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Revenue Committee  
January 29, 2014

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[LB760 LB814 LB841]

The Committee on Revenue met at 1:30 p.m. on Wednesday, January 22, 2014, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB760, LB814, and LB841. 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: Well, one, two, three, four, five, we have a quorum. We'll get started. Welcome to the Revenue Committee, appreciate your coming today. My name is Galen Hadley and I am from Kearney. To my left will be Senator Paul Schumacher from Columbus; next to him is Senator Pete Pirsch from Omaha; and to his left will be Senator Kate Sullivan from Cedar Rapids. On the far right is Senator Burke Harr from Omaha. To his immediate left will be Senator Janssen from Fremont. And to his left is Senator Beau McCoy from Omaha and Senator Tom Hansen from North Platte. Our committee counsel is Mary Jane Egr Edson to my right. Bill Lock is our research analyst. And to my far left is our committee clerk, Krissa Delka. Our pages are Drew from Broken Bow...

DREW SCHENDT: Just Drew.

SENATOR HADLEY: Just Drew today. So if you would please turn off your cell phones or put on vibrate while in the hearing room. The sign-in sheets for testifiers are on the tables by both doors and need to be completed by everyone wishing to testify. If you're testifying on more than one bill, you 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 our official record. We will follow the agenda posted on the door. Introducer or a 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 handouts, please bring ten copies for the committee and staff. If you only have the original, we will make copies. Give the handouts to the page to circulate to the committee. And we've been joined by Senator Schumacher. We appreciate him. And with that, is this...it seems like we have Senator Mello with more concerns from Omaha on...is this the same bill we heard on the floor earlier this year? [LB760]

SENATOR MELLO: No, no, no. Gosh, no. [LB760]

SENATOR HADLEY: Okay. I just wanted to be sure. [LB760]

SENATOR MELLO: (Exhibits 1 and 2) Good afternoon, Chairman Hadley, members of

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the Revenue Committee. My name is Heath Mello, H-e-a-t-h M-e-l-l-o, and I represent the 5th Legislative District in south Omaha. By 2027, the city of Omaha is required to complete what will likely be the largest infrastructure project in the history of the state of Nebraska. And at cost expected to exceed \$2 billion, Omaha's combined sewer overflow, or better known as the CSO project, is not unique. The city of Plattsmouth recently faced a similar unfunded federal mandate on a much smaller scale. While local governments in Nebraska regularly face unfunded federal mandates, the sheer size of the Omaha combined sewer overflow project, combined with the strict EPA time lines, makes this mandate particularly troublesome. As several members of the committee may remember, I first introduced legislation in 2011 to provide state assistance for CSO projects and other large sewer and natural gas projects through a turnback of state sales taxes. LB760 is generally modeled after the 2011 CSO legislation as it was amended by the committee at the time but also adds provisions that make assistance available for unfunded federal mandates other than CSO projects. Under the Combined Sewer Overflow Infrastructure Assistance Act, municipalities facing a CSO mandate could apply for state assistance in the form of a turnback of state sales taxes on increased sewer fees after July 1, 2013, that are used to fund the project. The CSO Act provides for a three-member board consisting of the head of the Department of Environmental Quality, the CEO of the Department of Health and Human Services, and the State Fire Marshal. Municipalities seeking assistance submit an application to the board with a description of the project and the proposed financing, and the board would review the application for eligibility. Upon a finding of eligibility, the Tax Commissioner would determine the base level of sewer fees or monthly charges, as well as the amount of assistance each applicant would be eligible for. Eligible municipalities could continue to receive the turnback of sales taxes on the increased sewer fees through the life of the bonds of...for the CSO project. The CSO Act includes safeguards and accountability measures to ensure that any sales tax dollars that are turned back are being used to fund the project for which they were intended. Recipients of the assistance under the CSO Act must keep any assistance received in a separate fund, can only use those funds for the cost of acquiring, constructing, improving, or equipping the eligible facilities, including any financing costs. The Department of Revenue would submit an annual report on the assistance awarded pursuant to the act, including the amounts of such assistance, the status of each project, and the number of jobs created by each project. In addition, LB760 requires a local buy-in, as a municipality would only be eligible for assistance if the municipality commits its local option sales tax revenue on increased sewer fees to fund the project, as well. Where LB760 differs from the 2011 legislation is in the second component of the bill, the Unfunded Federal Mandate Infrastructure Assistance Act. Under this part of the bill, 10 percent of any CSO turnbacks would be made available to other municipalities facing unfunded federal mandates. Modeled after the Convention Center Facility Financing Assistance Act, municipalities could apply for grants through the Department of Environmental Quality to help defray the costs of unfunded federal sewer and water mandates but would be ineligible for assistance if they had received assistance through the CSO Act. While the

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bill does give DEQ the authority to use a portion of the turnback funds to administer the fund with a half-time employee, the fiscal note indicates that the Department of Environmental Quality could do so with existing staff. Committee members should have received a copy of the CSO brochure from the city of Omaha which details current sewer rates that apply to residential customers. As you'll see from the chart in the brochure, monthly residential sewer fees went up \$5 and \$11 dollars in 2014 and, according to the fiscal note, the city is projected to increase rates further each year through at least 2018. Keep in mind, these numbers only apply to residential customers. And as testifiers behind me will note, a significant portion of the project will be paid for by industrial and consumer customers. These increased sewer fees have the serious potential to drive major manufacturer employers out of Omaha, and the impact that the CSO project will have on our state's economy and budget will be very significant. Thank you for your time and I'd be happy to answer any questions the committee may have. Also, I handed out a copy of a letter from the American Council of Engineering Companies-Nebraska Chapter showing their support for LB760. [LB760]

SENATOR HADLEY: Are there questions? Senator Harr. [LB760]

SENATOR HARR: Thank you. Senator Mello, this bill is kind of complicated, and I'm not against complicated bills. I think complex is probably good. There's a lot of math that goes into it. But something simple is you say this board meets and they determine if a facility is eligible or not, correct, if the...? [LB760]

SENATOR MELLO: Correct. [LB760]

SENATOR HARR: Okay. What determinations go into determining if a project is eligible? [LB760]

SENATOR MELLO: I'm trying to find the specific language in the bill, Senator Harr, that you're referring to. [LB760]

SENATOR HADLEY: Is it page 7, Senator Mello? [LB760]

SENATOR MELLO: I'm looking at page 5 actually right here talking about the application. Senator Harr, I would probably say, to answer your question directly, that a project that essentially has a combined sewer overflow and utilizes this kind of financing would be found eligible for this financing or this model under the board. Now granted, the board I don't think specifically we don't put that they have to create rules and regulations for the determination. They simply have to evaluate the application which would go through the Department of Revenue. So I'd assume Department of Revenue would have to do some kind of rules and regulations for an application process to make the determination of if a municipality qualifies or it doesn't. [LB760]

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SENATOR HARR: Would you be open to a friendly amendment to make that more specific so that...I mean, I sometimes fear that this could be found unconstitutional then, abdication of power. [LB760]

SENATOR MELLO: I'm more than willing to look at any additional language changes that you or the committee may have. I think we had evaluated this same...similar concept before under the previous bill I brought to the Legislature in 2011 and it follows the same mechanism in regards to the existing turnback tax model that finances the CenturyLink Center. So utilizing that same structure, it would essentially go through the Department of Revenue and would follow the same kind of application process. But if there is language suggestions the committee would like to make, I'm more than willing to entertain those. [LB760]

SENATOR HARR: So walk me through how would it happen now if we don't make any amendments. The board meets and what do they look at in determining whether a project is eligible or not? [LB760]

SENATOR MELLO: I think, Senator Harr, I think if you look to page 5, Section 5, it walks through application, the application process for the funding, to apply to get the funding. So Section 2 walks through the...what the application should hold. It is reviewed by...the board shall review the application and notify the applicant if any additional information is needed for a proper evaluation of the application. And then Section 6, subsection (1) goes through, and Section 2 and 3 also, goes through the process, through the statutory language. Section 7 simply gives, I think, the kind of final process, so to speak, to the Tax Commissioner. [LB760]

SENATOR HARR: And if you're denied, is there an appeal process? [LB760]

SENATOR MELLO: There is not an appeal process if you were denied, no. [LB760]

SENATOR HARR: Okay. And if it is granted, who has standing to challenge the board if someone doesn't like it? The taxpayer, for instance, is there standing for a taxpayer to challenge it? [LB760]

SENATOR MELLO: Since it's a statutorily created act, no. I think the reality is it's a program or an application to apply for financing. So the ultimate authority rests with the state through the creation of this board to make that determination. So if a municipality qualifies for the financing, they can get it; if they don't qualify for the financing, they wouldn't get it. But once again, this is a similar process almost to a T, actually, that we utilize in the existing turnback tax-style program that helps finance the CenturyLink Center, as well as the Convention...as I mentioned in my testimony, the...specifically, the Convention...where is it at specifically? The Convention Center Financing Facility Assistance Act is the same language that's currently in statute that we simply utilize for

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the same model. [LB760]

SENATOR HARR: Okay. Thank you. [LB760]

SENATOR HADLEY: Further questions for Senator Mello? Senator Hansen. [LB760]

SENATOR HANSEN: Thank you. Senator Mello, could you give us a history of what...you made it very plain that this is a federally mandated program, but it probably started back in the '70s--is that correct?--with one form of federally...federal mandate that was...that Omaha, I would assume, applied for grants then and done some...what...over the years, what's the history of Omaha and this sewer separation program? [LB760]

SENATOR MELLO: Someone from the city of Omaha will testify after me, Senator Hansen, and will give probably, I would say, a much more detailed history. But as this committee has heard and I think members of the Legislature heard when we debated it on General File in 2011, the nexus essentially was of roughly over 700 cities across the United States, starting in the '60s and '70s, realized that they had to separate their sewer system from wastewater and from...or, essentially, rainwater or nonwaste...nonrainwater...nonwastewater. I'm sorry. And different municipalities through the '70s and '80s took different paths to start that process. Some who took initially federal grants to either build new wastewater treatment facilities and/or used the funding to separate their sewer system ultimately weren't eligible for other federal funding down the line. Omaha had made some changes in their sewer system during the '70s and '80s but it was never to the point, I would say, to the issue that the EPA had come down of saying that, you're...you simply aren't meeting the environmental quality standards in regards to the, I would say, the wastewater runoff that currently goes into the Missouri River which was, I would say, the triggering point for the EPA's involvement in Nebraska, primarily in Omaha. Through that process--it started in the early 2000s--of having to meet that EPA...that new EPA mandate that the city of Omaha went through a very extensive process of evaluating different proposals to deal with that unfunded mandate, which is where we're at today in regards to the pathway that they chose. [LB760]

SENATOR HANSEN: To your knowledge, did the city of Omaha ever meet one of those mandates from the federal government? [LB760]

SENATOR MELLO: Well, right now they're currently under a consent decree with the Nebraska Department of Environmental Quality, which is an administrative agreement that the city of Omaha has with the state's DEQ per, I would say, per the consent decree from the EPA. So right now the city of Omaha is moving towards meeting that mandate to the EPA right now through the master plan or the master agreement they made with DEQ. But as I mentioned, that final...this project in theory will go through

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2027. So they're working right now to meet the mandate now, but they don't have to have it finalized and be completely under agreement to 2027. [LB760]

SENATOR HANSEN: In your brochure here it lines out the charges for residential sewer charges. When did those start? They started certainly before 2013, didn't they? [LB760]

SENATOR MELLO: They did, they did. You know what, I want to let Marty Grate from the city of Omaha give...maybe he can give a much more detailed history of the residential rate increases. They started though, I believe, in 2010 is when the process started; it may even have started in 2009, because the issue in front of the Legislature has been in front of us since the 2010 Legislative Session. So I know from 2010 on we've seen annual rate increases. [LB760]

SENATOR HANSEN: Thank you. [LB760]

SENATOR HADLEY: Senator Schumacher. [LB760]

SENATOR SCHUMACHER: Thank you, Senator Hadley. Welcome to Revenue, Senator Mello. Once we get done with our work here, you won't have much to do in Appropriations. (Laughter) Senator Mello, I just want to try to get a big picture of what you're proposing here. Omaha's got under an order to separate the sewer-sewer from the rainwater runoff sewer, and that's going to cost a lot of money. And so what you're proposing here then is that they're obviously going to have to increase their sewer rates and sewer billing, that on the increase up to 90 percent of it the sales tax that the state would otherwise get off of the increase in rates that it kick that back to the city of Omaha? [LB760]

SENATOR MELLO: That is true. [LB760]

SENATOR SCHUMACHER: That's the nuts and bolts of this? [LB760]

SENATOR MELLO: That's the nuts and bolts of the concept of the bill with the added components that to receive that 90 percent of the funding of the sales tax on future increased fees the city has to also commit their increased sales tax that they would also see from these increased fees purely based on the principle that neither the state nor the city should see a windfall of sales tax dollars due to a federally mandated unfunded mandate. The other added component, and this was something we heard on General File debate in 2011, was the concern that this was purely just an Omaha bill, that this was purely just an Omaha issue and that...why does the Legislature need simply to come in and deal just with Omaha's sewer and water issues knowing that there are sewer and water issues that affect municipalities across the state? We took that consideration at heart and drafted the added component to this bill which incorporates 10 percent of that state sales tax that's coming out of Omaha essentially would go into a

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separate fund that is more flexible for other municipalities that face any kind of federally unfunded, mandated water or sewer project for them to be able to apply and get the funding through the similar process that Senator Harr asked in regards to applying for an application. [LB760]

SENATOR SCHUMACHER: So it would kind of be a Nebraska universal sewer fund. [LB760]

SENATOR MELLO: That may be your terminology, Senator Schumacher. I think more than anything else it really does model after the two previous bills that we've created before that creates and allowed the initial turnback financing for the CenturyLink Center, as well as the additional funding that goes now to the Convention Center Facility Assistance Act. So it really mirrors that concept that we've done before with convention centers. [LB760]

SENATOR SCHUMACHER: Thank you, Senator Mello. [LB760]

SENATOR HADLEY: Any other questions? Senator Mello, what did you say the estimated total cost of the project is? [LB760]

SENATOR MELLO: Just for the city of Omaha's project, not incorporating the Metropolitan Utilities District, which they have a separate large-scale infrastructure replacement project... [LB760]

SENATOR HADLEY: Right. [LB760]

SENATOR MELLO: ...for water and natural gas pipes, it's estimated to be \$2 billion when the project is all said and done. [LB760]

SENATOR HADLEY: You know, I almost hate to say it, but a million dollars doesn't seem like much in the scope of that big a project. [LB760]

SENATOR MELLO: Um-hum. [LB760]

SENATOR HADLEY: Is this more symbolic than actually making a dent in the \$2 billion? [LB760]

SENATOR MELLO: Well, I think, Senator Hadley, there's...it's a great question and I'll do my best to answer it. One, when I introduced a similar concept in 2011, it was before we saw the major rate increase that I provided you today. That's why the fiscal note, if you look at LB760, is, I would argue, about \$2.5 million less than what it was, somewhat similar, in 2011 because we saw the rate increase take effect when we didn't pass the bill I brought in front of this committee a few years ago. The other change though, and

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this was a question that actually Senator Utter at the time had mentioned as we discussed this concept, was, how long would this financing go? And we changed the concept. Initially it was only 20 years because it was a much more sizable amount of financing that would have gone back to the city to help, I would say, to help make sure this is not a "symbolic" \$1.5 million that increases \$300,000 or \$400,000 every year with the increased fees. We made it so that the financing takes place as long as the bond, to pay off the bonds of the project, which will last a minimum of 50 years that we know in regards to paying off the bonds for the CSO project in Omaha. So I would say looking at the fiscal note, and it starts off at about...a little less than \$900,000 and it starts ratcheting it up, you know. It doubles by the year, I think, year four or year three of the financing. So I think you'll see that increase go year over year with the increased fees or the increased sewer fees that will generate more sales taxes. But I think this is, once again, over the multiple conversations that I know I've had with individual members not just from the Omaha area, \$1 million a year, \$10 million a year, anything that's going to help fund, I would say, the largest public infrastructure project in the state that right now is currently being financed by sewer fees right now I think Omaha ratepayers and Omaha businesses will appreciate that assistance. [LB760]

SENATOR HADLEY: Do you think in your lifetime this project will start? [LB760]

