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Revenue Committee  
March 06, 2015

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[LB438 LB542 LB610 LB653]

The Committee on Revenue met at 1:30 p.m. on Friday, March 6, 2015, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB542, LB610, LB653, and LB438. Senators present: Mike Gloor, Chairperson; Paul Schumacher, Vice Chairperson; Lydia Brasch; Al Davis; Burke Harr; Jim Scheer; Jim Smith; and Kate Sullivan. Senators absent: None.

SENATOR GLOOR: Good afternoon. Welcome to the Friday afternoon Revenue Committee meeting club. Glad to have you here. We will take the bills today in the order listed...posted in the back of the room on that agenda. I'm Mike Gloor. I'm the Chair of this committee. I'm the senator from the 35th Legislative District. That's Grand Island. Before we get started, I'm going to run through a list of just some general rules we have. The first is, if you have a phone, congratulations, you're part of the electronic age, but we need to have you turn it off or put it on mute if you would, please, so it doesn't interrupt us. We have a process for presentation of bills. First the introducing senator comes up and introduces the bill for us. Then we go to proponents, then we go to opponents, then we go to those who might be testifying in a neutral capacity. And then the senator has a chance to close on the bill if he or she decides to do so. If you plan to testify, we need you to fill out one of the green forms that's in the back of the room. Have that filled out and give that to the clerk when you come up. We also ask, so that we don't spend a lot of time with people strolling back and forth from seats in the back of the room--this isn't church after all--that you try and go up to the front of the room and take seats when your appropriate bill is up so we don't spend quite as much time going back and forth. We ask you to give us your name and spell it so that the testifiers...or, excuse me, so that the transcribers can get it down correctly because this is recorded for us to make sure that we get it down for the record. Please be concise. If somebody has made your points before, let us hear something new, if you would. And we also ask you to keep your testimonies as brief as possible but we have a five-minute rule. And there is a light tree up here. You'll have a green light when you start. When you have a minute left, it will go yellow. And then when it's red, we need you to wrap up or I'll be moving you in that general direction. If you have handouts of any kind, we need 11 copies. And if you suddenly realized you don't have 11 copies, we have pages over here who will be...if you get in touch with them, are there to help you make sure that you come up with your 11 copies. Please speak into the microphone. It's important that we get your testimony. And I say that also as a reminder to the senators that we need to hear what they have to say also. To my right is committee counsel, Mary Jane Egr Edson. Krissa Delka is the clerk. She's on my left at the end of the table. And Kay Bergquist is a research analyst and she's on the far right side of the table. They're all in charge in keeping me in line and keeping the committee on track. So they are a great staff for us. Colin is an aide from Wayne. Donald is one of our aides...not aides, but page from here in Lincoln. And I'll have the senators introduce themselves. Senator Brasch, could we start with you?

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SENATOR BRASCH: Thank you, Chairman Gloor. Senator Lydia Brasch, Legislative District 16, Burt County, Cuming County, and Washington County.

SENATOR HARR: Burke Harr, Legislative District 8 from true midtown Omaha.

SENATOR DAVIS: Al Davis from District 43, a 13-county area in northwest...north-central and western Nebraska.

SENATOR SCHUMACHER: Paul Schumacher, District 22, which is Platte and parts of Stanton and Colfax County.

SENATOR SMITH: Jim Smith, District 14 in Sarpy County.

SENATOR GLOOR: I'd also ask you to bear with us. We have senators who have bills that they have to present in other committees, other responsibilities, so they may come and go. We will try and keep our exits and entrances as quiet as possible. But we do have other things we need to do. It's not a reflection on their interest on a specific bill. It has to do with our other agendas. And with that, we'll start with our first bill, LB542. Welcome, Senator Harr.

SENATOR HARR: Thank you, Chairman Gloor and members of the Revenue Committee. My name is Burke Harr, H-a-r-r, from Legislative District 8. It is a pleasure to be back here in the Revenue Committee and starting up. LB542 was a bill brought to me by the Lancaster Agricultural Society. The bill would provide a new sales and use tax exemption in state statute 77-2704.15 for a county agricultural society. And that's the whole bill. The statute currently provides a sales and use tax exemption for many other political subdivisions including counties, townships, elected county fair boards, and natural resource districts. County agricultural societies are political subdivisions that are typically supported by property tax levies which are approved by a county board. Some of these funds are used to purchase material and supplies to make improvements to the fairgrounds. As a result, a portion of these collected property taxes are paid out as sales tax when making such purchases. By making county agricultural societies exempt from sales taxes on those purchases, this treats them like similar entities that are...that currently have a sales tax exemption such as the county fair boards and the Nebraska State Fair. In other words, what's good for the goose is good for the gander. There will be a member of the Lancaster Agricultural Society testifying after me who will share with you why they would like to see the change in LB542. With that, I would ask for your support and entertain any questions you may have. [LB542]

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SENATOR GLOOR: Thank you, Senator Harr. Are there any questions for Senator Harr right now? Seeing none... [LB542]

SENATOR HARR: For the record, I may waive closing. I have to be at 2:00 for a call. [LB542]

SENATOR GLOOR: Okay. [LB542]

SENATOR HARR: Thank you. [LB542]

SENATOR GLOOR: And with that, we'll start with proponents. First proponent. [LB542]

