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Appropriations Committee
February 05, 2016

[LB1006 LB1017 LB1028 LB1091]

The Committee on Appropriations met at 1:30 p.m. on Friday, February 5, 2016, in Room 1003 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB1006, LB1017, LB1091, and LB1028. Senators present: Heath Mello, Chairperson; Robert Hilkemann, Vice Chairperson; Kate Bolz; Tanya Cook; Ken Haar; Bill Kintner; John Kuehn; John Stinner; and Dan Watermeier. Senators absent: None.

SENATOR MELLO: Good afternoon and welcome to the Appropriations Committee. My name is Heath Mello. I'm state senator from south Omaha, representing District 5, and serve as Chair of the Appropriations Committee. I'd like to start off this afternoon by having members do self-introductions, starting first with Senator Kintner.

SENATOR KINTNER: Hi. I'm Bill Kintner from Legislative District 2, which is south Sarpy, Cass, a little bit of Otoe County.

SENATOR COOK: I'm Senator Tanya Cook from District 13. That is northeast Douglas County and the city of Omaha.

SENATOR MELLO: Sitting next to Senator Cook is Senator John Kuehn, who is introducing a bill right now in the Health and Human Services Committee. Senator Kuehn represents the 38th Legislative District in south-central Nebraska.

SENATOR HILKEMANN: Senator Robert Hilkemann, District 4, west Omaha.

SENATOR STINNER: John Stinner, District 48, Scotts Bluff County.

SENATOR BOLZ: Senator Kate Bolz, District 29, south-central Lincoln.

SENATOR HAAR: Ken Haar, District 21, and a lame duck. I'll just put it that way. (Laugh)

SENATOR MELLO: Sitting next to Senator Haar is Senator Dan Watermeier, who will be joining us shortly. Senator Watermeier represents the 1st Legislative District in southeast Nebraska. Assisting the committee today is Laurie Vollertsen, our committee clerk. Our committee page is Julia, and our analyst of the afternoon, to start off with, is our good friend Scott Danigole. On the cabinet up here to your right, you'll find some yellow testifier sheets. If you're planning on testifying today, please fill out one of the sheets and hand it to Julia, our page,

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when you come up. It helps us keep an accurate record of today's public hearing. There is also some white sheets on the cabinet that if you do not wish to testify but would like to record your position on a specific bill and/or a specific agency, you can do so on that sheet. When we hear testimony from state agencies, we will first hear from a representative of that agency. We will then hear testimony from anyone who wishes to speak on that agency's budget request. When we begin bill testimony, we will start first with the introducer's opening statements. We will then hear from supporters of the bill, followed by those in opposition, and then those speaking in the neutral capacity. We will finish with a closing statement by the introducer of the bill if they so wish to give one. We ask that you begin your testimony this afternoon by giving us your first and last name and spelling them out for the public record. If you do have any handouts, please bring at least 11 copies and give them to Julia, our page. If you do not have enough copies, please let her know so that she can make enough copies for the committee. We will be using a five-minute light system today for all testifiers other than the introducer of a bill or the agency representative. When you begin your testimony, the light on the table will turn green. The yellow light is your one-minute warning. And when the red light comes on, we ask that you please wrap up with any of your final thoughts. At this time, I'd like to ask all of us, including senators, to please look at our cell phones, make sure they are on the silent or vibrate mode. And with that, at this time we will start this afternoon's hearing with Agency 11, the Nebraska Attorney General's Office.

(AGENCY BUDGET HEARING)

SENATOR MELLO: Are there any other testifiers this afternoon on Agency 11, the Nebraska Attorney General's Office? Seeing none, that will close this afternoon's hearing on Agency 11, the Nebraska Attorney General, and take us to our first of four bills this afternoon. We'll start off first with LB1006 from Senator Coash. [AGENCY 11]

SENATOR COASH: Thank you, Chairman Mello. Good afternoon, members of the Appropriations Committee. My name is Colby Coash, C-o-a-s-h. I represent the 27th District right here in Lincoln, here today to introduce LB1006, which is a bill to appropriate \$250,000 annually to the Attorney General's Office for the purpose of hiring one or more forensic accountants or other staff resources needed to investigate cases of financial exploitation of vulnerable adults. For the past six years I have been a member of the Supreme Court's Commission Subcommittee on Vulnerable Adults. That subcommittee has been instrumental in providing guidance to legislation to protect the well-being of vulnerable adults in our state. The subcommittee consists of judges, attorneys, guardians, conservators, legislators, and law enforcement. But for many years there has been much discussion within the subcommittee about the alarming increase in the number of cases of financial exploitation and the lack of resources to investigate and prosecute these cases. While our state and nation face an aging population, the need to prosecute financial exploitation is greater than ever and providing more resources to fight these crimes is necessary. Financial exploitation cases are extremely time-consuming. It's very

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difficult for law enforcement and for Adult Protective Services to obtain financial records from banks. This time constraint often hinders investigations of Adult Protective Services. They are not equipped with the appropriate staff to dedicate themselves to all the financial exploitation cases that they encounter. Frequently, the financial exploitation cases are spread over many years of theft and fraud, multiple bank accounts, and uncooperative vulnerable adults. For example, a loving elderly mother generally does not want to see her son under criminal investigation even though he may have drained her bank account over several years. Last summer I began examining the Adult Protective Services' budget. Initially, I thought APS would be the best place to hire forensic accountants. But after meeting with the department leaders of HHS, law enforcement officials, and the Attorney General and his staff, it was determined that the best fit for forensic accountants would be in the Office of the Attorney General in the Public Protection Bureau. Forensic accountants are experienced auditors, accountants, and investigators of legal and financial documents that are hired to look into possible suspicions of fraudulent activity. Their work focuses heavily on investigating and analyzing financial evidence. They also serve as expert witnesses in the courtroom settings and ensure compliance with state and federal regulations. Nationwide, forensic accountants earn an average of \$65,000 a year but more experienced forensic accountants can earn well over \$100,000. Salary plus benefits, travel and support staff and office resources were all taken in consideration for this appropriation request. Lastly, I want to let you know that this bill is one of the three bills that I've introduced this session to help prevent elder abuse and give prosecutors more tools to combat financial exploitation of vulnerable adults. I've also introduced legislation to modify and improve the Office of Public Guardian. I believe it is our duty as legislators to protect those who are unable to protect themselves, and this legislation can make a difference. Thank you for your time. [LB1006]

SENATOR MELLO: Thank you for your testimony, Senator Coash. Are there any questions from the committee? Senator Haar. [LB1006]

SENATOR HAAR: Yes. Well, something showed up on my computer the other day. I didn't know how I was identified as a vulnerable adult. But this wouldn't just be for older people, would it? I mean it happens to everybody. [LB1006]

SENATOR COASH: Well, it does happen to everyone. There are statutes in place to protect vulnerable adults, which include the elderly and people with disabilities, for example. However, when we're talking financial exploitation, people with disabilities typically don't have a lot of resources and aren't made targets for financial exploitation. There are...in greater Nebraska when you have a lot of farm ground, things like that where there's a lot of assets and families are trying to pass down those assets--and we've had that discussion, right---they're trying to pass down those assets. Those, that aging population with those kinds of assets is really the target here. Unfortunately, many of the perpetrators are right within that person's family. It's not always a

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stranger. And as I stated in my testimony, initially a lot of times Adult Protective Services is on the front line of this. However, APS is full of social workers and what is required in many cases is somebody who can examine financial records and can...and then has the power of prosecution, which these auditors are not attorneys, okay, or you know what I'm...these accountants will not be in the law enforcement game. But being within the Attorney General's Office, having that connection, it seemed like a better fit after we talked with all the parties. [LB1006]

SENATOR HAAR: So this is a very specific kind of...of a very specific population in the kind of activity that's happening. [LB1006]

SENATOR COASH: Yeah, and it's going up. Adult Protective Services is inundated with investigations they can't complete, and the volume continues to rise. And so we wanted to find a way to go after the perpetrators of this because people are losing their livelihood because of it. [LB1006]

SENATOR MELLO: Thank you, Senator Haar. Senator Bolz. [LB1006]

SENATOR BOLZ: I thank you, Senator Coash. I appreciate the bill and I appreciate your work. Just for the purposes of making decisions in this committee, could you walk me through the volume of cases and how that led you to suggesting through (inaudible) just so we're understanding that their caseload is a little demanding (inaudible). [LB1006]

SENATOR COASH: Sure. And I may need to get back to you on that. But what I will tell you is that the current processes in place for screening in and screening out Adult Protective Services cases is pretty backlogged. And then even the ones that an Adult Protective Services worker can go in and say, yeah, this looks...this looks like this elderly person, for an example, is being taken advantage of, you know, their responsibility is to call law enforcement. And a lot of times what you have is a...are two investigations marching down the track, right? First you've got the potential criminal investigation, which law enforcement does, and then an investigation done by Adult Protective Services to see if a vulnerable person was taken advantage of. And those two things sometimes march down the track separate from each other. This may give, in some cases, the opportunity to go down those together. Adult Protective Services is designed to protect vulnerable adults. They're not the enforcement agency to say a crime has been committed. I don't have the case numbers but I will get those and provide those to the committee. [LB1006]

SENATOR BOLZ: That would be helpful. Thank you. [LB1006]

SENATOR MELLO: Thank you, Senator Bolz. Senator Hilkemann. [LB1006]

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SENATOR HILKEMANN: Senator Coash, how much money is now being set aside by the Attorney General's Office for this? Is this for an entirely new type of a program, or we're just adding to this? [LB1006]

SENATOR COASH: Well, the Attorney General already has a Division of Consumer Protection within his office, and they'll testify and can clarify that. This is adding to that division for the purposes of forensic accountants, which is...and related resources and staff. I didn't want to be as specific to say you hire two and no more than two. The appropriation is discretionary on the part of the Attorney General to put those resources to bear. But the idea is the majority of the resources will be for that level of skill, to be able to do that across the state. [LB1006]

SENATOR HILKEMANN: So if we have victims at the present time, they could still come to our...the AG's Office here and get services at this time. [LB1006]

SENATOR COASH: The Attorney General currently has attorneys who can prosecute and work with local law enforcement on the criminal side. Attorney General does not have any resources dedicated to investigating, going through those records to determine criminal charges. And a lot of times these cases, they're very complicated and when, you know, you have to go...it takes a special type of training to be able to look at financial records and try to discern what was fraudulent, potentially criminal, and what was normal. And that's the purpose of giving this type of resource to the Attorney General's Office. [LB1006]

