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Revenue Committee
February 24, 2012

[LB883 LB974 LB1071 LB1135]

The Committee on Revenue met at 1:30 p.m. on Friday, February 24, 2012, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB1071, LB883, LB974, and LB1135. Senators present: Abbie Cornett, Chairperson; LeRoy Louden, Vice Chairperson; Greg Adams; Lydia Brasch; Galen Hadley; Pete Pirsch; and Paul Schumacher. Senators absent: Deb Fischer.

SENATOR ADAMS: It is past 1:30 and we are going to begin this hearing, the last hearing today of the Revenue Committee, unless you all want to come back again just because we enjoy being around one another. We have four bills to deal with today: LB1071, that will be introduced here in a moment by Senator Cornett; LB883, Senator Cook will be here; LB974, Senator Pirsch will introduce; and Senator Haar will be bringing us LB1135. I'd like you to take note of the fact that if you wish to testify today, the first thing you need to do is to go over by the door where you'll find the registration sheets, and you need to fill one of those out before you testify and hand them to the clerk up here, Matt, when you come up to testify. And then when you do testify, if you would state your name and spell it for the record so the transcriber and Matt will be able to clearly hear all of that. I guess we could begin with introductions. Clear over there to the right is Senator Schumacher from Columbus, Senator Brasch from the northeast corner of the state, Senator Pirsch, we hope, will be here--he's got a bill to introduce--and then there is Senator Hadley, from Kearney. We've got Senator Cornett, of course. Senator Louden and Senator Fischer, I don't know that they're going to be with us. I'm Greg Adams, representing the 24th District. Turn your computers and your cell phones off and do your texting and your e-mailing out in the hallway and we'll proceed through this. Senator, did you want to use the light system today or not?

SENATOR CORNETT: I don't think we have enough testifiers that we need to worry about it but (inaudible).

SENATOR ADAMS: Let's keep our fingers crossed, all right.

SENATOR CORNETT: I was going to say if it gets out of control, you can take care of it.

SENATOR ADAMS: Thank you. All right, let's begin, Senator.

SENATOR CORNETT: (Exhibits 1 and 2) Good afternoon, members of the Revenue Committee. My name is Abbie Cornett, C-o-r-n-e-t-t. I represent the 45th Legislative District. As you are aware, the current language in LB1071 was included solely for use as a placeholder for the economic opportunity that you will hear about today. I have given you a copy of the amendment, which is truly a work in progress, but I have brought this bill forward because this proposal was too valuable and timely to dismiss. I'm sorry I surprised you with the amendment right before hearing, but that is when we

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actually got it finished. And it is a work in progress; we were going over it over the lunch hour period. As many of you know, in 2000, the Legislature passed the Convention Center Facility Financing Assistance Act. That piece of legislation has allowed for the construction of two convention centers: the CenturyLink Center in Omaha, previously known as the Qwest Center; and the West Haymarket Arena in Lincoln. The bill provided the economic development mechanism that we now know as "turnback." In short, this formula requires that the state assistance through sales tax dollars would be turned back to pay for the convention center project for certain sales tax generated within a designated distance of the project. There are limitations for what types of sales are included in the turnback dollars, but this legislation has been a game changer for Nebraska in terms of its ability to keep dollars in our state and allow the state to grow its revenue base. This legislation started out as a version of Senator Brad Ashford and I thank him for his leadership. It has been an incredible success. Ten years later, the success of projects like CenturyLink Center have allowed Nebraska to bring new visitors, new dollars, and new opportunities to this state. To this end, I have introduced LB1071, as I was recently made aware of a new opportunity for Nebraska, one that I believe is another game changer for our entire state. As I mentioned, this legislation is a work in progress, as there have been a number of interested parties who have a vested...have vested in taking our state to the next level. These entities represent both public and private interests, and you will hear from a few of them today who, like myself, see the enormous potential this legislation has to take Nebraska to the next level. When I first became acquainted with this proposal, I was presented with a study indicating that Nebraska is losing \$1.15 billion annually in retail sales leakage from Omaha alone to other states. Let me repeat: Nebraska is losing over \$1.15 billion annually in retail leakage from Omaha alone, annually. You should not be surprised, as every time I turn around I hear of people who have recently visited Kansas City and Chicago for a long weekend with their friends or family to shop at retailers that just aren't located in Nebraska. I personally do this two or three times a year for stores that are either in Kansas City or in the Washington, D.C., area that we do not have currently in Nebraska. As we look for dollars to fund child welfare reform, K-12 education, roads, and exciting opportunities for higher education, I believe a real opportunity exists to slow down sales tax leakage and to grow new revenue for our state. As this committee is well aware, we are asked more and more frequently to pass new sales tax exemptions and tax credits. While each of these bills is worthy in their own right, each of them impacts the state's bottom line. It is time that we begin to consider a proposal like this one before you do the opposite. Not only do they stop the current sales tax leakage from leaving the state, but they bring new visitors, new dollars to our communities. You and others have been touting the impact of tourism opportunities for years. We have heard from our tourism industry and we know that Nebraska can and needs to do more to protect and develop our third largest industry. We also know from talking to the tourism industry that Nebraska is able to compete regionally, nationally, and internationally for events. Nebraska's reputation is growing in a positive way, and as a result we are benefitting from events like the College World Series, U.S. swim team trials, U.S. Special Olympics

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games, and the soon-to-be-held Senior Open and other events that draw new people and new dollars to the state of Nebraska. But we can do better. LB1071, although being a work in progress, is about preventing sales tax leakage and leveraging success of existing venues like Cabela's, Nebraska Furniture Mart, the West Haymarket Arena, and the Henry Doorly Zoo, which help bring sales tax dollars that benefit communities all across the state. The project that will be discussed today involves a project that includes a corridor from I-80 to Dodge Street along 72nd Street in Omaha. The intersection of 72nd and Dodge alone sees 200,000 cars per day and remains the busiest intersection in the state. It is truly the crossroads of Omaha and Nebraska. For those of you who may not be familiar, this is an area which despite its blighted designation can be an absolute game and image changer for Nebraska due to its location and its demographics. I'll let others provide you with more details on that. But what LB1071 attempts to do is to provide enabling legislation that allow all cities and the private sector to bring forward destination redevelopment projects designed to stop sales tax leakage and help communities grow their economies. As I have said, this bill remains a work in progress, as we are seeking your input on how to make this proposal an important tool for communities across the state to utilize. Currently, we have individual legislation for specific projects. This bill is not...while we have a project in mind, is intended to be for all communities to utilize. Rod Yates, a highly successful entrepreneur and native of Nebraska, is here as codeveloper for a proposed redevelopment project; and together with 85-years-young, lifelong Nebraskan philanthropist by the name of Frank Krejci, together they have put a plan, Envision, that has potential to take Nebraska to that next level of its ability to retain young people, reinvest sales tax dollars that are now leaving our state, and attract new visitors. LB1071 does not ask us to approve a project and is truly a statewide redevelopment tool for communities. What the language we are working on will do is provide enabling legislation that says if you get a city's approval and the state's approval, you have your project committed, then we will allow you to recapture 90 percent of new sales tax in the designated redevelopment district for 25 years. Existing state dollars are requested...the state of Nebraska is not issuing or backing the bonds. The remaining 10 percent of new sales tax created in a redevelopment district will go to the state, 5 percent going to the General Fund and 5 percent to a Destination Nebraska Tourism Fund that will be used to attract new regional, national, and international programs, travelers, and events from across the state. To be clear, no existing state sales tax dollars are involved, only new sales tax created as a result of a project. The state is not losing any dollars and will continue to receive the baseline sales tax within that designated district. We have purposely left the thresholds with X's, as we needed input from communities on what the right thresholds are. Given the variation of our communities, we do not intend for this bill to be a one-size-fits-all approach. The opportunity you will hear about next does involve Omaha, but its impact on revenues will be statewide. As proposed, the current project involves \$500 million in investment both private and public, 1,000 new jobs, first in new market national retailers, businesses, hotels, entertainment, and tourism destinations. Of the \$500 million, this project involves a \$150 million commitment from

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Mr. Krejci, who has great vision for our state and the contacts to make the project of this magnitude a reality. Nebraska is fortunate to have individuals like Mr. Krejci who choose to reinvest in this state. His success and his willingness to give back to his community is truly remarkable. Of all of these factors, coupled with my opening comments that Nebraska is losing over \$1.5 billion in annual retail leakage, Nebraska, because of its targeted efforts and strong public-private partnerships, is in an enviable position right now to move forward. I want to thank those involved with this project for bringing it forward. I also appreciate their willingness to look beyond Omaha to make sure we have legislation that will assist other communities with substantial development projects to create new jobs, tax dollars, and improve their communities and their quality of life. I ask the committee to consider passing the enabling legislation that we have proposed this year, to put this great opportunity into motion. And, Committee, I will be completely frank, I got the amendment at about the same time you did and I have not actually had time to fully peruse it. So I will be happy to answer any questions I can, I can talk about what the intent of the legislation is, and then I am happy to work with you on those thresholds and those numbers and input from the committee. [LB1071]

SENATOR LOUDEN: Okay. Questions for Senator Cornett? Seeing none, I guess...how many testifiers do we have? [LB1071]

SENATOR CORNETT: I kept it limited. [LB1071]

SENATOR LOUDEN: Pardon? [LB1071]

SENATOR CORNETT: I kept it limited, unlike yesterday. [LB1071]

SENATOR LOUDEN: Yeah, you did. We're fine; we don't have to go to the light. [LB1071]

SENATOR CORNETT: Okay. [LB1071]

SENATOR LOUDEN: First testifier, please. [LB1071]

ROD YATES: (Exhibit 3) Thank you, Senator Cornett, for introducing LB1071. Good afternoon, Mr. Chairman--Vice Chairman Louden--members of the committee. My name is Rod Yates, spelled R-o-d, Yates, Y-a-t-e-s. I am here to testify in favor of LB1071. The gentleman behind you here is passing out our "Vision Book," that I think would be a useful tool to review our thoughts on LB1071 and how it could be applied to the state of Nebraska. My company, in partnership with Mr. Frank Krejci, has looked at a number of assets around the state of Nebraska, and we've got a business model that we're executing today in today's economy where we're really focused on redeveloping assets that are in need of redevelopment or repositioning, that certainly have potential to become great economic assets in the community. And one of those assets, as

mentioned by Senator Cornett, is the Crossroads Mall district, and then another one we're closely evaluating as well is an outlet center out in Gretna, Nebraska, at I-80 and Highway 31. The reason I wanted to use the book today is I was part of the development team that did the Legends project in Kansas City; and I think if we could look at that book together, I think it'd give you a little bit of a better understanding of when I talk about retail, I'm talking more about destination retail. It's kind of a new asset category today; it's very different than traditional retail. And when I do a destination project, a big part of what I'm trying to accomplish is draw a lot of tourism. And as we talk about the Kansas City Legends project, I'll walk you through that. But you can see how that started out, on page 1, is about 2,000 acres of farmland--and that's a photo from 2002, if you look at your first page after the cover--that has now turned out to be an economic engine for the state and the city of Kansas City, Kansas. So in 2002, we were talking about 2,000 acres of farmland. And if you look where Legends is today--and I was involved in this from 2002 and I'm still involved with the asset today--is that it's now an economic engine that last year drew 11.5 million tourists to it, to the Legends development. You know, it puts it on par with Disneyland/Disney World type numbers. It's the number one tourist destination in the state of Kansas. It now encumbers over 2.5 million square feet of commercial space. Again, ten years ago this was a farm pasture, and it's all kinds of different, unique-type retail commercial space. It's become a great attraction for the community. And I think everybody in the Midwest at this point has, for the most part, has seen or used some of the venues there. On any given day, if you go--as an example of one of our destination retailers--if you go to Great Wolf Lodge and you drive through the parking lot, you'll see license plates from Arkansas, Oklahoma, Iowa, Nebraska, Minnesota. So typically, our goal with our destination assets is to draw from a five-state/six-state region. Our trade areas are huge; they're typically 300 miles, so we think this business model applies very well to Nebraska. And with Mr. Krejci, we've got some exciting assets we've pinpointed. We think this vision can work all across the state, either eastern or western Nebraska, and we certainly have ideas and we can talk about that. So if you look at the Legends--second page, here--you get a sense for this. It almost does \$1 billion in sales a year now. Again, 11.5 million tourists came to this asset the last 12 months and it's performing very well. Most recently, we just opened a \$200 million major league soccer stadium. The new casino just opened three Fridays ago, three weeks ago now, and it's off to a great start. But it's all about tourism and new-to-market retail, and that's kind of our strategy to differentiate ourselves in different kinds of retail as we come into communities. The next page that I presented here is called "Destination Retail Defined," and I touched a little bit on that. And primarily, what I'm saying here is we want to bring new-to-market and new-to-the-state retail and commercial to a district. And in the case here in Omaha, it's a great opportunity because as Abbie--or Senator Cornett, I'm sorry--had mentioned, we lose \$1.2 billion to \$1.5 billion of retail leakage every year because the consumers in Nebraska aren't happy with their retail selections. So my focus in merchandising a new district, from Omaha to western Nebraska, is we want to bring the brands and retailers to the community that only want to do one or two stores in this state, and that would be

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the focus of our strategy: so we don't compete with existing retail, we attract ourselves to a much greater trade area. So that's a great point. The focus on this page is, "Why Nebraska," is that as you look at different states around the country, the majority of states don't have the economic favorability that this state does: low unemployment, no housing bubble, great employment, great businesses attracting consumers here. So we think the time is now, in this economy, to attract those brands that are absent. And I tried to touch on some of those in the next couple pages. If you focus on brands that are missing, the next chart here, you can see the brands we're trying to focus on are the Macy's, the American Girls, the Nordstroms, these brands that we know that people are leaving the state of Nebraska to shop at. We want to bring them to this community and to the state, and so we can keep that leakage from leaving the state here. Again, we pointed out again, there's about \$1.2 billion of leakage leaving the state. The next slide that I think is a...the previous slide I should touch on, just a little bit out of order here, is the state of Nebraska has a great destination retailer, probably the greatest destination retailer in the country: Nebraska Furniture Mart. Their typical trade area for a Mart is 300 miles. They'll do three million to four million transactions a year, they'll draw about five million to six million consumers through their stores; and they just represent a great opportunity for us to leverage them in any district that we do, in the case here, in the Crossroads district, the leverage off the kind of draw and destination orientation they bring to a site. So they're a great, great starting point for the Crossroads development and we look forward to trying to build new destination retail around that as well. So the last page here is just a little information on myself--or my company--and Mr. Krejci; and if you want to read that at your leisure, that would be great. But at this point, I'd be happy to answer any questions and we'll go from there. [LB1071]

