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Transcriber's Office

Revenue Committee
March 14, 2013

[LB63 LB64 LB159 LB251]

The Committee on Revenue met at 1:30 p.m. on Thursday, March 14, 2013, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB63, LB64, LB159, and LB251. Senators present: Galen Hadley, Chairperson; Paul Schumacher, Vice Chairperson; Tom Hansen; Burke Harr; Beau McCoy; Pete Pirsch; and Kate Sullivan. Senators absent: Charlie Janssen.

SENATOR HADLEY: We're going to get started. My name is Galen Hadley. I'm the Senator from Kearney. Appreciate your coming to the Revenue Committee. To my left is Senator Schumacher from Columbus; to his left will be Senator Pirsch; and then to his left will be Senator Sullivan. We are still...everybody is still introducing bills, so if they're not here it's not because they don't like you, or if they get up to leave in the middle of your talk, it's not that they don't like you, but they might be introducing a bill someplace else. On my far right will be Senator Burke Harr from Omaha; and to his left is Senator Janssen--will be--from Fremont; we have Senator McCoy from Omaha and Senator Hansen from North Platte. Our committee counsel is Mary Jane Egr Edson to my right; Bill Lock is our research analyst, and Matt Rathje to my left is our committee clerk. Our pages are Evan Schmeits and Nate Funk. They're wonderful people. They're college students that help us out during the session and we appreciate everything they do. If you'd please turn off cell phones or put them on vibrate while in the hearing room. The sign-in sheets look something like this. If you're going to testify, I'd appreciate if you actually fill one out before you come up and give it to the committee clerk. If you're testifying on more than one bill, you will need to submit a form for each bill. Please print and complete the form prior to coming up to testify. When you come up to testify, hand your testifier sheet to the committee clerk. There are also clipboards in the back of the room to sign if you do not wish to testify but would like to indicate your support or opposition to a bill. These sheets will be included in the official record. We'll follow the agenda posted at the door. The introducer or representative will present the bill followed by proponents, opponents, and neutral. Only the introducer will have the opportunity for closing remarks. As you begin your testimony, state your name and spell it for the record. If you have a handout, please bring ten copies for the committee and staff. If you have only the original, we will make copies. Give the handouts to the page to circulate to the committee. We've been joined by Senator Pirsch from Omaha and Senator Sullivan from Cedar Rapids. With that, Senator Schilz, we will open with LB63.

SENATOR SCHILZ: Good afternoon, Senator Hadley and members of the Revenue Committee. My name is Ken Schilz, K-e-n S-c-h-i-l-z, and I represent Legislative District 47. I appear before you today to introduce LB63. In 2012, LB391 identified aquatic invasive species as nonnative species that poses significant threat to the aquatic resources, water supplies, or water infrastructure of this state. It was introduced to protect Nebraska's aquatic resources from the multiple of potential losses associated with aquatic invasive species and, as such, restricts the possession, importation,

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exportation, purchase, sale or transport of these species. It also requires the Nebraska Game and Parks Commission to adopt and promulgate rules and regulations to implement the new legislation. Following the passage of LB391 in 2012, the Nebraska Game and Parks Commission developed such regulations under Title 163, Chapter 2, Section 12, which became effective January 1, 2013. However, limited funds existed to implement these new regulations. As discussed during the hearing for LB391 in 2012, aquatic invasive species represent a tremendous threat to our water resources. In the U.S., aquatic invasive species are causing widespread damage to power plants, municipalities, agricultural irrigation systems, and are threatening recreational fishing opportunities, and others, costing over \$20 billion per year. In Nebraska, we rely on limited water resources for agriculture, power, sport fishing, recreation and other various consumptions. We have seen this resource threatened by a number of aquatic invasive species including phragmites, Asian carp, and recently zebra and quagga mussels among others. Zebra and quagga mussels pose one of the largest threats as they can clog irrigation pipes, pipes of power plants or water treatment facilities, and impact our fisheries by out-competing for food. The cost associated with aquatic invasive species are extreme. For example, estimated cost associated with potential zebra mussel infestation in the Columbia River power plants exceed \$47 million. The city of Wichita, Kansas, recently allocated more than \$2 million through an increase in taxes to upgrade water treatment facilities due to zebra mussel problems. And the town of Council Grove, Kansas, temporarily lost its water supply due to zebra mussel clogged pipes. LB63 would credit to the State Game Fund one-half of the proceeds of the sales and use taxes to derived from the sale or lease of motorboats as defined in Section 37-1204. This would amount to approximately \$1.2 million annually. The proceeds credited to the State Game Fund would be targeted primarily for aquatic invasive species monitoring and control with secondary emphasis on motorboat access development. Specifically, funds will support aquatic invasive species temporary staff, boat inspections, decontamination units, research, and monitoring, and contingency funding for future infestations. And then the motorboat access development, road, parking improvement, handicap accessibility improvements, boat ramps, docks, etcetera. Funding estimates in LB63 are similar to program funding allocations in neighboring states. Colorado operates a full aquatic invasive species program with over \$4 million annually from the Colorado state Legislature severance tax. Wyoming received \$1.5 million in state emergency funding and also receives about \$400,000 annually from an aquatic invasive species boater decal fund, and Iowa receives more than \$700,000 from the Iowa Department of Natural Resources as well as federal funding. This bill is directly in line with the statewide Aquatic Invasive Species Management Plan, which was approved by Governor Heineman and National Aquatic Nuisance Species Task Force in 2010. Federal grant assistance and funding provided by the Nebraska Environmental Trust has provided the primary funding mechanism for aquatic invasive species management in Nebraska, but this funding is limited and continues to decline. In comparison to other states, Nebraska lags behind in both funding and aquatic invasive species prevention activities. LB63 would allow Game and Parks to not only implement new regulations, but

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to increase and improve the capacity to prevent, control, contain, or eradicate aquatic invasive species in Nebraska while partnering with other natural resources organizations. Recently, the United States Department of Interior, the Bureau of Reclamation reported a sample taken from Swanson Reservoir at Trenton Dam that was potentially positive for mussel infestation. There are others who will testify to provide more information on this recent discovery. This is not an issue that is too far off for Nebraska. Aquatic invasive species are alive and multiplying in our state today. We are fortunate that not all of our waters are infested with these species. However, our neighboring states are not as fortunate. One example of the immediate risks we are taking is, we are out of any...we're out of...any boat may have an aquatic species attached to it from one of their infested lakes could come to Nebraska to enjoy our boating on our lakes and the species would be released into our body of water and cause huge issues. I've received letters of support, which I think you received, from the Nebraska Water Coalition, and the North Platte Valley Water Association, which I have provided to you. I ask for your support of LB63. Thank you, and I'd be happy to answer any question you may have. (Exhibits 1 and 2) [LB63]

SENATOR HADLEY: Are there questions for Senator Schilz? Senator Sullivan. [LB63]

SENATOR SULLIVAN: Thank you, Senator Hadley. Thank you, Senator. Can you tell me how much overtime the Game and Parks has received from the Environmental Trust for these efforts? [LB63]

SENATOR SCHILZ: You know, I could say a number but I'd be wrong. There will be others behind me that can you tell you how much that was. [LB63]

SENATOR SULLIVAN: Okay. But you said that they have received it but the funds are getting less? [LB63]

SENATOR SCHILZ: Right. Yes. Yeah, let's let them say how much that is. I don't want to tell you a number and be wrong. [LB63]

SENATOR SULLIVAN: Okay. All right. In terms of zebra mussel infestation, now did you say we already have some? [LB63]

SENATOR SCHILZ: We've had some situations in Zorinsky Lake in Omaha that they had to drain that and they basically completely drained the lake and left it drained so that it could freeze over the winter and then put water back in. And I don't know the status of that just yet. Also we had some at...oh, at the Air Force Base on Lake Offutt that they've worked on some controls there. We haven't necessarily seen any in our larger reservoirs or outstate, but those are at risk. [LB63]

SENATOR SULLIVAN: So with these additional dollars, how do they propose...there's

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one thing to monitor it, but then you talk about...well, how would the monitoring work?
[LB63]

SENATOR SCHILZ: How it works is basically part of it is outreach, education, and understanding from everybody that's involved in the issue. Basically what it comes down to is inspections, self-awareness of what to look for, and how to understand how the transport a boat or any sort of vehicle that might carry them from one body of water to the next, and provide that you can put that on the lake safety without introducing those species. So, it's education and enforcement, and... [LB63]

SENATOR SULLIVAN: So would these inspections be spot-checks? [LB63]

SENATOR SCHILZ: They could be. They could be...they could be such a thing if money is available that certain areas, you know...and that needs to be fleshed out with Game and Parks in how they would do that and how they would spend that, so that might be a better question for them as well. [LB63]

SENATOR SULLIVAN: Okay. Thank you. [LB63]

SENATOR SCHUMACHER: Any questions for Senator Schilz? Just a couple, Senator Schilz. A couple of years ago we diverted some sales tax money toward roads. Yesterday we heard a bill suggesting that we divert some tobacco or cigarette money towards various projects. This peels off a teeny bit of the income stream and puts it over to dealing with what apparently is a pretty good infestation or threat of one. What is the reasoning or the wisdom of a diversion pre-General Fund rather than Appropriation? And don't we lose control of money when we start diverting the income stream out before it hits the Appropriations Committee? [LB63]