SENATOR HILKEMANN: Thank you, Senator. [LB1006]

SENATOR MELLO: Thank you, Senator Hilkemann. Senator Kintner. [LB1006]

SENATOR KINTNER: Thanks, Colby, for coming by. Obviously, you know, we're kind of in a cutting mode this year, trying to cut north of \$100 million out. Where is this in terms of urgency? Is it something we can wait to do next year if our financial situation gets better? Or where...I mean where...how important is this to get it done right now? [LB1006]

SENATOR COASH: Well, that's up to this committee and this Legislature. What I would tell you is that two years ago we were the last state to do some things, such as institute an Office of Public Guardian, and that happened as a result of some horrendous fraud that affected several hundred citizens that cost the state a lot of money within a lot of different systems. It is my belief that the sooner that this is in place, the sooner those folks will be protected, because it will continue to happen. The demographics is what we're really going against here. Every year that goes by, the pool of people who are more vulnerable continues to grow. And so the number of

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people who would be vulnerable, because it continues to get larger, puts more pressure on this initiative. But... [LB1006]

SENATOR KINTNER: Well,... [LB1006]

SENATOR COASH: ...could it be done later? Sure it could be, but it could help today too. [LB1006]

SENATOR KINTNER: ...on the vulnerable side, we always said, well, all these old people, they get taken advantage of, they don't understand technology. But at some point people like you are going to become old and you understand technology. Are we getting into a point where we don't have as many older...the people are more educated, they're old but they're not vulnerable? [LB1006]

SENATOR COASH: Yeah. You know, I hope when I'm that age I'm able to take care of myself, but that's just not going to be the case for everybody. [LB1006]

SENATOR KINTNER: Yeah, I think you'd have a hard time pulling anything over on my dad, a former engineer. I don't think you're going to swindle him out of any money, but. [LB1006]

SENATOR COASH: Well, I will tell you this. The things that make us vulnerable are very often out of our control:... [LB1006]

SENATOR KINTNER: Okay. [LB1006]

SENATOR COASH: ...dementia, health. [LB1006]

SENATOR KINTNER: Okay. [LB1006]

SENATOR COASH: Yeah. Those are the folks I'm concerned about. [LB1006]

SENATOR KINTNER: That helps. Okay. Thank you very much. [LB1006]

SENATOR MELLO: Thank you, Senator Kintner. Senator Haar. [LB1006]

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SENATOR HAAR: But many of the things you're talking about here aren't so much computer relate...I mean. [LB1006]

SENATOR COASH: No. [LB1006]

SENATOR HAAR: I mean they're more complex than (inaudible). [LB1006]

SENATOR COASH: This is not...I think maybe where Senator Kintner was going was scams, you know,... [LB1006]

SENATOR HAAR: Yeah. Yeah, computer scams. [LB1006]

SENATOR COASH: ...and somebody getting ahold of your identity. Frankly, that's not what this is targeted toward. This is targeted towards criminal activity where a person talks--often it's a person that the elderly or the vulnerable person knows--and says give me a power of attorney; you know, you look like you're getting a little frail here. And Grandma signs it over and the next thing you know, Grandma doesn't have her nest egg anymore. And it's been spent fraudulently by somebody she knew. This is not geared toward identity theft and the fraud that can happen as a result of that. [LB1006]

SENATOR HAAR: Yeah. [LB1006]

SENATOR MELLO: Thank you, Senator Haar. I believe the Attorney General's Office actually has a great consumer protection bill that deals with that in Judiciary Committee that hopefully we'll see later this year. [LB1006]

SENATOR COASH: That's right. [LB1006]

SENATOR MELLO: Any other questions from the committee? Seeing none, thank you, Senator Coash. [LB1006]

SENATOR COASH: Thank you. [LB1006]

SENATOR MELLO: We'll first hear proponents of LB1006. [LB1006]

JOSHUA SHASSERRE: Good afternoon, Chairman Mello and members of the Appropriations Committee. My name is Joshua Shasserre, J-o-s-h-u-a S-h-a-s-s-e-r-r-e, spelled exactly how it

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sounds. I appear today on behalf of the Attorney General's Office in support of LB1006 and wish to express our appreciation to Senator Coash, Senator Mello, and others in their efforts to address an ever-increasing reality of elder abuse, and particularly the most common form of elder abuse, which is financial exploitation. According to recent U.S. Census Bureau estimates, Nebraska's population will continue to age to the point where the number of Nebraskans over the age of 60 will comprise a quarter of the state's population in 15 years. Recent data compiled by the Consumer Financial Protection Bureau estimated over \$3 billion per year is stolen from financially exploited elders or senior citizens. While financial exploitation can be perpetrated by anonymous scam artists and identity thieves, data from the National Adult Protective Services Association estimates that the vast majority, perhaps up to 90 percent of exploitation, is perpetrated by family members, financial advisers, home healthcare providers, friends, and others who are in positions of trust by senior citizens. Because the fraud is perpetuated largely by persons in this trust relationship and done on a group of victims who are more likely to be confused or embarrassed by being defrauded, financial exploitation of elders is a vastly underreported crime, with some estimates as low as less than 1 in 40 incidents actually being reported to law enforcement. The problem of an increasing population, as Senator Coash mentioned, of potential victims of an underreported crime is further exacerbated by a lack of resources and expertise by local law enforcement, even in our metropolitan and primary class cities. When an incident of financial exploitation is brought to the attention of Adult Protective Services or local law enforcement, that DHHS personnel or local law enforcement investigators are typically insufficiently trained in accounting and often find themselves undertaking a very time-consuming investigation of financial records, which can result in delayed and possibly failed prosecution attempts. Insufficient expertise in law enforcement is therefore a barrier to effective enforcement and prosecution. It is precisely increased prosecution of these cases, in conjunction with better community outreach and education, that has been shown in other states, such as California, to have the greatest deterrent effect on further perpetuation of these types of crimes. So providing for forensic accountants, as it's detailed in LB1006, would greatly assist in improving enforcement and prosecution of these cases. The Department of Health and Human Services suggests that forensic accountants be added to the Attorney General's Office rather than APS because of our role in facilitating successful local prosecutions. Perhaps the best example of how our office currently functions to address elder fraud exploitation is with our Medicaid Fraud and Patient Abuse Unit, which Senator Coash mentioned. Over the past two years, this unit which is required to receive every referral from APS, that comes in to APS, over 11,000 APS cases, and we've opened in our unit 202 cases for additional investigation. Thirty-six cases involved theft or financial exploitation of a resident of a Medicaid-funded facility, and a hundred and thirty-four of those cases involve fraud perpetrated by a Medicaid provider. In many of these cases, the lead investigator was one of our two financial auditors who are both accredited, certified fraud examiners. By Congressional mandate under the Social Security Act, our Medicaid Unit is limited in the type of cases it can handle, only encompassing a segment of our affected senior population. So the forensic accountants contemplated in LB1006 would be able

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to expand the scope of our capacity to investigate and prosecute these kinds of cases beyond the Medicaid realm, which is where we're relegated to at this point, and thus be a tremendous resource for Health and Human Services Department as well as local law enforcement. In order to better address the growing incidence of financial exploitation, we must continue to work with our financial institutions, care providers, and advocates to provide greater awareness and fraud prevention education. The prevention of fraud is, in our view, improved with successful prosecution, and successful prosecution is predicated on investigatory expertise which is best accomplished through the work of forensic accountants that are contemplated in this bill. Greatly appreciate your consideration. Would take any questions. [LB1006]

SENATOR MELLO: Thank you for your testimony this afternoon, Josh. Are there any questions from the committee? Senator Cook. [LB1006]

SENATOR COOK: Thank you, Senator Mello. And thank you for your testimony. I am going to take this opportunity to become educated on how a case would be opened within your agency. It's not particularly related to funding but how--if the person is, and I've had direct experience with this, the person is embarrassed, the person is not functioning the way that they used to--how does the case get presented to you for the work of current staff or the proposed staff? [LB1006]

JOSHUA SHASSERRE: Uh-huh. So as it relates to our Medicaid Fraud and Patient Abuse Unit, those referrals, most of them come in through APS, so through the APS hot line typically. There can also be work with local law enforcement. Those are the two primary streams of input. There are some incidents where it's referred from NPI with DHHS and some that are just directly reported to the Attorney General's Office, so that's...although that's very few. Our director of the Medicaid Fraud Unit, which is only nine people, it's one of the smallest in the country, we have a lead investigator and two financial auditors. So APS does a lot of the screening up-front. So even though we get all of those thousands of referrals, they've also done their own screening process. So that's why you don't also see the corresponding, you know, thousands of open cases. So for lack of a better answer, Senator, it's in conjunction with how APS functions usually. [LB1006]

SENATOR COOK: So a crime has been committed and you are brought in as part of the investigative team. [LB1006]

JOSH SHASSERRE: Uh-huh. [LB1006]

SENATOR COOK: Or an alleged crime. Okay. [LB1006]

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JOSHUA SHASSERRE: Yeah. When it's...usually it's arisen to a substantial level by the time our team gets involved in the investigation. [LB1006]

SENATOR COOK: All right. Thank you. [LB1006]

SENATOR MELLO: Thank you, Senator Cook. Senator Haar. [LB1006]

SENATOR HAAR: If \$3 billion a year (inaudible) is going this way... [LB1006]

JOSHUA SHASSERRE: That's nationally, Senator. [LB1006]

SENATOR HAAR: Yeah. Yeah. [LB1006]

JOSHUA SHASSERRE: Yeah. Uh-huh. [LB1006]

SENATOR HAAR: But I suspect that people doing this fraud aren't going to report the taxes when it's...I mean have you ever tried to figure out a cost-benefit ratio for this kind of work, because it must be probably a great (inaudible) not just, you know, a social need but also a great investment for the state. [LB1006]

JOSHUA SHASSERRE: Well, I'll try to address that by saying that, you know, although it's upwards of \$3 billion in terms of financial exploitation of senior citizens, if you look at total white-collar crime, I think across the country it's approaching a trillion dollars a year. When you look at what the U.S. Attorney's Office gets involved in, they rarely ever take a case that is less than \$100,000 in damages or fraud committed, and often it's a quarter million. So we're then in a situation where we certainly need to be handling anything that the U.S. Attorney's Office can't handle based upon that monetary cost. But also, obviously, the amount of fraud perpetrated in general is so overwhelming that any additional resource that we could put into it would be helpful. [LB1006]

