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Banking, Commerce and Insurance Committee  
February 23, 2015

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[LB375 LB457 LB515]

The Committee on Banking, Commerce and Insurance met at 1:30 p.m. on Monday, February 23, 2015, in Room 1507 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB375, LB515, and LB457. Senators present: Jim Scheer, Chairperson; Matt Williams, Vice Chairperson; Kathy Campbell; Joni Craighead; Mike Gloor; Sara Howard; Brett Lindstrom; and Paul Schumacher. Senators absent: None.

SENATOR SCHEER: Good afternoon. It is 1:30, so we will go ahead and start the committee hearing. Welcome to the Banking, Commerce and Insurance Committee. My name is Jim Scheer; I represent the 19th District in the Legislature, and I serve as the Chair this year. The committee will take up the bills in order as they are posted. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. The committee members will be coming and going during the day...during our hearing. We have to introduce bills in other committees and sometimes are called away. It's not an indication that your bill is not of interest to us, but that it's just part of our process that we may have to be in and out on occasion. To better facilitate today's proceedings, I would ask you abide by a few procedures that we utilize. First of all, if you could either turn off or turn your cells to silent, that would be much appreciated. If you are going to be testifying, if you could move up towards the front row so that we know how many people may be testifying on any given bill. The order of testifying will be the introducer of the bill, proponents, opponents, neutral, and then a closing by the senator. Testifiers need to sign in on the pink sheets in the back. So if you're going to be testifying, please fill out a pink sheet and hand it to our clerk, Jan Foster, over to your right. If you do not want to testify, but want to put your two cents in as far as support or opposition to a particular bill, there are white sheets back there. If you'd fill in your name, the bill number, and either support or opposition to the bill. When you come up to testify, if you could first please pronounce your name and spell it for us, both first and last, so the transcribers have the ability to pick up who is testifying so you'll get credit for what you say. Please try to be concise. We do limit testimony with the light system to five minutes. You'll see the lights there. The green will be...you've got four minutes on green. When the yellow light comes on, you have one minute remaining. And the red light means that you should be done, and if you're not, I'll help you get that way. So, if you are testifying, please make sure you're talking directly into the microphone so that it can be picked up. And I would request that the committee members do as well. Written testimony...written materials that you would like us to see, there needs to be ten copies of each. And if you can give that to the page or Jan as you come up, and, preferably, we'd like to have that when you are testifying rather than later in case we have questions about the information you're providing us. Our two pages are Jake Kawamoto and Matt Ruiz. I believe they're both over there. Yep. And the counsel...or the committee counsel is Bill Marienau, and our committee clerk is Jan Foster over to the far left. And I will let the committee introduce themselves. We'll start with Senator Schumacher.

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SENATOR SCHUMACHER: I'm Paul Schumacher, representing District 22 in the Legislature. That's Platte and parts of Colfax and Stanton County.

SENATOR HOWARD: Sara Howard, I represent District 9 in midtown Omaha.

SENATOR LINDSTROM: Brett Lindstrom, District 18, northwest Omaha.

SENATOR CRAIGHEAD: Joni Craighead, District 6, Omaha.

SENATOR CAMPBELL: Kathy Campbell, District 25, Lincoln.

SENATOR GLOOR: Mike Gloor, District 35, Grand Island.

SENATOR SCHEER: And that does it for all the preliminaries. So we will now take up the bills. The first bill we will look at is LB375, Senator Craighead.

SENATOR CRAIGHEAD: Good afternoon, Chairman Scheer, and fellow members of the Banking, Commerce and Insurance Committee. My name is Joni Craighead, J-o-n-i C-r-a-i-g-h-e-a-d, and I represent Legislative District 6 in Omaha in Douglas County. I come to you today to introduce LB375. Under current law, real estate professionals are allowed to complete a Broker's Price Opinion, BPO, and Comparative Market Analysis, CMA, for listing, purchase, or the sale of real estate, or originating, extending, renewing, or modifying a loan in a transaction other than a federally-related transaction. LB375 would also allow BPOs or CMAs for the purpose of real property tax appeals. When homeowners want to protest the tax valuation of their properties, they must provide documentation regarding the value of such property to support their protest. Currently, accepted documentation includes a full copy of a recent appraisal, within the last 12 months; comparable properties; photographs; market sales of similar properties in a similar area; cost of recent construction of the property that affects the value; physical characteristics of the property; income, vacancy, and expense data related to commercial property; soil data showing different land uses or soil types, and this is farm land only; and/or any other evidence or data that reflects the market value of the property. For an average homeowner, getting an appraisal completed can be prohibitive. Many homeowners have existing relationships with real estate professionals and allowing these professionals to assist in developing documentation can give that homeowner peace of mind. Furthermore, allowing a real estate professional to complete a CMA or BPO benefits the process by having documentation completed by someone familiar with the market. I would like your support of LB375 and I'll answer any questions that you may have. [LB375]

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SENATOR SCHEER: Thank you, Senator. Any questions? Senator Campbell. [LB375]

SENATOR CAMPBELL: Generally, is there a fee for this, Senator Craighead? [LB375]

SENATOR CRAIGHEAD: There's what? [LB375]

SENATOR CAMPBELL: A fee? Is there a fee or...? [LB375]

SENATOR CRAIGHEAD: For an appraisal, yes. [LB375]

SENATOR CAMPBELL: Yes. For an appraisal? [LB375]

SENATOR CRAIGHEAD: With BPOs and CMAs, some realtors choose to charge for those, some do not. It depends on their company's policy. [LB375]

SENATOR CAMPBELL: Okay. So how widespread do you think that is? Just ballpark. [LB375]

SENATOR CRAIGHEAD: What with the fee? [LB375]

SENATOR CAMPBELL: Yes. [LB375]

SENATOR CRAIGHEAD: It varies. You know what, that's a great question. I need to find the answer. I should know this and I don't. But I think the biggest thing with this bill is just to allow the BPO and the CMAs, the realtors to assist with this process. [LB375]

SENATOR CAMPBELL: Got it. Because at this point, the cost for an appraisal could run what? A couple hundred dollars, maybe? [LB375]

SENATOR CRAIGHEAD: Or more. [LB375]

SENATOR CAMPBELL: Or more. [LB375]

SENATOR CRAIGHEAD: Yes. [LB375]

SENATOR CAMPBELL: Depending on the size of the property. [LB375]

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SENATOR CRAIGHEAD: Correct. [LB375]

SENATOR CAMPBELL: Would that be accurate? [LB375]

SENATOR CRAIGHEAD: Absolutely. [LB375]

SENATOR CAMPBELL: Would...and I tried to look real quickly and then I couldn't, would that market analysis also be...could you use that at TERC? You know, the tax equalization review...I can never remember TERCs. [LB375]

SENATOR CRAIGHEAD: I think you could... [LB375]

SENATOR CAMPBELL: Was I doing okay there, commission? Thank you. [LB375]

SENATOR CRAIGHEAD: Yes, because a lot of times at this point, people who are protesting the valuation of their property will talk with a realtor, get a BPO or CMA. [LB375]

SENATOR CAMPBELL: Thank you. [LB375]

SENATOR SCHEER: Senator Gloor. [LB375]

SENATOR GLOOR: Thank you, Chairman Scheer. Senator Craighead, so I'm assuming that...I'm reading this correctly, LB375 would allow BPOs or CMAs, not "and" CMAs; one or the other be acceptable? [LB375]

SENATOR CRAIGHEAD: Correct. [LB375]

SENATOR GLOOR: I'm pretty sure I've had a CMA done on a home, but I'm not sure about a broker's price opinion. Could you explain the difference between the two. [LB375]

SENATOR CRAIGHEAD: Certainly will: A BPO, a broker's price opinion must be done by a broker. And a broker can either be a managing broker of a company or it can be someone who is an associate broker. There are several ways to become a broker, but the educational and training levels are much higher than an agent. Okay? So a broker can do a BPO; a CMA is done by any licensed agent/realtor. But they are basically the same thing with a different name. It just depends on who does those. [LB375]

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SENATOR GLOOR: Okay. [LB375]

SENATOR CRAIGHEAD: And they are all adequate and everyone who is allowed to do either one of those is trained and are under also under the auspices of a broker. [LB375]

SENATOR GLOOR: So...but any licensed agent could do a CMA? Okay. [LB375]

SENATOR CRAIGHEAD: But... [LB375]

SENATOR GLOOR: But only a broker... [LB375]

SENATOR CRAIGHEAD: Can do a BPO. [LB375]

SENATOR GLOOR: Can do a BPO. [LB375]

SENATOR CRAIGHEAD: Right. But any...if you are an agent...everyone is considered a realtor, but if you are an agent, you have to work under the auspices of a broker, you can't be an agent and have your own brokerage...or agency. [LB375]

SENATOR GLOOR: Does a broker sign off on the CMA if it's done by an agent? I mean, clearly their license is behind them... [LB375]

SENATOR CRAIGHEAD: Correct. [LB375]

SENATOR GLOOR: ...but they have to review it and sign off. [LB375]

SENATOR CRAIGHEAD: Yes, and the broker has the ultimate responsibility for every agent that works in their office, yes. [LB375]

SENATOR SCHEER: Senator Schumacher. [LB375]

SENATOR SCHUMACHER: Thank you, Senator Scheer. Thank you for bringing the bill, Senator. A couple of weeks ago, we had a bill regarding appraisers. And I think there was a discussion of whether or not when you ask an auctioneer or someone to give you a figure on the value. And I thought the testimony was that it wasn't allowed in Nebraska for him to give you that opinion. How does this differ from that? [LB375]

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SENATOR CRAIGHEAD: Okay, this would allow brokers and agents to have a little bit more authority in what they're doing. They are qualified in what they do and they know what to do. But there's always been a...there is a constant battle between realtors and appraisers. That's pretty constant. [LB375]

SENATOR SCHUMACHER: So this sort of would...to that general rule, if it is a rule, that you couldn't pay for an appraisal and somebody couldn't get an appraisal, like we heard a couple weeks ago, this would create kind of an exception to that rule for purposes of property taxes? [LB375]