STEVE KRUGER: (Exhibit 1) Mr. Chairman, members of the committee, my name is Steve Kruger, S-t-e-v-e K-r-u-g-e-r. I am the executive director of the Nebraska Association of Fair Managers. I'm here today representing the county fairs in the state of Nebraska. Nebraska fairs showcase the best that Nebraska has to offer including 4-H, FFA, open class exhibits, diversity of foods that will satisfy all tastes, agricultural industry and home life exhibits, and a wide range of entertainment for fairgoers of all ages. From the first territorial fair to the current county and state fairs, our main goal has been and continues to be educating the public of the importance of the number one industry in Nebraska, agriculture. Over one million people who attend the Nebraska fairs can attest to the great quality of life that Nebraska has to offer. No matter what your age, there is something for all Nebraskans that will not only satisfy the fun-loving kid in each of us but also give the opportunity to experience the tradition and diverse culture that makes Nebraska a great place. Of the 93 counties in the state of Nebraska, all have some type of fair. Some share fairgrounds but with that, they all have responsibilities of maintaining a facility to hold a fair. While everyone uses the term fair board, there are actually two types of boards: county fair boards who are elected and are appointed by the county board. There are eight of those in this state. There are also county ag societies, or agricultural societies with the board of directors be elected by registered voters of the county during the annual meeting. There are 83 counties with ag societies or agricultural societies. Agricultural societies are considered public subdivisions. Agricultural societies have levying authority. Agricultural societies have capital improvement projects. And also agricultural societies have sources of revenue including ticket sales, foundations, and donations to generate revenue. However, we are using these funds to pay sales tax on purchases of materials and maintenance to make improvements to our facilities while most political subdivisions, even including county fair boards, don't pay sales tax on purchases. The reason I'm asking for your support in passing LB542 is to extend those same sales tax exemptions to ag societies. With limited revenue that county fairs have to depend on to make these maintenance repairs, I feel this is a vote to support your local county fairs in your own districts and to continue to make such needed improvements. Thank you again for the

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opportunity to address the committee. Mr. Chairman, that ends my testimony and I have...if anybody would have any questions at this time, I would take them. [LB542]

SENATOR GLOOR: Mr. Kruger, could you...since you spelled out the responsibilities of the ag societies, so how does that differentiate from the responsibilities of the county fair boards? What is it that they do by comparison? [LB542]

STEVE KRUGER: The...basically both of them are...yeah, I'll answer partially and then I'd also have legal counsel answer that too. But they're both still responsible for putting on fairs and maintaining grounds. So the duties are pretty much the same. It's how county fair boards are appointed by the county board members and then also they can be elected. That's the only real difference in the two of them. And they'll...both of them...and I'll have Mr. Alan Wood would address the levying on...we're both under levy limits and lid limits. So basically there's a lot of similarities between the two of them. [LB542]

SENATOR GLOOR: Okay. [LB542]

STEVE KRUGER: Okay. [LB542]

SENATOR GLOOR: Other questions? Senator Sullivan. [LB542]

SENATOR SULLIVAN: Thank you, Senator Gloor. And you mentioned there are eight county fair boards? [LB542]

STEVE KRUGER: Yes, ma'am. [LB542]

SENATOR SULLIVAN: Where are they? [LB542]

STEVE KRUGER: Those eight county fair boards, I don't...it...they'd be Dawes County in Senator Davis'...there's one in Kearney County. [LB542]

SENATOR SULLIVAN: So they're all across the state? [LB542]

STEVE KRUGER: They're all across the state, yes. [LB542]

SENATOR SULLIVAN: Okay. All right. [LB542]

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STEVE KRUGER: Kearney County has one, Chase County has one, I think, and Mr. Wood will be able to answer this but there's several of them all across the state. [LB542]

SENATOR SULLIVAN: Okay. All right. [LB542]

STEVE KRUGER: Yeah, they're not just in one end of the state or the other. Yes, ma'am. [LB542]

SENATOR SULLIVAN: Thank you. [LB542]

SENATOR GLOOR: Seeing no further questions, thank you. Continue with proponents. [LB542]

AMY DICKERSON: (Exhibit 2) I am Amy Dickerson, A-m-y D-i-c-k-e-r-s-o-n, here representing the Lancaster County Agricultural Society. The society hired me less than a year ago as the managing director of the Lancaster Event Center. The Lancaster Event Center is home of the Lancaster County Fair each summer and year-round we host over 225 other events: 4-H, FFA, youth and other community events as well as regional and national shows which bring thousands of visitors to Lancaster County and help us fund one of the largest county fairs, actually, in the country. Lancaster County, I, myself, was surprised to recently learn from the Lancaster County Commissioner Larry Hudkins, is one of Nebraska's largest counties geographically with actually the most farms by count. The Lancaster County Fair has grown over the last 15 years from 5,000 attendees, when it borrowed the state fairgrounds downtown for a few days each year, to nearly 200,000 attendees over ten days in its new home at the Lancaster Event Center at 84th and Havelock. The Lancaster County Ag Society which runs the annual fair is a group of nine hardworking elected volunteers who are very passionate about providing a home for the over 700 4-H and FFA exhibitors who work all year to prepare to compete in the Lancaster County Fair in over 5,000 exhibits and competitions ranging from baking and sewing, woodworking, photography to over two dozen kinds of animal competitions, from rabbits to cattle, and the largest set of horse fair shows in the state. We're proud to provide our facility at no to little cost year-round to support the efforts of these 4-H and FFAers to work and prepare for the fair each year. We have a similar number of community members of all ages who participate in the open class exhibits and competitions as well. It's very important to the Lancaster County Ag Society to provide a unique, affordable, engaging family experience for everyone in the county to come celebrate and learn about the agricultural and natural history, present, and future of our county. One of the missions in my new role over the last year given to me by both the Lancaster County Ag Society and the Lancaster County Board, who are close partners, is to solidify the operations and finances of the Lancaster Event Center so that these publicly built fairgrounds are maintained and meet the county fair's needs for generations to come. So like all

