

TRANSCRIPT PREPARED BY THE CLERK OF THE LEGISLATURE
Transcriber's Office

COMMITTEE ON APPROPRIATIONS
February 25, 2005
LB 250

The Committee on Appropriations met at 1:30 p.m. on Friday, February 25, 2005, in Room 1003 at the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB 250. Senators present: Don Pederson, Chairperson; Lowen Kruse, Vice Chairperson; Chris Beutler; Jim Cudaback; L. Patrick Engel; Lavon Heidemann; Marian Price; and John Synowiecki. Absent: Nancy Thompson.

SENATOR D. PEDERSON: I'll call to order the meeting of the Appropriations Committee today and welcome all of you. I'm sorry we're late. We've got a lot of people that are introducing bills or just can't be here for one reason or another so we have five which is a quorum and we're able to proceed. The first...we're going to put LB 250 first, Senator Baker's bill. He has assured me that it will be very short and we trust him implicitly. I'll introduce the other members of the committee that are here, by the way. At the far end Senator Jim Cudaback from Riverdale. Next, Senator Pat Engel from South Sioux City; Senator Lowen Kruse from Omaha; Senator John Synowiecki from Omaha; and I'm Don Pederson from North Platte. So no cell phones, sign in, pronounce your name and then spell it so that the transcriber can get it. Okay.

LB 250

SENATOR BAKER: Thank you, Chairman Pederson and members of the Appropriations Committee. I'm Tom Baker, represent District 44 in the Legislature. I'm here to introduce LB 250 and I promise I won't be long. I don't know about the people behind me, but I told them what we expect to do with the bill. The bill would transfer \$1.5 million on an annual basis through the 2009-10 fiscal year to the EPIC Fund. As you well know, there's an unknown quantity of exposure out there we may have as far as additional ethanol plants coming onboard that qualify for EPIC Fund incentives, but we don't at this time yet know what our target might be. Senator Cudaback has one that's apparently work being done on it. The rest of them I don't think have started any construction whatsoever yet. They don't have some of the required permits and so on. So my point with LB 250 was to have a place marker, I guess, in front of the appropriations

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

Committee on Appropriations
February 25, 2005
Page 2

LB 250

process committee. Since the bill was introduced, Senator Wehrbein presented a bill to the Revenue Committee which had a corn checkoff of three-quarters...raising it a half-cent per bushel. And the Revenue Committee felt it appropriate to attach an amendment, a committee amendment to his bill transferring \$2.5 million to the EPIC Fund on a one-time basis. But my point is we have a vehicle that's already been advanced out of committee, Revenue Committee, that's on the floor out there and that would be...my preference would be to use Senator Wehrbein's bill which is a combination of cash transfers and corn checkoff as a vehicle to address the potential EPIC funding problem that we may have down the road. So that's it. At the time I introduced this, I did not know what the process would be in the Revenue Committee with his bill. But since it has changed and it's out on the floor, I would suggest that we use that bill.

SENATOR D. PEDERSON: So you're suggesting perhaps we don't need to advance this bill, is that correct?

SENATOR BAKER: I don't think so. Quite honestly, I think it would be much easier to have it all in one bill and discuss it, Senator Wehrbein's bill.

SENATOR D. PEDERSON: Okay. Well, we don't want committees duplicating their efforts and we certainly weren't intending to fund this from two different sources so.

SENATOR BAKER: And I appreciate that.

SENATOR D. PEDERSON: Okay. Senator Beutler has just joined us from Lincoln. Any questions of Senator Baker?

SENATOR BAKER: Okay, thank you very much.

SENATOR D. PEDERSON: Okay. Thank you.

SENATOR CUDABACK: I guess he answered it.

SENATOR D. PEDERSON: Anyone else wish to testify on this bill? Steve Sorum.