SENATOR SCHILZ: Right. I mean, that's a question that you can ask and I can't tell you the right way to go on that. If I thought we could get it with just an appropriation, I would be all for that too. The reasoning behind this, obviously, is that it's actually coming from the motorboat tax, which seems like a logical fit. If you're talking about something that a motorboat can impact, it seems that it would be...at least there's a threat of reasoning that goes into this to understand why you would want to take that from that area. [LB63]

SENATOR SCHUMACHER: Senator Pirsch. [LB63]

SENATOR PIRSCH: In some other bills we've had, we've picked some period of time. I don't know, five, ten years or something and put in a sunset provision or something and an evaluation at the end of that period to see results. Would that be something that would...you would maybe think is viable to mitigate some of the concerns that Senator Schumacher...? [LB63]

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SENATOR SCHILZ: I see no problem with a sunset provision. I don't think that would be an issue. [LB63]

SENATOR PIRSCH: Thank you. [LB63]

SENATOR SCHUMACHER: Any other questions? Thank you. Are you going to stay to close? [LB63]

SENATOR SCHILZ: Yeah. [LB63]

SENATOR SCHUMACHER: Good. Thank you. Senator Hadley had to leave for just a little bit. At this point we're going to institute the lights program so that we don't run terribly over the period because we've got an Executive Session to do after this. Basically, the lights trigger green at five minutes. You've got five minutes to go. When it gets down to one minute it turns to amber, and then when it gets down to red, please windup your final sentences. There will be opportunity for questions and interaction with the committee after the light turns red. We're now on proponents. So, for the first proponent, if you would please come forward. [LB63]

JEFF BUETTNER: Good afternoon, Senators. My name is Jeff Buettner, J-e-f-f B-u-e-t-t-n-e-r, and I'm the public relations coordinator and a lobbyist for the Central Nebraska Public Power and Irrigation District. Let me preface my remarks by saying, yesterday the timing was fortuitous and that I had the opportunity to go down to East Campus and see a presentation from a gentleman from New York who has been studying the...what was the river, doggone it. Big river in New York, (laugh) and it was like watching a horror story unfold as far as the impacts of zebra mussels on the river and ecosystem. So, it was just amazing to see that a single species like that could cause such widespread havoc in a river system. But thank you for the opportunity to provide testimony today in support of LB63. As the owner and operator of Lake McConaughy, Central is concerned about the vulnerability of facilities associated with the reservoir. Lake McConaughy is a popular destination for many out-of-state boaters as well as resident boaters. Boats and the trailers on which they are transported are the most common carriers of invasive species. When boats are transported from another infested body of water, the organisms can hitch a ride, either attached to the vehicles, or as larvae in live wells, bait buckets, or bilge water. An unquestioned potential exists. Zebra and quagga mussels, as well as other aquatic invasive species, could be introduced to the lake. The presence of the mussels has been documented in two small Omaha lakes, as referenced earlier, as well as in neighboring states including Colorado, Kansas, South Dakota, Iowa, and Missouri. Identification of the mussels in Colorado waters is of particular concern because the majority of visitors to Lake McConaughy come from that state. The coordinator of the Nebraska Invasive Species Project told Central in 2011, that inherent human transport is the main pathway for introducing zebra mussels to other lakes. Further she said, there would be no way to eradicate the

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mussels if they gained a foothold at McConaughy. Too much water, too much area. At that point, we would only hope to contain them and even that would be expensive. A more preferable scenario would be one in which public education and inspections prevent the introduction of invasive species to Nebraska's waters. While we take no position on the bill's source of funding other than to suggest, perhaps, that fees or boat stickers might bring in additional out-of-state dollars, and are neutral on designating a portion of those funds for improving motorboat access, we are fully supportive of efforts to provide funding for aquatic invasive species monitoring and control. If the mussels become established in Lake McConaughy, they would inevitably spread throughout the waters of the Platte River system, including many supply canals and irrigation canals that eventually receive water from the reservoir. The mussels can damage fisheries and fowl reservoir shore lines, clog hydroelectric plants, and diversion in water control structures, and obstruct cooling water intakes at NPPD's Gentleman Station, which provides a significant portion of electrical power to Nebraska. Once established, eradication would virtually be impossible and will lead to expensive and potentially ineffective mitigation measures at a cost that would eventually be borne by Nebraska's electric ratepayers and taxpayers. As we mentioned, five neighboring states have control programs that are funded in different ways, but Nebraska's waters are considered a public resource providing all manners of benefits to the public. The state, or its various political subdivision, is charged with the task of regulating and managing water resources, but it is within the Legislature's power to decide whether to allocate funds to protect this public resource. In conclusion, the threat is real and we believe that it's in the best interest of the state for the Legislature to take steps necessary to fund the protection of the state's waters, and the power, irrigation, municipal, and recreational infrastructure that rely on those waters against the damages that could be inflicted by aquatic invasive species. Thank you very much. [LB63]

SENATOR HADLEY: Any questions? Senator Pirsch. [LB63]

SENATOR PIRSCH: Thanks and I appreciate bringing your expertise here to the table. In light of what you know which is occurring around the country, and you mentioned New York and whatnot, is this just the new inevitable reality that we're going to have to deal with the zebra mussels on a perennial basis? Is it...is the...are we going to be talking about controlling, not eradicating, mussels in terms of 20 years, 100 years from now? [LB63]

JEFF BUETTNER: It was the Hudson River, I just finally remembered. But I don't know that the threat will ever go away. I'm not a biologist and I'm sure there's experts on the zebra and quagga mussels that can testify in a better manner than I can, but they've been here in the United States. They first established in the Great Lakes region and then they have just gradually spread outward. Now, so far, the Plains states have been fairly fortunate, but if you look at that pattern of spreading, I think that we have to be vigilant because once they are introduced, they're virtually impossible to get rid of.

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[LB63]

SENATOR PIRSCH: Is there a jurisdiction where they've been, you know, known to...where they're around? You said in the Great Lakes is where they start. Is any region around the...any jurisdiction the Great Lakes found a good way to control them? [LB63]

JEFF BUETTNER: To my knowledge and from what I have learned through reading and listening to lectures like yesterday, controlling them is almost impossible. Once they become established, you're not getting rid of them. [LB63]

SENATOR PIRSCH: Is there a jurisdiction that's successfully...is posed with the same kind of danger here, letting...it established that effectively did because of their efforts kept them from getting a foothold or established? [LB63]

JEFF BUETTNER: Not that I'm aware of. I don't have an answer to that. I know that they have...there are instances where they've used various chemicals, mechanical removal of zebra mussel infestation from like water lines and stuff like that. It's extremely expensive and sometimes if you're using chemicals, for example, those chemicals could have side effects that are not...that you don't want to see. At Lake McConaughy, that wouldn't be possible. There is simply way too much water and way too much area to cover. [LB63]

SENATOR PIRSCH: Well, I...you know, I think Zorinsky had been drained and, you know, ventured by it quite a few times and, you know, wildlife and humans would get stuck in the mud there, so it's definitely... [LB63]

JEFF BUETTNER: We would like to think that the option of draining Lake McConaughy would be off the table. (Laughter) [LB63]

SENATOR PIRSCH: Yeah, yeah. Well, I certainly appreciate...but even on less than McConaughy size of a... [LB63]

JEFF BUETTNER: Right. [LB63]

SENATOR PIRSCH: ...on just a Zorinsky size, like it certainly does... [LB63]

JEFF BUETTNER: Sure. [LB63]

SENATOR PIRSCH: ...present a lot of problems, so. Thank you. [LB63]

SENATOR HADLEY: Any other questions? Yes, Senator Hansen. [LB63]

SENATOR HANSEN: One quick one. Central is on a water freeway that goes the full

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length of the state, so does it...do these mussels go...are they waterborne, too, by themselves without the human effect then that boating transmission? [LB63]

JEFF BUETTNER: They can be, certainly. The way I understand it and maybe Karie or somebody who follows me will correct me, but their larvae is less than a millimeter small in size and they can be transported through the water. As soon as those eggs hatch, the way I understand it, those larvae start feeding immediately and eventually grow to the point where they become full-fledged mussels and attach to a hard surface, but there is that risk that they could, in the water itself, move down the stream. It wouldn't necessarily have to be, as I understand it, a movement through a human-owned vehicle or something like that. But you're right... [LB63]

SENATOR HANSEN: Water fowl? Could they... [LB63]

JEFF BUETTNER: I would have to defer to the experts on that. I'm not that familiar with how they...our main concern is, of course, McConaughy and the associated canal systems; it could act as a conduit for spread of the mussels. [LB63]

SENATOR HANSEN: Thank you. [LB63]

SENATOR HADLEY: Thank you. Appreciate it. [LB63]

JEFF BUETTNER: Thank you. [LB63]

SENATOR HADLEY: Next proponent. [LB63]

KATHY MCKILLIP: (Exhibit 3) Good afternoon, Chairman Hadley and members of the committee. I am Kathy McKillip, K-a-t-h-y M-c-K-i-l-l-i-p and I'm the director with the Nebraska Tourism Commission. As many of you may be well aware, the commission recently completed the development of a statewide strategic plan. This plan, under the direction of LB684, charged the commission with reviewing elements within the tourism industry. Several of those components that we reviewed were organizational structure, marketing, regional growth, funding sources, and an overall statewide assessment of our tourism potential. As part of that strategic plan, emphasis was placed on the promotion of our natural amenities. As a commission, we continually survey and evaluate emerging trends and traveler interest throughout the different categories. Outdoor recreation, scenic beauty, and environmental exploration rank among the highest. Through our recent research and surveys, we've discovered that Nebraska is prime for targeting visitors of these specific markets. However, we need business and land access to be available and adequately qualified to execute such marketing surges. Nebraska has approximately 450 public water bodies across the state, including reservoirs, Sandhills lakes, community and urban lakes, pits, and ponds. All of the 110 reservoirs and many of the smaller water bodies have motorboat access facilities, and