SENATOR LOUDEN: Questions? Senator Hadley. [LB1071]

SENATOR HADLEY: Senator Louden. Mr. Yates, thank you for coming. It's interesting you bring up Kansas City, because I...we had a discussion last year and I don't remember exactly the bill. I think Senator McGill might have brought it. But if you go east of here and a little south, is it the Power and Light District of Kansas City? [LB1071]

ROD YATES: Yes, that is...the Legends project is in Kansas City, Kansas. The Power and Light District is in downtown... [LB1071]

SENATOR HADLEY: How is the Power and Light District doing? [LB1071]

ROD YATES: The Power and Light District, I think from a merchandising strategy standpoint, if I were--and I'll answer your question, Senator--from a merchandising standpoint, it lacks from a soft goods destination orientation. And I think if you're going to do destination retail, you need to have soft goods and entertainment. The Power and Light District has primarily been an entertainment-focused type asset and I think it suffers from not having a full offering of different venues for the consumers, and so I

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think its centric...their entertainment centric probably hurt its performance. And at Legends, where we've got hard goods, soft goods, entertainment all intermixed together, we've become a much more successful project than the Power and Light District. [LB1071]

SENATOR HADLEY: I just remember the Power and Light District because I did a lot of reading about it last year. If I remember right, the city of Kansas City, Missouri, is on the hook for some significant bond payments and that they were taking tax revenues now from other sources and having to try and meet the bond obligations. Is that a correct statement? [LB1071]

ROD YATES: Yes, I believe that is correct, that the bonds that were issued there are not consistent with the sales that were projected, the performance, so they've had to fund that through other sources to make that up for the shortfalls. [LB1071]

SENATOR HADLEY: The second question I have, two of the ones that were so successful in this project you have in Omaha right now,... [LB1071]

ROD YATES: Um-hum. [LB1071]

SENATOR HADLEY: ...Cabela's and Nebraska Furniture Mart. So how integral are those to the Legends project now? [LB1071]

ROD YATES: Yeah. Well, the Nebraska Furniture Mart is certainly the key retailer that's, I think in my opinion, that's made the Legends project hugely successful. They do several hundred million in sales. You can see on my map in the book there, they project out of a great trade area of over 300 miles that they draw to, so they're key to that particular project. And as we look at the Crossroads as a redevelopment opportunity, certainly I want to leverage off the draw and the destination orientation they have. So it's a great starting point for us as we look at the Crossroads district with Mr. Krejci, that we can leverage off that asset that's in the district today. [LB1071]

SENATOR HADLEY: Thank you. [LB1071]

ROD YATES: Thank you. [LB1071]

SENATOR LOUDEN: Senator Pirsch. [LB1071]

SENATOR PIRSCH: Thank you very much for your testimony here today. And I just want to get a sense, is the project that you've completed...and I have been down there in Kansas City on the raceway and in some of the other features there, but...and it's neat. Is this going to be fundamentally though different here insofar as...I take it you indicated you're looking at the Crossroads as a targeted area, as opposed to this stretch

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of farmland out in a more rural area? [LB1071]

ROD YATES: Correct. Mr. Krejci and I believe today that the opportunity in the development real estate economy today is to focus on redevelopment, and I think Crossroads lends itself today as a great redevelopment asset within the state and that there's a lot of great real estate fundamentals around the site, around the Mart. And I think in the case of being...draw parallels with Legends, I think redevelopment makes the most sense versus green field or farmland in this case. [LB1071]

SENATOR PIRSCH: Okay, so you would argue perhaps that it's even more important of a story for the state insofar as this is redevelopment and maybe possibly talking about decaying areas or areas needing redevelopment as opposed to going out into farmland and... [LB1071]

ROD YATES: Correct. [LB1071]

SENATOR PIRSCH: Okay, here's the other question. So there's a number of retailers here and you said that you're identifying...well, talk to me about what's the...what's in it for the developer? There's certain tax preferential treatment in here. Could you just briefly discuss what...I mean, what is that? What is the state's role in tax preferential treatment? What do you get out of it? [LB1071]

ROD YATES: Well, it's...it...please, yes. As Senator Cornett introduced, what we were looking to do is create a district. And if you look deeper into the bill, we'd like to create conditions where we could create the district. [LB1071]

SENATOR PIRSCH: Um-hum. [LB1071]

ROD YATES: And within the district, we'd like to have the ability to merchandise a district so it draws a lot of its sales tax from outside the metropolitan area, so we know we're hitting on the tourism. [LB1071]

SENATOR PIRSCH: Um-hum. [LB1071]

ROD YATES: We'd also like to make sure that if we do a redevelopment district, that we're creating a lot of jobs; and I think that we proposed a minimum threshold of 1,000 or more jobs as part of the district before we could create the Envision district. So we put some parameters together that draw for jobs, for tourism. If you understand retail today, you can see that it's changing a lot. When you look at the brands like Nordstrom and Saks and Neiman Marcus and American Girl, all these brands today are not just bricks and mortar stores, they're really combining technology as from an analog retailer to a digital retailer. And so as part of our bill, we propose it--in our district as we propose at Crossroads--that we spend a minimum of \$25 million in technology. And so we want

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to do the things that make this district next generation, very productive, draw jobs, create opportunities within the district, and then reach out to a lot of those new-to-the-state retailers. [LB1071]

SENATOR PIRSCH: Sure. But with respect to...and I have to apologize... [LB1071]

ROD YATES: Um-hum. [LB1071]

SENATOR PIRSCH: ...because I was in a different room. But with respect to the tax revenue collected by merchants then in the district... [LB1071]

ROD YATES: Um-hum. [LB1071]

SENATOR PIRSCH: ...and bonding, how does that fit together? If you could just briefly... [LB1071]

ROD YATES: Yes. What we would propose with the bill is that the district has a baseline of sales today. [LB1071]

SENATOR PIRSCH: Um-hum, um-hum. [LB1071]

ROD YATES: And we propose in the case of Crossroads, a 1,600-acre district which very much parallels with Legends; and what we would propose that any incremental sales tax that is generated within that district, from the conditions we applied to the bill, that we would be able to use those in bonding capacity to help build out that 1,600-acre district. [LB1071]

SENATOR PIRSCH: Okay. [LB1071]

ROD YATES: When Legends opened in 2002, it had two or three retailers. Now, it's up to 15 venues that are in the district. [LB1071]

SENATOR PIRSCH: And I appreciate it. [LB1071]

ROD YATES: Um-hum. [LB1071]

SENATOR PIRSCH: So it's over and above existing is the... [LB1071]

ROD YATES: Place. [LB1071]

SENATOR PIRSCH: For the...and I guess the argument is but for the construction of this mechanism, these type of projects would not go...would not be being done in decaying...what is arguably an area that needs redevelopment. I understand, thank you.

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[LB1071]

ROD YATES: You're welcome. [LB1071]

SENATOR PIRSCH: With respect to this idea then of the measurements of...okay, so the sales tax is pretty clear. You said that you have a...the...your strategy then is to attract one-of-a-kind-to-the-state type of...but that's not...I mean that's your strategy, that's not codified in this bill, right? You don't...whichever attractive... [LB1071]

ROD YATES: I think it is. I...that's a great question. I think it does in that if you look at the bill...and our strategy again is not to compete with existing retail in the community we're developing and are creating the district in, and the only way I know how to do that is to really focus on new-to-market retail. And so if I'm bringing new-to-market retail, what our strategy would be--that I think we could prove through consulting studies--is that we're going to draw from a much greater area than the MSA by that merchandising strategy of having retailers that are going to come to Nebraska and just do one or two stores in the state,... [LB1071]

SENATOR PIRSCH: Yeah. [LB1071]

ROD YATES: ...and that would be a big part of the strategy here. [LB1071]

SENATOR PIRSCH: And I'll be quick with the last two questions I have. And with respect to...I know that we're talking about Macy's and Nordstrom. Don't these stores...my understanding, these type of retailers have a strict type of...when they go and look at potential markets, don't they say we look at the MSAs and we look at population within a certain geographical area. Are we really...with some of these, you know, as much as we'd love them to... [LB1071]

ROD YATES: Um-hum. [LB1071]

SENATOR PIRSCH: ...locate here, are they...are their parameters such that they're just not going to be or would this type of a project draw them not with...and have them ignore their otherwise usual rules? [LB1071]

ROD YATES: No, you are correct, Senator, they do have stringent requirements before they'll locate into a market. And typically, in a...we'll just use Nordstrom as a brand, as an example in our discussion here. They're typically going to look for a threshold of a million people or more. And the way we would position this project would be obviously for the entire state, but certainly the primary trade area would be Lincoln and Nebraska--so a 60-mile trade area--so we'd meet that threshold. And I think, as I tried to state up-front, is that if you look at today's U.S. economy and you are Nordstrom and you have a store in Scottsdale, Arizona, well, we know the housing bubble and the

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economic crisis the state of Arizona has had. They've lost 20-30 percent of their top line sales during the economy. So as we've done our road show over the last 12 months, talking and working with these brands, we've proven and shown them Nebraska is a great economic opportunity with low unemployment, no housing bubble,... [LB1071]

SENATOR PIRSCH: Okay. [LB1071]

ROD YATES: ...that Omaha represents a fantastic opportunity for them to build stores in. [LB1071]

SENATOR PIRSCH: So you... [LB1071]

ROD YATES: ...and that's the kind of feedback we've had. [LB1071]

SENATOR PIRSCH: Okay, so you think you can get some top-notch retailers who are not out of state... [LB1071]

ROD YATES: Yeah, absolutely. [LB1071]

SENATOR PIRSCH: ...I mean, who are out of state here. [LB1071]

ROD YATES: That would be a big part of our strategy. [LB1071]

SENATOR PIRSCH: Okay. Okay, and the only other question--I'll be brief--is with respect to some of these retailers, though they're not, you know, we don't have...this is going to be the proposed...the Crossroads is an inner-city type... [LB1071]

ROD YATES: Um-hum. [LB1071]

SENATOR PIRSCH: ...and perhaps a little bit different scenario with, than the Kansas City and if you could comment on this. Yes, if you bring in unique, one-of-a-kind to the state with, say, Kansas City attracted the Nebraska Furniture Mart, there won't be another Nebraska Furniture Mart. But would there be a cannibalization of other shops within the metropolitan area in terms of those who sell carpet or couches or those kind of things? [LB1071]

ROD YATES: No, absolutely not. I think if you've got Nebraska Furniture Mart across the street in part of the initial part of your development strategy, you don't want to focus on hard goods to compete with the Mart. I think you complement it with a lot of soft goods retailers that would complement the hard goods presentation they offer to the consumer. So I think they work really well together and that's how we'd want to merchandise it, and again, focus on those brands that aren't here today that view Omaha as a good opportunity. [LB1071]

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SENATOR PIRSCH: Thank you. [LB1071]

ROD YATES: You're welcome. [LB1071]

SENATOR LOUDEN: Senator Hadley. [LB1071]

SENATOR HADLEY: Just one more quick question. [LB1071]

ROD YATES: Please. [LB1071]

SENATOR HADLEY: Would you be TIFing this project? [LB1071]

ROD YATES: Potentially. I think as we look at the private-public partnership we'd create here with the city and the state, I think today we'd look at all tools that are available. [LB1071]

SENATOR HADLEY: So very possibly it would be a TIF. [LB1071]

ROD YATES: Could possibly be. Please. [LB1071]

SENATOR HADLEY: So that does away with the property tax increase in value; we give away the state sales tax in value. So what's left for the state or the city? [LB1071]

ROD YATES: Well, I mean...the opportunity there, I think, is if we were able to have LB--the bill proposed here--work, I think you'd lessen the need for doing TIF as part of your public-private partnership and...but I think at this point, as we're looking at all our options, I think that TIF is available as a possibility. The area that we're proposing for the initial development here is blighted and substandard, but I think as we work further into this, we could look at the negotiation of sales tax and real estate TIF as being one or both used in the development here. [LB1071]

SENATOR HADLEY: And just one other quick question. Is the city sales tax included in the turnback too, or is it just the state sales tax? [LB1071]

ROD YATES: I think both are considered here. [LB1071]

SENATOR HADLEY: So the city would be turning back 90 percent of its sales tax? [LB1071]

ROD YATES: Yes. Yes, sir. [LB1071]

SENATOR HADLEY: Okay, thank you. [LB1071]

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SENATOR LOUDEN: Other questions? Senator Schumacher. [LB1071]

SENATOR SCHUMACHER: Thank you, Senator Louden. And thank you for your testimony today. [LB1071]

ROD YATES: Thank you. [LB1071]

SENATOR SCHUMACHER: Of course, I haven't had a chance to read through that, so if my questions don't even fit into the parameters of this, just tell me they don't fit into the parameters of this. But I'll take Senator Cornett at her word, and that is that this is a diamond in the rough. Explain to me, if you would, how the money flows. So far is what I'm trying to pick up, you've got a good chunk, but not necessarily big chunk, of private capital in the order of a few hundred million dollars. [LB1071]

ROD YATES: Correct. [LB1071]

SENATOR SCHUMACHER: Okay, and that's coming in private capital. [LB1071]

ROD YATES: Yes, sir. [LB1071]

SENATOR SCHUMACHER: And you're going to go into an area and you're going to fix it up, renovate it to...in this case, an area in downtown Omaha. And then from the increase in sales tax revenue off of that, that money is going to go to help pay down bonds that are taken out to leverage the private capital. [LB1071]

ROD YATES: Yes. [LB1071]

SENATOR SCHUMACHER: Am I close? [LB1071]

ROD YATES: Well, I think you're close. I think it...the easier approach is probably just to redevelop the Crossroads development itself, but I think that would be a complete underutilization of a great hidden-gem asset in the state of Nebraska, which is the 72nd and Dodge corridor. And our thought is, is after we initially get the first part of the development up and built and running and generating a lot of sales tax, I don't think we should stop there. I think if you're going to create a 1,600-acre district, there could be several billion dollars of development opportunity within the district, and I think where we want to use that increment sales tax is, is develop out the district. So what we do on a soft goods level, which is more the focus of the Crossroads 72nd and Dodge intersection, that's obviously more soft goods focused. As you go further south down the 72nd corridor, we think that's where the opportunity is to bring different types of opportunities for destination attractions like LEGOLAND and Great Wolf Lodge, and then I think there's a corporate presentation here as well, where we can use this district,