SENATOR CRAIGHEAD: Well, what this...this would not take the place of an appraisal by an appraiser. Appraisers are very highly educated and they have a lot of...for lack of a better word, an internship before they can become an appraiser. It's very, very lengthy. So this would not replace an appraisal. What this would do is allow people to have this used for tax valuation protests, okay, that would be the main reason. But an appraisal on a home would still need to be done by a licensed appraiser. [LB375]

SENATOR SCHEER: Senator Schumacher, if I...I might draw your attention to page 5, line 17, where it, I think, might describe what you are asking. [LB375]

SENATOR SCHUMACHER: Okay, thank you, Senator. [LB375]

SENATOR SCHEER: Other questions for Senator Craighead? Senator Campbell. [LB375]

SENATOR CAMPBELL: Just as a comment, and Senator Craighead you might want to make comment on it, too. When I sat on the county board, and I'm sure that it's probably changed in years since I've been gone, but we also then sat...the county board sits as the board of equalization, and when we had property protests before the county board, if someone walked in with an appraisal that was relatively current, I mean, you know, not...then by and large that's what the board looked at as the value of the property. So that's why the significance of what you are saying here has to do with, oftentimes, the county board then would rely upon this as the value of the property. [LB375]

SENATOR CRAIGHEAD: Yes. The same as if they were relying upon a report from an appraiser. [LB375]

SENATOR CAMPBELL: Got it. Does the comparative market analysis have to show the comparables that you work with? [LB375]

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SENATOR CRAIGHEAD: Yes, that's exactly what it is, it's the comps. [LB375]

SENATOR CAMPBELL: Okay. Would you envision that the comparative market analysis would also deal with the comparables that the assessor would use? [LB375]

SENATOR CRAIGHEAD: Could be. You know, when you do a listing on a property, you always run a CMA or a BPO always, before you even list. And a lot of...I do know this, that if an appraiser comes to your home and knows that you're a realtor, they are a little more concerned with what you're doing, because they know that you know what they're talking about. Okay? I just...I think what this does is allow people to have another choice in what they're doing. I also believe that the cost of a BPO or CMA is quite a lot less than an appraisal. [LB375]

SENATOR CAMPBELL: Right. [LB375]

SENATOR CRAIGHEAD: So I think this would be good public policy in my opinion. [LB375]

SENATOR CAMPBELL: So in the end, it would be up to each individual county board across the state to determine whether...when this was brought in that's what...that was the value that they're going to set it at, I'm assuming at that. I mean, we always had that choice, but from an appraiser's standpoint, we always looked at an appraisal as recent as pretty well the evidence needed by the homeowner. Although now, a lot of the counties have everything on-line and they show you exactly what comparables they used, so the average taxpayer can do quite a bit of this research themselves. [LB375]

SENATOR CRAIGHEAD: Comparables are somewhat subjective. [LB375]

SENATOR CAMPBELL: Right. [LB375]

SENATOR CRAIGHEAD: And you try to make a subjective issue as objective as you possible can. [LB375]

SENATOR CAMPBELL: And that is probably where your analysis comes in. Thank you, Senator Craighead. [LB375]

SENATOR CRAIGHEAD: Thank you. [LB375]

SENATOR SCHEER: Senator Howard. [LB375]

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SENATOR HOWARD: Thank you, Senator Scheer. And thank you for bringing this bill, Senator Craighead. I'm a little new to the, sort of, the education of appraisers versus realtors. Can you tell me a little bit about the licensure for realtors and some of their educational background. [LB375]

SENATOR CRAIGHEAD: I sure can. Let me start with appraisers, okay? I know that they go through more classes than a realtor, an agent. I can't tell you how many. I used to know and I should know. But then they go through an internship, they have to work with an appraiser for a certain period of time, and I want to say it's like a year. It's rather lengthy, okay? And that is because that is actually considered another industry. To become a real estate agent, you have to take two courses, sit for a state exam, and then you hang your license with a broker, okay, who is in charge of the brokerage. Now, just so you know the difficulty of that exam, 50 percent of people who take that test fail the first time, 50 percent, okay. So then to become a broker, and if you're a broker you can work under your own auspices, you can hang your license with yourself or you can choose to work as an associate broker underneath a managing broker of a company. Okay? Brokers can...agents can become a broker with two years experience plus an additional two classes and brokers exam. Or they can take six classes and sit for the brokers exam without being an agent first. And again, about 50 percent of brokers fail that exam the first time; candidates broker...candidates take it the first time. I know in the city of Omaha, there are 2,300 realtors in town, of which 2,100 are agents, and 200 are brokers. I'm a broker, but I work as an associate broker because I have my license at a brokerage, so I'm considered an associate broker. But I have also had my own brokerage where I can go out and, basically, you know, I can be my own business. That help? [LB375]

SENATOR HOWARD: That does. Thank you. [LB375]

SENATOR SCHEER: Any other questions? Seeing none, we'll let you take a seat. [LB375]

SENATOR CRAIGHEAD: Thank you. [LB375]

SENATOR SCHEER: And we will now open the testimony to proponents of LB375. Good afternoon. [LB375]

JUSTIN BRADY: Good afternoon. Senator Scheer and members of the committee, my name is Justin Brady, J-u-s-t-i-n B-r-a-d-y. I'm appearing before you today as the registered lobbyist for the Nebraska Realtors Association in support of LB375. As Senator Craighead indicated, the realtors look at this as another tool taxpayers can use when they go in to appeal their value. The current law, and I would say probably reconciles some of what's out there, current law says if you look at what can be brought in for the appeals process, it has the laundry list that Senator



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Craighead had listed. The last one listed says: Or any other item that the taxpayer deems necessary to prove the value of their property. Over in the other law of the CMA/BPO law it isn't listed that they can actually...that a broker price opinion or a CMA can be used for this tax purpose. So this would make it, in my opinion, clear that the CMA law would also say you could use it for tax purposes, which would fit with the current law over here that says you can bring in anything else you believe is...will show the true market value. The other thing I would say is this bill has been before this committee a couple of times before that I know of. The one difference, I would say, this year is we met with and the realtors met with the appraisers and then in December members of the appraiser board indicated that they did not have an objection to this bill, which they had had in the past, that they understand the need, I would say, not...not only on the cost issue, but the access issue, that there are a lot of Nebraskans out there that given the short time frame to do tax appeals, they can't get an appraiser to come to their property. And therefore, this would allow another tool for them. And so with that I will try and answer any questions. [LB375]

SENATOR SCHEER: Thank you. Are there any questions? Did a great job at getting no questions. Thanks. [LB375]

JUSTIN BRADY: Thank you. [LB375]

SENATOR SCHEER: Other proponents. Good afternoon. [LB375]

TYLER KOHTZ: Good afternoon. My name is Tyler Kohtz and I'm the director for the Nebraska Real Property Appraiser Board. T-y-l-e-r K-o-h-t-z. And I would just like to offer the Nebraska Real Property Appraiser Board's support for LB375. The board is in agreement with, pretty much, everything said by the previous individual, so I won't repeat all of it. [LB375]

SENATOR SCHEER: Okay, thank you. Senator Campbell. [LB375]

SENATOR CAMPBELL: So, Mr. Kohtz, what made you change your mind? From the other...Mr. Brady said that this has been here several times before and you had opposed it and now you're supporting it. What changed your mind? [LB375]

TYLER KOHTZ: I'll be honest, I don't know the history for the reason for opposition. I know that it is one of those things that appraisers were at one point territorial about, but the fact is, it's true that they don't have the time to do a lot of this work and it's a short amount of period in which it occurs in, so a lot of it is kind of the market needs more support. [LB375]

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SENATOR CAMPBELL: Can I ask one more? [LB375]

SENATOR SCHEER: Absolutely. [LB375]

SENATOR CAMPBELL: Mr. Kohtz, when a homeowner would sit down and look at this, is there a difference between what they get and what the outcome is...what they expect from a market analysis versus an appraisal? [LB375]

TYLER KOHTZ: I don't think so for this purpose. I think when you look at...if you have a good broker or a good realtor, I think they're going to be in the same ballpark as an appraiser for this purpose. I mean, they're going to know the market that they're working within. [LB375]

SENATOR CAMPBELL: Okay. Thank you. [LB375]

SENATOR SCHEER: Any other questions? Seeing none, thank you very much. [LB375]

TYLER KOHTZ: Thank you. [LB375]

SENATOR SCHEER: Any other proponents? Seeing none, are there any opponents to LB375? Seeing none, are there any that would like to speak in a neutral capacity? Seeing none, Senator Craighead to close. She waives closing and that will end the hearing on LB375. We'll now move to LB515. Senator Craighead. [LB375]

SENATOR CRAIGHEAD: Hello, Chairman Scheer, and fellow members of the Banking, Commerce, and Insurance Committee. I am Joni Craighead, J-o-n-i C-r-a-i-g-h-e-a-d and I represent Legislative District 6 in Omaha in Douglas County. I come before you today to introduce LB515. LB515 would provide for an amendment to increase the aggregate loan limit currently provided for and a program authorized by the Nebraska Investment Finance Authority Act for beginning farmers and ranchers. The Nebraska Investment Finance Authority, or NIFA, administers the Beginning Farmer and Rancher loan program which is governed by rules set forth in both the NIFA Act and the federal Internal Revenue Code. Working closely with Nebraska banks, NIFA provides a program to provide financing to beginning farmers and ranchers for the acquisition of farm land, equipment and, in some cases, livestock. Specifically, LB515 would amend section 58-242 of the NIFA Act to increase the aggregate amount of the loan for which a beginning farmer or rancher is eligible through the NIFA program to mirror the limit set forth in the federal Internal Revenue Code. The aggregate limit provided for in the federal IRS code for beginning farmer or rancher is \$517,700 and is adjusted automatically each year for inflation. In addition, I would like to propose an amendment to LB515 in order to

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provide that the limit on the amount of the loan received by a potential borrower would not include loans received by that borrower's adult children. This would make the aggregation rule on the limit of financing received by a potential borrower consistent with the federal tax rules applicable to the program. As specified in the NIFA Act, the Legislature has previously found that the cost of agricultural loans and the general unavailability of such loans at favorable rates and terms for farmers and ranchers, particularly beginning farmers and ranchers, have resulted in decreased crop, livestock, and business productivity and prevented farmers and ranchers from acquiring modern agricultural equipment and processes. Enactment of LB515 would enable NIFA to better serve Nebraska's beginning farmers and ranchers and address these findings. I thank you for your consideration and ask for LB515. I welcome any questions and we do have experts here that can probably also answer your questions. [LB515]