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several of these are in desperate need of repairs. In addition, there is significant need to construct new motorboat access facilities at an additional 36 significant water bodies. If we were to allocate marketing dollars to promoting our natural amenities, we need to make sure we can handle the response and demand. Our lakes will need safe and adequate motorboat access. They will also need to be free from invasive aquatic species that affect the vitality and longevity of other native species important to Nebraska's ecosystems. Some of the numbers of the commission recently gathered during a scientific research study by Equation Research as part of our strategic plan relating to LB63 are as follows. And I'm not going to go through all of this because I hear that you had a very late night last night. So in all due respect of your time here at the committee, a couple of them that are poignant are the rivers and lakes for recreation, 41 percent surveyed said that's their ideal vacation in looking for those offerings, only 14 percent perceive those with Nebraska. Nice boating, lake and river activities and fishing available, 28 percent see that as an ideal vacation and only 7 percent relate that or correlate it with Nebraska. Ecotourism is a growing industry in Nebraska and across the country. That includes our rivers, lakes, and streams. At this time the Nebraska Tourism Commission offers its support for LB63 and we would like to thank Senator Schilz for bringing the value and importance of tourism before the body through this vehicle of LB63 and believe that the future of tourism has a very important role to play when it comes to generating revenues for our communities, our counties, and our state. And I would attempt to answer any questions should the committee have any. [LB63]

SENATOR HADLEY: Are there questions for Ms. McKillip? Seeing none, thank you. [LB63]

KATHY MCKILLIP: Thank you very much. [LB63]

SENATOR HADLEY: Next proponent. [LB63]

KARIE DECKER: (Exhibit 4) Chairman Hadley and Senators of the Revenue Committee, my name is Karie Decker, K-a-r-i-e D-e-c-k-e-r. I serve as an assistant division administrator for the Nebraska Game and Parks Commission and I'm here testifying on behalf of the commission in support of LB63. As you know, the proposed legislation would credit one-half of the sales and use taxes collected from the sale or lease of motorboats to the Game Fund targeted primarily for aquatic invasive species prevention, monitoring, and control. Aquatic invasive species are defined as exotic or nonnative aquatic organisms which pose a significant threat to the aquatic resources, water supplies, or water infrastructure of our state. Nebraska has the unique opportunity to prevent the introduction of one of the most destructive aquatic invasive species, as you have heard in a couple of the past testimonies, zebra mussels. Zebra mussels clog irrigation pipes, hydropower cooling systems and water treatment facilities and outcompete native sport fish for food. So far, Nebraska has been fairly lucky with few infestations, although you did hear from Senator Schilz about a potential infestation that

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was identified recently in Swanson Reservoir. Kansas, Missouri, Iowa, Minnesota, and Colorado all have current active infestations and while each state is taking measures to help prevent the spread of these species, Nebraska receives many aquatic recreational visitors each year increasing the risk of spread. In an effort to prevent the further spread of these species, the Nebraska Legislature passed a bill in 2012 that gives the Nebraska Game and Parks Commission the regulatory authority to protect the state from aquatic invasive species. However, funds for such activities have been grant-based and inconsistent thus inhibiting program maintenance and growth, and much of the funding is set to expire in 2015. LB63 would provide the necessary funds to implement the new aquatic invasive species regulations including boat inspections, purchase of decontamination units, research and monitoring, outreach materials and contingency funding for future infestations. LB63 would also provide funding for continued motorboat access facility development and operations on publicly owned or managed areas around the state. That amount would be put to use for such things as boat ramp and dock maintenance, parking, and shoreline stabilization and would be dependent on the actual revenue amounts less aquatic invasive species needs. All states bordering Nebraska have designated funding and staff for the management and prevention of aquatic invasive species. We thank Senator Schilz for introducing this important bill as it gives Nebraska the opportunity to prevent the introduction and spread of many of these species. Given the impacts to one of our most valuable resources, water, we encourage the Revenue Committee to consider advancing LB63. And I'd be happy to attempt to answer any of the biological or some of the financial questions you might have. [LB63]

SENATOR HADLEY: Are there questions? Senator Sullivan. [LB63]

SENATOR SULLIVAN: Thank you, Senator Hadley. Thank you for your testimony. Question not so much about the zebra mussel infestation, it's about the other item that you're designating funds for. Tell me a little more about that because it seems to me that, as defined, those should be the normal things that the Game and Parks should be doing. [LB63]

KARIE DECKER: Sure and we do, in fact, do a lot of those. Funding for motorboat access facility and development has also been very limited in the past and we felt this bill coming from motorboat sales and use tax would be ideal for helping to improve some of those facilities. You heard in Kathy's testimony that a lot of our facilities are suffering and this could go right hand in hand with a lot of the things that we plan for aquatic invasive species prevention. Some of the things we'd like to do in terms of purchasing and implementing some decontamination units for boats at these sites would go hand in hand with a lot of those other expenses as well. [LB63]

SENATOR SULLIVAN: How did you determine that this was a better route to go as opposed to attaching something to license fees? [LB63]

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KARIE DECKER: That was a consideration. I think there were a lot of different ideas tossed around. In some previous legislation introduced two years ago, we looked at increasing boater registration fees and that didn't make it very far past some of the folks we talked to. So I think that this was one that was best agreed upon by all parties to...that would work best. [LB63]

SENATOR SULLIVAN: Thank you. [LB63]

SENATOR HADLEY: Senator Schumacher. [LB63]

SENATOR SCHUMACHER: Thank you, Senator Hadley. Thank you for your testimony. What...is this a losing battle? [LB63]

KARIE DECKER: That's a good question. I heard you ask that earlier and my former role was coordinating the invasive species program for the state and I got that question a lot. I don't feel that it's a losing battle. They have these zebra mussels in other...many other species have been infesting the Great Lakes area for, boy, a number of years, since the '80s. And not all of Minnesota's lakes are infested. It's not a guarantee. Some lakes will provide a beautiful environment for things like zebra mussels. Other lakes are not so well...the environment does not sustain a population like that. The research that's going on right now in Wisconsin and Minnesota is very promising. There's a natural bacteria that they are testing out on a lake-wide application to treat for zebra and quagga mussels. And I can guarantee the federal government is going to put some more money into some of this research because it is impacting us at such a grand scale. [LB63]

SENATOR SCHUMACHER: What would be stopping somebody from just getting a few buckets of these things and just dumping them in? Is there any protection against that kind of...? [LB63]

KARIE DECKER: Not at the federal level. Within the state we do now have that enforcement. Last year, LB391 was passed that does prohibit the possession and introduction of such species into other state waters. [LB63]

SENATOR SCHUMACHER: Thank you. [LB63]

SENATOR HADLEY: Other questions? Senator Hansen. [LB63]

SENATOR HANSEN: Thank you. Do these zebra mussels go up and down the river system? [LB63]

KARIE DECKER: They do, they'll...they're very small. So when they're adults, they're

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about the size of a thumbnail generally, but in the larvae stage, like Senator Schilz had mentioned, or maybe it was someone else, they do go downstream, and that's where they look for attachment points. So once the larvae are in the water, which is usually around when water temperatures reach 50 degrees, they will go with the streamflow. So potentially, as the example was brought up, if they were introduced into McConaughy, eventually that whole system could be infested. [LB63]

SENATOR HANSEN: And then there...the next picture on this handout is Eurasian watermilfoil. Does that ever break the surface or is it all underwater? [LB63]

KARIE DECKER: It does. And some of our eastern reservoirs do have this species pretty heavily infested. Wildwood reservoir is an example that has Eurasian watermilfoil. A lot of private lakes, folks, do complain about this and they treat it chemically and it does go away for a while and then comes back, but... [LB63]

SENATOR HANSEN: They treat it below the surface of the water? [LB63]

KARIE DECKER: At the water level, uh-huh, yep. [LB63]

SENATOR HANSEN: This Asian carp may be a little more acceptable if we call it like a Nebraska tilapia. (Laughter) [LB63]

KARIE DECKER: They are good to eat if you know how to fillet them, yeah. [LB63]

SENATOR HADLEY: Any other questions? Thank you so much. We appreciate it. Thank you. [LB63]

KARIE DECKER: Thank you. [LB63]

SENATOR HADLEY: Next proponent. [LB63]

GLENN HILLHOUSE: (Exhibit 5) Good afternoon. My name is Glenn Hillhouse. I'm here on behalf of Nebraska Lakes Association. I thank you for the opportunity to speak here today. I serve as a longtime member of the board of directors of Nebraska Lakes. Nebraska Lakes Association is an organization dedicated to addressing the issues private lake associations manage. They range from fish to boating concerns to environmental issues. The association has a wealth of information to share with private lake residents and lake associations. We provide specific information about water quality, fisheries, insurance, lake liability issues and boating safety, all information that is rather difficult to obtain, especially for resident volunteers. The NLA is a great reference organization. The mission of the Nebraska Lakes is to provide a forum for information and resources to educate members so their lake experience is safe, healthy, and enjoyable. We work very closely with our partner, the Game and Parks

