

REVENUE COMMITTEE AND URBAN AFFAIRS COMMITTEE
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[LR263]

SENATOR CORNETT: Good afternoon. And in the interest of time, we're going to go ahead and begin. I still see there are members out...or people out in the lobby, but with that we are going to open the hearing on LR263, Senator Mello. It's an interim study to examine municipal, state, and federal programs available to assist with job creation in the manufacturing section. As before, I would like everyone to limit their testimony to under five minutes. Senator Mello, you're recognized. [LR263]

SENATOR MELLO: (Exhibits 1-4) Good afternoon, Chairwoman Cornett, Chairwoman McGill, members of both the Revenue and Urban Affairs Committee. My name is Heath Mello, M-e-l-l-o, and I represent the 5th Legislative District in the Nebraska Legislature. I'm honored to be able to welcome you all to the 5th District today, one of the oldest manufacturing hubs in the state of Nebraska, the Historic South Omaha Stockyards District. LR263 is designed to examine possible strategies that the Legislature could pursue to help create manufacturing jobs in the state of Nebraska. While there has been limited growth in the United States manufacturing sector as we begin to recover from the recent recession, employment in the manufacturing sector has been in steady decline for the past decade. Multiple factors ultimately contributed to this decline, so I believe that multiple approaches may be necessary to help stimulate manufacturing growth in Nebraska. I'm hopeful that this study will lead to an examination of our existing financial incentives, as well as serious consideration to strategies that have been pursued in other states. The most common type of state-level manufacturing policy in most states is the use of financial incentives designed to attract new firms from other states, help existing firms expand within the state, and discourage existing firms from moving elsewhere. Most state-level policies of this type are not specifically geared towards the manufacturing industry and do little to help improve existing manufacturing processes. Some states, however, have carefully crafted their incentives to promote manufacturing or focus on specific industries, essentially the equivalence of Nebraska creating a special tier in the Nebraska Advantage Act only available to companies that

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create manufacturing jobs. Other states have chosen to focus on improving productivity of existing manufacturing businesses by creating what are known as advanced manufacturing centers which combine research and education so that manufacturers in this state can readily adopt new technologies and coordinate changes in their supply chains and production methods. A more indirect approach to helping a manufacturing sector is state-level promotion of exports. States that get smart about assessing their current exports and promotional activities can see significant benefits for a relatively low level of investment as most of the work to promote exports involves better management of existing programs and coordination of data analysis from multiple sources. Just a few examples of successful export promotion programs that are included in one of the reports that were handed to the committee are: the Pennsylvania's Export Promotion Performance Measurement System; Washington State's Export Initiative; and Florida's Trade Partners Alliance. Another area in which states can promote manufacturing is through changes to state government procurement procedures. The simplest and most effective type of procurement change is the adoption of strong buy-American and buy-Nebraskan preferences. Similar preferences have been in place in various forms at the federal level since 1930, and the adoption of buy-American or buy-Nebraskan policies would signal to manufacturing companies that there is a market available for their goods in state. Absent specific preference for U.S. or Nebraska-made products, increased transparency, and public procurement procedures that help taxpayers determine how and where their tax dollars are being spent can equally be effective in promoting manufacturing. Unfortunately, representatives from the Alliance for American Manufacturing were unable to join us today, but I have submitted their testimony on their behalf which goes into more detail on the buy American and other procurement policies they are currently advocating in all 50 states. Representatives of the Nebraska Advanced Manufacturing Coalition, Behlen Manufacturing, the League of Municipalities, the Nebraska Chamber of Commerce, and our Department of Economic Development will be joining us today. I look forward to their testimony as well as that of any of the other testifies who may be here today to add to our conversation, and I'd be happy to answer any questions you may have. [LR263]

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SENATOR CORNETT: Questions from the committees? Seeing none, thank you. First testifier. [LR263]

RICHARD BAIER: Morning, Chairwoman Cornett, Chairwoman McGill. It's a pleasure to be here before you today. For the record, my name is Richard Baier, first name is R-i-c-h-a-r-d, second name, last name is B-a-i-e-r. For the past eight years, I've had the pleasure of serving as the DED Director for the state of Nebraska. I appear before you today to offer some general information about our manufacturing sector in the state and also to highlight some of the challenges that might limit this sector's growth.

Manufacturing, as you know, remains a key segment of our economic base. Today, we have approximately 2,000 manufacturing companies doing business in our great state. These firms employ approximately 91,600 Nebraskans. This figure is down from a high, as Senator Mello suggested, of 113,000 employees in the year 2000. More recently, estimates by the UNL Bureau of Business Research predicted an increase in manufacturing employment in our state to more than 96,000 by the end of 2013. Much of this growth is expected to come in the food and ag sectors, as you might imagine. The ever-flattening of our global marketplace has created some new challenges for this industry. Increases in productivity, intense cost pressures, and new challenges from our international competitors have forced American manufacturers to adopt new strategies and products to remain competitive in this marketplace. For our Cornhusker manufacturers to remain competitive, Nebraska must work to make sure that this market segment is leveraging our programs and technologies; we're stimulating new products and services through aggressive R&D; we're fostering additional export opportunities; and we also want to assure a fair cost and regulatory environment for our businesses. Many of Nebraska's existing development programs are used extensively by our manufacturers. Timpfe trailer in David City, for example, recently applied for tax credits through the Nebraska Advantage program to support its planned expansion. Likewise since 2006, the customized job training program has awarded 66 grants to Nebraska manufacturers that created more than 3,300 jobs across our state. These

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jobs and grants were awarded in 29 different counties. Similarly, the Nebraska Manufacturing Extension Partnership program, which is administered by my office in a cooperation with our university and community college allies, has provided services to 104 manufacturing firms over the last year, and you're going to hear more about that in a few minutes. Finally, the exemption on sales tax manufacturing equipment that was adopted as part of the Nebraska Advantage effort in 2005 continues to support new and emerging technologies within our firms in Nebraska. Historically, Nebraska and American manufacturers were the low-cost producers of goods. As this market advantage has faded over the last decade, it's become increasingly important that American and Nebraska manufacturers adapt to this new world market. This means creating new and enhanced products to continually drive new market opportunities. I would suggest that legislation contained within the recently adopted talent and innovation initiative was designed to offer specifically this type of assistance. The Business Innovation Act or LB87 that was passed through in the last session, for example, provides prototyping grants and apply R&D grants to qualified manufacturing firms in Nebraska. Likewise, the Nebraska internship program is providing manufacturers with connection to new sources of talent. This talent brings new energy and new ideas to the workplace that can help drive new product innovation. Also, from 2005 to 2010, Nebraska exports to foreign markets increased from approximately \$3 billion to \$5.8 billion annually. These exports are primarily going to Canada, Mexico, Japan, China, and South Korea. To help Nebraska manufacturers better understand the export business, our office routinely conducts exporting seminars around the state; likewise, we host one-on-one training sessions, and more recently created an export resource team to help with specific export challenges because it's becoming increasingly complicated to sell products to those international markets. In 2005, DED opened its first international trade office in Japan. Office manager Koji Nagasaka routinely works with our existing companies to increase their market share in Japan. More recently in 2008, Nebraska created a similar arrangement in China with the help of our international consulting team to get into the Chinese market. I will tell you my experience has been the Nebraska companies that use both the Japan- and