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through technology, to attract businesses that aren't in the state of Nebraska today. So if you look at Legends again as our case study for this discussion today, it's more than just a soft goods/hard goods story. It's attractions, it's a casino now, it's a sports park or a sports arena with a major league soccer stadium. I think that's what the opportunity here is not just to redevelop a mall; it's to create a new destination district that I would really look forward to branding, that this district would be a great branded district within the state and draw a lot of tourism to them. So I think just a single asset repositioning wouldn't be the best utilization of the strategy here and I think you want to redevelop the 1,600-acre district to bring a lot of different venues to it, so that's how you would use the increment tax. [LB1071]

SENATOR SCHUMACHER: So this district you envision, at least in the present model in Omaha, to be about 1,600 acres. [LB1071]

ROD YATES: Yes, sir. [LB1071]

SENATOR SCHUMACHER: Okay. Now you used the word destination a lot in this description of this. How does this apply to the rest of Nebraska? [LB1071]

ROD YATES: Well, I think there's opportunities. I think there's assets all around the state. If you look at what the economy has happened to a lot of assets around the state, I think there's opportunities in western Nebraska where you draw tourists to different geographic assets, natural assets like lakes in western Nebraska where we could build attractions around those natural amenities and bring a new kind of retail around those tourist-type destinations that are there. So I think it applies differently as you move around the state. Obviously, when you're talking about Omaha in an urban location, it's a different type of format of destination retail. As you move into western Nebraska into rural areas, I think you can create different kinds of destination attractions around some of the natural amenities in the state. [LB1071]

SENATOR SCHUMACHER: But what kind of sales tax revenue does Chimney Rock or the area around it bring in? [LB1071]

ROD YATES: Well, that doesn't create any. But I think if it draws tourists and if we can...what I've typically found, if you're drawing tourists, tourists like retail attractions as well. So if you can build retail attractions around natural--like we said--amenities, we can create sales tax through that, through tourists that are already being drawn to those areas in the state. [LB1071]

SENATOR SCHUMACHER: Certainly not in the kind of money that you're talking here, in the \$100 million range. [LB1071]

ROD YATES: That's correct. It would be definitely at a different scale and scope for

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sure. It would be a different economic model for that type of development. [LB1071]

SENATOR SCHUMACHER: Well, so long as we're chopping at this piece of rock and hoping to find a diamond in it. [LB1071]

ROD YATES: Okay. [LB1071]

SENATOR SCHUMACHER: Do you...is it...could it be, would it be, contemplated under something like this that a collection of cities or municipalities got together under an interlocal agreement to do a joint project somewhere? [LB1071]

ROD YATES: Absolutely. I think by pooling resources together with cities like that to create a great destination development would make a lot of sense and that's certainly something we'd want to explore and make that work for different parts of the state. [LB1071]

SENATOR SCHUMACHER: How would you...obviously, you know, it's easy to probably find somebody who wants to put a few hundred million into Omaha, much less easy to find somebody who wants to put a few hundred million into Paxton or Brule. How would you--seeing as how you're probably familiar with organizing money--suggest that the literally hundreds of millions of dollars that is now sitting out in rural Nebraska looking for a place to find itself to invest, how that be organized to provide the private capital for such a development? [LB1071]

ROD YATES: Well, I think at this point, that would be difficult for me to answer without really digging deep into the opportunity and the needs and the different types of tourism attractions that are in western Nebraska, but I definitely think on a certain scale and scope that that would be attractive. And at this point, I'd have to dig deeper into what the opportunity is there before I could offer a suggestion there. But I think any area that has lots of tourism--which I think western Nebraska does, has access to different parts of metropolitan area like Colorado--I think you can build attractions that would appeal to consumers and tourists, that would make some sense for that part of the state. So, today I couldn't give you a great vision for that, but certainly I think we could. [LB1071]

SENATOR SCHUMACHER: Now, just to get back to reality a little bit. As the...you know, you get the bonds and you use the sales tax growth and money to pay down the bonds, and the bonds are...and the private capital is used to build stores or these malls or whatever. Who ends up owning these at the end of the period? Are they community resources or are they owned by the private party? [LB1071]

ROD YATES: They could. It's done both ways. I know down in Legends, we have some of the assets that are...in the case of the Mart, they own the real estate at the end of the retirement of the bonds. Some of the attractions within the Legends development are

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owned by the city or the state. And then some are owned by the private development. So it's a hybrid of how things are structured as it relates to the bonds, and it's just done more on a case by case, but it's really pretty much a negotiated process for that. And using, again, Legends as our case study here, it was done multiple different ways. [LB1071]

SENATOR SCHUMACHER: So if I'm conjecturing this right, a number of municipalities can get together and designate a specific investment site, put the new sales tax revenue--which would be easy if it was a naked site now--back into the project, and then take them and private investors from those communities could then split the revenue generated by the new location? [LB1071]

ROD YATES: Correct. [LB1071]

SENATOR SCHUMACHER: Thank you, thank you. [LB1071]

ROD YATES: You're welcome. [LB1071]

SENATOR LOUDEN: Senator Brasch. [LB1071]

SENATOR BRASCH: Thank you, Senator Louden. And thank you, Mr. Yates, for your testimony here today. I'm curious, did I hear earlier that we don't have commitments at this point from Macy's or Nordstrom. There is no verbal deal or handshake. This is something that we're renovating, revitalizing, a current shopping center, and hoping when we breathe new life into it, shared fiscally, that they would come? Is that correct or...? [LB1071]

ROD YATES: Well, yeah. Here's typically...and that's a great question. Typically, how I would do a development like this is I would create an investment hypothesis of what I think the vision should be. In this case, we'll talk about Crossroads. And what I would do with that is I would go out and I'd test my hypothesis and I'd want to make sure that I could deliver the brands that I would want to, to make this an impactful development for the state and for the community. Until I get a private-public partnership done, I wouldn't make commitments, because in my industry and where I work I can't make commitments and not deliver them and then expect to be working in that industry much longer. And so at the point where we got a private-public partnership done, the significance we're talking about here, then I'd go back and I would try and secure the brands. And then at that point you would look for me to say: Mr. Yates, have you secured the brands? If we do pass this legislation, can you secure the brands? We would be happy to tie the use of this bill to delivering the brands, so you wouldn't be out there delivering on a bill that we couldn't deliver the brands to. And I think that's where your thought is, is can we deliver the brands without the legislation? You can't. You can't do this without a private-public partnership, but I wouldn't expect you to commit to

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me without having the brands. [LB1071]

SENATOR BRASCH: But these brands have been around for a decade or more... [LB1071]

ROD YATES: Correct. [LB1071]

SENATOR BRASCH: ...and have yet to have a presence in Nebraska. [LB1071]

ROD YATES: That's correct. [LB1071]

SENATOR BRASCH: They're in Sioux Falls, there are other...but to this point, Nebraska has not been of interest, and this is where I'm curious. We've had...you know, when some of these shopping areas were in their highlight of their years, we still didn't have these brands attracted to...I don't know if it's our low population or weather conditions or, you know, what the factors were. And now, just...I'm hearing a friend of mine, her college-graduated farm daughter is in high retail in Portland, Oregon, and these brands are really struggling in Portland high tourists. I mean, are...do we know...you know, assured are we that we will build this, they will come? It's just because we don't have the... [LB1071]

ROD YATES: Yeah. [LB1071]

SENATOR BRASCH: Do we have the market? [LB1071]

ROD YATES: Well, I think...again, it's a great question. And if you're looking at the brands that we'd love to bring to this state, I think the biggest part--or probably not the biggest part, but part of the reason they're here is the venue. Where is...if you're...okay, and we'll use Nordstrom as our example. If you're Nordstrom and you're going to come to this state and you're going to build one store, where would you want that store to be? Do you go to Oak View Mall? Do you go to Gateway Mall in Lincoln? Do you go to Westroads? Where do you put this asset? The compelling story I can tell today to these brands is you want to be right across from the Mart, right? Look at the Mart projected customer pin map. It draws from 300 miles. It does three to four million transactions a year. If I'm a Nordstrom--again, I'm not here speaking on behalf of Nordstrom--but if I'm Nordstrom and I have an opportunity to build one store in the state of Nebraska, and finally, there's a venue I can build that store, this is where you do it; this is the opportunity. This is why I call--I know some of the people are probably tired of hearing me say this--the 72nd and Dodge corridor is one of the biggest commercial hidden-gem opportunities for the state of Nebraska because it will attract the brands that you don't have, and I think the big part of that is having the Mart right across the street, so it's a great story to tell on your road show. [LB1071]

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SENATOR BRASCH: Absolutely. Thank you, I have no other questions. [LB1071]

SENATOR LOUDEN: Senator Pirsch. [LB1071]

SENATOR PIRSCH: If you could help me wrap my arms around it, this, you know, a number of pages here. [LB1071]

ROD YATES: Yes. [LB1071]

SENATOR PIRSCH: If...part of the...if an applicant has previously applied...so they're...you apply for it once you have...as long as you meet this other criteria in terms of distance, I mean, number of acres or whatnot that meets this language,... [LB1071]

ROD YATES: Right. [LB1071]

SENATOR PIRSCH: ...and number of jobs created and the money requirements and all that and then you apply it, to whom do you apply to set up such a... [LB1071]

ROD YATES: The Envision district? [LB1071]

SENATOR PIRSCH: Yeah. [LB1071]

ROD YATES: Yeah, I think the way we envision this--and I think Mr. Bob Freeman is going to testify here next and he's our general counsel and can give you more detail on the inner workings of the bill. But the way we would envision this is that you would create a district or you would propose a district. [LB1071]

SENATOR PIRSCH: Um-hum. [LB1071]

ROD YATES: And you would go to the local city government to create that district, and then from there you would apply to the state for the opportunity to use the incremental sales tax. [LB1071]

SENATOR PIRSCH: It requires both municipal and state approval. [LB1071]

ROD YATES: Absolutely. [LB1071]

SENATOR PIRSCH: Okay. Approval. [LB1071]

ROD YATES: Yeah. [LB1071]

SENATOR PIRSCH: And so...and the exact entity within state government isn't clear at this point, right? [LB1071]

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ROD YATES: Right, I think that's correct. [LB1071]

SENATOR PIRSCH: Okay. And so these are...with respect to the bonds that are issued, these are city revenue bonds, right? Or...? [LB1071]

ROD YATES: Well, I think in the case here, where you're bonding the increment, they would just be revenue bonds. We wouldn't...we definitely wouldn't ask the state to back them, we wouldn't ask the city to back them; they're all going to be bonds that are backed by the sales tax that's generated. [LB1071]

SENATOR PIRSCH: So these would just be corporate, then? [LB1071]

ROD YATES: Yeah, just more of a revenue bond, is... [LB1071]

SENATOR PIRSCH: Okay. Okay, that helped. Are there any limitations or what are the limitations, then, for a...to a, say, municipality? [LB1071]

ROD YATES: Um-hum. [LB1071]

SENATOR PIRSCH: Or, you know, is there a limitation on the number of projects or the number of acres or any limitations on how many of these projects can be going? [LB1071]

ROD YATES: Yeah, I think the way we proposed it in our initial draft--and again, we've all stated it's a working draft... [LB1071]

SENATOR PIRSCH: Yeah. [LB1071]

ROD YATES: ...that each community across the state could create a district, an eligible district that would meet some thresholds. And in...obviously, the thresholds for Columbus, Nebraska, would be different than the thresholds for Omaha or Lincoln, the two larger cities. [LB1071]

SENATOR PIRSCH: Yeah. [LB1071]

ROD YATES: And so what we would propose in the bill is to have different thresholds that are applicable to the population in the different opportunity there. [LB1071]

SENATOR PIRSCH: But only one such district per municipality, is that what it is, or is that open? [LB1071]

ROD YATES: Yeah, I'm not...I think that's open. [LB1071]

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SENATOR PIRSCH: Yeah, okay. [LB1071]

ROD YATES: But in my mind, from a real estate operator, I don't know how you could do more than one district at a time; certainly within a municipality. To make it unique I think you'd want one. More than that, to me, probably wouldn't work. [LB1071]

SENATOR PIRSCH: So as a practical matter, because in terms of the language here, I guess that's not a decided matter. [LB1071]

ROD YATES: I think it's open at this point, Senator. [LB1071]

SENATOR PIRSCH: Okay, thank you. [LB1071]

SENATOR LOUDEN: Other questions? Seeing none, thank you for your testimony. [LB1071]

ROD YATES: Yeah, thank you, sir. [LB1071]

SENATOR LOUDEN: Next testifier? [LB1071]

BOB FREEMAN: Good afternoon, Vice Chairman Louden, members of the committee. My name is Bob Freeman, B-o-b F-r-e-e-m-a-n. I am legal counsel for Mr. Yates and his company, OTB Destination developers, and Mr. Frank Krejci and his company, Century Development, that is the recent buyer and developer of the Crossroads project specifically. I am an attorney in Omaha. Most of my practice involves representing organizations, special projects, and a lot of public-private partnership types of projects. While there is developing in my community this large, signature, community-changing project at the Crossroads site, our goal in creating this draft of legislation for your consideration is really to give our state and all of the communities across the state a new economic development tool, and one that has the potential to grow revenue in any community, grow revenue for the state, and create the possibility of replacing revenues that are currently being lost to us, traveling to and making significant purchases in other states. We propose creating very high thresholds for a project to qualify for this. We think that's the right approach to come at it from. For Omaha, we've set high thresholds. We don't propose to know what those are for other communities across Nebraska, and we invite and welcome your input on that. For Omaha, we think it should be a really significant, community-changing type of threshold. The numbers in this proposed bill are: 1,000 new jobs or more created in Omaha; a \$200 million or more project cost, of which at least \$100 million is from private sources; a project size in Omaha that's at least 100 acres; and, in Omaha, at least 35 percent of the new sales being generated from outside our city. In the drafting of this bill, which is far from perfect--I'm largely responsible for it--there's going to be a lot of criticism I'm sure to be directed; send that