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Commission, to provide boater safety classes and other information like water quality, chemistry and, of course, invasive species, plants and animals. We supply links at our Web site to the Nebraska invasive species and the weed program and various other state agencies. It is well known that the invasive species came up a few years ago and my lake here in town, Capitol Beach, as well as every other lake in our group, instituted rules and procedures to prevent the invasion of the nasty zebra mussels and their cousins. Some of these rules implemented include locked gates on the boat ramp with pass cards, boater education about clean and dry procedures for the boats and trailers, and educate to the dangers of our lake and property values if we are invaded. Other lakes did the same. We relied on representatives from the Game and Parks to provide timely and accurate information. They even provided signs, both warning and informational, for us to use. We know once the zebra mussels and the like are in the water, it's virtually impossible and very expensive to get rid of. Prevention, through educational programs, is the most reasonable and best response. In short, LB63 would provide funding for aquatic invasive species management and prevention as well as funding for the motorboat access program. Funding, we hope, would come from one-half of the sales tax collected from the sale and rental of boats. I know the residents of private lakes represented by NLA have a vested interest in invasive species management and prevention. We have been very appreciative of that. We support that. It seems that the support of LB63 would go a long way to provide stable and continued funding for a program vitally important. [LB63]

SENATOR HADLEY: Thank you, sir. Are there any questions? I just had one quick one. I see Hanson Lake #2 and Hanson Lake #3, is that out near North Platte? [LB63]

GLENN HILLHOUSE: No, no, I think that... [LB63]

SENATOR HADLEY: (Laugh) Wrong spelling. Senator Hansen, I figured they were probably private lakes on his area out there. (Laughter) Thank you, sir. [LB63]

GLENN HILLHOUSE: Thank you. [LB63]

SENATOR HADLEY: Next proponent. Could I see a show of hands of how many more proponents? Okay. [LB63]

CHARLES BROOKS: (Exhibit 6) Chairman Hadley and members of the Revenue Committee, my name is Charles Brooks, C-h-a-r-l-e-s B-r-o-o-k-s, currently the Phelps County weed superintendent and president of the Nebraska Weed Control Association. I'm here today representing Nebraska Weed Control Association. I'm here today to testify in support of LB63. I will skip some of my testimony that I've presented to you because it's already been given out, but I'd like to state that...so I'll just kind of read some of it that's been through here. The Nebraska Weed Control Association is a member of the Nebraska Invasive Species Advisory Council. We advocated for the

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creation of this council as we saw the need for oversight of our natural resources within the state of Nebraska. For years we watched as purple loosestrife, salt cedar, phragmites invaded our riparian systems. Residents and organizations opposed controls in fear the environment would be degraded. Costs of control methods weren't feasible for individual landowners or counties. Action is either taken to prevent the infestation from occurring or high costs are going to be incurred to stop or control these infestations. The Legislature in 2007 invested \$4 million to begin riparian control efforts and \$13 million later we are still trying to reclaim our riparian areas from invasive plant infestations. Please give careful consideration to this funding request. Thank you for your consideration. [LB63]

SENATOR HADLEY: Thank you, Mr. Brooks. Are there questions for Mr. Brooks? Seeing none, thank you. Next proponent, please. [LB63]

JOHN THORBURN: (Exhibit 7) Good afternoon, Chairman Hadley and members of the Revenue Committee. My name is John Thorburn, J-o-h-n T-h-o-r-b-u-r-n. I am manager of Tri-Basin Natural Resources District headquartered in Holdrege. We are responsible for protecting the soil and water resources in Gosper, Phelps, and Kearney Counties in south-central Nebraska. I'd like to testify on behalf of my district and the Nebraska Association of Resources Districts in support of LB63. In our modern, mobile world, we are able to travel to distant places quickly and cheaply. Such freedom of movement provides great opportunities, but it also presents us with problems when plants, animals and diseases from other parts of the country, or even other parts of the world, arrive in our state. Usually when organisms are introduced into new environments they don't fare very well because they aren't naturally adapted to their new surroundings. Sometimes, however, an organism proves to be flexible enough to survive in its new situation. When plants or animals are capable of reproducing prolifically and their new environment lacks any natural predators to keep them in check, organisms become invasive, overwhelm native plants and animals, and degrade the environment itself. It might be difficult to accept the need to spend hundreds of thousands of dollars to address the potential threat of zebra mussels and other invasives when Nebraska has so many current problems and existing needs. I would assert, however, that taxpayer dollars are much more cost-effectively spent preventing invasives from getting established in our state than they are controlling infestations after they occur. Spending money now to protect our native ecosystems from invasives is comparable to buying fire extinguishers for our homes because they both protect us from potential danger. As individuals, we can't afford to wait until a fire is burning in our home to go out and buy a fire extinguisher, nor can we as a state wait until zebra mussels and other invasives have infested our lakes and streams to do something about them. I urge the committee to provide adequate funding to the Game and Parks Commission to develop boat wash stations at boat ramps and take other measures necessary to keep aquatic invaders at bay. Thank you. [LB63]

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SENATOR HADLEY: Questions for John? Senator Hansen. [LB63]

SENATOR HANSEN: One quick one. Thank you and thank you for coming today, John. Are there any lakes around Holdrege that...in the Tri-Basin area that have actual spray programs for boats as they come in to visit? [LB63]

JOHN THORBURN: I think they did bring some mobile decontamination stations in the Harlan Reservoir either last summer or the year before. Harlan is another one like Lake McConaughy that's particularly at risk because they get a lot of folks from Kansas coming up and we have seen the zebra mussels in Kansas. And typically if a boat is left out of the water for about a week or more and the live wells are drained, then the zebra mussels and their larvae will die off, but they can survive several days out of the water. And so one way to ensure that you get rid of them, if you have a boat that's from suspected waters, is to use high-pressure sprayers. [LB63]

SENATOR HANSEN: Okay. Thank you. [LB63]

SENATOR HADLEY: John, thank you. Next proponent. [LB63]

JUSTIN CLARK: (Exhibit 8) Hello, and thank you for having me today. My name is Justin Clark, J-u-s-t-i-n C-l-a-r-k, and I am the corporate officer and vice president of Patterson Harbor Marina and Resort located on the south side of Harlan County Lake or Harlan County Reservoir. I'm honored and thank the members of the Revenue Committee for the opportunity to speak before you today as a...in support of LB63. Patterson Harbor Marina and Resort is a 93-acre facility that was created in the mid-1950s and one of two facilities offering on and off water recreation services at Harlan County. My father-in-law and I purchased Patterson Harbor Marina and Resort in 2009 and will be entering our fifth season of operation this year. I've put some information there, kind about the size of our facility. I can let you read that as you may. As the only service on the south side of Harlan County Lake, we pride ourselves on the unique lake community Patterson Harbor Marina and Resort has become. Harlan County Reservoir is of great importance to our business operations and the operations of businesses in towns surrounding the lake. Harlan County Reservoir is also a principal storage facility for irrigation districts in the area holding nearly a quarter of the surface acre-feet...or a quarter of its capacity in surface acre-feet of "irrigateable" water, which is roughly 200,000 surface acre-feet and also providing flood control. The water stored in Harlan County Reservoir is essential to the sustainability and improved production of crops in these irrigation districts. The spread of aquatic invasive species is an issue that was brought to the forefront of our business operations shortly after we purchased it in March of 2009. At that time, the information received was one that caused great fear of the economic implications and the introduction of these aquatic invasive species would have on our lake and businesses in our area. The fears were only heightened as we learned nearby lakes in Kansas, which were less than a two-hour drive from our lake,

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were already infested with aquatic invasive species, primarily zebra mussels. The poor economic impact the introduction of these species will have on the valuable water resources is why I am here today in support of LB63. As with any problem we are faced with in Nebraska, our community has come together in this fight and we are working in partnership with Nebraska Game and Parks and their limited resources to form an educational program for the boaters and recreational users of our lake, along with inspections at entry points to curb the introduction of these aquatic invasive species. To date, the samplings of Harlan County Lake for aquatic invasive species have come back negative. While we are currently winning the battle against the introduction of these aquatic invasive species, we are faced with further challenges in ensuring we prevent the introduction and spread of these species in our state waters, given the current limited resources. The passing of LB63 will go a long way to improving the funding to expand our most important resource in this fight, education. This is currently being done by volunteers or limited-paid interns during the summer season through signage, banners, pamphlets, distribution of flyers, and inspections at lake entry points. Many may feel I am here today to protect my own business interest from the introduction of these aquatic invasive species and while that is true, it is important that the committee understand that the economic implications from the introduction of the aquatic invasive species to our water resources are farther reaching than the impact that the introduction will ever have on my business operations. I ask the committee to please look at the attached...and I'm sorry, it's black and white actually, instead of color, which is the pamphlet you saw before, but you can see the spread of the aquatic invasive species in the United States. One thing which is almost immediately obvious is once introduced these aquatic invasive species are spread in two ways. First, through the spread of contaminated boats which people have discussed and the second way is just...or is through the water bodies or the upstream rivers that support our, you know...or sorry, actually support Harlan County Reservoir. The committee should take notice that many of these streams and rivers are infested...sorry, if infested, will have a serious impact on the effectiveness of any agricultural irrigation unit attempting to utilize an infested water resource. Aquatic invasive species, such as zebra mussels, thrive on attaching themselves to structures which create a constant source of nutrients. In this case an irrigation pipe pulling water from an infested stream, similar to the one pictured in the printout I have provided, can be clogged in a short time given the quick and constant reproductive cycle of these species. Ultimately, as you can see, the economic impact on agriculture will be far more reaching than my business will ever face. By passing LB63, the state of Nebraska will take an important step to improving the coordination for the fight against the introduction of aquatic invasive species to our water resources. The funds directed towards the Game Fund for aquatic invasive species monitoring and control through the passing of LB63 may be utilized not only for boat inspections, but more importantly towards education, which I repeat, we have found to be our most valuable tool. The success of our prevention program at Harlan County Lake can be attributed most importantly to the improved education of our boaters through better understanding of aquatic invasive species, how they spread, and the areas that they