SENATOR HAAR: And the payback is just too...probably in terms of taxes and so on, is way more than what we're going to invest. [LB1006]

JOSHUA SHASSERRE: I would hope so. I mean I'd venture into doing that, about putting pencil to paper to do that but... [LB1006]

SENATOR MELLO: Thank you, Senator Haar. Senator Stinner. [LB1006]

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SENATOR STINNER: Thank you. Josh, I don't know if this is even a fair question, but I'm going to put this out. There is a cash fund called a State Settlement Cash Fund. [LB1006]

JOSHUA SHASSERRE: Yes. [LB1006]

SENATOR STINNER: This fund was created by LB1061 and it's for all recoveries received pursuant to the Consumer Protection Act... [LB1006]

JOSHUA SHASSERRE: Uh-huh. [LB1006]

SENATOR STINNER: ...on behalf of the state Department of Justice and administered by the Attorney General for the benefit of the state. It says all the money in the fund is appropriated and expended for any allowable purposes. You've got \$2.9 million in this fund,... [LB1006]

JOSHUA SHASSERRE: Uh-huh. [LB1006]

SENATOR STINNER: ...brought in \$2.3 million, you expended close to \$1 million. [LB1006]

JOSHUA SHASSERRE: Uh-huh. [LB1006]

SENATOR STINNER: Wouldn't this be a source to get your \$250,000? [LB1006]

JOSHUA SHASSERRE: Well, Senator, that is a possibility. Our Consumer...just to give you a very brief thumbnail of how this works within our agency, our Consumer Protection Division is part of our Public Protection Bureau. It's the most substantial part of that bureau. Under Attorney General Peterson's administration, we've utilized that cash fund solely for that purpose and, thus, we've been able to hire additional attorneys and staff to address a lot of the needs in Consumer Protection that have not been historically addressed adequately, in our estimation. The consumer cash fund is one generated by cases that are brought under the Consumer Protection Act or the Uniform Deceptive Trade Practices Act typically, and typically those are settlements with companies and other organizations, both within the state and in multistate litigation. So in some sense, this is a bit distinct in that we're not bringing a case under the Consumer Protection Act typically in one of these kind of criminal matters. But I'd be certainly open to further discussion with the committee in terms of whether we could raise the appropriation out of that cash fund to accomplish this purpose. [LB1006]

SENATOR STINNER: Okay. Thank you. [LB1006]

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SENATOR HILKEMANN: Good question. [LB1006]

SENATOR MELLO: Thank you, Senator Stinner. Senator Watermeier. [LB1006]

SENATOR WATERMEIER: I thank you, Senator Chairman. I guess, Josh, I heard you say a high percentage of them was Medicaid providers. [LB1006]

JOSHUA SHASSERRE: Right. Uh-huh. [LB1006]

SENATOR WATERMEIER: Can you give me an example of that? I think I would know what you're talking about. Just put it on the record, kind of roughly, what would happen and how they would get it in the fraudulent... [LB1006]

JOSHUA SHASSERRE: It's mostly with regard to billing Medicaid for services that are not actually provided. [LB1006]

SENATOR WATERMEIER: So it's actually just not being provided, being charged for. It's not somehow gone, I guess? [LB1006]

JOSHUA SHASSERRE: We had a particular case in point here with a compound pharmacy in the city of Lincoln that was milking Medicaid for millions of dollars over the course of several years. So that's perhaps the most high-profile case we've had recently. [LB1006]

SENATOR WATERMEIER: Thank you. I just kind of wanted to make sure I was thinking in the same terms. [LB1006]

SENATOR MELLO: Thank you, Senator Watermeier. Are there any other questions from the committee? Seeing none, thank you. [LB1006]

JOSHUA SHASSERRE: Thank you. [LB1006]

SENATOR MELLO: Next proponent for LB1006. [LB1006]

JIM VAN LENT: Okay. My name is Jim Van Lent, V-a-n L-e-n-t. I'm here representing First National Bank of Omaha in support of LB1006. Before I start, thank you to the committee for hearing my testimony today on what I think is a very important topic. Let me give you a little overview. As a director within the Financial Crimes Compliance Department of First National,

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I'm responsible for compliance with federal banking regulation known as the Bank Secrecy Act. That requires banks to create and maintain an anti-money-laundering program. An important part of this program is the detection and reporting of suspected money laundering, terrorist financing, and other serious financial crimes. I have a staff of 20 people. The entire BSA department, Bank Secrecy Department, First National, is 41 people. We identify...when we identify suspected money laundering or other serious crimes, we're required by federal law to file a suspicious activity report, an SAR, with FINCEN, which is a division of the U.S. Treasury. Okay. Recently, in 2011, FINCEN published guidance to all banks and was asked that the banks file suspicious activity reports when we suspected elder financial exploitation. Following this guidance, First National, and I'm assuming many other banks but I talk about First National, undertook a big project to enhance our training of front-line personnel--tellers, personal bankers, and the like--to report...to detect/spot and report this activity. Reporting this activity meant sending a referral to the Financial Crime Compliance team, or my team there at First National. In addition to filing the suspicious activity report with the U.S. Treasury, we thought it to be best practice then to also file a report with the respective state department of health and human services agency. Training of this nature is important of front-line personnel, since tellers, personal bankers are often in the best position to spot these abuses. In addition to the training, we were able to leverage the use of our anti-money-laundering software and design an alert definition to detect possible elder financial exploitation by analyzing customer transactions, comparing those to the known red flags of financial exploitation. So as a result of this enhanced training, these employee referrals have increased at First National by 98 percent from 2014 to 2015. Most of these referrals, not all, were attributed to reporting of elder financial exploitation. So these referrals, along with our enhanced transaction monitoring system, have increased our SAR reports to U.S. Treasury and to the DHHS, Nebraska Department of Health and Human Services, significantly. In 2014 we had filed 17 SAR reports and in 2015 we filed 66, so a substantial increase. What we're seeing now after a couple of years, we're seeing two disconnects. One is HHS personnel sometimes view our referrals from a physical abuse perspective only and will reply back to us; say, well, the person is fine, we don't see any physical abuse so everything is okay. Well, that's not necessarily the case. There's not always a correlation between financial exploitation and physical abuse. The other disconnect is the gap between where the bank reports financial exploitation and the level of exploitation where HHS personnel take action. There's a significant gap there and this gap creates risk where elderly exploited persons could fall through the cracks. These two disconnects could be caused by lack of DHHS resources, training, lack of understanding of financial exploitation, or the fact that financial records can be intimidating and overwhelming to some, as financial analysis, as we heard earlier, requires a special skill set. Where I see in the future demographics, that's already been talked about, elderly population is growing, but awareness, banks are more aware of this crime and taking special measures to train, detect, and report the crime. Use of technology like First National has done with our AML software will grow as banks take that lead. So if you have any questions, I'm happy to answer them. [LB1006]

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SENATOR MELLO: Thank you for your testimony this afternoon, Mr. Van Lent. Are there any questions from the committee? Senator Cook. [LB1006]

SENATOR COOK: Thank you, Senator Mello. Thank you for your testimony today. To your knowledge, does the banking or financial services industry provide this service, let's say, as a service to their customers already, or a similar fraud investigation service or help out with that investigation? [LB1006]

JIM VAN LENT: Well, my team of investigators will work closely with law enforcement when it's appropriate to do so. And we file these reports. We're always looking out for the best interest of our customer and trying to protect them and, obviously, keep the deposits and that in the bank. So we do special announcements, we do training with the front-line personnel to help the elderly. But sometimes, as was referenced earlier, the conditions are such with that person that they still get exploited. [LB1006]

SENATOR COOK: Thank you. [LB1006]

JIM VAN LENT: Uh-huh. [LB1006]

SENATOR MELLO: Thank you, Senator Cook. Any other questions from the committee? Seeing none, thank you, Mr. Van Lent. [LB1006]

JIM VAN LENT: Thank you. [LB1006]

SENATOR MELLO: Other proponents for LB1006. Seeing none, the committee received letters of support from the Nebraska Health Care Association as well as a letter of support from the Nebraska State Bar Association. (Exhibits 1 and 2) Are there any opponents to LB1006? Seeing none, is there anyone here in the neutral capacity on LB1006? Seeing none, Senator Coash provided a note that he will waive closing, and that will end today's public hearing on LB1006 and take us to our next hearing of the day, LB1017 from Senator Lindstrom. [LB1006]

_____ : (Inaudible).

SENATOR MELLO: Would you be opposed if we went to Senator Hilkemann then?

_____ : I think that would probably be fine.

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SENATOR MELLO: Okay. Senator Hilkemann. We will change the schedule for the public purposes of moving LB1091 up next. We will then go to LB1017, and last LB1028. [LB1091]

SENATOR HILKEMANN: Good afternoon, Chairman Mello and fellow members of the Appropriations Committee. I am Robert Hilkemann, R-o-b-e-r-t H-i-l-k-e-m-a-n-n, representing District 4, here to introduce LB1091. This bill asks for a one-time appropriation of \$25 million to expand the Site and Building Development Fund. The Legislature created this fund to accompany the Site and Building Development Act, which is part of Nebraska's talent and innovation initiative, a four-part package to advance business innovation and strengthen work force recruitment efforts. This bill was passed in 2011. As its title suggests, this fund is to assist in preparing industrial sites in all of Nebraska. The 2016 allocation of \$2,529,000 is already committed, yet many companies stand ready to complete projects but for the needed boost from this state fund. The majority of other job incentives or training in Nebraska are limited to entry level or low-income type candidates. This fund will require local participation, is not limited to entry-level jobs or low-income projects. Many communities have benefited from this fund and there are a number of them here today that are going to share their story. So I urge the committee to look favorably on this request and I'll be happy to answer any questions. [LB1091]

SENATOR MELLO: Thank you for your testimony, Senator Hilkemann. Are there any questions from the committee? Senator Bolz. [LB1091]

SENATOR BOLZ: Senator Hilkemann, could you just give me a little bit more background and history about the Building and Site Development Fund. [LB1091]

SENATOR HILKEMANN: Yeah, the Building and Site Development Fund is what communities are using to prepare properties for industry to come in. We've got...they've been used in Lincoln. They've been...there's a number of cities that have used these so that basically they can get properties shovel ready for industry to come in and move in. And these are shared with those communities in their building projects. [LB1091]