SENATOR MELLO: Well, actually, the project itself has started. And just for an example, Senator Harr's district has seen I think a significant...so far it's been a...I know he's had probably constituent calls in regards to streets that have been torn up and significant amounts of his neighborhoods that have been...streets that have been completely redone due to the separation of the sewers. There's currently going to be a big project that's going to be done in the southeast portion of my district of trying to expand and separate those sewer lines and create new ones. The reality is those projects, those components are arguably, I would say, the ones that we see day in and day out in the greater metropolitan area. And Marty Grate from the city can give, I think, a more global perspective on all the other aspects of the project. But some members of this committee may know that the big project is building a multifoote, hundred-foot-plus tunnel all over the...through essentially the whole eastern side of the city to be able to store wastewater and rainwater when it...when we deal with...when we have rainstorms in Omaha, which building a tunnel the whole length essentially of the eastern side of the city is a very expensive proposal in comparison to the replacement of sewers in Senator Harr's district or my district. [LB760]

SENATOR HADLEY: Thank you, Senator Mello. Seeing no other questions, are you going to be here for closing? [LB760]

SENATOR MELLO: I will be. I will be. [LB760]

SENATOR HADLEY: Okay. We will now first start with proponents. Could we have the

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first proponent come forward? [LB760]

MARTY GRATE: (Exhibit 3) Good afternoon, Senator Hadley and members of the committee. My name is Marty Grate, M-a-r-t-y G-r-a-t-e, and I'm the city of Omaha's environmental services manager. I want to thank you for this opportunity to speak on LB760 for the city of Omaha. Certainly, as Senator Mello indicated, the CSO mandate is a huge, huge challenge for the residents of the metropolitan Omaha area. You talked a little bit so far about cost and, yes, if we were to build the whole thing this year, we estimate that it would cost about \$2 billion in today's dollars. But we've still got 13 years left on our schedule to finish the work that we've already started, so there will be inflation along the way that will raise that up some. And we are planning to employ 30-year revenue bonds to finance this throughout the construction process. So in 2027, when we finish the project, we'll still have an additional 30 years to pay off the debt that we incurred in order to fund the construction activity. Last year we asked the University of Cincinnati's Economics Center to do an update of our affordability assessment. Is this program really something that this community can afford to do without creating severe economic hardship? And what they told us was that the rate proposal that we've given to the mayor that she's looking at right now, through 2018 we as a community should be able to afford the increases we need to keep pace with our compliance schedule. However, looking ahead, after 2018 they start to see a growing segment of our community that will reach what the EPA defines as the high burden category--that is, that it could have a significant impact on the quality of life and the economy in some parts of our community. The study also said that if they looked out to 2027 when we'd completed the project and expended the money and borrowed it and paid it with the bonds, that we would see widespread, community-wide heavy burden. And what that tells us is that we need to begin working now to try to find some way to reduce these costs, reduce the burden. We and the other 771 communities across the nation have not been able to identify something that resembles a silver bullet, some way to cut the program cost in half. It's not out there today. We'll continue to be diligent and look for technologies that will do that. But right now what we have to do is try in every project that we construct to chip away at the cost, to try to cut it and be more efficient with our designs, look for new technologies, look for maybe ways to manage the stormwater before it even gets in our combined sewers. Similarly, LB760, as you indicated, Chairman, is not going to solve our problem, but it's another way that we're...that we would like to see happen to help us chip away at these costs. If we can't manage to bring these costs down, the city of Omaha could experience negative economic impacts and that could ripple through the state. So with that I want to again thank Senator Mello and the cosponsors of the bill for introducing this important legislation and I'm more than happy to answer your questions. [LB760]

SENATOR HADLEY: Are there questions? Senator Schumacher. Senator McCoy.  
[LB760]

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SENATOR McCOY: Thank you, Chairman Hadley, and thank you, Mr. Grate, for being with us today. You mentioned you're exploring other options to lessen the stormwater runoff before it gets into the system. What would those be? [LB760]

MARTY GRATE: In our business, that's what frequently is referred to as green solutions. If you can take that rainwater and either hold it on the surface or get it soak into the ground, it's that much less water that you have to deal with down in the pipes. So looking at those green solutions is one technology or one approach that we're looking at saving money. We've got a project designed in our Spring Lake Park area in south Omaha where we have found a way to kind of build little pools of water and create not only, you know, something that's going to hold the water out of our sewer system, but also could create community amenities since it's a park setting anyhow, a water feature. So we're looking for those multiple benefits. In that specific example, we found that by holding some of the water back up in the park area that we were able to save \$5 million on pipes that we otherwise would have had to have to move that water directly. [LB760]

SENATOR McCOY: Have we looked at or, I should say, we, the city, but has the city looked at what a systemwide plan would be if we were to pursue options like that on an overall long-term reduction in cost that could be accomplished? [LB760]

MARTY GRATE: Omaha is a little more challenged than many communities in terms of looking at green solutions as an alternative to what are commonly referred to as gray solutions--brick and mortar sort of things. Some of the challenges that we have in Omaha involve our weather and our soil types. In Omaha the soils tend to be pretty tight clay. They don't like to absorb water like a sandy soil would, like in Portland and that area. They have great success with green solutions. The other thing is that a lot of the rainfalls that we get are intense thunderstorms. It's raining hard. That water wants to run off. It doesn't want to sit and soak in. So we don't probably have the fundamental capability of using green solutions as an alternative. They're more of an enhancement. And in terms of planning for what we're going to do, we've spent over three years and \$25 million just coming up with our plan. So we're not, you know, flying by the seat of our pants. We've had some of the best engineering experts in the nation on our team and we think we have a solid plan and that's the plan that the Nebraska Department of Environmental Quality approved. [LB760]

SENATOR McCOY: Well, you certainly have spent a lot of time and effort and resources into that. My question and the reason that I asked that question is, of the 771 communities that are facing this across the country, a number of them do have soil types similar to ours and in our...have a lot of similarities. And some of their green solutions that are out there have been looked on favorably, it's my understanding, in compliance, and over the long haul are reducing the cost of overall compliance of Clean Water Act by hundreds of millions of dollars, if not more. And it would seem to me that

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you just haven't heard a whole lot about that and I wonder if that may not be a pathway that would be more readily available beyond that 2018 time period, as Senator Mello has indicated, when the costs really start to ratchet up and become an even greater burden to the ratepayers. So I guess I would encourage any option we can because I think long term that may have a whole lot of promise. [LB760]

MARTY GRATE: Sure. And that's what we're looking at is what are sustainable solutions, both the capital costs and then the ongoing operation and the maintenance cost. When we put together our long-term control plan, we did look specifically at opportunities for green solutions within the areas where we're going to be digging. And so there are green aspects of our existing plan. Last year we hired an engineering consultant to come back and take a wider look at the city, maybe not just in the areas where we're working but in the whole drainage area, to see if there are areas there where we could cost effectively employ green solutions to save money on our various solutions. So we're headed that direction and I appreciate that. [LB760]

SENATOR McCOY: Yeah. I spent the first four years of my time in the Legislature on the Natural Resources Committee and I remember one of the things that we talked about two years ago when this Legislature was on the floor, as I recall, maybe an exchange with Senator Mello and I, is whether or not those green solutions might either negate the need for the tunnel or greatly reduce that need. And I think, as I recall, that was one of the reasons that we had such a prolonged discussion on the floor. So has anything changed along those lines? Do you see any movement along any green solutions lessening the need for the most expensive part of this overall project or is that...has there been any resolution to that? [LB760]

MARTY GRATE: We certainly have looked at alternatives to the tunnel. A previous mayor in Omaha had that as our assignment, that we really should find a way to do it. And I guess what I told you earlier, that we've looked and we have found no other community that has been able to replace that. And most major cities in the nation that have an infrastructure like ours that have...or on a faster time line than we were, they've got a tunnel as part of it. So we still have that tunnel scheduled for the tail end of our compliance schedule. We want to try everything else and see how far we get to know if we can eliminate it or, if we can't eliminate it, if we can downsize it to make it less costly. [LB760]

SENATOR McCOY: Thank you. [LB760]

SENATOR HADLEY: Senator Schumacher. [LB760]

SENATOR SCHUMACHER: Thank you, Senator Hadley. Has Council Bluffs had similar problems? I mean, the towns grew up about the same time. [LB760]

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MARTY GRATE: Yep. Council Bluffs had a combined sewer system, it wasn't as extensive, and they basically have completed their CSO improvements. In Council Bluffs they chose a number of years ago to set aside a portion of their city sales tax to help fund it. And that's not a real common move, but that's how they funded theirs and it wasn't as costly as...and as complex as what Omaha's is. [LB760]

SENATOR SCHUMACHER: Thank you. [LB760]

SENATOR HADLEY: Any other questions? Yes, Senator Pirsch. [LB760]

SENATOR PIRSCH: So this would forgo the...otherwise, sales tax would be applied, correct, on these type of expenditures, right? [LB760]

MARTY GRATE: I'm sorry, I don't know if I understand your question. [LB760]

SENATOR PIRSCH: So you're looking at...I guess the old plan was to...when it comes to these type of expenditures that are experienced only because of the federal mandate, right, and it kind of seems like piling on by the state,... [LB760]

MARTY GRATE: Right. [LB760]

SENATOR PIRSCH: ...implementing their sales tax on top of that, correct? [LB760]

MARTY GRATE: Correct. [LB760]

SENATOR PIRSCH: So the theory here is that a...how much...the entirety of the sales tax that would flow from such a federally mandated project would essentially go into a fund of which...and there is an explicit type of recipe for who is eligible and who isn't, but there is direction as to who would sit on this. Is it a board or a commission? Is that what it's...? [LB760]

MARTY GRATE: Yeah, well, I certainly didn't author the bill. But my understanding is there's essentially two pools of money. There's the 90 percent money that is for CSO projects, of which Omaha is really the only one at this point in time, and that money would be approved for projects that are in our state-approved long-term control plan. So it should be fairly straightforward to say we want it to fund this project and to look in the long-term control plan that the state of Nebraska holds us to and say, yeah, it's in there, that's an acceptable cost. The other 10 percent of the funds would go into a pool for other communities that have their federal mandates and how exactly that would work I don't really know. I do know that Omaha as a city would be precluded from competing for those funds since we've got the other. But certainly there would have to be some kind of protocol as to how that board approved that 10 percent of the funding. [LB760]

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SENATOR PIRSCH: Um-hum. But all of the monies that's anticipated that would be in this fund, the 90 percent, plus the 10 percent would be generated from the... [LB760]

MARTY GRATE: Omaha. [LB760]

SENATOR PIRSCH: ...CSO Omaha project. [LB760]

MARTY GRATE: Yes. [LB760]

SENATOR PIRSCH: Okay. And so is there other, known-to-you, federally mandated type of CSO project? The 10 percent you've said is saved for other areas of the state, all other areas, and Omaha wouldn't be a part. [LB760]

MARTY GRATE: Right. [LB760]

SENATOR PIRSCH: Is there a need or a...is there such a need out there for that 10 percent statewide? [LB760]

MARTY GRATE: Oh, I'm sure there is, particularly on the drinking water side. A lot of communities are under federal mandates to improve the level of their drinking water. [LB760]

SENATOR PIRSCH: Okay. So it's a broader usage... [LB760]

MARTY GRATE: Yeah. [LB760]

SENATOR PIRSCH: ...allowed then for any federally mandated... [LB760]

MARTY GRATE: I think it's pretty broad in terms of water, wastewater, natural gas, basic infrastructure-type projects. [LB760]

SENATOR PIRSCH: Okay. So it's not limited to the type of situation... [LB760]

MARTY GRATE: Sewers. [LB760]

SENATOR PIRSCH: ...that Omaha...that the 90 percent is. [LB760]

MARTY GRATE: Right. [LB760]

SENATOR PIRSCH: Okay. That's helpful. And what types of revenue streams do you anticipate the city of Omaha then deriving yearly or annually from... [LB760]

MARTY GRATE: From this bill? [LB760]

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SENATOR PIRSCH: Yeah. [LB760]

MARTY GRATE: The first year it's less than a million dollars. And again, the way the bill is set up is that we've established 2013 CSO expenditures as a base, and then each year, as we spend more and more repaying the debt from the bonds that we sell, that amount will go up. Just in kind of rough figures, assuming that we increase the rates the way our financial plan says it does and that our elected officials agree to increase the rates per the ordinance that we've got over...if the first year is a little less than a million dollars in state turnback,... [LB760]

SENATOR PIRSCH: Um-hum. [LB760]

MARTY GRATE: ...within about five or six years that could be \$3 million. So it's, again, it's not going to touch the overall financial challenge that we have. But I think our approach is to try to chip away at it and this would be one source. [LB760]

SENATOR PIRSCH: Well, but you're bonding it, right? [LB760]

MARTY GRATE: Yes. [LB760]

SENATOR PIRSCH: Over a 50-year period? [LB760]

MARTY GRATE: No. The bonds that we issue will be 30-year notes. [LB760]

SENATOR PIRSCH: Thirty year... [LB760]

MARTY GRATE: But we'll issue them each year of the construction. It's not like buying a house where you go down and borrow all the money at once. [LB760]

SENATOR PIRSCH: Um-hum. [LB760]

MARTY GRATE: We'll issue the bonds on basically an annual basis. [LB760]

SENATOR PIRSCH: Sure. Do you have a...you know, there was a question about is this just a symbolic type of dent then it would make in the...in Omaha? Is it...do you get a...do you have a feeling of how much overall...if this structure is implemented, you know, in terms of the overall cost as a percentage, how much this would kind of negate... [LB760]

MARTY GRATE: Well, even though we've already spent \$100 million--excuse me--\$200 million in construction contracts, we've awarded \$200 million in contracts, we've got another \$400 million worth of work that is in some active stage of design. And by the

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end of this year we will have turned \$100 million of that into construction contracts. So we are implementing this program. It is happening. [LB760]

SENATOR PIRSCH: Sure. [LB760]

MARTY GRATE: In 2013, which is the base year, our revenue requirements, the amount of money that we pulled in that got levied sales tax because it was CSO was about \$27 million. About three years from now that amount will double because you don't see...even though we're constructing hundreds of millions of dollars' worth of infrastructure, because of the revenue bonds all you really see is the initial debt payments, and those are what will grow over time and those will require us to draw the revenue which will have the sales tax associated with it. [LB760]

SENATOR PIRSCH: Um-hum. So is this a material then debt? I mean, how...I guess what I'm saying is, if fully implemented, this structure, in terms of the overall costs, which in today's present dollars are some \$2 billion I think you testified to... [LB760]

MARTY GRATE: In today's dollars, yes. [LB760]

SENATOR PIRSCH: Yeah. How much over the life of the project similarly do you feel this defray the \$2 billion or reduce it down in terms of present dollars? [LB760]

MARTY GRATE: Again, the way it's written now it would extend through what we believe will be 2057 when our ratepayers will make the last bond payment. [LB760]

SENATOR PIRSCH: Um-hum. [LB760]

MARTY GRATE: And to be honest with you, I just have not run those numbers. [LB760]

SENATOR PIRSCH: Okay. [LB760]

MARTY GRATE: When you start trying to look at what's going to happen in 2057, there's a whole lot of what-ifs and assumptions in there that makes it difficult to say with precision. [LB760]

SENATOR PIRSCH: Yeah. You think this bill would bring substantial relief though to the extra cost that this federal mandate is borne or this is going to be still a... [LB760]

MARTY GRATE: I do not think that this bill by itself is going to solve the financial hardship on our community in my lifetime. I think there are going to have to be other things done in addition to this, but I think it will help. [LB760]

SENATOR PIRSCH: Thank you. [LB760]

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SENATOR HADLEY: Mr. Grate, and 20/20 hindsight is always, you know, easy to do. And I'm just thinking of some of the questions that we had on the floor because it's been...has been on the floor. And I know that one of the questions by one of the senators who is now no longer there was...other communities have kind of done it themselves, you know. They've had these kinds of problems. You mentioned Council Bluffs, I believe, Plattsmouth, and a few others. Is there something that makes Omaha unique in its problem when you compare it to other cities with this problem? [LB760]

MARTY GRATE: Well, I don't think Omaha is unusual compared to other large cities like, you know, Columbus, Ohio, Cleveland, Pittsburgh, Detroit. Omaha is very comparable to those cities and those cities are suffering hardships also. You had asked a little bit earlier about the history, how did we end up here, and you're right: This mandate stems from the federal Clean Water Act of 1972. But until about 1994, CSOs weren't a priority for the federal government. There were other things--factories and other water quality problems out there--that they were focusing on. In 1990 the city of Omaha developed its first plan for sewer separation. The goal of that plan wasn't to keep it out of the river, it was to get it out of people's basements, and that was our priority in 1990 when we had our first plan. In 1994 the federal government made CSOs a national priority. They issued some guidance. We negotiated with the state and EPA through the '90s, and it wasn't really until about 2000 that the federal government started telling the state of Nebraska that, if you don't get Omaha under some kind of enforcement mechanism--consent order or something like that--we're going to come in and do it for you and you won't like it. And so we got serious at that point in time and developed a long-term control plan with a goal not just to keep sewage out of people's basements but also to get it out of the Missouri River and the Papillion Creek. We were issued our first permit in 2002 that required us to develop that plan. In 2005, we were notified that we would have until October of 2009 to complete that plan, to finalize our plan to bring about a dramatic reduction in the amount of overflows to our receiving streams. We met that deadline and we have...and we were also told and it ended up in our consent order that we would have 15 years after 2009 to complete the construction of the projects. In 2011, with all the flooding along the Missouri River, we declared a force majeure condition that made it impossible for us to work in the area and we were granted a three-year extension. So our time line now is October 2027 when we have to complete the constructions of the projects in our approved plan. So there may have been some time period in the '90s where some communities moved faster. What you tend to see if you look at where the more advanced communities are on this, it's in areas where the receiving streams are highly prized by the community. The trout streams in the Pacific Northwest; the Great Lakes; the beach areas where people like to go out and recreate on the beach, those communities voluntarily did this quicker because their people didn't like to go out on their recreation areas every time it rains and see all the things that go down people's toilets. So those communities were more proactive. The people in the Midwest tended to move slower because the Missouri River