SENATOR SCHEER: Any questions? Senator Howard. [LB515]

SENATOR HOWARD: Senator Scheer. Do you have a copy of the amendment for us? Has it been... [LB515]

SENATOR CRAIGHEAD: I knew you were going to ask me that. [LB515]

SENATOR HOWARD: I'm sorry. [LB515]

SENATOR CRAIGHEAD: Let me see if I have it in here, okay. If not, I'll get it. [LB515]

SENATOR HOWARD: And then could you tell me again what the amendment does. [LB515]

SENATOR CRAIGHEAD: Am I supposed to be a state senator or something, is that it? It'll be okay. How about if I have that for you in just a few moments, would that work? [LB515]

SENATOR HOWARD: Certainly. [LB515]

SENATOR CRAIGHEAD: Thank you. [LB515]

SENATOR HOWARD: Can you remind me what the amendment does again? [LB515]

SENATOR CRAIGHEAD: I'm sorry. [LB515]

SENATOR HOWARD: Can you remind me what the amendment does again? [LB515]

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SENATOR SCHEER: It was in your opening. [LB515]

SENATOR CRAIGHEAD: What? [LB515]

SENATOR SCHEER: It was in your opening, whatever you said the amendment did. [LB515]

SENATOR GLOOR: Children's loan... [LB515]

SENATOR CAMPBELL: It takes out... [LB515]

SENATOR HOWARD: Something about families. [LB515]

SENATOR WILLIAMS: Takes the adult children... [LB515]

SENATOR CAMPBELL: It takes...the way the statute now reads...I'm sorry, Chairman Scheer, that okay if I go ahead? [LB515]

SENATOR SCHEER: Yes. [LB515]

SENATOR CAMPBELL: In the way that it now reads, there has to be an aggregated...between the spouse and children... [LB515]

SENATOR CRAIGHEAD: Yeah. [LB515]

SENATOR CAMPBELL: And I think you're trying to take out that if the children had a loan it wouldn't count. [LB515]

SENATOR CRAIGHEAD: Yes. [LB515]

SENATOR HOWARD: The adult children. [LB515]

SENATOR CAMPBELL: The adult children. [LB515]

SENATOR CRAIGHEAD: The adult children, it will take it out of the aggregate, yes. Thank you, Senator Campbell. [LB515]

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SENATOR HOWARD: Okay. Thank you. [LB515]

SENATOR SCHEER: If there are no other questions, I do have one. Is there a concern that by tying this to an IRS or some other mechanism that we have, again, relieved the Legislature of a job it's supposed to do and turn it over to a different entity, which has come up before? So I'm just wondering your thoughts in relationship to that. [LB515]

SENATOR CRAIGHEAD: It's just aligning us with the federal guidelines. [LB515]

SENATOR SCHEER: Well, I understand, but it's also changing the number based on the federal government's information about something that the Unicameral has done that sometimes creates a problem. [LB515]

SENATOR CRAIGHEAD: It can. Would you allow me to let Mr. Kenny from NIFA answer your question? [LB515]

SENATOR SCHEER: Absolutely. Absolutely. [LB515]

SENATOR CRAIGHEAD: Thank you. [LB515]

SENATOR SCHEER: Any other questions? Seeing none, we'll open it up... [LB515]

SENATOR CRAIGHEAD: Thank you. [LB515]

SENATOR SCHEER: We'll now entertain proponents for LB515. Welcome. [LB515]

TIMOTHY R. KENNY: (Exhibits 1 and 2) Thank you, Chairman Scheer, and thank you, members of the committee. My name is Timothy Kenny, Timothy R. Kenny, T-i-m-o-t-h-y, R., initial R, last name Kenny, K-e-n-n-y. I'm the executive director of the Nebraska Investment Financial Authority and I'm here today to testify in support of LB515. Being handed out to you are copies of my testimony. And on the back of that testimony is a comparison of the state law and the federal law with respect to this particular program which is the Beginning Farmer and Rancher program. Also is a little background information on NIFA to update you on our activities. The Nebraska Investment Finance Authority was created by the Legislature in 1983 pursuant to a specific state statute, the NIFA Act, as a body politic and corporate, not a state agency, but an independent instrumentality of the state to exercise essential public functions identified by the Legislature. In this case, we're primarily acting as an intermediary on behalf of

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the federal government and the state to bring a tax exempt resource, or tax exempt financing to beginning farmers and ranches. To help address this need, NIFA administers this Beginning Farmer and Rancher loan program in accordance with section 147 of the Internal Revenue Code of 1986. We do this in other areas on behalf of the state. For example, the section 42 code, with respect to the low income housing tax credit program, and also with respect to certain funding programs offered by the Department of Environmental Quality related to waste water and drinking water. Pursuant to the code and the NIFA Act, interest on bonds issued to finance these loans, these Beginning Farmer and Rancher loans, is exempt from federal and Nebraska state income taxes. Both the code and the NIFA Act contains certain restrictions that ensure that the public purposes of the program that is assisting Beginning Farmers and Ranchers are carried out. One of those restrictions is the amount of the bond which may be issued and the loan that may be made to both...to the beginning farmer or rancher with the proceeds of the bond. The restriction is provided for in both the code and the NIFA Act, and that's illustrated on the back and highlighted in yellow. Currently, these limits are set at different levels. Ten years ago on this topic, LB90 was enacted adjusting the NIFA loan limit to the fixed amount of \$500,000 when the federal loan limit was fixed at \$450,000. In 2008, an amendment to the Internal Revenue Code, section 147, provided for a loan limit for this program that is annually adjusted for inflation pursuant to a price level index. The federal loan limit for section 142 is now \$517,700, while the loan limit applicable in the NIFA Act remains at \$500,000 providing for an increase in the loan limit under the NIFA Act to match that in the federal code would better enable NIFA to assist farmers and ranchers in the state. LB515 would amend the NIFA Act to adjust the aggregate amount of the loan received by the beginning farmer or rancher through the NIFA program in a manner that keeps it consistent with the federal loan limit for the program as specified in the code. The second amendment that Senator Craighead mentioned was a provision that we discovered after our original thinking on this where the loan limits are aggregated with loans under state law associated with children, just generally children. Whereas, the federal loan limit as highlighted here only makes that aggregation with respect to minor children. So the amendment as proposed would insert the word "minor" immediately preceding the word "children" in line 29. To enable NIFA to better serve Nebraska's beginning farmers and ranches, I support the enactment of LB515. And I'm prepared to answer questions. [LB515]

SENATOR SCHEER: Senator Williams. [LB515]

SENATOR WILLIAMS: Thank you, Chairman Scheer. Mr. Kenny, thank you for being here and thank you for what your organization does for financing all kinds of projects across our state. In particular with this program, could you just talk generally about the usage across the state and how you're helping young people get involved with agriculture? [LB515]

TIMOTHY R. KENNY: The program has been an activity of NIFA since the '80s, and has been active in a direct relationship to the price of crops and the interest rates. I have a graphic I'd be

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happy to share it with you from 1983, 1981 forward, that shows relative interest rates both in short-term and long-term rates. This program is much more active in the higher interest rate periods than they are in lower interest periods. But since the '80s, since we've begun this, I think we've done about \$120 million worth of loans like this. And our average loan has been about \$189,000. It is a very proactive program. We start working and talking with kids about it when they're in 4-H and FFA talking about their futures in agriculture. And the loan is not only available for equipment and land, but also for operation such as vegetable farms, urban agriculturists, protein producers, and a number of different ways. Every one of these loans has to be evaluated independently and that's what NIFA's role is, is to be independent of the whole process and make objective determinations that the loans, as offered by the banks and the financial institutions, and often individual sellers of property meet the federal guidelines. So our role is first of a cheerleader and a connector of resources in the banking institution to beginning farmers and ranchers. And also as an advocate for the program to get the information out to the individual users of it. [LB515]

SENATOR WILLIAMS: So it's certainly an additional tool that is available for younger people to get involved with agriculture. And I guess I would like you to comment...you mentioned the interest rate cycle, we've been in an unprecedented lengthy period of low interest rates which certainly will change at some point, so your thoughts would be as interest rates move up, the usage of this program would continue to increase. [LB515]

TIMOTHY R. KENNY: We see three components. Not only the demographic issue of farmers wanting...farmers and ranchers wanting to move on to the next stage of their lives and transfer their properties to new farmers and to preserve the integrity of their communities, as well as their agricultural operations, but also as interest rates go up, and we're absolutely sure only about one thing with respect to interest rates is that they will change. Chairman Yellen at the Federal Reserve Bank has indicated that they will start changing again. And so the typical...if you were to draw an average line across the graphics that we see, the typical rate is somewhere between 5 and 7 percent. And this program has over the previous years arranged or benefited farmers and ranchers...beginning farmers and ranchers with a discount to that rate of about 1 percent, about a hundred basis points. So it's a tool that enables them to be more successful, or at least make those loans more affordable. [LB515]

SENATOR WILLIAMS: Thank you. [LB515]

TIMOTHY R. KENNY: Thank you, Chairman and Senator. [LB515]

SENATOR SCHEER: Senator Campbell. [LB515]

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SENATOR CAMPBELL: Thank you, Senator Scheer. Mr. Kenny, good to see you. [LB515]

TIMOTHY R. KENNY: Good to see you. [LB515]

SENATOR CAMPBELL: We haven't worked together for a while. Is there some reason why we put into statute the specific amount? Would it be better for us to say that when the federal rate changes, this changes by X number of percent? [LB515]

TIMOTHY R. KENNY: The first time we saw the change was in...I can't believe it's been ten years ago, seems like it was just the other day, but it's been ten years ago, and we actually increased it slightly above the federal rate because we really didn't expect it to change dramatically after that. But in '08, the federal government, I think, got tired of changing the rate and having to have legislative action to do that, so they just indexed it to this price index. So in this particular program, if we just run parallel to that and use that rate, like we do in many other programs, because many of our state programs are based upon a federal index that's proposed by HUD. For example, in our housing tax credit programs, we use a federally determined area median income as an index. It really saves legislative effort on a principally administrative matter. [LB515]

SENATOR CAMPBELL: So we would have to amend the bill at this point to tie it to that rather than a specific figure. [LB515]