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have already been introduced. For Harlan County Lake, it is very important this effort be coordinated statewide as we cannot control efforts to prevent the spread of aquatic invasive species upstream, yet we receive water from lakes upstream feeding the Republic River. While the fight ahead to keep these species from being introduced to our water resources is daunting, it is a fight we are glad to continue. And the passing of LB63 will only improve our ability to sustain the fight and will bring us more in line with the programs present in surrounding states. I thank the committee for your time and consideration today and I welcome any questions you may have. [LB63]

SENATOR HADLEY: Questions? Senator Hansen. [LB63]

SENATOR HANSEN: One quick question. Since you're from Harlan... [LB63]

JUSTIN CLARK: Yeah. [LB63]

SENATOR HANSEN: ...I mean you have your business on the lake there, how many boat ramps are there around Harlan? [LB63]

JUSTIN CLARK: There are--let's see, there's Hunter's, Gremlin, North Shore--five. [LB63]

SENATOR HANSEN: Five main ones... [LB63]

JUSTIN CLARK: Yeah, five main. [LB63]

SENATOR HANSEN: ...that are significantly improved and all that? [LB63]

JUSTIN CLARK: Yes. [LB63]

SENATOR HANSEN: What about getting that dingy out just off of a trailer in the...off the sand somewhere? I mean that...I mean, isn't that possibly that you could have that? [LB63]

JUSTIN CLARK: I guess it's possible but it's not something I routinely see on the lake. [LB63]

SENATOR HANSEN: Okay. Have you seen mussels coming in on boats from out of state? [LB63]

JUSTIN CLARK: What happens now is they...when they have the inspection point set up, they ask a questionnaire, and based on how the questionnaire is answered, you can kind of categorize if they're a high-risk boat. And, you know, if they say they've been to a lake obviously that's contaminated, they will direct them to the next...or they will

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escalate them to another area, which is typically the Corps Office and they'll, you know, deal with them at that point and require them to be decontaminated which we do have a decontamination unit. [LB63]

SENATOR HANSEN: So the Army Corps does get involved in this then? [LB63]

JUSTIN CLARK: They did purchase one through their organization, so. [LB63]

SENATOR HANSEN: Okay. [LB63]

JUSTIN CLARK: And I don't know if that was through the Game and Parks, I can't answer that. But, yes, we did receive one. I know it was there last year. It may have been there just before that at the end of the season, the prior year. [LB63]

SENATOR HANSEN: Okay. [LB63]

JUSTIN CLARK: And the key to that...to decontamination is not only the pressure but also the heat, 140 degrees is the key temperature for killing that larvae. And they do say it can, you know, live up to 30 days in prime conditions. So, I mean, seven days is not necessarily a given. [LB63]

SENATOR HANSEN: Thank you. [LB63]

JUSTIN CLARK: Yep. [LB63]

SENATOR HADLEY: Senator Harr. [LB63]

SENATOR HARR: Thank you, Chairman Hadley and thank you for coming. You were pretty open about that you're here, and you admit, to protect your business interest. And I feel that I probably need to give you a little warning... [LB63]

JUSTIN CLARK: Yep. [LB63]

SENATOR HARR: ...as far as protecting your business interest. The weekend before Memorial Day, there will be nonaquatic invasive species coming to visit Harlan County Reservoir. (Laughter) Just be ready. [LB63]

JUSTIN CLARK: Yep. [LB63]

SENATOR HARR: Be ready and do not rent them a boat. (Laughter) Okay. It's my LA and his friends, so just be ready. It's wonderful down there. It's great fishing, we have a great time every time, so thank you. [LB63]

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JUSTIN CLARK: We appreciate you coming down. [LB63]

SENATOR HARR: You have a great facility or a great (inaudible) down there. [LB63]

JUSTIN CLARK: Thank you. [LB63]

SENATOR HADLEY: Thank you, Mr. Clark. Next...any other proponents? [LB63]

LARRY HUTCHINSON: (Exhibit 9) My name is Larry Hutchinson, L-a-r-r-y H-u-t-c-h-i-n-s-o-n. Thank you, Senator Hadley and the committee members, for allowing myself and others to testify and I'm very appreciative of the other stakeholders that stepped forward to do this. I am appearing here for the Nebraska Chapter of the American Fisheries Society which is a chapter associated with a national AFS organization, which was established in 1870. And the Nebraska chapter was established in 1970. Nebraska has experienced various intensive invasive species that you've heard about and read about. These include several Asian carp species in the Missouri and Platte River watersheds. Zebra mussels in a couple of Nebraska locations. White perch in many of our waters. Rusty crayfish, phragmites and a variety of other offensive species of plants and mussels and fish that threaten our recreation, and a variety of other irrigation and power supply, water sources. It's been reported that nationally over \$20 billion has been spent annually on these kind of ecological and socioeconomic problems. There is a need for dedicated funding as you heard, to allow for extensive public education, monitoring, and control. As a charter member of the Nebraska...and past president of the chapter in Nebraska of AFS, with a 45-year career as a Nebraska fisheries biologist, now retired, and a grandfather of seven, the Nebraska Chapter and I heartily support measures to protect our aquatic resources for now and for our future generations. I encourage the Revenue Committee to support LB63 and its passage by the full Legislature. That concludes... [LB63]

SENATOR HADLEY: Are there questions for Mr. Hutchinson? Senator. [LB63]

SENATOR SULLIVAN: Thank you, Senator Hadley. Thank you for your testimony. How aware do you think the average boater is of this problem? [LB63]

LARRY HUTCHINSON: I really don't know, but there's been a lot of press and programs on TV and in the media about this problem, especially in other areas, and I think it's growing rapidly. [LB63]

SENATOR SULLIVAN: Thank you. [LB63]

SENATOR HADLEY: Seeing no other questions, thank you, Mr. Hutchinson. Next proponent. [LB63]

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TEEG STOUFFER: Chairman Hadley, Senators, thank you for hearing us today. I think that we've probably covered this pretty comprehensively. [LB63]

SENATOR HADLEY: Would you give us your name? [LB63]

TEEG STOUFFER: My name is Teeg Stouffer and that's T-e-e-g, Stouffer, S-t-o-u-f-f-e-r. Thank you. I'm the executive director of a national nonprofit organization called Recycled Fish. We're a grass-roots nonprofit that's national in scope, but we're proud to call Nebraska our home. I think that you've heard this sliced from every possible angle, so I'm just going to try to fill a couple last gaps from my unique perspective. Part of running a national nonprofit organization means that I spend a lot of time on a plane. In the last two years, I think I've had five whole weeks home. The result of that is, I've seen firsthand the real effects of invasive species all over the country. It is to our shame in Nebraska that we are lagging far behind in this fight and these threats are very real and pounding at our door. They're literally at our borders, in our border waters. We've got to do something because we have an awesome place to protect here in Nebraska. This is a...from the incredible water bodies like Big Mac out west that you've heard so much about, to these salt valley lakes around Lincoln, these require our protection. And I speak on behalf of anglers, people who love to fish. But the impacts, as all these other proponents have illustrated, affect everybody. I mean, to sort of paint a picture. Imagine a lake and the whole bottom of the lake, the entire bottom of the lake, acres and acres, hundreds of acres, every rock, every log, every sunken boat is just carpeted with these dime-sized little clams, everything. And as they die, they wash ashore and beaches that people once used to enjoy walking on bare feet, they can't because those things are sharp and they cut their feet. It's horrible for tourism. And then, they reproduce by casting little veliger, a little larvae up into the water and like on Big Mac, that means it's going to wash downstream in through a tube and into the Platte River where it's looking for some place to affix itself. And if it affixes itself on an irrigation intake, that's where a new colony starts. And like in Colorado, they're investing millions and millions and millions of dollars because of how they move water for their cities. And if an infestation takes place in just a matter of a couple of years, that scene that, you know, you saw underwater, it clogs up a pipe so no water can flow through the pipe. Well, imagine that on all those irrigation intakes up and down the Platte River system would be horrible for our farmers. It would be terrible. Anglers hate them because they screw up our fisheries and they cut our line. So all these different user groups that I've encountered firsthand all over the country, we don't have that yet in Nebraska. We don't have those problems yet and our solution is prevention. And the solution is so simple. It's somebody standing in a boat ramp preventing those infested boats from making their way into the waters, but it's not free. It's a simple solution, but it's not free and LB63 will help fund that solution, that simple solution. And so that's why I'm here to advocate for it and to be a proponent of it. [LB63]