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China-based services offered by DED report increased success and profits as a result of this service. Going forward, it will be important to maintain a predictable and transparent environment in which our manufacturers should operate. The overall tax burden for American manufacturers in particular is 17 percent higher in the U.S. than it is in competing counties. Think about that. A significant 17 percent cost disadvantage before you get out of the gate. Likewise, American manufacturers report significantly longer delays in business operations as a result of unpredictable government regulation. Nebraska must work aggressively to assure limited tax consequences for our manufacturers and we must also assure that our regulatory and incentive programs are clear, concise, and predictable. Finally from a personal perspective, the largest challenge facing our Nebraska manufacturers lies in the area of work force. And we look at work force in three terms. We look at it as what we call labor cubed, and that's quantity, quality, and cost. Many of our Nebraska manufacturers consistently report an inability to find the work force necessary to meet some of their basic needs. This shortage is even more pronounced when a company talks about a specific skill occupation such as a welder or a process engineer. Unfortunately, there are no quick solutions to this challenge. Specifically, Nebraska will need to work with our educational community to encourage direction of students to these new advanced manufacturing sector opportunities, especially those that are not a good fit for that traditional university sector. Likewise, our educational institutions must place a renewed emphasis on teaching applied skills that are directly relevant to today's companies. Clearly, I believe the access to this quality work force will be the key to our future manufacturing sector as well as to other sectors in our Nebraska economy. Thank you for allowing me to be before you today as the last time as the DED Director, and I would be happy to take any questions that you might have. [LR263]

SENATOR CORNETT: Richard, first of all, I'd like to thank you for all the years we've worked together. [LR263]

RICHARD BAIER: It's been great. [LR263]

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SENATOR CORNETT: It's been a wonderful experience. I have a couple of questions. When you said that you were able to expand the foreign market, that obviously had an up-front cost. How were we able to fund that expansion into the international markets? [LR263]

RICHARD BAIER: Yeah. Thank you, Senator. It's a good question. Part of it has been priority setting. I mean, as you know, since '05 I don't think we saw an increase in anybody's budget. But what we've done is done a couple of things. Our Japan office is set up as a public-private partnership. We run it in the neighborhood of about \$125,000 to \$150,000 a year depending on the value of the yen to manage our Japan office. What we do is we rely on some public funding, but we also have a mix of private partners and utilities and private-sector businesses that support that with donations. And then we also partner closely with the University of Nebraska Medical Center because they utilize those services as well. So it's really a joint partnership. In China it's a little different. We've assumed most of that cost through DED and we've done that just simply by cutting costs in other areas and setting some other priorities because we believe the Chinese market is such a huge issue for us going forward, both in terms of export to China as well as companies from China that want to come to the U.S. to produce their products. [LR263]

SENATOR CORNETT: Thank you very much. Question from the committee? Senator Schumacher. [LR263]

SENATOR SCHUMACHER: Of the manufacturing companies in the state--I guess we could look at it from several different directions as far as by volume or by number--how many of those then are subchapter S corporations, LLCs which are taxed as partnerships and not subject then to our corporate tax? [LR263]

RICHARD BAIER: You know, Senator, I don't have the specific manufacturing numbers

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off the top of my head. What I can tell you is the new form...the only thing I have off the top of my head, I do know that the new formations, many of the new companies that are being formed are being formed as LLCs in terms of our makeup in Nebraska. [LR263]

SENATOR SCHUMACHER: And then they can elect whether to be taxed as a...subject to the corporate tax or not? [LR263]

RICHARD BAIER: Right. [LR263]

SENATOR SCHUMACHER: Okay. Thank you. [LR263]

RICHARD BAIER: I think that's a fair question as we talk about the corporate tax issue. That's a very good question. [LR263]

SENATOR SCHUMACHER: Thank you. [LR263]

SENATOR CORNETT: Senator Cook. [LR263]

SENATOR COOK: Thank you, Madam Chair. And thanks for coming out. It's good to see you. [LR263]

RICHARD BAIER: Glad to be here. [LR263]

SENATOR COOK: I have a question related to a point you made about 17 percent cost differential between a U.S.-owned and operated manufacturer and a foreign-owned manufacturer operating in the U.S. or manufacturer, foreign-owned manufacturer, U.S. manufacturer operating outside the United States. [LR263]

RICHARD BAIER: Would be operating outside the United States. [LR263]

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SENATOR COOK: Okay. To what would you attribute that differential? [LR263]

RICHARD BAIER: It comes in a variety of factors. For example, in many cases we do have the highest tax rate on many of our manufacturers in the country, but we also have a lot of things like wellness and safety regulations that sometimes are a bit burdensome that are costly. You've got a wage rate issue and in some cases it may be a utility issue as well. So you kind of got a whole mix of subset of those characteristics for that business expense that they find cheaper in other locations or less expensive at other locations. [LR263]

SENATOR COOK: Thank you. [LR263]

SENATOR CORNETT: Senator Schumacher. [LR263]

SENATOR SCHUMACHER: One follow-up question. Let's just pretend for a moment that you had \$10 million collection from the various investors or people who had money, and you had that to utilize to create an export market or promote the manufacturing jobs. How would you use that? And is there any mechanism that we could fashion so that those investors of that \$10 million or whatever could get a decent return on investment? [LR263]

RICHARD BAIER: Sure. Well, it depends on the market that you're trying to get to, Senator, but \$10 million would be a great place to start. That would be about three times my annual operating budget, so that would be perfect. But in terms of looking at that market, there's a couple of things, and many of our small manufacturers in particular, we've got to do a lot of frontline basic kinds of service. How do you understand language issues? How do you understand logistics issues? Those kinds of things that really would be the focus for the smaller companies because many of them don't know how to get their product from David City to rural China. That's a bit of a challenge and that's things that our small companies have to learn every day. So I

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would probably set aside a portion of that specifically for that need in terms of education of those small manufacturers. I mean, we do what we can now, but it's not as focused or maybe as intense as I would like. And we would work with a lot of partners like the logistics counts and a lot of other folks. So I would definitely spend time educating those small companies out on the front end. The second thing I would probably do is increase and try and expand the foreign trade zone here in the U.S. and in Nebraska in particular. We have two now; one in Omaha, one in Lincoln. And that's a federal issue, so we'd have to spend some time looking at that. But that helps generate a great deal of international traffic back and forth for some of our bigger players like Kawasaki, for example, or some of their suppliers. So I would spend some time doing that so that we can find a way to work with the federal government to bring more foreign trade zone activity across Nebraska because that would be a huge advantage. And then I would also spend some time probably doing some advertising for work force because I'm still convinced the number one issue facing this manufacturing sector is availability of skilled workers. And without that work force, we're not going to have export opportunities. I mean, it's not specifically tied to export, but the way that work force is key and finding them in skilled opportunities, I was just out in Senator Utter's district for a Thermo King event 90 days ago and the number one thing that's keeping them from exporting is the ability to generate more product because of a lack of work force. [LR263]

SENATOR SCHUMACHER: So then the follow up to that, how would the people who stuck the \$10 million in the pot, how would you then visualize, you put your thinking cap on, get a descent return on their investment? What could we structure? What kind of a vehicle do we structure to accomplish that? Ten million is not much money. [LR263]

RICHARD BAIER: No, in the grand scheme. [LR263]

SENATOR SCHUMACHER: It's a section, section and a half of land, I mean, it's...
[LR263]

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RICHARD BAIER: Well, I think, you know, if it was going to be from a private sector investment perspective, I think I'd try and do investments and specifically target it to companies. Sort of an angel or a structured investment into companies that would see exporting as their growth factor to build that company base. Because right now we have a limited number of companies that export. And so one of the things we've got to do is (1) help those small companies understand it, but (2) is continue to create more companies that do export to international markets. That's the only way you're going to generate the return that you're looking for from a private... [LR263]

SENATOR SCHUMACHER: Is there anything that we can do to structure that environment to mobilize some of this private capital? Obviously we're all taxed out. We don't have any money from the government side... [LR263]

RICHARD BAIER: Right. [LR263]

SENATOR SCHUMACHER: ...and people don't want to give us any more taxes and we're too scared to take any more. So how do we get all the money, the private money that's out there mobilized to do some of the things that you've just said? Is there things we can structure ourselves? [LR263]