TIMOTHY R. KENNY: That's correct. And let me give you an example. We have a bill...a proposal right before us where a beginning farmer is trying to use the program for a \$500,000 loan. The current loan limit is \$517,000; and that's what caught my first attention. Secondly, that provision in there about minor children and children, this particular farmer's child, when they were...earlier on, and now they're an adult, had received a NIFA loan and we were actually having to reduce that loan to \$440,000 because our state statutes says "children" and the federal statutes says "minor children." So that's how that particular element arose. [LB515]

SENATOR CAMPBELL: Thank you. [LB515]

TIMOTHY R. KENNY: Thank you, Senator. [LB515]

SENATOR SCHEER: Senator Schumacher. [LB515]



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SENATOR SCHUMACHER: Thank you, Senator Scheer. Thank you, Mr. Kenny, for appearing before the committee today. A couple of different questions: Are these loans for real estate or for personal property or both? [LB515]

TIMOTHY R. KENNY: The loans can be for real estate and for new tangible personal property. And there's a limit with respect to used tangible personal property such as machinery and equipment. And that limit is \$62,500. For new personal property, it's not a limit and for land loans, for land it's included. It does not...it's not available for residences. So you could not use this for a residence on a farmstead. However, this program is often used in conjunction with a farm credit loan to complete a package. [LB515]

SENATOR SCHUMACHER: Now whose money is actually being loaned here? [LB515]

TIMOTHY R. KENNY: The money is typically the loans made by a bank or a financial institution, or in some cases, it's actually a seller, an individual. It's not NIFA's money nor is it the state's money. What we're just doing is certifying that it is eligible and wrapping the tax exemption around the loan. [LB515]

SENATOR SCHUMACHER: So basically, the end game is to cause the interest that is paid to be tax free? [LB515]

TIMOTHY R. KENNY: The interest that is paid into the loan is exempt from both federal and state income tax, yes, Senator. [LB515]

SENATOR SCHUMACHER: Now why wouldn't the fact that it's...that somebody could...and it's loaned out at about 1 percent less. [LB515]

TIMOTHY R. KENNY: Yes, it is. [LB515]

SENATOR SCHUMACHER: So doesn't that just drive up the price of farm land because they've got less interest to pay than they will for the principal? [LB515]

TIMOTHY R. KENNY: You know, that's a great question. And it's often studied both in housing as well as ground and, you know, the answer that comes back, much like the conversation you had earlier, is that the appraisers and the valuation is set by the market and it just makes the payment more affordable. [LB515]

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SENATOR SCHUMACHER: But the market will go up if there was...if everybody had the lower interest rate. [LB515]

TIMOTHY R. KENNY: If everybody did, but this is limited just to beginning farmers and ranchers who have a low net worth. So beginning is defined... [LB515]

SENATOR SCHUMACHER: Well... [LB515]

TIMOTHY R. KENNY: I'm sorry, go ahead. [LB515]

SENATOR SCHUMACHER: Go ahead. [LB515]

TIMOTHY R. KENNY: Beginning is defined both...differently again, but it's a combination definition in both federal and state law. In federal law, there's a prohibition against prior land ownership in excess, I believe, one-third of the average land ownership in a county. And we actually have a graphic, county by county, that tells what the average loan size is and you can't have...your beginning farmer is by definition under federal law is not to have owned that more than an amount greater than one-third of the average. Under state law, we have a net worth on the borrower. This is not under federal law, but under state law we have a net worth on the borrower. So those are two additional restrictions that preclude everybody from using this. Just targeted toward beginning farmers, which are defined both under state law and under federal law. [LB515]

SENATOR SCHUMACHER: A beginning farmer could be 60 years old. [LB515]

TIMOTHY R. KENNY: Absolutely. We've had some. [LB515]

SENATOR SCHUMACHER: And is there any evidence that in the aggregate there are more people taking up farming because of this than would be otherwise? [LB515]

TIMOTHY R. KENNY: We have many, many people who come who are genuinely beginning farmers who are getting started in a community. And this becomes their first, you know, their first investment. We have a number of cases where people are retiring from other communities and they're retiring from other jobs and coming back and starting up in farming and using this. So we have a broad range of experience of young and old and people who are just beginning their business careers and people that...we call them ag entrepreneurs, people who are just beginning their ag entrepreneurship and people who are coming from other professions. [LB515]

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SENATOR SCHUMACHER: Now does this NIFA \$500,000 adjusted limit, can you have more than one of those loans? [LB515]

TIMOTHY R. KENNY: There's a dollar limit for an individual in total. So you could have, perhaps, two \$250,000 loans. Look at my counsel, is she flinching? Does she look like I said that right? I think you can have two \$250,000 loans, but in aggregate as an individual, you can't have more than \$500,000. [LB515]

SENATOR SCHUMACHER: Can you beat the system by having an LLC or corporation? [LB515]

TIMOTHY R. KENNY: It goes to the individual operator. And they have to get their... [LB515]

SENATOR SCHUMACHER: There's attribution rules that go onto that. [LB515]

TIMOTHY R. KENNY: Right. Yes, sir. Yeah. [LB515]

SENATOR SCHUMACHER: Okay, thank you for your testimony. [LB515]

TIMOTHY R. KENNY: Thank you, Senator. [LB515]

SENATOR SCHEER: Other questions? Seeing none, thank you, Mr. Kenny. [LB515]

TIMOTHY R. KENNY: Thank you very much. [LB515]

SENATOR SCHEER: Any other proponents? Good afternoon. [LB515]

JESSICA KOLTERMAN: Hello. I don't get to this committee very often. My name is Jessica Kolterman, J-e-s-s-i-c-a K-o-l-t-e-r-m-a-n. I'm the director of state governmental relations for Nebraska Farm Bureau and I come before you today on their behalf. We just wanted to go on the record that we support the harmonizing that Senator Craighead is trying to do with this bill. And we want to urge that support from the committee as well. [LB515]

SENATOR SCHEER: Questions? Quick day. Thank you, Ms. Kolterman. [LB515]

JESSICA KOLTERMAN: Thank you. [LB515]

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SENATOR SCHEER: Any other proponents? Seeing none, are there any opponents? Again, seeing none, are there any that wish to speak in a neutral capacity? Seeing none, Senator Craighead to close. [LB515]

SENATOR CRAIGHEAD: (Exhibit 4) Just a comment--we did put in for Mr. Kenny's amendment request on February 12. And we chased it down and here it is. So I'll pass those out. [LB515]

SENATOR SCHEER: Okay. Thank you. [LB515]

SENATOR CRAIGHEAD: Thank you. [LB515]

SENATOR SCHEER: Any final questions? [LB515]

SENATOR CAMPBELL: Chairman Scheer, I just have one. [LB515]

SENATOR SCHEER: Yes. Senator Campbell. [LB515]

SENATOR CAMPBELL: And not...sorry, not of Senator Craighead, it is to the legal counsel. [LB515]

SENATOR SCHEER: Okay. [LB515]

SENATOR CAMPBELL: Bill, when we asked Mr. Kenny about setting the legislation at some kind of an index so we don't have to keep coming back and coming back, do you see us doing that in a separate amendment or how would we arrive at that if that is something we wanted to do? [LB515]

BILL MARIENAU: I don't have a mike. They took my microphone away. That's probably a message to me. (Laughter) [LB515]

SENATOR CAMPBELL: I'm sorry. I could ask this later. [LB515]

BILL MARIENAU: Were you asking about whether it's appropriate to do it as a constitutional issue or how it works? [LB515]

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SENATOR CAMPBELL: No, no, no, no. I'm just trying to figure out...do we save future legislators by putting in some kind of an index than having to change the amount every single time? Or is it just going to be such a...what should I say, variable that we would have to put the amount in? Or are we required to put it in? [LB515]

BILL MARIENAU: (Exhibit 3) Yeah. Well, the bill mentions the Internal Revenue Code section. And then if you go through the Internal Revenue Code section there are...you bounce back and forth amongst all the paragraphs and you'll find where there is a provision there for...I think it's an annual increase. If you start on...and we handed around...I handed around a photocopy of section 147 of the Internal Revenue Code because that is internal referenced within the bill. And it refers to subsection (c), so you start there, which would be on page...it shows up on my copy... 591. And then you work down to the next page and you get to (c)...it would be (c)(2)(H) Adjustment for Inflation on page 592. That then refers to section 1(f)(3) which I presume that's Internal Revenue Code section 1. I'd have to look that up to see if that's the case, but that is where there is a cost of living adjustment in that other section there. Now this all holds together assuming the federal law isn't substantially changed. Therein you can run into some issues that may necessitate NIFA's needing this to be changed again. That's one of the reasons why over the years sometimes the Legislature has decided that a specific dollar amount is the way to go. That also gets away from the constitutional issues that we have, like when we talk about the wild card sections for state-chartered financial institutions and that sort of thing. [LB515]

SENATOR CAMPBELL: Thank you. [LB515]

SENATOR SCHEER: Bill, do you perceive that there is a constitutional concern with doing it the way it's proposed? [LB515]

BILL MARIENAU: I've not found a specific case where at least our Supreme Court has touched on that. Our court has said--our separation of powers revision Article II, Section 1 of the constitution says--one of our branches of government may not in a particular...and speaking of the Legislature, may not give its sovereign policymaking authority away to another entity or branch or outside association or trade association or whatever. I've never found a case where...when you're talking about taking the policy decision and moving it off to a formula that exists that say measures the market, is that an abrogation of the Legislature's authority, like judgment interest or state average wage for work comp benefits, that sort of thing. I found reference in a case that talked about the way our income tax is based upon federal income tax, and there was a test case on that in 1967. And in that case, they looked at similar issues as regarded abrogation of a Legislature's sovereign authority. This was in the case of...and this is really extenuated because it was the territorial Legislature of Alaska in the late 1940s in the U.S. Ninth Circuit Court of Appeals said they wouldn't overturn basing a territorial income tax on the

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federal income tax, but then they did say it's not objectionable because it's not a labor-saving device for legislators. And that's an exact quote. So therein is where the issue always comes up when people say--let's make this change, tie it to some outside formula because it will save us having to come back and redo this every couple of years. That is potentially a problem if one believes that that Ninth Circuit case from 1950 is precedent. And that is probably more than you wanted to hear, but... [LB515]