SENATOR BOLZ: Okay. I appreciate and I think we all appreciate any effort that would promote economic development and job growth. I'm struggling a little bit with understanding the government role in this. At what point is it our responsibility versus the responsibility of the business industry coming into a community? And with the current fiscal situation and the dollars you've requested here, I guess I would be interested in your perspective about the case to be made for the government responsibility here. [LB1091]

SENATOR HILKEMANN: Well, I think that we need to encourage development and these need to be matching type funds. This is not simply us doing this project for them. In other words, this

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helps communities' expansion. It's been used very effectively in...across the community. You're going to hear some of those stories as we go forward. [LB1091]

SENATOR BOLZ: Okay. [LB1091]

SENATOR MELLO: Thank you, Senator Bolz. Any other questions from the committee? Senator Haar. [LB1091]

SENATOR HAAR: Yes. You had mentioned \$25 million, but when I look at the A bill I don't see that number (inaudible). [LB1091]

SENATOR HILKEMANN: The A bill or the fiscal note? [LB1091]

SENATOR HAAR: The fiscal note. I'm sorry. Oh, I'm sorry. [LB1091]

SENATOR WATERMEIER: LB1091. [LB1091]

SENATOR HAAR: Wrong...I'm looking at the wrong bill. My mistake. [LB1091]

SENATOR HILKEMANN: All right. No problem. [LB1091]

SENATOR HAAR: This only asks for like \$8 million or \$9 million and so... [LB1091]

SENATOR HILKEMANN: Oh, okay. That's just small change. [LB1091]

SENATOR HAAR: (Laugh) Thank you. [LB1091]

SENATOR MELLO: Any other questions from the committee? Senator Cook. [LB1091]

SENATOR COOK: Thank you. Out of morbid curiosity, how else do site and sites become ready for building development? Is that ever a part of the speculation on the part of the business owner, the property owner? It's not always a government investment, is it? [LB1091]

SENATOR HILKEMANN: That's correct. [LB1091]

SENATOR COOK: Okay. [LB1091]

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SENATOR HILKEMANN: Yes. Yeah. [LB1091]

SENATOR COOK: Is that the primary way, to your knowledge? [LB1091]

SENATOR HILKEMANN: Well, it depends on the nature of the project. This is for...generally for, in many cases, larger corridors such as I understand in Omaha they're doing one down through the Highway 50. Along Highway 50 from Gretna to Louisville, that type of development is going on at the present time. [LB1091]

SENATOR COOK: Okay. Thank you. [LB1091]

SENATOR MELLO: Senator Kintner. [LB1091]

SENATOR KINTNER: Is this the one we talked about before where I promised not to beat you up too bad on it? [LB1091]

SENATOR HILKEMANN: You did mention that to me, Senator. [LB1091]

SENATOR KINTNER: Or (inaudible). [LB1091]

SENATOR HILKEMANN: Yeah. [LB1091]

SENATOR KINTNER: But is this the one we talked about before (inaudible)? [LB1091]

SENATOR HILKEMANN: Exactly. [LB1091]

SENATOR KINTNER: Okay. No questions. [LB1091]

SENATOR MELLO: Any other questions from the committee? Thank you, Senator Hilkemann. We'll first take proponents for LB1091. [LB1091]

DAVE RIPPE: Can't wait to take some of the beating here as the first one up. Hope that promise is all-encompassing. [LB1091]

SENATOR MELLO: Dave. [LB1091]

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DAVE RIPPE: (Exhibit 6) Chairman Mello and members of the Appropriations Committee, my name is Dave Rippe, spelled R-i-p-p-e, testifying today on behalf of the Hastings Economic Development Corporation and also on behalf of the Nebraska Economic Developers Association. First and foremost, I'd like to thank Senators Hilkemann and Mello for the introduction of this bill. Pay yourself first is a simple concept in the cornerstone of personal finance and also directly translatable to the request of LB1091. I borrowed the following from the nice folks at Wells Fargo. "It may seem unrealistic to talk about paying yourself first when you're faced with so many other financial obligations. Yet, while it's critical to pay all of your bills on time, planning for your future can't always take the back seat." I'd also personally add that while there's rarely a good time to do it, if you don't invest in yourself, nobody else will. In 2011, the Site and Building Development Fund was created to assist in the development of industrial ready sites and buildings and the creation of conditions favorable to meeting the industrial readiness of the state. The fund has served that purpose with success stories from around the state, from Alliance to Endicott, Kearney to Thedford, Hastings to Omaha, Lexington to La Vista and beyond. Assisting companies both big and small, benefiting metropolitans, micropolitans, small towns, and everyone in between, the success of the program has been tremendous. More than the narrative, the data shows the Site and Building Development Fund has served as an effective tool in encouraging quality job creation and significant capital investment throughout our state. Now that the program has proven itself, we're asking that our state invest in increasing its ability to assist in effectuating projects. Today is the 5th of February and the Department of Economic Development has already committed 100 percent of the program's funds through this calendar year. LB1091 asks that you invest in an additional approach to a complicated problem that necessitates a multifaceted solution. With a \$204 million General Fund allocation in 2015, we surpassed \$1 billion in property tax relief coupons distributed via the Property Tax Credit Fund over the last nine years--a terrific number. But what if it went away tomorrow? What have we accomplished? What has been our return on investment? Are our political subdivisions or our taxpayers any better off going forward than they were nine years ago? We've put 1 billion eggs into one basket over the last nine years. LB1091 simply looks to add a few more eggs to another basket. After receiving \$100,000 from the Site and Building Development Fund in 2014 to help make their expansion project a reality, George Hasley and his company, Nebraska Aluminum Castings in Hastings, saw the real property value increase by 34 percent and their personal property valuations increase by 65 percent. In the next few years, this award will pay for itself in dollar-for-dollar property tax relief by broadening the base in Adams County, and then it will keep on paying. The General Fund...or the Site and Building Development Fund recently approved \$150,000 for an egg hatchery project in Grand Island, which will bring with it close to \$30 million in capital investment. Also in Grand Island, \$300,000 leveraged \$3.5 million for an expansion at Chief Industries, and \$500,000 leveraged over \$7 million for an expansion at Case IH. In Kearney, \$500,000 leveraged \$4 million and nearly 30 new high-tech jobs at Xpanxion. And in Lincoln, \$250,000 helped to leverage a \$20 million project at Hudl. The examples go on: \$25 million at a 10-to-1 leverage ratio of taxable private investment to public investment, which

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is not all uncommon for SBDF projects, nets \$250 million in private investment. This taxable valuation times the statewide levy average for nonag property at 2.04 is \$5 million per year in property taxes, new property taxes. This investment pays for itself off in dollar-for-dollar property tax relief in five years, and then it keeps on paying. In 2006, '07, and '08 I sat in this very same seat as an employee of the Legislative Fiscal Office--it's kind of like old home week for me--and I worked with this committee through the pains of figuring out who gets what, who doesn't get what, and where it ultimately is going to come from. I fully understand the task that is in front of you and it's not an easy one. I get that. The costs of paying our city and school employees is not going to decrease. The cost of paying health insurance and benefits for these folks is not going to decrease. And the simple cost of sustaining operations will not decrease. The cost to add career pathway programs and other educational initiatives necessary to develop our best and brightest is significant and the costs for cities to develop the incentive and assistance programs necessary to support and encourage community growth and retain our best and brightest is significant. We cannot cut our way out of it. We cannot spending limit our way out of it. We cannot continue to simply redistribute sales and income tax to offset property tax and hope that it will somehow fix our property tax problem. We must grow. If we want to relieve property taxes, create quality jobs, and grow our communities, we must invest in ourselves. We must pay ourselves first. The Site and Building Development Fund is a proven tool with proven results, and I would respectfully request that you consider funding assistance that will allow the state to continue to proactively participate in a long-term approach to state growth and local property tax relief. Thank you for your consideration of LB1091 and I'm happy to address any questions that you might have. [LB1091]

SENATOR MELLO: Thank you for your testimony this afternoon, Mr. Rippe, and welcome back to... [LB1091]

DAVE RIPPE: Thanks. [LB1091]

SENATOR MELLO: ...Room 1003. Are there any questions from the committee? Senator Kintner. [LB1091]

SENATOR KINTNER: I promise not to go off on this bill, but I did have one question. You said if you don't invest in yourself, who will? So if I was going to invest in myself, I might get an M.B.A. or better myself to do good in the future. But how does government invest in itself because government doesn't create any wealth? We just take world wealth from someone else and spread it around. We don't create wealth. How do we invest in ourselves? [LB1091]

DAVE RIPPE: As a local municipality or state, we invest in ourselves by preparing sites, by preparing the infrastructure necessary for private industry to come in and invest in our

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communities or our states. I would say that states and communities around our country are investing in themselves in similar capacities. And in the competitive arena in which we operate, if we don't, they'll choose other cities and states. [LB1091]

SENATOR KINTNER: Okay. So it's...okay. It's a little different plan I think. Very good. Thank you. [LB1091]

DAVE RIPPE: Yeah. [LB1091]

SENATOR KINTNER: Thanks. [LB1091]

SENATOR MELLO: Any other questions from the committee? Senator Cook. [LB1091]

SENATOR COOK: Thank you, Senator Mello. And thank you for coming today. What are some of the other considerations that go into site selection other than having the way prepared through an initiative like this? If I were a business looking to expand and open to being in Nebraska, what else might I consider? [LB1091]

DAVE RIPPE: If you're a business, you're going to consider a number of things. The top couple of things that turn up annually when they survey site selectors and corporate CEOs: access to infrastructure transportationwise--highways, railroads, whatever your need might be; and then obviously a talent base for your work force. It's why you see communities across the state and our state investing in the development of talent. Like I said, career pathways programs in our schools are one reason that we need to be cognizant of our funding to our schools. But then, all else being equal and those programs being in place, obviously, the availability of places to build. And in rural communities like Hastings and others, it's expensive to extend infrastructure. It's very expensive to build. And that's where the state comes in and participates as well. So, like I said, lots of factors: work force availability, infrastructure availability, availability of sites and buildings. Wish there was a silver bullet. [LB1091]

SENATOR COOK: Thank you. [LB1091]

SENATOR MELLO: Thank you, Senator Cook. Any other questions from the committee? Senator Watermeier. [LB1091]

SENATOR WATERMEIER: Thank you, Chairman. I appreciate that, Mr. Rippe. It's good testimony again today. But I couldn't help but think, when you're talking about paying yourself first and what the role of the government really is and we're looking at now a roads bill issue,