SENATOR HADLEY: Thank you. Are there questions? Senator Sullivan. [LB63]

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SENATOR SULLIVAN: Thank you. It just occurred to me from what you just said, at what point do they take care of the problem? I mean, if they come out of a lake in...say Big Mac, and they see there's zebra mussels, that means they're already there. [LB63]

TEEG STOUFFER: So we don't have zebra mussels in Big Mac yet, the problem is a visitor from Colorado might have zebra mussels, and... [LB63]

SENATOR SULLIVAN: So they check the boat before it goes into the water? [LB63]

TEEG STOUFFER: Right. You have a person standing at a boat ramp saying, hey, where have you been recently? And they say, oh, I was in this body of water. And the person at Big Mac says, oh, that's an infested body of water, and they check their boat. And it's not hard to check a boat. It's pretty simple. You run your hand over it and it feels like there's sandpaper on it. Those are veligers and then that boat can be decontaminated. But right now, we don't have the resources to do that prevention. So questions were asked like, how do we fight this? Is this just fighting a losing battle? It's not. There is scientific gains being made, but in the meantime, it's prevention. It's the same way that we prevent forest fires instead of just investing tons of money in fighting forest fires. It's sort of like that. [LB63]

SENATOR SULLIVAN: Okay. Thank you. [LB63]

SENATOR HADLEY: Senator Schumacher. [LB63]

SENATOR SCHUMACHER: Thank you, Senator Hadley. Thank you for your testimony. [LB63]

TEEG STOUFFER: Sure. [LB63]

SENATOR SCHUMACHER: Now when that person from Colorado comes in with their boat, do they have to buy a sticker or something so that they can run the boats in our waterways? [LB63]

TEEG STOUFFER: Not under this legislation. I think this... [LB63]

SENATOR SCHUMACHER: No, but I mean if I brought a boat in, would I have to buy a sticker so that I could go play with it on the...? [LB63]

TEEG STOUFFER: Not in Nebraska right now. Some states do that, but that's not what this legislation is. [LB63]

SENATOR SCHUMACHER: No, I mean just a boat license. Can I run my boat without a

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license in Nebraska? [LB63]

TEEG STOUFFER: I'm not an expert on that matter but my understanding is that that's not the case. [LB63]

SENATOR SCHUMACHER: Okay, and if that's not the case then, I put my boat on my cart in Denver and I end up out there and I've got to stop by someplace to get a license, I suppose. [LB63]

TEEG STOUFFER: A fishing license. [LB63]

SENATOR SCHUMACHER: No, a boat license so that I can take my boat out into the water. At that point, wouldn't that be a place we could, you know, charge an extra 25 bucks since I've drug my boat out there that far and wasn't expecting I had to pay anything anyway, but now I'm stuck with it, and use that kind of money to fund this rather than diverting part of our sales tax stream? [LB63]

TEEG STOUFFER: I think it's logical to use part of our sales tax stream because it's...not a general sales tax, just a sales tax on boats. And most of the funds that are...most of the ways that these invasives are being transported is by boats. So it's a logical application of an existing tax. I think that introducing new taxes is very unpopular and it would be hard to move that forward. [LB63]

SENATOR SCHUMACHER: But if I collect my sales tax on a boat, I only...I pay that once when I buy the boat, assuming I don't buy it privately and not pay it at all. And...but it's a constant revenue stream if I do it as part of a license fee on a boat and it's over the life of that boat. And the tenth year of life of a boat, the boat is no less risky than it is in its first year of life. [LB63]

TEEG STOUFFER: Sure. [LB63]

SENATOR SCHUMACHER: So wouldn't it be sensible just to throw a few bucks on the license fees? [LB63]

TEEG STOUFFER: We do have boat license fees in Nebraska for Nebraskans. It's my understanding and I'm not an expert on this, is boat license fee part of the income stream under this legislation? So the existing boat license fee is not part of that. It's sales tax and...sales tax and that's it. So just sales tax for this legislation. Now, do I think that additional funding makes sense down the road? Perhaps, but that's not what we're talking about. We're talking about this bill and this bill is a step in the right direction. [LB63]

SENATOR SCHUMACHER: Thank you. [LB63]

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TEEG STOUFFER: Yep. [LB63]

SENATOR HADLEY: Any other questions? Thank you. We appreciate it. [LB63]

TEEG STOUFFER: Yep, you bet. Thank you. [LB63]

SENATOR HADLEY: Further proponents? Seeing none, in the opposition? Seeing none, neutral? Seeing none, Senator Schilz, close? [LB63]

SENATOR SCHILZ: Thank you, Senator Hadley and members of the Revenue Committee. I think that everybody understands the importance of this. As we've looked at, and we've looked at different options throughout the years, talking about should we do a boat license program or something like that and that was explored. This was looked at as the best way to move forward, given what we have. Having talked to...I know as you look on the fiscal note you can see where the money comes from in this. Some of it comes from...well, the majority of it comes from General Fund, some of it comes from the roads fund and then the other fund, I think, is schools possibly. But the thing about it is, is that \$1.2 million a year that would come from this would give us the ability to get started, that first step. But I can tell you this, if something like Gerald Gentleman plant would become infested with this, to shut that down, numbers that I've heard can run at \$25 million a day. That comes back directly on the taxpayers. So if you want to talk about a tax increase, let's just decide there's nothing we can do except for control and we can see that for sure. I would just put to you guys that we've dealt with this issue in the Natural Resources Committee for a number of years now. Now that money is on the table, you get to come and enjoy some of the fun as well. So I would appreciate as we move forward any questions that you might have, any concerns that you have, so that we can work together. In talking about some of that, we want to make sure, I want to make sure that the majority of this money is spent on invasive species and so we're working on some stuff to make sure that we can quantify that and make sure that that money is being spent where we want it to be spent. So I appreciate your hearing this bill and I would ask for your support. Thank you. And I'd answer any questions. [LB63]

SENATOR HADLEY: Senator Harr. [LB63]

SENATOR HARR: Thank you, Senator Hadley. Looking at this map, I see there's one eradicated in Nebraska, only two in the country, and the one in Nebraska I assume is Lake Zorinsky. [LB63]

SENATOR SCHILZ: I believe so, yeah. [LB63]

SENATOR HARR: And how much did that...and I'm sorry, I had to step out. Did you...do

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you know how much that cost to eradicate? [LB63]

SENATOR SCHILZ: You know, I can't tell you. I don't know the number but, you know, as we know that lake was basically...I mean it was, it was drained, physically drained completely and left over the winter. So whatever that...I can't tell you any numbers but I'm sure that some folks might be able to let you know. [LB63]

SENATOR HARR: Okay. And McConaughy, Big Mac, if you had to drain that, how detrimental would that be? [LB63]

SENATOR SCHILZ: Oh, well, first of all...first of all, I don't think you could physically drain the whole lake because you get to a point where there's a pool of water that is actually below the structure to take it out, so. [LB63]

SENATOR HARR: So this is an ounce of prevention worth a pound of cure. [LB63]

SENATOR SCHILZ: Absolutely. And the other problem with McConaughy is that there's so much water, you can't physically release enough to get ahead of the mussels as they go down through the water system in that first 20 feet. There's just not enough time to...or can't do it quick enough to get ahead of them. [LB63]

SENATOR HARR: Okay. Thank you. [LB63]

SENATOR HADLEY: Senator Sullivan. [LB63]

SENATOR SULLIVAN: Thank you, Senator Hadley. Senator Schilz, you mentioned earlier that you would entertain the possibility of a sunset on this? [LB63]

SENATOR SCHILZ: Sure. [LB63]

SENATOR SULLIVAN: Do you think that in that regard that it might be then necessary to think about some sustainable source of funding to deal with the boat decontamination over time like attaching a fee to a boat license? [LB63]

SENATOR SCHILZ: I think that at this point, I don't think we should preclude anything from our discussions. I think that...and right now today, I mean, this is another issue that I think, right now, today, we're talking about zebra mussels and quagga mussels, but as we know there's all sorts of opportunities for other invasive species to be introduced. And so what we see as the issue today, in five or ten years, they could be all new...all different things that we're trying to deal with there. So I think...I don't think this is anything that's going to be a five-year deal and then we're done. This is an ongoing issue. [LB63]

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SENATOR SULLIVAN: Thank you. [LB63]

SENATOR SCHILZ: Yeah. [LB63]

SENATOR HADLEY: Thank you, Senator Schilz. (See also Exhibit 11.) And with that, we'll close LB63 and start on LB64. [LB63]