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fairgrounds, we have a constant need to invest in building maintenance such as roof and parking lot repair; facility upgrades such as brighter, more efficient lighting; safety requirements such as ADA-compliant bathrooms; as well as to continue to grow our fair facilities to keep up with fairgoers' needs such as more bleacher seating or adding exhibit areas for new disciplines such as wearable electronics and LEGO robots. Now, as a student of former Senator Greg Adams at York High School--and here's where I need to make a confession as being a bit of a troublemaker--we are here today as I asked a question in my first year on this job that was asked of me as we were working on improving the Lancaster County Fairgrounds this past year by suppliers, by the county purchasing agent who was assisting me in getting the lowest bids possible while we were purchasing these fairgrounds improvements: Why are you paying sales tax as a county governmental entity? The answer I got from our ag society legal counsel, who you'll hear from shortly, was because, Amy, you are an "agricultural society," not a "fair board." Those two words are not in the sales tax exemption law. This question lingered in my mind as it just didn't seem to make sense that we should be using our limited \$300,000 on property tax support to run our now 200,000-person fair and be paying sales tax on those purchases. Every dollar of this property tax support is all the more precious to us as we cannot increase it more than \$10,000 a year due to the lid law even though our fair attendee rate, as you can guess, has grown at a much faster rate over the years. It also didn't seem to be a good use of the small property tax fund that we set up after our recent refinancing of bonds which was designed to help us catch up on deferred fairgrounds maintenance. So I asked again, why do we pay sales tax if we have the same educational mission as a fair board, to keep youth and community engaged in the agricultural nature and future economy of Nebraska? We were pleased to be joined after the recent Nebraska Association of Fair Managers convention by the state's other--and I'll correct the written testimony here to be--83 other agricultural societies in this effort to ask the state of Nebraska to continue its long-held support of county fairs and 4-H/FFA youth and programs. The extension of the exemption of paying sales tax from the state fair and county fair boards to include county agricultural societies would allow us to use the property tax or donations we receive as intended by the taxpayers and donors to actually operate the annual county fair and to maintain the county fairgrounds for generations to come. So on behalf of the Lancaster County Ag Society and the 4-H/FFA members and other community exhibitors and attendees of the Lancaster County Fair, some of whom are with us today. I thank the Revenue Committee for your time, ask for your support, and welcome any questions. [LB542]

SENATOR GLOOR: Thank you, Ms. Dickerson. Are there any questions? Senator Schumacher. [LB542]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Thank you for your testimony today. Do you charge admissions to the county fair or is that no admission? [LB542]

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AMY DICKERSON: We have a \$2 gate admission but we have sponsors that have the tickets and fairgoers can go to those sponsors, pick them up, and then ostensibly get a free admission. Most people do that. We also have a \$5--has been \$3--\$5 parking fee. That's the only cost to get into the fair. [LB542]

SENATOR SCHUMACHER: Do you...is there, like, concerts or things like that that go on during the fair? Do you charge for those things? [LB542]

AMY DICKERSON: We...the ag society feels very strongly that largely we want to keep it as close to free as--which is what the tradition is--as possible. And so every night we have a free concert. We have free attractions in the attraction zone that cost us tens of thousands of dollars to offer such as Daryl's Racing Pigs or the Wolves of the Wild and different things every year. The only paid events, to your question, are the things that are out in our Muhlbach Motorsports Complex where we charge reasonable \$10/\$15 tickets to see monster trucks, demolition derby, that kind of thing. [LB542]

SENATOR SCHUMACHER: During the time that the fair is not there, I assume you rent out the facilities... [LB542]

AMY DICKERSON: We do. [LB542]

SENATOR SCHUMACHER: ...for shows or weddings or something like that. [LB542]

AMY DICKERSON: We do. [LB542]

SENATOR SCHUMACHER: Do you...is there any tax revenue, sales tax revenue, generated on that? [LB542]

AMY DICKERSON: There is. There is quite a bit of sales tax revenue. And of course, I don't have privy to all that information. But actually one of my first visitors out when I was new there was from the Department of Revenue and we cooperate with them and actually have in our contract language with our promoters that, here's what you need to be compliant with in terms of collecting sales tax. We have thousands and thousands of booths of vendors that come out there for different trade shows. We had...the Ritchie Brothers came out and did, I think, about a \$6 million auction out there. So we're generating a lot of sales tax and, of course, we'll continue to do that. [LB542]