RICHARD BAIER: Well, there are some things we can do. And you and I have talked a couple of times. One of the things I'd like to see is I'd love to see more funds being developed across the state. I would love to see an investment fund being built in the Hastings area, as an example, or in York County and being able to go out and have a fund to invest in those early companies, in those early startup companies. We've done some of that with the angel investment credit during this last session. Time will tell how those work. But what we're seeing is most of those companies that are coming through the angel tax credit right now are IT focused; they're not manufacturing focused. The other thing that we need to do, and, again, I'm not sure how you generate the returns. That's kind of a bit of a wrinkle in your question is to figure out how to generate more

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research in terms of the companies that we do have. In Nebraska, we tend to do a lot of frontline basic manufacturing and we don't move up that value chain to do the research here or the engineering here. A lot of times that's shipped off to other parts of the world. I don't think we get the economic return as a result of that. [LR263]

SENATOR SCHUMACHER: Thank you. [LR263]

SENATOR CORNETT: Senator Council. [LR263]

SENATOR COUNCIL: Thank you. And thank you, Madam Chairman, for allowing me to sit up here with the committee and ask these questions. But, Mr. Baier, you made reference to the Angel Investment Act. And the limitations on that act currently for an individual is \$25,000. [LR263]

RICHARD BAIER: That's the minimum. [LR263]

SENATOR COUNCIL: The minimum? [LR263]

RICHARD BAIER: The minimum investment is \$25,000... [LR263]

SENATOR COUNCIL: And then the maximum investment is \$50,000? [LR263]

RICHARD BAIER: Three hundred or three hundred and fifty thousand for a couple. [LR263]

SENATOR COUNCIL: Is it \$350,000? [LR263]

RICHARD BAIER: Three hundred fifty thousand if you're filing joint return. [LR263]

SENATOR COUNCIL: Okay. So in terms of promoting manufacturing in the growth and

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expansion of the manufacturing, if an Angel Investment Act vehicle would be appropriate, would those limitations, would those amounts limit the kind of investment that would be needed to grow our manufacturing? I mean, I don't have a feel for, you know, whether a \$350,000 investment would entice someone to develop a manufacturing concern or expand a manufacturing concern. But I'm looking at whether existing vehicles could be amended or modified in a way for that specific industry that would be a different minimum and maximum. Would that be a potential? [LR263]

RICHARD BAIER: I mean, that's something that could be looked at. Many states around us, and we've talked about this during the hearing on the angel tax credit, is many states focus their angel tax credit only into certain areas. I think that creates some challenges, but I think the idea of something focused on manufacturing might make some sense. [LR263]

SENATOR COUNCIL: Kind of like a tiered... [LR263]

RICHARD BAIER: Tiered approach. [LR263]

SENATOR COUNCIL: You've identified... [LR263]

RICHARD BAIER: Sure. [LR263]

SENATOR COUNCIL: And I think it was the expectation--I don't want to speak for Madam Chairman--that the Angel Investment Act would be used principally for IT related kind of technology based companies. So with that recognition, maybe looking at some type of tiered system that was industry specific based upon data in terms of cost associated with those concerns... [LR263]

RICHARD BAIER: Sure. [LR263]

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SENATOR COUNCIL: ...may be a vehicle that we could look at developing. [LR263]

RICHARD BAIER: Well, your assumption is right, Senator. To start up a manufacturing firm is going to cost a little more on the front end than an IT firm, and we see that in the requests that we're getting for tax credit allocations. We do have some...I must tell you, some really creative manufacturing projects that have come through the door already for the angel tax credit. We have somebody that's invented a new spark plug design, as an example. So there's a lot of that that's happening, but I think there's opportunities long term. As Senator Schumacher has always argued is, we need to find a way to better harvest and harness our capital in Nebraska. [LR263]

SENATOR COUNCIL: Thank you. [LR263]

SENATOR CORNETT: That brings me to a question that I have. We had a Revenue Committee hearing earlier this year in regards to renaissance Nebraska. We heard over and over again at that hearing that, particularly in the western part of the state or in parts of the state, there are manufacturing jobs available, unlike in the rest of the country. Nebraska City ended up with, what, a 4.2 percent unemployment rate. We don't have the people to fill those jobs. If we're talking about incentivizing export with manufacturing, how are we going to recruit people? [LR263]

RICHARD BAIER: That's a million dollar question or a \$20 million question. But one of the challenges is to change...we have a couple of issues in that question. One of them is the perception of manufacturing and that it is a great opportunity and a great work force and a great lifestyle for people. There's a lot of folks who make a living in Nebraska doing that. And some of our education friends for years have...and some of the parents, to be quite honest with you, are guilty. Senator Adams and I have had that conversation. Don't go to manufacturing, that's a bad lifestyle. And we've heard that and I've heard it in York when I was there years ago. And so we've got to overcome that. And then we also need to go out and talk to folks about creating a much better brand for

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Nebraska to make us much more attractive. One of the challenges that we have, and I just came from the NGA summit in Hartford, Connecticut, three weeks ago and had a chance to sit with eight of my counterparts for about a day and a half discussing issues. And one of the things that was interesting to me is how different our scenario is. But when you talk to them about Nebraska, some of them literally still think I think we don't have indoor plumbing out here. And we have a real brand and image issue across this country and especially prominent on the northeast and West Coast. And we've got to do a better job of branding the state and sending that message that we are high-tech, great place to do business and to live and work and to raise your families. And that's going to take a consolidated effort that's probably not going to be very cheap. [LR263]

SENATOR CORNETT: Further questions? I'm sorry. I didn't see you. Senator Smith. [LR263]

SENATOR SMITH: Thank you, Madam Chairwoman. I want to go back to that 17 percent cost differential that you were talking about earlier, and then some of the exchange you had earlier, and then some of the exchange you had with Senator Schumacher. You know, it sounds like some of these incentives can help to create capital; it can help to educate others about, you know, the great things going on in Nebraska; it can make it...doing business easier. But I don't hear any of those things addressing the ongoing problem that creating the 17 percent cost differential. I mean, on an ongoing basis in order to sustain a competitive environment, I mean, we're going to look at we either have to reduce these costs or we're going to have to have ongoing subsidies which is going to drive up some of those costs. And you mentioned four things. You mentioned regulation, taxes, utilities, and wages are probably the four big players in that cost differential. Now obviously utilities in our region are some of the lowest in the nation, so that's...the utilities likely are not the cost issue. Wages, we certainly do not want to advocate for lower wages. We want to have a well-skilled work force and we want to have the best wages so we can, you know, the families can provide for themselves and such. So the two remaining issues that appears to me that

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we can address to make a more competitive environment would be regulations and taxes. Am I seeing this correctly? [LR263]

RICHARD BAIER: I think that's pretty fair. In terms of the regulation piece, it's a big issue just in terms of predictability. And this is a U.S...I'm not going to say it's a problem because many of our systems were put in place for a reason. But I will tell you if you're a company and you're looking at siting a project in here or in Poland--which we have someone doing right now in Nebraska, one of our companies is looking at expansion here or in Poland--I'm going to give you an example of the environmental permitting here may take as long as six months on this project; it's probably 45 days in Poland for the same effort. Now do we want to be in a 45-day scenario where we're ignoring the environment? Absolutely not. But I do think, Senator, what we can do is continue to refine our processes so that when we do do the process in Nebraska, there are not gaps or time delays. And I'll give you a good example and I'll compliment our DEQ friends here in Nebraska. When we had the ethanol run a few years ago and that whole process started, many of you were hearing, or maybe some of you were just getting into the legislative discussions, a lot of complaints about timing on environmental permits. To their credit, Mike Linder and his staff brought in a lean and kaizen manufacturing specialist, actually walked their permitting effort through and he cut the time frame and the wait for air quality permit from about 24 months to less than 6 through that effort. So I think there would be a way for us to look at how do we do that with all of our programs, whether you're talking about regulatory programs, incentive programs. We're doing that right now with our block grant internally to make sure our guys aren't...guys and gals aren't letting things sit on their desk for a week here or there and they're waiting on approval from somebody that's on vacation. We kind of have a strange system that's been built on history in the U.S. and here in our state, so we've got to continue to look at that regulatory side. On the tax side, absolutely. Whatever we can do to keep that cost burden down to make sure those folks are competitive. And your assumption was correct. I mean, that's the reason we have the incentive programs that we have is to help level that playing field in many cases. But if we could do away with incentives in the