SENATOR CAMPBELL: It's always helpful. [LB515]

BILL MARIENAU: Okay. [LB515]

SENATOR CAMPBELL: Thank you. [LB515]

SENATOR SCHEER: Any other questions before we close the hearing? Seeing none, that will close the hearing on LB515. And we've not been at this very long, so we will forgo the break and we will then...yeah, we're going to go right to you, Mike. We will now open the hearing on LB457. Whenever you'd like. [LB515]

SENATOR GLOOR: (Exhibit 1) Thank you, Chairman Scheer and fellow committee members. My name is Mike Gloor, G-l-o-o-r. LB457 was brought to me by the Nebraska Department of Economic Development to transfer funds from a program that has not been used since its inception in 2011. The money in the fund called the Industrial Recovery Fund was taken from the Nebraska Affordable Housing Trust Fund, but was never used. This funding and program was created because Norfolk had just lost a major employer and was looking for ways to lessen the blow and supplement housing costs and redevelopment work sites. The same bill that created the Industrial Recovery Fund also created the Site and Building Development Fund to help counties, cities, and others to build infrastructure and to provide matching funds for new construction, rehabilitation, or acquisition of land and buildings for industrial-ready sites. Money from the Affordable Housing Trust also was put into this fund. This program has been useful and has been used in building use-ready industrial sites. The bill would terminate the unused Industrial Recovery Fund that went unused and move its purpose to the Site and Building Development Fund. LB457 also moves the funding with a purpose. After the bill was introduced to the Department of Economic Development and the Affordable Housing Trust Fund worked out a compromise that splits the unused funding so that half will go to the Site and Building Development Fund and half would go back to the Affordable Housing Trust Fund. And that is the amendment that you have in front of you. I'd be happy to answer any questions that you might have on this bill. But there will be people behind me from the department and the Affordable Housing Trust Fund who will also be testifying and can answer some of your questions also. Thank you. [LB457]

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SENATOR SCHEER: Thank you, Senator Gloor. Any questions? Senator Howard. [LB457]

SENATOR HOWARD: Thank you, Senator Scheer. Thank you, Senator Gloor, for bringing this bill. I'm looking at page 5, section 7, which speaks specifically to a private sector entity closing. Why are we specific to a private sector entity? Would there ever be a possibility of a large public-sector entity, like a veterans hospital or say an Air Force base ever closing and that also affecting the economy? [LB457]

SENATOR GLOOR: That's a good question. I don't know. That...I would ask you...if you don't ask the question later, I'll ask the question later and get back to you. [LB457]

SENATOR HOWARD: Okay. Thank you. [LB457]

SENATOR SCHEER: Any other questions? Seeing none, we will go ahead and take the proponents and perhaps they'll have the answer for us. [LB457]

SENATOR GLOOR: Thank you. [LB457]

SENATOR SCHEER: Thank you, Senator Gloor. Now, we'll open the testimony to proponents of LB457. Welcome to our committee. [LB457]

BRENDA HICKS-SORENSEN: (Exhibit 2) Thank you. Good afternoon, Chairman Scheer and members of the Banking, Commerce and Insurance Committee. For the record my name is Brenda Hicks-Sorensen, that's B-r-e-n-d-a, last name, H-i-c-k-s, hyphen, S-o-r-e-n-s-e-n. I appear...and I should mention I'm the Director of the Department of Economic Development. I appear to you today in support of LB457 and I would like to thank Senator Gloor for introducing the bill on behalf of the Department of Economic Development. LB457 involves three separate funds administered by the Department of Economic Development. These include the Industrial Recovery Fund, the Site and Building Development Fund, and the Nebraska Affordable Housing Trust Fund. Before I get into details of LB457, I will provide a brief explanation of the uses of each fund. The Industrial Recovery Fund was created in 2011 to provide resources to assist political subdivisions impacted by a private sector entity closure or downsizing. The Site and Building Development Fund was also created in 2011 and provides financial assistance for industrial site and building development. The Nebraska Affordable Housing Trust Fund, which I will refer to as the Housing Fund, was created in 1996 and provides financial assistance for community affordable housing projects. Under current law, the Industrial Recovery Fund receives funding from the Housing Fund projects that do not use their entire grant award. As an example, if a housing project has \$5,000 remaining upon completion, such funds would be

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deposited into the Industrial Recovery Fund. When the Industrial Recovery Fund balance exceeds \$1 million, no additional funds are transferred into the Industrial Recovery Fund unless and until the balance falls below \$1 million. When the balance in the Industrial Revenue Fund exceeds \$1 million, the funds from housing projects that do not use their entire grant award remain in the Housing Fund. The Industrial Recovery Fund statute, as it currently exists has narrow parameters. To date, the department has not funded a project from the Industrial Recovery Fund. As a result, the Industrial Recovery Fund currently holds approximately \$1,116,000. This does include interest earned on the fund balance. The department requested the introduction of LB457 to accomplish the following purposes. First, to sunset the Industrial Recovery Fund due to its narrow parameters. Second, to add an additional activity under the Site and Building Development Fund with such activity being the funding of projects that mitigate the economic impact of a closure or downsizing of a private sector entity by making necessary improvements to buildings and infrastructure. Third, to clarify that site and/or building planning and preparation-related activities can be funded from the Site and Building Development Fund. Fourth, to transfer the money in the Industrial Recovery Fund to other department uses. And finally, to stop the transfer of funds from housing projects that do not use their entire grant award hereby keeping these funds in the Housing Fund. The amendment that Senator Gloor has presented today provides for the money in the Industrial Recovery Fund to be split equally between the Site and Building Development Fund and the Housing Fund. This allows a portion of the funding to be used for the activity of funding projects that mitigate the economic impact of a closure or a downsizing of a private-sector entity and a portion to go into the Housing Fund, as the source of the money the Industrial Recovery Fund originated from housing projects that did not use their entire grant. Thank you for your time today. I would be happy to answer any questions you may have. [LB457]

SENATOR SCHEER: Thank you. Senator Schumacher. [LB457]

SENATOR SCHUMACHER: Thank you, Senator Scheer. So basically there's \$1.1 million sitting in this fund. [LB457]

BRENDA HICKS-SORENSEN: Yes. [LB457]

SENATOR SCHUMACHER: That nobody has applied for. [LB457]

BRENDA HICKS-SORENSEN: Correct. [LB457]

SENATOR SCHUMACHER: Okay. Tell me, if a little town had a tornado come through it and take three-quarters of the town away and was deeply in debt and needed money to keep it's infrastructure running, it's sewer system, it's water tower, it's swimming pool, in just reading



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through this briefly, it looks like they could apply to this fund and get the money, particularly if they needed \$750,000. [LB457]

BRENDA HICKS-SORENSEN: When you refer to this fund, I'm sorry, which fund are you referring to? [LB457]

SENATOR SCHUMACHER: This is the uses Site and Building Development Fund to finance...and this is the Industrial Recovery Fund, okay. So there's two funds here that we're involved with. One is the Site and Building Development Fund and the other is the Industrial Recovery Fund? [LB457]

BRENDA HICKS-SORENSEN: And there's actually a third with the Affordable Housing Trust Fund which we refer to as the Housing Fund. [LB457]

SENATOR SCHUMACHER: How much money does this Building and Development Fund...Site and Building Development Fund have in it? [LB457]

BRENDA HICKS-SORENSEN: Currently, there's \$5 million, with an additional \$2 million expected this year. The Department of Economic Development currently has approximately \$3.5 million under contract, with another \$3.3 million out in offers. [LB457]

SENATOR SCHUMACHER: Okay. And then the purpose of this Industrial Recovery Fund, who can apply for money from that? [LB457]

BRENDA HICKS-SORENSEN: Sure, so the Industrial Recovery Fund was really...there was several criteria that an applicant needed to meet. In order to fund a project from that fund, the funding had to be provided to a political subdivision in response to a sudden and significant event that will have significant effect on the community and must be used to meet necessary improvements related to the assets of the private sector entity that closed or downsized. So really what that meant is the closure or downsizing must be both significant and sudden and it must have a significant impact on the community. And improvements can only be made to the assets of the private sector entity that closed or downsized. Therefore, that's...because of those criteria that is why there has not been a user of the fund since inception. [LB457]

SENATOR SCHUMACHER: So the \$1.1 million is in this fund and it's available to a town impacted by something that happened suddenly and it's significant private sector entity closures or downsizing. [LB457]

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BRENDA HICKS-SORENSEN: Correct. [LB457]

SENATOR SCHUMACHER: A tornado hitting a town. [LB457]

BRENDA HICKS-SORENSEN: I don't know that a... [LB457]

SENATOR SCHUMACHER: It's certainly sudden. [LB457]

BRENDA HICKS-SORENSEN: Sure, with a tornado, I think there would be other opportunities to look at resources, because, obviously, there would be, I anticipate, several businesses that would be impacted, as well as private sector housing and... [LB457]

SENATOR SCHUMACHER: A whole bunch of them. [LB457]

BRENDA HICKS-SORENSEN: Absolutely. [LB457]

SENATOR SCHUMACHER: If they've exhausted all other remedies, is that a place for \$1.1 million? [LB457]

BRENDA HICKS-SORENSEN: Well, and again, we're asking that the funds be transferred and eligible use under sites and buildings. So the actual utilization is...so funding would still be available under the sites and buildings program, about \$550,000 would be transferred to the Sites and Buildings Fund that could be utilized for appropriate opportunities. And then approximately \$550,000 would transfer to the Affordable Housing, which, as I would anticipate, should a tornado destroy a town, there would also be significant housing needs as well. [LB457]

SENATOR SCHUMACHER: Right now, there's \$1.1 million in the kitty. [LB457]

BRENDA HICKS-SORENSEN: Yes. [LB457]

SENATOR SCHUMACHER: And if we don't do anything about it, there will be \$1.1 million in the kitty. [LB457]

BRENDA HICKS-SORENSEN: Correct. It would... [LB457]

SENATOR SCHUMACHER: Thank you. [LB457]

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BRENDA HICKS-SORENSEN: ...increase slightly with interest rates...with interest. [LB457]

SENATOR SCHEER: Senator Howard. [LB457]

