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Revenue Committee
February 12, 2009

[LB112 LB487 LB566 LB613]

The Committee on Revenue met at 1:30 p.m. on Thursday, February 12, 2009, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB112, LB566, LB487, and LB613. Senators present: Merton "Cap" Dierks, Vice Chairperson; Greg Adams; Mike Friend; Galen Hadley; and Dennis Utter. Senators absent: Abbie Cornett, Chairperson; LeRoy Loudon; and Tom White. [LB112]

SENATOR DIERKS: I am Cap Dierks of Ewing, Nebraska and the...introduce to you the committee members that are here. To my far right is Senator Dennis Utter from Hastings; and to my near right is Shannon Armstrong (sic), the committee counsel for the Revenue Committee; to my near left is Senator Greg Adams--he's from York, and he's chairman, also, of the Education Committee; and to his left is Senator Galen Hadley from Kearney. I can't read very well here. (Laughter) And next to Senator Hadley is Bill Lock, committee research analyst; and Erma James is the lady that takes care of all the minutes here. Our pages today are Becky Armstrong, and she's a student at the university; and Elsie Cook, who's a student at Doane College. With that I'd like to ask you to turn off all your cell phones. If you're going to testify, there's a sign-in sheet that you can put your name and address and position on the bills on and give them to Erma when you come up to testify. If you're going to testify, we ask you to tell your name and spell it for the transcribers, and then to those of you who haven't been here before, we take testimony in favor of the legislation first--we call it proponent testimony; then we take opponent testimony; and then we take neutral testimony. The introducer of the bill has the opportunity, then, to close at the end of the hearing to answer some of the questions that may have come up. We'll follow the agenda as posted at the door, and I think we're ready. So the first...the bill is by Senator Lavon Heidemann, LB112. If you'd like to come up, Lavon, we're ready to go. We've been joined now by Senator Dave Friend...Mike Friend, I'm sorry, from Omaha, and he is chairman of the Urban Affairs Committee as well. [LB112]

SENATOR FRIEND: So far. (Laughter) [LB112]

SENATOR HEIDEMANN: (Exhibit 1) Senator Dierks, members of the Revenue Committee, my name is Senator Lavon Heidemann, spelled H-e-i-d-e-m-a-n-n; representing District 1 in southeast Nebraska. I'm here today to introduce LB112. The purpose of LB112 is to exclude the state income taxes...the loan repayment income tax to the loan repayment made to eligible health professionals who practice in state defined medical shortage areas under the loan repayment program established as part of the Rural Health Systems and Professional Incentive Act. The purpose of the Rural Health Systems and Professional Incentive Act passed in 1991 was threefold. The first purpose was to create the Nebraska Rural Health Advisory Commission; the second purpose was to establish the student loan program for students entering certain health fields who agree to practice their profession in a designated health profession shortage

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area; the third purpose was to establish a loan repayment program that requires community matching funds and will provide financial incentives to eligible health professionals who agree to practice their profession in a designated health profession shortage area. LB112 pertains to the third purpose of the act, the loan repayment provisions, not the loan forgiveness provisions, which I believe there was some confusion over this aspect when a similar bill was introduced two years ago. Nebraska created its own state loan repayment program in 1994, thereby selecting its own criteria for determining shortage areas, since many of Nebraska communities that were experiencing shortage of health professionals did not meet the rigid definition for a federal shortage area. However, the money that a health professional receives to use for the loan repayment is first subject to federal and state income taxes on the same basis as earned income. Consequently, a significant portion of the loan repayment is owed to taxes and thus not available for repayment on the loan. Upon recognizing this unfairness in 2004, the federal government voted to exempt loan repayments through the National Health Service Corps from federal taxes. Later, certain state programs eligible for the funds under Public Health Service Act were also declared exempt from taxation. However, the Nebraska program does not qualify for the tax exemption because we do not place health professionals in federally designated shortage areas; we don't insist that practitioners use a sliding fee scale when billing their patients; and we allow part-time practice in shortage areas. Several other states are in the same predicament that we are. The Nebraska Rural Health Advisory Commission is working with our Congressional delegation in investigating the feasibility of expanding the federal law to further recognize successful state loan repayment programs. Our federal representatives have indicated that we first need to address this issue on the state level. Therefore, LB112 provides that federally adjusted gross income shall be reduced by the educational loan repayments paid under Rural Health Systems and Professional Incentive Act when calculating Nebraska income tax. The recruitment of health professionals to the medically underserved areas of the state has been a serious problem for many years. The programs put in place by the Nebraska Rural Health Advisory Commission under the Rural Health Systems and Professional Incentive Act have been successful. However, with rising medical school tuition, a loan repayment sum that is significantly reduced through taxation may become insignificant to attract a graduate to an underserved region. I believe that we must do everything we can to promote the incentives for health professionals to locate in medically underserved areas. LB112 is a good first step. The Rural Health Advisory Commission requested the introduction of LB112. A member of the commission who is from my legislative district will testify after me. I urge you to look favorably upon LB112. If there are any questions I will try to answer them. However, Mr. Fattig, who is following me up, will most likely be able to address the more technical questions that you have about the commission or the loan repayment program. I also have a letter from the Nebraska Farm Bureau, which I will submit at this time, expressing their support of LB112 which I'd like to submit into the testimony. I will try to take any questions you have right now. There are people that are a lot more familiar with this program than I am. Also, when it comes time for closing

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I will waive closing--we have things happening in Appropriations right now and I will try to get back there as fast as I can. [LB112]

SENATOR DIERKS: Thank you. Are there questions for Senator Heidemann? Senator Utter, please. [LB112]

SENATOR UTTER: Senator Heidemann, thank you for testifying, and this obviously seems like a worthy cause, no question about that. But given your position in the Legislature, I assume that you have found a place where we can cut about \$70,000 bucks a year in expenses so that we can pay this bill? [LB112]

SENATOR HEIDEMANN: If you let me get back to Appropriations, I'll go work on that right now. (Laughter) [LB112]

SENATOR DIERKS: That's a great answer for a statesman. (Laughter) Any other questions for Lavon? Thank you so much, Lavon. [LB112]

SENATOR HEIDEMANN: Thank you. [LB112]

SENATOR DIERKS: Good luck with Appropriations. First proponent, please. I should tell you that we're minus three of our committee members today. I think two are helping with medical problems, I'm not sure, but maybe the other one is took so. We're going to get by with five and if one of us gets up to leave it's because we've got to go introduce someplace else. So bear with us, we'll bear with you. Go ahead. [LB112]

MARTY FATTIG: (Exhibit 2, 3) Thank you. Appreciate it, Senator Dierks. Senator Dierks and members of the Revenue Committee, my name is Marty Fattig, M-a-r-t-y F-a-t-t-i-g, and I'm CEO of Nemaha County Hospital in Auburn, Nebraska. I also serve on the governor-appointed Rural Health Advisory Commission and I'm serving in my second term. I'm also a member of the Nebraska Hospital Association, and I'm here on behalf of both of these organizations in support of LB112, which will exclude certain rural health education loan repayments from income taxation. As Senator Heidemann said, in 1994 the Nebraska Legislature established a loan repayment program for health professionals who had commercial or governmental loans and were willing to practice in a state-designated shortage area for a period of three years. Initially, only physicians, nurse practitioners and physician assistants, clinical psychologists, and masters level mental health providers were eligible for loan repayment. In 1998, pharmacists, occupational therapists, physical therapists, and dentists were added to the program. The Nebraska loan repayment program requires a community match as well--community participation in the form of a local match for all state money rewarded. Communities within the state-designated shortage area must apply for participation in the program, along with the health professionals. While the Nebraska loan repayment program is generally considered a rural incentive program, it is also used to place

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primary care professionals in medically underserved urban areas as well, such as the Charles Drew and One World Community Health Centers in Omaha. The program's really been quite successful in that since 1994, the Rural Health Advisory Commission has approved 315 loan repayment awards, and 92 percent of those loan payment recipients have completed their practice obligation or are currently serving their practice obligation in a state-designated shortage area. And as of August 1, 2006, the Rural Health Advisory Commission is awarding loan repayments at a maximum of \$35,000 a year, which includes the state and local money, to physicians, dentists, and psychologists; and \$17,500 per year to all other eligible health care professionals. The statutory maximums are \$40,000 for the first group and \$20,000 for the second. Unfortunately, the state-funded loan repayment program comes with a catch. The money the health professional receives for the loan repayment is first subject to federal and state income tax on the same basis as earned income. Consequently, a significant portion of the loan repayment award disappears before there is any opportunity for loan repayment. The United States Congress has recognized this flaw and as Senator Heidemann so eloquently stated, the National Health Service Corps is exempt from taxes as are certain state programs that meet the same qualifications as the National Health Service Corps. Unfortunately, Nebraska's does not meet that because of some technicalities. First of all, we do not place professionals only in federally designated shortage areas; we do not require that the practitioner use a sliding fee schedule; and we allow practitioners to practice in a designated shortage area on a part-time basis. There are approximately 16 other states in the nation that have the same problem that we do, and we are working with those other 16 states to see if we can get something changed at the federal level. It should also be noted here that the Nebraska Legislature created the loan repayment program because the medically underserved rural areas of Nebraska do not rank highly enough nationally to qualify for the federal programs. In addition, the office of Rural Health and the Rural Health Advisory Commission work first to assist health professionals who are eligible to apply for National Health Service Corps loan repayment program. In other words, apply for the national money first, before we try to qualify them for the state funds. You can only participate in one or the other of the programs. Rural Health Advisory Commission has recognized the disincentive that this tax liability places on our new graduates and has sent letters to our Nebraska congressional delegation requesting that they investigate the feasibility of changing the federal law to recognize successful state loan repayment programs, such as Nebraska's. Senator Nelson's office has expressed support for such a change, but has also told us that Nebraska needs to resolve this issue at the state level before he will have any clout at the federal level. The financial impact of this legislation will be in reduced general revenue to the state of Nebraska, based on the highest Nebraska income tax rate for 2008 of 6.84 percent, and the current state and local matched dollars used for loan repayment which is approximately \$1.15 million. The maximum amount of lost revenue to the state would be somewhere around \$79,000 a year. Recruiting and retaining health professionals to the medically underserved areas of the state is very challenging. We have a vehicle in place that can be very helpful in this

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effort, provided we can correct the tax problem. I can assure you that the Rural Health Advisory Commission will continue to work with the Nebraska congressional delegation to fix this problem at the federal level, once it is resolved at the state level. [LB112]

SENATOR DIERKS: Thanks, Marty. Questions for Mr. Fattig? Senator Hadley. [LB112]

SENATOR HADLEY: Senator Dierks. Thank you, I appreciate your being here. I guess a question I have is that we don't get the federal tax break because we're not willing to do what the federal program requires us to do. [LB112]

MARTY FATTIG: Exactly. [LB112]

SENATOR HADLEY: So why wouldn't we put our program in compliance with the federal program to be able to get the federal tax break? [LB112]

MARTY FATTIG: Great question--one question I was anticipating somebody would ask because it's the most obvious answer. The federal program, as it requires us to participate, really doesn't fit Nebraska well. For instance, let's take a scenario: if we would pick a...Mullen, Nebraska, for instance, up in the middle of the Sandhills, and take the surrounding area, we could find an area up there that would qualify for the federal Health Service Corps fund; in other words, be a federally designated shortage area. The problem is, a provider can't make a living there. The other thing is is that we...one of the programs that we...one of the reasons that we put into our program that you can work part time is because many times we will have a provider that works part time in a non-designated area; part time in a state-designated shortage area, because that is really all the coverage they need--like a half a day, you know. Mornings, perhaps, in a clinic in a town; they don't have a need for a full-time practice there. And this allows the provider, then, to participate in the program, a community to get a provider through this program, and yet not challenge the system so much that they can't make a living. [LB112]

SENATOR DIERKS: More questions? Senator Adams. [LB112]

SENATOR ADAMS: Not even a question, I guess I'm struggling. So I watched you carve this imaginary, federally-designated area out around Mullen...so you're saying, in essence, there's not the patient base there... [LB112]