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SENATOR SCHUMACHER: And so when you pay for the lights or the gas on the facility while you're renting it out for the...whatever event, is that sales taxable that you're asking for no sales tax be charged on that? [LB542]

AMY DICKERSON: I think I'm going to defer that to Alan. [LB542]

SENATOR SCHUMACHER: Okay. [LB542]

AMY DICKERSON: So thank you. [LB542]

SENATOR SCHUMACHER: We can cover that. And I think that's all I have. Thank you. [LB542]

AMY DICKERSON: Okay. [LB542]

SENATOR GLOOR: I don't see any other questions. Thank you. [LB542]

AMY DICKERSON: Okay. Thank you very much. [LB542]

SENATOR GLOOR: Next proponent. [LB542]

ALAN WOOD: (Exhibit 3) Good afternoon, members of the Revenue Committee. My name is Alan Wood, A-l-a-n W-o-o-d. I serve as legal counsel to the Nebraska Association of Fair Managers and, among other agriculture societies, the Lancaster County Agricultural Society. I thought I would provide you some legislative history on fair boards and ag societies. Over the years, and it's been more than a century, the counties in Nebraska have primarily had county agricultural societies. And up until 1997, if you wanted to participate with the county agricultural society, you needed to pay \$5 a year, some kind of dues structure. And you were a member of the ag society and then could vote and participate at annual meetings for membership of the board of directors or officers. In 1997, LB469 was approved by the Legislature. It was the Nebraska County Agricultural Society Act and it changed the makeup or the governance of ag societies from dues-paying members to the registered voters in the county appearing or showing up at an annual meeting and voting and participating at the annual meeting to elect members of the board of directors of the agricultural society. Now, at the same time, county fair boards have been in existence. And in 1999, the structure for county fair boards changed a little bit. Up to 1999, county fair boards were appointed by the county board themselves. In 1999, LB437 was adopted by the Legislature and it arranged or allowed for the election of county fair board members in the same basic arrangement as county ag society boards are elected. In other words,



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in those counties that have an elected county fair board, taxpayers, residents, legal voters in the county can show up annually, participate, and vote for members of the board of directors. And that elected county fair board, just like a county agricultural society, is a separate political subdivision with the power to request levy, the power of eminent domain, and the election of its board of directors by registered voters. So that is a brief history on agricultural societies versus county fair boards. As it's been testified, the vast majority of the counties have agricultural societies but there are a small number of county fair boards, most of whom are appointed county fair boards as opposed to elected county fair boards. In 2002, LB123 was passed by the Legislature to exempt elected county boards from the imposition of state sales and use tax. And so it's been, you know, some time. Luckily with the assistance of the managing director of the Lancaster County Ag Society and other county ag societies, the question has come up, why aren't ag societies exempt from paying sales tax in Nebraska because it is generally property tax that is used to pay the sales tax? And so that's the purpose of this board...of this bill, is to try and get on a level playing field with the elected county fair boards. The appointed county fair boards are part of the county themselves, you know, part of county government, so there's no sales tax for an appointed county fair board in Nebraska. So we're simply asking for equal treatment for the imposition of state sales and use tax. Keep in mind...and the Department of Revenue has been cooperative but very instructive for all of the county ag societies, providing them information on how to collect sales tax because this bill does not in any way affect the obligation of county agricultural societies to collect sales tax for ticket sales or whatever else, you know, is happening on the county fairgrounds. This is an exemption from sales tax for purchases made by an agricultural society. I think that really...I would offer to...for the record, I have a letter from the secretary of the Madison County Ag Society. They asked that this letter be distributed supporting LB542. With that, I think I'll open up for questions. [LB542]

SENATOR GLOOR: Okay. Thank you, Mr. Wood. [LB542]

ALAN WOOD: You bet. [LB542]

SENATOR GLOOR: Senator Brasch. [LB542]

SENATOR BRASCH: Thank you, Chairman Gloor, and thank you, Mr. Wood, for coming here and speaking up on behalf of the county fairs. And I know that they have extensive operations for 100 or more years in our state and a presence and it's great work and great expense. Many of the county fairs have foundations in place. Is that correct? [LB542]

ALAN WOOD: That is correct. [LB542]

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SENATOR BRASCH: And would the exemption be for the day-to-day operations because I believe the foundations have been looking at the major expenditures whether it's a building or a road and...so does that affect the foundations' expenditures, or... [LB542]

ALAN WOOD: Well, it...I guess it would indirectly affect the foundations or donors to an ag society. The foundation generally, they make a cash gift, a monetary gift to an agricultural society. Once the funds are in the hands of the agricultural society board of directors, those expenditures currently are subject to sales tax. So that would mean between 5.5 and 7 percent of the gift made by a foundation or other donor to an ag society would go toward the purpose for the gift and not sales tax. [LB542]

SENATOR BRASCH: Okay. Very good. I have no other questions. Thank you. [LB542]

ALAN WOOD: Okay. [LB542]

SENATOR GLOOR: Senator Schumacher. [LB542]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Thank you for your testimony today. [LB542]

ALAN WOOD: You bet. [LB542]

SENATOR SCHUMACHER: How many of the ag societies operate thoroughbred racing? [LB542]