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isn't really that attractive of a recreational feature. Certainly, with our Back to the River movement in Omaha and all the investments been made there, it's more embraced by the public. But in the '90s, the general public didn't think that a billion dollars to take some sewage out of the stream was a priority for them, and the federal government made it a priority for us. [LB760]

SENATOR HADLEY: Okay. Any other questions? Thank you, Mr. Grate. [LB760]

MARTY GRATE: You're welcome. [LB760]

SENATOR HADLEY: Next proponent. [LB760]

MARTIN BILEK: (Exhibit 4) Good afternoon, Senators. My name is Marty Bilek. I'm representing Mayor Jean Stothert today on this...on LB760. My predecessor, Marty Grate, was very comprehensive on this issue so I'm going to be very brief. I'm not going to say much. [LB760]

SENATOR HADLEY: Could you spell your name for us for the record? [LB760]

MARTIN BILEK: I'm sorry. Marty, M-a-r-t-y, the last name B-i-l-e-k. [LB760]

SENATOR HADLEY: Thank you. [LB760]

MARTIN BILEK: The only thing that I'm going to mention that hasn't been said before is since we've been in office, about seven, eight months now, we've probably spent no more time addressing any issue facing us in the city than the CSO project. And the primary reason for that is because it's so very expensive and we know that it's going to create quite a hardship for some of the people in our community. We have rate consultants tell us how much rates are going to need to be raised, how that's going to adversely impact some members of our society. These rate increases could be somewhat analogous to a flat tax, and by that I mean it's going to affect everybody the same, regardless of your ability to pay. So what the mayor did early on is she started looking for ways to minimize that adverse impact. And, yes, Senator Hadley, I know you're a numbers guy and \$1 million compared to \$1 billion is pittance and that's very true. But Mayor Stothert really wasn't looking for...to make some sort of symbolic gesture. Instead, what she's looking to do is take that million dollars and couple with it what other monies that we can find to help reduce the cost of this project and reduce the fees that we're going to have to charge to fund it not only for ourself, but this project is going to be funded over generations in Omaha and we would like to not saddle future generations with an excessive cost of this project. And any little thing that we can do, any amount of money no matter how small is going to be valuable to us just because the project is so large. What I'm also hoping is that since this revenue that we're talking about really doesn't exist yet, therefore, it's not...hasn't been allocated so nobody

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suffers. So if you could...if it could be returned to us that would be great. It would help. Senator Pirsch, I think you mentioned that somewhat that it's...that it is new money and in a way it almost seems kind of unfair that you...basically what's happening is we're increasing our fees. That creates a hardship and then you tax those, which creates a further hardship and it compounds the problem. If we can avoid doing that, that would be great. And by the way, we do spend a lot of time talking with Marty Grate and the public works folks about this project. It just so happens that Omaha's mayor, a previous city councilwoman, over the years has become very well versed in this very technical project and there's probably not a day that doesn't go by where she doesn't try to figure out or discover some novel way to either decrease the cost of the project, and those discussions are very real and very possible, and decrease the cost that would be in compliance with the federal government mandates so that we can accomplish what they want us to do with respect to clean water, still make it affordable, and not try to pass a big expense onto future generations. So I think I'll just stop right there and avail myself to any questions that anyone might have. [LB760]

SENATOR HADLEY: Any questions? Senator Harr. [LB760]

SENATOR HARR: Thank you, Chairman Hadley. Just quickly, getting back to Senator Pirsch's question earlier is, do you have any idea how much the city hopes to collect from this turnback? [LB760]

MARTIN BILEK: I think...you know, that's a good question and the reason it's so good is because there can't be an answer to that yet exactly because it's going to be based on what fees that we impose on our taxpayers to pay for the project. So once we know what the fees are then we'll know what the sales tax is on those fees so that we could estimate how much would be turned back to us if this legislative bill passes. But the number... [LB760]

SENATOR HARR: So, yes, the chicken...yeah, so it's the chicken and the egg because, if we get this, you won't have to do as large of rate increase, so that lowers the amount of money collected because you aren't paying as much. But ballpark, how much are you expecting? I guess if I'm going to pass something, I want to know, ballpark, what it's going to cost the state. [LB760]

MARTIN BILEK: Your analogy is absolutely correct; however, the number that we've been looking at is...I believe Marty Grate quoted the number at \$1 million, and that will likely increase over time, over the life of the project. [LB760]

SENATOR HARR: But...and...yeah, but do you see our problem? It's we, as committees of this, we want...I personally want to pass this. But I do see a problem when I don't know even a ballpark of what this...what you anticipate this to cost the state because this is money the state is going to forgo and pass back to the city of Omaha. And so we

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have to have an idea how much it's going to cost, how much money is the state forgoing. [LB760]

MARTIN BILEK: The... [LB760]

SENATOR HARR: It's going to be a question asked on the floor is, I guess, what I'm getting at, and I need to know. [LB760]

MARTIN BILEK: If you want to use the number \$1 million, do that, but it's going to have to be an estimate because I'm sure you understand that there are some unknowns and no one can predict perfectly. [LB760]

SENATOR HARR: So a million dollars of year, a million dollars a year going forward? [LB760]

MARTIN BILEK: Yes, yes, yes. [LB760]

SENATOR HARR: Okay. All right. Thank you. I appreciate that. [LB760]

MARTIN BILEK: But hopefully...I'm hoping that your thinking and the fellow senators' as well that this money, whatever it might be, hasn't been allocated anywhere else so it might be easy for you to turn it back to us for this project because you know we need it. [LB760]

SENATOR HARR: Yeah. Okay. Thank you. [LB760]

SENATOR SCHUMACHER: Any other questions? I just have one: Has there been any effort made to coordinate with the DEQ and the federal EPA, our federal folks, on setting priorities for enforcement actions such as this and perhaps allocating some revenues that would otherwise go other places to the city of Omaha? What comes to mind is, and I know it's happened far more than once, I have in mind a small town, 200 population. It has a little sewer lagoon and the water goes down in the sewer lagoon which has a small leak and had a small leak for about 40 years. And the only harm that came of that leak was that the corn within about 50 feet of the lagoon was a little greener. The system came in and, with \$1.2 million, and told the little town, listen, you've got to clean up that lagoon and we're going to build you a new lagoon for twice your size of population, anticipating growth in western Nebraska like all these towns are growing. And now they have a \$1.2 million lagoon, half paid for in grant-type money and half saddling them for 40 years, on a hill with a lift station lifting to it, and I think they're maintaining the water in the old lagoon so the ducks have a place to land. And, I mean, it would seem...and their sewer wasn't going anywhere, apparently, where you guys have some of that actually gets into the river? [LB760]

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MARTIN BILEK: Absolutely. That's what the problem is. [LB760]

SENATOR SCHUMACHER: Okay. So what's wrong with the system that you've got to come here and kind of grovel for a million dollars of money and literally, in this case, and I would guess many others, millions of dollars are being not wisely spent? Is there a way to bring some of these forces together and prioritize that revenue? [LB760]

MARTIN BILEK: Are you asking me whether or not you feel like we're taking prudent steps to fund the project? [LB760]

SENATOR SCHUMACHER: No, what I'm asking is...obviously, there's a big pot of money that the...in this case it must have been the federal government that had, okay, and it's...it went out and found things to enforce that really weren't near the magnitude of your problem. Is the...has there been any exploration to see whether or not there's a way to say, look it, let little town alone, the corn isn't being hurt, but Omaha needs some of this revenue, some of this money on this big, expensive project that probably has to be done? [LB760]

MARTIN BILEK: You know, as Marty Grate mentioned earlier, this project has been going on for years and you folks down in Lincoln have had to address it in the past. Have we met with the Department of Energy? Yes. Have we met with the Nebraska Department of Environmental Quality? Yes. Rate consultants? Yes. Other consultants with regards to sewer separation? Yes, and every time what we're looking for is not only, like I mentioned earlier, not only for a way to make the project less expensive but also alternate ways to fund the project so that we're not getting...after all, in the very beginning, this started out as an unfunded federal mandate and it still is. And if there is relief out there for us from the feds, we'll find it. And matter of fact, it'd have been found by now because we've been struggling with this for years. Is that what you're asking me? [LB760]

SENATOR SCHUMACHER: Well, I just try...it seems to me there's somewhere along the line the system--federal, state, whatever--is malfunctioning really poor for...some of these would have to be, in rational thinking, very low priority sins to receive funding and to the...and larger ones not receive as much. [LB760]

MARTIN BILEK: Well, going to the previous question about, you know, is there something different about this project in Omaha, does it...should it receive more attention, less attention, what about the smaller communities, you know, I was thinking about that and one of the things that Omaha is faced with is it's an old town. So that means the sewer systems that are east of 72nd Street are not separated. That's where the problem lies. It's expensive for that reason. We rely upon the Missouri River for our sewage and we have for a long time. The feds have come in and said, hey, you know, that's not going to work anymore. We have...we're way more sensitive to these

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environmental issues than we ever were before. So Omaha...so, therefore, we're looking at \$2 billion. I'd never heard of a government project in Nebraska with a price tag of \$2 billion. It's a lot of money. We all get that. But whether or not the...whether or not I would feel that the feds were prioritizing their funding of similar projects correctly or not and, therefore, excluding Omaha from consideration, maybe some sort of financial relief for this project, I'd have to say that that has...that's all been explored in the past and we've now come to the...we're now faced with the situation where we know what our options are, we've got to pick the best one. But even having said that, I can tell you that this isn't done. This project is a work in progress, like I mentioned before. There's a new administration in Omaha. Mayor Stothert is spending a lot of time looking for alternatives to make the project cheaper and find funding that won't impact those that are less...least able to pay in Omaha. I'm repeating myself. I apologize. But that's... [LB760]

SENATOR SCHUMACHER: Thank you. [LB760]

SENATOR HADLEY: Any other questions? Thank you, sir. We appreciate it. [LB760]

MARTIN BILEK: Thank you, Senator. [LB760]

SENATOR HADLEY: Next proponent. [LB760]

JOSEPH YOUNG: (Exhibit 5) Senator Hadley, members of the committee, how are you? [LB760]

SENATOR HADLEY: Mr. Young. [LB760]

JOSEPH YOUNG: For the record my name is Joseph Young, J-o-s-e-p-h Y-o-u-n-g, and I'm the director of public policy for the Greater Omaha Chamber. I have a letter here from David Brown in support of LB760 which I'll let you read now and just take, briefly, a second to thank Senator Mello for continuing to find ways to help us pay for the CSO project and we appreciate that very much. So this is, from a chamber's perspective, this has really become a competitiveness issue. Really, since the project began we've been hearing from businesses about how this is going to affect their bottom line and their business in Omaha. So let me just put this in perspective a little bit. We did some analysis in 2012, so this is somewhat dated now. This is about 18 months ago. But for example, one large meat processor in Omaha, in 2009--I'm going to round this out--their bill was about \$1.32 million. At that rate schedule, the way it was in 2012, they were going to pay by 2014, which is this year, \$2.3 million. And it was over a million dollars' increase in a matter of four years. So you see where we start talking about million-dollar increases on just someone's sewer bill and that's on just one company. We can see how that can become a serious competitiveness issue for our industrials moving forward, and we're not going to be done with this, as Marty said, until 2057. So we

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would encourage you to vote favorably in support of this bill. And while a million dollars or \$1.5 million doesn't seem like a lot of money over a span of 20, 30, or 40 years, it sure can provide some help, yeah. [LB760]

SENATOR HADLEY: Senator Pirsch. [LB760]

SENATOR PIRSCH: What type of business were you describing there that was going through million-dollar increases? [LB760]

JOSEPH YOUNG: That was a large meat processor. [LB760]

SENATOR PIRSCH: Large...okay. And, you know, in terms of hitting...that's a material amount for the...I mean, obviously, there's a lot of input cost to a meat pack...processor, but I would have to think a million dollars is still material, correct? [LB760]

JOSEPH YOUNG: Extremely, and that's just, remember, in four years. So they're going to continue to see rate increases for the next, I don't know, several decades. [LB760]

SENATOR PIRSCH: Have you seen other businesses either leave or entertain the thought of leaving? [LB760]

JOSEPH YOUNG: We've heard from more than one business about how they would look at maybe looking at their...if they're going to expand, looking to do that elsewhere in another state that they have a facility or creating a new facility in another state. I can't really give you a number, but it's several. [LB760]

SENATOR PIRSCH: Okay. [LB760]

SENATOR HADLEY: Okay. Further questions? Seeing none, thank you, Mr. Young. [LB760]

JOSEPH YOUNG: Thank you. [LB760]

SENATOR HADLEY: Any further proponents? [LB760]

JAMES TIMMERMAN: Good afternoon, Chairman Hadley, members of the Revenue Committee. My name is James Timmerman, spelled J-a-m-e-s T-i-m-m-e-r-m-a-n. I am a vice president of Nebraska Beef, located in south Omaha. Nebraska Beef is a meat processing plant that employs approximately 1,000 people. Nebraska Beef processes approximately 2,000 head of cattle per day. We sell our products throughout the United States and to many different countries internationally. Most of the cattle we purchase are from within a 250-mile radius of Omaha and we typically yearly spend approximately \$620 million on livestock purchases in the area. This helps the state economy for

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farmers, ranchers, and cattle feeders. I am here today representing the Nebraska Association of Industrial Manufacturers. This group was formed three years ago in order to negotiate with the city of Omaha for fair and equitable rate increases as a result of the \$2 billion to \$3 billion unfunded federally mandated sewer separation project, also called the CSO project. Our group testified in front of this committee in 2011 in support of a similar proposal introduced by Senator Mello. At the time, we were facing 50 to 100 percent increases in water rates in order to fund the project. Businesses in our coalition faced tough decisions regarding whether to keep operating or expanding our businesses in Omaha. An example we shared with the committee was the fact that the bill for the largest water user in our coalition increased by \$100,000 per month in order to fund this project. Since this time, under new leadership in the city of Omaha, we have renegotiated those inequitable rates. Although our industry remains the largest class of ratepayers for the project to the tune of millions of dollars, we feel that we are at least getting closer to pay an equitable rate. We support LB760 as another step in finding solutions to fund the largest infrastructure project in the state. Although it would likely not affect rates paid by our industry, it creates another revenue stream to help fund the project. As mentioned earlier, a University of Cincinnati study shows that in 2018 ratepayers residing in low-income areas are facing extreme monthly rate increases and will not be able to afford to pay their water bills. Perhaps the revenue generated from this legislation can go towards creating a fund for those who are unable to pay the increase. We have spent considerable time and resources researching the rate structure for this project and remain committed partners in trying to figure out what will best serve the needs of not only our industry group but all ratepayers in the CSO project. Senator Mello has been working with us every step of the way and we appreciate his support and his understanding of how these dollars affect the bottom line of residents and businesses. A quick story to put these rate increases in perspective: As a member of the meat packing industry, I followed the debate last week with regards to increasing the fines for manure spills. When comparing...although we're never a fan of fee increases for our business, when comparing a nominal fee increase for spillage to a \$100,000 monthly increase for our water bill, you can see how we have become so passionate about the CSO rate increase issue. Thank you for your time and I'd be happy to answer any questions you may have. [LB760]

SENATOR HADLEY: Any questions? Senator Schumacher. [LB760]

SENATOR SCHUMACHER: Thank you, Senator Hadley. For large, large water users that would...that are obviously burdening this system, why wouldn't you just relocate away from this system and build your own lagoon system, like they've done in Schuyler with Cargill or some of those, and be done with it? Why is it necessary to put all that volume into the existing system when it might be...is that the most efficient way to do it? [LB760]

JAMES TIMMERMAN: For us, being in the middle of the city of Omaha, it...in terms of