SENATOR SCHILZ: Thank you, Senator Hadley. Good afternoon, members of the Revenue Committee. My name for the record again is Ken Schilz, K-e-n S-c-h-i-l-z, and I represent the 47th Legislative District and I'm here today to introduce LB64. LB64 would decrease the percentage a refund must exceed of a municipality's total sales and use tax receipts on a per case basis to qualify for an installment payment plan of refunds withheld by the state from sales tax receipts remitted to cities. Last year LB209 passed, which states that if the refund was more than 25 percent of municipality's total sales and use tax receipts for the year, then the Department of Revenue shall deduct the refund over the period of one year in equal monthly installments that the city would have to pay back. As we talked about when that bill was introduced, we weren't able to come to a number, but we found out that trying to put that back over the year that has already passed and then figure out who should pay and who shouldn't, was not a very viable solution. So what we decided and what we agreed to last year was that it would be put in as a per occurrence basis. So that if a city had more than a certain percentage of their sales tax grabbed for any of these incentive programs, that then they could have that amount repaid over a year. We've wrestled with what that number should be. I can tell you that it was set in the original bill at 25 percent, but that was 25 percent figured out over the whole year. What we've put in the bill today is 12 percent. I'm not sure that 12 percent is the right number. It was just a place to start and a place to look at. So, I ask the committee to please look into what percentage. I did have this down. I should mention, too, that I have this down to have an interim study on, but as things went this year, that didn't come to fruition. We didn't get to see that and so, this is why we're here today. I ask the committee to please look into what the percentage would be best for these communities that bear the burden of the unintended consequence due to the Nebraska Advantage, Super Advantage, and I thank you for your consideration and what you've done in the past to help this situation already. It's been...I've been...as you know, we've been on this issue from the first year that I was in the Legislature and I would like to be able to put this to bed once and for all. So, thank you for your consideration and I'd be happy to try to answer any questions. [LB64]

SENATOR HADLEY: Any questions for Senator Schilz? Senator Schumacher. [LB64]

SENATOR SCHUMACHER: Thank you, Senator Hadley. Thank you, Senator Schilz. Basically, in the big picture, this doesn't cost the state any more, it's just how it bunches up. [LB64]

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SENATOR SCHILZ: Exactly. And what happens is, is that first...and depending on what the percentage is, it would be that first time that it comes around because all that money would be payback. So over time, it has a zero cost to the state. [LB64]

SENATOR SCHUMACHER: Thank you. [LB64]

SENATOR HADLEY: Any further questions? Thank you, Senator Schilz. [LB64]

SENATOR SCHILZ: Thank you. [LB64]

SENATOR HADLEY: First proponent? Opponent? Neutral? Would you wish to close? [LB64]

SENATOR SCHILZ: I would say that I tried to make up for the last hearing. [LB64]

SENATOR HADLEY: I think that's a first time first for the Revenue Committee.
(Laughter) [LB64]

SENATOR SCHILZ: You're welcome. Don't forget that. [LB64]

SENATOR HADLEY: You sure you're in the right committee, Senator Schilz? (Laughter)
Thank you, Senator Schilz. [LB64]

SENATOR SCHILZ: Thank you very much. [LB64]

SENATOR HADLEY: With that, we'll close LB64 and hopefully Senator Schumacher can be that brief. [LB64]

SENATOR SCHUMACHER: (Exhibit 10) Good afternoon, members of Revenue Committee. My name is Paul Schumacher, P-a-u-l S-c-h-u-m-a-c-h-e-r. I represent District 22 in the Legislature and here today to introduce LB159. LB159 begins with a little bit of a story. An old boy came into my office a while ago and said, say, if anything ever happens to me, I want you to go into my basement and you'll find two water heaters in my basement. One of them doesn't have any water in it. That's where I keep my silver. He says, but be careful. Before you open it up, make sure you throw the breaker because it's wired to 220. (Laughter) And that was when I realized that people buy a lot of precious metals and with the situation we've had in the economy for the last several years where people are desperately trying to find a place to put their savings, it is fair to estimate that a lot of gold and silver and platinum have been bought. When you buy that stuff, there's only a limited number of ways that you can buy it. You can go to a place that claims to have it in their safe and you can buy a certificate saying you own so many ounces of the stuff in their safe and you have this certificate. Well, it makes you a little queasy if you do that is that reports are there's at least four times the number of

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certificates issued than there are really gold or silver or platinum, so you might not be getting anything but a piece of paper. Kind of like getting a dollar bill. And the other way that you can buy it, you can go to a reputable financial institution, usually with foreign connections, and you can deposit with the United Bank of Switzerland and they want, I think, a quarter million increments, but you can go get a certificate from them which represents gold in Zurich, which probably really is there, but how you'd ever get it back here in order to use the stuff in the event of the crisis that you might envision, is an unknown question. But at least you'd have the sound mind that somewhere, somewhere in the world there's a little piece of gold with your name on it. And the third way is you actually take possession of the bullion. You get a silver brick or a little gold brick and...or platinum, and you take possession of it. Well, under our sales tax laws, it makes no difference if you take possession of gold in a brick form or in the form of a gold ring. There's supposed to be sales tax paid. Well, you notice a long line outside of the Revenue Department of people volunteering to pay that sales tax because it's very much unaudited and very, very, very easy to purchase the stuff and just have it shipped to you by UPS. It makes the UPS man's job a little hard because it's kind of heavy. It weighs about the same as lead, but they can deliver it. And it is fair to guess that a lot has been delivered. In fact, nobody really knows. The fiscal note on this particular thing talks in terms of, if we were to forgive the tax entirely on future purchases, it running around \$400,000 or \$500,000 a year which represent, if I did my calculations right, somewhere around 400 pounds of gold. I think it's extraordinarily low. Four hundred pounds of gold if the gold is weighing about the same as a brick of lead would easily set on a corner of this desk. I think there's a lot more of that out there. The Revenue Department has absolutely no idea of what there is out there because, how do you know? And they have no way to base the fiscal note or anything else, nor do we know how much gold is...and silver is, on which sales tax is due and still collectible. What this particular bill does, in view of the fact that there's been considerable appreciation over the last three, four years in the price of gold, is it gives people who purchased the precious metals an opportunity to come forward and square up on the tax. Pay the 7 percent of whatever their purchase is. No penalties, no interest asked. For all practical purposes, we're never going to see any money out of them and it's a big question mark whether either with amnesty, you'd see any money out of them. But whatever it is, is a plus situation. The bill then goes to up the ante just a little bit because it extends out the statute of limitations for a long time. So if you're sitting on some of this gold or silver, and you don't square up in this amnesty period, and it shows up ten years from now and an assessment is made by the Revenue Department based upon fees and penalties and everything else, you may have lost your nest egg by not squaring up. The bill goes one step further and addresses the fundamental question of whether we should be taxing it at all. And it has an XX value for how much we should be able to deduct it. That could be 100 percent, it could be 20 percent, but essentially this is people's savings accounts. It's their attempt to protect themselves from the uncertainty of the governmental situation or fiscal situation. Should we be taxing gold and silver and bullion purchases at all? We can't go back and undue what the tax that might be due

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because apparently there's some constitutional provision that says it's really hard to undue a tax once it's due. But we can look forward. I wanted to call that to the committee's attention. To the extent we do an amnesty, it's basically money we would never have had. To the extent we push out the statute of limitations, it swings the pie for squaring up with the system at the present, or maybe lower tax rate, and it addresses those issues. The Revenue Department did issue a letter in which they point out some, what I would call, technical difficulties, none of which are insurmountable should we decide to do anything. So I call this item to the committee's attention and just remember, check on any water heaters, you throw the breaker before you go inside looking for silver. (Laughter) That would conclude my testimony. [LB159]

SENATOR HADLEY: Are there questions for Senator Schumacher? Yes, Senator Sullivan. [LB159]

SENATOR SULLIVAN: Thank you, Senator Hadley. Thank you, Senator Schumacher. Always leave it to you to come up with these interesting ideas. Okay, now this doesn't include coin? [LB159]

SENATOR SCHUMACHER: Coins are things you are...if you buy collector's coins, you're supposed to pay. [LB159]

SENATOR SULLIVAN: And if you buy from a retailer, a brick and mortar person, you probably do, don't you? [LB159]

SENATOR SCHUMACHER: Right. A collector's coin, it's my understanding, you have to pay tax on. [LB159]

SENATOR SULLIVAN: Yeah. [LB159]

SENATOR SCHUMACHER: The only coin it doesn't happen is ones you get from the banks that are made of copper, or whatever they make them for these days, that have the United States of America stamped on them. (Laughter) [LB159]

SENATOR SULLIVAN: Okay. [LB159]

SENATOR HADLEY: So if I were go in to buy an South African Krugerrand, theoretically, I should pay, I don't, but... [LB159]

SENATOR SCHUMACHER: You don't? [LB159]

SENATOR HADLEY: I would have to have...pay sales tax on it, is that...or use tax if it's from a dealer. [LB159]

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SENATOR SCHUMACHER: You are supposed to pay sales tax or a use tax if you bring it into the state. And if you were to buy a little gold bar or a silver brick, you're supposed to declare that and we have no effective mechanism for doing that and there's a moral question of whether we should be even. But that's our problem. You know that's the problem of the committee and whether we should be...whether it's a legitimate thing to tax, so. [LB159]

SENATOR HADLEY: Seeing no other further questions, thank you, Senator Schumacher. Are there proponents? Opponents? Neutral? Closing? [LB159]

SENATOR SCHUMACHER: I was hoping there would be somebody here to say, well, I've got a whole bunch of it now. (Laughter) Thank you. [LB159]

SENATOR HADLEY: Thank you. Next, LB251, Senator Hansen. [LB159]