MARTY FATTIG: Exactly. [LB112]

SENATOR ADAMS: ...to attract a provider in there to be able to make a living, then...or am I reading you wrong? [LB112]

MARTY FATTIG: You're right--you're absolutely right. [LB112]

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SENATOR ADAMS: Then, and I guess this is a federal government question, then how in the world do they ever expect this to work? [LB112]

MARTY FATTIG: Nebraska is an interesting state, and if you look at states like Montana, Wyoming, and whatnot, you essentially have these pockets of population surrounded by vast, open areas. Nebraska has many, many more towns of 1,000 or 2,000 20, 30, 40 miles apart. Some of the requirements, for instance, for the...I believe I'm correct here and if I'm not, I apologize, and I'll get you the corrected numbers...but I believe the federal program requires that you have one physician for every 3,500 people in the population. Anything...if you have less than that then you qualify for the federal program. Nebraska's program is less than that so that we can qualify people to get into communities all over this state. And then we also have special requirements for if the poverty level is higher, or if the age of the population meets a certain level, and things like that, so that we can qualify these communities down to one provider for every 1,500 people and qualify them as a state-designated shortage area. [LB112]

SENATOR DIERKS: Other questions? I might ask you one, Marty. [LB112]

MARTY FATTIG: Sure. [LB112]

SENATOR DIERKS: We have the same situation with veterinarians. [LB112]

MARTY FATTIG: Certainly. [LB112]

SENATOR DIERKS: We have the federally-designated underserved areas where we know what they are--the entire western part of Nebraska, South Dakota, North Dakota, Kansas, Oklahoma--the west side of those states are federally-designated underserved areas. And they make dollars available for us from the federal government for sending veterinarians there but there's no state match required, and that's why I wondered if we weren't better off, for the time being, until we get the whole state covered just to try to do the underserved areas or do you do that? [LB112]

MARTY FATTIG: We absolutely try...the first thing we try to do is qualify them for the federal money, and if they don't qualify for the federal funds then we back into the state. [LB112]

SENATOR DIERKS: Okay. Is the RHOP program part of this? How does that work? [LB112]

MARTY FATTIG: The RHOP program is not part of this, but what the RHOP program does that I think some of you are familiar with, is takes kids, basically, who are willing to go to one of our state colleges--Chadron State College or Wayne State College--and

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complete their bachelors degree program there; if they maintain their grade point average, they have a spot waiting for them in the professional school of their choice that they applied for. Now, what the purpose of that program is is that the studies have shown that students from rural communities are more apt to go back to rural communities. So that's kind of the purpose of the RHOP program is if we take a student that was raised in Grant, Nebraska and give them a good education, provide them...you know, a medical degree, that they're more apt to go back to someplace like Grant to raise their family and establish a practice. And then those people, then, would qualify for this program. [LB112]

SENATOR DIERKS: I see. Okay, do you know what the numbers are for graduating medical doctors, men versus women, in the state of Nebraska? [LB112]

MARTY FATTIG: In family practice? Or in general... [LB112]

SENATOR DIERKS: Just general. [LB112]

MARTY FATTIG: Primary care. [LB112]

SENATOR DIERKS: Yeah. [LB112]

MARTY FATTIG: It's about 50-50. [LB112]

SENATOR DIERKS: Okay, thank you. Any other questions for Mr. Fattig? Appreciate your testimony. [LB112]

MARTY FATTIG: Thank you for your time. [LB112]

SENATOR DIERKS: You bet. Next proponent, please. [LB112]

JOHN ROBERTS: (Exhibit 4) Senator Dierks. [LB112]

SENATOR DIERKS: Good evening. [LB112]

JOHN ROBERTS: And members of the Revenue Committee; for the record, my name is John Roberts, J-o-h-n R-o-b-e-r-t-s. I'm the executive director of the Nebraska Rural Health Association. We're here today to support LB112. I think Mr. Fattig has covered a lot of the technical aspects of the program. I guess there was a couple of other things we just wanted to share with the committee of things that we see that this legislation can help address as we move forward. We were back in Washington, D. C. about two weeks ago talking to our congressional delegation--beginning some initial talks about health care reform and how we think that debate will go over the course of this next year. One of the things that we were presented by the national...Federal Office of Rural

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Health Policy was some of the statistics for the shortages of health care professionals that we're going to see over the next 10-15 years. We've seen a 50 percent drop in family practice...people going into family practice medicine over the last 6-7 years across the country, and there's many estimates that show that we're going to be about a half a million physicians short across the country as we go over the next 10 or 15 years. That's not good for states like Nebraska; that's not good for rural areas of our state. And it's not just there, it's other allied health professionals. There's an estimate of a million nurses short, so the bottom line of our discussions back in D.C. were how are we going to have health care reform if we don't have the people to be able to deal with that? We've got this perfect storm of the baby boomers now hitting 65 and 70; at the same time we've got reduced numbers of people coming into the allied health professionals. So this tool that we have in Nebraska is certainly one that we need. It's just one tool in the box of many things we need to try to do to have folks go in to practice into rural Nebraska. Another thing is the economic development part of this. For every physician or allied health professional we get in to rural areas of our state we generate jobs in the rest of that community downtown, and so hopefully you'll look at that aspect of trying to look at this bill and promoting economic development across the state by providing more incentives for health professionals to go into practice into rural Nebraska. With that I'll see if there's any questions, and... [LB112]

SENATOR DIERKS: Thank you, John. Questions for Mr. Roberts? [LB112]

SENATOR HADLEY: Cap, just a... [LB112]

SENATOR DIERKS: Yes, Gaylen. [LB112]

SENATOR HADLEY: Senator Dierks. Thank you, Mr. Roberts. The state tax rate...someone...I think it was the last testimony we talked about six...a little over 6 percent being our top rate, and another comment made that nearly one-half the awarded funds are paid in taxes. Really, it seems to me the beef should be with the federal government because that's where the primary...that's the one that's soaking the money up in taxes, isn't it? [LB112]

JOHN ROBERTS: Well, it's a two-prong issue, yeah, you're exactly right. I mean, the state and federal tax issue as Mr. Fattig explained we're trying to resolve that issue at the federal level too, and this is the first step in trying to do that. [LB112]

SENATOR HADLEY: Do you think that our eliminating the tax on...the income tax would influence...is that kind of the idea, that we start here, eliminate our tax, and then the federal government hopefully will follow along and eliminate... [LB112]

JOHN ROBERTS: We've had a lot of conversations with Senator Nelson and he has told us that if we're willing to do this at the state level he feels confident that we can...the

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standard has already been set there at the federal level with the National Health Service Corps because that's already exempt--those, from federal taxes. So the precedent's there if we can just move this along and... [LB112]

SENATOR HADLEY: Thank you. [LB112]

SENATOR DIERKS: Other questions? I think you're home free. [LB112]

JOHN ROBERTS: (Laugh) [LB112]

SENATOR DIERKS: Thanks, John. [LB112]

JOHN ROBERTS: It is good to see you. [LB112]

SENATOR DIERKS: Good to see you. Next proponent, please. [LB112]

THOMAS O'NEILL: Senator Dierks, members of the Revenue Committee. I'm Tip O'Neill, that's O-'-N-e-i-l-l. I represent the Association of Independent Colleges and Universities of Nebraska which is a consortium of 14 nonprofit, regionally accredited, privately controlled colleges and universities located in the state. Sometimes it surprises people to know that our colleges award about 50 percent of the degrees in the health sciences in Nebraska. And even though a majority of those institutions are located in urban areas, we understand the importance to Nebraska of ensuring that there are sufficient medical professionals who are located in the rural areas of the state. And so my presidents have asked me to come in and just support LB112, and I'd be happy to answer any questions you might have. [LB112]

SENATOR DIERKS: Thanks, Tip. Questions for Mr. O'Neill? Tip, thank you very much. [LB112]

THOMAS O'NEILL: Thank you. [LB112]

SENATOR DIERKS: Next proponent, please. Any other proponents? Is there opposition to the bill? Opposition? Is anyone testifying in a neutral capacity? Well, that will close the hearing on LB112. And I think we're ready to start on LB566. Is Senator Dubas here? There she is. You're on deck. [LB112]

SENATOR DUBAS: You got done quicker. I was watching in my office and all of a sudden you were done. [LB566]

SENATOR DIERKS: Welcome to the committee, Senator Dubas. [LB566]

SENATOR DUBAS: (Exhibit 5) I have two bills, so which one are we hearing first?

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[LB566]

SENATOR DIERKS: Well, the agenda says LB566. [LB566]

SENATOR DUBAS: LB566, okay; gotcha. [LB566]

SENATOR DIERKS: You can start whenever you're ready. [LB566]

SENATOR DUBAS: All right. Good afternoon, Senator Dierks and members of the Revenue Committee. My name is Annette Dubas, that's D-u-b-a-s; and I represent the 34th Legislative District. In 2008, President Bush launched a plan that requires America to generate 20 percent of its energy from the wind by 2030. President Obama and the Congress are looking to dramatically expand renewable energy incentives and development. Unfortunately, Nebraska is poorly positioned right now to take advantage of the tremendous emerging opportunities. Nebraska must act now to keep wind energy profits within the state. Just as oil in Texas has a dollar value, so does wind in Nebraska--and that value is rising rapidly. In a speech given last year at UNL, Larry Flowers from the federal National Renewable Energy Laboratory referred to the American Midwest as the Saudi Arabia of wind. It is no surprise to Nebraskans that we have a great deal of wind. What's new is that we now know how to harvest it to our economic advantage. If we fail to act, Nebraskans will reap a very small portion of the billions of dollars our wind resources will generate. Such a precedent could negatively impact this state for many, many years. During the 2005 Legislative session, the goal of the Nebraska Advantage Act was to create a business climate, making Nebraska the preferred location for starting or growing a business. Since taking effect in 2006, 148 companies have announced plans to locate or expand in Nebraska. These businesses are expected to invest more than \$4.8 billion in the state economy and create more than 13,000 new jobs in the years ahead. The long-term goals of the package include promoting the growth of existing companies through job retention, expansion, and new capital investments; increasing the number of successful new business ventures in the state; and fostering the development of new products and ideas. Those in the business world tell me Nebraska is already behind in the quest for renewable energy businesses and green jobs. We must demonstrate we are serious about renewable energy development. Our location is prime. Any good business person will tell you to take full advantage of your comparative advantages. The Governor recently recognized this when he said: Nebraska is kind of the epicenter of where we can make a difference. I agree with the Governor that every state has a role to play based on its energy assets. In-state development by landowners and communities would not only generate dollars and jobs, but would address two of our most difficult long-term problems: rural economic development and water shortage. Our richest wind resources are in some of the poorest counties in our state, and wind generation uses little water while other sources of energy production are water intensive. This is only part of the reason I've introduced LB566 which expands the Nebraska Advantage Act by creating two new green tiers.