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my way. And we've attempted to incorporate concepts from a lot of other existing legislation. I'm not an expert at bill drafting. Our effort here is serious but very much intended to be a collaborative one and evolutionary in nature; and so we look forward to working with you towards getting all of the right things in here. I'll...you've asked a lot of great questions. I think Mr. Yates provided good answers. I'll touch on a couple of other of the key elements of the bill and also be happy to answer your questions. The state here is not being asked, as Ms. Cornett and Mr. Yates said, not being asked to pledge any existing state revenue, sales tax or otherwise. This is intended only to capture newly generated sales tax revenues from these signature projects for a fixed period. We've proposed 25 years. Of those newly generated sales tax revenues, 90 percent would be captured into a fund to be created that could be accessed to help fund these projects. The other 10 percent would remain with the state. We propose that half of that, 5 percent of the new sales tax revenues, go into a tourism type of fund. I'm familiar with some of the discussions and some of the great needs the state has to invest a little bit more into promotional types of activities. And as we're creating these new projects and investing private and public dollars in these types of projects that will attract more and more people from outside our state, along with the soft things that are working now, such as the sporting events coming to the arena in Omaha, we want to make sure we have an adequate budget for promotion; and so those are the thoughts behind dedicating some of those funds to that type of a fund. The other 5 percent, we propose, is available for the General Fund. Nothing in this bill is intended to make any other projects in any community less likely to happen. Nothing in this bill is intended to impair anybody's personal property rights. The fund that is created is intended to have enough money coming into it not only to fund the initial projects in our communities that apply for and are granted the various levels of approval, city and state, but also to have a little bit of extra money in it so that when a second project comes along that is as big and qualified, in any community, it can access that fund--again, going through the approval processes that are required--and there is a community fund developed that is self-funding and facilitates other projects being done. A lot of your questions have focused on the Nebraska Furniture Mart. I won't elaborate further on that other than to just observe that other cities, counties, and states around the country have identified having a Nebraska Furniture Mart as an extremely valuable asset around which they build an economic development strategy. We're fortunate here. We have one of those already and we haven't had to do anything to attract it. We haven't given anything away. But this is a great opportunity while there is one site in proximity to that asset that is big enough to accommodate a large-scale development to take advantage of the presence of one of those NFM projects and build up an economic development engine around it and in proximity to it. This bill does not require your approval of the Crossroads project, far from it. We're just creating a mechanism. If the bill is enacted, whether it's Crossroads or anything else in Omaha or anywhere else, you've got to go through a local approval process, you've got to go through a state approval process, and there are intentionally high hurdles to clear in doing that. Let me conclude by again inviting your active input and participation. I certainly appreciate the efforts of this committee.

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I...because I knew I would be coming down here eventually, I paid a little more attention this year and I know you have been extraordinarily busy with a lot of really significant projects for our state on your plate, and we all really appreciate the extra effort and attention that your committee in particular is being required to put in this year. I'd be happy to address any questions. [LB1071]

SENATOR LOUDEN: Yes, Senator Adams. [LB1071]

SENATOR ADAMS: Thank you. Thank you for your testimony. This is a captivating idea. I'll tell you I'm not taking this home because my wife tries not to have influence on my decisions, but I could see that potentially could. (Laughter) Let me throw out...and it really isn't specific to this project, all right? But rather, I have a couple skepticisms and tell me where I'm off. The Crossroads is already TIFed, is it not? Has it been declared blighted and substandard? [LB1071]

BOB FREEMAN: Yes. [LB1071]

SENATOR ADAMS: Okay. However, I would assume--unless it's already been done--on a project like this, if you're seeing this move down the 72nd Street corridor, then I suspect there is the creep of TIF down that corridor as well. [LB1071]

BOB FREEMAN: The possibility is there. [LB1071]

SENATOR ADAMS: Possibility. Okay, okay. Having been a former mayor, in fact we probably are at the top of the list in percentage of value TIFed of any city in Nebraska. We used it a lot, it's a good tool. But as Chair of the Education Committee, I get mightily concerned when nobody is speaking up for the school district as all of this stuff happens, all right? So there's one skepticism. The other is, conceptually I get the turnback, all right? We've done it on the Qwest Center, and I think my first or second year in the Legislature we did it again to help refinance those bonds. What I am concerned about, though, is the creeping of that boundary line of turnback. Now, we may have a very good project here and say, okay, here's the boundary line as we see it and we're going to pull that, those sales, that 90 percent of those new sales off of this area, and then, well, we want to grow this project. All right, we can come back and we can talk about the new line, but then we've got this group over here and they'd like us to take that and just pull that line out a little bit further so they can do this. And tourism: we had a bill in here a few weeks ago. Omaha wanted tourism dollars. So can we take that turnback line and pull it out there? I don't want to rain on this parade, but do you see some of my skepticism? And there are things that maybe you don't have any control over, this project doesn't have any control over, but down the road I have the sense we're going to be hearing things again. Can you talk to any of that? [LB1071]

BOB FREEMAN: Those are fair questions. One of the, I hope, right answers is that the

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local controls that we're perfectly comfortable with building into this enable, in my case, Omaha, but any community to have a very public and transparent process to review an application on any particular project, listen to what is proposed for an expanded district around that project. In Omaha, it seems to us to make sense. Since this doesn't exist, we haven't made any such proposals, but to expand it along a natural corridor, 72nd Street to the Interstate 80 corridor, which brings tourist traffic from all over conveniently to this district, that makes sense in Omaha. What would make sense in another community, I shouldn't know, but I know that the local city council, town council, planning board, planning department, the normal administrative processes will formulate strong recommendations and allow for citizen input on what's appropriate. [LB1071]

SENATOR ADAMS: Do you know what got left off of your list? The school board. [LB1071]

BOB FREEMAN: And... [LB1071]

SENATOR ADAMS: Because the law doesn't say the school board has to be at the table; just show up at the hearing like any other citizen. [LB1071]

BOB FREEMAN: Right, right. [LB1071]

SENATOR ADAMS: But that's critical. [LB1071]

BOB FREEMAN: And in Omaha that process worked. When we talked about TIF, creating a TIF district for this Crossroads project, District 66 was... [LB1071]

SENATOR ADAMS: Right. [LB1071]

BOB FREEMAN: ...had to be...had, by law, to be notified. And whether you wanted them to be at the table or not, they got to be at the table and be at the public hearings. [LB1071]

SENATOR ADAMS: Good, good. [LB1071]

BOB FREEMAN: So I think that the education piece, in my community and any other, would also...would have to be addressed. There's no assurance that we would use TIF financing on this project. If we didn't have to and if the city and the developer found an adequate means of not using TIF, the city is incented to save that TIF, aren't they, for... [LB1071]

SENATOR ADAMS: Right. [LB1071]

BOB FREEMAN: ...the next project that comes along in a blighted and substandard

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district. [LB1071]

SENATOR ADAMS: Okay, thank you. [LB1071]

SENATOR LOUDEN: Senator Hadley. [LB1071]

SENATOR HADLEY: Thank you. Thank you, Mr. Freeman. We heard about the project down in Kansas City. And that's in Kansas, so when they talk about bringing out-of-state dollars in, that's going about five miles east, right? Because Missouri is right over, you know... [LB1071]

BOB FREEMAN: Close. [LB1071]

SENATOR HADLEY: Right. So bringing out-of-state dollars is not tough in the greater Kansas City area, is that a fair statement? [LB1071]

BOB FREEMAN: I suppose you have that situation there with the border. It may be similar to Omaha and Council Bluffs. [LB1071]

SENATOR HADLEY: Well, I think Kansas City, Missouri, is probably a lot different than Council Bluffs versus...because Kansas City, Kansas, is...well, I guess I'm...I guess I'd almost be a little parochial. I'm concerned about the Grand Islands, the Kearneys and the Columbuses and other places that, you know, if you want to make this a destination, if they're going to leave...if people from Columbus, Grand Island, and Norfolk are going to go to Omaha to shop, what does that do to...we're having a hell of a time, in outstate Nebraska, surviving. So what do we do? Do we say okay, we'll go ahead and do this and we'll turn back state tax revenues, state tax revenues for the entire state, to do this. [LB1071]

BOB FREEMAN: I think that, number one, the target audience for what we would do in Omaha is really...it's probably not the communities across the state. The kinds of brands being brought in are going to replace sales that people from the communities you identified and others are going to Kansas City and Chicago to purchase those kinds of goods currently, and we want to keep those Nebraska expenditures in Nebraska. We're also going to capture...we're required to capture a significant percentage of people bringing their purchases to Nebraska that aren't currently here. But if...but the opportunity also exists for those communities to figure out what do they have in their community that gives them a tactical advantage that they can build something around and use this bill to develop something signature in a community. I think if people are leaving Columbus to shop in Omaha or are leaving Kearney to shop in Omaha now, I don't think we're going to get all of the much larger purchases from those people with what we're talking about here and with destination retail than we're already getting. We're not going to have something that's, you know, the...we're not going to...I don't

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think that. [LB1071]

SENATOR HADLEY: Okay. And I guess the second point--and maybe it's more of a statement than a question. You know, we're being asked to fund Health and Human Services expansions, TEEOSA state education funding, and we talk a lot about growing the base of Nebraska. And yet we have projects that come in, and we hear them pretty consistently here, of let's give away our tax base, let's give away 90 percent for 20...25 years? [LB1071]

BOB FREEMAN: Twenty-five. [LB1071]

SENATOR HADLEY: Ninety percent of the revenues, the additional revenues, for 25 years. How do I...where is the growth going to come from to help these other areas then in Nebraska? [LB1071]

BOB FREEMAN: That one, if I can, I'd love to answer that. [LB1071]

SENATOR HADLEY: Okay, okay. [LB1071]

BOB FREEMAN: Number one, we're only talking here about, at least in Omaha, a really big project. We're talking about one in Omaha that wouldn't happen but for some kind of state help like this, not a handout. Number three, we're talking about something that is going to add significant tax revenues. We're guaranteeing it's got to add significant sales tax revenues. We haven't even spoken yet, and your question opens the door for that: What are the other benefits to a community and to the state? What other sources of revenue will be developed if we add signature projects like this in our communities? We haven't talked about, you know...we...in Omaha, we'd have to have 1,000 or 1,500 new jobs that are created. There's a lot of state revenue associated with those jobs. We haven't done the numbers, we don't know what those are, but that's growing our pie; and eventually, if our projections are accurate, tens of millions of dollars eventually of sales from the district like the one created in Omaha would drop into the state's budget. But in order to fund the project on the front end, we need a commitment for about 25 years in order to make the financing work. [LB1071]

SENATOR HADLEY: Thank you. [LB1071]

SENATOR LOUDEN: Senator Pirsch. [LB1071]

SENATOR PIRSCH: Thank you very much for your testimony. Don't worry about the language; I think we understand it's the concepts that are important here as opposed to the particular language. But when you speak of the new jobs requirement, how do you...the term new...how...is that...it's not defined in the bill, is it? Or how do you...when you think of new, you're coming into an area and redeveloping it, right? Is it the total

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amount of jobs over and above that which existed on that land before or are these all jobs that are attributed to this new redevelopment effort? [LB1071]

BOB FREEMAN: Probably the latter, but I don't think we've gone too far in trying to define new. [LB1071]

SENATOR PIRSCH: Okay, and then just towards these measurement and definitional...and I understand we're kind of in a rough area in terms of fleshing out definitions. But 35 percent of sales within the Envision district, with respect to, I think, a city in the metropolitan area, have to be to individuals who live outside of the...is it outside of the state or would...outside of the municipality? [LB1071]

_____ : I think it's outside of the metropolitan area. [LB1071]

BOB FREEMAN: Metropolitan area. [LB1071]

SENATOR PIRSCH: Okay. And is there a mechanism in place where you can do that, collect such information to know where the, you know, where they reside, your customers reside? [LB1071]

BOB FREEMAN: There is, and that's one of the...and it's routinely collected. That's one of the reasons that Mr. Yates knows that there are a lot of these retailers--this sort of addresses Senator Brasch's question, too--there are so many of these retailers that are interested in coming to Omaha because they know, from collecting zip code data, that Omahans and Nebraskans are shopping in huge numbers on Michigan Avenue and in Kansas City. [LB1071]

SENATOR PIRSCH: Wonderful, thank you. [LB1071]

SENATOR LOUDEN: Senator Brasch. [LB1071]

SENATOR BRASCH: Thank you, Senator Louden, and thank you, Mr. Freeman. Since you said Senator Brasch, okay, my question again...all right, now, we look wonderful in our economy. Our dollars, our house, you know, everything sounded just absolutely wonderful until I learned...because I...if I'm on a business trip, I will stop in one of these branded places. But a typical family of four here, you know, maybe in Omaha, but you don't just go on vacation to shop at Nordstrom, and it's you're there, so you're going to go there. But if they were coming here and they wanted to come here, couldn't they just make the investment themselves? You know, if we're talking billions of dollars--with a B here--wouldn't there be a wherewithal or a private investor or some sort of excitement that Nebraska's got money, let's build now, fast, fast, you know. Is this working both ways, this agreement? You know, I guess in your industry and experience are you seeing that...we're hearing a lot of technology companies are coming here, or want to,

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and I think that's wonderful, and I think it's wonderful that these companies would come here as well. Where does the investment start and stop? [LB1071]

BOB FREEMAN: There's a couple of different questions there. I'll answer what I think you're getting at, and then clarify for me and I'll try to finish. [LB1071]

SENATOR BRASCH: Okay, all right. [LB1071]

BOB FREEMAN: As Mr. Yates observed, the proximity, the existence of a Nebraska Furniture Mart is a unique and signature destination that we have in this state that we have never really paid attention to. I live not far from there in the midtown area of Omaha, and if you look at what's developed around there, it's been pretty random and it's not high-end by any means. [LB1071]

SENATOR BRASCH: Um-hum. [LB1071]