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and that's exactly where I would believe that government can help in those things in which the private sector cannot do. So explain to me how I can spend \$25 million on this fund over and above or in addition to or instead of a road...an infrastructure bill that talks about actually improving what we have out there and is currently needed as far as infrastructure improvements. I know maybe that's a loaded question, but that's where I would struggle with something like this because I believe that's where government can play a big role at. [LB1091]

DAVE RIPPE: Yeah. And so we, Senator Watermeier, we answer these, we address these same questions locally because we exist in a world of finite funds and unlimited wants, you know? And so we'd like to do everything. The basic infrastructure--roads, water, sewer--I mean that's, like we talk with our utilities in our city, that's the cake. You got to have that. The Site and Building Development Fund gives the department some level of discretion and it gives our state some level of discretion to help and assist in effectuating dynamic projects. And so, for instance, Hudl in Lincoln to have streets and infrastructure is essential, but to be able to get 300 tech jobs into this community it helps to have funds to buy down those costs or, like I said, effectuate dynamic projects--Xpanxion in Kearney adding 30 tech jobs--when you look at the cost of buildings. And so just like with site selection or like anything else, property tax relief, anything else we look at, it's hard to say that one facet might be better than another. Maybe for one company it's roads, maybe for another company it's something totally different. And that's why our funds are used across different mechanisms. And so to leverage one over the over, that's a tough deal. [LB1091]

SENATOR WATERMEIER: It is. Maybe it's a loaded question, but I come back to the testimony that you brought as far as the NEDA as well. And it says in here there is a 1-1 match required, you know, and I appreciate that because there's very few funds in the state of Nebraska that we get into that you have to guarantee has at least a zero percent of return on investment. It is at least returning what we invest. But there are some infrastructure projects, and I'll name some in water in which actually are mandated a positive return on investment, which is unprecedented in government. But so that's where I struggle as far as my investments. To me, it has to be black and white. I have to get into dollars and cents to be able to put something to it. But I do appreciate that there at least is a 1-to-1 match on this. [LB1091]

DAVE RIPPE: If you look at the match is 1 to 1, but when you look at the actual projects that the department has completed, for instance, ours in Hastings is closer to a 10 to 1. Most of the projects they complete end up closer to a 10-to-1 leverage ratio on private investment to public investment. [LB1091]

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SENATOR WATERMEIER: Yeah, I read through that too. There were several of them that weren't near that good but most of them were over the 10-to-1 ratio, which is fabulous. I appreciate that. So thank you. [LB1091]

DAVE RIPPE: Yeah. [LB1091]

SENATOR MELLO: Thank you, Senator Watermeier. Senator Stinner. [LB1091]

SENATOR STINNER: I've been looking at the cash fund relative to this Site and Building Development, and 25 cents documentary stamps come in to finance this, which was about \$2.3 million. It looks like in 2014-15, we had commitments of \$2.8 million. We got a fund's balance at the end of the year of \$6.5 million. And so now you want to put \$25 million in because you have how much demand for this? [LB1091]

DAVE RIPPE: Senator, while I can't speak on behalf of the Department of Economic Development, what I've been told in Hastings is that all the funds for this year have been committed. And so if I bring a project to the department right now and ask for assistance, they're telling me that 100 percent of the funds for this calendar year are committed. And so how they're...what their budget shows on the paper there I don't know, but I know that the reality that I'm faced with is no funds available to help effectuate projects. [LB1091]

SENATOR STINNER: Well, that's peculiar, because it says in the notes that \$2.5 million--and maybe I'm reading this all wrong--\$2,529,000 in 2016 have been committed with more communities asking for assistance. And you've got \$6.4 (million), \$6.5 million in the fund. [LB1091]

DAVE RIPPE: I would probably defer to our Department of Economic Development on that. [LB1091]

SENATOR STINNER: Okay. I'm just asking. [LB1091]

SENATOR MELLO: It's a good question, Senator Stinner. In talking with our fiscal analyst, it simply means it's a cash flow issue. When the department comes forward and says that the money has essentially been appropriated or contracted with, it doesn't mean that they get the money out the door the same day that they contract. So that cash fund has money that's likely been contracted from previous years that the community has not drawn down that money yet, but the money has been fully allocated and appropriated from within the department, is my

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understanding. Any other questions from the committee? Seeing none, thank you, Dave.
[LB1091]

DAVE RIPPE: Thank you. [LB1091]

SENATOR MELLO: Next proponent. [LB1091]

TIM KERRIGAN: Good afternoon, Mr. Chairman and members of the committee. My name is Tim Kerrigan, K-e-r-r-i-g-a-n. I'm vice president with Investors Realty in Omaha, specialize in land development and office and industrial sales. I also serve as the chair of the site investigation and development target advisory group for the Greater Omaha Economic Development Partnership. Today I represent the Greater Omaha Chamber of Commerce, the Lincoln Chamber of Commerce, and the Nebraska Chamber of Commerce and Industry. Thank you for allowing me to participate today and provide some of my thoughts about site development. I encourage you to provide additional funding in the Site and Building Development Fund. Greater Omaha and Nebraska in general has a very limited supply of shovel-ready sites for new and expanding businesses. This makes it very hard for us to compete against other markets for these projects and we are losing the battle. This lack of shovel-ready sites is due to an imbalance in the market. There is a high cost of development land and a high cost of installing infrastructure, but the price end users are willing to pay simply has not kept up. The end result is a lack of developed land which corresponds to a lack of opportunity, fewer land sales, less business growth, and fewer new businesses. This all serves to push value, job growth, income, and tax revenue down, and it's a downward spiral which builds upon itself. Here are some examples of some high cost of land, high cost of development, and a lack of prices keeping track. In Omaha, at 180th and Dodge, this is the...17 years ago sold for \$55,000 per acre. That was Omaha's premium development land for office and retail. Seventeen years later a similar piece of land at 192nd and Dodge is talking about pricing in the \$190,000 to \$280,000 per acre range. That reflects somewhere between a 7.5 and a 9.5 percent annual increase, just demand from land sellers. Keeping that \$55,000 amount in mind that the best land in Omaha sold for 17 years ago, that's similar to what we're seeing lower density uses. So at 144th and Schram, sold last year for a office and datacenter for \$49,000 an acre, 156th Street just south of Highway 370 sold for \$65,000 an acre last year for a warehouse to Nebraska Warehouse. And 144th and Highway 370 closed recently here in 2016 to Metro Community College for \$55,000 an acre. So my point is that the value of Omaha's premium land 17 years ago is approximate to or actually less than Omaha's industrial development ground today. And the rents that people pay just don't support that dichotomy. There's also an incredible increase in development costs, frankly, generated a lot by federal and state government and city requirement. Materials and labor are one thing: wages, benefits, concrete, steel, equipment, fuel, we all know about that. But then there's compliance costs: grading and erosion control, which is pegged at somewhere around \$15,000 per acre; storm and water regulation compliance, which can take 5 to 10 percent of the ground away or cost

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somewhere around \$35,000 per developed acre; and then issues of waterways of the U.S. The Corps of Engineers practices cause the permitting process to take 12 to 36 months. Sewer connection fees are climbing. Where I live, they're \$6,000 per acre. Watershed management fees, \$4,000 per acre; parks fees, \$2,000 an acre; and arterial street improvement plans in Omaha at \$5,000 per acre. Those that I've mentioned reflect a huge increase in cost. I'm sorry, they reflect about \$67,000 an acre. That's more than land cost 17 years ago. And about 30 percent of these costs didn't even exist. These are fees that we didn't even have about ten years ago. And then lastly, end users that we are trying to bring in and do business in Nebraska won't pay the tab because they can go to other markets for similar pricing. There's an office park in...at Highway 50 and 370 called Highway Crossing where in 15 years the 32 lots, they still have 6 left, the price has not gone up more than 5 percent. And Gateway I-80 at 118th and 3...I'm sorry, 118th and I-80, 34 lots; 5 lots remain after about 15 years. The prices have not increased in 15 years. So I just want to wrap up by saying that I personally believe that a citizen, if they have economic stability and opportunity, a lot of society's challenges can be mitigated or avoided. And I believe in the Site and Building Development Fund. It's in place, it's working, and this bill would provide much needed funds for projects that will grow all of Nebraska. Thank you. [LB1091]

SENATOR MELLO: Thank you for your testimony this afternoon, Mr. Kerrigan. Are there any questions from the committee? [LB1091]

SENATOR HILKEMANN: One quick question: You mentioned 192nd and Dodge. What did you say that corridor was? [LB1091]

TIM KERRIGAN: They're talking about prices of \$190,000 to \$280,000, depending on who you're talking to, and that's prior to development. [LB1091]

SENATOR HILKEMANN: That's what I thought you said. Okay. [LB1091]

SENATOR MELLO: Any other questions from the committee? Seeing none, thank you. [LB1091]

TIM KERRIGAN: Thank you. [LB1091]

SENATOR MELLO: Next proponent for LB1091. [LB1091]

DAN MAUK: (Exhibit 8) Good afternoon. My name is Dan Mauk, D-a-n M-a-u-k. I'm the new executive director for the Nebraska City Area Economic Development Corporation, so I have...my town has two of its senators here represented on the same committee. I'm here on

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behalf of our organization in support of LB1091. I've been involved professionally in community development and economic development for the past 16 years. Actually, it's probably a little longer than that. I was a volunteer before that. I lived in Norfolk and North Platte most recently, and I've been in Nebraska City for two months. Over that period, I've experienced firsthand how difficult it is for small communities, especially rural communities, to develop suitable sites for buildings and economic development opportunities. Local resources are scarce. Today's fast-paced world in economic development, when I started you might have two weeks to get your proposal together, you submitted it in hard copy. It's not unusual now to get an opportunity from DED by e-mail at 5:00 on a Friday and they want it Monday at 5:00. So we've got to be that responsive. It's such that you can't...if you don't have something ready to roll, if you don't have something you can put on paper saying, well, we think we have an option on this or we could get an option on this, you're just not a player. You're not going to get a shot at anything. Because of that rapid speed, having a suitable building is almost critical and that's something I fought in Norfolk. We had sites but we didn't have buildings. In North Platte it was even worse because there was never any industrial development in North Platte because of the presence of the railroad, so there wasn't even any old buildings that we could use. And the...it's just difficult to be a player if you don't have something ready to go. The build-to-suit options, when we get an opportunity for a project, you're kind of coming in at the tail end. You're only going to be looked at if nobody else has anything either, because a build to suit you're looking at probably nine months. This particular program benefits the local taxpayers as well because the valuation of the building is, as my colleague Dave Rippe very clearly stated, immediately goes on the tax rolls, whether it's occupied by an...you know, a business that's occupying right away, it will go on the tax rolls. And you get development of the goods and services during the construction, which is usually a local area, contractors and so forth that get it. This particular program is fully committed, at least we're told it's fully committed, and there's no provision for future refilling the pot. I thought Dave Rippe's analogies were really good. One of our best ways to grow ourselves out of fiscal problems is to grow, and that's one thing that I think Nebraska is in a position where we can grow if we're ready to grow. And this particular fund helps get the local economic development corporations and their supporters kind of like seed money to say, okay, well, I think we can raise the rest of the money locally and we can do this deal and have it ready. There was an example in Lexington not long ago. Out where she put the building up on the Web site when it was in red steel, and had somebody say within a few days, say, can you double the size of that building? The rest of us in the business were jealous of those kind of things happening. But this particular fund would be very helpful in making sure that not only is Nebraska healthy now but it will be healthy in the future. I'd be open for any questions. [LB1091]