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Both tiers would double the tax credit currently available under the Nebraska Advantage Act for manufacturers of windmills, based on the number of jobs that that particular manufacturer creates. This legislation also earmarks \$5 million from the job-training funds specifically for recruiting and retraining employees who work for businesses which manufacture or modify equipment which can be used to generate or produce energy from renewable sources. Our location in the middle of the wind belt should make us a prime location for these businesses to set up shop. The legislation aims to stimulate the development of Nebraska's renewable energy sources and to create economic development tools for recruiting green businesses to Nebraska. The most recent National Renewable Energy Lab report paints a thriving future for Nebraska economy should Nebraska seriously embrace wind business development. This needs to be a major priority for Nebraska, and in the midst of the economic challenges we face, renewable energy development holds incredible economic promise. And while some of the economic realities are challenging, we must boldly proclaim that we are open for business. I do have a letter of support from a wind tower manufacturer here in the state. He was sorry that he couldn't be with us today but wanted to submit this letter into the record. And with that I would be happy to try to answer any questions. I know there's some people behind me that might have a little more expertise, but I would give it a shot. [LB566]

SENATOR DIERKS: Thank you, Annette. Questions? Senator Adams, please. [LB566]

SENATOR ADAMS: Thank you, Senator Dubas. So that I understand this you are, in effect, saying that we ought to create another tier within the Nebraska Advantage Act for the production of wind-generating equipment. Is that correct? [LB566]

SENATOR DUBAS: Correct. [LB566]

SENATOR ADAMS: And I guess...let me stop right there. Why would we do that rather than use the tiers that we already have? [LB566]

SENATOR DUBAS: We're looking at adding these additional tiers to double those tax credits available so that we can specifically target that particular type of industry--kind of putting the message out there that we really are serious about renewable energy development in our state, and we are so serious about it that we're willing to step up what we have to offer. [LB566]

SENATOR ADAMS: So there would be more tax credits available within that category of the Advantage Act? [LB566]

SENATOR DUBAS: We'd take the already existing tiers that, you know, you have to meet so much in jobs created and other things, and then basically if you are producing wind towers, those credits would double. [LB566]

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SENATOR ADAMS: I see. Okay, thank you. [LB566]

SENATOR DIERKS: Other questions? Guess not, thanks so much, Annette. [LB566]

SENATOR DUBAS: All right. [LB566]

SENATOR DIERKS: Proponents for LB566. [LB566]

JOHN HANSEN: Good afternoon. For the record, my name is John K. Hansen, H-a-n-s-e-n. I am the president of Nebraska Farmers Union and appear before you today as our president and also our organization's lobbyist. The efforts that we have been involved in for the last, really, two decades in wind energy development and wind energy education and outreach, and promotion, and all of those things, it has struck us for a very long time that Nebraska, as you look at where the wind energy resources are in the country and the role that Nebraska needs to play relative to meeting the national goal of 20 percent of our nation's electrical generation capacity by the year 2030, is strategically placed in the nation's wind energy belt. To north to south, east to west, as you look at where those wind resources are from North Dakota to Texas, in that corridor, we are really at the epicenter of where some of the very best wind resources in the nation are. And so we're sixth in total capacity, but as you look in our larger area we are...in our region as you look at the states around us--so South Dakota, Minnesota, and Iowa: Iowa has fewer wind resources than we do and yet they are number two in the nation. Minnesota is fourth in the nation--they have fewer wind resources than we do. You look at Wyoming, Colorado, Kansas...this is an enormous opportunity for our state to play a significant regional and national role in wind energy development. I was on a conference call Tuesday of this week with the National Renewable Energy Lab and the Department of Energy relative to trying to target additional opportunities for wind energy development, along with other leaders of wind working groups around the country. The state in the country that, I think, has had one of the most engaged state governments and the most effective wind manufacturing recruitment programs in the country was on that call, and I asked him, what are the things that folks look for in your experience in Ohio?--who's been dramatically impacted by the downturn in the economy trying to desperately and aggressively retool their manufacturing capacity in their state. And here is the list that they gave; and they said the local area wind development activities--is there wind energy development going on in your area? Is this a hot spot or not? And so your state obviously needs to be building wind projects. If you're in the business of selling wind turbines, that makes a lot of sense. Second, transportation--both rail and also highway--as you look at the third thing he listed he said: it's absolutely essential that the state leadership and the state political leaders be in your corner because you're always going to run into additional challenges. So the more political commitment and will there is to solving problems, getting things done, moving forward is essential. Obviously the quality and the availability and the skill level

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of the labor pool--to make sure it's a good match for the kind of manufacturing that you are doing; and the larger area wind development capacity so now you're taking a look at the regional capacity of your area, and then he said--and certainly it's important because it gets to be a comparative issue after all those other questions are asked and answered--apples to apples, the state economic development incentives. And that squares with my experience in helping work in wind development but also recruitment. And the folks that have been working at this the longest and been doing the best job, in my opinion, by far, who have been selling Nebraska as a place to locate is the Nebraska Public Power District. And so as we look at national efforts and recruitment efforts and there's often times if they were offering their opinion I think that they would say that, yeah, incentives are important, but being strategically located...we have all the rest of the stuff. We certainly are strategically located; we have all of the rest of those answers, I think, are positive in our favor so this tool seems particularly appropriate to me and, you know, our state is moving forward. We have 270 megawatts of requests for proposals that have been received, been issued by our public power utilities; we have an 80 megawatt project that was up and put into service this last year; we have another 42 megawatt project that should be up and running this year, and so our state is now in process. And so I've thought for a long time that this is really an essential thing for our state. And the presentation also, at the Nebraska Wind Conference that was held last November, where the National Renewable Energy Lab did a focused economic analysis of wind energy potential for the state of Nebraska, and what it means, and the size of the industry, and all those kinds of things. In their summary, they said that the primary...some of the primary economic development benefits of wind energy is captured best when you also capture the wind manufacturing capacity and the jobs in the service sector that goes with building and servicing those wind turbines. In addition to the rural economic development benefits and all of the other landowner benefits and area services, the construction jobs, the technician jobs...but it was very clear and prominent in their summary that it is essential for states who are working on economic development to aggressively recruit manufacturers. And with that I would end my testimony and answer any questions if there are any. [LB566]

SENATOR DIERKS: Thanks, John. Questions for John? Thank you very much. [LB566]

JOHN HANSEN: Thank you. [LB566]

SENATOR DIERKS: You've done an excellent job; everybody knows everything now. [LB566]

JOHN HANSEN: Thanks to the committee. (Laughter) [LB566]

SENATOR DIERKS: Next proponent, please. [LB566]

KRISTEN GOTTSCHALK: Members of the Revenue Committee, my name is Kristen

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Gottschalk, K-r-i-s-t-e-n G-o-t-t-s-c-h-a-l-k. I'm the government relations director and registered lobbyist for the Nebraska Rural Electric Association, and I'm here today to represent my 35 member systems that have about 400,000 consumers on 80,000 miles of distribution line across the state of Nebraska. NREA is in support of this bill. We do believe that lower electric rates are one of our strongest economic development tools in the state, and if you compare that with the additional benefits that LB566 proposes, it's a double benefit to the state. And in an industry that appears to be growing nationwide, and the demand for wind energy products is growing nationwide, we do believe that this will provide benefits to the state of Nebraska. And we hope, actually, as the Rural Electric Association we hope that that development does take place in the rural areas of the state. One question, and it's clear from Senator Dubas' intent that this includes the towers and the wind turbines for wind projects; just want to be sure that the language is clear--that windmills encompasses that in its entirety. With that I conclude my testimony; if you have any questions I'd be happy to answer them. [LB566]

SENATOR DIERKS: Thanks, Kristen. Questions for Ms. Gottschalk? Thanks so much. Next proponent, please. Whenever you're ready, Ken. [LB566]

KEN WINSTON: (Exhibit 6) Thank you, Senator Dierks. Good afternoon, Senator Dierks and members of the Revenue committee. My name is Ken Winston, last name is spelled W-i-n-s-t-o-n. And I'm appearing on behalf of the Nebraska chapter of the Sierra Club in support of LB566. The Nebraska Sierra Club strongly supports renewable energy development and there are four reasons that I've set out here. The first is economic development, and building renewable generation equipment will create numerous jobs--I think John Hansen referred to that prior to my testimony; reducing greenhouse gas emissions and other harm caused by pollutants; energy security--too much of our energy comes from places that we don't like; and controlling costs, because of the cost of nonrenewable fuels such as natural gas and coal are rising markedly. I know that in the Lincoln area they had a 15 percent increase in electric rates in the last year, and Omaha has seen similar raises in rates. And most of that's because of the rise of nonrenewable fuel costs. Now Nebraska has tremendous wind and solar resources--this is particularly focused on wind resources. I know it's been mentioned that we have the sixth best wind potential and currently we're running at the back of the pack in terms of actual wind development, but providing some incentives for businesses to get into this area will hopefully help spawn more development in that area. Now the NREL study that John Hansen referred to indicated that there's a potential of creating thousands of jobs and billions of dollars worth of economic development if it's carried out to the level that's envisioned by the Department of Energy's projections, and hopefully we can take advantage of some of that through...by providing these kinds of incentives. Be glad to answer questions if I can. [LB566]

SENATOR DIERKS: Thanks, Ken. Questions? Senator Hadley. [LB566]

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SENATOR HADLEY: Senator Dierks, and thank you. This credit, if I read it correctly, is aimed at the companies that would produce the green equipment; the towers, the windmills, and such as that, correct? [LB566]

KEN WINSTON: Well, that's my understanding although I'm probably not the best person to ask. [LB566]

SENATOR HADLEY: I guess my only concern is is we're targeting the credit at the manufacturers but the energy...our public utilities have to make use of the equipment in order for it to be of value, isn't that correct? [LB566]

KEN WINSTON: Well, that would be correct. [LB566]

SENATOR HADLEY: So, I guess the question: would we be better off incentivizing our public utilities to use a green energy than the manufacturers of the equipment? [LB566]

KEN WINSTON: Certainly. And I believe there's a bill on that very subject that's going to be heard by this committee in a couple of weeks. And I think Senator Nordquist has introduced a bill on that subject, LB455, that we also intend to support. But it would provide incentives for the public power districts to make those investments. [LB566]

SENATOR HADLEY: Okay. Good--it'll be a good chance to compare the two bills then; thank you. [LB566]

KEN WINSTON: Yes. You bet. [LB566]

SENATOR DIERKS: Thank you. Anyone else with questions for Ken? Thank you, Ken. [LB566]

KEN WINSTON: Thank you. [LB566]

SENATOR DIERKS: Further proponents. [LB566]

RICH LOMBARDI: (Exhibit 7) Good afternoon. [LB566]

SENATOR DIERKS: Good afternoon, Rich. [LB566]

RICH LOMBARDI: My name's Rich Lombardi, I'm the registered lobbyist for the American Wind Energy Association, which is the national trade association that represents 2,000 different organizations that are in different parts of the power supply chain for the wind industry. In 2001 they had 200 members; today we have 2,000 members. This past year America became the leading wind power producer in the world. This has been an absolutely incredible year for wind. 40 percent of all the new

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electrical generation in this country came from wind this year. The last three years running it's been natural gas and wind. John and others have testified to the incredible work that's being done in this state to position ourselves in the years ahead. I have circulated to you two pieces. One is to show you a map of the United States and the amount of megawatts that are generated by wind in each of the 50 states, and then I also put out to you a manufacturing jobs projection of what this could mean. The manufacturing jobs proposal is based upon a projection of a national study that was conducted on 20 percent wind energy by 2030, and as has been testified to you previously, the National Renewable Energy Lab has done some specific projections as to what the economic development impacts would be in the state of Nebraska. I guess my major message to you is from the clients that we represent is that we want to pay taxes. We want to pay a lot of taxes in Nebraska, and we're looking forward to that opportunity. This is one quiver in your arrow, so to speak, but make no mistake about it, this is coming on. This may be...there's not too many silver bullets in public policy for Rural Economic Development, but this (inaudible) just may be one. We are very pleased to have in this state Katana Summit in Columbus and North Star Power Systems out of Blair. And I would reiterate what the REA say that one of the major reasons that Katana Summit is here is because of the low electric rates. And as we are geographically positioned to take off...we are, as far as I'm concerned, we're in the competitive posture here. If you take a look at what happened to Iowa this last year: 1,300 megawatts that they put on the ground there kind of blew everybody's doors off in the country. That's why they have six manufacturing facilities there. You go west, Vestas, the major wind manufacturer in the world has invested heavily in Colorado. Obviously, there are very real challenges associated with transmission, and I believe that there's an awful lot of work going on within the public power industry to begin addressing that particular issue. This is a real exciting time. The stimulus package just passed has a major investment tax credit for manufacturing in that bill. As the specifics of that proposal comes out I think this committee should take that under consideration as to how we best fit into the national tax policy which looks in the near term to be very positive for this industry. And obviously the real technical challenges with regard to transmission are going to be an ongoing issue, but make no mistake about it--it seems that we have an administration here that's very committed to upgrading transmission. And any time you upgrade transmission, you're lowering consumer's costs and there's a lot of benefits to be made by here. And I think that because we are a public power state we are trying to figure out how we fit in national policy. And to the great credit of the state so far is we've looked at and developed some very creative private-public partnerships. And I think as you can tell by the plethora of issues--I'm looking at Senator Dierks--and you've been such a long-standing supporter of this industry and now you have almost a third of the members of the Legislature introducing one bill or another that seeks to expand and try to take advantage of this. Again, a very exciting time; I think that we're going to see some real benefits with regard to jobs and hopefully business development and we very much appreciate Senator Dubas sending at least a message out from here that Nebraska's open for business and it's looking for different