ALAN WOOD: To my knowledge, Hall County may indirectly...the Hall County Agricultural Society may operate thoroughbred racing and Platte County has operated. I'm not quite sure of the status of the racing activities in Columbus but they have in the past and the racing laws, you know, require agricultural societies, as one of the ways to get a license for pari-mutuel racing. [LB542]

SENATOR SCHUMACHER: To the extent that they do operate licensed thoroughbred racing, would the purchases in connection with the racing also enjoy the same tax exempt status? [LB542]

ALAN WOOD: I think it depends on the structure. If there is an agreement between an agricultural society and another entity to carry on the pari-mutuel, you know, horse racing

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activities, the exemption would not apply to whatever entity is operating the races. If, in fact, the ag society has agreed, group ABC, we're going to hire you to maintain and operate the pari-mutuel betting, I wouldn't see the exemption applying to the operator of the pari-mutuel racing activity. [LB542]

SENATOR SCHUMACHER: But if the ag society itself operated the activity then it would extend with this? [LB542]

ALAN WOOD: Yes, it would. [LB542]

SENATOR SCHUMACHER: Okay. So...but the intent is not to have it extend to any franchisee or contractor that is operating on those facilities? [LB542]

ALAN WOOD: That's right. Just...again, Lancaster is an example: That Lancaster Event Center is busy virtually 365 days out of the year and there are numerous entities and groups that, you know, lease the event center for carrying on a boat show, home show, whatever it is. Those entities don't...they don't enjoy exemption from sales tax, nor would they under this bill. [LB542]

SENATOR SCHUMACHER: Thank you. [LB542]

SENATOR GLOOR: Seeing no other questions, thank you, Mr. Wood. [LB542]

ALAN WOOD: Thank you. [LB542]

ROMA AMUNDSON: (Exhibit 4) Okay. Good afternoon, Senator Gloor and members of the Revenue Committee. My name is Roma Amundson, spelled R-o-m-a A-m-u-n-d-s-o-n. I am here on behalf of the Lancaster County Board of Commissioners to testify in support of LB542. Over the years, the Lancaster County Board has partnered with the Lancaster County Agricultural Society to help build premier county fairgrounds in the entire state of Nebraska. The quality of our fairgrounds has allowed our fair to grow from 5,000 attendees per year to over 200,000 attendees per year. Also, the Lancaster Event Center, which forms the background of the fairgrounds, is an outstanding facility which creates economic development for our county by attracting events from all over the country. The Lancaster County Board believes that exempting the agricultural society from the imposition of sales and use taxes will greatly assist the agricultural society in maintaining and improving this valuable public asset and, therefore, Lancaster County Board supports LB542. And I'm here to answer any questions. [LB542]

SENATOR GLOOR: Thank you, Ms. Amundson. I don't see any questions. Thank you. [LB542]

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ROMA AMUNDSON: Okay. Great. Thank you. [LB542]

SENATOR GLOOR: Other proponents for this bill? Is there anyone in opposition? Is there anyone in a neutral capacity? Seeing none, and seeing Senator Harr waived if he wasn't here, that will end the hearing on LB542. Thank you for attending and we will move to LB610. Senator Smith. Whenever you're ready, Senator. [LB542]

SENATOR SMITH: All right. Thank you and good afternoon, Senator Gloor and members of the Revenue Committee. For the record, I am Jim Smith, J-i-m S-m-i-t-h, and I represent the 14th Legislative District in Sarpy County. I am here today to introduce LB610. It is not an overstatement to say that our state, our counties, our city roads, and bridges are the lifeblood of Nebraska. And the same can be said for every other state in our great country. Roads infrastructure supports the commerce of our state and the careers and livelihoods of our citizens and families. And fortunately, this is not lost on our agriculture and nonag industries and businesses, many of whom you will hear from today or have sent letters in weighing in on this issue. Businesses and industries in our state recognize that a well-maintained and developed road infrastructure is absolutely critical to Nebraska. It's critical because it moves produce from farm to market. Without the infrastructure, we would not have that. It's critical to transport freight and product from manufacturing to other markets around the country. And it's essential to move passengers and employees, so the businesses understand that. But it does more. It's the business incentive that's necessary to expand and locate businesses in Nebraska. It's responsible for creating direct and indirect jobs from construction activities. Our roads infrastructure is essential for our emergency services and national security. It's part of our everyday life. It's a basic element of our society and it's neither free nor is it cheap. Nebraska has more than 100,000 miles of roads and nearly 20,000 bridges. The vast majority of this infrastructure is classified as county and city ownership and it's under their responsibility to maintain. Roughly 10,000 miles of the 100,000 miles belong to the state and roughly 3,500 bridges of the 20,000 bridges belong to the state. Again, the difference is the counties and the roads. Of the total funding for state, city, and county bridges and roads, about 40 percent comes from the federal Highway Trust Fund. That's the federal government. And 10 percent comes from the Build Nebraska Act. You'll recognize that from LB84. Of the other 50 percent that comprises the state Highway Trust Fund, about 60 percent of that comes from the state gas tax, 30 percent from sales tax on new and used vehicles and trailers, and about 10 percent from motor vehicle registrations. These are all user fees for the most part. The bill before you today focuses on the portion of the state Highway Trust Fund that is funded through the gas tax. More specifically, LB610 seeks to increase the fixed component of the motor vehicle tax by 1.5 cents per year for the next four years. You've heard a great deal of that discussion taking place in Iowa. And actually, if you dig into it, you'll see that playing out in state after state after state around our country because of some of the issues I'm going to lay out here for you in just a moment. The result of this increase will change the current state gas tax, which is currently 25.6 cents, by that 1.5 cents in each of the four subsequent years. Be mindful,