BOB FREEMAN: There are competitor stores for Nebraska Furniture Mart. But Crossroads, one of the signature mall developments in Omaha, what's happened to it? It's fallen into disrepair. And it's very easy to look at Crossroads and say, well, if you can't even keep Dillard's there, how in the world can you attract Nordstrom and Macy's and Saks Fifth Avenue type of retailers? The answer is surprisingly simple. First, you look around the neighborhood around Crossroads, if we're picking that as the project, and it has only gotten better over the years. And when Crossroads was built, the University of Nebraska at Omaha was OU and it was an entirely commuter campus. It's a much stronger presence in the neighborhood now. Nebraska Furniture Mart wasn't there when Crossroads was built, and so we do have the ability...that's the asset in Omaha. Again, I don't know what it is in the other communities across the state. But in Omaha, the hidden asset to build one of these signature "attract new people and generate a lot of activity" projects is the presence of an NFM--and we haven't done that yet. And if you look around again, from a real estate standpoint, there's only one logical location to put this concentration of new retail and all the things that can happen around it, and that's at the Crossroads site. Frankly, I don't think that my clients, when they first bought the Crossroads at a distress sale, were thinking this kind of grandiose plan. They bought it for not a lot of money, far less than its assessed value, less than half of what it was assessed for. And they thought, well, if you can get something this cheap and put a few bucks into it, somehow you'll make money out of it. Now, this concept is to spend 50 and 100 times the investment that originally went into it because as they've gotten into examining what it is, there is a recognition that there is an asset in a community that can be leveraged into something that can rebirth an entire part or all of a city. And again, I have clients in communities all across the state. I have been spending a lot more time in a lot of cities. I know there are a lot of great things going on in many communities across the state. I'm not here to try to tell you what to do in yours, but I know that the combination of private investment and some public help and a

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public-private partnership, in the presence of a ton of philanthropic potential in this state, creates some exciting possibilities for what this state can do. [LB1071]

SENATOR BRASCH: And agreed, these are exciting possibilities, and economic development is welcome everywhere in Nebraska; and thank you for your work and your time. [LB1071]

SENATOR LOUDEN: I have a question, I guess. Cabela's, we went through something like this a few years ago with Cabela's out there by Gretna or out there along the interstate or something. And we were supposed to give them this turnback or something like that so they could pay their bonds and everything like that, and we didn't do it. And Cabela's came out there and built anyway. What...and I guess Senator Brasch asked the question, you know, of why do you have to have that? If there's so much money to be made there, why don't these businesses just pull in out there? Or why doesn't somebody go ahead and develop the thing and make the money? Why are we having to give this turnback money in order to make this proposition work? [LB1071]

BOB FREEMAN: A couple of comments I would try to make to that, Senator Louden. I'm not fully conversant with the Cabela's legislation. I've heard some about it. This current legislation is not intended to ask the state to do anything with current revenue, nor is it intended to ask the state for any state commitment to the direct financing of any project. I think there's a little bit of separation right there from what Cabela's was proposing. Next, this is very much more in the nature of a public-private partnership. Fourth, what is being proposed here, we're setting some very lofty objectives before a project becomes eligible for this type of funding. I think it far exceeds anything that that single store was proposing to bring to a community in Nebraska. We're talking about a lot of private investment that would be made, a lot of technological investment that would be made that is very forward looking; and we're also looking at trying to bring things to the community that, without some public participation, really won't come. If you look further at the NFM model, they've been solicited by a lot of communities to build another store in various other states. They happened to pick Texas as the next place to go. But they are overwhelmed with opportunities that require minimal commitment on their part financially to go to a community. And again, that's the hidden asset in Omaha to leverage off of, is the presence of one of those retail facilities that brings people in from all over. [LB1071]

SENATOR LOUDEN: In other words, you're telling me that if we don't have this egg basket here for them to get, that they don't want to come in there, even if the amount of money to be made is there? Is that what you're saying when you say they have a chance to go someplace else because they have opportunities with a minimal cost, is that what you're telling me? [LB1071]

BOB FREEMAN: You mean specific retail opportunities? [LB1071]

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SENATOR LOUDEN: Yeah, you're...yeah. [LB1071]

BOB FREEMAN: The...they...we know they haven't come to Nebraska yet. Our focus would be on bringing people to the state who haven't come here yet. So for a variety of reasons, they've chosen not to be here. There's a lot of factors for each different store, why they haven't come here. Finding one site where you... [LB1071]

SENATOR LOUDEN: Well, I've bought stuff in Nordstrom's. That isn't stuff that the average blue-shirt worker goes in there and buys, do they? [LB1071]

BOB FREEMAN: I... [LB1071]

SENATOR LOUDEN: I mean, this is a little bit different clientele than somebody that's the average person that drives a truck or something like that, isn't it? [LB1071]

BOB FREEMAN: Well, hopefully we'll have some stuff that will appeal to a cross section of potential buyers from all over. There aren't any restrictions on the kinds of retailers that would be attracted to this, hopefully. [LB1071]

SENATOR LOUDEN: Now, that Nebraska Crossing, which you're talking about, and you said, what, 1,600 acres for this Crossroads is what you're looking at, 2.5 sections? And how far is that from that Nebraska Crossing? Because they've been trying to...somebody's supposed to have been coming and riding in there on a silver horse here and have that all done up. What's happened to that or where is that at in the process? Are you familiar with that? [LB1071]

BOB FREEMAN: I'm familiar with that, and it's the same fellows on the same horse, actually, who are working on that. And the difference is a merchandising one where they are proposing to have outlet-discount branded retail at the Nebraska Crossing, which is what it was designed as and built out as. It would be hard to turn that into something radically different. But they are proposing to rejuvenate that site, and it would...distancewise, I think it's probably 25 miles from the 72nd Street and...but merchandised and marketed in a really different way and probably not directly competitive. But it's the same guys and they're planning to do both of them. [LB1071]

SENATOR LOUDEN: Okay, but those out there on Nebraska Crossing haven't come in yet asking for anything, have they? [LB1071]

BOB FREEMAN: To...they've... [LB1071]

SENATOR LOUDEN: Well, any state or city... [LB1071]

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BOB FREEMAN: They have...they are in discussions, in all candor, with the city of Gretna about how to structure the financial aspects of a major, you know, multimillion dollar, tens of millions of dollars renovation out there. [LB1071]

SENATOR LOUDEN: But have they asked for any turnback money out there? [LB1071]

BOB FREEMAN: Not yet. [LB1071]

SENATOR LOUDEN: Not yet. [LB1071]

BOB FREEMAN: No. [LB1071]

SENATOR LOUDEN: Do we have that to look forward to? [LB1071]

BOB FREEMAN: You mean the state? [LB1071]

SENATOR LOUDEN: No...yeah, on the Nebraska Crossing? [LB1071]

BOB FREEMAN: It hasn't been a part of any of the discussions that I--and I'm familiar with some of the discussions--hasn't yet been a part of them. [LB1071]

SENATOR LOUDEN: Okay, and then one last question is when I read this bill here...and I agree with it when they say that losing taxable sales to neighboring states because of commercial sales, and they were calling it loss of taxable sales in the neighboring states and all that. Ever since I've been down here, we've always had a bill every year to do away with the sales tax on ag repairs because of all these dealers that are along our state borders, which all the states around us don't have sales tax on ag repairs. And they're crying all the time, sometimes real tears. Now...and it's about \$11 million is what the fiscal note has always been on that. So as a person that's representing a lot of rural areas, why should I vote for this when I really haven't been allowed to vote for this other thing for eight or nine or ten years? I mean, what advantage would this have over doing something to help all of those implement dealers that are all around the state of Nebraska? [LB1071]

BOB FREEMAN: The only two things I could say in response to that are you...there's nothing negative about voting for this bill that would negatively impact that constituency you identified. And on the plus side, if Nebraska ever generates a couple of these special projects, eventually there's going to be significant state tax revenue that you're going to have the ability to redistribute, lower taxes, eliminate a few sales tax things like you identified. You're going to have more money available to you if we can generate some of these big projects. [LB1071]

SENATOR LOUDEN: Yeah, but those implement dealers, if they make money, they pay

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taxes in their local school district. Also, if you make money, you put on your income tax deal where a certain amount of your income tax goes into the school district. So, I mean, we have that; and I don't see that here. [LB1071]

BOB FREEMAN: If you give me some suggestions on how to tie the two together, I'll work on it. [LB1071]

SENATOR LOUDEN: Okay, thank you. Senator Hadley. [LB1071]

SENATOR HADLEY: I just have one other quick question, and I had asked it earlier but I want to be sure. The city of Omaha would have to pledge 90 percent of their incremental sales tax revenue in this kind of project, is that correct? [LB1071]

BOB FREEMAN: I don't...I think Mister... [LB1071]

SENATOR HADLEY: I just heard that was in this amendment. [LB1071]

BOB FREEMAN: Yeah. [LB1071]

SENATOR HADLEY: I...and I can't find it. I just want to be sure that the city of Omaha is going to be a...would be a partner in this and pledging 90 percent of their incremental sales tax revenue to this project. [LB1071]

BOB FREEMAN: I believe the answer is yes. In the discussions I've had with the city of Omaha, I believe that they're comfortable with that kind of a commitment. They're probably going to, you know, commit 100 percent of their sales tax increment to this kind of a project. But part of the outcome of that, Senator, has to be negotiated in the ultimate financing of one of these big projects and a determination of what the actual sources of revenue to support a bond issuance would be. [LB1071]

SENATOR HADLEY: Well, I guess I'm just thinking if I'm being asked to pledge 90 percent of the state's revenues, why wouldn't I ask the city of Omaha to write in the law that 90 percent of their revenues--additional revenues--go to this also, and so that it's just not ending up being a state turnback of taxes, not a partnership turnback of taxes. [LB1071]

BOB FREEMAN: Right. I... [LB1071]

SENATOR HADLEY: And you don't have to answer that, I just... [LB1071]

BOB FREEMAN: I understand your position. I can't speak for the city of Omaha. [LB1071]

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SENATOR HADLEY: Okay, thank you. [LB1071]

SENATOR LOUDEN: Senator Schumacher. [LB1071]

SENATOR SCHUMACHER: Thank you, Senator Louden. And thank you for your testimony today. I've been sitting here. Usually, I'm not quite as quiet. But I've been weighing this rock and it seems to me to have the specific density of diamond, and so help me think. As I see it, there's three economic things operating in Nebraska. You've got the radius of 60 miles from the intersection of 16th and Farnam. That's one set of dynamics. You've got about 10, 12 cities of 20,000 or so that are probably going to increase in population by about 2 percent per year for the next 50 years: Columbus, Hastings, Kearney. And then you've got about 400 or 500 smaller communities that are probably going to continue to decrease in population at a rate of about 10 percent per decade, and there's probably not much we can do about those demographics. The same time, because of the extreme efficiencies of agricultural economy, we have a ton of money. We're not just talking hundreds of millions, we're talking multiples of billions. And that money, right now, is being deployed largely in bonds that finance things outside of this area through the federal treasuries, being deployed on the stock market that gives you queasy feelings. And when you deploy it there, you put the power of that capital in the hands of boardrooms that could give a hoot about Nebraska--shouldn't give a hoot probably, in their paradigm. Or we have it invested in what appears to be an accelerating agricultural bubble in farmland. It's looking for a home. We also have a nasty tendency in this state to think the only place that there is anything is Omaha or in that magic circle of 60 miles of 16th and Farnam. But really, there's another place. That other place has I-76 to Denver, has a Burlington right of way to Denver. It completes a triangle between Fort Morgan, Denver, and the Front Range, which is...the Front Range just dwarfs Omaha in growth. It has an interstate right of way that is going to need to be completely redone with some type of mass transportation, either a four-lane road reconstructed or perhaps high-speed rail, has good fiberoptic connections so far for communications. So there is a site there that is a destination site, which also happens to sit close to a big lake, an inland sea. How can we use the idea that you have here, which is clearly good for Omaha, and apply it to organize the capital that's out there, leverage the new sales tax money that comes from the destination site that could be constructed there, and really do something pretty interesting? Think with me. [LB1071]

BOB FREEMAN: I agree with the premises, Senator, that you set out, the assumptions. Your assumptions I think are valid. And what a bill of this nature would do is lay out a road map for a partnership between a community or communities operating in a...via maybe an interlocal agreement type of an arrangement, to partner with either local private investors or community funds, resources. There are, as we all know, a lot of community foundations around the state that are well-funded and are going to be even better funded as some of our citizens pass on and leave some of their resources to those foundations. Those are potential partners in projects of this nature, particularly if

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you have citizens of a community that is experiencing some real distress, as you portray some of our smaller communities, where if something signature isn't done, then the decline will continue. But maybe there's someone from Ogallala or Columbus or Kearney and etcetera who feels passionately about their community, who still lives there or grew up there, who has done well and is willing to commit his or her private resources, investment, or even philanthropy, to this kind of a project. The exact nature of the project, we just sketch out the outlines of what it "could be, should be" here. It should have a real impact on a community. It should be game changing is the word that I use. But I think there are some possibilities there and I agree with the underlying premises you sketch out. [LB1071]

SENATOR SCHUMACHER: Well, thank you for your comments. I kind of wish we could have seen this six months ago and had time to think about it a little more. [LB1071]

BOB FREEMAN: I'll be around. (Laugh) [LB1071]

SENATOR LOUDEN: Other questions? Seeing none, why, thank you for your testimony. Next testifier? [LB1071]

LYNN REX: Senator Louden, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities, and we're here this afternoon to support this measure because we think that this can have a great application across the state. And I'd encourage you to look on the second sheet of the handout that's entitled, "Envision Nebraska Act LB1071." And they've outlined a number of different key projects across the state. For example, in Grand Island, the State Fair, the Stuhr Museum; out in Kearney, the Archway. I think as Senator Schumacher indicated, just Lake McConaughy itself, in talking to the city manager of Ogallala some time ago I was informed that virtually almost every day you're looking at more cars from Colorado out at Lake McConaughy than you are Nebraska cars; and if we can capture that and create something around that area, I think this would be an exciting time as well. I mean, look at the kinds of things that Scottsbluff and Gering might be able to do with the Monument, with Chimney Rock. I mean, we've got some great things across the state of Nebraska and we really haven't had the ability to try to leverage everything. And I think it's very important to respond to that question that Senator Hadley had, which is that the intent of this bill is that the cities would also--the cities with local option sales tax--would also be putting in the new revenue that they would gain from it as well. So we see this as really exciting for not just an Omaha project, we see this as an opportunity for all municipalities across the state, something that they can do. Now, we realize that the smaller villages--and, Senator Adams, you and I have had this discussion before--some of them may have an opportunity to use something like this; many of them may not. But I think that Senator Schumacher has pointed out something that's really important, and that is just the ability of localities and cities to go together and to try to put one of these types of projects together. It could be really awesome