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country and just lower the taxes, I think, you know, in a perfect world that would be great if everybody was going to do it. [LR263]

SENATOR SMITH: Well, it almost seems like that incentive program is a starting point. It kind of is a primer for the process. But to have that sustainable, ongoing competitive environment, these other things have to be addressed. [LR263]

RICHARD BAIER: They do. Absolutely. And then the other thing in terms of your issue of cost, we need to improve our worker productivity which will help in that cost factor. Again, let's stop touching things so many times with our hands in Nebraska; let's look at how do we automate, bring more technology into the process. Actually interestingly, that model actually brings the cost per unit down in the long run in terms of payrolls and those kind of things that will help us be more competitive as well. [LR263]

SENATOR SMITH: Thank you. [LR263]

SENATOR CORNETT: Thank you very much for your testimony. [LR263]

RICHARD BAIER: Thank you. [LR263]

SENATOR CORNETT: In the interest of time, I'd like to every testifier to be ready to go. Ron, you are recognized. [LR263]

RON SEDLACEK: (Exhibits 5 and 6) Chairwoman Cornett, Chairwoman McGill, and members of the Revenue Committee and Urban Affairs Committee, for the record, my name is Ron Sedlacek, it's R-o-n S-e-d-l-a-c-e-k. I'm here today representing the Nebraska Chamber of Commerce. And what I'd like to do in five minutes or less, hopefully less, will be to share with you just a little bit of background, some facts on Nebraska manufacturing and use third parties endorsed in that regard. Secondly, a recent study conducted by Ball State University and thought you might be interested in

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that in which they grade the nation and they grade each state and see how Nebraska performed. And then just share with you some comments that we have tried to elicit from manufacturers, although a little bit of a short-term basis, but just to get an idea of what's on their minds at this time. So what I'd like to do is just hand those out to the...give those to the committee clerk. And I won't read from these. But there's a couple of handouts that you'll be getting here shortly, and one is from the Nebraska Association of Manufacturers. And what they do is just give a little bit of factual information in regard to the state of manufacturing in Nebraska and some of the charts and so forth, and then as Mr. Baier mentioned, some export data in that regard. But for the benefit of those also here of the public I'd just like to share some of those facts, just the highlights of them and certainly, as I say, not to read each one to you. Right now, manufacturing is second to agriculture as an economic driver in Nebraska. And manufacturers in the state account for nearly 11 percent of the total output of the state. Manufacturers employ nearly 10 percent of the work force, approximately 91,600 Nebraskans, and that's as of 2010. Total output from manufacturing was \$9.2 billion in 2009. The compensation in manufacturing is 34 percent higher than other nonfarm employers in Nebraska. Really it shows on the chart that manufacturing does mean high-paying jobs in the state. The average annual compensation in Nebraska manufacturing according to NAM is \$52,395, and that's a 2009 figure. The reason we use NAM is because the Nebraska Chamber of Commerce is an affiliate organization with the Nebraska Association of Manufacturers combined with the U.S. Chamber. We only have one association in Nebraska that represents both the chambers as well as the manufacturing sector. So as they say, it...and then on the backside you'll see where manufactured exports do help drive Nebraska's economy in the sense that it accounts for 79 percent of our exports. And the nice figure that I really like to look at here is that since 2003, our manufacturing exports have grown 104 percent. So that's the first handout. The second handout then, briefly, is the study by the Bureau of Business Research by Ball State University. And they examine the 50 states manufacturing climates. And what I would probably ask for you to pay particular attention to is on page 4, and then the following page 5 is essentially the national score cards, and then a

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state-specific report card on Nebraska. And as you can tell, we received high grades for our logistics, that is transportation and warehousing industry groups, as well as in the category of human capital. We scored poorly, however, in categories regarding venture capital, diversification, tax climate, and overall manufacturing. In each of those definitions you'll find if you're wondering what the criteria is in studying is in the front part of the study. So states receiving top grades, I think we'd be most interested in looking at Iowa and Kansas. Indiana did, too, as well as Michigan, Ohio, Kentucky, but our two surrounding states of Iowa and Kansas. So those are models that we may be interested in looking at. When surveying our manufacturers for purposes of this study at least today, trying to elicit some comments. What we heard most are the skill gaps in Nebraska, as well as the people gap. There's a national report that one...shared with me that said in the years to come, we've created between 1.5 million to 2 million net new jobs, most have been in high school positions. The manpower group reports 52 percent of U.S. employers say they can't find the right talent, even at this time of high unemployment. We've had some manufacturers who are a bit frustrated with high school curriculum. They say there's very little attention or some say there's not enough attention paid to viable technical career paths. They also say that industry in Nebraska is not currently oriented towards creating more high-skilled engineering or technology-driven positions. And then the results are referred to the 2010 Battelle study, and a quote from that study says there's a significant disconnect between industry and the students coming out of colleges and universities, and this especially impacts manufacturing. And, as noted in the study, it's an issue that should be addressed. I think Richard talked a bit about that and won't repeat. Potential topics of discussion in the regard would be to take a look at the Nebraska Advantage Act, tweak it in particular areas either generally or in targeted industries. We might take a look at other incentive programs. Connecticut, for example, has a manufacturing reinvestment account. That's a program that allows manufacturers to invest pretax income or pretax profits for a number of years. We certainly could take another look at our sales and use tax exemptions, certainly preserve what we have. But in some areas there are problems in regard to component parts and so forth that do preclude us from essentially attracting

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possible new products manufactured in the state. And certainly we want to promote and utilize the new Nebraska internship incentives that were created under LB386. The need for skilled people to find available jobs is the chicken and egg. And if we could...if we don't have the people, we're not going to get the jobs, but you're not going to get the jobs unless you have the skilled people. So, you know, this...it's just an area that we're chasing ourselves sometimes trying to figure out how to address it. Certainly promoting the good life, so to speak, or what Mr. Baier mentioned, promoting Nebraska and the opportunities of quality of life here and so forth and trying to get people to pay a little bit more attention to Nebraska's import. But with that, I want to close within my five minutes. [LR263]

SENATOR CORNETT: Questions from the committee? Senator Council. [LR263]

SENATOR COUNCIL: Yes, thank you, Madam Chairman, and thank you, Ron. And I've just been briefly going through this Ball State score card and trying to understand it and made the comparison as you suggested be made. And I'm looking at Iowa, Kansas, and comparing it to Nebraska. Now both Iowa and Kansas we see A ratings in manufacturing and Nebraska received a B-plus. And when I go back and I look at the definition of manufacturing and what the variables are, it says it measures the share of total income earned by manufacturing employees in each state. And according to the information you provided from NAM, that should give us a pretty high rating there in terms of percentage of income earned. The wage premium paid to manufacturing workers relative to the other states' employees based on this information we should have gotten a pretty high rating. And then the third is the share of manufacturing employment per capita. Again, it would have appeared that we should have rated better than a D-plus. So in comparing those, I guess I'm really kind of concerned about how those factors...what data they were actually relying on to arrive at that result. But I guess of greater note, and it relates to a question that my colleague Senator Smith asked, tax climate. Now Iowa has an A for manufacturing and an F for tax climate. We have a D-plus for manufacturing and we have a C for tax climate. So based on this