SENATOR HANSEN: Thank you, Chairman Hadley. I want to start off by telling you a little story about an old car I used to have. It wouldn't start so I was late to work one day. My name is Tom Hansen, T-o-m H-a-n-s-e-n, (laughter) and I represent Legislative District 42. LB251 would allow a rental car company to charge a fee up to 5.75 percent on each rental contract. Currently, they must pay a fee of 4.5 percent. The fee was put into place in 1993 to encourage auto rental companies to license their cars in Nebraska, thereby benefiting to our state. Rental car companies are not allowed by current law to profit from this fee and this change would retain that provision. All the fees collected must be turned over to the respective county. The reason for the 5.75 figure is that there are times when these companies are not collecting enough under the current fee structure to make it worth their while to license cars in Nebraska. There are other times when the companies have recovered their cost but currently must charge the fee. The 5.75 percent number came from the industry itself in what they thought they might need in some cases. This is not a new tax for Nebraskans. This...the person renting the car would cover...will cover the cost of the licensing and either through the collections through this fee or the paying of a higher daily rate of the rental car. Rental car companies include ones like Hertz, Avis, Enterprise, but may also include new or used car dealers. Thank you and I'll answer any questions if you have them of me and I think we have a testifier behind me that probably knows a lot more than I do. [LB251]

SENATOR HADLEY: Questions for Senator Hansen? Seeing none, thank you, Senator Hansen. [LB251]

SENATOR HANSEN: Thank you. [LB251]

SENATOR HADLEY: First proponent. [LB251]

SENATOR HANSEN: Proponent, please. [LB251]

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SENATOR HADLEY: Proponent, that's in favor. [LB251]

SCOTT ENNIS: Chairman Hadley, committee members of the Revenue Committee, my name is Scott Ennis, S-c-o-t-t E-n-n-i-s, and I am the controller for Enterprise Rent-A-Car Company Midwest, LLC. I'm here today to support LB251. As Senator Hansen went over very clearly, this is a current statute that's in place that is a part of a rental agreement that is charged when a car is rented. Chapter 77 of Nebraska statutes states as part of this, companies engaged in the business of renting prior past year motor vehicles used to carry 15 passengers shall collect, at the time of the vehicle is rented in Nebraska, a 4.5 percent fee on each rental contract. This does not include sales tax. Now the purpose of this tax is to be used to offset against the cost of Nebraska motor vehicle tax on such vehicles and is meant to encourage companies to license their cars in the state that they operate in. My company, we do register our vehicles proportionately in our states we operate in. We have about 3,000 to 4,000 cars in the state of Nebraska, depending on any particular time of the year. Annually, we're required to do a return to the counties that we register our vehicles in. If we would happen to overcollect in a calendar year, that money is remitted to the county that we registered the vehicles in. It's revenue for them. History, though, shows that we typically do not...our collections do not exceed our costs in this area. As the Senator spoke of, this bill...or this statute has been in place for quite some time. The 4.5 percent has been set at that rate for, I believe, well over ten years. In determining the fees to register a vehicle, the state has a standard chart that is basically used to determine what the fee is to register the vehicle. You know, that chart is based off of MSRP, manufacturer's suggested retail price. Some brief history there. Over the past couple of years, vehicles in general to the public, also to the rental car companies, the cost of those vehicles has gone up. Some general information there. In this state, we saw two years ago about a 12 percent increase in our vehicle cost in the state. Companywide it was about a 12 percent as well. The current year, we're seeing about a 7 percent increase in our vehicle cost. I would like to clarify just to make clear that this is not a, as the Senator spoke of, in this state there are several people that rent vehicles. There are companies like myself that I represent, Enterprise, Hertz, Avis, Budget, but there are also dealerships that rent vehicles. There are body shops and there are individuals, sole proprietors, that own rental car companies and this is a tax or a fee that does not help one single company, but it helps the industry as a whole. It's important to realize that, you know, we do try to keep our vehicle registrations balance in each state that we operate in. You know, there are opportunities to register vehicles in other states that have lower fees and we choose not to do that. At this time, I'd just like to thank Senator Hansen for supporting this bill and I'll try to answer any questions if the committee has any. Thank you. [LB251]

SENATOR HADLEY: Senator Schumacher. [LB251]

SENATOR SCHUMACHER: Thank you, Senator Hadley. So the long and short of this

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is, somebody arbitrarily pulled the old number, four-point-something percent out, and then you're supposed to collect that, and you can use that to reimburse yourself for your registration fees. [LB251]

SCOTT ENNIS: Yes. [LB251]

SENATOR SCHUMACHER: And everybody who rents a car in Nebraska has got to...or a rental agency has got to collect this or just the ones that license their vehicles in Nebraska? [LB251]

SCOTT ENNIS: All rental car...all people that rent vehicles in the state of Nebraska are required to collect it. [LB251]

SENATOR SCHUMACHER: Okay. And so this four...the existing number, every once in a while, ends up being more than what you actually paid out in registration fees and the counties are very thankful. [LB251]

SCOTT ENNIS: Yes. [LB251]

SENATOR SCHUMACHER: Okay. I guess the question...and you want to have the ability to fluctuate up to 5.75 percent or down and just recover your fees. Is anybody at a competitive disadvantage by the way we're doing it now? [LB251]

SCOTT ENNIS: No, it is...it's a statute that everybody has to follow in the state so everybody is on the same playing field so, you know, the benefit is it's not specifically to one company but it is to everybody that operates in the rental...vehicle rental business. [LB251]

SENATOR SCHUMACHER: Is this calculated on an annual basis when you square up? [LB251]

SCOTT ENNIS: Yes, it's an annual calculation. [LB251]

SENATOR SCHUMACHER: Okay. And, I guess, basically, is it difficult to calculate or something? [LB251]

SCOTT ENNIS: It could be...we monitor it throughout the year. You know, as you can imagine, when you have a company that deals with corporate customers, retail customers, people that their vehicles break down and they have to rent one while it's in the shop, you know, our business has, it goes up and down. Right now, you know our replacement business is probably a bigger part of our daily rental tickets we write versus a retail business. But come, you know, summertime, people will be traveling to mainly Omaha, Lincoln, you know, and our retail business will pick up. So, it is hard to

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determine exactly where we're going to fall at but we do monitor on a quarterly basis to see, hey, we've collected a dollar, we spent \$5 dollars, so we're behind or vice versa. We try to do that once a quarter. It also depends, too, on when our vehicles do come in. Over the past few years, we don't get a steady stream of vehicles that come in every month. They sometimes come in bulk months and it's harder to determine exactly when that is, based on when the manufacturers release those to us. [LB251]

SENATOR SCHUMACHER: Well, I would kind of guess that most of the people renting vehicles in the state from you and the other folks are probably from out of state. [LB251]

SCOTT ENNIS: Oh, that is a very... [LB251]

SENATOR SCHUMACHER: Is that not accurate? [LB251]

SCOTT ENNIS: That is very not accurate. (Laugh) You know, most people think rental car companies, you know, you think of airports and people coming in. You know, Enterprise is a single...we're owned by the Taylor family in St. Louis. It was started as a replacement rental car company. We...approximately 70 to 75 percent of our business is within the home city, so those are people that live in the state that we operate in. And we do operate at airports. The other percent of that are people that could be flying in from out of state or it could be people that live in the state are renting the vehicle from an airport. It just depends on what their needs are, but the majority of our rentals, 70 to 80 percent, are home city. [LB251]

SENATOR SCHUMACHER: So what you're saying is, the person that are bearing the brunt of this tax may be some from Nebraska, some maybe not, but they're getting clipped this little extra bit of money. [LB251]

SCOTT ENNIS: Yes. [LB251]

SENATOR SCHUMACHER: Okay. Thank you. [LB251]

SENATOR HADLEY: Any other questions? Senator Harr. [LB251]

SENATOR HARR: Thank you, Senator Hadley, and thank you for coming. I guess my question to you is this fee structure is pretty common among states, correct? [LB251]

SCOTT ENNIS: Yes. [LB251]

SENATOR HARR: Because you don't...and this is meant to make up for the fact that you don't necessarily license in Nebraska, is that accurate? [LB251]

SCOTT ENNIS: It's meant to help offset the cost of licensing in Nebraska. [LB251]

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SENATOR HARR: Okay. That's fair. What do other states charge? [LB251]

SCOTT ENNIS: That is, you know, each state is different. I can't speak on for every state in the country. [LB251]

SENATOR HARR: Do you have a handout that has them? [LB251]

SCOTT ENNIS: I could provide that. [LB251]

SENATOR HARR: A survey that shows...yeah. [LB251]

SCOTT ENNIS: Yes, I could provide that. [LB251]

SENATOR HARR: That might be useful to help us understand. [LB251]

SCOTT ENNIS: I could absolutely provide that. [LB251]

SENATOR HARR: Okay. Are we on par, are we high or are we low? Where do we fit in the spectrum, if you know? [LB251]

SCOTT ENNIS: I could give you my opinion there, but Nebraska is on the high side. [LB251]

SENATOR HARR: Okay. And this would probably make us on the higher side still then, wouldn't it? [LB251]

SENATOR HARR: Well, that's for the registration cost of the vehicle. [LB251]

SENATOR HARR: Oh, the registration, that's right. And this is to reimburse registration, yeah. [LB251]

SCOTT ENNIS: Right. [LB251]

SENATOR HARR: Okay. Thank you very much. I appreciate it. [LB251]

SENATOR HADLEY: Seeing no other questions, thank you, sir. [LB251]

SCOTT ENNIS: Thank you. [LB251]

SENATOR HADLEY: Any other proponents? Opponents? Neutral? Senator Hansen, do you wish to close? Waives closing. With that, we will end LB251. I would entertain a motion to go into Executive Session. Moved and seconded. All in favor signify by saying

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aye. Okay, we will go into Executive Session. Thank you all for coming. [LB251]