STEVE SORUM: Good afternoon, Senators. My name is Steve Sorum, S-o-o-r-u-m, here on behalf of the Nebraska Ethanol Board to testify in favor of this bill, specifically but

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

Committee on Appropriations
February 25, 2005
Page 3

LB 250

more generally to reinforce the idea that the EPIC Fund is slated to go dry sometime later in this calendar year, perhaps November or December of 2005. This bill will go a long way towards delaying that shortfall and so we would encourage, if not this bill, that at least this concept be considered.

SENATOR D. PEDERSON: You heard what Senator Baker just said about the corresponding bill in another committee.

STEVE SORUM: I did.

SENATOR D. PEDERSON: Thank you. Any other? I'm assuming everyone that's speaking is a proponent of this bill.

MARK MCHARGUE: (Exhibit 1) Mark McHargue from Merrick County, Nebraska.

SENATOR D. PEDERSON: Would you spell your name, please.

MARK MCHARGUE: M-a-r-k M-c-H-a-r-g-u-e. Senator Pederson and members of the Appropriations Committee, I'm Mark McHargue, a farmer from Central City and a member of Merrick County Farm Bureau. I am here today to testify on behalf of Nebraska Farm Bureau Federation in support of LB 250. I might also add that my farm is located within a mile of the new ethanol plant in Central City. Nebraska Farm Bureau supports LB 250 for a couple of reasons. First, Farm Bureau policy continues to support sufficient funding for the EPIC to meet the demand of any facility that qualifies by the June 30, 2004, deadline. It further states that funding should come equally from agricultural and nonagricultural sources. Our members are willing to pay an additional checkoff if necessary to ensure EPIC is fully funded, but they also insist that their matching state funds be contributed to the effort. Throughout the history of these programs, it's been a partnership between producers and the state and the partnership should continue. LB 90 which advanced earlier from Revenue Committee relies primarily on checkoff dollars to fund EPIC. LB 250 would provide a needed balance. Second, Nebraska Farm Bureau has long argued the economic benefit of ethanol production spill far beyond the farm gate and thus state General Fund dollars should be used to help support incentives. Ethanol is a value-added product produced within the state. It provides

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

Committee on Appropriations
February 25, 2005
Page 4

LB 250

jobs, it enhances income of agriculture producers and rural communities, and creates tax revenue. In a study that was just handed out by the economic development department of the Nebraska Public Power District, specifically done for the Central City plant, which only provides economic benefit of the plant operations, the study is strictly on the economic benefits of the plant as it operates, not on the revenue that it would produce. And there's a Table Two there that I'm going to refer to in that study. The effects of the employment on this particular plant, direct and indirect, amounts to 127 jobs. Personal and other property income effects amounts to \$5.2 million annually. Business tax effects, both direct and indirect, add up to \$1.4 million annually. The output effects of this plant, both direct and indirect, add up to \$83 million coming from this plant. Additionally, retail sales from the plant based on the personal property and income would amount to \$1.5 million retail spent in Merrick County. Keep in mind that this is only estimates based on the plant's operation, which does not include the values farmers receive from the increase of 5 to 10 cents per bushel for their corn. Clearly the study shows that all aspects of the local community are in desperate need of economic growth and they will benefit from the economic benefits of the production of the plant. Recently, Iowa State economists examined the economic impact ethanol production is having on Iowa's rural communities. The study projected that 23 ethanol plants in Iowa would add additionally \$16 million annually to state revenue and will directly or indirectly create more than 5,100 jobs. Clearly, the same is true in Nebraska's ethanol industry. In closing, Nebraska's efforts to encourage ethanol production in the state have been widely successful in attracting interest. Farm Bureau members stand ready to see that this program adequately is funded, but the partnership of the state must continue. I'd like to thank you for my opportunity to share our thoughts, and I would entertain any questions that you might have.

SENATOR D. PEDERSON: Thank you very much, Mark. I think that we're enthused about ethanol and that we understand its benefits. So probably the issue involved in this case is strictly a funding...