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ways to encourage the growth of this industry. We call them green collar jobs, which is interesting; they're really the old blue collar jobs. Every turbine is anywhere between 200 and 400 tons of steel that you're talking about. And that's what's so great about this industry--you have Northeast Community College, Western Community College in the process, early process, of training technicians. And if it's any experience in other states like Kansas...we talk about drain brain--this is one way to keep a lot of our youth in our rural communities by providing these type of job opportunities. About every thousand megawatts of production out there you can expect to see anywhere between 600 and 700 jobs. So the goals that our association is working with that correspond with the Renewable Energy Lab is that we're talking about trying to generate over the next decade to two decades 7,500 megawatts of wind coming out of Nebraska. A certain portion of that's going to be used on the domestic load and a big portion of it is going to be used as an export role, which all are opportunities to bring money into the state of Nebraska; decrease electrical costs, increase jobs. The very, very exciting time we want to work with the committee in working on any types of tax incentives or tax changes to relief...maximize the development of the industry in the state. And I don't want to risk anything since you're all about ready to go on a four-day weekend, I'll get out of here. But thank you, thank you very much. [LB566]

SENATOR DIERKS: Thanks so much, Rich. Questions for Mr. Lombardi? [LB566]

RICH LOMBARDI: Thank you. [LB566]

SENATOR DIERKS: Thanks so much. Next proponent, please. Anyone else in favor of LB566? Is there opposition to LB566? Opposition? Is there someone in the neutral on LB566? Well, that...would you like to close, Senator Dubas? [LB566]

SENATOR DUBAS: I think, when you get a chance to read the letter of support that I passed out from the North Star company, I think he sums up quite clearly what kind of business environment we need to create in this state to attract those types of jobs. Other states are aggressively working to attract green jobs and green businesses. We implemented Nebraska Advantage because we recognized the need to be competitive. It's a tough call when you start giving away tax base. It's a real balancing act, you know, how much do you give away for how much you get in return? Those are the questions that we get to juggle with. But again, we implemented Nebraska Advantage because we knew what other states around us were doing. We saw what they were getting and what we were losing and that's why Nebraska Advantage moved forward. These energy jobs and businesses want to locate here for the very reasons that the previous testifiers gave. We have everything they're looking for. But they're also looking for a friendly economic environment to operate in too. So I think we need to, as I said, we need to hang out that open for business shingle. Renewable energy is our new frontier. It's where we get to go and break new ground. And I feel very strongly that Nebraska cannot afford to miss this wagon train, so I appreciate your consideration and your

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support. [LB566]

SENATOR DIERKS: Thank you, Senator Dubas. Any questions for Senator Dubas before she starts on her next bill? Okay, that will close the hearing on LB566. The next bill we're going to hear is LB487. Senator Dubas, whenever you're ready. [LB566]

SENATOR DUBAS: Okay. Good afternoon, Chairman Dierks and members of the Revenue Committee. My name is Annette Dubas, D-u-b-a-s, and I represent the 34th Legislative District. On May 29, 2008, the National Storm Prediction Center issued a high risk of severe weather warning across eastern Nebraska and western Iowa. At least 20 tornadoes were reported that night, including three that struck the city of Kearney and one that struck Aurora, which is part of my legislative district. In addition, a portion of Interstate 80 near Aurora was closed down due to downed power lines and semis that were strewn across the interstate. In my district it became immediately obvious that, thanks to the efforts of city and county officials, including EMTs, firefighters, city and county police, the efforts to respond to the emergency began immediately. The coordinated response was executed with seamless communication amongst all agencies involved and resulted in direct, local assistance for those homes and lives that were devastated in just a matter of minutes. LB487 creates a \$500 refundable tax credit for volunteer fire and emergency personnel. To qualify for the credit, a volunteer must meet the definition of active status as defined in the legislation, and accumulate 50 of the 100 points required each year. Accounting and reporting requirements are established for the political subdivision to certify those who meet the qualifications. In Nebraska, volunteer firefighters and rescue squad personnel make up more than 85 percent of our emergency responders. These men and women and their families make an incredible sacrifice. They spend countless hours and dollars in training, taking care of equipment, administrative business, fund-raising, and most importantly, putting themselves on the front lines to respond to emergency situations from the relatively minor to the most horrific. The communities and counties that rely on these volunteers to provide services are finding it ever more difficult to recruit and retain people for their departments. Time is a precious commodity for all of us and training for beginning firefighters and EMS personnel is over 100 hours. And then you need to add continuing ed hours along with a lot of other requirements. This bill is small recognition for the tremendous financial costs that volunteer departments save our communities. And there will be testifiers following me who will be able to demonstrate this in a much stronger fashion. With that I'd be happy to answer any questions you may have. [LB487]

SENATOR DIERKS: Thank you, Annette. Questions for Senator Dubas? Senator Hadley. [LB487]

SENATOR HADLEY: Senator Dierks, thank you. Senator Dubas, as I read this bill last night the thought crossed my mind that, you know, the volunteer fire workers and the EMTs just do a super job. Kearney has a volunteer fire department and it's just a

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wonderful organization. But it also really helps the citizens of Kearney because there isn't the cost to it that a Grand Island or a Hastings or Omaha or Lincoln. So we have the cities that have paid fire departments that are basically funding their departments out of local taxes. Would something like this credit be better if we could figure out some ways that the cities could give the credit rather than the state? Because the cities are the ones that are really reaping the benefit of having a volunteer organization do their...and I guess what I wonder is the equity of a city that has a paid fire department that the local tax payers pay for, and we're going to give state money to help those who don't have the paid. [LB487]

SENATOR DUBAS: I can see that that would...those would be some valid concerns. I could also see that being a challenge--especially for our more rural and smaller volunteer fire departments being able to come up with the kind of money. They invest in equipment and things like that, and so to maybe be able to come up with this additional money would be a hardship. I think this bill's been around for a while and these are questions that have been asked before. I think what we're trying to point out is, as I said, 85 percent of our emergency responders are volunteer. They do it recognizing that they're not going to be compensated for it, and I think that this is just our state's way of recognizing the contribution that they make--not just to the local economies but really to the entire state. [LB487]

SENATOR HADLEY: Okay, thank you. [LB487]

SENATOR DIERKS: Senator Adams, please. [LB487]

SENATOR ADAMS: Senator Dubas, do you...as you worked on this and prepared it, I'm wondering: are you looking at this legislation as--I think you used the words a few moments ago--recognition and reward, or is it designed to tackle a specific problem that we have in the state? I mean, are we developing policy here to aim at a particular issue, or is it just as you've described it--a reward for effort? [LB487]

SENATOR DUBAS: I think it's both, but it's also our smaller...our more rural departments are having a more difficult time attracting and retaining people to step into these positions. As I said, the hours of training that's required for volunteer firefighters and emergency personnel...you know, and I'm aware that some communities do make some compensation along that line but the challenges of people's time and putting in this amount of time--and not just for the training but the amount of paperwork and things that have come into play with reporting after fires and after emergency responses...I think it's a way of addressing how do we help our volunteer people...how do we help our communities put a little bit of a carrot out there to help retain these people and attract new ones? [LB487]

SENATOR DIERKS: Other questions for Annette? [LB487]

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SENATOR DUBAS: (Exhibit 8) I would also like to point out, or pass out...I have the fiscal note from 2007 and 2008 and then I'm sure you've seen the one for this year, and there's some back and forth discrepancies on the fiscal note. We stayed right in the 12,000-plus numbers of volunteer firefighters and emergency personnel for the last several years. And from my understanding, about 40 percent of those people would probably qualify for this credit. So our fiscal notes, as I've said, have kind of been a little bit all over the board on how much this would actually cost, but just based on the numbers that we were given as to how many volunteers there are in the state and how many would probably qualify, I just kind of trying to point out that maybe the fiscal note we received this time could be a little bit high. I think the first year--2007--shows it quite a bit less, and I think that was closer to the numbers of firefighters and the numbers who would qualify for it. [LB487]

SENATOR DIERKS: Other questions? Thanks, Annette. Other proponents for LB487? Did I say opponents? I meant proponents. [LB487]

BRUCE BEINS: I assumed you meant proponents. Thank you, Senator Dierks and senators of the Revenue Committee, and I want to thank Senator Dubas for bringing this forward again. My name is Bruce Beins, it's B-e-i-n-s. I'm a fire and EMT member of the village of Republican City in south central Nebraska. I also represent the Nebraska EMS Association. There's going to be a lot of testimony today of some different aspects of the problem that we have now, and I'm just going to tell you, I guess, my story because I think maybe it fits the best. I've been serving for about 25 years now. The village of Republican City is less than 200 people. When I first got on the department 25 years ago, we had 30-some firemen and 18 EMTs for the village. Today we're down to 18 firemen and 4 EMTs, and of course we're providing service 24/7. Over the years, society is evolving, whether we like the direction it's going or not. Like the senator said, everybody's very busy; their time is very valuable to them. I see this as a recruitment bill; a recruitment and retention bill. It's nice to have the recognition for the service that we put in, but in order for us to keep some of these members on our department or to try to recruit some of the new young people that are so busy in their lives, we need something to show them that those efforts and the time and stuff that they're investing is going to be worthwhile to them. The service that we provide to our communities and the state, if it had to be paid for out of tax payers pockets, would easily run into the hundreds of millions of dollars. We enjoy our service. Our people count on us. Like Senator Hadley said, our departments really are more than just that fire and rescue response. We serve a lot of other things in the community from weather spotting before a storm to the big story that hit our area was the ice storm of a couple of years ago where we literally had no water, no power, and elderly people frozen into their homes by layers of ice. The communities count on these local departments, these volunteers, to provide an essential service. Unfortunately, the local government authorities don't have the financial ability to be able to do anything for us recruitment and retention. We're able

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to get some of our training paid for. In our small town, our newest fire truck is a 1994; our ambulance is a 1995. We don't have the money to provide some of the equipment and so forth that we would like to, but that is the least of our worries if we don't have the personnel to actually man those trucks and to answer the call. I think this would be an investment in the future of the system that we have now which is about 85 percent volunteer, and I would urge you to advance this bill. If you have any questions I would be glad to answer. [LB487]

SENATOR DIERKS: Thank you, Bruce. Questions? I think you've done a great job. [LB487]

BRYCE BEINS: Thank you. [LB487]

SENATOR DIERKS: Thank you; come again. Next proponent, please. [LB487]

ANN FIALA: Good afternoon, senators. My name is Ann Fiala; that's spelled F-i-a-l-a. I'm from Brown County; Ainsworth, specifically. I serve on the Ainsworth Fire Department and am a member of the Brown County Ambulance Association. I also am a member of the Critical Incident Stress Management team for the state of Nebraska, and I'm a member of the EMS board. Today I am representing Brown County Ambulance Association and Ainsworth Fire Department. This bill is very instrumental and critical to the rural areas, especially, I feel--not only for recruitment and retention but encouragement to stay active for these small communities. Ainsworth is a community of 1,800 people and we, as membership goes on the fire department, we have room for 36. We usually float around 30, give or take, members, and of those members there might be 15 that are active on any given day. On the Ambulance Association we have gone from 28 members since I got on 10 years ago down to about 18 members, 12 of whom are active every day. In that timeline, Long Pine, which is 10 miles east of us, was an active association and two years ago we had to choose to close that ambulance that serviced the Long Pine area. Brown County Ambulance out of Ainsworth now services the area of Brown County entirely, including Long Pine. We also respond to calls in eastern Cherry County, southeastern Cherry County; and quite a few days of the week in the month we will cover Springview up in Keya Paha County. That's 12 members servicing two counties for sure, and sometimes a portion of a third. We are all employed, and we all put in the number of hours required to keep up our training to stay active. It's a passion of ours; I'm very passionate about this bill and being a member. This bill, I feel, is extremely important because we are seeing those numbers decrease. We have talked frequently of not only Long Pine closing down, but Springview close to closing down entirely. Bassett, 20 miles east of us, is extremely low on membership. Valentine is 45 miles away from us, and O'Neill is 60 miles on the east side of us. If our areas were to shut down entirely, we would be waiting at least 45 minutes for a responding agency to come to us. The other alternative is to hire out professional EMS responders, which then would leave the communities and/or the state to help fund their