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data, Nebraska would be a more favorable location for manufacturing from a tax perspective but nevertheless has this D-plus rating. And, again, our human capital is the same thing. Nebraska ranks better than both Iowa and Kansas. So I... [LR263]

RON SEDLACEK: I can answer a little bit but not a lot of digging down into the facts... [LR263]

SENATOR COUNCIL: Okay. [LR263]

RON SEDLACEK: In Iowa, probably what rates then down a couple of things because if you take a look at the definition of tax or the tax climate... [LR263]

SENATOR COUNCIL: (Inaudible)... Right. [LR263]

RON SEDLACEK: And you'll notice what they used to factor in, and that includes unemployment insurance, tax data. Definitely Iowa is higher, much higher than Nebraska, no question about that. Then they look at income taxes, income and use taxes. Iowa has a nominally higher individual income tax rate than Nebraska as far as the top rate is concerned, although we're a lot more progressive than Iowa and when we really look at our effective, we're a little bit higher, too, which is kind of interesting because it's how you look at the figures obviously for anything, you know, in that regard. Property taxes also are that calculation. Generally we're noted for being a fairly high property tax state in comparison. So why are those figures so...we have to dig down in those figures and find out, that's...you know, that's part of the study and would be part of a study to find out how we could be more competitive and what areas. Now corporate income taxwise, there's a lot more favorable treatment depending upon what type of corporation or with...if you're doing services or you're doing manufacturing, what is exempted, what is not. The corporate rate in Nebraska, as you know, you hit the high...the top rate very, very quickly. And so...and the Legislature did make an adjustment, minor adjustment in that regard, but certainly, you know, that's another

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issue to take a look at. [LR263]

SENATOR CORNETT: Senator Smith. [LR263]

SENATOR SMITH: And I notice, as it's not drawn out separately, the regulatory environment is not one of the comparisons here in the score card. But I'm assuming that it probably has some impact on the manufacturing score itself... [LR263]

RON SEDLACEK: I don't know that for certain. [LR263]

SENATOR SMITH: ...in terms of the ease of permitting and such. [LR263]

RON SEDLACEK: I don't believe...actually I don't believe it does... [LR263]

SENATOR SMITH: Okay. [LR263]

RON SEDLACEK: ...in this particular study. And it's very, it's very difficult to measure a regulatory environment, certainly that's part of it and you kind of know it when you see it. But when you compare states and you begin to see where a permit, for example, can be expedited in some states within, you know, 30 days or 60 days or it's a decision that's definitive, whereas you take another state and it might be six months or longer. And it may be favorable but the waiting period and the frustration and the amount of time consumed and the unpredictability is such and some people say, well, why bother, that it's an adverse regulatory climate, or they feel that there's an adversarial relationship as opposed to trying to get the permit, get the paperwork done, do it correctly that there always seems to be a fight. So, you know, it's a matter of perception as well. [LR263]

SENATOR SMITH: Okay. Thanks. [LR263]

SENATOR CORNETT: Senator Schumacher. [LR263]

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SENATOR SCHUMACHER: Just a quick question. You mentioned the mean salary or wage for manufacturing is \$52,000 a year. Are the mode and median statistics available for that population? [LR263]

RON SEDLACEK: I could sure find out for you, Senator. [LR263]

SENATOR SCHUMACHER: Thank you. [LR263]

SENATOR CORNETT: Further questions? [LR263]

RON SEDLACEK: Thank you very much. [LR263]

SENATOR CORNETT: You're welcome. Thank you, Mr. Sedlacek. Next testifier. [LR263]

ROBERT BERNIER: (Exhibit 7) Thank you, Senators. I'm Robert Bernier, B-e-r-n-i-e-r. I'm assistant dean of the College of Business Administration at the University of Nebraska at Omaha and I run the Nebraska Business Development Center. And I just want to take a few moments to tell you what services the Nebraska Business Development Center provides to businesses, manufacturing businesses in Nebraska. We are part of the partnership that receives funding from DED in the manufacturing extension program, along with the Food Processing Center at UNL. We serve about...last year about 70 manufacturing businesses through that program in lean manufacturing, six sigma, kaizen events, product development, continuous improvement, and other areas. We have five manufacturing engineers that provide that assistance. We have a small business development center program that served 72 manufacturers last year, mostly in the area of loan packaging, market research, development of those businesses. There's not much overlap between those two markets in the small business program. The manufacturers we serve are very small. We

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also provide manufacturers with energy consulting assistance, pollution prevention assistance, employee training, and assistance in getting the small business innovation research grants to develop products. As we look to the future, we look at manufacturing. We understand the price disadvantage that many Nebraska manufacturers have, but in the marketplace you have price, you have delivery, and you have quality. What we focus on is helping manufacturers in Nebraska improve delivery through lean process and to improve quality through six sigma. And that's where our efforts lie. I put more down here. I'll just leave you the written testimony on that. [LR263]

SENATOR CORNETT: Thank you. Questions from the committee? Seeing none, thank you very much. Next testifier. [LR263]

GARY KRUMLAND: (Exhibit 8) Senator Cornett, Senator McGill, members of the committees, my name is Gary Krumland, K-r-u-m-l-a-n-d, from the League of Nebraska Municipalities. I just wanted to briefly talk a little bit about some of the programs and statutes that the cities, municipalities have that provide economic development tools and some of that gets into manufacturing. There is a handout that you will be getting in just a second here. The basic statute that applies to all cities is called the Municipal Publicity Act. Basically under the Nebraska Constitution, cities are very limited in what they can do in terms of economic development unless the constitution specifically authorizes that. There is a statute that allows cities, villages, and counties to spend public money to make brochures, to go out and advertise their community to try and entice people to come to the community or businesses to build in that. The Nebraska Supreme Court says, though, if you go much beyond that, you have to have specific constitutional authority to do that. And I'm not going over every program in here, but there's just a couple I want to highlight. If you look on the first page, number 3, the Community Development Law. This is tax increment financing. I think you'll be hearing a little bit...at least the Revenue Committee will be hearing a little bit more about that this afternoon. It is a tool that cities across the state use. It's a very effective tool. It has been used for manufacturing but it can only be used in areas that are declared to be blighted

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and substandard. So it is a redevelopment tool. It's not something that can generally just go out and be used as an economic development tool for manufacturing anywhere. So there are some limitations and if any changes would be made, it would require a constitutional amendment because that is in the constitution. It was designed originally as an urban development tool not a general economic development program. If you look on page 2, this is probably the more general program that cities have. This is the Local Option Municipal Economic Development Act that was originally adopted in 1991 as LB840, and that's what everybody refers to because all of these programs have very long names and so they use other terms. So the LB840 program, this authorizes the use of local taxes, until this year it authorized property tax or sales tax be used by cities for economic development. There's a procedure required. You have to have a plan. You have to get approval, a vote of the people; but if you do, you can use these monies to...if you look at the third paragraph on page 2 for...provide incentives. And this includes grants, loans, purchase of real estate for manufacturers, research and development, processing, storage, sale of goods, and interstate commerce, communications, tourism-related activities. So this does offer a way for cities to do that and it has been used by a lot of cities. On page 3 there is a list of all the cities that have adopted this plan. And there's, I think, 55 to 60 of them that are doing it right now. As you may remember, in the year 2010, there was a ballot initiative to amend the constitution to give cities additional authority to use different sources of revenue for this program. That was passed. And then in this last session, the Legislature adopted LB471 which incorporated that into the statutes. So this program is probably the broadest program that cities have in the area of economic development and in the area of manufacturing. But it does require, like I said, development program, a lot of procedure, and approval of a vote of the people. There's one other program I will mention on page 5 under number 7, what we've termed enhanced employment areas. This is a modification of the Community Development Law which allows a certain area to impose an occupation tax on that area and use the occupation tax to do public improvements and, if it's in an area that's blighted and substandard, to do the things that you can use under the community development law. This has been effective. Some cities have used