SENATOR HOWARD: Thank you, Senator Scheer. So just to repeat my previous question. Why are we only considering the closing or downsizing of a private-sector entity as opposed to a public-sector entity? [LB457]

BRENDA HICKS-SORENSEN: Sure. When this was originally proposed and approved in 2011, the original intent from Senator Flood was to focus on private sector industries. [LB457]

SENATOR HOWARD: Would that be...would a change to a public entity be something that you would consider? [LB457]

BRENDA HICKS-SORENSEN: I think we would always consider anything. I would caution though because frequently, in your example...for example a veterans hospital or some kind of... [LB457]

SENATOR HOWARD: A base closure. [LB457]

BRENDA HICKS-SORENSEN: ...a base closure, whatever, typically, the federal government does provide some resources in those two examples that we would want to take full advantage of at first. So again, this is a limited resource, so I would strongly encourage to continue the focus on private sector. [LB457]

SENATOR HOWARD: For the federal funds that would be available, there would be a matching requirement for the state. [LB457]

BRENDA HICKS-SORENSEN: I, admittedly, it's been a while since I've...I've not had to personally work with a veterans hospital closing, but I have had to work with base closures, and I'd have to go back and look at the...it's been a handful of years, more than I'd like to admit. [LB457]

SENATOR HOWARD: Certainly. Thank you. [LB457]

SENATOR SCHEER: Other questions? Senator Schumacher. [LB457]

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SENATOR SCHUMACHER: One follow-up question: who would they apply to to get some money out of this \$1.1 million? [LB457]

BRENDA HICKS-SORENSEN: They...currently the applications are through the Department of Economic Development. [LB457]

SENATOR SCHUMACHER: Okay. Thank you. [LB457]

SENATOR SCHEER: Senator Campbell. [LB457]

SENATOR CAMPBELL: I just want to be real clear here from Senator Schumacher's questions. And that is, in the sections of the bill on page 4, it does talk that the villages, cities, or counties could acquire land, that's number one, they could acquire and improve infrastructure; make large sites and buildings ready for industrial development. Okay. Or two, they could have matching funds for new construction, land, buildings to assist. Is it in item 2 that this particular town could apply for the money on site? Because it wouldn't be in 1, and it wouldn't be in 3 because most of those are dealing with industrial sites, which I'm assuming goes back to Senator Howard's questions about public and private. Because most of this is aimed at the private sector, is it not? To get ready...as an economic development department, it's trying to say, well, if you need to make some...a site ready for industrial economic development project, that's what this is. But it's under number 2, is that what you're looking at, Senator Schumacher? [LB457]

SENATOR SCHUMACHER: Actually, I've been more looking at page 3, which is the thing I think that we're terminating here--Industrial Recovery Fund. And under Industrial Recovery Fund in line 7 on page 2 it says there's a fund created and it may provide assistance from the fund to a political subdivision, i.e. town, impacted by something sudden and significant. Private sector entity closing, well they closed really quick, shall be used to mitigate the economic impact of the closing or downsizing by making improvements. The building and infrastructure are both related to the assets of the private sector entity. [LB457]

SENATOR CAMPBELL: Okay. I'm just saying though that if we follow the bill as Senator Gloor has proposed here, then that money goes into the housing, or the other fund, and your...the industrial site goes away. [LB457]

SENATOR SCHUMACHER: Right. But if the money is there and if the shoe fits, and maybe it doesn't fit, but if the shoe fits and the money is there, I know one little town that's going to be on somebody's doorstep. [LB457]

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BRENDA HICKS-SORENSEN: Well, and having actually worked with a community in my past experience, that was wiped out by a tornado, our focus wasn't on their closure, that was the last thing we actually wanted the businesses to do. Our focus was actually getting them up and running very quickly and helping them out. And so I would anticipate that that's very much what we would plan to do with any of the resources that we had available through the Department of Economic Development. Again, focus on getting those businesses back operational as quickly as possible. [LB457]

SENATOR SCHEER: Senator Williams. [LB457]

SENATOR WILLIAMS: Thank you, Senator Scheer. Director, a question back to a real circumstance, and I guess my question relates to how well people know this program even exists. In my district, in Ravenna, about a year and a half ago, the Leprino plant closed. And that plant in a community of about 1,400 people employed a couple of hundred people. And it was sudden and it had a significant impact on that community because those jobs were lost. Is that the type of opportunity that this fund would be looking at trying to help that community find a way to use some money to help entice Leprino to have stayed in the community? [LB457]

BRENDA HICKS-SORENSEN: Not knowing the specific situation, we would definitely... [LB457]

SENATOR WILLIAMS: And I know not to...but just that general concept of what they're there for. [LB457]

BRENDA HICKS-SORENSEN: Sure. And really, and that's what we're looking for with the amendments to LB547 (sic: LB457). [LB457]

SENATOR WILLIAMS: Because I think we kind of got off on thinking of sudden in looking at a tornado or a natural disaster of some kind. But sometimes companies decide to close or downsize. [LB457]

BRENDA HICKS-SORENSEN: Right. Right. And sometimes the challenge, and I apologize, LB457, the challenge is that definition of "sudden." Sometimes there's a gradual decrease in employment. I hate to say it, you can see the writing on the wall. So again, that definition of "sudden" and the impact, so without knowing the specific situation, I can't address that. But again, we are looking at within the Sites and Building Development Fund still being able to address and work with the community to support the redevelopment efforts of that particular site. [LB457]

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SENATOR WILLIAMS: And the bottom line is that since this legislation was passed some years ago, it's not been used. [LB457]

BRENDA HICKS-SORENSEN: Correct. [LB457]

SENATOR WILLIAMS: Thank you. [LB457]

SENATOR SCHEER: Thank you very much. [LB457]

BRENDA HICKS-SORENSEN: Thank you. [LB457]

SENATOR SCHEER: Are there other proponents to LB457? Good afternoon. [LB457]

TIM O'BRIEN: Good afternoon. Chairman Scheer and members of the committee, I'm Tim O'Brien, T-i-m O-apostrophe-B-r-i-e-n, and I'm here today in support of LB457 on behalf of the Greater Omaha Economic Development Partnership. I chair the partnership site development TAG, which is a targeted advisory group that focuses on site identification, planning, and development. We thank Senator Gloor for bringing this to the committee. Since 2011, when you created this Site and Building Development Fund, this has been an invaluable tool for the efforts to make Nebraska...a great place for new and existing employers. The fund transfer today provided by LB457 will make a substantial impact in continuing an effort that has brought substantial investment to Nebraska. In the big picture, the Site and Building Development Fund is among the essential tool we have for economic development. Site availability, site readiness are both critical as we compete in a global economic development perspective for jobs and investment. I spent several years working for the Department of Economic Development leading business attraction efforts and assisted supporting the Site and Building Development Fund. This tool was used to develop and prepare sites for development, retain and encourage companies to expand, and land deals across Nebraska. I saw successful projects from Scottsbluff to Omaha and everywhere in between. The fund has helped address the needs for more speculative sites and also assisted in attracting a diverse group of businesses of variety of sizes and manufacturing, data center, and other high-growth bio-technology industries. For example, just within the greater Omaha economic development partnership region, I can cite a couple of projects. A couple being two data centers both with investments above \$200 million. They were made possible by utilizing this fund: paving streets, sewer upgrades that assisted in the development of additional land for development in the area. The Site and Building Development Fund was also vital for the expansion of a company that manufactures products from everything from agricultural machinery to electrical components. This project invested millions of dollars and retained and created new jobs within the region. Working projects first hand, I can confidently say that the Site and Building Development Fund is one of the most important tools

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we have for economic development. Moving additional resources into the Site and Building Development Fund will continue the success we've had in creating substantial return on investment for our counties, cities, and great state. It will continue to be a attractive tool for business recruitment as it assists in closing the gap on initial project costs. Oftentimes these projects involve a substantial investment for infrastructure on greenfield areas. And this fund has been a catalyst in bringing matching funds and investment from cities, counties, and businesses. The Site and Building (Development) Fund is flexible, it's targeted, and it's effective. I thank the committee for your time and consideration and I'd be open to any questions you may have. [LB457]

SENATOR SCHEER: Thank you, Mr. O'Brien. Any questions? Senator Williams. [LB457]

SENATOR WILLIAMS: Thank you, Senator Scheer. One quick question: I'm assuming, based on your testimony, you'd like to see all the money moved to Site and Building (Development) Fund, rather than half. [LB457]

TIM O'BRIEN: You know, either way. I just learned about the amendment a little bit ago. I think both of the important components from housing and development are critical for the state. And so I think any dollars that could be moved to the fund to support the efforts, I think, makes sense, but I defer to you as the committee to make that decision. [LB457]

SENATOR WILLIAMS: Thank you. [LB457]

SENATOR SCHEER: Senator Schumacher. [LB457]

SENATOR SCHUMACHER: Thank you, Senator. Basically, what this \$1.1 million, in that area, assuming that nobody makes a quick application for some of it, by putting in these two funds we're making a judgment here that there's no better place for that money than these two funds in all the millions of dollars of request that the Legislature has, why not just put it back in the General Fund and have these two other funds come in and make their case why they should be put ahead of everybody else? [LB457]

TIM O'BRIEN: I think that's certainly one perspective. I think there's an opportunity for creating a return and investment. I think this bill what it's doing is clarifying the use for the Department of Economic Development. I think the intent originally was to help with closures, encourage growth and development. And I think this move allows for flexibility for the department to administer the funds as they see fit in some of those cases that were cited by the folks before me. [LB457]

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SENATOR SCHUMACHER: All right. Bottom line is, there's \$1.1 million here and if we just do what the amendment suggests, we are making a priority decision putting these two agencies ahead of the multitude of requests for money without laying all the multitude side by side and making a comparison. [LB457]

TIM O'BRIEN: Yep, that's fair. [LB457]

SENATOR SCHUMACHER: Thank you. [LB457]

SENATOR SCHEER: Any other questions? Seeing none, thank you, Mr. O'Brien [LB457]

TIM O'BRIEN: Thank you. [LB457]

SENATOR SCHEER: Are there any other proponents for LB457? Good afternoon. [LB457]

