836, which adds some very basic goal language to certain tax incentive acts that have limited or no goal language. That bill is in response to findings of our February 2013 report that an absence of clear, measurable goals for each tax incentive program made it difficult to assess whether the programs are doing what the Legislature really intended them to do. Thank you. I'd be happy to answer any questions. I do have Audit staff here with me today, and I'm sure they're more qualified to answer but I'd be glad to try. [LR444]

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SENATOR WIGHTMAN: Thank you, Senator Watermeier. Do we have any questions? Senator Chambers. [LR444]

SENATOR CHAMBERS: I thought this resolution was in honor of Audie. Then I put my glasses on and I see it says audit. (Laughter) [LR444]

SENATOR WIGHTMAN: Do we have any other questions? Thank you. [LR444]

SENATOR WATERMEIER: Thank you. I am probably not going to stick around. I do have an Executive Session in another committee. All right. Thank you. [LR444]

SENATOR WIGHTMAN: Okay. Do we have other testifiers in favor? Do we have anyone in opposition to LR444? Do we have anyone that would like to address us in a neutral capacity? Welcome. [LR444]

RICHARD BAIER: (Exhibit 2) Thank you, Senator. Good afternoon, Chairman Wightman, members of the Executive Board. For the record, my name is Richard Baier, R-i-c-h-a-r-d B-a-i-e-r. I appear before you today on behalf of the Nebraska Chamber, at least for another week. Some of you were asking about that, till a week and a half from now. As the former director of DED, I'm extremely familiar with the topic of Nebraska's incentive programs. And as a member of the Chamber staff over the last couple of years, I had a chance to participate and be involved in some of the audit discussions as well as a dialogue with the Pew Center and some others. I just wanted to reiterate and make you aware if you haven't that since 1985 Nebraska has required an annual report to the Legislature of the tax incentive programs. This year's version, if you need some nighttime reading, is 136 pages of fun-filled information. Those of us even intimately familiar with the topic find it to be a little monotonous, but it is out there and I think we've done a nice job of moving through that process. It does list a great deal of information about the number of applicants, who they are, the credits earned, the benefits earned, recapture, which is an important piece in Nebraska, as well as kind of a long-term fiscal economic analysis of those projects. I would tell you Nebraska is not alone in our discussion about this topic. It's an issue at every one of our meetings across the country. But in Nebraska, we're unique in that all of our incentives are performance based and that we do have clawback provisions. And as we kind of walk through this process, we had a chance to look at a lot of other programs around the state. And I will tell you right now we're seeing projects, states like Texas and North Carolina that were simply writing checks to companies that are growing in their states. That has made it kind of an interesting, competitive environment. Senator Watermeier mentioned the charitable trust and their work in this effort. And again, we've been involved with them and have been reading their research. I would tell you and one thing the senator didn't mention during his comments that when the Pew did their presentation in November they actually pointed out Nebraska as, quote, one of a handful of states that are taking

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steps toward effective evaluation of their incentive program. So we at the Nebraska Chamber and our 1,500 members across the state welcome this continued dialogue. And we want to work with you in ways to properly evaluate our programs and also to modernize the programs. Because as you know, the way that business decisions and business functions is changing significantly because of the impact of technology. And so again, we're here in a neutral capacity to say we want to be with you as part of that dialogue. So with that, I'd be happy to take any questions because I stand between you all and getting to lunch. [LR444]

SENATOR WIGHTMAN: Thank you. Does anyone have any questions? Seeing none, thank you for being here. [LR444]

RICHARD BAIER: Thank you. No questions in the Business and Labor room after all these years of working for the Chamber. Senator Chambers, I'm kind of disappointed. (Laugh) [LR444]

SENATOR KRIST: Could you sit down for just a second? No, I'm just kidding. (Laughter) [LR444]

SENATOR WIGHTMAN: (Exhibit 3) Is there anybody else that wishes to address us in a neutral capacity? If not, we do have a letter of support from the Pew Charitable Trust and they do support the resolution. We'll make it a part of the record. [LR444]

JANICE SATRA: He waived closing. [LR444]

SENATOR WIGHTMAN: There's nobody here to close I guess. [LR444]

JANICE SATRA: He waived closing. [LR444]

SENATOR WIGHTMAN: He waived closing. Okay. So with that, we'll close the hearing on LR444. [LR444]