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this but they haven't used it yet for manufacturing. It's mostly bid for other kinds of businesses. So I won't go into all the other programs because of the time. I just want to mention I notice Senator Mello said that buy Nebraska, buy America could be used as an incentive in this session. LB335 introduced by Senator McGill gave cities some flexibility in the bidding process. And the incentive for that, if you remember, was that the federal stimulus programs required that to get the money you had to buy American, and under our bidding statutes we couldn't do that. So by enacting this law, the Legislature gave the local governments more flexibility. So that is part of this whole thing. So be happy to answer any questions on any of this, but there's more material here that you can look at some other things. [LR263]

SENATOR CORNETT: Senator Schumacher. [LR263]

SENATOR SCHUMACHER: One quick question. Under the statutes, municipalities are allowed to conduct certain revenue-raising activities for community betterment. Would community betterment also include economic development? [LR263]

GARY KRUMLAND: I would think so, yeah. And I think what you're referring to is under the local lottery, the keno, if a city has keno, they can use it for community betterment. Community betterment is a very broadly-defined term and the Attorney General has said you can spend community betterment money on things that a city generally wouldn't be able to do under just the normal municipal purposes. So I would argue at least there's certain things that they could do for economic development of that. [LR263]

SENATOR CORNETT: Thank you very much, Gary. Next testifier. [LR263]

DWAYNE PROBYN: Still good morning to all. [LR263]

SENATOR CORNETT: Briefly. (Laughter) [LR263]

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DWAYNE PROBYN: For the record, I'm Dwayne Probyn, first name is spelled D-w-a-y-n-e, last name is spelled P-r-o-b-y-n, and I am the executive director of the Nebraska Advanced Manufacturing Coalition, Dream it. Do it. This is a grass-roots organization that is now five years old, and I am representing that organization today. Anytime I have the opportunity to talk about the things that we can do for the youth, 16 to 26 years old, in the state of Nebraska, it is a great pleasure to be here. The Nebraska Advanced Manufacturing Coalition, Dream it. Do it is a grass-roots economic development program designed to attract young people between the ages of 16 and 26. We talk about this being both manufacturing and related businesses because some of the studies that I have been involved with, there's about 20 different types of occupations and career paths that are necessary to run a business. And so this is not merely aimed at manufacturing but all of the peripheral organizations that it might take to support those manufacturing organizations. We launched our program in 2006 and we were the first of the statewide rollouts. And since that time, we've added 13 area directors across the state. When we originally put the business plan together, we recognized that we could not run this kind of an organization just from the eastern part of Nebraska, but instead had to make sure that it was as equally suited to the people in Scottsbluff as it was to the people here in Omaha. So that's one of the things that's very important about our organization. However, today's tough economic climate it makes it very difficult for us to meet the requirements of such an organization as we have. However, some of the recent studies that I have seen from, for instance, the Appleseed Center, says that of the working-age adults, about 64 percent of those occupations between 2008 and 2018 are going to require some kind of an advanced degree. And yet there's only some 36 percent of those working-age adults that have that kind of an advanced degree. So we've concentrated our efforts to remove that stigma they mentioned before about us having an image problem. We do. Because moms and dads and educators think that manufacturing and related businesses are dark, dreary, drab, and dangerous, and nothing could be further from the truth. We have the highest level of usage of high technology for these kinds of occupations, and the manufacturing as a part of our business sector is one of the most robust sectors that we have in our

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economy. And I'll say this once and I'll probably repeat it. The United States got great by making things. And we've got to get that entrepreneurial spirit back in our young people. The next generation of Dream it. Do it, we think is going to be STEM--Science, Technology, Engineering, and Mathematics. And what we have done is promote a program that we have partnered with Peter Kiewit Institute for CEENBoT. A CEENBoT is a small educational robot that's intended to take the fear out of mathematics by being able to offer them a mobile device that illustrates what a hypotenuse is. When we talk about things like hypotenuse and Pythagorean theorem, that scares people to death. It shouldn't. But we've been told that people as young as the fourth grade decide that they're not good in math, and I challenge that every day that I hear it because that is not a fact. All we got to do is make it more interesting, make it more applicable so that they understand what math is and how math can be used for the rest of your life. The program is in its fifth year. As we go down the road, we're going to add additional incentives. Right now we have an intern program that we're completely our second year between Bellevue East and West High Schools with Metropolitan Community College. And, here again, this is an effort to get our young people interested in manufacturing-related business careers. I maintain that we can't get our young people interested in these kinds of careers if they, their moms and dads, and their educators don't have the slightest idea what goes on beyond the four walls of some of our manufacturing companies. We've got to take that out. What we're doing now is we offer mentoring programs so that we can take those young people, take them on business trips through these kinds of manufacturing concerns. And my colleague that will be up next for Behlen Manufacturing is one of the people that we're working with. We also have just completed our second year for an explorer post in life long learning. It's the first time that we've had a program going with the Boy Scouts, and we currently send out about 1,500 invitations a year and have seven different companies here in town that are sponsoring and hosting visits Tuesday nights, two hours. We take these young people around, give them an illustration of what it would be like to work in a company like this. And the last organization that I'm really proud of is our affiliation with the avenue scholars. I know you all are very acquainted with the avenue scholars and some

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and some of the great things that they have done. We just started this a year before last and are enjoying some great benefits because, there again, these young folks can't have any idea of some of the things that we offer here in Nebraska. And we want to keep these talented young people here instead of migrating to the bordering states. Thank you very much for you time. [LR263]

SENATOR CORNETT: One quick question on my part. You mentioned your cooperative program with the Boy Scouts. [LR263]

DWAYNE PROBYN: Uh-huh. [LR263]

SENATOR CORNETT: I'm going to put on my Girl Scouts hat here. That might be something you want to reach out to also. [LR263]

DWAYNE PROBYN: You know, this is really one of my pet peeves about this organization because we have a terrible time attracting young ladies to our organization. When we try to get young ladies involved, you know, they still think it's dark, dreary, drab, and dangerous, and we constantly work on that. The explore... [LR263]

SENATOR CORNETT: Well, I was just going to say it depends on maybe what troop you're working with. [LR263]

DWAYNE PROBYN: We established our own explorer post. It's explorer post 628 and it is identified as a manufacturing explorer post. Right now we don't have any young ladies involved, but it would be nice to break that Boy Scout barrier and have Girl Scout involved. [LR263]

SENATOR CORNETT: I was going to say we have a retired major that's a female that's head of our troop and she's constantly doing stuff like that. So if you'd like, I'll put you in contact with her. [LR263]

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DWAYNE PROBYN: That would be wonderful. I'd really enjoy that. Thank you. [LR263]

SENATOR MCGILL: Real quick, you talked about the internships and the business of high school kids, which is great, that's wonderful. Do any of your partnering businesses then offer like paid internships or low-wage jobs? You know, instead of getting a job at the mall, maybe they can get a job at one of those places. [LR263]

DWAYNE PROBYN: Having just gone through that, I have four daughters and all four of them had some kind of internship, and it was another one of my concerns of having these young people without paying them, so we pay them \$10 an hour. Now, you know, that doesn't sound like much but that's the difference between minimum wage and something that's more meaningful. And the thing it does, it promotes those employers to give them something exciting to do. And when I was with my organization in the heavy equipment industry, if we had interns, I wanted to make sure that they had a program for the summer and they were not just gofers going for coffee and things of that sort. So, yes, we do do that. [LR263]