DANIELLE HILL: (Exhibit 3) Good afternoon. Hi, my name is Danielle Hill, D-a-n-i-e-l-l-e, last name Hill, H-i-l-l, and I'm the executive director of the Nebraska Affordable Housing Trust Fund. I've provided you written testimony, so I don't feel the need to read it. And I've also provided you with a history of cuts or transfers that have been made to the Nebraska Affordable Housing Trust Fund since it started. And then an annual report of our organization, which is comprised of more than 70 members that work to address housing needs, a variety of housing needs throughout Nebraska. And we...when the Site and Building Development Fund was established, Speaker Flood at the time, had this idea for this industrial recovery fund. And the language comes from him; the intent comes from him. It was intended to meet economic development needs or provide an additional tool to communities and businesses that were experiencing difficulty. So, it was funded by Affordable Housing Trust Fund(s) that were recaptured. Grants that were, maybe, not entirely spent during the contract period or...well, exactly that, grants that weren't entirely spent during the contract period recaptured by the Department of Economic Development, and instead of going back into housing, as usually recaptured funds do, it went and sat for what...five...four years now in this Industrial Recovery Fund. There were never any rules promulgated for anybody to apply for this fund. The good news is, they've taken the language in this amendment, taken the language and clarified it and it...that's an eligible activity under the Site and Building (Development) Fund now. So it's not like it's going away just because you're taking the Industrial Recovery Fund away, it's just making two funds instead of the three that had been there. And we feel that since the money originated in the Nebraska Affordable Housing Trust Fund and housing needs are so great, I've cited a few statistics here, that we, of course, wanted it all to go to the Affordable Housing Trust Fund. But the Site and Building Development Fund is a valuable economic development tool and we need a toolbox of tools to get the job done. And we understand that, and housing and



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economic development are sometimes one in the same and, certainly, partners with each other. You can't have one without the other. So we expressed our concern that all these funds go to site and building. And thanks to Senator Gloor, he asked us to work out a compromise, or at least try to come to some kind of an agreement, which we feel that we did. So yes, technically, I guess, you could say since it's funded by the Doc. Stamp Tax, it comes to the General Fund first and the Affordable Housing Trust Fund and the Site and Building Development Fund second. But these monies...this million plus that have been sitting there for three or four years not being able to be spent and not being returned to housing when there are so many needs out there, it just doesn't seem to make sense. And I believe that completes what I have to say. [LB457]

SENATOR SCHEER: Thank you, Ms. Hill. Questions? Senator Howard. [LB457]

SENATOR HOWARD: Thank you, Senator Scheer. You'd mentioned that there were no rules promulgated for the Industrial Recovery Fund, is that correct? [LB457]

DANIELLE HILL: That's what I've been informed of. [LB457]

SENATOR HOWARD: And whose responsibility would it be to promulgate those rules? [LB457]

DANIELLE HILL: The Department of Economic Development, but I don't know that they ever had the authority to promulgate those. I don't know all the legal legislative processes, how you adopt rules and regulations for a program. Do you have to be authorized to do that somehow...I'm told? [LB457]

SENATOR HOWARD: I don't know. Legal counsel? [LB457]

DANIELLE HILL: I don't know. That's just what I was informed of. The other thing is that with the tornado or the downsizing of the business in Ravenna, is that the Department of Economic Development works closely, I'm sure...I mean there's folks back here that can tell you that they worked with the city of...well, Hallam and then...I'm sorry... [LB457]

SENATOR HOWARD: Pilger. [LB457]

DANIELLE HILL: Pilger, more recent. And I would imagine that most communities that are experiencing a downsizing that's rather sudden or rather unexpected that they're working with the department and accessing any tools and all tools that are necessary to do that. So I'd be surprised

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if neither of those two had been in communication with department staff that were aware of all the resources they had available to assist. [LB457]

SENATOR HOWARD: May I ask a follow up? [LB457]

SENATOR SCHEER: Absolutely. [LB457]

SENATOR HOWARD: Thank you. Do you feel, in your opinion, that a lack of rules promulgation prevented the use of this fund? [LB457]

DANIELLE HILL: No, I think it was fuzzy, it was just not clear what its intent was and how you define that... [LB457]

SENATOR HOWARD: And how you apply for it? [LB457]

DANIELLE HILL: Right, well so...in that instance, yes, that would have...but either way, people or communities are working with the department and the department knew that they had that resource. So you would think they would...if somebody could apply, I don't know how all that works. [LB457]

SENATOR HOWARD: And the department never asked for clarity in regards to their responsibility for promulgating those rules? [LB457]

DANIELLE HILL: I can't say that on behalf of the department, huh-uh. [LB457]

SENATOR HOWARD: Thank you. No further questions. Thank you. [LB457]

SENATOR SCHEER: Any other questions? Senator Campbell. [LB457]

SENATOR CAMPBELL: Yes, Miss Hill, in the...I'm trying to look real quickly at the legislation on the (Affordable) Housing Trust Fund and you said it is funded by the Doc. Stamp. [LB457]

DANIELLE HILL: Um-hum. [LB457]

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SENATOR CAMPBELL: Okay. By the Doc. Stamp...in the Doc. Stamp legislation, does it specifically say that a portion of that money should go to the (Affordable) Housing Trust Fund? [LB457]

DANIELLE HILL: Yes. Out of \$2.25, 50 cents is retained by the county; 25 cents goes to the Homeless Shelter Assistance Trust Fund; up to and when the Site and Building (Development) Fund was created, \$1.20 went to the Affordable Housing Trust Fund; 25 cents was peeled off of that to now fund the Site and Building (Development) Fund. And I'm missing...well, if anybody tallied that up it should equal \$2.25, but yes. [LB457]

SENATOR CAMPBELL: I just remember this discussion when we had the flooding, and at that point there was some discussion about taking money away from this fund to help the people who had been flooded, and I'm sure you testified at that point. [LB457]

DANIELLE HILL: I did. [LB457]

SENATOR CAMPBELL: And I remember our talking about that, the intent of the Doc. Stamp was to deal with affordable housing...you know, already had that designated, and that must be in a separate piece of statute. [LB457]

DANIELLE HILL: How it says...how the Doc. Stamp is used? [LB457]

SENATOR CAMPBELL: Right. [LB457]

DANIELLE HILL: It is; it doesn't come under the Affordable Housing...that 58-...it's in a different section, which I could e-mail you and...and the Affordable Housing Trust Fund can be used to help with disasters... [LB457]

SENATOR CAMPBELL: Right. [LB457]

DANIELLE HILL: ...relative to housing needs. Government funding is never fast. By the time the contracts get written to the grantees to spend that money, most people have already spent money so they can't be reimbursed and they've already addressed most of their issues. So it's just really difficult. Plus...the same reason I have a problem with the Industrial Recovery Fund is that it just sat there. There's housing needs and there's economic development needs that are happening every day with a fund that is just sitting there doing nothing, maybe something will happen. [LB457]

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SENATOR CAMPBELL: And the purpose of my questioning, really, has to address Senator Schumacher's question about whether this would just lapse into the General Fund and we could spend it on something else. But saying that it is laid out in the Doc. Stamp how...where that money has to go. So there would be...we would want to make sure that we're not lapsing anything while in another section we're directed to spend money is all I was trying to raise. Thank you very much. [LB457]

DANIELLE HILL: Thank you. [LB457]

SENATOR SCHEER: Senator Williams. [LB457]

SENATOR WILLIAMS: Thank you, Senator Scheer. Ms. Hill, I would also like to be sure that everyone understands the need for affordable housing in our state at this point. Traveling around the state, we always talk about creating new jobs and new opportunities, but right now in our state, we have many opportunities that are going wanting because we don't have housing in communities, in particular, affordable housing. So to further turn that into a question, I'm assuming you are using these funds diligently to help the state solve that problem. [LB457]

DANIELLE HILL: Us and many other people. We operate one program, but many other people...and as the director of a statewide organization, you know, you hear all sides. A couple of recent examples are McCook. The Director of the Economic Development Corporation there says he has opportunities to expand business and recruit business, but he can't because there's not a housing...enough housing to house the work force. A lot of people, if you look at their little migration and out migration maps for how they commute to work, McCook to Schuyler is another example where their economy is strong. They're a rural community that's gaining in population instead of losing in population. And they've had one house built a year every year for 15 years by the shop teacher and students. The problem meeting the need is you have from the social service aspect of a person or a household that has very low income, they're either disabled or they just don't earn a decent enough wage with housing needs and the cost that eat up well more than 30 percent of their gross income onto a work force, you know, from professional on down to minimum wage workers. And then you have market rate housing needs as well, which this fund isn't designed to assist, because the market should take care of that and often doesn't. So the need is just huge. And I venture to say that for the communities that need shovel-ready industrial sites, they might want to consider putting some bedrooms in those commercial sites so those jobs have some place to sleep, was my first impression when it was introduced. But you just can't neglect your housing while you're trying to create jobs. You have to...it's a balancing act. [LB457]

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SENATOR WILLIAMS: So you would look at this that this is certainly an additional tool that can be used and continue to be used as it has been in the past. [LB457]

DANIELLE HILL: The Site and Building or the Affordable Housing Trust Fund? [LB457]

SENATOR WILLIAMS: The Affordable Housing Trust Fund. [LB457]

DANIELLE HILL: Oh, yes, we could use...one of the stats I gave was just last year what was applied for...I think I put it in here anyway, they had like 40 applications for about \$5 million worth of funding. You know, it's that way almost every year. [LB457]

SENATOR WILLIAMS: Thank you. [LB457]

SENATOR SCHEER: Senator Schumacher. [LB457]

SENATOR SCHUMACHER: Thank you, Senator Scheer. If the local economy is strong, and workers want to move there, but they can't because there's no houses, what's preventing the private sector from financing and building the houses? Why...why does the government need to get in the middle of it? [LB457]

DANIELLE HILL: Part of it is what it cost to build versus what a mortgage loan officer will loan somebody on that house. Say in Schuyler it might cost you...and I'm just throwing numbers, these are not facts, say it costs \$150,000 to build that home, hook up the infrastructure, have it ready to move in, right? But the bank will only loan you \$85,000 because not too many houses in that area have been newly constructed. So not too many have been sold, so there's not any comparables. And until that kind...that engine starts turning...like in...well, the guy that will testify behind me will say in Lincoln they started to change that around, in your...what would be equivalent to north Omaha, so in your inner cities' neighborhoods it costs you \$140,000 to build, but you're only going to get a \$90,000 loan on it. NeighborWorks Lincoln has seen that increase since they've been doing this, but they've been doing it for five-plus years. So it just sometimes takes time for the appraisals to come up, and we have a lot of areas in Nebraska that are like that. Southeast Nebraska is hit really hard by that. Your smaller communities are hit really hard by that. Southwest Nebraska, you know... [LB457]