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because it's not just Ogallala that would benefit from that area. I mean there's some great opportunities, and I would just strongly encourage this committee to advance this bill. We look forward to working with you as a committee. You'll notice that on page 2 of that handout, there are a number of X's dealing with what the thresholds should be for primary-class cities, and, of course, the other classes of cities, the second class and villages. And those thresholds obviously need to be much, much less than they would be for in Omaha, Nebraska. But, that being said, this bill has got great capacity for other cities across the state, and we really would encourage you to advance this bill once you've had time to work on it; and we look forward to working with you. I'd be happy to respond to any questions that you might have. [LB1071]

SENATOR LOUDEN: Questions for Lynn? I have one, Lynn. [LB1071]

LYNN REX: Okay. [LB1071]

SENATOR LOUDEN: As I read this Envision Nebraska--and this is something I'm not sure of, but I thought you could probably give me the answer. Are there some...can cities issue some bonds without a vote of the people? [LB1071]

LYNN REX: Current law allows for some bonds to be issued without a vote of the people, that's true. [LB1071]

SENATOR LOUDEN: Is it these? [LB1071]

LYNN REX: This would not require a vote of the people, no. [LB1071]

SENATOR LOUDEN: They would have to go with a vote of the people to issue these bonds? [LB1071]

LYNN REX: No, my understanding of it, that this bill would not...I mean, perhaps Senator Cornett in her closing can address that, but my understanding is that this would not require a vote of the people. But, for example, let me give you some ways in which I could see that obviously the vote of the people is taken into consideration. We've got 59 municipalities across the state that have already adopted voter-approved LB840 plans. Many of those plans--and I've read tons of them--many of those plans would enable them, already with voter approval, to be able to use funds from their half-cent sales tax or their full cent of sales tax, to use it for a project like this, because it's for the kinds of things that LB840 envisioned. [LB1071]

SENATOR LOUDEN: Okay, one other question, since we've dealt with this here lately. It tells about the new sales tax created that would go with 5 percent to the state and 5 percent to tourism. What about the new occupation tax that they would create out here? Who gets all of that? [LB1071]

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LYNN REX: Well, I guess in terms of...I'll defer to the attorneys here that were involved in drafting this. [LB1071]

SENATOR LOUDEN: Because I don't see any place in it and that's my question. [LB1071]

LYNN REX: I guess I don't... [LB1071]

SENATOR LOUDEN: The cities have been getting quite creative when it comes to occupation taxes anymore, and I mean there could be quite a little bit of occupation taxes levied out there in these areas; and I'm wondering, why don't the state or the tourism get a piece of that? [LB1071]

LYNN REX: Well, with respect to occupation taxes, I can assure you that cities across the state are financially strapped. And one of the reasons why occupation taxes exist...and I know we've had another hearing on this, on LB745, some time ago. But we've got two former mayors sitting here and I can just assure you that they can go back to Kearney and they can go back to York and reflect on what they did when they were mayors and why they had occupation taxes. And why you have them is because it's essentially for the privilege of doing business in that locality. It's not a broad-based tax, not like a half-cent sales tax, Senator. It is targeted toward whatever those businesses are; and I guess I don't see that cities have abused that, I just don't. [LB1071]

SENATOR LOUDEN: Okay, well I didn't ask you why they do it. I'm asking you if in this Envision project, Envision Act, if that should be listed in there on who gets a portion of that. [LB1071]

LYNN REX: I would defer to Senator Cornett... [LB1071]

SENATOR LOUDEN: Okay. [LB1071]

LYNN REX: ...because I don't really...in terms of seeing the bill draft, I just got this bill draft today myself, so in terms of having an opportunity to really review it closely. My understanding is, though, that...I'm guessing with cities that they're going to be looking at sales tax. They're not going to be looking at occupation tax to do this, they're going to be looking at sales tax. [LB1071]

SENATOR LOUDEN: Okay, thank you. [LB1071]

LYNN REX: You're welcome. [LB1071]

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SENATOR LOUDEN: Senator Hadley. [LB1071]

SENATOR HADLEY: And I apologize for being gone, but you just made the comment that cities are financially strapped, which I agree with. Would you contrast that then with giving away the tax base for turnback? [LB1071]

LYNN REX: Yes. I think it's very important that...and I think cities have come to understand, just like when York has made decisions to use tax increment financing--and they are one of the more aggressive cities in using tax increment financing in the state--because sometimes you have to give up a little to get a lot on the back end. And many of these projects...and I think this is one, with the area that we're talking about in Omaha, but again is...when you were out of the room, Senator Hadley, we talked about other areas across the state that could also use this and where it could be valuable for them. But with tax increment financing, when you are dealing, or a project of this nature or throwback sales tax, you're basically putting in an investment so that down the road you're going to be able to generate many, many more dollars. And not only that. Immediately you get to stop the investment...stop the leakage that we're having in the state of Nebraska in this type of a scenario where folks are going elsewhere to shop; so it's an investment. Let me give you a primary example. Look at the Cornhusker Hotel, look at the Marriott Hotel here in Lincoln, Nebraska. That would have never happened in this city but for tax increment financing. That was one of the first tax increment financing projects in the city of Lincoln--and there were senators that were very opposed to that. Senator Warner was very opposed to that. But I can tell you that the folks that were leaders in Lincoln, Nebraska, at that time made it very clear there was no way that anyone was going to come in, take care of the cost of ripping down the old Cornhusker Hotel, whatever that hotel was called. I think...I don't know if it was called the Cornhusker or not. But notwithstanding, I will tell you that there was nobody that could have afforded to do that. So we're looking at the way...how we invest in communities, and we think that tax increment financing should be used only for...but for a test. [LB1071]

SENATOR HADLEY: But I'm not talking...no, I'm talking about turnback taxes. [LB1071]

LYNN REX: Okay. [LB1071]

SENATOR HADLEY: I understand TIF. [LB1071]

LYNN REX: Yes. [LB1071]

SENATOR HADLEY: Okay, so you TIF a project, so you give away the property taxes, right? The incremental property taxes. Then you turn around and give away 90 percent of the sales taxes that go to the city. So, I mean, for 25 years... [LB1071]

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LYNN REX: Yes, but at the end, what you get is a huge economic machine, which you get at the... [LB1071]

SENATOR HADLEY: Okay, but we've got problems right now, don't we? Because we're coming...I'm trying to support a bill that allows the cities to increase their sales tax. [LB1071]

LYNN REX: Yes, and so...and obviously that's our highest priority. [LB1071]

SENATOR HADLEY: So I'm trying to figure out, we want to give away current revenues for something 25 years down the line, and then we want to go to the people and say, by the way, we want you to increase taxes...we want you to be able to vote on increasing taxes in your city right now to fund things. So I guess I'm trying to figure out...is it okay to do something...you know, we'll give away current tax revenues for something 25 years down the line, and yet we want you to be able to vote on raising your income tax or your sales taxes to fund current things. [LB1071]

LYNN REX: Right. But I think that both concepts, I don't think they're mutually exclusive. I think that this is why you have local decision makers that can decide how are we going to grow Kearney, Nebraska, as an example. What's worth an investment? And to me, there is an analogy between the type of investment you make with TIF, which is a "but for" project, because these are "but for" projects. This bill outlines the type of scenario whereby it's...these projects don't happen but for the type of investment that the state of Nebraska would make and that the cities that would want to access it would make. [LB1071]

SENATOR HADLEY: But it takes both TIF, then, and turnback? That's the only thing that the cities have, isn't it? What other...do you have income taxes in the cities now? [LB1071]

LYNN REX: Essentially, that is what the cities have. I'm sorry? [LB1071]

SENATOR HADLEY: Do you have income tax? [LB1071]

LYNN REX: No, of course not. [LB1071]

SENATOR HADLEY: So you've got property taxes... [LB1071]

LYNN REX: Yes. [LB1071]

SENATOR HADLEY: ...and sales taxes. [LB1071]

LYNN REX: That's correct. [LB1071]

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SENATOR HADLEY: So you give away 90 percent of the sales taxes and you give away...and you TIF it, so you've given away...everything for 25 years or whatever the period of time, you've given away. [LB1071]

LYNN REX: But what you do in the meantime is you stop the leakage that's going to other states. And again, the numbers that you were told today, Senator Hadley, only apply to what Omaha is losing, which I believe is like \$1.1 or \$1.2 billion in sales leakage just from Omaha alone. That doesn't take into consideration all the folks from western Nebraska that go shopping out in Colorado, up to South Dakota. I know the folks up in your area, many of them have told me--Mayor Jane Morgan, former Mayor Jane Morgan and others--they go up to Rapid City to shop. So I'm just suggesting to you that we would see this as an...it's a tool. It's an economic development tool. It's a tool that could be used for cities to decide if they want something that is really going to be a game changer in their community and they're prepared to make that kind of investment. [LB1071]

SENATOR HADLEY: Okay, just one last comment. I would hope...if we pass this and any city involved reads about the Power and Light District in Kansas City and sees what Kansas City, Missouri, is faced with right now, from what I've read, about the taxpayers on the hook. I don't know whether you've read about that or not. [LB1071]

LYNN REX: I have. And I think Senator Cornett, in her closing... [LB1071]

SENATOR HADLEY: So, you know, this is always great when we sit and talk about it,... [LB1071]

LYNN REX: I understand. [LB1071]

SENATOR HADLEY: ...that it's 25 years, it's great. From what I've read, this is a tremendous burden now on the Kansas City, Missouri, taxpayers because it's not paying its way and they're using general funds now to pay the way. Is that a correct statement? [LB1071]

LYNN REX: I don't know enough about it to make that statement, but I think that what you've said is accurate and I will tell you that there are those that are in this room--I'm not one of them--but there are those in this room that can clearly make those distinctions between how this project and how this bill would operate is fundamentally different than the way in which that district was put together. [LB1071]

SENATOR HADLEY: Okay, thank you. [LB1071]

LYNN REX: You're welcome. [LB1071]

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SENATOR LOUDEN: Seeing no more questions, thank you, Lynn, for your testimony. [LB1071]

LYNN REX: Thank you. [LB1071]

SENATOR LOUDEN: Next testifier? Was that the last one? Let's see, now we need...opponents? And do we have neutral? And Senator Cornett, you may close. [LB1071]

SENATOR CORNETT: And I'm going to make Senator Adams crazy because I've been taking notes, and frankly, my iPad is much better to do that with because I can't read my own handwriting half the time. First, Senator Hadley, I'm going to address some of the other questions first. Senator Brasch, you mentioned that people go on vacation and, if a Nordstrom is there, they happen to stop in and shop. Well, I know that a lot of younger families, particularly with kids now, specifically go to Legends, and we are one of those families. What we do is we book a weekend at Great Wolf Lodge. Now, when we go to Great Wolf Lodge, we go over to the shopping area next to it, we have dinner, then we drive to the American Girl doll store, which not in Legends but it's within driving distance, within 15 minutes or so, maybe 20, and we shop more because then there's a Macy's and there's a Nordstrom. That is our family vacation. And a lot of young families center their trips around things like Great Wolf Lodge, around things like Nebraska Furniture Mart, around things like the American Girl doll store. It was kind of a joke. Senator Lathrop and I were kidding back and forth, and he said that he goes to Chicago to buy suits. And I say, well, I drive three and a half hours to go to a doll store--and I hate dolls, but my daughters love it. And every single time...you don't go into the American Girl doll store with three daughters and come out with less than \$300 gone out of your checking account; it just doesn't happen. Senator Adams, you're exactly right on TIF. Because of the way this originally manifested itself in Omaha with the TIFing of a large area, it was originally the largest TIFed project in the history of Nebraska. It caused me to introduce a bill in Urban Affairs that...because of...and it wasn't just, as I was accused later, as a response to Westside being upset. Every time a project is TIFed, all of that forgone valuation or increase in valuation over the period of the TIF, that has to be made up in TEEOSA, which comes out of state funding; plus, there is lost revenue for the school district. I have a bill in Urban Affairs that basically says that if you're going to TIF over a certain percentage--and they're still working on that percentage--that the city has to sit down and discuss the project with the local taxing authorities, because it's not just a school district that is affected when you TIF a project. It's the community colleges, it's anyone that receives property tax. So I think that a TIF, while it is an amazing tool for development, is something that needs to be a community effort; and that was the point of introducing the bill. I know the Urban Affairs Committee is looking at that, along with Senator Mello's increasing the time period for TIF. I don't personally know if I agree with that portion of it, because when you increase

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the time period from 15 to 20 years, you also increase the debt because it takes that much longer to pay off the bonds. Senator Louden, you asked about Nebraska Crossing. Nebraska Crossing is being worked on by the same developers as the Crossroads. You're talking about two different types of development. And I know they are in negotiations with the city of Gretna on using LB1018, which was a bill that I passed I think three years ago now, maybe two years ago, in regards to local option sales tax turnback being dedicated solely to the project. It was done for the Ralston Arena type bill, and that...well, one was LB1018 and one was LB1081. But it allows a local municipality to turn back their sales tax towards a project. Let's see. When you talk about bonds, Senator Louden, we've had a number of discussions with this project because a lot of the models we've looked at it is actually the private investor that holds the bonds or it would be the city of Omaha that holds the bonds. I think the primary difference with that and a lot of other projects is who would hold the bonds. This is a public-private partnership. When you talk about occupation tax, I think that we have kicked a bill out of this committee that limits the use of occupation tax, new occupation tax. So if that bill proceeds to the Legislature like I have a feeling it will, there will be no new occupation taxes without a vote of the people. We voted on it last week; it's Senator Fischer's priority bill. Senator Hadley, a couple of things. When you talked about the Legends project being in such close proximity to Missouri...and it is not comparable for Omaha being in close proximity to Council Bluffs. But the demographics of who is supporting Legends is a huge number of Nebraskans. I saw figures earlier this year that that is one of our major destinations. You go down there, you go to Great Wolf Lodge, you go to Legends shopping mall, you go to the Speedway--which is not something I do--it's Nebraska plates. And I'm going to say a dirty word here: It's a little bit like crossing the river and going to the casinos. We don't have these types of shops. Excuse me, I don't want to miss anything. Sales tax turnback. One of the things that I've been in open discussion with the city of Omaha on are two concepts. I said, one, I'm uncomfortable with you TIFing a project and then asking for turnback because the state is paying twice. I can maybe live with that if it's only new dollars, but you have to be willing to commit your sales tax turnback. This has got to be a public-private partnership between the state, the municipality, and the private developer. When you talk about Legends...or not Legends. Legends is a completely different model than Kansas City Light and Power. And I cannot remember...I believe you were in the Legislature when this occurred. The Urban Affairs Committee kicked a bill out as their second committee priority that was Senator Rogert's bill. Senator Rogert had gotten a bill into Urban Affairs--and somehow it was not referenced to Revenue--which allowed the developers, or who was ever inside of an entertainment district or an entertainment zone, to be the ones that voted on a sales tax increase to develop it. The general obligation fell back on the state of Missouri for that. There were none of the safeguards in place. And I seriously doubt Senator Rogert has ever forgiven me for this, but I killed the second committee priority bill because it gave taxing authority to a limited, small group of people that wasn't defined, that obligated the entire state to a project. I don't think that's good public policy. This, in what we are trying--and like I said, I have not read the