SENATOR MCGILL: And I feel like kids will get more out of it if they're working and learning it than just being an intern instead of having...getting a job at McDonald's or whatnot to actually be immersed in that career. [LR263]

DWAYNE PROBYN: And the beauty of an intern program, I call them a learn-while-you-earn type of a program. It gives you the opportunity to see what it's like to work in that organization. It also gives the employer the opportunity to see what that young person is capable of doing. So right away it takes some of the mystery out of hiring the next generation. [LR263]

SENATOR CORNETT: Just one other quick point. When you're talking about the internship programs, yesterday I was with League of Women Voters on a women's

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campaign, this isn't just women but the Omaha Public Schools and Boys Town have programs currently; they graduate from high school, they'll already have their CN degree. Are you working with Boys Town or the public school systems on this? [LR263]

DWAYNE PROBYN: We're not specifically working with those organizations, but with ours we think that after they've gone through a couple of years of our intern program it will take them out of becoming just a freshman and maybe be able to get into the community college at the sophomore level because they'll have some of those prerequisites out of the way... [LR263]

SENATOR CORNETT: I was going to say because... [LR263]

DWAYNE PROBYN: ...like an academy approach. [LR263]

SENATOR CORNETT: ...the Omaha Public Schools has a wonderful technical area. [LR263]

SENATOR COOK: I was going to essentially say the same thing as someone who in previous lives worked at the YWCA and here at Metropolitan Community College doing a lot of work to try to get young women interested in nontraditional careers, because, as you know, so many of them will end up supporting their families in the careers that they choose to (inaudible) necessarily (inaudible). [LR263]

DWAYNE PROBYN: Believe me I know that. [LR263]

SENATOR COOK: Okay. So I know you're going to try harder to get those Girl Scouts and after-school programs and all that stuff going. [LR263]

DWAYNE PROBYN: I've just been asked to join a STEM program for younger kids, and that's one of the things that we're going to concentrate on is for the after-school hours

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getting both male and female involved early on. [LR263]

SENATOR COOK: Thank you. [LR263]

SENATOR MCGILL: So is your work just in Omaha or do you have any branches?
[LR263]

DWAYNE PROBYN: No. I have a statewide organization--13 area directors across the
state. [LR263]

SENATOR MCGILL: Well, I'd love to talk to your Lincoln director because our YW has
an after-school math and science program for girls. [LR263]

DWAYNE PROBYN: Linda Lichtenberg. [LR263]

SENATOR MCGILL: Okay. [LR263]

SENATOR CORNETT: Thank you very much. Next testifier? How many testifiers do we
have left? [LR263]

BRIAN TURNER: I promise to be very short. [LR263]

SENATOR CORNETT: Okay. [LR263]

BRIAN TURNER: I know it's Friday afternoon time, so. You folks have a lot of tenacity.
Those are the most uncomfortable chairs I think I've sat on. [LR263]

SENATOR CORNETT: I have come up here complaining profusely, so. [LR263]

BRIAN TURNER: Yeah and rightfully so. Brian Turner is my name, vice president and

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general manager of Distefano Technologies and representing Behlen Manufacturing out in Columbus, Nebraska. The purpose of me being up here, of course, is you've heard a tremendous amount of information this morning on maybe a fairly simple subject as a way to increase the employees in the state of Nebraska to support the manufacturing effort. And been in manufacturing...I don't look it but I've been in manufacturing a very, very long time. And one of the things that any manufacturing company looks for is a solid employment base. Now Distefano Manufacturing and Behlen have been in Nebraska a very long time. And one of the things that we look for are employees to be able to grow our business. You know, the ag business, as you've heard, seen a tremendous amount of data is very good right now. We, today, could put to work 30 welders. Now that's a pretty big number between Columbus, Nebraska, and Omaha, Nebraska. And we are a small...I mean, when you look at it, we're a very small portion of the manufacturing base. Thirty welders. The average welder will make, starting out, about \$15 an hour with increases, whether it be through incentives or profit sharing, upwards of close to \$20 an hour. Our biggest challenge is where do we find these individuals? How do we get them to come to work for us? And as Dwayne and some of the others that have testified today have stated, getting our young adults interested in that particular discipline, whether it be welding or in the machine tool industry or in the press brake or running lasers, if you're familiar what a laser is, these are not just your typical old school type of disciplines, work skills. These are some high-tech jobs today. And the challenge we have, like all of us, is where do we get these people, how do we encourage them to come to work for a Distefano or Behlen Manufacturing? The pool is very short...very small right now. You know, with almost 30 openings just in welding alone, we see...well, we just don't see, that's our problem. We just don't see the people come through the door that we need. I was just making some notes as I was listening and, you know, some of the challenges that we see is most of them don't understand what manufacturing is all about. You know, our culture has been, we can go out and buy it. You had made the comment about going to work at the mall or whatever. Everything we have today has been manufactured in some form or fashion; it didn't just automatically just pop out of the ground. So there's a skill set that's there. And we see

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today that for those men and women that start...or as young adults, if we can get them in the door with welders, we can take the welders and we can transition them through our organization to be weld engineers, robotic technicians, laser technicians, and these are higher-paid, higher-skilled jobs, but it's very hard to do. Some of the individuals that come through our door are those that are just looking for a stopping off place as they come by. They come in and they want to work for a few months until they find the next job because they don't understand what manufacturing can offer. You know, in Nebraska...I'm born and raise in Hastings/Grand Island area, and this is a very, very good place to live; it's a very good place to work. We've lost some major opportunities for some very large manufacturers to move into the state because of our...not because of our taxes, not because of some of these things, although they were a part of it. But the first thing an employer looks at, of course, is how many workers do you have. I said at a Dream it. Do it. meeting yesterday--by coincidence Dwayne wasn't there so that wasn't prompted, but just so you know--but it was interesting because we had an individual in there that gave a report that today there are only two point one skilled workers for any skilled job in Nebraska. And if you're a business owner, that means for any welding job, I have two point one people to choose from. That's not very well. That's not very good for us. So that's a real challenge for us. We also work with companies like Goodwill Industries. Goodwill has been given some monies to bring individuals in that have been unemployed for an extended period of time and help them with some training. And to then when we can hire them on, obviously there's some reimbursement to us as far as their wages are concerned. We work very, very closely with the Metro College, of course, across the state. So I guess that's...as you take a look at this and you consider this LR263, as a manufacturer, you know, we have to work with what you decide to do or maybe not do. And what we would like you to decide to do is to move this on so that we can work with the Dream it. Do it., the Goodwill Industries, and the other organizations that are out there as we even work within our own internships. Because between Behlen, we have a strong internship program where we're actively recruiting young adults to get into the organization and to see what they want to do or what do they want to be. You know, I'm sure every...you know, your parents asked you,

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what did you want to be when you grew up. So this can help them make that decision. And then, I mean, let's face it; if we can help them stay within Nebraska, well, then that's a larger tax base than what we have to (laugh) draw from for these types of programs. So I guess that's my pitch. [LR263]

SENATOR CORNETT: Senator Hadley. [LR263]

SENATOR HADLEY: Thank you for coming in. I found your statistics very interesting. I would like to point out, I guess, in Nebraska, the statistics could be skewed because of Lincoln, Omaha,... [LR263]

BRIAN TURNER: Yes, sir. [LR263]

SENATOR HADLEY: ...Grand Island, Hastings, Columbus, Kearney. If you're having problems getting these kinds of skilled workers there, you can imagine if you own a manufacturing plant in Ord or Valentine... [LR263]

BRIAN TURNER: Lexington, Nebraska. [LR263]