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land, having land available to us, at Nebraska Beef I can speak specifically--we are landlocked as to where we're at, so for us that's the most efficient way to dispose of our wastewater. Now in terms of the increases that were proposed two years ago, what the problem was is that if we were looking to expand our business, it'd be very hard for a competitive...for it competitively to stay where we are in the city of Omaha for that or to expand in the city of Omaha. [LB760]

SENATOR SCHUMACHER: Why not just move to a...30 miles west and build your own lagoon and be done with it? [LB760]

JAMES TIMMERMAN: I guess for us as a company, we're an Omaha-based company and all our employees live in south Omaha. So that's...deep down, that's where we want to stay. [LB760]

SENATOR SCHUMACHER: Okay. Thank you. [LB760]

SENATOR HADLEY: Any other questions? Senator Hansen. [LB760]

SENATOR HANSEN: Thank you, Mr. Chairman. I know that beef packers use a lot of water. Could you give us an estimate on how much water you...would you use in the course of a day? [LB760]

JAMES TIMMERMAN: Currently, I know, per month, we use 30,000, I believe, cubic feet of water each day. And Nebraska Beef pays for all their water we put...we take out from the city, but also we pay our fair rate on water we've put into the sewer system based on...we have a pretreatment facility. So the city does test us for BODs or solids, suspended solids, and biological materials we're putting in the water. So we do pay our surcharge on those, as well. [LB760]

SENATOR HANSEN: So you do treat that water even before it goes into the sewer system. [LB760]

JAMES TIMMERMAN: Correct. [LB760]

SENATOR HANSEN: We had a ratepayer thing here for residential but it doesn't have anything on it about commercial. Would you say that...have you seen this little (inaudible)? [LB760]

JAMES TIMMERMAN: I don't know. I've seen...I don't know. I have not seen the 2014. [LB760]

SENATOR HANSEN: Okay. It's pretty small amounts of wastewater for sure. It's probably not fair to ask, but is that a competitive rate that you pay as compared to

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residential for... [LB760]

JAMES TIMMERMAN: We... [LB760]

SENATOR HANSEN: ...you know, on every 30 cubic feet per day? [LB760]

JAMES TIMMERMAN: I would say we pay, of our fair share of what we're putting into the system, like I said, we pay for the water that we take from the city. [LB760]

SENATOR HANSEN: Yeah. [LB760]

JAMES TIMMERMAN: And we pay all the extra charges that it costs the city to clean the water. And on top of that, I believe, for this...2014 we're going to be paying maybe close--I have to look for sure--about \$10,000 in extra charges for our CSO fees. [LB760]

SENATOR HANSEN: Okay. Thank you. [LB760]

SENATOR HADLEY: Thank you. Any other questions? Seeing none, thank you. [LB760]

JAMES TIMMERMAN: Thank you. [LB760]

SENATOR HADLEY: Any other proponents? [LB760]

RICK KUBAT: Good afternoon, Chair Hadley, members of the Revenue Committee. My name is Rick Kubat, R-i-c-k K-u-b-a-t, and I'm a government affairs attorney working for the Metropolitan Utilities District. We're here today to testify in support of LB760. Many of our customers in Omaha do not realize that we bill for the city of Omaha's sewer fees, along with other surrounding cities in the Omaha metro. We remit those fees to those cities. MUD customers who live in the city of Omaha are certain to see significant increases in their sewer rates. This project will result in a financial strain not only for our residential customers but also for many in the business community. LB760 can be part of an overall solution to this difficult financial situation facing the city of Omaha. MUD, along with other municipalities statewide, would have access to grant funds for the 10 percent pool of turnback funds. Water purveyors from Alliance to Grand Island to Omaha are constantly facing changes in potable water standards dictated to us by the federal government. These changes almost always come in the form of unfunded federal mandates. LB760 would provide some financial assistance to communities throughout the state in addressing these constant financial strains associated with delivering potable water. I'm happy to answer any questions if you have any. [LB760]

SENATOR HADLEY: Any questions? Seeing none, thank you very much. [LB760]

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RICK KUBAT: Thank you. [LB760]

SENATOR HADLEY: Next proponent. [LB760]

LYNN REX: Senator Hadley, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. The league strongly supports this measure. We do think this is a critical piece of the financial piece picture to try to help the city of Omaha deal with the CSO project. In addition, it does help other municipalities across the state, as well. And as you'll note in your fiscal note, roughly \$200,000 of the \$1 million is coming from local option sales tax dollars from Omaha itself. The other roughly \$800,000 would be coming from the state throwback sales tax. So we do think that this is important. There are cities all over the state of Nebraska, small and large, that have water issues that they could access that 10 percent fund. But clearly for the city of Omaha itself this, we think, is a very important piece of the puzzle for them. I'd be happy to respond to any questions that you might have. [LB760]

SENATOR HADLEY: Any questions for Ms. Rex? Seeing none, thank you, Ms. Rex. [LB760]

LYNN REX: Thank you. [LB760]

SENATOR HADLEY: Any other proponents? Opponents? Those in the neutral? Senator Mello, would you like to close? [LB760]

SENATOR MELLO: Thank you, Senator Hadley, and I'll try to address two, I think, questions that were asked, I think, of Marty Bilek from the city of Omaha Mayor's Office and Senator Harr, who asked, I think, a question, as well. Senator Schumacher, when we discussed the original concept of this bill two years ago, I tried to provide, I thought, a fairly wide picture of smaller communities across the state who have federally mandated water and sewer issues that have come forward that a majority of their funding comes from the EPA in the form of grants and/or very low-interest loans. That is the financing mechanism available to those other small communities across the state for these kinds of water mandated projects. Simply, our...LB760 provides another resource funding besides the EPA funding that's available for those communities. But I think, as Marty Grate and Marty Bilek both mentioned, the city of Omaha has been looking at other potential federal funding sources for years and the only funds that in the six years now I've been in the Legislature that the city of Omaha has been able to acquire has been federally designated the earmarks from then-U.S. Senator Ben Nelson, as well as a \$7 million essentially zero-interest loan that the state of Nebraska DEQ gave from stimulus funds back in 2009. So those are federal funds that we know have come to the project over the last six years. But the city of Omaha, because combined sewer overflow projects are just a completely different kind of project than other federally unfunded, mandated projects, there is no designated funding source for CSO projects,

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like other, smaller communities have different designated funding sources for lagoon repairs and/or replacement. Senator Harr asked a question in regards to not...of not wanting to support a bill that he wouldn't know what the fiscal cost or long-term cost would be, I simply would direct the committee to the LB760 fiscal note done by the Legislative Fiscal Office in conjunction with the Department of Revenue. They estimate and see a General Fund impact of \$881,000 this year of the budget. And it increases from here on out. I think that's something that for full disclosure purposes, it starts at \$880,000 but by the third year of the implementation of LB760, it's a \$1.5 million revenue loss. And to some extent, as Marty Grate mentioned, I think if we took a ballpark estimate over a 43-year period of when those bonds would be issued if we passed LB760 this year, we took a ballpark estimate of, let's say, \$3 million in state revenue, as we know that revenue will grow with future rate increases, that would generate about \$129 million for the project over the course of 43 years. You incorporate, let's just say on a conservative estimate, \$250,000 a year from the city of Omaha in respects to their local option sales tax that they have to put in, generate that over a 43-year period to pay off the bonds, and you have roughly \$10.75 million. So give or take, you're coming close I think to \$140 million over the life of the project with the...to pay off the bonds with LB760. So I think, you know, Senator Pirsch, I think, asked the question: Is this simply a nominal issue, a symbolic issue, and I'd say over a period of a \$2-billion project as we're...have already started on it, \$140 million from state assistance to a project like that I don't think is a nominal amount of money and I think is actually a fairly substantial amount of money in regards to state revenue we would be foregoing to help pay for this project in the long term. With that, as always, I understand that this committee no doubt will have some very, very significant decisions to make as the session moves forward in regards to a variety of different tax policy changes. I can appreciate the difficulty you will have in regards to what are priorities amongst yourselves and what are priorities of this committee. I believe personally that I wouldn't have brought this proposal to this committee this year if I didn't think, one, it was something that rised to the level of your consideration, if I didn't think that it, one, has a general significant impact in the future of the economy in our state, primarily, obviously, in the Omaha area. But also as we will hear, I think, as a Legislature later this session, water funding and water finance is another big issue this Legislature will consider. And coming from the state's largest city, I think it would be remiss that there would not be a proposal coming from the city of Omaha ratepayers who have to deal with a very uniquely significant water issue in comparison to other water issues that greater Nebraska is dealing with, as well. So I would urge you to consider this and I'm always willing to work with the committee on any potential changes that you would like to see with this legislation. [LB760]

SENATOR HADLEY: Senator Mello, I have a quick question, and maybe it's more of a procedural question. Would they be using these funds...would they pledge these funds then for the bond payments? [LB760]

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SENATOR MELLO: The legislation allows them to be able to use the funds for a variety of different purposes and paying off bonds is part of what they could use the funding for. [LB760]

SENATOR HADLEY: I guess I just always wonder how the...that we can't bind future Legislatures, right? And ten years from now they can say, you know, this is \$10 million a year that we're giving out and it could go away. [LB760]

SENATOR MELLO: And what's...and they could...arguably, they could make changes to this policy into the future if this was something that we passed. I think it's a little different in comparison to the CenturyLink and the convention center component because this is...this funding can be used for a variety of purposes on an annual basis. Bond payments is just one of those components and I think it seems to be more of the more logical use of those funds if we passed LB760. But they can use the funding just directly for construction payments, as well, if that's...if that falls underneath, so to speak, the definition of the long-term control plan that we laid out in LB760. [LB760]

SENATOR HADLEY: Thank you, Senator Mello. [LB760]

SENATOR MELLO: Thank you. [LB760]

SENATOR HADLEY: With that, we will close the hearing on LB760 and I see Senator Avery is here to open on LB814. Senator Avery. [LB760]

SENATOR AVERY: Good afternoon, Mr. Chair, committee. My name is Bill Avery, B-i-l-l A-v-e-r-y, representing District 28 here in south central Lincoln. It is my pleasure to introduce LB814. I'm sure all of you know that I have spent some time over the past two years helping or trying to help the Nebraska State Parks find a sustainable funding source. It's been a priority of mine. Last year, I basically lost my priority in an attempt to help Game and Parks find the money to sustain their efforts in keeping our parks in top shape. I introduced last year LB362 which would assess a \$7 fee on all motor vehicles, and that would replace the permit system that we now have. It was not popular. It wasn't even popular with me. But I was casting about trying to find something that would provide Game and Parks with sufficient funding to do their deferred maintenance. And that seemed to me to be an option. It was not popular in the body and I understood that it would not be, but I was hoping that there was sufficient support in the body to do something and that they might find that acceptable. They did not. But there is still support in the body to do something if we can all agree on it. So I did promise to come back to the Legislature this year with a new strategy, and that's why I'm here today. And you're the lucky ones to get the bill because we had thought it might go to Natural Resources, so I had talked to every member of the Natural Resources Committee, got all the commitments I needed to get the bill out, and now I'm before you and I hadn't talked to any of you (laughter). [LB814]

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SENATOR HADLEY: You know, Senator Avery, I just have to stop. You know, we do have a rule that if I kind of give you the look, that means to drop your bill in the wastepaper basket on the way out. So we just tell you about rules we have here in the Revenue Committee. [LB814]

SENATOR AVERY: Well, I'm sure I will not know what that look means. [LB814]

SENATOR HADLEY: Okay. [LB814]

SENATOR AVERY: What I'm proposing here in LB814 is to take existing sales tax from the sale of motorboats and personal watercraft and reallocate this money to a new fund that we define as the Game and Parks Capital Maintenance Fund. We anticipate, and the fiscal note confirms, that this would generate somewhere around \$2.5 million in additional annual revenue for Game and Parks. And this new fund is created so that there is no question about what the money is to be used for. It would be used for repair, renovation, and improvement of infrastructure under the authority of the Game and Parks Commission. I think it would be a travesty if we continue to ignore...I shouldn't say continue to ignore, we're not ignoring it, we're trying to fix it, but we cannot ignore the problem that Game and Parks now faces in trying to maintain our parks. They have a \$43 million shortfall in deferred maintenance and federally-mandated Americans with Disabilities Act compliance issues. About \$13 million of that \$43 million is in the ADA compliance area, and the other \$30 million is in deferred maintenance. Just to give you an example of some of the projects that need to be dealt with: a new septic system at Ash Hollow State Historical Park in central Nebraska, western-central; the ADA retrofitting of the Platte River State Park swimming pool bath house. This, by the way, is also used by the city of Louisville as their municipal pool. And the list is extensive and you can...I can get you that list if you want it, but I don't think we need to do that now. People in this state do like their parks and they use them. And the problem is that the parks have fallen into disrepair. And we saw this past summer that the parks had to...many parks had to be closed by the commission in order to free up personnel to work on some of these deferred maintenance projects. That was not very popular, but that was a very brutal reality that we needed those people to work on repairing decks and repairing plumbing in some of these facilities. So I am seriously considering this bill as a priority again, but I'm hoping that I can get it out of committee in time so that I can save my priority this time for something else. So perhaps the committee would like to take it on as a committee priority. The permit system is simply not bringing in enough money. So we need to supplement that. And what I'm proposing here is not likely to generate as much money as we would have been able to do with that \$7 DMV registration fee, but I understand the opposition to that. As I said in my opening on that bill last year, I don't like this bill. (Laugh) I'm not happy with it but I was desperate for something. There are definitions in the bill about what we mean by motorboats and personal watercraft, and you can find that. I urge you to take this as a serious proposal,

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that we have a number of initiatives that we're working on in other areas of legislation. Senator Hadley is helping out with a bill that does something similar to this with ATV's, all-terrain vehicles. We have a request into the Appropriations Committee for some catchup money so that we can get to work on these deferred projects right away and catch up to the point where that if we pass this legislation it'll be enough to sustain Game and Parks over a good number of years. So I do urge you to treat this favorably. [LB814]

SENATOR HADLEY: Thank you, Senator Avery. Are there questions for Senator Avery? Senator Sullivan. [LB814]

SENATOR SULLIVAN: Thank you, Senator Hadley. Thank you, Senator Avery. Now you're proposing this for perpetuity. So this would... [LB814]

SENATOR AVERY: There is no sunset provision in this. [LB814]

SENATOR SULLIVAN: Would you consider that? [LB814]

SENATOR AVERY: I would be reluctant to but if that's what it takes to get it to move, I would consider it. I don't see their funding needs going down over time. I think that they're going to need this additional funding for a good number of years, unless the Appropriations Committee is willing to dip into the General Fund to enhance their budget. [LB814]

SENATOR SULLIVAN: I had a call from an individual who's advocating for this piece of legislation who I think is on the Game and Parks Foundation. After the conversation, I got to thinking. What does the foundation fund? [LB814]

SENATOR AVERY: Foundation fund is a...let's see, it goes back...it includes people who have donated thousands of dollars, organized seasonal events and volunteer drives to help our...keep our parks clean. The foundation is an independent organization that serves as a supporter of Game and Parks facilities and programs. And I'm not sure how much they have contributed, but I am aware that it's significant and the people who support the foundation and many of the board members are some of our most distinguished citizens. [LB814]

SENATOR SULLIVAN: Thank you. [LB814]

SENATOR HADLEY: Senator Schumacher. [LB814]

SENATOR SCHUMACHER: Thank you, Senator Hadley. Welcome to the Revenue Committee, Senator Avery. From a big picture view, what we're seeing emerge in several areas, we saw it in roads this suggested, that we take our incoming revenue

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stream and grab off of it for specific projects or nice things and instead of running the revenue stream into the General Fund and then appropriating it out after we make priorities. What dangers do you see with that philosophy of government where we pre-appropriate revenue streams? [LB814]

SENATOR AVERY: Yes, that's a very good question and it's one that I've struggled with, because ultimately what you're doing is shrinking the tax base. That is not the best way to go about funding programs. I have said this many times though, we...in Nebraska, we want to do the right thing and we want to have our parks well funded. But we want to find a way to do it on the cheap. And you can't always do good things and things that are worthy on the cheap. And we've had in the past I would say that Game and Parks have been underfunded by General Fund allocations, and that's been in good years and bad years, so that they've gotten themselves in a hole where you've got this \$43 million backlog of deferred maintenance, and it just really cannot continue. Some people have written to me and said, well, what we ought to do is sell our parks. Well, I suppose we could sell our parks and get out of the business altogether of providing that amenity to our citizens. But I don't think that would contribute to the good life in this state. [LB814]

SENATOR SCHUMACHER: Thank you, Senator. [LB814]

SENATOR HADLEY: Senator Hansen. [LB814]