SENATOR HILKEMANN: Are there any questions for Mr. Mauk? [LB1091]

DAN MAUK: Thank you. [LB1091]

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SENATOR HILKEMANN: Seeing none, thank you for coming. Are there other proponents? [LB1091]

PAT HAVERTY: Good afternoon, members of the committee. I am Pat Haverty, H-a-v-e-r-t-y, vice president of economic development with the Lincoln Partnership for Economic Development. I'm here today to speak in support of LB1091. The Site and Building Development Fund has played a vital role in the success of Lincoln's job creation efforts. Three projects funded by the program in 2015 accounted for the plan creation of 700 new technology jobs at Hudl, Nelnet, and Spreetail. The annual economic impact to the city of Lincoln from the Hudl project alone is estimated to be \$140 million. The SBDF program also helped Lincoln retain GeneSeek, an agriculture biotechnology company that moved into a new location and added another 40 employees to the payroll in 2014. The Lincoln Airport Authority matched a \$750,000 SBDF grant and will soon complete phase one development of infrastructure to nearly 130 acres of a 300-acre industrial park. The first phase of this development will be ready to market to new employers in the summer of 2016 with the potential of hundreds of jobs being created on these sites. These examples show the importance of having a flexible, economic development tool such as SBDF to assist in the creation of quality jobs in the state. The projects I just mentioned are a mixture of retention and expansion of existing companies, as well as speculative site development to prepare for the next coming project. Speed to market is a top consideration for companies as they consider their location possibilities, and a lack of shovel-ready sites not only in Lincoln but across the state creates challenges in retaining and attracting new companies. The requested appropriation of funds in the SBDF will be an investment in the future of the state playing a vital role in creating quality jobs and adding to the tax base through substantial capital investments. The Lincoln Partnership for Economic Development and the Lincoln Chamber of Commerce fully support this appropriation of funds into the Site and Building Development Fund. Thank you. [LB1091]

SENATOR MELLO: Thank you for your testimony, Mr. Haverty. Are there any questions from the committee? Seeing none, thank you. [LB1091]

PAT HAVERTY: Thanks. [LB1091]

SENATOR MELLO: Any other proponents for LB1091? [LB1091]

JEFF LAKE: Yes. Good afternoon. My name is Jeff Lake. I'm a licensed professional engineer. I work for Olsson Associates out of Omaha, Nebraska. And I do want to echo some of the comments that... [LB1091]

SENATOR MELLO: Could you please spell your name for the record, Mr. Lake? [LB1091]

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JEFF LAKE: Sure. Jeff, J-e-f-f, Lake, L-a-k-e. And I do want to echo a few of Mr. Kerrigan's comments regarding the run-up in land price and the run-up in infrastructure costs. So we're seeing the same things in a lot of the projects that we work on. I do also want to mention we work with a lot of large projects across the Midwest. We do have a footprint that's larger than just Nebraska. And we do see Nebraska at a disadvantage when you start comparing what some of the other states can offer in preparing sites for new industries. We do a good job in the state of identifying, you know, land and prospects and identifying costs. Where we have a challenge is in actually having the money to invest in these sites to have them prepared and ready as compared to some of the other states that we see. And when a site selector is deciding between several different states and sites, you start putting the numbers to it and the funding, there's where we see the problem. We feel this fund would definitely bring us up a little bit towards competition with what we're seeing and put us at an advantage versus a disadvantage. [LB1091]

SENATOR MELLO: Thank you for your testimony this afternoon, Mr. Lake. Are there any questions from the committee? Senator Kintner. [LB1091]

SENATOR KINTNER: What do you see other states do? [LB1091]

JEFF LAKE: You know, we see them investing a lot in the actual infrastructure required to bring to the site, the water mains, the sewer mains. In some places we see them providing the land free of charge. They're putting dollars in, in numerous different ways. I see our programs as far as towards the end user I think are good. However, the ability to cut off the dollars to create the site is where I think we see the gap, having that ready and comparable for the initial investment versus the long-term pay off that you see with other incentives and employee-based incentives. [LB1091]

SENATOR KINTNER: Thank you. Appreciate it. [LB1091]

SENATOR MELLO: Thank you, Senator Kintner. Any other questions from the committee? Seeing none, thank you, Mr. Lake. [LB1091]

JEFF LAKE: Thank you. [LB1091]

SENATOR MELLO: Are there any other proponents for LB1091? Seeing none, the committee received letters of support from the Nebraska Economic Developers Association, the city of Lincoln, the city of Bellevue, the Twin Cities Development Association, Metropolitan Utilities District, and the Sarpy County Board of Commissioners. (Exhibits 1-5, and 7) Is there anyone here in opposition to LB1091? [LB1091]

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SENATOR KINTNER: No taxpayers? [LB1091]

SENATOR MELLO: Seeing none, is there anyone here in the neutral capacity on LB1091? Senator Hilkemann, would you like to close? [LB1091]

SENATOR HILKEMANN: Thank you, Senator Mello. Just a quick closing here. You asked the question up-front, Senator Bolz, about is this the role of government and what role that this has. And I hope that the testimony you heard about the cities that have utilized this and that the projects that we brought into this state utilizing this development, it brings in jobs. We talked about 10 to 1. We have to invest in ourselves. I remember hearing a speaker just several months ago at the Chamber meeting in Omaha who talked about that our economy right now, our nation is sort of in the winter. And what we're going to do as the city of Omaha is how we prepare for spring. So this is preparing our jump spring in our state. And with that, I would close on this. [LB1091]

SENATOR MELLO: Thank you, Senator Hilkemann. Senator Bolz. [LB1091]

SENATOR BOLZ: I appreciate that, Senator Hilkemann. I concur that there is a role for government in this conversation about job creation. I think the question is, is this specific fund and this specific strategy the right role and the right time and the right approach. And so one of the things I've been thinking about is our recent work in the Performance Audit Committee related to our Nebraska Advantage Program, and there's been real scrutiny about whether or not those economic development initiatives are actually leading to job creation and are providing a return on investment. So I have two questions. The first question is, is (inaudible) related to the Building and Site Development Fund that illustrates that return on investment, that true job creation, that catalyst, like we're looking for with the Nebraska Advantage Program? [LB1091]

SENATOR HILKEMANN: Right. I believe that we had that. Our second testifier gave the illustrations there in Hastings, where we had the new jobs that came in. [LB1091]

SENATOR BOLZ: And I guess just to keep digging, I think the core question that we've talked about in terms of economic development is the "but for" question. Would these industries have come to Nebraska but for, and is the entire package of economic development--the job training initiatives that we've invested in, the Site Development Fund, the economic development programs, other tax incentives and other programs like that--is that whole package coming together and is this specific initiative the catalyst? And if it is, should we be investing more in this instead of other initiatives? So I don't expect you to answer all of that in your closing, Senator,... [LB1091]

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SENATOR HILKEMANN: Yeah. [LB1091]

SENATOR BOLZ: ...but I am interested in ensuring that the data and the evidence show us that this is a catalyst because we have had those conversations as it relates to other economic development (inaudible). [LB1091]

SENATOR HILKEMANN: Yeah. As my understanding is, as these companies look at coming into the different communities that if you don't show them land that is already ready to be developed, they'll go on, as we've heard in testimony, they'll go on to the next community that has prepared. And so the communities that are thinking ahead and are developing ahead are the communities that are saying we want you here. And this is one of the things that we can do to say: We want you here in Nebraska; we want you to build your building here; we want you to bring your jobs here; we don't want you going across to Iowa and Kansas; we're prepared for you. And getting that infrastructure is such a key factor because it takes so long, that's really the expensive part of a lot of these projects. [LB1091]

SENATOR BOLZ: Thank you, Senator. [LB1091]

SENATOR MELLO: Thank you, Senator Bolz. Any other questions from the committee? Seeing none, thank you, Senator Hilkemann. That will close today's public hearing on LB1091 and take us to our next public hearing of the day, LB1017 from Senator Brett Lindstrom. [LB1091]

SENATOR LINDSTROM: Good afternoon, Chairman Mello and members of the Appropriations Committee. I am Senator Brett Lindstrom, L-i-n-d-s-t-r-o-m, representing District 18 out of northwest Omaha, and I'm bringing LB1017 for your consideration. LB1017 was brought to me by the State Chamber to meet the needs of our work force by expanding the InternNE program. InternNE is a grant program first enacted in 2011 to help address Nebraska's work force shortages. Currently, our state has a jobless rate of around 2.5 percent and more than 50,000 current job openings. Last year 256 businesses applied for the InternNE funds, which is a 28 percent increase, up from 200 in 2013. This program is administered through the Nebraska Department of Economic Development and provides financial assistance to businesses that are willing to create new internships. Research has shown that roughly 50 percent of interns go on to careers in their place of internship, which is great incentive for both the intern and the employer to participate in this program. InternNE has been through a few changes already in the short time it has been around to accommodate our work force. In 2013, the Legislature added first- and second-year college students to the mix and minimum week and hourly requirements were replaced with a focus on technical and professional areas to make sure students gained a quality internship experience. The same year grant amounts for distressed areas were increased. This allowed a maximum reimbursement of up to 75 percent of the cost of the internship or \$5,000, as