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though, that in 1993, 22 years ago, Nebraska's gas tax totaled 24.6 cents. Again, it's 25.6 cents today, 24.6 cents 22 years ago. If you go back to 2000, gas tax made up about 20 percent of what a person paid at the pump. Today it represents less than 9 percent of what they pay at the pump. So you hear about gas prices increasing and changing. The federal component has remained at 18.4 cents for a number of years. And Nebraska's has hovered right around that 24/25 cents for 20 years, but that change is not tax related that we see often at the pumps. So why is an increase needed? I propose that it's needed for two reasons: because of the funding gaps that we have and it's because of the conditions and the backlogs that we have in maintaining our roads across Nebraska now. The federal Highway Trust Fund is declining and it's losing value. There is no increase in federal assistance in sight and the federal excise tax has not increased since 1993. Now, we probably really don't want to see that increase at the federal level because they have not shown themselves to be very good stewards of that spend on roadways. We hear story after story that oftentimes that does not arrive at where the greatest needs are. The future of the federal Highway Trust Fund is uncertain. Vehicles are also increasing in efficiency. Just think about your own...the vehicle that you drive today compared back to 20 years ago and the increases in efficiencies of the gas mileage. We have hybrids on the road today. We have a lot of electric vehicles. We're even contemplating a three-wheeled vehicle that gets close to 80 miles to a gallon in Nebraska. The lack of General Funds through our appropriations process and restrictions on county property taxes also compounds the funding gap for us. And last year, we had discussions on bonding. And that was considered that at that time to be a nonstarter because it committed future Legislatures. We have infrastructure deficiencies as well. The Reason Foundation released its 2014 "States Highway Conditions and Cost-Effectiveness" study. Nebraska ranked--good news--fifth lowest in disbursements per mile and the lowest in our region. That's great news. We've certainly have stretched our dollars a long way in Nebraska. But in that same study, Nebraska ranked 30th for rural arterial pavement conditions and 28th for deficient bridges. So to summarize those findings: Great news, we're operating at a relatively low cost per mile compared to our region and the country but our conditions have suffered possibly as a result. But that's no surprise because in September 2014, there was a study of Nebraska bridges that showed state-owned bridges...of the state-owned bridges, 93 percent were sound. That says...that means 7 percent are not. But the greater problem is found with the county bridges. Only 72 percent of the 15,000 county bridges are considered to be sound. So do we have a need? Well, I would suggest that diminishing funds and the conditions of our roads and bridges would tell us, yes, we have a need. And I would encourage the committee members that those that follow me in testimony today, I hope that you'll hear from people that are representing a larger footprint across Nebraska. Ask them as well what they think are...of the conditions of our roads and our bridges. So what options do we have available to us? Well, I would suggest to you that the three primary funding approaches for roads are General Funds. The Build Nebraska Act is a .25 cents sales tax that comes out of the General Funds. But if we continue to meet our needs out of the General Funds, that's going to compete with other needs that have been before this committee. I would suggest it also competes with returning tax dollars back to the taxpayer and reform. Another

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option is bonding. Once again, we have to pledge a future Legislature and I do not believe that to be a favored approach. Third option are user fees, the gas tax. I'm not playing with words to call it a user fee. But until we have a better way of truly getting to a user fee, the gas tax, the sales tax on new vehicles, used vehicles, is really the best we have. Now, responsible funding with stewardship I think is the approach that we need to take going forward. In committee, in the Transportation and Telecommunications Committee on Monday, we will hear the start of a discussion in LB609 that is the other side of this equation to talk about stewardship and how do we make certain that the money that we have that's available for funding of our roads and our bridges, how can we better target it to where the greatest needs are and make certain that it's done in an efficient way, that more of the dollars get to the construction project? That's a huge goal and it's something that I'm extremely committed to doing my part with. But we still have a funding issue. I want to again repeat that 1 cent in 22 years and having the fifth lowest spend per mile in the region, I think that's been responsible. And I don't think that it's a stretch to say we can increase that to meet the needs that we have in our state. In closing, I hope that LB610 will be part of an overall package that comes from the Revenue Committee that offers reasonable tax policies that result in net tax relief for Nebraskans. I appreciate your time. I'm available to answer any questions you have. [LB610]

SENATOR GLOOR: Thank you, Senator Smith. Are there questions of Senator Smith? Senator Schumacher. [LB610]

SENATOR SCHUMACHER: Thank you, Senator Gloor. And thank you, Senator Smith, for bringing us another great bill to look at. A couple of questions: First of all, it looks like the gas tax is going up 2 cents more to the state on every gallon? [LB610]

SENATOR SMITH: Yes. [LB610]

SENATOR SCHUMACHER: And 4 to the counties? [LB610]

SENATOR SMITH: If you think of it, the way it's divided, it's one-third, one-third, one-third. The way it falls...flows through the formula, one-third will go to state bridges and roads, one-third to cities, and one-third to counties. [LB610]