SENATOR HANSEN: Thank you. Senator Avery, I thought I'd bought our last boat and I thought my wife had bought her last personal watercraft, but if you can get this thing passed I would certainly consider buying a new boat and paying the sales tax to Game and Parks. I really appreciate our state historical parks and our, you know, our parks with lakes on them. It's a great recreation to the state of Nebraska, especially out, you know, in the middle of the state where we can't get to Omaha and we can't get to Denver real easy, but we can always go out to the lake and get sunburned and have fun, so. [LB814]

SENATOR AVERY: That's a beautiful lake you have, too, but I would insist on being invited out for a ride. (Laughter) [LB814]

SENATOR HANSEN: You pay half the sales tax. [LB814]

SENATOR AVERY: And state. [LB814]

SENATOR HANSEN: Thank you. [LB814]

SENATOR HADLEY: We could make it a threesome, you and I and Senator Hansen on a... [LB814]

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SENATOR AVERY: Yes. [LB814]

SENATOR HADLEY: ...personal watercraft. [LB814]

SENATOR HANSEN: No, no, no, no. [LB814]

SENATOR HADLEY: That picture doesn't seem to fit, does it? It would be a submarine watercraft. (Laughter) Any other questions for Senator Avery? Thank you, Senator Avery. Are you going to stay for closing? [LB814]

SENATOR AVERY: I have an Exec Session in the... [LB814]

SENATOR HADLEY: Okay. [LB814]

SENATOR AVERY: ...my other committee and I've got to get back. Thank you. [LB814]

SENATOR HADLEY: Thank you. The first proponent, please. [LB814]

ROGER KUHN: (Exhibit 6) Good afternoon. My name is Roger Kuhn, it's R-o-g-e-r K-u-h-n. I'm division administrator representing Nebraska Game and Parks Commission. First of all, please allow me to thank Senator Avery for introducing this legislation, LB814. I appear before you today in support of LB814. Nebraska's park system, just to give a little background, has existed for nearly a century. The first state park was established in 1921, and that was Chadron State Park in northwest Nebraska. Over that time during its existence, it's touched literally millions of people, but is in need of financial reform if it is to continue to serve Nebraskans at a level that they deserve and expect. LB814 provides an opportunity to make a significant difference in Nebraska's future and quality of life for all Nebraskans. We're spread out through the entire state. In 1978, the Legislature had the foresight and vision to create a new funding model for state parks, and that was primarily for the operation of state parks, and that was the park permit. As I said, established in 1978. It was a good funding model for the past 36 years. We continue to use it. It's our primary revenue stream that we rely on. It generates the most revenue for the park, from other user fees, etcetera, lodging, camping, so forth, the park permits number one. However, this funding model does not create enough revenue to keep up with the ever-growing maintenance needs of today's park system and what we face. This model has served us well for those 36 years, but with an aging park system and new expectations, standards, and mandates that we need to meet, we face an array of challenges. We haven't ignored these challenges. In recent years, we've taken a number of steps to find ways to implement a means to attack our needs, our deferred maintenance needs. We've privatized. We've consolidated. We've transferred park properties to local political subdivision and communities. You heard Senator Avery mention we've even implemented seasonal park

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closures to dedicate funds to attack our deferred maintenance needs. But in spite of those efforts, we still don't have enough money to be a sustainable state park system into the future. LB814 provides a way to help us, to assist us, be sustainable down the road. And it provides several benefits. I've mentioned it once or twice already, but sustainability is very important. The \$2.5 million annually that this bill is estimated to generate will assist in sustaining a quality state park system by helping maintain our parks into the future so we can continue to serve the millions of park visitors that we serve annually. They can be guaranteed a safe, clean, and healthy setting for their family and friends and themselves. Social benefits. Don't underestimate the value of social benefits that the park system offers. In today's world and hectic lifestyle, the ability to get out promotes a healthy lifestyle, both physically and mentally. Our state parks provide quality outdoor recreational opportunities that encourage families with kids to get outdoors and offer an alternative to take a break from the machines they spend too much time behind, whether that's cell phone, DS's, etcetera. This will encourage more Nebraskans to enjoy the parks knowing they are well maintained and are in a safe, healthy, and functional place to enjoy and spend quality time with family and friends. The other benefit LB814 provides is financial benefit. Tourism is a major industry in the state of Nebraska as it is throughout the nation. In fact, tourism is recognized as the third largest industry in the state of Nebraska. State parks make up over half of the 20 top tourist attractions in Nebraska. Therefore Nebraska's state park system is generally recognized as the major component for the backbone when it comes to Nebraska's third largest industry. Investing in our state parks system through a dedicated funding source, like LB814, enhances the tourism industry in our state and, therefore, pays great dividends for Nebraska. This is simply a wise investment from an economic and financial point of view. According to a recent study, the economic impact for Nebraska from our state park system was calculated to be nearly \$750 million. An injection of money like LB814 that it offers will put people to work to tackle the deferred maintenance infrastructure and the ADA projects that we need to do. Contractors, consultants, construction companies, etcetera, would be hired to do the work, thus, creating jobs and economic stimulus throughout the state, all across Nebraska border to border. We have properties all over the state. We hold, the Legislature holds, the future of our state park system in our hands. By passing LB814, we can have a reliable funding source that will assist us to sustain a quality park system into the future. Without financial reform, the future of our state park system is not bright. Game and Parks is charged with the responsibility of operating and maintaining our state park system. To meet this responsibility, we must consider means and methods that allow us to carry out this responsibility successfully and responsibly. LB814, again, provides one way to do that. To better understand the situation that we face, one needs to know the scope of the responsibility. The state parks system is comprised of 79 park areas that encompass nearly 140,000 acres and has over 1,600 buildings, over 800 miles of roads, over 11,000 camp sites, over 300 boat ramps and docks, 95 playgrounds, over 500 septic systems, over 200 wells, over 280 bridges, 8 water towers, 6 swimming pools, and hundreds of miles of water, sewer, and electrical lines that zigzag through

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the 79 park areas. These are just some of the infrastructure items that must be operated and maintained day after day, year after year, decade after decade. Our current model of how we fund the state parks is not sustainable given that challenge. We're faced with an aging park system that currently is estimated to have nearly \$30 million of deferred maintenance needs and facing approximately \$13 million of Americans with Disabilities mandates. That adds up to \$43 million of needed support. This includes items such as electrical distribution systems, water systems, sanitation systems, shower/latrines, roofs, windows, the ADA requirements I mentioned. Also environmental requirements, mandates that are new in the last several years: erosion, bank stabilization, silt, boat ramps, swimming pools, fire and flood restoration, to name a few items that we're challenged with. These are items that our current funding model, again, cannot take care of. The park permit related user fees was created to assist in the day-to-day, month-to-month operation of the park system, such as garbage, fuel, utilities, chemicals, preventative maintenance, customer service, janitorial needs, grounds keeping needs, etcetera. It does not provide enough funds to tackle the major infrastructure replacements of an aging park system. Understand the park system is getting older everyday. These needs keep mounting. If LB814 is not passed or a funding alternative or supplemental funding program for the parks, we will be faced with continued growth of our deferred maintenance needs and the ADA mandates and environmental mandates I mentioned, therefore, potentially we face lawsuits, fines, we have park areas with reduced services, inadequate and unsafe facilities, and fewer opportunities for the people that we serve. Historical parks, and Senator Hansen touched on it, especially are unique challenge that cannot financially sustain themselves. They don't have cabins. They don't have campgrounds in them. You can't replace the siding of Buffalo Bill's ranch home with vinyl siding. So when you do have to maintain these facilities, it's very expensive. It's custom-type work. Without some additional financial support, these cultural and educational treasures will deteriorate and fall into disrepair that could threaten the integrity of important pieces of Nebraska's heritage and history. Thanks and I will try and answer any questions that you may have. [LB814]

SENATOR HADLEY: Are there questions for Mr. Kuhn? Senator Hansen. [LB814]

SENATOR HANSEN: Thank you, Senator. Roger, could we get a list of that...you read off a lot of things that the parks comprise, could we get a list of that, I mean, or your whole testimony, either one? We can get a page to duplicate it. But I'd sure like to see a list of that, you know, the acres you had. You had 79 parks, and then I lost track of what you were saying. [LB814]

ROGER KUHN: Yes. [LB814]

SENATOR HANSEN: I got pretty far behind on that, but. Again, I am really concerned about our state historical parks and the funding of those. You know, there's a lot of difference between Buffalo Bill State Park and Arbor Lodge State Historical Park, where

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they have the funding revenue of the restaurant and alcohol for sale year-round and a cafe and rooms to rent and parking spots to rent. And Buffalo Bill's barn and house and spring house and that's about it, but it is something that's really important to my part of the country and we want to see that maintained somehow. I don't know whether it ought to be turned over to the city or the State Historical Society. I don't know what, but we're going to have to find out some long-lasting revenue source for all our state parks, not just all the state parks, the state historical sites. That's the ones I'm worried about. [LB814]

ROGER KUHN: Yeah, and we have partnered with local political subdivisions. I mean, one example, a very recent example was the transfer of Champion Mill State Historical Park and Rec Area to Chase County. That just happened last session. That was a bill that Senator Christensen introduced that passed. And so where there's willing partners, we've always been open to sitting down with partners. We've done that quite often. When we...when last fall the closure of the 29 park areas happened to dedicate those resources or rededicate those resources to help with our deferred maintenance needs, you know, there was a lot of kick back from there. It's a good and bad thing. It's good that people showed their love and support for their state parks, especially local communities that they impact; it was bad from the standpoint the PR wasn't always very good. However out of that, out of the 29 park closures last fall, there were 12 different partners or communities that stepped forward to step in to assist in operating those parks for various reasons. So that showed the support that Nebraskans have for their state parks. So that was the good side of it I guess. [LB814]

SENATOR HANSEN: That was the good side. And it happened in North Platte too. [LB814]

ROGER KUHN: Yes, it did. Correct. [LB814]

SENATOR HANSEN: Thank you. [LB814]

SENATOR HADLEY: Senator Sullivan. [LB814]

SENATOR SULLIVAN: Thank you, Senator Hadley. Thank you, Roger. Since we're on the topic of historical parks and good old Fort Hartsuff, but have you explored out there, particularly the possibility for lodging in some of these historical parks? Because there's that opportunity out at Fort Hartsuff, isn't there? [LB814]

ROGER KUHN: Yes. We have discussed the opportunity for lodging at our historical parks, Hartsuff being one of those places. Part of the situation there is, you know, putting a pencil to what the revenue projections would be to do that versus the expenses to start it up, get it ready for occupancy for overnight guests. Then the housekeeping needs, the maintenance need, the utility needs, and trying to put a pencil

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to that. But looking at ways to generate revenue or other uses is something we certainly do. And in your district, Hartsuff is a great example of consolidation that we implemented there. We have Calamus State Recreation area near Burwell, and then near Elyria, we have Fort Hartsuff. And we used to have a park superintendent over each of those park resources, and through budget demands and challenges we consolidated those two parks with one superintendent, reduced one staff person. But that, that partly is in...lies what the problem is. You know, you got less people or less resources to maintain these facilities when you start doing those things. So we're working hard to keep all the parks open and viable, but we're in a position where the future, like I said, is not that bright unless we find some alternative funding to support some of these needs in parks, but. [LB814]

SENATOR SULLIVAN: You probably heard my question of Senator Avery with respect to the foundation. Could you elaborate on what kinds of roles they play in supporting the parks and does that relate to maintenance in any way? [LB814]

ROGER KUHN: No, not really. Nebraska Game and Parks Foundation is a 501(c)(3) organization. It was created in 1983, and the mission of the Game and Parks Foundation, it's a private organization, is to support primarily the development of the state park system in Nebraska. And, you know, over the years they've done a lot of great things for Nebraska, a lot of great projects that have served, you know, millions of people in our parks system. Without the help of the foundation, a lot of those things would not happen. I could give you a lot of examples, but it's statewide. I mean, the reconstruction of the buffalo barracks at Fort Robinson is an example. Mahoney State Park is an example of the foundation's help. Bowering Ranch State Historical Park. A lot of the historical parks has been the benefactor from the foundation. Visitor centers at Rock Creek Station Historical Park, Ash Hollow Historical Park, Fort Atkinson State Historical Park, all those were funded by donations, private donations, literally millions, tens of millions of dollars. And so they've been a very good organization. However, you know, some of their feelings are, you know, we can help with the development and donations for projects within the Game and Parks Commission, but they feel to some extent the maintenance should be the responsibility of the state, you know, the operation and maintenance of those facilities once those dollars have been invested. And, overall, we've done a good job at that. But it's an aging park system, it's an aging infrastructure. And, you know, last year I know with LB362 there were questions about, you know, alternative funding, what are alternative funding ideas. And I'm going to hand this booklet out at the end of my testimony. This is a document that we put together in reaction to the legislative resolution that was adopted last session. This was submitted to the Natural Resources Committee in December at that hearing. So I'm going to give you all a copy. But it's a great educational piece to talk about alternative funding ideas, what we've research. And...but today what we have is LB814 to help with this issue. And so the foundation has done great, great work, has raised millions of dollars. They're very supportive, but I don't think you can rely or expect them to provide all the funding

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for the maintenance of all these facilities throughout the state that, you know, in that capacity, so. [LB814]

SENATOR SULLIVAN: Thank you. [LB814]

ROGER KUHN: Yep. [LB814]

SENATOR HADLEY: Senator Schumacher. [LB814]

SENATOR SCHUMACHER: Thank you, Senator Hadley. Of the 79 parks, do any of them cash flow? [LB814]

ROGER KUHN: Yes. We have some that cash flow, not very many, however. It would be probably less than seven or eight of them that cash flow as far as operating expense over operating revenue. You know, some of them that do, they're mostly in eastern Nebraska. Lake McConaughy would be one in the west, but Branched Oak Lake, you know, the ones that have a lot of volume of visitors. Mahoney State Park does, Fremont State Park, Louisville State Lakes, those are some off the top of my head that I know that cash flow. [LB814]

SENATOR SCHUMACHER: So basically over 70 of them are financial losers. [LB814]

ROGER KUHN: Correct. [LB814]

SENATOR SCHUMACHER: Okay. Now is there any effort done to market the system or some of the parks that don't cash flow to the high end, high roller types on the Coast? [LB814]

ROGER KUHN: We market. I wouldn't say we market aggressively or heavily on the East or West Coast. I don't know what the demand would be from the East and West Coast to come to Nebraska and stay in the facilities we have. I mean, we get visitors from around the nation, but as far as a focused marketing campaign on the East and West Coast, we haven't done that. [LB814]

SENATOR SCHUMACHER: Well, the reason I raise that is I have a daughter that lives out in New York City, and become acquainted with some folks out there and, gosh, you know, \$400 for a night at the Waldorf, \$350 for a meal at Jean-Georges, \$2,500 for a weekend at Key West. Those are the kind of pockets of wealth that are accessible in those particular areas, and some of those folks came out here. And you know what stood out? The parks. And it struck me that maybe we should market them to that market and maybe there's a....if they were properly designed and the amenities properly done, it would be a way to bring some revenue in. So then that leads to the third question. Has there been any effort to lease a park to private developers who would

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maybe market to those kind of markets? [LB814]

ROGER KUHN: We have a number of private-public partnerships. We have I think currently 18 private-public partnerships in our park system where we have a contract or agreement with an outside private vendor to provide services. We have some at Lake McConaughy, Branched Oak. They run the marina, as an example, the boat docks, etcetera, the restaurant, the store. We privatized the restaurant at Mahoney State Park a couple of years ago. We had run that for years up until two years ago. So we have done private-public partnerships and it's certainly something we're open to. As far as the marketing, getting back to that a little bit, we have dedicated as an agency, as a Game and Parks Commission, we've dedicated more and more efforts into marketing within our agency. We have a communications department that publishes NEBRASKAland Magazine, etcetera. We're doing a lot more aggressive efforts on marketing, especially on the social media side of things, and we are getting more and more feedback. And we do get people from around the nation, especially at certain types of parks. I know at Mahoney Park, Fort Robinson was listed in USA TODAY newspaper as one of the top ten family gathering places in America. And we didn't solicit that. I mean, they did the research and named that as one of those places. So when we host family reunions, they do come from all over the country. I know Ashfalls Fossil Beds gets visitors from all 50 countries plus...50 states plus foreign countries. So, you know, we're doing more and more of that. Also the creation of the Tourism Commission has definitely changed the scope of how Nebraska is being marketed and promoted on a larger level. I know last year was the first year that the Tourism Commission attended the Denver stock show to go outside the boundaries and try to market more aggressively. We got a lot of feedback on our parks because we have the top tourist attractions are the recipient of a lot of success from those efforts. So I think there's movement more and more trying to broaden our scope of marketing across the nation. [LB814]

SENATOR SCHUMACHER: But nothing to the scale of marketing to...fly into Eppley, pick up a King Air, end up in Chadron two hours later, and then a fairly well-thought-through experience perhaps in the area of Fort Robinson or drop into Ogallala at the lake there. Nothing along that magnitude. [LB814]