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amendment--I know it needs work. We are trying to set up a framework where there are checks and balances, that there's equal contribution for the betterment of the whole state from all the parties involved. So, it has to be approved by the city and the municipality first. The private investor has to say here's our money, all right? The city has to go, okay, I think this is a worthwhile project; and then it has to go to the state for approval just like any of our other turnback projects. And if at any time in any of those steps it's not found to be a worthy project overall for the state or for the development, then it's turned down. When you talk about giving away all of your base, that was my concern with the TIF and the sales tax turnback. But when you create 1,000 jobs and when you create this large of a district and you bring in this much tourism dollars, they're not just going to stay in a ten-block area. They're going to go to the zoo, they're going to eat in our restaurants, they're going to go to the museums, they're going to shop in other areas outside this district, and that is going to generate revenue overall for both the state and the city. Legends has been hugely successful. They were able to pay off the bonds way before the deadline. Texas is looking at a similar project. Yes, Kansas City Light and Power has flaws. I say the way it was structured was fundamentally wrong to begin with, and I'd be happy to provide you with the details and the data on how that is different than Legends, because they use two different mechanisms completely for financing. With that, I would be happy to work with the committee over the next few days. We are limited on time. But overall, when this project was brought to me...and Natalie Peetz, who has been lobbying for this, we have brainstormed a lot, because, frankly, I get tired of project-specific; that's all we hear. The Qwest Center, Haymarket, Ralston Arena, we are setting up competing legislation based on the size of cities. Our turnback zones are different because of the size of the city, the level of the density of development, and we're having to...everybody is being held to a different standard. What we are trying to do with this bill is set a framework for a development tool that any municipality can use, with the proper checks and balances put in place by the municipality, the private developer, and the state, understanding that it would only be new growth that's turned back to the project from the state level. With that, I would be happy to answer any questions. And Senator Adams, I again apologize for the iPad. [LB1071]

SENATOR ADAMS: I'll tell you, I thought I was going to have to throw you out of your own committee. [LB1071]

SENATOR CORNETT: You're more than welcome to try. (Laughter) [LB1071]

SENATOR ADAMS: You might want me to, given the hour, right? [LB1071]

SENATOR LOUDEN: Senator Hadley. [LB1071]

SENATOR HADLEY: Thank you, Senator Cornett, and you answered a lot of questions. And I hope no one takes this personally, but this is a very significant policy issue.

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[LB1071]

SENATOR CORNETT: It is. [LB1071]

SENATOR HADLEY: It's the last day of hearing bills; we get it 15 minutes before we debate it. So, no wonder, there's no...anybody here. Well, you can't have opponents when they don't even know what the thing is, do they? [LB1071]

SENATOR CORNETT: I will actually tell you the... [LB1071]

SENATOR HADLEY: So how do...how...let me finish. [LB1071]

SENATOR CORNETT: Yeah. [LB1071]

SENATOR HADLEY: So how are we supposed to have a fair hearing when you give us something 15 minutes, with this magnitude, to make a decision? Plain and simple. So we could have had 20 opponents sitting here. But you can't send something to us, with this magnitude, 15 minutes before we're supposed to make a decision. Or not...I mean to have a hearing where this is supposedly open to the public. [LB1071]

SENATOR CORNETT: And I understand your frustration on that. I will tell you, though, we have in the past done very large what's called placeholder bills, and I will tell you why it was very simply just opening that section of statute. We did not know if we were going to be able to even conceptualize this in time; and this has been pretty much a race against the gun, so to speak. We've been having a number of meetings with the city of Omaha and with the developers and with bond counsel, with the attorneys, on in regards to how to draft it. And that was exactly what I said at lunch, and Senator Schumacher was with me. I'm like, I'm going to go into the committee and I'm not even going to have read this. And frankly, six years ago--Senator Loudon would remember this--when I was Chair of Business and Labor, we committee prioritized a bill that was two sentences long and kicked it out to the floor with a priority before we even had it drafted, because it was such a long-term complicated issue. And Senator Raikes, God love him, as we were discussing at lunch, kicked out a 250-page amendment at 11:30 at night on LB1024. Sometimes, because of the nature of what we do, we are faced with deadlines and we are expected to assimilate a lot of information quickly. And I think everyone here knows that I will be in contact with all of the municipalities, and that's part of the reasons Lynn Rex is here. And trust me, one of my mayors from Sarpy County last night was apparently very...he was like, what the heck is this? And that was just with the outline, that wasn't with the amendment. We are going to be getting feedback and that is part of the process, and I will assure you that I will send that out to everyone so we can get feedback; but it literally just got finished this morning. [LB1071]

SENATOR HADLEY: So, for the record, Senator Lathrop prioritized this bill... [LB1071]

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SENATOR CORNETT: Yes, he did. [LB1071]

SENATOR HADLEY: ...without even having any idea, not seeing the amendment, not knowing what was going on? [LB1071]

SENATOR CORNETT: Absolutely not. [LB1071]

SENATOR HADLEY: He knew? So he saw the amendment before we did? [LB1071]

SENATOR CORNETT: He had not seen the amendment. Like myself, he knew the concepts behind the bill and what we were trying to get drafted. [LB1071]

SENATOR HADLEY: All I'm saying is I'm a committee member and I represent all of the state of Nebraska. [LB1071]

SENATOR CORNETT: Yes. [LB1071]

SENATOR HADLEY: And I want people in the state of Nebraska to know what's going on in this committee and have a chance to come in and be the second house of this body. And when we get something of this magnitude, 15 minutes before, I'm sorry, it just bothers me--and I don't care if it was my bill. Enough said. [LB1071]

SENATOR CORNETT: And I am not disagreeing with that. Senator Schumacher? Oh, sorry. (Laughter) Old habits die hard. [LB1071]

SENATOR SCHUMACHER: I hadn't seen this bill or had any clue that it was anything other than what it appeared until I heard that there was something different going to be presented this afternoon and heard that at noon today. I share your concern. Is...I mean, and we've got to play fair. Is there any way, is it within the committee's power to hold this hearing open and give an opportunity...I'm really intrigued by some of the concepts in here. [LB1071]

SENATOR CORNETT: I would be more than happy to check with Patrick and the Speaker on how we can hold a public hearing or an open discussion on this. I'd be more than happy to do that because I think we do need to have input from our other municipalities. And that's why, if you look at the amendment, it has X, X, X, because those numbers are what we need to determine for the smaller communities and rural Nebraska. [LB1071]

SENATOR SCHUMACHER: Don't we have it within (inaudible)... [LB1071]

SENATOR LOUDEN: We can go ahead and hold a hearing like that. We did that on

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LB741 that time,... [LB1071]

SENATOR CORNETT: LB741, yes. [LB1071]

SENATOR LOUDEN: Guttled the thing. And it was after everything started, the hearings were over. And then we went ahead, advertised another hearing... [LB1071]

SENATOR CORNETT: Um-hum. [LB1071]

SENATOR LOUDEN: ...and had a hearing on the bill as it was amended and brought forward to there, and had our vote on it. So it can be done. It isn't... [LB1071]

SENATOR CORNETT: I'll warn you, you'll have to give up your lunch hour. [LB1071]

SENATOR LOUDEN: It isn't that. [LB1071]

SENATOR CORNETT: I'll bring in pizza. [LB1071]

SENATOR LOUDEN: I think you've got to wait two or three weeks in order to advertise it. [LB1071]

SENATOR HADLEY: You know, I've made my point; I'm not going to say any more. [LB1071]

SENATOR CORNETT: Um-hum. [LB1071]

SENATOR LOUDEN: (Exhibit 4) Any other questions? If not, Mayor Suttle...I'll read it into the record. For the record, Mayor Suttle from Omaha has a letter in support. And with that, then I guess we'll close the hearings on that and go to LB883, Senator Cook. Go ahead whenever you're ready. [LB1071]

SENATOR COOK: Thank you, Senator. Honorable members of the Revenue Committee, my name is Tanya Cook, that's spelled C-o-o-k. I'm the state senator representing Legislative District 13 and I'm the introducer of LB883. I introduced LB883 to offer an easy way for Nebraskans to start or contribute to the 529 savings plans offered by the state. This bill would allow for direct deposit from Nebraska income tax forms into an established 529 college savings account. As you may well know, 529 college savings plans began in 2001. These investments encourage families to prepare for their child's college expenses; 529 savings plans allow tax-free investments as one saves for college. Account owners also qualify for up to \$5,000 Nebraska state income tax deduction. We're all aware of the value of a college education, especially for low-income families. A college education will greatly increase the earning capacity of a person and will help break the cycle of generational poverty. The concepts here are

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targeted at that goal. Nebraska is honored to have the highest performing 529 savings account in the nation. There are currently more than 50,000 Nebraska families taking advantage of 529 accounts. However, my feeling is that one challenge with the program is the fact that low-income families, the families that would benefit most from the dedicated college savings plans, are currently underutilizing the program. Allowing for direct deposit from state income tax forms will make it easier for low-income families to consider this investment in their children's futures. LB883 is a simple concept that will make it easy to contribute to these plans at a time when Nebraska's families might have some additional funds with which to do it. Again, it also provides a great way to promote and educate the public about this state resource. There has been some opposition or some concerns raised about the proposal. There should be, among your records, a letter from the State Treasurer and perhaps some communication from the First National Bank of Omaha. There are issues that need to be ironed out in order to advance the bill. I understand that at this point in a 60-day legislative session, with priorities such as child welfare, etcetera, this policy proposal may require the introduction of a legislative resolution to examine and solve the technical issues raised by the Treasurer and by First National Bank. Additionally, I seek to examine other ways to promote college savings among low-income families with such a resolution. I appreciate the committee's attention to this matter. I anticipate that the hearing today will reiterate the interest in this concept by all the involved parties, and I look forward to continuing to work with the Revenue Committee to find solutions to the issues raised. I appreciate your consideration and support of LB883. [LB883]

SENATOR LOUDEN: Questions for Senator Cook? Senator Schumacher. [LB883]

SENATOR SCHUMACHER: Thank you, Senator Louden. Thank you for being here, Senator Cook. When you say encourage low-income families to contribute, what number are you using as low income? [LB883]

SENATOR COOK: We had not identified a particular level of the federal poverty as a target, but that is absolutely something we would want to codify--that we could look to codifying. The concept would probably better be described as a way to encourage low-income or working poor or working families to utilize this opportunity from a tax return or refund, while it's there, to just go ahead and allocate money from that refund. So, as of right now, there is no rate of poverty, there is no number that defines and there's no language in the proposal that defines low income. [LB883]

SENATOR SCHUMACHER: I guess what I was getting at is because if you are low income, chances are...well, Nebraska's income tax withholding on low income is very low. [LB883]

SENATOR COOK: Um-hum. [LB883]

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SENATOR SCHUMACHER: ...and you may not even cross your deductions, so there may be, you know, nothing for them to...you know, no refund for them from Nebraska that amounts to enough to make a meaningful deposit. [LB883]

SENATOR COOK: Um-hum, right. Very good point. [LB883]

SENATOR SCHUMACHER: Thank you. [LB883]

SENATOR COOK: Thank you. [LB883]

SENATOR LOUDEN: Senator Hadley. [LB883]

SENATOR HADLEY: You mentioned letters from groups. I guess we haven't seen any letters from people. [LB883]

SENATOR COOK: (Exhibits 5 and 6) I have a letter that I have with me, that is from our State Treasurer, Don Stenberg, outlining some technical and administrative issues, and you are "carboned." It was my understanding that...it says, "Dear Senator Cornett and Members of the Revenue Committee," so I guess I made an assumption that it had been delivered to each of you via e-mail or in hard copy. But I could certainly be willing to turn my very own copy--mine's a little marked up--over to the page so that he could--yeah, go ahead and make a copy of that, thank you very much--so that you could have it for your records. And the one...as well as the letter from the First National Bank of Omaha. [LB883]

SENATOR LOUDEN: Other questions? I have a question, Senator Cook. In order to make this work, you would have to have one of the...this educational account with the state of Nebraska, right? [LB883]

SENATOR COOK: Yes, sir. That would have to be an established account. [LB883]

SENATOR LOUDEN: Okay. And now, if that account...then you, on your tax return, then you would designate that account by number or whatever it is? In other words, grandparents or parents that you wouldn't have to be just a parent to contribute to that account. Different people could contribute to that account so long as they put that particular number on there, is that what it is? [LB883]

SENATOR COOK: Yes. [LB883]

SENATOR LOUDEN: It's open to anyone that wants to contribute to that account. [LB883]

SENATOR COOK: Absolutely. I did not...the legislation is not conceived to prohibit

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anyone from designating any portion of a tax return to any 529 account. I guess when you're imagining it, you don't think that that would be something that would be abused, that people would be very careful to outline and identify which account they wanted that money to go to. [LB883]

SENATOR LOUDEN: Okay, good enough. Other questions for Senator Cook? Seeing none, thank you. First proponent? [LB883]