SENATOR SCHUMACHER: Okay. So if...maybe I'm just not reading this right. If we're bringing in...the total goes from 7.5 cents to 9.5 cents. [LB610]

SENATOR SMITH: Right. [LB610]

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SENATOR SCHUMACHER: So we're bringing in 2 cents more under the new tax. And we're giving away 4 cents. Are we coming...where's the 2 cents coming from? [LB610]

SENATOR SMITH: The way the bill is written is extremely complicated, I think, as legal counsel will tell you. But basically, the fixed component of 7.5 cents that's going to the state will increase by 0.5 cents, so that would go to 8. And the 2.8 that goes to the Highway Allocation Fund that is then split between counties and cities, that will go up a total of 1 cent. So the Highway Cash Fund is going to get another 0.5 cent. The Highway Allocation Fund will get 1 cent. And that 1 cent is split evenly between counties and cities. [LB610]

SENATOR SCHUMACHER: Okay. And then one final question on how do you envision this interacting with the 0.25 cent sales taxes under LB84? Does it impact at all? Do we still need LB84? Will be able to get rid of LB84 and put the money someplace else? What's your thoughts on that? [LB610]

SENATOR SMITH: My intent is not to dabble with LB84 at this point in time with the Build Nebraska Act. I believe that those monies are necessary to target some of our express systems that are necessary. And you'll hear more about that behind me. This is not intended to impact that component. And again, I think you're touching on the point. That is the one component of roads and bridge funding today that is appropriated out of the General Funds. [LB610]

SENATOR SCHUMACHER: Okay. Now, a year ago we were talking bonding. We were hearing things from the Department of Roads that basically said, you know, look, we got all we can eat right now. We have... [LB610]

SENATOR SMITH: Um-hum. [LB610]

SENATOR SCHUMACHER: All of our engineers are busy. There's no way we can take any more money even if it's shoved at...if you shoved it at us. Has that problem been alleviated? [LB610]

SENATOR SMITH: I'm not certain that that's been alleviated. But what we see with a gas tax is it provides a more even infusion of money to where we will have better use of the resources that...the limited resources as opposed to perhaps in the bonding scenario. [LB610]

SENATOR SCHUMACHER: Thank you, Senator. [LB610]

SENATOR GLOOR: Yes, Senator Sullivan. [LB610]

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SENATOR SULLIVAN: Thank you, Senator Gloor. Thank you, Senator Smith. If you were to prioritize needed improvements in roads and bridges, which one would receive the biggest priority? [LB610]

SENATOR SMITH: Counties, no question in my mind. [LB610]

SENATOR SULLIVAN: And then if you were to then go to the next part of which is more important, roads or bridges, which one of those two? [LB610]

SENATOR SMITH: Well, certainly bridges. [LB610]

SENATOR SULLIVAN: Okay. And so then in this whole scheme of things, kind of reeducate me, if you will, on how are those prioritizations made to make sure that funding goes to some of the needs of bridges? [LB610]

SENATOR SMITH: You're exactly right. There are...we have a limited number of levers, I think, from where we sit in ensuring that it's prioritized. And that's why LB609 has been brought to the Transportation and Telecommunications Committee to begin that discussion as to, how can we not only increase the efficiency of the spend, but how can we target it where the greatest needs are? So LB609 is the beginning discussion. Hopefully we'll have it finished by this next session and get it through. But it's going to be the mechanism by which we are able to target the funds. This is the other side of the equation as to, where are those funds that flow into that process going to come from? [LB610]

SENATOR SULLIVAN: Could it be said then, are we getting the cart ahead of the horse? [LB610]

SENATOR SMITH: No, because this does not come into play until 2016. [LB610]

SENATOR SULLIVAN: Okay. [LB610]

SENATOR SMITH: It certainly gives us some breathing room. [LB610]

SENATOR SULLIVAN: Thank you. [LB610]

SENATOR GLOOR: Senator Davis. [LB610]



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SENATOR DAVIS: Thank you, Senator Gloor. And, Senator Smith, thank you for bringing the bill. I'm still a little hazy on the funding as to how this is going to be spent. But there...when you talk about the county funding, is this from taxes that are generated within the county itself or is this outside money that the state pools out? [LB610]

SENATOR SMITH: No, good question Senator. And as probably you're...you can teach me a lot with the education formula. I'm kind of focused on the transportation formula, how this works, and I know it's nowhere nearly as complicated as TEEOSA, but basically, we have a State Highway Trust Fund that monies flow into from a...several sources including tax on gases...gas across the state. So no matter where you purchase that gas in the state of Nebraska, you know, that's going to flow into the State Highway Trust Fund. And then from there, it gets allocated out to state or the Highway Cash Fund and then to the Highway Allocation Fund which gets distributed beyond that to the cities and the counties for their determination as to how to use it on their infrastructure. But it's...that money that flows in is earmarked for roads and bridges. [LB610]

SENATOR DAVIS: So is it distributed in the counties on a mileage basis, the number of miles that are within the county? [LB610]

SENATOR SMITH: That's a good question and I believe Larry Dix is probably behind me. And if he doesn't answer that for you, I'll get it back to you before I close today. [LB610]