ROGER KUHN: Not to that magnitude. But I appreciate, I mean, we want to be open minded and we need to think out of the box on those kind of things. I like what you're saying. Thank you. [LB814]

SENATOR SCHUMACHER: Thank you. [LB814]

SENATOR HADLEY: Roger, just approximately how much revenue does the department get from the sale of the annual permits? Would you... [LB814]

ROGER KUHN: Yeah. We get approximately \$5.5 million. Now you might recall it was

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raised in 2012, it went from \$20 to \$25 annually, and that generated a little more, you know, about a million more dollars. But it's \$5.5 million annually is what it generates. [LB814]

SENATOR HADLEY: To do. Okay. [LB814]

ROGER KUHN: Yeah. [LB814]

SENATOR HADLEY: Any other questions? Thank you, Roger, we appreciate it very much. [LB814]

ROGER KUHN: Thank you. I'm going to hand these out then to the clerk here. [LB814]

SENATOR HADLEY: (Exhibit 7) Okay. The page can certainly help you. While the next person is coming up, I will read into the record a testimony from John Kingsbury, president of the Bank of Dixon and president of the charitable nonprofit Better Ponca Foundation who is certainly in favor of LB814. I would like to read that into the record. And if I would pass that down to the clerk. Yes, sir. [LB814]

REX FISHER: Yes, Mr. Chairman. My name is Rex Fisher, F-i-s-h-e-r, no c. People put that in a lot more lately for some reason. I live in Gretna, Nebraska. I work for HDR, an engineering firm. I've been on the commission since 2009 and I chair our legislative committee. First of all, in the recent study that...and thank you for having me today, in the recent study that Roger referred to in terms of the economic impact of \$750 million, it also put in that that supports over 8,000 jobs across the state and most of those are external of course to the state parks. They exist in our local communities in different areas. There's a clear connection between boating and the state parks and the state recreation areas managed by Game and Parks. We provide public access and boating opportunities at nearly all of the major lakes in Nebraska with Harlan County Reservoir being the exception. The U.S. Army Corps of Engineers manages Harlan. The parks have 18 public and private partnerships with concessionaires across the state. These generated \$3.6 million in revenue in 2010, and that increased to \$4.5 million in 2012. You heard that Mahoney, Grille at Mahoney State Park was privatized. That used to run at a deficit; now it runs at a profit. We have many concessionaires tied to water-based recreation and boating, including Trade Winds Marina at Sherman Reservoir, Branched Oak Marina, Lakeside Country Store at Fremont Lakes, Louisville's Lakeside at Louisville, North Shore Lodge at Lake McConaughy, and several others. In 2012, over \$1 million in taxes were collected from state park operations, lodging taxes totaled \$408,000, and sales taxes were \$654,000. Private concessionaires also collect and contribute tax revenues as well. You know, about 25 years ago the parks were funded 70 percent from state, direct state support, and 30 percent from fees and charges. Today, that's completely reversed. We're having to get 70 percent of our revenue from fees and charges and 30 percent from the state. And I think we get about \$8.5 million of

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our \$25 million park budget from state support. The state parks make up over half of the top 20 tourist attractions in the state and provide an integral backbone for the third largest industry in Nebraska, which is tourism. In addition to the 79 parks, we also have to manage 220 wildlife management areas, and a lot of those are large areas and that takes a lot of support as well. Meeting these deferred maintenance and ADA needs will require contracting with design consultants, contractors, and construction companies, creating work and additional economic activities across the state and in many of these local communities. This funding source can provide investments to maintain quality state park areas and will fund work with short term economic benefits and impacts and provide long term economic impact to the state and our local areas that are served from the tourism. And that concludes my remarks. [LB814]

SENATOR HADLEY: Are there questions for Mr. Fisher? Seeing none, thank you very much for coming. [LB814]

REX FISHER: Thank you. [LB814]

SENATOR HADLEY: Next proponent. [LB814]

ROBERT FRICKE: Thank you, Chairman, members of the committee. My name is Robert C. Fricke, coming before you to express my support for LB814. I'm the president of the Farmers and Merchants National Bank in Ashland and serve on a number of our communities economic development boards and community boards. The community of Ashland is very fortunate to be surrounded by Nebraska's finest state parks. Mahoney State Park and...excuse me Mahoney State Park and Platte River State Park, Two Rivers, Schramm, Memphis Lake, and Louisville State Recreation areas are all within minutes of my house. I'm here today briefly to touch on the economic benefits of each of these areas bring...of benefit of these areas bring to the Ashland community and the importance of increasing the funding to maintain the state...these state treasures. Mahoney Park opened in 1991 and I have very closely followed the economic impact on our community since then. So it's been pretty easy to do as we watch the sales tax receipts on a month-by-month basis. In the year following the opening of the park, Ashland saw a significant and unexpected jump in retail sales. It was well above our expected long-term projected trend line and it was directly attributed to the development at that interchange. In the next ten years, we've seen a total of 173 percent increase in our retail sales. It's been a tremendous impact. There should be no question of the value of the Nebraska...there should be no question of the value that Nebraska parks system delivers in Ashland and elsewhere throughout the state. I was very disappointed though to learn that properties are suffering from unnecessary deterioration due to cumulative maintenance backlog of approximately \$43 million. These deficiencies are becoming noticeable and quite disappointing when I get out to visit the parks, which I do frequently. Certainly the parks and recreation areas need to be supported primarily by those who use them most. This is the case in our state as we hosted over 11 million

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people in at least 2010. As was mentioned earlier, the economic study shows an annual direct economic impact from our state of approximately \$750 million. Unfortunately, only a small portion of that \$750 million is returned to the commission to maintain the parks at a level that the public deserves and expects. The state park system and related activities are all planned and managed by the Game and Parks Commission. The difficulty is now finding the funds for the maintenance and improvement under increasing demands. LB814 will broaden the funding source for the Game and Parks Commission in a most appropriate way by directing the proceeds of sales tax related to motorboats and personal watercraft into the Capital Maintenance Fund. This is a clear and direct way to utilize a sales tax to meet the needs of its related use. There are certainly...there certainly should be no disagreement on these three points. The economic and social value of the resources managed by the Game and Parks Commission are at the top of the list of the state's collective assets. These assets must be maintained to continue to fuel their considerable contribution to the economy of the estate, and additional funding must be found soon. I ask the committee support for LB814 as a practical and sensible part of the funding solution to the maintenance demands of our parks and our recreation system. I would want to mention one thing too. I also serve as the chairman of the Ashland community resource center which is a brand new, \$5.2 million library, senior citizen center, community resources center. It was completely, totally funded by private donations of which a number of foundations...were a majority of the foundations and personal contributions were involved, but the significant contributions from the foundations made specific stipulations that their contributions would not be made until we had enough money to fund the capital improvements. They were not interested in funding any of the ongoing maintenance and creating sinking funds as such. So what we ended up doing in Ashland is we let a sales tax initiative, which passed by this community by about 66 percent in favor with the money specifically targeted to the long-term support of the maintenance of the new facility. So we're very pleased about that, but it just shows that a lot times that you will fail to get a contribution to a foundation if there's no ongoing support behind it to maintain these facilities once they're built. And I'm thinking as we go forward with the Game and Parks and some of the things that I think people might be interested in doing for the Game and Parks, unless there's confidence that it will be maintained, I think we might have some difficult attracting those nice, nice contributions. Any questions, I'd be happy to... [LB814]

SENATOR HADLEY: Questions? Senator Schumacher. [LB814]

SENATOR SCHUMACHER: Thank you, Senator Hadley. What's the sales tax rate then in Ashland? [LB814]

ROBERT FRICKE: We're at the max, and that's at 7 percent, 7.5 percent. We got that extra 1 percent in it. [LB814]

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SENATOR SCHUMACHER: Did you add the extra half a percent... [LB814]

ROBERT FRICKE: Excuse me, the extra half. We added that. [LB814]

SENATOR SCHUMACHER: ...that was just authorized a year or two ago? [LB814]

ROBERT FRICKE: Just last...or May two years ago. [LB814]

SENATOR SCHUMACHER: Any chance any of that money could come into the park system? [LB814]

ROBERT FRICKE: I don't think so. (Laughter) [LB814]

SENATOR SCHUMACHER: Okay. [LB814]

ROBERT FRICKE: Not even in the right county. [LB814]

SENATOR HADLEY: Thank you. [LB814]

ROBERT FRICKE: Thank you. [LB814]

SENATOR HADLEY: Any other questions? Thank you. [LB814]

ROBERT FRICKE: Thank you, sir. [LB814]

SENATOR HADLEY: Next proponent. [LB814]

DOUG FRIEDLI: Thank you, Senator Hadley and members of the committee. My name is Doug Friedli, F-r-i-e-d-l-i. I support LB814. I support it because it's not a new tax; it's a matter of taking a tax that's already in existence and appropriating it towards the maintenance of our state parks system. I live in Nebraska City, the home of two properties that the Nebraska Game and Parks manage, Arbor Lodge State Historical Park and Riverview Marina State Recreation Area. Last year, over 118,000 people visited Arbor Lodge State Historic Park. In spite of a shortened tourism season that was shortened due to budget cuts, just in six months was 118,000 people. The continued neglect of this historic building and its priceless contents and the lack of the care of the state championship trees on the park is causing irreversible damage. Arbor Lodge is a historic national treasure built by a family who promoted environmental stewardship, and now due to lack of funding, the deferred maintenance items at Arbor Lodge State Historic Park are estimated to be \$2.1 million. And I think we either pay it now or we pay it later. The second area is Riverview Marina in Nebraska City. It's the only public access boat dock on a 40-mile stretch of Missouri River from Plattsmouth to Peru. It serves thousands of boaters and campers who annually use the park and enjoy the

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river. The flood of 2011 ruined the rest rooms, the playground equipment, the campsites, and now there is not even as much as a port-a-potty on site. So it's embarrassing to send visitors down to the marina. Also in the past ten years, I've had the opportunity to travel the state of Nebraska and I've seen a number of cases, and some of them already mentioned here, of neglect in the Nebraska state parks system and state recreation areas. Also, my family owns a cabin at Johnson Lake near Lexington, and we've seen the deterioration in the recent years of the state park campgrounds on the west and east side of the lake. If the state of Nebraska does not invest money to properly maintain state parks, they will deteriorate to the point of becoming a liability and eventually be inaccessible. What a waste of our natural resources. Investing in the parks system produces a good return on investment. Tourism generates \$4 billion annually for the state of Nebraska. And tourism is a good source of new revenue coming into Nebraska. It creates jobs which are extremely important to my community and to other rural Nebraska communities. I'm executive director of the Lewis and Clark Visitor Center in Nebraska City, and we welcome visitors into our state on the eastern border, and we refer them to the state parks throughout Nebraska. When we ask travellers how they heard about our center and heard about Nebraska, they often say by word of mouth, from a friend, or someone who's already been here. Therefore, we need to ensure that visitors have a good experience when they come to Nebraska State Parks so they will encourage their friends and families to stop here. As I said, LB814 does not rely on new taxes. Boaters would help directly to pay and maintain the places they use, like Riverview Marina and Johnson Lake so they have safe boat docks, adequate rest room facilities, camping and picnic amenities. LB814 would also help provide some funding to help the other parks and outdoor recreation areas and facilities to keep them in good operational order. In closing, we Nebraskans need assurance that the places to which we are sending our tourists are being properly maintained. Please move LB814 forward. Thank you. [LB814]

SENATOR HADLEY: Are there questions? Seeing none, thank you for coming. We appreciate your testimony. Next proponent, please. [LB814]

LISA BURKE: (Exhibit 8) Good afternoon. I'm Lisa Burke, B-u-r-k-e. I'm the executive director for the North Platte Lincoln County Convention and Visitors Bureau. It is the mission of the visitors bureau in North Platte to enhance and promote the positive image of our communities in Lincoln County and to assist in the development and continuation and promotion of quality events, attractions, amenities, for the enjoyments of residents alike. The Visitors Bureau stands in full support of LB814 which will dedicate the boat sales tax to the Game and Parks Commission to be used to assist in the maintenance of the parks. The \$2.5 million that this revenue source generates annually would assist the commission to proactively attack the huge deficit of backlog of maintenance and ADA compliance needs that must be fulfilled. Lincoln County has 8,800 acres of Game and Park lands that are used for hunting, fishing, and recreation year after year, and they are in definite need of improvements. The Lake Maloney and

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Sutherland Reservoir combined see over 200,000 visitors every year. They camp, they boat, they fish, they swim, they picnic, and they meet and congregate and attempt to become more physically fit also in those areas. The Buffalo Bill State Historical Park preserve what was Buffalo Bill's home, Scout's Rest Ranch. The Cody's elegant Victorian house, built in 1886, is a museum that numerous exhibits depicting the life and times of Buffalo Bill and other members of his Wild West Show. This park, like many others across our state, carry our culture and our historic treasures that we cannot let deteriorate and become a liability instead of a local asset. The communities of North Platte and Sutherland were affected by the Game and Parks early closures this fall when the Buffalo Bill State Historical Park and the Sutherland Reservoir were closed early in the season to redirect the Game and Parks staff. These parks are extremely important to tourism in our community. Without them, Lincoln County would see a dramatic decrease in the \$91.8 million in tourism generated spending that we see annually every year. The Buffalo Bill State Historical Park is the top attraction in our community, attracting group tours and leisure travelers yearly. We have a profound need to take care of these parks. Isn't it better to take care of those needs now rather than wait until...and it almost is too late, till those repairs become irreparable and we lose part of our history? In 2012, again, tourism generated \$91.8 million in spending in Lincoln County. It also is attributed to 13,000 jobs with nearly in earnings over \$21 million. The Nebraska Game and Parks system plays a large role in our community's suitability and growth. When we saw the closure of the Buffalo Bill State Historical Park this fall, it happened in a very untimely manner. It happened right before one of our largest festivals, and that festival was Rail Fest. And when we as a tourism bureau work to sell events and things that are happening within our community, we have to package tours and package things for people to do when they come to our area. And with losing the Buffalo Bill State Historical Park as a place for people to go when they came to North Platte to experience Rail Fest was a huge detriment on our community. The Nebraska Tourism Commission says that when individuals spend another day or another half day in your community, they will spend more dollars or drop more money, therefore, helping the economic impact of our community. So we don't want to see those hardships anymore. We don't want to see our parks, you know, continue to deteriorate. They're already in pretty bad shape as they are now, and we need to find a funding source to help sustain them and bring them back to their glory. Thank you, Senator Avery, for introducing this bill to preserve Nebraska's history. Do you have any questions for me? [LB814]

SENATOR HADLEY: Thank you, Lisa. Are there questions? Senator Hansen. [LB814]

SENATOR HANSEN: I have one. When you leave Lincoln and you get to the arch, is that the end of the state? [LB814]

LISA BURKE: No, it isn't. [LB814]

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SENATOR HANSEN: Oh! How far west is North Platte? [LB814]

LISA BURKE: It is only two-and-a-half... [LB814]

SENATOR HANSEN: An hour and five minutes. [LB814]

LISA BURKE: ...an hour and five minutes. Uh-huh, yes. [LB814]

SENATOR HADLEY: Well, I have to speak to that. When you get to the arch if you're willing to take the Hadley exit, that is (laughter) it's often referred to as the east Kearney exit, but it's really the Hadley exit, you can be at the arch within one minute of getting off the interstate. [LB814]

SENATOR HANSEN: It's a Hadley roundabout. (Laughter) Thank you. [LB814]

SENATOR HARR: How far is that from the stadium? [LB814]

SENATOR HADLEY: From the stadium? [LB814]

SENATOR HARR: Nebraska, that's where...does it go past there? [LB814]

SENATOR HADLEY: You know, I think it's the end of the world. [LB814]

SENATOR HANSEN: Thank you, Lisa, for coming today. [LB814]

SENATOR HADLEY: Thank you. [LB814]

SENATOR HANSEN: We really appreciate it. And we do...we only have a few celebrations every year: NEBRASKAland Days, Rail Fest, and Christmas at the Cody's. [LB814]

LISA BURKE: Right. [LB814]

SENATOR HANSEN: Those are three things that really bring out a lot of people. [LB814]

LISA BURKE: And NEBRASKAland Days centers around Buffalo Bill. Without, you know, Buffalo Bill, we wouldn't have a NEBRASKAland Days. It celebrates him and his heritage and what he brought to the state, so. [LB814]

SENATOR HADLEY: Senator Schumacher. [LB814]

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

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Has North Platte imposed the extra half cent sales tax? [LB814]

LISA BURKE: No. [LB814]

SENATOR SCHUMACHER: Okay. You cited that the tourism industry is a large part of these particular parks bring in about \$91 million in tourism revenue. [LB814]