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response and being active to respond to calls. The fire departments...again, everybody's employed otherwise and both the EMS and fire requires us to take time off work. You'll remember approximately, maybe, ten years ago the Thedford fire that hit that area. Thedford is a good hour and a half, two hours away from Ainsworth. We responded that evening--fought all night and part of the next day to save that town, and we were one of the closest fire departments. So it's not just a local community service, it is a statewide service that we combine together to provide mutual aid to save these communities in the event of a monumental disaster such as that, or ice storms, or tornados. We go at a moment's notice; no thoughts otherwise. We sometimes put our jobs on line in order to respond, because we know that our bosses don't really care for us to just pick up and leave work. I can't say enough for the amount of time that we put in to just the calls alone. As Senator Dubas indicated, we also put in time on the administrative side of things. My husband is the fire chief in Ainsworth, and I do know how much time away from his job that requires on a daily basis, throughout the night. I also serve as the treasurer, and have for several years, on our fire department. I know the administrative requirements to keep the financial end of a department going that way. Burnout comes into play--either from the calls or from these other duties that are associated with the associations. That's why I serve on the Critical Incident Stress Management team: in order to help retain the current members, besides just responding to these significant calls that affect our lives because we're responding to people we know or horrible situations. Burnout occurs because there are so few of us responding currently to these calls that we...you know, this week alone I've responded to four calls since Monday--three of them being between the hours of midnight and 5 a.m. It just...after a while, it really begins to wear down on the members, and that is another reason why we're losing members, besides time away from work. This would be an awesome incentive to help retain the current membership to protect our communities and support the communities. It also would be a great incentive for us to help recruit the membership. As I've indicated, memberships are dropping and it is vital to our rural areas where we are so far and few between and yet we, you know, require each other to depend on other departments and stuff to respond during the major issues that we are faced with. Thank you for your time this afternoon. [LB487]

SENATOR DIERKS: Thanks, Ann. Questions? Do you get all the way down to the Blaine County as well? [LB487]

ANN FIALA: Yes, we do, especially with fires. Ainsworth is one of the major fire departments in the area. As I said, Bassett to the east of us has fewer members than we do. [LB487]

SENATOR DIERKS: How far is it to Brewster? [LB487]

ANN FIALA: Brewster is 45 miles, but they are not trained, always, for major structure fires. We are the responding agency for structure fires. Part of their main street did burn

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up two years ago in the fall, and we responded. It took us 40 minutes to get there. They lost a couple buildings on main street of Brewster. They tried to get Taylor to respond and they had no response come over from Taylor; they called from Dunning and the town of Dunning was away to a basketball game, I believe, that evening--they did not get much response from that community either. So Valentine is the other town, like I said, 45 miles away that is considered a large department to help protect main streets of these small towns with structure and internal fire attacks. Ainsworth, O'Neill--60 miles away--is the other trained department. So we service, you know, when houses are on fire, main streets are on fire; we go quite a far distance. We service up into South Dakota sometimes. Cherry County--we fought two years ago when Valentine had the fire that threatened their town. We were actually down providing EMS service, part of our department was, down at Comstock for their festivals and had our major trailer down there. We had to pull it from Comstock over to Valentine that evening; we fought through the night and the next day trying to help save their town. [LB487]

SENATOR DIERKS: That was with the forest fire. [LB487]

ANN FIALA: With the...yes, that came into the edge of town and burned up some of their homes. [LB487]

SENATOR DIERKS: Thank you. [LB487]

ANN FIALA: Um-hum. [LB487]

SENATOR DIERKS: Anybody else have questions for Ann? Thanks so much for coming, Ann. [LB487]

ANN FIALA: Thank you. [LB487]

SENATOR DIERKS: Other proponents. [LB487]

TOM HAMERNIK: (Exhibit 9) Good afternoon, Senator Dierks and members of the Revenue Committee. My name is Thomas Hamernik, H-a-m-e-r-n-i-k, and I'm here today to testify in support of LB487. I am a 30-year volunteer firefighter/EMT from Clarkson, and I serve on the NSVFA's legislative issues committee, and recruitment and retention is very near and dear to my heart. Between my father and my brothers and I we have over 123 years of service to our local fire department, and I have a nephew that just joined, and my son-in-law is actually our rescue captain. And he is juggling a 70-hour a week job, two kids, twins on the way, and he's our rescue captain. And he puts in ten hours a week just on paperwork and trying to keep...get us up-to-date on the requirements that we have for continuing ed, lining up training classes for our members, and making sure the paperwork is all done. And I'm really proud of him and I'm not here for me--I'm here for him and I'm here for the people that are like him; the young people

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that are trying to do what's right for our community, and the other people that are out there that could be doing, that could be helping carry some of that load for the fire service and the rescue service within our community. Just a couple of weeks ago we had that Monday snowstorm where the visibility was zero and we had a seven car accident a half a mile from Clarkson on Highway 91. And our neighbors couldn't get over to help us; it was too bad to travel for them. We couldn't transport the injured into any one of the area hospitals because the conditions were bad and we didn't have enough...we had a good response from our community, but we didn't have enough people to make that scene safe because of those weather conditions. And that really brought some issues to light for us about how many really good trained people that we needed and how depleted our numbers had become. As with many other communities, many of our people work out of town during the day and so during the daytime hours our response is particularly thin. I work in a family business, and it's not unusual for at least two of us to have to go from our family business on a daytime rescue call, and we run about 100 rescue calls a year--many of them during the day. We have a clinic in town and a nursing home, so many of those calls are during the daytime hours. LB487 puts a value on our active volunteer's time, and I believe that the schedule that is in the bill is a very...is a difficult schedule to meet. In Clarkson we have 40 volunteers and I believe about 20 of them would meet the requirements that would qualify for the tax credit. We're not talking about the older people or the people that aren't active, we're only talking about rewarding those people who are very active, who are making calls, and who are taking the training that they need and keeping up to date. And so I think that is very realistic and I look at that very positively. I have been a treasurer of our local department for 28 of my 30 years, and we do a very good job of record keeping. For many, many years all of the attendance records were on the wall in the meeting room, and you knew exactly who was active and who wasn't, and it was there for everybody to see. And we've kind of gotten away from that but it's coming back, because that's one way that we can, in some ways, goad some of our volunteers to be more active, but also to kind of put that out there for the people who are very active and are doing the job for our community. So I'm very comfortable that we can handle the reporting requirements and handle the...making sure that it's distributed fairly among our people. This is my third time testifying for this particular bill, and one of the things that I've heard in past years was...well, I know the Revenue Committee's tough and I know that the state's in a very difficult time. I'm a school board member also in Clarkson; I've been a school board member for 16 years and I know what Senator Adams is working on right now for schools in Nebraska and I know that he has to do that. But one of the things...one of the arguments that we've heard is that well, we hate to create a tax credit for one group because we're going to end up giving it to more people. And one of the groups that comes up is the teachers of Nebraska, and I know our teachers do a great job but let's face it: teachers are paid. They receive excellent retirement from the state of Nebraska, a fund that you're going to have contribute more money to in this year because of the shortfalls that they're going to have. And they receive some of the best health insurance in the state; they have excellent health insurance. And that is benefits

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that they receive that isn't part of their salary, which is what everybody talks about, but that is in their total package. So I feel that teachers get a pretty fair shake in the state of Nebraska. Our volunteers are volunteers; they are unpaid and they put thousands and thousands and thousands of hours in in our communities providing essential services, and I feel strongly that the quality of our service has declined, as you heard the previous testifier say, we're getting older; we aren't as well-trained as we were; our numbers are dwindling; and it's hard to see from the outside because the response time may change a few minutes, a couple of minutes; we might have to call for mutual aid from our neighboring towns more often than we used to, but it is changing--it is declining. And I know that this bill has a substantial cost but I feel very strongly that it's worth it, because everybody knows that, especially in rural Nebraska, we can't pay for a paid service. It's just too expensive to have four firefighters on a revolving schedule and try and provide for that service. But what we don't know is what it would cost to rebuild that volunteer network: where are those people going to come from when we finally run out of some of the people that have been doing it for years? And so I urge you to move LB487 out of committee and allow some serious debate on it on the floor. And I thank you very much for your time and I'll try and answer any questions that you might have. [LB487]

SENATOR DIERKS: Thanks, Tom. Questions? Senator Hadley, please. [LB487]

SENATOR HADLEY: Yes, thank you. Thanks, sir, I appreciate it and again, I support the volunteer fire department completely, coming from Kearney where it's a vital part of our community. Again, I guess I would ask you kind of the same question that I asked Senator Dubas: is this a state responsibility or should more of the local areas take on this responsibility that you're talking about, in the funding of this credit? And I ask that from the standpoint of how do I ask a person who lives in Omaha who is paying taxes to the city of Omaha for a paid fire department, and if we pass this bill now we're going to say, we also want you to pay taxes to handle, you know, part of the volunteer fire department in Kearney, Nebraska? [LB487]

TOM HAMERNIK: I appreciate your question, but I pay an awful lot of taxes every time I go to Omaha. Every convention I go to I pay all of the taxes for the entertainment-type things; every time I stay at a hotel...those help the people in Omaha--they don't help me. But I do help pay for those taxes too. [LB487]

SENATOR HADLEY: Okay. [LB487]

SENATOR DIERKS: Senator Adams, please. [LB487]

SENATOR ADAMS: Tom, let me ask you the same question I did Senator Dubas, and then I want to deviate from it a little bit. So do you see this as a reward for service or as a recruitment device? [LB487]

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TOM HAMERNIK: I see it as a recruitment device. I want to reward those young people who are doing it now. I'm not in it for me, I want to make sure that there's people like me and like some of the other people that I work with that are going to be there when I'm not going to do it. Fact of the matter is, is I'm probably going to do it for another 20 years because Clarkson is important to me and I'm probably going to stay there, but there won't always be other people that are going to be willing to do it and I want to make sure that they have the base of good people that they need and they're willing to spend the time and get the training that they need and have the leadership. That's a huge thing is it's not just about having bodies, it's about having the right kind of people that can lead a volunteer organization and goad people into taking the training and coming to meetings when they don't want to, when they'd rather stay home with their families, and being there to be part of that group so that they can work together when they have to. It's critical to have that kind of teamwork at an emergency scene. [LB487]

SENATOR ADAMS: One of the reasons I ask is not just as I wrestle with proper policy, I recently met with a lot of the volunteers in my district and we were talking about the shortage of EMT, particularly. And obviously as you walk down the causes you've got, first of all, our small communities just don't have the population moving into them to replace those people like yourself when you decide you can no longer do it. And then the young people that you do have, many of them live outside of the town, or excuse me, they work outside of the town wherein they live and they volunteer, so if you're in Henderson, or you live in Waco but you might work in York or you might work in Seward, or Grand Island, or someplace, so getting there. And then you take the group that's still left to serve, those volunteers, and I ask them, which would they prefer to do and typically--maybe your Clarkson's different, but typically what I heard was more would prefer to be on the fire side than the EMT side and the training, the liability becomes an issue. And then this national test came up for the next hour and 15 minutes, and...I guess what I'm wondering is that I'm not arguing with you on where you're trying to go with this, but it looks to me like there's another big piece of the recruitment issue on the EMT side that has nothing to do with an income tax credit. It has to do with training and this national test and maybe some things that we can't ever overcome which is just simply the depletion of numbers of people that live in our small communities and where those jobs are at. And so as I look at this and I try to evaluate it, I don't mean to diminish the value of service that anyone in any of these communities puts in, I'm looking at it more as a recruitment device and would it work as a recruitment device? [LB487]