SENATOR HADLEY: ...Lexington, trying to get those kinds of skilled workers there because these are the counties that are having declining...a 10 percent decline in population, and trying to get young people to go back to those kinds of jobs is very, very difficult. [LR263]

SENATOR CORNETT: Senator Schumacher. [LR263]

SENATOR SCHUMACHER: Just briefly. You had indicated that Behlen has about 30 welding positions that could be filled or open. [LR263]

BRIAN TURNER: Yes, sir. [LR263]

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SENATOR SCHUMACHER: We also heard testimony about the 16 to 26 age group as a body of people that are out there that may be available. I think we've heard in other hearings testimony that in north Omaha, you've like 30 percent of the young males who are unemployed, a real problem. [LR263]

BRIAN TURNER: Yes. [LR263]

SENATOR SCHUMACHER: Do you see any mechanism for us being able to help ourselves by just moving some cards around on the table here? [LR263]

BRIAN TURNER: You know, yes. Probably the biggest mechanism is awareness. You know, our business was located up on North 30th Street for a lot of years. I can tell you that I would look out my window every day and watch young adults walk by our window in the middle of the day and you knew that they had no where to go or nothing to do. It's a very sad thing to see because they're very intelligent young men and women. It has to become an awareness program that starts frankly with the parents, whether it be through the schools. And there's been some...there's ad hoc programs taking place everywhere. So if we wanted to shuffle a deck or move things around, we need to get to an awareness level where we're visiting with the parents to encourage them and work with local businesses to...whether it be an open house night or something like that to encourage their sons or daughters to get into the manufacturing base sector as we can show them what they can do. [LR263]

SENATOR SCHUMACHER: Well, should some of those people who are walking past the window with nothing to do be getting pretty hungry or who's feeding them? [LR263]

BRIAN TURNER: We as a...that's a...I have a lot of opinions then, and we don't have time for opinions because you folks are going to get very hungry. But we don't help ourselves very often because of some of the programs that are out there that encourage

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us to stay home. [LR263]

SENATOR SCHUMACHER: Thank you. [LR263]

SENATOR CORNETT: Seeing no further questions, thank you. [LR263]

BRIAN TURNER: Thank you. [LR263]

SENATOR CORNETT: Next testifier. [LR263]

DALE GUBBELS: (Exhibit 9) Good afternoon, Senators. Thank you for the opportunity to speak today. My name is Dale Gubbels. I'm the CEO and president of Firstar Fiber. We're a recycling company here in Omaha. And in listening to all of the testimony so far, I realize that one of the things I did not put in my testimony that I should have is to point out that in...towards the end of 2009, our company which processes the recyclables from the city of Omaha as well as a lot of other communities around the state, we made the decision that we had grown to the point that we were right on the cusp. And if you all...like me, you probably want to forget 2009, but we were at a point where we were trying to decide should we add a third shift. We took the plunge and we did it and I'm pleased to say that it's worked out real well for us. We went from about 80 employees. We now employ about 105 employees full time. And we also process about 6,000 tons of recyclables every month, and we market approximately another 2,000 tons a month from communities all across the region. We reach into Minnesota, South Dakota, Iowa, and Kansas, and Missouri where we're finding homes for those materials. The hearing today on manufacturing is near and dear to my heart because a lot of those tons that I mentioned that we are recycling, we're actually sending them to China. We get calls and e-mails from Korea, India, Mexico. We're shipping probably 40 to 50 percent of all the materials that we collect outside of the U.S., which is a real shame, especially for Nebraska because as we've heard, we do have a lot of manufacturing in this state. I brought along today these little...yeah, ornaments (laughter), are actually a good

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example of how a bill that Senator Mello had introduced last year that I would like to see reintroduced and passed this coming year would benefit manufacturers in this state significantly. The material that you have there is actually made from glass. It is a porous paving material that is being made in Wisconsin. We bury, in Nebraska, about 100,000 tons of just glass, container glass every year in this state. It costs us on average \$26 per ton to put it in a hole in this state. Our company is required by our contract with the city of Omaha to recycle glass. And I use the term recycle glass very loosely because there are not good markets in Nebraska to recycle glass. We were able several years ago to finally find a use for it. The glass that's dropped off in the drop off centers throughout Omaha and other parts of the state end up going to a landfill, and they use it for road building material. It's not a very high-end use for it. And actually it costs us money to ship it there because it's just replacing sand and rock. These samples are an example of how a very unique and creative approach that Senator Mello has introduced would take some of our existing grant money and make it available to businesses as well as municipalities in a way to generate tax incentives and tax credits for businesses to recycle materials. This particular product, for example, it's too costly for us to ship this to Wisconsin. However, there is a company that has said if we can demonstrate that this material would have a market in the state, they would be willing to put a processing plant here. That's 100,000 tons that, at \$26 a ton, we would be avoiding the landfill across the state and creating jobs and the material is a pervious paving material. Those of you who are familiar with the runoff problems that we have in our community would like to know that...may like to know that rainwater, even a heavy rainwater, 40 percent of the rainwater will soak through and prevent erosion and other problems inherent with storm water runoff. We think we've got a good shot at getting this company to locate in Nebraska because Omaha, Lincoln, and other communities are getting very serious about trying to control runoff. But the tax credit that would come about through the passage of, I believe it was the remanufacturing and job creation act last year, I'm not sure what it'll be called this coming year. But what it will do is provide a tax credit to a business that decides that we need to control runoff. We'll buy this material because for every 10,000 square feet that is paved with this, it creates a market for 140 tons of

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glass. So it's a push-pull type of opportunity. Nebraska is bearing every year about 2 million tons of what we'd like to think is actually misplaced resources. In fact, the DEQ has done a study that shows that by their calculations, almost 40 percent of it could be easily recycled. I'm in the business, been in the business for 30-some years. I believe that's a low number because we're finding end uses for materials, again, shipping to China, Mexico, and all these other exports when we should be looking at our existing manufacturers here in the state. This tax credit would also give them the tax incentive, tax credit to look at their own manufacturing processes, and, such as with this glass, look at a way to solve a problem: (1) getting rid of their own waste, and (2) most recyclables when they're used as a manufacturing feedstock actually lower energy costs, and that can be significant if you're looking at rising energy costs. So with that...and the handout that I provided has a lot of background information that I won't go into here. But these were studies that were done both nationally. And, again, the one that concludes that in Nebraska the materials that we're throwing away just based on the commodity markets that we're currently enjoying, and, again, a lot has to do with our friends overseas who are buying it. We're burying and paying to bury almost a half a billion dollars in this state annually that could be going to cover some of the costs that we were just talking about here recently that we can't seem to find the money for. So with that, I'd like to try to answer any questions you might have. [LR263]

SENATOR CORNETT: Senator Schumacher. [LR263]

SENATOR SCHUMACHER: I just have a quick question. Has any research or any application of this been considered that things like that, which are halfway massive, could be used to hold down sand so that after a trench was dug in it and grass was planted it wouldn't be as much subject to wind blowouts if you were going to dig through a place like the Sandhills? [LR263]

DALE GUBBELS: Sure. I'm not certain about that but I don't see why it wouldn't, Senator, because I visited, went this summer to the company that's talking about putting

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this in, and they're based in Missouri and they're in their second year now, and they put it down in a parking lot. And his background was actually, he's a developer. And the city was going to require him to put in a rain basin to control the runoff. He put this in instead and he put a hose on this parking lot, ran it full blast, and I was there for an hour and that water never got beyond a foot and a half; it had soaked through by then. So in the Sandhills where we don't get that much rain, maybe that would work real well, so.

[LR263]

SENATOR SCHUMACHER: Thank you. [LR263]

SENATOR CORNETT: That concludes our...Senator Mello, you waive? Okay. Thank you very much. Hearings will resume again at 1:30. [LR263]