LISA BURKE: Tourism spending, yes. [LB814]

SENATOR SCHUMACHER: That extra half cent sales tax applied only to the tourism revenue would then generate \$455,000 a year for the upkeep of these parks. Is there a chance that you can get that done? [LB814]

LISA BURKE: With the... [LB814]

SENATOR SCHUMACHER: You can keep the rest of the half percent for the rest of your stuff. [LB814]

LISA BURKE: Yeah, I would love that. I would say it would be an uphill battle in our community. Any time we enact another tax, and Senator Hansen will probably...we have a very large, a very strong, or a very loud voice of constituents there that do not go quietly when we introduce any type of increase of taxes, and we will...guess we...what is your...I don't think that would be something we would do. [LB814]

SENATOR HANSEN: Yeah, I'm not sure it would ever raise that much locally. I mean, that's...it would just be a percentage of that. [LB814]

SENATOR SCHUMACHER: But to the extent then we'd take some of the sales tax revenue and divert it using this particular mechanism, we're either going to...we're going to come up short on the rest of the state, so we're either going to have to cut spending to make up for the diversion or we're going to have figure out a way to jack up some taxes to make up for the shortage, and there's no free lunch. [LB814]

LISA BURKE: I understand. I totally understand. [LB814]

SENATOR SCHUMACHER: Thank you. [LB814]

SENATOR HADLEY: Thank you, Lisa, very much. Any other proponents? [LB814]

ANDY POLLOCK: Should I take that as a bad sign? [LB814]

SENATOR HADLEY: You've run a couple, two or three of them off, Mr. Pollock. [LB814]

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ANDY POLLOCK: Senator Hadley and members of the Revenue Committee, my name is Andy Pollock, and I thank you for the opportunity to address you today on this important bill. I'd also like to...last name is P-o-l-l-o-c-k, if I didn't say that, I'd like to thank Senator Avery for introducing this bill, for starting this discussion, and for the, I believe, nine senators who signed onto LB814 as well. The Nebraska Travel Association, which I'm here as registered lobbyist for, consists of members interested in the tourism industry from across the state. We strongly support this bill. We understand and agree with all the statements before that state parks and recreation areas are critical to the tourism industry, again, the number three industry in the state. And one thing I'd point out that I don't think has been highlighted is a lot of the people that it attracts are from out of state. So we're generating economic monies coming into the state from out of state by attracting people to these state parks as well as people inside the state. The needs that have been identified today are critical and we agree with the philosophy behind the bill of redirecting a sales tax for sales of motorboats and personal watercraft which are really tied into state parks. With that, I would conclude my remarks. [LB814]

SENATOR HADLEY: Questions for Mr. Pollock? Seeing none, thank you. Any other proponents? Opponents? Neutral? [LB814]

LOY TODD: Senator Hadley, members of the committee, my name is Loy Todd, that's L-o-y T-o-d-d. I'm the president and legal counsel for the Nebraska New Car and Truck Dealers Association. The reason we're testifying in a neutral capacity is just a historical thing we've always taken the position. We don't like to come in and testify in favor of taxing someone else. We're much more comfortable being either opposed or positive on taxes that affect motor vehicles. And we sort of get annoyed when other people come in and want to tax cars when they're not part of us either. So that's why, but we're certainly very positive about this concept. You know, we like the idea that the users are going to help pay for it and that it's related to the parks and to recreation. And for that reason, we are grateful that it's not cars and we do think it's appropriate that it tends to be somewhat of a user fee. [LB814]

SENATOR HADLEY: Any questions for Mr. Todd? [LB814]

SENATOR SCHUMACHER: I'm just wondering, suggesting an amendment to include cars. [LB814]

SENATOR HADLEY: I hadn't thought about that until he came up here. (Laughter) Thank you, Mr. Todd. Anybody else in the neutral? [LB814]

LYNN REX: Senator Hadley, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. And we're here today in a neutral capacity just to make sure that the committee is aware of the fact that this bill as

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currently drafted does include local option sales tax. And if there's an amendment that would take local option sales tax out of the purview of this bill, we would be supportive of the bill. [LB814]

SENATOR HADLEY: Thank you, Ms. Rex. Any questions? Seeing none, thank you. [LB814]

LYNN REX: Thank you very much. [LB814]

SENATOR HADLEY: Any other neutral? [LB814]

NICOLE KANNE: Senator Avery didn't mention. He actually did have an amendment that takes out the local option sales tax. He forgot to mention that during his testimony. So I have that for the committee. [LB814]

SENATOR HADLEY: Okay. Very good. With that, we will close LB814 and open the hearing on LB841. And I will turn the gavel over to Senator Schumacher. [LB814]

SENATOR SCHUMACHER: Thank you, Senator Hadley. [LB841]

SENATOR HADLEY: My name is Galen Hadley, that's G-a-l-e-n H-a-d-l-e-y. I represent the 37th District, and it's a pleasure to be in front of the most outstanding committee in the Nebraska Legislature and probably in the nation. (Laughter) If we keep going at our current pace, it could be the world too. Some numbers that my bill is consistent with the last bill. The difference is we're going to use ATVs and UTVs. One of the numbers that struck me in the last testimonies was the fact that we've gone from a 70-30 split to a 30-70 split in the funding of our parks. And I guess when I look at the parks, I always wonder why we treat city parks differently than we treat state parks. Burke, you have Roberts Park in Omaha. What would happen if they decide, the city of Omaha decided that you had to raise 70 percent of the revenue to keep that park going on some kind of a fee basis? Probably would be pretty tough. Senator Schumacher, you have Pawnee Park I believe in Columbus, is that correct? Would that be pretty tough if the city of Columbus decided that they're going to use a user fee that if a mother wanted to bring her children down in the morning they had to have a \$20 permit to come into the park? It probably would. Senator Sullivan, you have Cedar Rapids City Park. And if we were to have...probably be pretty tough to raise 70 percent of the fee...the money to maintain it through fees. I know in Kearney we have a great park, the Yanney Park that Mr. Yanney has really stepped up to the plate, but it is now a city park and it's the city responsibility. We have a wonderful water park there, kind of a splash park. And you go down there on a July day and there will be hundreds of kids playing there, and it's all free. The taxpayers pay for it through our taxes in the city. Yet we have a parks system in the state park system that we've let go into disrepair because we've not been willing to step up to the plate and to fund it. And I think that is something that we need to do. What I

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am coming up with is a...not a new tax. It is just changing the collection point. And, Senator Schumacher, you talked about designating taxes for specific purposes, and I certainly understand that. You go to a number of the national meetings, they talk about appropriating the money vis-a-vis earmarking taxes. I would say, though, if you look, and I don't remember the number, but it was many years ago, the cigarette tax that we dedicated to the renovation because so many of our state buildings had fallen into disrepair. And we built the Devaney Center I know on the University of Nebraska campus, a number of the repairs and deferred maintenance that we were able to do was because we did target that tax specifically for deferred maintenance. What we're doing is we're going to increase state revenue by ensuring the collection on sales in others states. Right now, basically, and it'll be explained a little more in detail, but the dealers now collect the sales tax on ATVs and UTVs, utility vehicles and all-terrain vehicles. So that means if someone from out of state buys a new ATV in Council Bluffs and brings it to their home in Ashland, there's no tax collected. What I'm doing is making it similar to the way we collect sales tax on cars and boats, in essence, they would have to be...when you buy from a dealer, you would collect the title and take it to the county treasurer and pay the sales tax. What it does then is transfer the money to the Game and Parks for maintenance. The bill alone would not be the answer for Game and Parks, but combined with other ideas and resources, then Game and Parks could start the task of chipping away at their \$44 million needed to do their deferred maintenance. Changes that need to be done to LB841 that need to be, it's clear that we're only talking about the state sales tax. We're not talking about the local sales tax. It's only the state sales tax. And make it clear that purchases out of state must pay the tax when they title these items in Nebraska. A couple of things. There would still be the agricultural exemption. If someone uses it on their...in agricultural purposes, they would have the same exemption. Casual sales would be exempted. I sell it...my ATV to Senator Sullivan, that would be a casual sale which would be exempted. It's a way of chipping away at it. We have talked to the Independent Community Bankers and the NBA and they will have an amendment that we bring for the...when we have the Exec on it to change it, and I'm sure they will be coming up to talk about that, areas that they wish to have changed in it. But I really think...Mr. Kingsbury talked about Ponca State Park, and it's one of the top four or five tourist attractions in Nebraska. They have a 60-year-old swimming pool that's in terrible repair. They have 60-year-old cabins that are not ADA compliant, that not much have been done. What kind of message does that send to the citizens of Nebraska and the people that we want to bring to Nebraska when they have to see these kinds of conditions? So I think it's a small part. Again, I want to emphasize that it is not a new tax. It is not a new tax. We're dedicating it to a new purpose and we're going to collect it differently, but it is not a new tax. With that, I would be happy answer any questions. [LB841]

SENATOR SCHUMACHER: Any questions? Senator Harr. [LB841]

SENATOR HARR: Thank you. Just so Senator Nelson does not come after you,

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Roberts Park is in Senator Nelson's district. [LB841]

SENATOR HADLEY: Well, when I looked at the map... [LB841]

SENATOR HARR: I do have Memorial. [LB841]

SENATOR HADLEY: ...yours and Senator Pirsch's was hard to figure out. I knew that Charlie Janssen has John C. Fremont Park; Senator Pirsch, Pacific Meadows. I'm not sure. Kate had Cedar Rapids. Pawnee Park. Senator Hansen is gone, but he has Cody Park; Beau has Valley City Park. And I'm sorry... [LB841]

SENATOR HARR: Memorial, you can give me Memorial. [LB841]

SENATOR HADLEY: Okay. I'll make that change to Memorial. [LB841]

SENATOR HARR: Thank you. [LB841]

SENATOR HADLEY: If you are willing to endow that park, we could certainly... [LB841]

SENATOR HARR: There we go. And you're okay with the Independent Bankers amendment though, correct? [LB841]

SENATOR HADLEY: Yes. The amendment that will be brought. It has to do with the person being able to back out of the sale, and the bank has loaned the money and suddenly the person backs out of the sale and the security goes away. [LB841]

SENATOR HARR: Okay. So it's a friendly amendment. That's all I had. [LB841]

SENATOR HADLEY: And I try never to get in between a banker and their security. (Laughter) Thank you. [LB841]

SENATOR SCHUMACHER: Any other questions? I'd have one but you threatened me, so. (Laughter) Next testifier, proponent. [LB841]

JUSTIN BRADY: Senator Schumacher, members of the committee, my name is Justin Brady, J-u-s-t-i-n B-r-a-d-y. I appear before you today as the registered lobbyist of Friends of Nebraska Parks, and I guess I'm who Senator Hadley referred to as someone that could help further explain the details of the bill. He did an excellent job. Like he said, we already have a titling law in Nebraska. It's a relatively new law, but it is for ATVs and UTVs. There already is supposed to be sales tax collected. And as I understand what's happening, and I'll not single anybody out, but as I understand if you went and bought an ATV at Cabela's up in La Vista, you'll pay sales tax. That sales tax is lumped in with all of the other sales tax collected at Cabela's and remitted to the

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department. If you drove across the river and bought it at Bass Pro Shop and that you say you're in Nebraska, you don't pay any tax there because you're technically supposed to come back to Nebraska and pay the use tax in Nebraska. So the people bring it back, they can use it the exact same way and there's no way really for the department or counties to ever know that that person purchased that. So we looked at how is it done with motor vehicles and motorboats, and in that case the dealers submit what's a Form 6 or Form 6MB for motorboats to the department to give them notice that someone purchased this item, whether it was a vehicle or whether it was a motorboat, and under this bill it would be for an ATV or UTV and, therefore, you know that they would be coming in and needing to pay their state...well, for them out of state would be state use tax, but it would be equivalent to the state sales tax. And as I understand talking to some...with Loy Todd and others, how that works is there's a interstate compact that works among the states on these different deals on that. Iowa agrees that their dealers will go ahead and submit forms to Nebraska. This is how it works on cars right now. Nebraska will submit theirs to Iowa and vice versa, and that's how it...the system works. And so we said here's a way to get taxes that should be collected that currently aren't and then take that revenue and mark it, earmark it for the parks. So with that, I'd try to answer any questions. [LB841]

SENATOR SCHUMACHER: Any questions for Justin? Seeing none, thank you for your testimony. [LB841]

JUSTIN BRADY: Thank you. [LB841]

SENATOR SCHUMACHER: Next proponent. [LB841]

TIMOTHY McCOY: Thank you, Senator Schumacher, members of the committee. For the record, my name is Timothy McCoy, T-i-m-o-t-h-y M-c-C-o-y. I'm the deputy director of the Nebraska Game and Parks Commission. We appreciate the opportunity to testify in support of this bill and Senator Hadley's bringing this bill forward. As you've already heard about the needs, I'm not going to reiterate any of that because you've had a long round of hearings and you don't want to hear it again. You know, the history of how we got here, Senator Avery sort of teed that up on the last bill in terms of LR205 and you now have the alternative funding document. We looked...we're trying to meet this challenge and figure out how we can start to address it because we're looking at, you know, a rather large elephant and we've got to figure out how to eat it as an agency to get our deferred maintenance and our ADA issues and get on a sustainable path for the future of our park system. Because we're going to be...we're already being faced with difficult decisions. We're going to continue to be faced with more difficult ones if we can't do that. And so we looked at a lot of ideas in that alternative funding document from a variety of states. You know, one of those ideas was the original idea that Senator Avery worked on last year. There's a lot of ideas in there, but a lot of them don't work or they won't work in Nebraska, and we understand that. So, you know, the ATV and UTV bill

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along with the boat bill really sort of struck a chord with people when we looked at those ideas of looking at other recreational items. Are there ways that we can provide some funding to help, you know, with the sustainability of the parks from that standpoint. I appreciate Justin's work in talking about and working on the details of this because this gets into areas from Game and Parks Commission. We normally work on technical bills that are fish and game law, and this is a little bit outside of our realm of what we normally work on. Really appreciate the help of those folks. There's also a direct connection to our agency because we do administer grant funds in our agency for ATVs and UTVs through the Recreational Trails Program. Those are funds that are available to other local entities, local divisions of government that are looking at trying to develop these sorts of trails. We've assisted with several trail developments around the state. Probably the biggest one was assistance with the Harlan County Reservoir has a fairly large ATV/UTV park area, riding area, that they put at the...on their property that we were...that we assisted with through that program. We're committed to trying to get on a sustainable funding path. We need your help and we request your help, and we hope that you're willing to look at this and other ideas as a tool. And with that, I'll attempt to answer any further questions you may have. [LB841]

SENATOR SCHUMACHER: Any questions for Timothy? Just one. How important is mountain lion hunting when you look at the financial side if there were a connection between the two? [LB841]

TIMOTHY McCOY: I'll actually answer that pretty straightforward. Mountain lion hunting has really no bearing on what happens in our park system, and the reason is, is the funding that we have that we utilize for game activities go through the game fund. We have the parks cash fund that's used for operating park systems. There are federal excise taxes collected on hunting and fishing equipment that come back to our agency on the hunting side. If we use those hunting permit fees for things that aren't tied to the limitations of that for the federal funding, we'll no longer be eligible. And that's a considerable amount of money from the standpoint of our agency. It builds upon the license fees we collect. So we really can't use anything from lions to address our parks issue. We can't use anything from deer to address our parks issue. If we did, we would leave millions of millions of dollars that are used to do the wildlife conservation side of our agency would disappear, and we would be in another really difficult position. [LB841]

SENATOR SCHUMACHER: Thank you. [LB841]

SENATOR HANSEN: I have one. Just a thought, question. Is there any part of the Cowboy Trail you can use an ATV on? [LB841]

TIMOTHY McCOY: There is not at this time. There's discussion in the part of the trail that's not been developed. The developed portion was done with funds that were...had

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limitations that don't allow motorized access. There's been discussion of actually on that unfinished part of perhaps the ability to have part of that or a portion of that or all of it be a motorized trail. And it is something we're looking into. We're also looking into maybe on the upper end of Lake McConaughy we're starting to explore if there's some opportunities to put a trail in up on Ash Hollow State Historical Park, not on the historical area but the other part of the land with it. [LB841]

SENATOR HANSEN: Is Game and Parks concerned about liability with ATVs on trails? [LB841]

TIMOTHY McCOY: Yeah, we're concerned but there are other states that have worked their way through that and we think we can learn some things from them. Our responsibilities provide the recreation opportunities the public demands, and so far we've always been able to work through those issues. [LB841]

SENATOR HANSEN: Private property owners are having a real hard time figuring out a liability...a way around the liability part, especially with trails, riding horses, even canoeing down river, tanking down a river. A lot of those...there's a lot of liability questions that we can't quite overcome. But there's a lot of road next to, adjoining the Cowboy Trail, one end of the state to the other almost, and if we could get some of that taken care of it would be a possibility for private enterprise. [LB841]