TOM HAMERNIK: I believe it would have a pretty dramatic effect as a recruitment device. The whole thing is a complicated issue, and other people that are going to testify and myself are also working on some of the training requirement issues because that's part of it. But I think it would help in a recruiting...we need to pay people for some of the time that they put in. And we help pay for their training, and we do help pay for their mileage in some cases to go to training, but they put in an awful lot of time and we

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need to...there needs to be some kind of a monetary value on that. [LB487]

SENATOR ADAMS: Thank you. [LB487]

SENATOR DIERKS: Other questions? I'm going to have to, while you're here, Tom, I have to thank you for the flowers you gave us this morning at the breakfast, and also have to make a confession to the rest of the members of the committee because I asked you on the way out, when are we going to have a chance to do a favor for you and you didn't tell me it was going to be this afternoon. (Laughter) [LB487]

TOM HAMERNIK: You'll get another chance, Senator Dierks. [LB487]

SENATOR DIERKS: Thank you. Any other proponents, please? [LB487]

JOE VANDENACK: (Exhibit 10) Good afternoon, senators, thank you for your time. My name is Joe Vandenack; it's J-o-e V-a-n-d-e-n-a-c-k. I'm from Yutan. I'm the president of the Yutan volunteer fire department. Yutan is a community of about 1,200 in eastern Saunders County close to Omaha, that some people consider us a suburb but we're across county lines. Our department provides primary EMS and fire for a 46 square mile district. We've been averaging 100-130 calls per year. We also have a dive rescue team that responds to approximately a five-county area which includes...I think one of the questions was, currently to Douglas County and Sarpy County. Those services are provided on a volunteer basis. We've been finding more and more difficult times in recruiting members to participate in fire, EMS, or dive: any one of the functions. The training has become longer and longer. I think someone mentioned the hours to become a basic EMT is 140 hours and that looks to go up. We also throw in training; we've just revised our training to reduce meeting times to seven times per year. We look at having training of about 15 times per year. Providing all our services...right now we're down to 14 members that actively provide fire and EMS response. Of those, there are eight that are EMTs or paramedics. Of those, there are only two that regularly work in the town, the city of Yutan, available for daytime calls. Those two, both, right now are down to injuries; our daytime help is essentially zero unless we have somebody in town that's off on shift work. We've made arrangements--automatic mutual aid arrangements--with some of the local...the nearby communities. Automatic mutual aid means if there's an incident that we get paged out for, those community's departments are also paged at the same time. I'd like to account for a recent call that we had in our department; I just passed a copy of a news article that made it out. I was on my way back into town; we got paged for a serious call--there was nobody else that made the response. We finally had a local law enforcement officer that was able to get to the call. I was under limitation--not able to lift, not able to do certain things...confirmed with the neighboring town that they had been called. They didn't have any EMTs available at that point in time. Finally they were able to bring somebody in by phone. It took 21 minutes to get an actual squad on scene to this person's call. Thankfully, as the article shows,

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the family understands that; they've been appreciative, supportive, helping us, hoping that that tool can be used as a recruitment. I think to answer the question I see it really as a recruitment tool--trying to retain the people that we have and trying to get some people off the fence. We've had a couple people come forth and say boy, that would be nice--I think I could do that, but I'm not sure I can go the whole gamut. We've trying to reschedule our approach, our minimum training requirements. Generally, we try and get someone in the door, give them basic fire which is one night a month for 12 months. We encourage them to take the formal Firefighter 1 program through the state of Nebraska Fire Marshal training office. We try and get them to be EMTs as well. When we look through that it's just hard to get people to commit, so we've tried to break it down. If I can get one person that can drive a squad or a truck and take one trained person, at least I can have a response. We're fighting that old battle of is no response better than coming with someone that's not fully trained? It's a battle in today's age with the legal requirements, etcetera. In talking about some of the things, our fire district has an approximate budget for the current fiscal year of \$87,000. After we pay our insurance, our gas, and some basic training, and equipment, it doesn't leave much for recruitment and retention, much less for paying for paid staff. I'd like to thank you for your time and hope that you can consider heavily the potential of this bill. We think it would be a great start in our recruiting tools. Thank you. [LB487]

SENATOR DIERKS: Thanks, Joe. Questions? Senator Utter, please. [LB487]

SENATOR UTTER: No, I don't have a question, thank you. [LB487]

SENATOR DIERKS: Oh, I thought you were flagging me down; I guess not. Thank you very much, Joe. Could I see a show of hands of who all are intention of testifying yet in favor of this bill? Okay, we'll take the next one. You know, maybe, if I'd just give you a little bit of a...not a warning, but advice, I guess, that I think we know pretty well what the problems are; if you could kind of keep from doing a lot of repetition it'd help us. And I'm not just talking to you, but whoever wants to testify yet. Thank you, go right ahead. [LB487]

KYLE IENN: Good afternoon. I'm Kyle Ienn, spelled K-y-l-e; last name is I-e-n-n. I'm the fire chief in Ralston, and also I'm the vice president of the Nebraska Fire Chiefs Association, and also serve as the state advocate for the National Fallen Firefighters Foundation, which is trying to keep firefighters safe and reduce firefighter deaths. [LB487]

SENATOR DIERKS: Where did you say you're from, Kyle? [LB487]

KYLE IENN: Ralston. [LB487]

SENATOR DIERKS: Ralston? [LB487]

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KYLE IENN: Outside of Omaha. [LB487]

SENATOR DIERKS: Thank you. [LB487]

KYLE IENN: I just wanted to hit on a couple of statistics. I streamlined them so that it won't take very long, but a couple of these have already been touched on. 85-90 percent of the firefighters in Nebraska are volunteers, and so it is a very small portion of the firefighters that are a paid department. In Nebraska, there's 478 fire departments; there's only five that are fully paid, which leaves 473 which are all volunteer. Seventeen of those do have some paid, but are backed up with the volunteer staff. The number of volunteers, obviously you've heard, has declined since 1984. They've declined 8 cents nationally, which doesn't sound like a lot, but that equates to 72,000 volunteer firefighters that we've lost since 1984 to today. If you break that down, that's 3,000 firefighters a year; 260 a month; or roughly eight a day that we're losing as the national average of how many volunteer firefighters we have to respond to calls. All that number is not on a national level. As you heard today, this problem is affecting communities in Nebraska. So those are national numbers, but we're feeling it here in Nebraska. With our numbers, even in Ralston, we used to have a live-in program where you had to live in the city limits of Ralston; we've now expanded that out to what we call a reasonable distance so to try to encompass more area to recruit more volunteers, and our numbers, again, are declining even though we've opened up our area that we're allowing volunteer firefighters to live in to be on our department. Another issue that hasn't been discussed a lot was the average age of firefighters is increasing. In 1987, 33 percent of the firefighters were under the age of 40. In 2007, which was the last year that had the statistics, we're down to 27 percent of the lower number--20 percent of that lower number is now under the age of 40 which is a decrease of about 74,000 firefighters that we've lost just in that age group, which is the active firefighters that we need to respond to these calls as the firefighters that are the younger ones. This bill that we're talking about, obviously, is a recruitment. We need to recruit young firefighters and keep firefighters on the rolls and keep them active. This doesn't automatically pay just everybody that's on our roster. I think the fiscal statement, lists just general...how many volunteer firefighters we have in the state, but this is intended to recruit and retain the active ones that are answering the calls, that are getting up at two in the morning and helping out on EMS calls and that...we've got a number of fire departments in the state that have a number of firefighters that are on their rolls...you know, you see it in the paper they just got 60 years of service, 70 years of service...those aren't the firefighters that this bill is intended to reward or to recruit. They're on the roster, they've left them on the roster because they started the department, they've been on for however many years and they're not going to get rid of them, but when was the last time they were on a squad? When was the last time they were in an air pack or in the fire or saving a life? They're an important part to the fire service, to that volunteer fire department, but that's not what this bill is intended towards and I think that fiscal statement included some of

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those members that have been on the departments for a lot of years that aren't answering the call and on the front line of the volunteer fire departments. To compound the problem, the call volume that we respond to has increased dramatically. Nationally, again, from 1986 to 2007 the call volume's increased 53 percent. The number of calls that firefighters are responding to has more than doubled in the last 20 or 30 years. And this contributes to the issue of less manpower; so the less manpower that we have is now attached to responding to more calls, take more time away from family, and do the work with less people. In closing, these statistics show that volunteer firefighters are being tasked with additional workloads, required to spend more time away from family, and working alongside with a higher percentage of members who are above age 50. There's more firefighters...volunteers out there, as I said earlier, that are above that age 50 which is a health or a safety issue that needs to be addressed also. As far as the Fallen Firefighters Foundation, we lose...every year over 100 firefighters die in the line of duty, and the number one cause of firefighters' deaths is heart attacks. And that directly relates to our number of firefighters that are getting older and getting above that age 50 status and trying to do a job that we need to recruit new members to do. Recently, I went down to Florida and attended a recruitment and retention seminar through the ICHIEFS association, just to let you know that that's how serious that we're taking this is that I did go down to Florida to attend. Talking to some of the other chiefs from across the country, Nebraska is not in a critical state as far as volunteers go right now. They're talking to some of the chiefs down there, when that whistle blows and that tone hits and absolutely nobody shows, and they mutual aid the department next to them and nobody shows, and they had to mutual aid the third department when a house is on fire and they're 45 minutes away from the call, that's critical. And if we don't do something very quickly, the next time I go down to that seminar I'm going to be them...telling them that Nebraska is now in a critical state. And we're very close to that; we're not there yet but I think some recruitment-retention programs such as we're trying to get today can very help us to recruit and retain those members. Taking care of the problem of declining volunteer firefighters by hiring a paid staff is not an option. Talking to our city council and our mayor they, like everybody else, has very, very tight budgets. There's been some members that have even talked about maybe starting with a paid chief. I'm a full...I mean, I'm 100 percent volunteer chief--I don't get paid a penny for what I do. Talking to the mayor and the council they said absolutely not; we cannot afford even one person to run the department, and you can't hire firefighters unless you have a chief first. I mean, that's the way to do it is to hire someone to run them first and go down to the firefighters. And if our city council and mayor can't find in their budget to hire one person, the option of taking care of this problem through hiring paid firefighters I don't believe is going to be an option. This bill will provide us with a tool to recruit new members and retain our current members. There's been some questions on what we consider this bill. I consider this bill 100 percent a recruitment and retention program that we can market in our department, market in our city, and let people know what they get for their time to give to us because two families working...kids, sports...unfortunately when they come to us and talk to us that's one of the questions that I get asked is what

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do I get out of this? You know, years ago we did it because we wanted to do it, but times have changed and people want to know what would they get out of it? And the new members coming in, I tell them they get a \$500 tax credit, especially if we open our recruitment period to this time of year when people are doing their taxes, it even means more to them because whatever their tax was you add \$500 onto that or take it off what you owe I think is an excellent, excellent recruiting tool and retention tool for us. I know that finding the funds to support this bill is going to be difficult; we all know that. But funding this will be much easier than the price tag of replacing the volunteer firefighters with paid staff. There's been some questions about Omaha and Lincoln and the paid departments. Those citizens in those cities travel the state, and they don't have to travel very far to get outside of their paid cities. Once they get on the interstate--I don't know what percentage, but I would guess that more than 70-80 percent of that interstate going across Nebraska is covered by volunteer fire departments. Very little of that interstate system and highways is covered by paid staff; it's all volunteer fire departments. Omaha Fire, as big as they are, mutual aid Ralston to help them, and if they mutual aid Ralston to help them--if somebody's having a heart attack at 84th and L which is on our border, and I can't support...man power, paramedics, EMS to Omaha, there's some issues there. And those residents are going to wonder why our neighboring cities that are mutual aid into these paid departments are not supporting that. So I think there's some reasons there why the paid departments' citizens are concerned about the neighboring cities. You've heard a lot of talk today about mutual aid and the paid departments do mutual aid. Volunteer fire department's been in Papillion--they're a paid department--many times to help them with fires and EMS. We mutual aid with Omaha. Yutan, like you said earlier, has a water rescue team; it supplies paid departments, it supplies Omaha, the Missouri river, so we work together and we need to make sure that each of us, paid and volunteer, are supported and have the resources available. With that I would open up for any questions you may have. [LB487]