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well as up to \$7,500 per internship if the intern was a federal Pell Grant recipient at the time of the internship. LB1017 will expand the InternNE program further by adding high school juniors and seniors from private and public high schools to be eligible for internships. This bill will also remove a residency requirement and enrollment requirement. These changes will allow Nebraska businesses to become more competitive in the region by engaging students at a younger age and by drawing students from other states to apply for their internships. LB1017 is also asking for a \$1.5 million transfer from the General Fund to the Job Training Cash Fund for 2016 and 2017. InternNE does not have a steady funding stream outside of the Jobs Training Cash Fund and needs to have money added to the cash fund every few years. Thank you for your consideration of LB1017 and I would be happy to answer any questions. [LB1017]

SENATOR MELLO: Thank you for your testimony this afternoon, and welcome to the Appropriations Committee, Senator Lindstrom. [LB1017]

SENATOR LINDSTROM: Good to be here. [LB1017]

SENATOR MELLO: Any questions from the committee? Senator Bolz. [LB1017]

SENATOR BOLZ: Thank you. Senator Lindstrom, I like what you're talking about. I think these are important work force development strategies. But I do have a question about the provision related to high school students. [LB1017]

SENATOR LINDSTROM: Uh-huh. [LB1017]

SENATOR BOLZ: I did a town hall in my district this summer, including lots of education stakeholders, and discussed this specific idea. The feedback that I got, both from students and from folks who are in higher education and career development goals, was that the more appropriate role, in their opinion, for high school students was career exploration;... [LB1017]

SENATOR LINDSTROM: Uh-huh. [LB1017]

SENATOR BOLZ: ...that they should be discovering who they are and the direction that they should be going. And so the investment was better put into students who had a career track and were building their skill set moving towards a job in a specific industry. [LB1017]

SENATOR LINDSTROM: Sure. [LB1017]

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SENATOR BOLZ: And so I guess I would just be curious to hear a counter perspective to that, if you have one, about why high school students are in fact a good investment for these dollars. [LB1017]

SENATOR LINDSTROM: Well, I think at really any age, when you're in your late teens and early 20s and even up to probably age 30, there's a lot of transition that goes on over that time period, and many people won't keep the same job, even if they do have an internship with a company out of college. So I'm not sure if the age matters so much as getting the experience. And I don't have numbers to back that up. I can only speak from life experience. But whenever you introduce a 17-, 18-year-old or whatever age it might be, I think that sets them on the path towards a focus of a career and working towards those goals. So I do think it's important. [LB1017]

SENATOR BOLZ: And I can appreciate that. I just question whether an 18- or 19-year-old might find other ways to explore careers and that we might...I wonder if it might be a better investment of our dollars to folks who have already chosen a career path. [LB1017]

SENATOR LINDSTROM: Understand. And the business would have the ability to choose who their internship...or their intern is too. [LB1017]

SENATOR MELLO: Thank you, Senator Bolz. Any other questions from the committee? Seeing none, thank you, Senator Lindstrom. [LB1017]

SENATOR LINDSTROM: Thank you, Senator Mello. [LB1017]

SENATOR MELLO: We'll first hear from proponents for LB1017. [LB1017]

JOSEPH YOUNG: (Exhibit 3) Good afternoon, Chairman Mello, members of the committee. For the record, my name is Joseph Young, spelled J-o-s-e-p-h Y-o-u-n-g, and I'm the executive vice president for Vision Nebraska at the Nebraska Chamber of Commerce here to testify in support of LB1017 on behalf of our organization and on behalf of the Lincoln Chamber of Commerce and the Greater Omaha Chamber. And I would also like to thank Senator Lindstrom for introducing this. And, Senator Bolz, since you're leaving quickly,... [LB1017]

SENATOR BOLZ: I... [LB1017]

JOSEPH YOUNG: No, go ahead. [LB1017]

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SENATOR BOLZ: ...for the record, I have to work. [LB1017]

JOSEPH YOUNG: You'll read the record. (Laughter) We can read the record later. Okay. But to Senator Bolz's points, they're good points. We feel, though, that getting, on that provision, getting juniors and seniors more exposure to an actual career in an actual business is career exploration. Anecdotally, I talked to two of our business members prior to this hearing and both of them said that they'd be interested. One of them said that they hire...they make it basically a policy to hire 15 interns a year, and 2 of those have to be high school students. What he told me was--and it's a mid-size business here in Lincoln--but what he told me was in many cases those high school students, as they're going to college, work at the business, not in an internship role but maybe in a part-time role, and some have gone on to work after they graduate with a four-year degree. So we think that it's great. It's the best kind of exploration, career exploration as far as that's concerned. But we appreciate the question because it's a great one. A couple of other key points about the bill, Senator Lindstrom went through it really well, since the creation of the program, 487 companies have hired interns with the use of these funds. And from...a good point here is from 2011 to 2013 a company had to create a net new internship to be eligible to receive the funds in this program, which has now changed. I think that law was changed in 2013. But what that meant, that's a great "but for" test. If they had four interns in 2010, they had to have at least five or more interns to get some of those funds for those additional interns. So it's a great "but for" test. That rule still does exist for companies over 100 employees, by the way, so the "but for" test has to be met there as well. As we travel the state, the State Chamber, as we travel the state in the fall, which brings us to about 30 different communities around the state, we hear a lot of different concerns from the business community as well as all of the good things going on. But the lead concern right now in the state, and we say it all the time, is work force, not only development but availability. So we're starting to focus now more, the chamber, as on getting more exposure to kids, not just juniors and seniors in high school but even further than that down the line, because we want to expose more kids to the opportunities, the jobs and the career opportunities, that are in their local communities so that they'd be more willing to move home upon either leaving to get an education or to stay in town and take a career opportunity after they graduate from high school. Covered most of it. I will say this. There's a study that will be released next week, it's not my study to release but I have gotten some information from it prior to the release, and Senator...former Senator Greg Adams talked a little bit about it yesterday at our annual meeting. But from the year 2000 to 2010, Nebraska lost 3,717 people who had bachelor's degrees. We gained, in that same time period, 1,376 people with less than a high school diploma and about...we gained about 700 people with some college education. And that, as we all know, is not a sustainable course to go down as far as an educated work force and, frankly, available work force, if we're losing twice as many as we're gaining and more of the ones we're losing are educated than the ones that are coming. So we are also supportive of the funding provisions in this bill. We do know that there's obviously restraints on the budget this year. We do also know that we are asking for other funds from not just this committee but,

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obviously, mostly Revenue. So...but we would like to work with the committee to try to get some kind of an appropriation this year for this program. And with that, I'd take any questions. [LB1017]

SENATOR MELLO: Thank you for your testimony this afternoon, Mr. Young. Are there any questions from the committee? Senator Cook. [LB1017]

SENATOR COOK: Thank you. Thank you, Mr. Young, for being here. [LB1017]

JOSEPH YOUNG: Uh-huh. [LB1017]

SENATOR COOK: I am actually asking a question about the law as it exists now and whether or not your...any of the organizations with which you are affiliated have been able to track the number, the usage of the program in the enterprise zones. I recall that being my area of interest in terms of encouraging not only business development but students' participation in internships in enterprise zones across the state. [LB1017]

JOSEPH YOUNG: Uh-huh. [LB1017]

SENATOR COOK: My assumption is that if you're applying for it, you've got to mark someplace on the form the address and whether...it's determined whether or not you're in an enterprise zone. So do you have that information or can you get me that information if anybody from an enterprise zone has ever utilized this program? [LB1017]

JOSEPH YOUNG: I don't have it with me but I can get it for you. [LB1017]

SENATOR COOK: Thank you. I appreciate that. [LB1017]

JOSEPH YOUNG: And by enterprise zone, do you mean the rural areas and...because I think the bill, as written, there's a separate fund or a subfund, and maybe some higher thresholds for a grant for an employer who hires an employee from what would be basically either a higher needs zone or a rural area. Is that what you mean? [LB1017]

SENATOR COOK: Because we had a bill, did we not, Senator Mello? [LB1017]

SENATOR MELLO: I think Senator Cook is referring to LB800 that we worked on collaboratively back in 2014... [LB1017]

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SENATOR COOK: Yes. [LB1017]

SENATOR MELLO: ...that created five enterprise zones across the state. I just...Jeanne Glenn, our fiscal analyst, is going to look for some of that information because I believe they just...DED just approved the enterprise zones this past fall. So the information may be just be coming out in the sense of whatever Mr. Young can find. But Jeanne Glenn will also look for it as well for you, Senator. [LB1017]

SENATOR COOK: Okay. So based on that, those would not necessarily be...there would be no record because they're just now getting created. All right. Thank you. [LB1017]

JOSEPH YOUNG: Thank you. [LB1017]

SENATOR MELLO: Any other questions from the committee? Seeing none, thank you, Mr. Young. [LB1017]

JOSEPH YOUNG: Appreciate it. [LB1017]

SENATOR MELLO: Other proponents for LB1017. Seeing none, the committee received letters of support from the Lincoln Chamber of Commerce, the Nebraska Economic Developers Association, and the Nebraska Building Chapter of the Association of General Contractors. (Exhibits 1, 2, and 4) Are there any opponents to LB1017? Seeing none, is there anyone here in the neutral capacity? Seeing none, Senator Lindstrom. Senator Lindstrom waives closing. That will end today's public hearing on LB1017 and take us to our last bill of the day, LB1028 with Senator Morfeld. And we will see if we can track down Senator Morfeld in regards to his bill. I know he is introducing in another committee right now. Committee will stand at ease until we're able to locate Senator Morfeld. [LB1017]

BREAK

SENATOR MELLO: Welcome back to the Appropriations Committee. We are live and we'd like to welcome Senator Morfeld to the Appropriations Committee for LB1028. [LB1028]

SENATOR MORFELD: Senator Mello, members of the Appropriations Committee, my name is Adam Morfeld, that's A-d-a-m M-o-r-f-e-l-d, representing the "Fighting" 46th Legislative District, here today to introduce LB1028. One of the most pressing issues in my district is underemployment. And like many other urban areas and rural areas included, my district has seen a surge of entrepreneurial Nebraskans working hard to innovate, bring investment and jobs