TIMOTHY McCOY: Yes, yes. And there's been...we've had some interest from some of the communities and counties up there in trying to figure out how we could do something. You know, their fear is the same thing we're talking about, and it's that long-term commitment of maintaining these things through a long period of time. [LB841]

SENATOR SCHUMACHER: Any other questions? Seeing none, thank you for your testimony. Next proponent. [LB841]

NORRIS MARSHALL: Senator Schumacher, members of the committee, thanks for being here. My name is Norris Marshall, N-o-r-r-i-s M-a-r-s-h-a-l-l. I reside at 186 W Road in Kearney, Nebraska, somewhere nearby Galen. And as you've already heard, the funding needs to maintain the future for our state parks are very real and they are very large. I just finished last year in...just last month in January, concluded my year as the chairman of the Game and Parks Commission. So I can tell you that those needs aren't just on paper. They're very real. I was involved with not only reviewing our needs, but also in planning we must do to make sure that the future of our state parks system is sustainable. As an agency and a commission, we have been looking towards the future of the park system, and that means asking ourselves questions and asking you for help. We have begun asking ourselves the hard questions about what the park system of the future may look like. And that will also depend on what help we can get in addressing

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the funding needs we have to maintain what we have today. We think this bill, as Tim said, is part of the solution. The commission already manages motorized trail grant funds that can be used to help develop ATV and UTV parks, as well we continue to explore our opportunities to build trails in the parks where feasible. And initial examination of building a trail at Ash Hollow is underway. And also at our January meeting, we directed the agency to study putting an ATV park at Ash Hollow and also to study allowing ATV use on portions of the Cowboy Trail. So that is just in the beginning of getting looked at. We have been encouraged on this bill that there is an opportunity to help find funding and to make sure that the payment of the sales taxes on ATVs and UTVs is dealt with fairly, both in state and out of state. So I look at it kind of like a double win where you probably have...it probably is revenue positive. You're probably going to generate additional state taxes because of the lack of collection that's going on right now. So you can do two...you can kill two birds with one stone. We appreciate your help. I thank you for your time and hope we can work with you to help resolve the challenges facing our parks. [LB841]

SENATOR SCHUMACHER: Any questions for Mr. Marshall? Seeing none, thank you for your testimony. [LB841]

NORRIS MARSHALL: All right. Thank you. [LB841]

SENATOR SCHUMACHER: Next proponent. [LB841]

TRAVIS HAGGARD: (Exhibit 9) Good afternoon, Mr. Chairman and members of the Revenue Committee. My name is Travis Haggard, T-r-a-v-i-s H-a-g-g-a-r-d. I am the executive director of Keith County Area Development in Ogallala. Point of reference, when you get to the western edge of Nebraska, also known as the archway, if you'll take it another 150 miles on the interstate you'll find Ogallala. So it's nice when you're going that way because you go through a time change, so it's actually less time traveled. So come out and see me. I've included not only a handout, but a business card for anyone who would like to get directions on finding Ogallala and ultimately Lake McConaughy. I appreciate your time today and appreciate being here to talk about LB841. In 2013, the Lake McConaughy State Recreation Area set a new visitation record with 1,160,713 visitors. You can see by the handout, that count started back in 1983 and our numbers have grown quite nicely since the count started. My job in economic development is to try to extend some shoulder season activities and events to help enhance not only Ogallala but our Lake McConaughy State Recreation Area as it is such a big draw. So we look at events in April, May, September, October as most of our visitors come through between Memorial Day and Labor Day. So as we look to extend seasons, the one thing that we've done is we were able to hold the first ever ATV Jamboree on the beaches of Lake McConaughy last September 27 through the 29, 2013. We had approximately 400 people come to the event on a weekend that would normally see maybe 30 or 40 people at Lake McConaughy. Many of those 400 visitors were new to

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the area, several had never even been to Lake McConaughy. So I think as we talk about opening up new opportunities to demographics and people who want to recreate and find different ways of recreating maybe outside of the box, we look at these ATV and UTV enthusiasts, and with them they bring a lot of nice resources with them. They camp at our campgrounds. They buy local groceries and they participate in the local markets as well. So as we look to Lake McConaughy in several aspects, Keith County also serves as a top venue for birding enthusiasts. Ornithologist Dr. Paul Johnsgard, a UNL professor emeritus, says that because of species diversity, Keith County is considered, and I quote, the best place in the state and the third best in the country to go birding, end quote. There have been 363 bird species identified in Keith County. This area is a bird paradise and it is located right in the middle of several central migration flyways and contains so many different kinds of habitat. The big lake with sandy beaches, the lush marshes around the area, river corridors, cedar thickets, and the Sandhill grasses, as well as urban areas provide an excellent environment for our winged friends to thrive in. So what do the 1.16 million visitors, the ATV enthusiasts, and the growing number of bird enthusiasts watchers have to do with Lake McConaughy? Well, they require and they expect facilities around Lake McConaughy and that area to be well maintained, up to date, and provide the type of amenities that can accommodate their needs. Amenities like better electrical service for the newer RVs that are out on the roads, water, sewer systems, and such that they can come and recreate in a pleasant way. Several of those items have been identified by Game and Parks as deferred maintenance items, items that cannot be attended to due to the local and the lack of funds currently available. Keith County has pledged this last year \$100,000 of additional funds through our visitors committee to help partner with and help fund with the Game and Parks and the updates to some of the campgrounds around Lake McConaughy. Although cost sharing and partnering are an excellent option, it would only partially fund the backlog of those deferred maintenance items. So I'm here today to ask you to support LB841 so that our state parks can receive the maintenance they need. By supporting LB841, we as Nebraskans, can take greater pride in our state parks and show the millions of visitors a year that come to Nebraska that we truly are the good life. I thank you for your time and I certainly thank you for your service to our state. I'll answer any questions if you have any. [LB841]

SENATOR SCHUMACHER: Any questions? Senator Sullivan. [LB841]

SENATOR SULLIVAN: Thank you, Senator, and thank you for your testimony. Just a clarification. Lake McConaughy is designated as a state recreation area? [LB841]

TRAVIS HAGGARD: That's correct. [LB841]

SENATOR SULLIVAN: And so do you pay a park permit the same there as you do going to any of the other park permits, is that the... [LB841]

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TRAVIS HAGGARD: That's correct. [LB841]

SENATOR SULLIVAN: Okay. All right. [LB841]

SENATOR SCHUMACHER: Any other questions for Travis? Thank you for Travis. [LB841]

JOHN MUELLER: Good afternoon. My name is John Mueller, M-u-e-l-l-e-r. I'm from Louisville, Nebraska, and I need to start off with a little disclaimer. I work for former-Senator Pankonin and he said to say hello to everyone that he served with before and sat by in session. So he wanted to make sure that you all were aware that...and he gave me a little advice, keep it short and sweet, so I'll try and do that today. (Laughter) My residence is within 15 minutes of four state parks. I've got Mahoney State Park. Mr. Fricke talked earlier from Ashland. He's on the west side. I'm on the east side. I've got Mahoney State Park, Platte River State Park, Schramm Park, and Louisville State Recreation Area. My family enjoys these areas for hiking, fishing, swimming, dining opportunities. My wife is an avid runner, uses them almost on a daily basis. They're a huge part of our community and our economic development. Being a lifelong resident of Louisville, it's a privilege that I've had to be able to work at the parks. I was employed there in the early eighties. I see now that some of the upkeep and maintenance hasn't...it's the same park, same facilities, not a lot of upkeep. Deferred, the deferred maintenance that we talked about. So I'm here to support the bill. The parks have allowed...I'm also the mayor of Louisville. Our community is deeply tied to the economic growth that these parks provide for us. Our local grocery store is only open because we have the parks system. His sales double from May to August because of the people that come down from Omaha, Lincoln to enjoy the outdoors and the recreation area that we have in our area. So it's a huge compensating factor to our local economy, along with the NAPA store that has the hardware. We're not willing to give up any of our sales tax to support this, but we do support this bill. Basically it helps every business on our Main Street. It's also a great employer. We have several full-time employees in the area and part-time employees that...in all of Cass County and southern Sarpy County that go to work at these parks, and it's a major employer for the area which has also an economic impact on our communities in Cass County. We also have several campers in the Louisville area that actually go to Louisville State Recreation Area, spend the weekend down there. We have a number of people come out from Omaha. But we're in a competitive market and it's important to keep up with this. As gas was \$4, people were less likely to travel to different areas or farther away. Now with it closer to the \$2.90 range, people are starting to branch out. I hear of the local people that go to Missouri, Iowa. They like their parks because they have a competitive advantage over us this time because they've maintained them, they've kept them up to speed. So it's important to us to keep that competitive edge because we do have a large investment in the area. Louisville is a partner with the Game and Parks. Our water and sewer system provides water and sewer for the state recreation area. So

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we have worked with them, they have worked with us, to try and maintain these things. We provide their water and sewer for them at the Louisville State Recreation Area. So it is about working together and trying to spend our dollars wisely. They try and do it. We try and do it. And so we're partners on those aspects. We've got much deferred maintenance across the park system. This bill would help that. I like to thank Senator Hadley for introducing the bill and I support this bill and would like to see it move forward. Also, thank you for your service and thank you for your time. [LB841]

SENATOR SCHUMACHER: Any questions for John? Thank you for your testimony. You might tell Senator Pankonin that there's some thought about a new tax on banks that takes care of this problem. (Laughter) [LB841]

JOHN MUELLER: He'll be down next week to talk to you about that. [LB841]

ANDY POLLOCK: Good afternoon again, Senator Schumacher and members of the Revenue Committee. Senator Hansen, thanks for not getting up and leaving when I took a chair. I'd like to thank Senator Hadley for introducing this bill. My name is Andy Pollock. I'm a registered lobbyist for the Nebraska Travel Association, which consists of tourism related groups, outfitters, convention, and visitors bureaus and the like all across the state of Nebraska. Like I said on LB814 which we also support, parks are a critical portion of the tourism industry, the third largest industry in the state. The renovations needed are absolutely critical and some of them are mandated by the federal government. And we also want to point out that as with LB814, the sales tax that would be redirected, in this case in this bill, come from ATVs and obviously something that is directly related to the state parks themselves. I'm glad the Louisville mayor mentioned his own personal experiences with the state parks and I was going to mention that here. I'll just mention briefly the four kids that my wife and I raise and I am frequent visitors of state parks, was at parks ranging from Arbor Day Lodge in Nebraska City last year all the way up to Fort Robinson. And they do supply an opportunity for recreation, social activity, just good family time in Nebraska. And I don't think that that part of this should be overlooked. I'd be glad to answer any questions. [LB841]

SENATOR SCHUMACHER: Any questions? Seeing none, thank you for your testimony. [LB841]

ANDY POLLOCK: Thank you. [LB841]

SENATOR SCHUMACHER: Any more proponents? Any opponents? Not an opponent? Neutral? Okay. [LB841]

LOY TODD: Senator Schumacher, members of the committee, again, my name is Loy Todd, that's L-o-y T-o-d-d. I'm the president and legal counsel for the Nebraska New Car and Truck Dealers Association, again, testifying neutral. We certainly are very much

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in favor of this legislation but we have a policy of not testifying for or against things that tax other people. I do only want to point out one thing. I believe...there's a lot of times quarrels with fiscal notes, I can tell you that we believe that the fiscal note is inadequate on this in that we think there will be a lot more money generated by picking up the sales out of state. And some of my members actually do sell ATVs and other types of products, and there is border bleeding, significant border bleeding in this area because you can get beat by 7 percent or more simply by going to South Dakota, Iowa, whatever, and bringing it back. And so from that standpoint we think that this would generate more money than the fiscal note indicates at this point and would encourage the opportunity to help Nebraskans by leveling that playing field and by helping the Game and Parks system. Thank you. [LB841]

SENATOR SCHUMACHER: Thank you. Any questions? Thank you for your testimony. [LB841]

BOB HALLSTROM: Senator Schumacher, members of the committee, my name is Robert J. Hallstrom, H-a-l-l-s-t-r-o-m. I appear before you today as a registered lobbyist for the Nebraska Bankers Association in a neutral capacity. Actually had not necessarily intended to testify until the sponsor of the bill and the Chairman of the self-proclaimed best committee in the country if not the nation indicated that I might come up here. So I am here to just let the committee know that with regard to the amendment that Senator Hadley had referenced, when we were reviewing the bill, it came to our attention that some of the new language with regard to the ATVs and the utility vehicles suggested that the purchaser could rescind the transaction in the event that the certified statement regarding sales taxes was not included in the purchase documents. That caught our attention in terms of looking at the issue from the perspective of a lender who has extended financing expecting to have a secured loan only to find out that the purchaser has a statutory right to rescind the deal turning it into an unsecured loan. When I asked Mr. Brady where he dreamed up that particular idea, he told me he took it from existing law of which we were not aware and, lo and behold, it does apply in the motorboat situation and in motor vehicles and trailers. In talking to Mr. Todd and committee counsel in trying to figure out where that may have come from, the best logical explanation that I think fits to the T is that that was a vestige from when the sales tax was initially implemented and to not catch people off guard and surprised that the new sales tax would in fact apply to some of these purchases, that type of notification was given. I'm not sure that provides that same rationale anymore. Everybody is familiar with sales tax applying to these types of transactions, and our amendment would simply remove that rescission authority in the three places that I referenced. Be happy to address any questions. [LB841]

SENATOR SCHUMACHER: Any questions for Mr. Hallstrom? Seeing none, thank you for your testimony to the best committee in the galaxy. (Laughter) [LB841]

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BOB HALLSTROM: Thank you. [LB841]

LYNN REX: Senator Schumacher, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. And, again, we're here today in a neutral capacity. We've been assured by Senator Hadley that he intends to offer an amendment to exclude local option sales tax. And had that been part of the original bill we clearly would have been supportive of this bill. If that's not adopted, obviously we have some serious concerns about it. But we're also here and wanted to convey to you that there still is a municipal contribution in as much as there are funds being diverted from the Highway Allocation Fund, and it is kind of a rare event that we don't come in opposing those kinds of bills and those kinds of diversions. But there's strong support for this type of system the Game and Parks recreation systems all across the state of Nebraska, the impact that that has on localities, and it's for that reason that we're here in a neutral capacity today. But, again, urging the committee to adopt the amendment to exempt local option sales tax. And, Senator Schumacher, you asked I believe one of the testifiers a question about the extra half cent. There are only three municipalities that have gone from 1.5 to 2, and those three are Sidney, Alma, and Waterloo. [LB841]

SENATOR SCHUMACHER: Ashland was not one of them? [LB841]

LYNN REX: No. [LB841]

SENATOR SCHUMACHER: Okay. [LB841]

LYNN REX: Now that doesn't mean that they haven't...we have a number of cities that still are at 1 percent, and so we have a number even in the last year that went from 1 to 1.5. But the extra half cent authorized by LB357 passed in 2012 is a different situation entirely. I'd be happy to respond to any questions you might have. [LB841]

SENATOR SCHUMACHER: Senator Harr. [LB841]

SENATOR HARR: Just quickly, and Ashland was able to build a new project with all private dollars, right? [LB841]

LYNN REX: I can't speak to that. I simply don't know. [LB841]

SENATOR HARR: Okay. [LB841]

LYNN REX: Sorry. I could find out for you and get back to you. [LB841]

SENATOR HARR: That's fine. I can too. Thank you. [LB841]

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LYNN REX: Okay. Thanks. [LB841]

SENATOR SCHUMACHER: Any other questions for Lynn? Seeing none, thank you for your testimony. [LB841]

LYNN REX: Thank you. And thanks, Senator Hadley. [LB841]

SENATOR SCHUMACHER: Any other testifiers, neutral? Seeing none, Senator Hadley. [LB841]

SENATOR HADLEY: I will be very quick. A point was made earlier about the Game and Parks Foundation. After spending many years in a profession where I dealt with trying to get donors to donate money, I will guarantee you it is exceedingly difficult to get people to donate money for repairs and maintenance and deferred maintenance. You just...you know, they will donate money to build a building, especially if you put their name on it, but if you try to go out and...they will tell you that they feel that that is the state's responsibility to do the repairs and maintenance and the deferred maintenance on these projects. With that, I would answer any questions if you have any. Those of you that were gone, I, you know, talked about your individual parks in your cities. I just thought I'd let you know that I did give you all a plug (laughter). [LB841]

SENATOR PIRSCH: What was the park...now I was watching on my... [LB841]

SENATOR HADLEY: Ak-Sar-Ben racetrack I think was yours. (Laughter) [LB841]

SENATOR SCHUMACHER: Thank you, Senator Hadley. That closes the hearing on LB841. [LB841]