SENATOR DIERKS: Thank you, Kyle. Questions? I guess not. Thank you very much. [LB487]

KYLE IENN: All right, thank you very much. [LB487]

SENATOR DIERKS: Next proponent, please. Go right ahead, sir. [LB487]

MICHEAL DWYER: Chairman, thank you. Although I have prepared remarks, I'm going to, perhaps, try to answer a couple of questions from a couple of the senators. My name is Micheal, M-i-c-h-e-a-l, Dwyer, D-w-y-e-r. I'm a 25-year member of the Arlington Volunteer Fire Department. And again, in addition to the written testimony and the testimony that colleagues have given, I thought maybe I'd cover a couple of points that perhaps are unanswered. Senator Hadley, you had had some questions about funding and how is this a state issue versus, perhaps, a city or a county issue. Now, I would

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clarify a couple of things. So many times when we respond, in our district and so many of the other districts, we're going across city lines and across county lines and across, in some cases--the tornado in Little Sioux, Iowa--across state lines to be able to respond to those incidents. And to ask an individual entity to support that kind of cross-jurisdictional stuff certainly gets very, very cloudy. In addition, these are rural areas in many cases, certainly in ours and many others, and to ask a small community--in our case, 1,100--to try to support or give any incentives in addition to the tax support that they already give for equipment, it's...we could debate that a long time, but the reality is, it's not going to happen. They just don't have the funding in place to be able to do that. We are local volunteers who respond. In our case, there's 87 square miles and approximately 100 calls a year, and we have done virtually everything that we can with respect to recruitment and all of the stuff that the other...my colleagues have talked about. And we're to the point now that we need to do something more stringent and more traumatic, for lack of a better way to put it. Certainly, LB487 is wonderful in that the point system truly does reward the individuals in the department, men and women, that are actually putting the time in. Senator Adams had concerns about whether this was retention or a reward program and I think...I testified two years ago on a similar bill, and I think at the time there probably was a pretty good balance: we felt like we needed to reward the members that we already had in addition to recruiting additional new members. Clearly, from the testimony you've heard today and in our department, the balance has shifted much more in favor of this being a recruitment tool. Perhaps LB487 speaks directly to that, because as a tax credit it's simply a more attractive vehicle than \$25 at the end of the day, or at the end of the week, or at the end of the month for making a couple of calls. I've done extensive work in our department on just answering that question: how do we get more people to be able to respond to calls to join the department? And quite frankly, most of them are, if we were to do some kind of an internal...50 bucks a call or 25 bucks a call...most of the people that we talk to in recruiting, they just...that's not what makes us tick. But a tax credit, quite frankly, is more attractive to them because it simply sets aside taxes that they may already be going to pay out, if that makes sense. But I can tell you honestly, from the guys in the trenches, that kind of tax credit is extremely important to us. We, as I've mentioned, we've done virtually everything we can in terms of recruitment and in retention. The bottom line for us--and that would be more specific--that we originally were a city department, now we're a district-wide department, and now we mutual aid the other districts close to us, which in our case is Fremont, for the advanced life support. The problem with that is that it affects response time. We originally had a...when I first joined the department, a tremendous three-minute response time and we were out the door. Now it averages, depending on the day and the call and a number of other things, closer to five or six or seven minutes, and that continues to grow. As those response times increase, people suffer, property suffers; and there's no other easy answer to this except to be able to recruit additional members as close to the barn as we can so that we can respond quicker to that. I think that's the end of just trying to respond to a couple of the questions. Certainly, I would take any other additional questions. [LB487]

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SENATOR DIERKS: Thanks, Micheal. Have we got questions? Senator Hadley?
[LB487]

SENATOR HADLEY: No, thank you. [LB487]

SENATOR DIERKS: No questions. [LB487]

MICHEAL DWYER: Thank you. [LB487]

SENATOR DIERKS: Thank you very much. You did a great job for us. Another proponent, please. [LB487]

LYNN REX: Senator Dierks, members of the committee, my name is Lynn Rex, representing the League of Nebraska Municipalities; that's L-y-n-n R-e-x. And we're here in strong support of this measure. I know you've had a lot of testimony this afternoon on this bill, but I, too, would like to respond to the issue of why is this not just a municipal responsibility or just a county responsibility? If you go across the state and look at our community colleges: you look at UNK, the state colleges in Wayne, Peru, Chadron...those are all protected by volunteer fire departments. You look at the state's recreational areas. Not just Branched Oak and Lake McConaughy, but all across the state those are protected, predominantly, by volunteer fire departments across the state. And so state property itself is being protected; hundreds of millions of dollars of valuation of state property is being protected by volunteer firefighters, and we think that this is very appropriate for the Legislature to look at a \$500 tax credit. I think this is something that is very important. I think you've heard about the need for retention; I think that only addresses that issue, but it also kind of helps a little bit from a funding standpoint of all the property that's being protected for the state of Nebraska itself, for which there are no fees. The state never pays anything, and I can tell you from talking to volunteer fire departments and also our mayors across the state and village board chairs, that in many instances, there's special types of equipment that are purchased just for the dorms, or just for certain things that otherwise they wouldn't be purchasing. So I would just strongly hope that you would advance this bill to General File and the League wants to let you know how strongly they support this measure. I'd be happy to respond to any questions that you might have. [LB487]

SENATOR DIERKS: Thanks, Lynn. Questions for Lynn? That does put a good perspective on it. Senator Friend has a question. [LB487]

SENATOR FRIEND: Thank you, Chairman Dierks. Senator Rex, or Ms. Rex, you remember last year and a committee of mine, another committee of mine, we directed certain size cities to follow certain processes and procedures, and also directed certain size cities to hire a paid fire chief. And it just so happened it only amounted to one city

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that ended up having to hire a paid fire chief. During the hearings and during a lot of the debate, the floor debate, I...there was much discussion about an Omaha senator like myself show a lot of gall to actually stick my nose in other people's business in regard to local...and there was a lot of local control issues and stuff like that brought up. Are we beyond all that? I mean, because this is an interesting and intriguing bill and I have a lot of...are we beyond all that? I mean, if all of those things last year were local control issues, the questions that came from that side of the table would still apply, but they've been summarily dismissed, more or less, during this hearing. So are we beyond a lot of that local control type of discussion? [LB487]

LYNN REX: Well, I think there will always be local control issues and discussion, but at the end of the day, the reason why you've got state senator in front of your name is because you don't just represent your district but the entire state of Nebraska. [LB487]

SENATOR FRIEND: So it's totally... [LB487]

LYNN REX: So the Legislature always has an appropriate role in looking at local responsibilities. And, in fact, as you know as chair of the Urban Affairs Committee, municipalities in the state can only do those things that the Legislature allows us to do, expressly implied or necessary to effectuate corporate powers. [LB487]

SENATOR FRIEND: Right, and I don't mean to pick on you, Lynn, I don't mean to pick on you; I don't even remember how you came down on the whole thing. But, I mean, it just seems a little ironic to me that...maybe we are past some of the issues. I mean, I said last year...and I don't really care, I've got a thick skin, I mean, I got beat up for...and my committee did, that's what bothered me even more, for sticking our nose in something that we didn't have any business sticking our nose into. And I guess I'm just wondering whether...what your thoughts were as the representative of the League--how you thought about that? [LB487]

LYNN REX: Well, first of all, I believe that--and there were others behind me that could probably better respond to this because I don't speak on behalf of the volunteer firefighters--the State Volunteer Firefighters Association--but I would submit to you that the issue that the Legislature addressed last year was an important one. I actually had to make another presentation before that very city this year, and that was...happened to be the day and the night that their new fire chief was sworn in. So I don't feel any...certainly the League was not criticizing the Urban Affairs Committee, and... [LB487]

SENATOR FRIEND: Right, I wasn't meaning to imply that you were. [LB487]

LYNN REX: ...I think that there were some concerns by some of the local folks in that particular city who were very concerned about the Legislature telling them whether or

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not they should have a paid fire chief or not. And certainly even in Kearney. I mean, we heard from Kearney and cities all across the state. The volunteers are very, and have always been, I think, one of the most important issues for them is to be able to select their own fire chief. And I think that the issue that the Urban Affairs Committee addressed last year was, frankly, above and beyond selecting a fire chief. It went beyond that. [LB487]

SENATOR FRIEND: In a few areas. [LB487]

LYNN REX: And I think that there were some reasons why the Legislature did that, and I think that...if you ask me if we're beyond that, I think that local control's important, it's always going to remain important, but there are some times when there are circumstances that do require legislative action. [LB487]

SENATOR FRIEND: Thanks for the time. [LB487]

LYNN REX: Thank you, and I can assure you, the League did not...and I don't think the Volunteer Firefighters Association did either. [LB487]

SENATOR FRIEND: That's not...I didn't assume that that was the case. [LB487]

LYNN REX: Yeah. [LB487]

SENATOR FRIEND: And I didn't have any... [LB487]

LYNN REX: No, no. [LB487]

SENATOR FRIEND: I wasn't implying that. [LB487]

LYNN REX: But in that particular situation, I think that there were individuals in that particular city on both sides of that question, and it was very controversial for that municipality. [LB487]

SENATOR DIERKS: Thanks, Lynn. [LB487]

LYNN REX: Thank you. [LB487]

SENATOR DIERKS: Are there other questions? Thank you very much [LB487]

LYNN REX: Thank you. We do hope you advance this bill. I think it's very important. We think it's important because it's not just going to help with the retention but, again, there are hundreds of millions of dollars of state property: the Norfolk Regional Center, Hastings Regional Center, you name it. All your property that you're responsible for is

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being protected, in large part, by volunteers. Not to say that Lincoln and Omaha don't have public property as well, but certainly we have a lot of our cities across the state where that's the case, so we hope that you will favorably consider this. Thank you very much. [LB487]

SENATOR DIERKS: Thank you. Is there anyone else to testify in support of the legislation? Anyone in opposition? Anyone in opposition? Anyone neutral on LB487? Annette, Senator Dubas, would you like to close? [LB487]

SENATOR DUBAS: I will keep my comments extremely brief. I think all of the testifiers made the points very eloquently. I think retention, recruitment, and appreciation all fit hand in hand; it's hard to do a job if you don't feel appreciated. These people provide an incredible service to us. They've been bringing this issue to the Legislature for a long time, and I would like to be able for us to at least take it to the full body and let everybody have a chance for their input. So I appreciate your consideration and time. [LB487]

SENATOR DIERKS: Thank you very much. Did anybody have questions for Senator Dubas? You're excused, thank you very much. The next hearing...will you chair the hearing, Senator Friend? [LB487]

SENATOR FRIEND: I will. Senator Dierks, when you get there, you are recognized to open on LB613. [LB613]

SENATOR DIERKS: Thank you, Senator Friend and members of the Legislative Revenue Committee. For the record, I'm Senator Cap Dierks, that's spelled C-a-p D-i-e-r-k-s, representing the 40th Legislative District. And I'm here today to introduce LB613. LB613 was drafted because of a problem in the ethanol industry. This same problem affects other businesses as well, especially in this uncertain economic time. Currently, if a company wants to buy a business that is closed for any purpose, the business must have been closed for 366 days before the acquiring company can count those employees as new employees to qualify for certain benefits under LB775 or LB312. The intent behind LB613 was to change the statute so that if a company were to file bankruptcy, an acquiring company could count those employees of the former business as new employees without the 366 day waiting period. People cannot wait for 366 days to be rehired, and many are usually forced to relocate after a business has done the fine work. During those 366 days, supporting businesses may have also disappeared, and the equivalent assets of the business can deteriorate significantly. LB613, as written, has a very large fiscal impact. Discussions have taken place with the Department of Revenue to find the necessary amendments to lower that fiscal impact to the state. No agreement has been reached on amendments yet, so I have nothing to offer the committee today concerning the fiscal note dilemma. I do not want to hurt the tax incentive programs that are currently operating in Nebraska. I do think the intent of