AUBREY MANCUSO: (Exhibit 7) Good afternoon, Senator Louden, members of the committee. My name is Aubrey Mancuso, A-u-b-r-e-y M-a-n-c-u-s-o, and I'm here on behalf of Voices for Children in Nebraska. We're here in support of LB883 because we believe it will make it easier for families to save for higher education. The rising cost of tuition has moved higher education out of reach for many families. College costs increased 439 percent from 1982 to 2007, and during that same time period the median family income rose only 147 percent. Furthermore, students are increasingly graduating with significant amounts of debt. In 2010, 62 percent of Nebraska college seniors graduated with debt. An average debt amount was a little over \$21,000. These trends have made saving for higher education significantly more important. Attainment of higher education benefits not only individuals, but also our state's ability to meet future work force needs. A projected 66 percent of Nebraska jobs will require postsecondary education by 2018. In 2010, 37.6 percent of Nebraskans had some form of postsecondary degree, and only 50.2 percent are projected to have a degree by 2025. According to the National Center for Public Policy and Higher Education, the issue of how America will finance higher education in the twenty-first century will require a new framework and consensus among taxpayers, public officials, state and federal government, and student and families. Many states and cities have already started taking steps to encourage higher educational savings. LB883 is by no means a panacea for the issue of affordability in higher education, but it does take a simple and low-cost step towards encouraging families' key role in saving for higher education. The limited research available in this field also suggests that the presence of an educational savings account could increase postsecondary aspirations. This research also suggests that having an educational savings account is likely to have a positive effect on children's college progress, even when other factors impacting college success are controlled for. LB883 is a practical and low-cost way of encouraging more families to save for their children's education at a time when they may have extra resources to do so. And I understand that there are issues that need to be addressed technically with this bill, but we hope that the committee will consider addressing those issues and advancing this bill. Thank you. [LB883]

SENATOR CORNETT: Senator Hadley. [LB883]

SENATOR HADLEY: Just one quick question. So I understand this...people can do this now. All we're trying to do is to make it easier, is that correct? [LB883]

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AUBREY MANCUSO: They can save in a college education account. They can't do it at tax time. And, in fact, our state tax refunds can only be deposited into one account, and I'll...there's a testifier going after me who can talk a little bit more about how that process works. [LB883]

SENATOR HADLEY: Okay. [LB883]

SENATOR CORNETT: Further questions? Seeing none, thank you. [LB883]

AUBREY MANCUSO: Thank you. [LB883]

SENATOR CORNETT: Next proponent? [LB883]

NANCY LIVINGSTON: (Exhibit 8) Good afternoon. My name is Nancy Livingston, N-a-n-c-y L-i-v-i-n-g-s-t-o-n, and I'm here on behalf of the Omaha Earned Income Tax Credit Coalition, to provide testimony in support of LB883. The Omaha Earned Income Tax Credit Coalition administers the free tax preparation services through the Volunteer Income Tax Assistance, the VITA program, for the Internal Revenue Service in the Omaha metro area, providing both federal and state tax returns for current and prior years for over 6,000 low- to middle-income Nebraskans each year. As a VITA coordinator and a coalition member, I'm here to speak on behalf of our 60 members in support of LB883, to allow taxpayers to choose to deposit part of their state refunds into a college plan, plan 529 savings account. We educate our customers about their finances by helping them to understand their tax return and the many opportunities it presents for a family to improve their financial stability. When we see a W-2 with an employer-sponsored retirement plan but notice a customer does not contribute, we alert the taxpayer to this missed opportunity to save for the future. When our customers benefit from tax credits, we always ask them how they plan to use the refund; and we encourage savings, planning for their children's future and their own retirement, or other goal-oriented savings, such as becoming a homeowner. Most of our six sites, in multiple mobile locations, offer customers financial education seminars, programs, credit reporting and counseling, bank accounts, and low-cost debit cards, with which customers can develop a working relationship with responsible businesses and financial institutions in the community. We have seen a growth in savings habits in our long-term customers over the last year of over 40 percent. Having another opportunity to facilitate saving but directing a portion of that tax refund into a tax-favored college savings plan is not only a good, simple idea, but an innovative opportunity for Nebraska's future. On Monday, February 20, a customer in our coalition office wanted to use part of her refund to open up a U.S. savings bond. In talking with a certified tax advisor, the woman stated: My 10-year-old daughter told me the other day that she wants to be a doctor; I don't have any savings for her college. The tax advisor printed off information on bonds, and then suggested that the woman consider a college savings plan. She printed off

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information on the four college savings plans in Nebraska and encouraged the taxpayer to read over the information and then call the contact phone numbers for the plans as she made her decisions. Next year, it would be wonderful to ask her to dedicate part of her Nebraska refund to the plan she establishes for her daughter. The process is simple, not costly to the state, and a convenient way for working families to save for the future. It is unique, since to our knowledge no other state has devised a way to split a refund for such a noble cause. The proposal in this legislation is future oriented to strengthen Nebraska families by laying a strong foundation of savings, planning, incentives, and hope for a better-educated, goal-oriented generation to meet the challenges of the future by carving out a commitment to our youth in these very uncertain economic times. For a family to dedicate part of their tax refund, which represents a year's worth of labor and sacrifice, to such a noble goal is a winning scenario for all. Please act now, not only to pass this bill out of committee, but to also support its passage into law. Thank you. [LB883]

SENATOR CORNETT: Questions from the committee? Senator Pirsch. [LB883]

SENATOR PIRSCH: Yes. And you may not know this, but what is right now, in terms of participation for this program that's administered by the Treasurer's office, the Educational Savings Plan Trust, what is that percentage of all...? [LB883]

NANCY LIVINGSTON: And I don't have information on that, Senator, I'm sorry. [LB883]

SENATOR PIRSCH: Don't know. Okay, that's okay. Thank you. [LB883]

SENATOR CORNETT: Senator Hadley. [LB883]

SENATOR HADLEY: Just one quick question, the same question I asked earlier. Really we're not changing anything but we're just making it easier for a person to make this, because they could take the check, their refund check, and write a check to their college savings plan, is that correct? [LB883]

NANCY LIVINGSTON: They could. But as a tax preparer, I've seen young families come in and walking away with a refund of--both federal and state refund--of almost \$4,000 to \$5,000. And to be able to have that opportunity right then and there to make the decision to save for that child's future would be overwhelming. [LB883]

SENATOR HADLEY: Okay, thank you. [LB883]

NANCY LIVINGSTON: You're welcome. [LB883]

SENATOR CORNETT: Seeing no further questions, thank you. [LB883]

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NANCY LIVINGSTON: Thank you. [LB883]

SENATOR CORNETT: Are there any further proponents? Opponents? Neutral? Close? Waive? (Laugh) Whatever you want. [LB883]

SENATOR COOK: Good afternoon, colleagues and gentle members of the Revenue Committee. I would like to first thank you for your time and to respond to Senator Pirsch's question, Senator Pete Pirsch of the 4th District. I have a statistic that more than 50,000 Nebraska families are currently taking advantage of those accounts. I don't have the arithmetic in terms of a percentage of people within the state. I hope that helps. And as I said earlier, due to the lateness on the calendar and some questions that have emerged, now I see that you have a copy of the letter from the State Treasurer and a letter of support from the First National Bank NEST program, as well as testimony from the EITC advocate, I think it is a wonderful idea. In my time here in the Legislature, which has gone by very quickly, I've tried to identify legislative proposals that have the potential to live a long time, whether that be through the practice of having that line on your tax return, an opportunity to do it to save for a 529 plan, or continuing your education or starting your life over at a community college. And this just is part of my world view in terms of what it takes to make policy that encourages the kind of society we all would like to enjoy, and future generations, so. [LB883]

SENATOR CORNETT: Senator Hadley. [LB883]

SENATOR HADLEY: Senator Cook, thank you. I appreciate your bringing this. I guess the one thing that I...you know, as we work through this, possibly through a legislative resolution and such that is, do we open the door that when we...you know, what's the next good project that will come in and say I want a line on the tax return that...? So I guess to think about is, what's the rationale that this is better, that this should be on the tax return and something else shouldn't have a checkoff on the tax return? And you don't have to answer that now, but eventually that's a question that has to be answered. [LB883]

SENATOR COOK: Absolutely, and I understand that, and we certainly don't want to complicate the tax policy, the state level, beyond the complications that come with the federal requirements. We would have to look at that, and I would hope that we could undertake it in the form of a legislative resolution, not necessarily only this idea but other ideas toward this end. [LB883]

SENATOR CORNETT: Senator Schumacher. [LB883]

SENATOR SCHUMACHER: Thank you, Senator Cornett. Senator Cook, I'm looking at the fiscal note here and there's something I'm wondering whether or not you maybe inquired about. We've been seeing what appears to be fairly outrageous charges for

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programming services. And in this particular case, it says revenue indicates a one-time charge for programming services from the OCIO of \$82,450. Do you know whether that is money that they spent on an outside consultant, or is that an internal transfer which doesn't represent any money? [LB883]

SENATOR COOK: That is a question that I have posed to the Fiscal Office and the agency. I don't have an answer back yet, but that is the exact question I have, because I agree we have been seeing a lot of fiscal notes that make reference to whether it's programming services or grant-writing services or research services. And oftentimes they do spell out it is for an outside consultant, etcetera, etcetera; but in this case it does not indicate one way or the other whether or not this is a, you know, a brand-new human being or additional work for somebody who already works there or an outside agency or an outside individual that is not an employee of the department. [LB883]

SENATOR SCHUMACHER: Thank you. [LB883]

SENATOR CORNETT: Further questions? Seeing none, thank you. And just for the Omaha senators, apparently the weather is getting very bad that direction. [LB883]

SENATOR COOK: No-o-o. Thank you. [LB883]

SENATOR CORNETT: You're welcome. Depart while you can. [LB883]

SENATOR COOK: Yes, thank you. [LB883]

SENATOR CORNETT: That closes the hearing. Senator Pirsch. [LB883]

SENATOR PIRSCH: Thank you, Chairman Cornett, members of the Revenue Committee. I am Pete Pirsch. For the record, P-e-t-e P-i-r-s-c-h, State Senator representing Legislative 4th District and the sponsor of LB974. As I'm wont to introduce every year, this would be individual...the sum and substance, individual income and corporate income tax relief. LB974 would lower what's called the primary rate, which is used to calculate individual and corporate income tax rates for all income brackets to 3.6 percent. It is currently at 3.7 percent now. The change would be operative for tax years beginning on or after January 1, 2012. So...and not to gild the lily, you know, similar arguments put forward with respect to LB970, which Chairman Cornett had offered on behalf of the Governor, and the same rationale still applies. You know, we here in Nebraska, we have some conditions that we do have to overcome in terms of attracting people and businesses to the state. We have, you know, climatically hot summers and cold winters, and no beaches and no mountains to attract businesses and people to the state. So the one thing that we can do, that we can control, is our tax policy as a way to draw those businesses and individuals to the state. And so, to that end, I do put forward this proposal. I think keeping our people's own money in their own

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pockets is the best way to spark Nebraska's economy. With that, well, I'll just briefly go over the total amounts. And, of course, we've just had the latest revenue projections come through; this was, of course, created at a point in time we didn't have that. But we're looking for, in fiscal year 2012-13, the effect of this would be about \$120 million roughly. And then in out years it goes down some: 2013-14, \$85 million, and roughly \$90 million in '14-15. So, you know, I am very willing to work with the committee in terms of where we're at with the projections and what's feasible in light of the numbers that are coming in. But I think that it is important to have meaningful tax relief this year. So thank you very much. [LB974]

SENATOR LOUDEN: Questions for Senator Pirsch? Seeing none, thank you. Then we'll take proponents. First proponent? [LB974]

SENATOR CORNETT: Senator Pirsch, I apologize. The weather is declining rapidly, so I've told some of the senators that I know are driving home to be gone. [LB974]

SENATOR PIRSCH: Yes. No, that's smart advice there. [LB974]

SENATOR LOUDEN: Just a minute now. We don't have any proponents. Do we have any opponents? None in the neutral? Do you wish to close? [LB974]

SENATOR CORNETT: We'll call it closing. [LB974]

SENATOR PIRSCH: I think the throng, the thousands that were lined up, I also sent them packing because of the weather. But no, I think that a lot of the arguments...and this, just to clarify, does not hold an inheritance tax component. But this...(laugh)...other than that, a lot of the arguments are the same. So with that, thank you. [LB974]

SENATOR CORNETT: Senator Haar, you are recognized to open. I will warn you, I've let most of the committee go due to the weather. [LB1135]

SENATOR HAAR: Yes, yeah. I think that's wise. [LB1135]

SENATOR CORNETT: And Senator Pirsch will probably be leaving also because we have to get back to Omaha. But...and it's very bad between here and there, apparently. [LB1135]

SENATOR HAAR: Yeah, in fact...okay. Yeah, okay. [LB1135]

SENATOR CORNETT: I apologize about this. [LB1135]

SENATOR HAAR: No. [LB1135]

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SENATOR CORNETT: I just figured their safety... [LB1135]

SENATOR HAAR: I think it's a good idea, Senator. LB1135 basically would give a 5 percent income tax credit to a maximum of \$250 for energy efficiency heating, cooling, and windows, with a maximum cap of \$2.5 million; and the program sunsets after three years. We believe that such a program would reduce energy consumption, provide economic benefits to retailers, and jobs for electricians and carpenters. [LB1135]

SENATOR CORNETT: Thank you. That was incredibly succinct. (Laughter) [LB1135]

SENATOR HAAR: That's...I'm trying to be. [LB1135]

SENATOR CORNETT: Thank you. Questions from the committee? Seeing none, are there proponents? Opponents? Neutral? Senator Haar, do you wish to...? And I have not looked at the fiscal note on this. What is it? [LB1135]

SENATOR LOUDEN: \$2.5 million. [LB1135]

SENATOR HAAR: \$2.5 million. [LB1135]

SENATOR CORNETT: \$2.5 million? [LB1135]

SENATOR HAAR: And yeah, some of my testifiers went home because of the storm, too. So thank you. [LB1135]

SENATOR CORNETT: I didn't even know we were supposed to have one. [LB1135]

SENATOR HAAR: I didn't either. So we'll bring this back next year, and thank you for your patience. [LB1135]

SENATOR CORNETT: I'm just going to say, believe it or not, this is my last hearing. [LB1135]

SENATOR HAAR: And it's the last hearing of any committee this year. [LB1135]

SENATOR CORNETT: Yes. No, but I mean it is my last. [LB1135]

SENATOR HAAR: Your last. Oh, my. [LB1135]

SENATOR CORNETT: So I will always remember that you were my last hearing. [LB1135]

SENATOR SCHUMACHER: Take a picture of this. [LB1135]

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SENATOR LOUDEN: No, we're going to have one more here for that one there...
[LB1135]

SENATOR CORNETT: Oh, we're going to have one more, you're right. [LB1135]

SENATOR LOUDEN: ...that you loaded up on us. [LB1135]

SENATOR CORNETT: Yes, I did. Anyway. (Laugh) [LB1135]

SENATOR HAAR: Okay, safe trip. [LB1135]

SENATOR CORNETT: (See also Exhibits 9 and 10) Thank you. [LB1135]