SENATOR SCHUMACHER: So who makes up the difference between the \$90,000 for housing? [LB457]

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DANIELLE HILL: A loan from the Nebraska Affordable Housing Trust Fund. So say I'm administering a grant to help people purchase a home, help a community recruit people and have homes for them to live. They get a loan...the home buyer gets a loan for whatever they can get from the first mortgage lender. And then there's a gap between the first mortgage lender, what they'll lend, and the cost of the house. So we come in as a secondary lender and provide a loan to them that's repaid over time to help them...to help make that happen. You do that once, twice, five times, depending upon the size of the community. Pretty soon the market will turn around. [LB457]

SENATOR SCHUMACHER: And the interest rate on this interim loan, is it cheaper? Higher? [LB457]

DANIELLE HILL: Yeah, it's usually zero. [LB457]

SENATOR SCHUMACHER: It's usually zero. [LB457]

DANIELLE HILL: Usually zero. Sometimes parts of those loans can even be forgiven. [LB457]

SENATOR SCHUMACHER: Okay. And so they...zero interest rate, they don't have to pay it all back... [LB457]

DANIELLE HILL: Maybe. [LB457]

SENATOR SCHUMACHER: ...and this is to get an employee to have a house to work for low wages for the local business. [LB457]

DANIELLE HILL: Well, hopefully not low wages, but...it's not enough... [LB457]

SENATOR SCHUMACHER: Obviously, if the wages were high enough, they wouldn't have to worry about getting a loan from a government agency. This kind of a business subsidy, isn't it? [LB457]

DANIELLE HILL: Yeah. I've seen it as that from time to time, yes. What are we really subsidizing here? That's another question. [LB457]

SENATOR SCHUMACHER: Thank you. [LB457]

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SENATOR SCHEER: Any others? Thank you, Ms. Hill. I think you put a longer stint in than you thought you were going to. We appreciate your responses. So thank you. [LB457]

DANIELLE HILL: Thank you. [LB457]

SENATOR SCHEER: Any other proponents to LB457? Good afternoon, Mr. Renken. [LB457]

MIKE RENKEN: Good afternoon, Senator Scheer. How are you? Thank you for having me today. And thank the committee for having me. I'm Mike Renken, I'm CEO of NeighborWorks Lincoln. And I'm here today to talk about NeighborWorks Lincoln and what I see in Lincoln. NeighborWorks Lincoln's mission is to keep Lincoln a safe and prosperous community by revitalizing neighborhoods and promoting home ownership. I wish to speak in support of approval of (LB)457 as recommended to terminate the Industrial Recovery Fund and transfer 50 percent of that balance of fund to the Nebraska Affordable Housing Trust Fund and the remaining 50 percent of the balance of the fund to the Site and Building Development Plan. NeighborWorks Lincoln has and continues to work to do our part to enhance the city of Lincoln. Our effort is focused around helping people of moderate means become homeowners, and by working within the neighborhoods to eliminate those problem properties that diminish the strength and value of the neighborhoods in which they are located. State of Nebraska Department of Economic Development has been one of our strongest partners since I began with NeighborWorks Lincoln in 2010. The Department of Economic Development has provided funding for both down payment assistance and funds to help with the redevelopment of our neighborhoods. This funding has been instrumental in allowing NeighborWorks Lincoln to help approximately 100 families annually to become first-time homeowners. In addition, the department has also provided NeighborWorks Lincoln with funding that has allowed us to bring those problem properties in our neighborhoods back to life. The funding we have received from the state of Nebraska Department of Economic Development has come from both HUD and from Nebraska Affordable Housing Trust Fund. The pool of dollars available has been slim over the last few years and NeighborWorks Lincoln would look forward to increased funding from the trust fund as it would allow us to expand the pool of potential homeowners eligible for our programs. I urge this body to support this bill. It is important that this proposed increase in funding be accomplished so our efforts and all the other entities in the state working to enhance housing have the opportunity to not only continue our work to make our community stronger, but the opportunity to enhance our efforts. [LB457]

SENATOR SCHEER: Thank you. Questions for Mr. Renken? I guess she took all the questions. [LB457]

MIKE RENKEN: Can I make one comment? [LB457]

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SENATOR SCHEER: Absolutely. [LB457]

MIKE RENKEN: Senator Williams, I appreciated your comment about housing in Nebraska. I think there is an issue brewing in this state of housing in small communities, medium-size communities throughout the state. I've been, as some of you know, in many different communities in Lincoln...in Nebraska, all of them have the issue of housing that are surfacing, and it's going to have to be addressed. And I don't think it's an easy answer from anybody. [LB457]

SENATOR SCHEER: Any questions? Thank you, Mike; appreciate you coming down. [LB457]

MIKE RENKEN: Thank you. [LB457]

SENATOR SCHEER: Other proponents. Good afternoon. [LB457]

BRUCE BOHRER: Good afternoon, Mr. Chairman. Members of the committee, Bruce Bohrer, appearing on behalf of the Lincoln Chamber of Commerce and the Lincoln Partnership for Economic Development. For the record, my last name is spelled B-o-h-r-e-r. Just want to get up and register our support for LB457. And I think it's been covered pretty well already. If you haven't picked up on this, in 2011, this was a little bit of an issue. When I think it was the Battelle Study was out and it identified industrial...industry-ready large sites as one of the key needs in the state. And so a bill was put in that we supported. And took some of this Doc. Stamp money and diverted it, if you will, over this critical need. And as you've already heard in the hearing today, and also we recognized at the time industrial development is a critical need, but so is housing. And I think you've heard a little bit of the balance of what economic developers do, and really just the balance of what we try to do across the state and meet the needs of different locations within the state. We, certainly, are lucky to have Mike, who you just heard from, Mr. Renken talk about NeighborWorks Lincoln and the good work that they do. But we understand that there are different kind of aspects to the housing needs across the state. And different aspects to industrial development needs as well. I would say, we were one of the first...I think with Lexington, two communities that received money out of the Site and Building Development Fund, and we've used it to improve sites out at the Lincoln Airport Authority industrial sites, large industrial sites that are somewhat unique because they are dual-rail served. And, you know, I think it's already paying dividends for Lincoln and the state, if we can get a large industrial user there. We've got several projects that are considering that, without this fund we wouldn't have been able to do that; at least not as readily as we did. We did have to put some matching funds in. I don't think it's in this bill, but there's other sections of the Site and Building Development Act that required that a local community, either county or city or whatever that's trying to access the Site and Building Development Fund also have some skin in the game as well. So anyway, I just



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want to support this. And I want to also say that...give kudos to the department for bringing it forward and also trying to hash out a compromise on this as far as the money that's in the...I think it's the Industrial Recovery Fund. That's a fund that I, frankly, haven't tracked. I was not aware that it hadn't been used, but I do think...it seems like a good idea to try to fold at least two of these three funds that the department administers into one. And then try to take that money and put it to good use and split it between the two critical needs that are out there. So with that I would answer any questions you might have. [LB457]

SENATOR SCHEER: Thank you. Any questions? Seeing none, thank you, Mr. Bohrer. [LB457]

BRUCE BOHRER: Thank you. [LB457]

SENATOR SCHEER: Any other proponents for LB457? Seeing none, are there any opponents to LB457? Is there anyone that would like to speak in a neutral capacity for LB457? Seeing none, Senator Gloor. [LB457]

SENATOR GLOOR: Thank you, Chairman Scheer. I found out a few additional things about my bill that I didn't know before I presented it which is, of course, always a good thing. Let me reiterate once again the history of this. After the Battelle Study, the Heineman administration looking for dollars that could be used for site development, as you'll recall, I think my memory is solid on this, the Governor was never a big fan of increasing taxes or fees. So he tapped into the Doc. Stamp dollars that were already being used for the Affordable Housing Trust Fund and brought forward a bill that would pull off a portion of these funds for site development for business and industry as an economic development component. Again, this is in 2011. The Speaker at that time, Senator Flood, had just gone through the sudden and unexpected closure of the Tyson chicken plant in Norfolk and thought there would be an opportunity then to have another little fund pulled off of some of the same monies and set aside that was part of the Industrial Recovery Fund. And that's where the Industrial Recovery Fund came from, and here we sit. The Industrial Recovery Fund has not been used. Maybe not well advertised or publicized or understood, but in either case, we're not getting rid of that initiative, we're just folding it under the Site (and Building) Development Fund. And so the section you referred to, Senator Howard, those terms were, in fact, basically so that what we intended to do under the Industrial Recovery Fund, that initiative still exists, we're just going to fold it in underneath the site fund. When the bill first came out, those folks who are interested in the health and well-being of the Affordable Housing Trust Fund said, you know, all those monies, before 2011, were coming our way; wouldn't it be appropriate, maybe, that at least half of those monies now come back to what its original intent was, and you can keep that other half for the site recovery fund. And that was agreed upon and here we sit. It may sound like we're chasing the squirrel around the tree a little bit on this, but I think, ultimately, what we're trying to do is consolidate and collapse those

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initiatives into one fund and take those dollars that weren't spent and that were intended, as a result of the Doc. Stamp, to be used for these sorts of purposes and make sure they go back and are used for the purposes originally intended when the original bills were established. And I'll leave it at that. [LB457]

SENATOR SCHEER: Any questions? One clarification: it was a beef plant for Tyson. [LB457]

SENATOR GLOOR: What was it? [LB457]

SENATOR SCHEER: A beef plant for... [LB457]

SENATOR GLOOR: A beef plant? [LB457]

SENATOR SCHEER: And secondly, something that I didn't think of, counsel beside me thought of, that if indeed, we're going to move forward with this, you might want to consider an e-clause because otherwise these funds will not be available until September. If you put in an e-clause, they will be available for usage yet this year. So just food for thought. [LB457]

SENATOR GLOOR: Good suggestion. [LB457]

SENATOR SCHEER: Anything else? Seeing none, that will end our the hearing for LB457. I thank everyone for coming. [LB457]