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this bill is good. I would like to hold this bill in committee while we continue working on a way to help our struggling economy while making sure businesses who qualify for tax incentives actually make an investment in the future of our state. Thank you, committee members, for your time today. With that I will try to answer any questions you may have. [LB613]

SENATOR FRIEND: Thank you, Senator Dierks. Are there questions from committee members for the senator? I don't see any. [LB613]

SENATOR DIERKS: Thank you. [LB613]

SENATOR FRIEND: It's a perfect time to introduce your bill. (Laughter) [LB613]

SENATOR DIERKS: Well, I waited until the last, you notice. [LB613]

SENATOR FRIEND: We'll take proponents of LB613. Welcome. [LB613]

CLIFFORD MESNER: Thank you. Senator Friend, Senator Dierks, committee members, my name is Cliff Mesner; that's spelled C-l-i-f-f M-e-s-n-e-r. I'm the economic development director for the city of Central City and I'm also an attorney. My community has twice faced the center of this legislation in the last couple of years. The first came when Atlantic Homes closed their facility in Central City and we lost 275 jobs. That facility was eventually bought by Aspen Homes, who was unable to keep it open, and the business was closed again and eventually bought by Wardcraft Homes out of Minden, Nebraska. When we did that closing with Wardcraft Homes, we waited 366 days because we recognized that the problem was there and we just had to deal with the issue, so we waited and we delayed. The second place we're facing it is right now with the bankruptcy of VeraSun Ethanol in Central City, Ord, and Albion. There is a distinct possibility that the bank will buy that facility back with a credit bid. The problem that we have is that current law provides an incentive to close that plant for one year. The incentive would...is actually for them to lay off the employees, quit buying corn, quit paying or generating sales tax and income tax, and we don't want a law who provides an incentive for closing Nebraska businesses. The original legislation is, of course, designed to keep business owners from churning businesses to qualify for new incentives. We don't want someone to sell a going concern and then be able to get a new set of incentives on a business that's already going. The intent is good, and should be retained in any new legislation, otherwise the fiscal impact is simply too great. There's no reason for the state to provide an incentive for a going concern. The theory behind the 366-day rule is that a business that has been closed for a year is not a going concern and that the business is, in fact, a new business. The situation that needs to be addressed is that a company coming out of bankruptcy, foreclosure, or something equivalent to that is, in fact, not a new business either. In fact, it's worse than a closed business because not only is there no good will, but creditors have lost funds; the new

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business entity will have a lot of bad will to overcome. I really like the intent of LB613. It's trying to eliminate the incentive to close a Nebraska business. However, I would probably restrict it to businesses that have gone through bankruptcy, bank foreclosure, or some equivalent. First, that keeps in place the original intent not to let businesses churn ownership in order to qualify for credits. No business is going to go through a bankruptcy just to receive the incentives. Just as importantly, it severely restricts the impact on the revenue. I think it would be very helpful to see a fiscal note on the cost of this program if it only applied to bankruptcies and foreclosures. The second thing that I would like to see considered with the bill is the issue of payment of prior benefits on the predecessor business, and I will use the ethanol plant in Central City for an example. The ethanol plant in Central City has qualified for LB775 payments: none have been received yet. To qualify, you need to go through a fairly detailed audit. The buyer will probably acquire the rights to all those incentives. I'm hoping they will, otherwise we're actually going to send our LB775 payments, not to the new owner of our ethanol plant, but to the creditors in the VeraSun bankruptcy--which means it's all going to go east, all the way to the east coast. The problem that we have is that whoever buys those incentives becomes a nightmare on the audit for the buyers, for the sellers, and frankly, for the Department of Revenue. The books are in the hands of a bankrupt company with no employees. And we have to go through that audit. I think you should consider allowing an arrangement that allows a new buyer to wipe the slate clean so that a new buyer coming in and buying that bankrupt business can say, we'll give up our rights under the LB775 and we'll apply anew for the Nebraska Advantage. In this case, we give up the old and we apply for the new. This cleans up the issues of audits on the books that are spread through a bankrupt company and further, it reduces the impact of the revenue because it reduces payments under the old programs. I think this is not an ethanol bill or a housing bill. It applies to industries and businesses all across the state. If an employer with hundreds of employees goes out of business, we don't want to have to tell the employees that we provided an incentive for that company to leave them unemployed for 366 days so that they can now qualify for the new incentive. I don't think that's where we want to be. It's probably too late in this legislation, frankly, to help where we are in Central City, Ord, and Albion. That bankruptcy sale is coming up shortly; depending on how that comes out, this legislation probably doesn't help us at all. But having faced this twice and having recognized that Senator Dierks was trying to find a solution to this problem, we felt obligated to come down and offer our opinion on it in hopes that other communities wouldn't have to face the same situation that we're facing right now. And with that, I'd be happy to answer any questions you have. [LB613]

SENATOR FRIEND: Thank you, Mr. Mesner, and thanks for coming in and being so patient. Senator Hadley has a question. [LB613]

SENATOR HADLEY: Thank you, Senator Friend. Mr. Mesner, your comment about that a business would never go through a bankruptcy to do this...I wonder about that. You know, we're facing a...you know, we've had a lot of shenanigans on Wall Street and all

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this kind of stuff so I just wonder if there isn't businesses around that the value of the credits could be so great that they have a very going business; it costs a few dollars to hire an attorney; you go through a bankruptcy; your assets equal your liabilities; you get to start over fresh the next day; and you apply for new credits. [LB613]

CLIFFORD MESNER: I suppose it's conceivable, but when I look at what we see with companies that have to start up...let's take the ethanol plant for an example. When they start up again, having gone through a bankruptcy, they suddenly have no credit to buy natural gas. They're paying for their natural gas on cash. They have to put a whole new system in place for their hedge funds because the old one is gone. They have to go out and rent their rail cars; they have to do a new contract with the city on the gas; they have to do a new contract with the city on the water; they have all these issues that come up. And they've lost all their good will. In fact, they've created a lot of bad will. So I suppose it's conceivable... [LB613]

SENATOR HADLEY: Yeah. [LB613]

CLIFFORD MESNER: ...but it seems unlikely to me. [LB613]

SENATOR HADLEY: Okay, thank you. [LB613]

SENATOR FRIEND: Thank you. Further questions? Senator Utter. [LB613]

SENATOR UTTER: These credits are earned over a period of time. Is there any benefit in taking a look at a situation where you don't have duplicate credits for the same facility but any unearned credits could accrue to the new owner based on the original application? [LB613]

CLIFFORD MESNER: Yeah, the way LB775 works, for example, is that you earn credits for a given period of time, an audit is done for a given period of time, when that audit is completed then those credits are awarded. And then whoever owns it for the next period of time has an opportunity to gather the credits there. I'm not a huge fan of LB775 and I'll explain to you why with, again, with an example of the ethanol plant. We qualified for the LB775 credits. We filed an application with DEQ for our air permits, which took us 16 months. We built the facility, which took us 13 months. We started operating the facility; we had good success. We paid for the thing so we decided to build the one in Ord. We decided to do an expansion in Central City. We merged in with US Bioenergy; US Bioenergy went public. We finally merged in with VeraSun, and VeraSun took the thing and bankrupted it. We still haven't received a single dime under LB775. And only now are we getting through the audit, and the proceeds that we're going through were things that originally were to go to Platte Valley, which were sold to US Bioenergy, which were sold to VeraSun, which will now go to creditors in the VeraSun bankruptcy. And it didn't come through quick enough to help the Nebraska business do any of those

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issues. I think there should be some way to cut the thing back. I don't think we want the same businesses double dipping, you know. Why should we be paying the LB775 payments for a business that's gone bankrupt right now, for past stuff, when what we really want to be doing is helping whoever's going to buy that facility be successful? Because that's the goal of the incentive is to make your Nebraska business successful so they pay income tax, and they pay property tax, and they buy corn--all those issues. So I think something has to be done that way. It's not clear to me exactly what you would do but yes, I think something needs to be done. That's why I was suggesting let's just wipe the slate clean and say, you're going to give up all those past benefits and we're going to start anew, with a new company, if that makes any sense. [LB613]

SENATOR FRIEND: Are there any other questions for Mr. Mesner? [LB613]

SENATOR UTTER: I see this as a serious problem. [LB613]

CLIFFORD MESNER: Yeah, the climate right now...I hope that the Legislature can do something and do something in a hurry. Like I said, it's probably not going to happen in time to help us, but the economic climate right now is not good. Maybe I should tell you this: I had a conversation with someone who has, in his county, a business that produces parts for the car companies, and they were worried about the situation with General Motors maybe going bankrupt and what impact that would have on this business and their community. And it's a company that has sites all across the country. And we got to talking about the fact that in Nebraska there's an incentive to close a Nebraska plant; if you're going to close some of them down, close the Nebraska plant and open it up next year because then you qualify for the incentives again. The incentive we want is to keep the Nebraska plant open and close the one in Tennessee, so. Thank you. [LB613]

SENATOR FRIEND: Thank you, Mr. Mesner. [LB613]

CLIFFORD MESNER: Thank you. [LB613]

SENATOR FRIEND: Next proponent. [LB613]

LORAN SCHMIT: Senator Friend, members of the committee, my name is Loran Schmit, L-o-r-a-n S-c-h-m-i-t. Although I'm allied with the ethanol industry as you know, I'm testifying here today on my own behalf and I want to say that I appreciate Senator Dierks addressing this bill. And Mr. Mesner has outlined some actual instances which, I believe, gives the committee a better example of what can occur than I could give. It's often been said that the three most repeated words in the Nebraska Legislature are it was never intended, and I think, as I remember the last 22 years we've had LB775 in place, I don't know how many times those statements have been made on the floor because of the growth of the project from a proposed hundred million dollar project to

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several billion plus. And there have been many amendments to the proposal over the years, and as of...or this session there were amendments to improve LB312 because we understand the need for amendments. Mr. Mesner has outlined some of the concerns, Senator Dierks has outlined the concerns, and as Mr. Mesner said, the bill, if it would become law amendments could be crafted that would satisfy the Department of Revenue. It would probably not help the plant at Central City. But if you have watched, and I know you have, the goings-on in Washington and New York the last six months I believe we recognize that the problems we face are not over by a long way, and it is good to be looking ahead and trying to put into place the kind of a legislation that Senator Dierks has discussed--prior to and after the fact, and it may in fact help us in some way, so. I want to say this: I visited with the Department of Revenue about the issue; they've been very, very understanding. They understand the wishes of the Legislature and the passage of LB775 and LB312. I visited with Lauren Hill in the policy research office; she understands it also very well and they are committed, as you have been, to enacting legislation that creates jobs and is a good business climate for the state of Nebraska. And hopefully that with some time we can, perhaps, work with Senator Dierks and the committee to develop an answer to some of the questions that Mr. Mesner raised as he testified. I'd be glad to answer any questions, otherwise I'm...that's all my testimony. [LB613]

SENATOR FRIEND: Thank you, Mr. Schmit. Questions from committee members? I don't see any. [LB613]

LORAN SCHMIT: Thank you. [LB613]

SENATOR FRIEND: Thank you. Any other proponents? Are there any opponents? Any neutral testimony? Senator Dierks waives; that will close the hearing on LB613 and the hearings for the day. [LB613]

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Disposition of Bills:

LB112 - Placed on General File.
LB487 - Indefinitely postponed.
LB566 - Indefinitely postponed.
LB613 - Indefinitely postponed.

Chairperson

Committee Clerk