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to Nebraska. LB1028 updates the Business Innovation Act and puts into statute current contracts the Department of Economic Development has to carry out for purposes of the act. The bill also does the following: increases the minimum amounts that the DED must provide for purposes of the Microenterprise Assistance Program. Current law sets a minimum of \$1 million with a maximum of \$2 million. LB1028 increases the minimum to \$1.25 million for the next year and \$1.5 million for years after but keeps the maximum at \$2 million. Second, it sets a minimum amount and gives additional specification for the amount that NDED is required to provide for the Nebraska Innovation Fund as a part of the Business Innovation Act. Current law provides an amount up to \$4 million with no minimum. LB1028 provides that a minimum of \$2 million must be provided, up to an amount of \$4 million. Specifics that are in order...and excuse me, specifies that in order for the DED to provide the financial assistance from the Nebraska Innovation Fund that it shall contract with one statewide venture development organization that is a 501(c)(3) nonprofit Nebraska corporation. Current law provides that the department "may" contract with a nonprofit organization to administer all or part of the act. This will make it "shall." And finally, it changes the language so that the DED "shall" contract with a statewide microenterprise development assistance organization to carry out the provisions of the Microenterprise Assistance Program. Current law provides that NDED "may" contract with one or more microenterprise development corporations. And finally, LB1028 increases funding by \$1 million overall in FY 2016-17, and an additional \$1 million for '17-18. The Business Innovation Act has been very successful since its inception in 2011. Through the Microenterprise Assistance Program, 585 loans were placed, totaling over \$7.6 million. Business development and services were provided to 11,400 entrepreneurs, and 3,895 jobs were created or retained at a cost to the state of only \$308 per job. The business innovation programs have been successful as well with participating businesses raising \$5 for each \$1 invested by the state, earning \$2 in sales revenue for each \$1 of state funding, and adding 157 jobs altogether with an economic impact of \$53 million annually. I introduced this bill because I believe it's important for us to revisit our economic development tools regularly to ensure that they are up to date with current practices to ensure that Nebraska is on the leading edge to grow businesses and jobs in our state. I would be happy to answer any questions. There are people who will follow me that will address the importance of this bill and how the Business Innovation Act has been successful in Nebraska. Thank you. [LB1028]

SENATOR MELLO: Thank you for your testimony, Senator Morfeld. Are there any questions from the committee? Seeing none, thank you. We will first hear from proponents for LB1028. [LB1028]

JEFF REYNOLDS: (Exhibit 2) Good afternoon. Thank you, Senator Morfeld. Senator Mello and members of the Appropriations Committee, my name is Jeff Reynolds, first name J-e-f-f, last name R-e-y-n-o-l-d-s. I'm the director of the Rural Enterprise Assistance Project, or REAP. I'm also the chief operating officer of the Rural Investment Corporation, a certified community

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development financial institution, or a CDFI. My testimony today will focus specifically on the micro side of LB1028. I'll be somewhat brief. I know it's been a long day. I know you all had a long evening last evening. Michael Dixon will follow me with Invest Nebraska to talk about the Nebraska Innovation Fund side of the bill. REAP, along with Community Development Resources in Lincoln and Catholic Charities in Omaha, provides microenterprise and small business development services on a statewide basis through the Nebraska Small Business Collaborative. The basic objectives of this dynamic collaborative are highlighted in Attachment C that was passed around. The Nebraska Small Business Collaborative has been the recipient of the BIA technical assistance fund since 2012. The results of this work can be viewed in a yearly breakdown in Attachment B. As Senator Morfeld said, the Nebraska Small Business Collaborative with the microenterprise work has been very impressive. Over the past four years, 585 loans have been placed for almost \$8 million; 107 loans leveraged for almost \$8 million. We touched over 11,000 entrepreneurs. The job cost of \$308 per job, that's with the state funds, is incredible and that's...we're very happy with that figure. And importantly, this collaborative has restored the credibility of microenterprise development, as evidenced by the overall results and the outstanding relationship developed between the Department of Economic Development and this collaborative. This is the bill you've been waiting for today. I'm happy to report, as explained in Attachment A, this is a noncontroversial bill. This seeks to make common-sense changes to the Nebraska Microenterprise Assistance Program section of the Business Innovation Act. The bill is supported by many. We're pleased to have a letter of support from the Nebraska Economic Developers Association that was passed around in the handouts, Nebraska Chamber of Commerce, Lincoln Chamber of Commerce to name a few. Briefly, here are the changes proposed in LB1028. LB1028 changes the language so the department shall contract with a statewide microenterprise development group to carry out the program. Current law states that they can provide...contract with one or more organizations. The original intent of this bill was to fund one statewide group and then have joint applicants underneath that group. It was not the intent of the law for the department to serve as an intermediary. I know this. As the bill was being written, I was there. I was there when the guidelines were drawn up. Institutional knowledge, as we know as with staff turnover as we've seen here recently at the state level, you lose institutional knowledge. So having...refining this law is important to ensure proper execution with the bill. Using one statewide microenterprise development organization, I can assure you, provides three things: consistency, communication, and quality control. We are a stickler for details. We are a stickler with our reports and everything is done correctly under this watch. Again, additional applicants can be added in through the action plan process so that part is not a problem. The other end of the spectrum and lastly, LB1028 increases the minimum from \$1 million per year to \$1.25 million next year, and then to \$1.5 million the following years. That's well below the \$2 million that the current maximum is set at. I could go around the table and talk about businesses that we have helped within each of your districts and actually for each senator in this Capitol. We don't have time for that. But just know that these funds are being put to use well. Eighty percent of who we work with is below LMI and they're looking to start a

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business. We're here to help them. And at a cost of \$308 per job, it's working. For these and all other reasons offered, we support LB1028 and ask the committee to advance it to the full Legislature. I thank you for your consideration and I would be more than happy to answer questions. [LB1028]

SENATOR MELLO: Thank you for your testimony this afternoon, Mr. Reynolds. Are there any questions from the committee? Seeing none, thank you, Jeff. [LB1028]

JEFF REYNOLDS: Thank you, Chairman. [LB1028]

SENATOR MELLO: Next proponent for LB1028. [LB1028]

MICHAEL DIXON: (Exhibit 4) Thank you, Chairman Mello and the rest of the Appropriations Committee. My name is Dr. Michael Dixon. That's M-i-c-h-a-e-l D-i-x-o-n. I'm the chairman of the board of Invest Nebraska. I also serve a few different roles in the local entrepreneurial ecosystem. My day job is president and CEO of UNeMed. We're the technology development and commercialization arm for the University of Nebraska Medical Center. One of my goals with UNeMed and one of UNeMed's goals is to foster innovation and create new, high-growth industries that come out of the research that occurs at the Medical Center. So we see anywhere from \$100 (million) to \$120 million of research and that spawns 75 to 85 new inventions every year. These inventions are very early stage but promising biomedical technologies. They're medical devices. They're new diagnostics. They're new cures for diseases that really affect healthcare. And our goal is to see those technologies developed and commercialized. And ideally, we'd like to see more of those technologies commercialized here in Nebraska so we can build a stronger bioscience ecosystem. In addition to my roles with Invest Nebraska, which as I mentioned is a not-for-profit venture development firm, I also serve as a mentor for accelerators, local entrepreneurship organizations, such as NMotion, Straight Shot, and the regional Pipeline Fellowship. I'm very interested and engaged and hoping to help our budding entrepreneurs build high-growth, high-knowledge companies which can generate high-paying wages. In addition, I failed to mention I was asked to also say I'm speaking on behalf of the Nebraska Chamber of Commerce and the Lincoln Chamber of Commerce, in addition to my role as Invest Nebraska. So I'd like to offer two reasons why these changes are really important for LB1028. In addition to helping to codify some of the lessons that we've learned over the past years as to how to best set these programs, also provides a little additional investment into programs that are already oversubscribed and highly used. And I'll try to provide some evidence that they're being used very well. I'd like to provide a little quantitative as well as qualitative analysis. So in 2014 there was an economic impact survey done on the Business Innovation Act. Dr. Eric Thompson of UNO looked at it and saw that for every \$1 of state funding that went into the Business Innovation Act, \$5 of private investment were generated and \$2.32 of revenue were generated by

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those companies, showing that even in the first few years these programs were successful. When we contrast that with the 2010 Battelle report that showed Nebraska last for venture investment and last for small business research, innovation grants, those types of funding sources that come at high-growth, high-development commercialization type companies, it shows that we're making significant progress. In addition, the handout that I showed, I think is quite striking. Invest Nebraska has been tracking the implementation of the Business Innovation Act. And this "MoneyTree Report" that's published by PricewaterhouseCoopers and the National Venture Capital Association uses data collected by Thomson Reuters, so this is the top data that's coming out of every state. So what we found is that for deals since 2011, we're extremely excited to see Nebraska start-ups gaining nationwide attention and venture capital flowing into the state of Nebraska. As you know, since 2011 the increase in venture funding is dramatic, moving from the bottom of the list to the middle and seeing an increase, a year-over-year increase of 300 to 400 percent is actually simply amazing. The majority of the money coming for these investments is coming from out of state, places like Chicago, Silicon Valley, New York, and that's good for Nebraska. Qualitatively, I can tell you as a practitioner, someone who's working with these companies as my role of mentor and adviser and also helping to start companies, that these are very attractive for companies that are trying to get that first dollar in. When they say they're working with the state or Invest Nebraska, it automatically brings funders to the table interested in helping them. It's very important for us at UNeMed because we're constantly trying to get early-stage biomedical technologies through that valley of death where people aren't interested in funding. This gives that extra incentive to get the dollars in which helps create the high-growth companies that we're really looking to grow. Since 2011, UNeMed has helped start 14 new companies. At least eight of those companies have worked with the Business Innovation Act. These companies have raised more than \$15 million of external money, again with the majority coming from out of state. We've also started to see an increase in the number of Nebraska companies working with the university, those wanting to do service with us. So instead of going to Stanford or Harvard, they come to Nebraska. So we keep those dollars in state. And further, I've had two companies from California and one from Kansas ask about relocating to Nebraska because they're interested in working with the university and helping to take advantage of some of these programs. In conclusion, I'm pleased to support LB1028 and I'd be happy to answer any questions you may have. [LB1028]

SENATOR MELLO: Thank you for your testimony this afternoon, Dr. Dixon. Are there any questions from the committee? Seeing none, thank you. [LB1028]

MICHAEL DIXON: Thank you very much. [LB1028]

SENATOR MELLO: Any other proponents for LB1028? Seeing none, the committee also received letters of support for LB1028 from the Nebraska Economic Developers Association and the Lincoln Chamber of Commerce. (Exhibits 1 and 3) Are there any opponents to LB1028?

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Seeing none, is there anyone here in the neutral capacity on LB1028? Seeing none, Senator Morfeld, would you like to close? [LB1028]

SENATOR MORFELD: I'll waive. [LB1028]

SENATOR MELLO: We are very appreciative of that, Senator Morfeld. Senator Morfeld waives closing. That will end today's public hearing on LB1028 and ends the Appropriations Committee hearings for the day. Thank you. [LB1028]