MARK MCHARGUE: Right.

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

Committee on Appropriations
February 25, 2005
Page 5

LB 250

SENATOR D. PEDERSON: ...program so. Do you want...yes, Senator Kruse.

SENATOR KRUSE: Just a quick question. In your judgment, how much checkoff would it take to do half of the funds needed?

MARK MCHARGUE: I'm not sure exactly what that percentage would be. We just feel that as Farm Bureau the economic benefits that come from a production facility just equally needs to be shared. And we're willing to really kick in an amount that's needed to help that fund and from the checkoff. But we just want to make sure that there is funding from the General Fund because it is such a broad issue. And I believe that our small communities that ethanol...there's very few things that go on in our small communities that can impact a community like ethanol can. And so I just think it's important that the state is still helping fund those things.

SENATOR D. PEDERSON: Senator Cudaback.

SENATOR CUDABACK: Quickly, if this doesn't happen, this transfer of dollars from the General Fund or whatever, do you have an opinion what could happen or what will happen? I'm putting you on the spot.

MARK MCHARGUE: Yeah. That's a good question. I'm not sure. I mean clearly we have promised those funds to the ethanol plants. At some point I think we need to come up with that. I think we need to work diligently, explore any option that is out there to help fund that because it's such a viable business to our state. But yet I think it's just real unfair to continually to look at the checkoff strictly for the dollars. The corn is strictly a product that's going in to feed the plant. But the plant itself in its existence is what really provides a lot of the benefit to the community.

SENATOR CUDABACK: But you think in some manner the money will be there.

MARK MCHARGUE: I think we need to make sure it is there. I think we need to do what's possible and I think bringing some of the state funds in to help that out is at least one

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

Committee on Appropriations
February 25, 2005
Page 6

LB 250

step that we could take to do that I guess, yeah.

SENATOR CUDABACK: Thank you.

SENATOR D. PEDERSON: Any other questions? Thank you, Mark.

MARK MCHARGUE: Thank you.

SENATOR D. PEDERSON: Any other proponents? And I'm sure you won't duplicate all the matters that have been previously stated, Loran.

LORAN SCHMIT: Senator Pederson, members of the committee, I think that I know that the longer the speech the smaller the appropriation. (Laughter) And so I'll be very brief.

SENATOR D. PEDERSON: You've got it figured out.

LORAN SCHMIT: Notwithstanding the fact that most of the money goes to Senator Cudaback's district, I didn't (inaudible) bring that up, Senator, but I just want to say I support the...

SENATOR D. PEDERSON: Would you identify yourself, please, Loran.

LORAN SCHMIT: Loran Schmit and that name is L-o-r-a-n S-c-h-m-i-t.

SENATOR D. PEDERSON: Thank you.

LORAN SCHMIT: (Exhibit 2) And I just want to say I support the bill. I've heard the explanation. We all know that LB 90 is on the floor and it contains some General Fund money. We hope it might contain a little more. And we are realistic enough to know that it has to come from somewhere. And you can read the mass and know that it's got to be there at a certain time. And I know the committee has always been responsive to that responsibility and the Legislature has been very good to the ethanol industry. I think they'll continue to do that. So without anything further, I just want to say I support some General Fund money and hope that you can find the, I guess, resources to do so when it comes up to the floor. Thank you very much.

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

Committee on Appropriations
February 25, 2005
Page 7

LB 250

SENATOR D. PEDERSON: Well, we're into this, we've got to figure out how to fund it now, right, Loran?

LORAN SCHMIT: That's right, that's right.

SENATOR D. PEDERSON: Okay. Thank you very much.

LORAN SCHMIT: You bet. Thank you, Senator.

SENATOR D. PEDERSON: Any other proponents? Any opponents? Any neutral testimony? And Senator Baker has waved at me which means he is waiving his closing comments. Thank you, appreciate you being here.