SENATOR DAVIS: Okay. So if we've got a lot of bridge problems, does it...would it...and maybe this is getting into the transportation part of it, but does...would...does that need to rise to the top of the heap in terms of how we use the money? [LB610]

SENATOR SMITH: You're exactly right. At this point, the way the formula works, coming out of the Highway Allocation Fund, there is no control. It goes 50 cities, 50 counties. So we have no control there. But the discussion that we are going to continue on this year and into the interim, I believe, is how can we better direct those monies to where the greatest needs are? And I agree, again, with the study that was conducted last year. Bridges have been identified as where the greatest need is, but that does not diminish by any means the needs that we have with our roads system. [LB610]

SENATOR DAVIS: Thank you, Senator Smith. I think I've got another question maybe I'll ask you at closing if I can formulate it. [LB610]

SENATOR SMITH: Okay. [LB610]

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SENATOR GLOOR: Senator Brasch. [LB610]

SENATOR BRASCH: Thank you, Chairman Gloor. And thank you, Senator Smith, for bringing this forward. I have a letter that was e-mailed to me and I'm not sure if it came to the committee or not, but it was...it doesn't look like it's copied but it's from Mark Lippincott from the Nebraska Iowa Supply Company, Inc. And he is...is he in here today by any chance? Okay. I wanted to make sure I wasn't...but he had some very good points to make. And I wanted your response on it. As you said, this will not be effective until 2016. He's asking...he said that the NPCA agrees with Governor Ricketts and...about savings to be found through efficiencies in building and maintaining Nebraska's infrastructure. He's suggesting to let the Governor put his new director of the roads in place and see what efficiencies that new director could possibly find before discussion of an increase in motor fuel tax is addressed. Any... [LB610]

SENATOR SMITH: Um-hum. Excellent comments. And I cannot agree more that through efficiency gains and improvements we can make some great inroads--pardon the pun--on improving and filling the gaps that we have. But I am 100 percent confident in my belief that efficiency gains and stewardship alone is not going to meet the needs that we have in Nebraska, that we have to find a way to increase funding to our roads and our bridges. In terms of Governor Ricketts' appointment for his new director, I am 100 percent confident that Governor Ricketts is going to find someone that has good experience and will bring some great innovative ideas and plans to the table. That's...but consider it spotting that new director a year getting this moving. And if that director comes in and over the next year determines that we don't need the funding and can demonstrate that to me, I will be the first person in line to introduce a bill to stop the gas tax increase. But I am not confident that stewardship or gains in efficiency alone are going to meet this need. It's too large of a gap. We have too large of a backlog. [LB610]

SENATOR BRASCH: (Exhibit 4) Very good. I have asked the page to make a copy for the committee. He did have one more comment to make, is that they're very happy to see that in the last many, many years--18 years or so--that finally Nebraska's gas tax was lower than any of the surrounding states and maybe we'd have border bleed coming the other way. And that was one of...you'll see that. [LB610]

SENATOR SMITH: If I may comment on that, Senator Brasch, there's...it's really difficult to get a clear comparison of states, you know, in terms of how we rank in our gas tax. Now, currently Nebraska is 25.6. Iowa would be at...is at 32 now. South Dakota is at 22, Kansas at 24, Colorado at 22, Wyoming at 24. We're all right there together. But keep in mind that each state funds its roads differently. Nebraska funds its roads, the majority, from the gas tax. Look at some of the others. Kansas, only 26 percent of their roads funding comes from the gas tax. So they have the luxury of being...showing up pretty good in comparison at a border. But they're getting their

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funding probably through general funds. We need to decide. We can take it through the General Funds and we can keep our gas tax low. But it's going to compete, Senator Brasch, with your bill for property tax. And then you look at the dollars per mile and how are they performing? Well, let's see. Kansas is in the bottom of the heap. They're at 27 in terms of spend per mile or disbursement per mile. So it's odd. You think about, they're at 27 in terms of disbursements per mile. They're on the high end. They fund...only 26 percent of their roads funding comes from the gas tax and they're only a penny cheaper. I think we're doing a great job with what we have. [LB610]

SENATOR BRASCH: Very good. I have no other questions. Thank you. [LB610]

SENATOR SMITH: Thank you. [LB610]

SENATOR DAVIS: Senator Gloor, I have a couple... [LB610]

SENATOR GLOOR: Senator Davis. [LB610]

SENATOR DAVIS: ...a couple more. And you made reference to this, Senator Smith, and I don't want to complicate matters. We do have a lot of electric vehicles, hybrid vehicles that are using the highways and aren't paying what I would say is their fair share. We'll call it that because even if you've got a traffic jam situation, you have to build that road...that intersection or those kind of designs have to be made to accommodate the flow of traffic whether they're taxpayers or not. So are we sure that we're effectively taxing those entities? Is that something else we ought to be looking at, changing the way that that's structured? [LB610]

SENATOR SMITH: You're absolutely right. And I think Governor Branstad made comments about that prior to signing the gas tax bill into place that we have to find new approaches for collecting the user fees where it's really due. And with our electric vehicles we're not doing that. With our hybrids we're not doing that. And, you know, there is a lot of thought out there that, you know, sometime down...way down the path in the future, it'll be a mile driven but there's a tremendous investment in back-room operations to be able to gather that and then there's...then you also face the question as to whether it's someone keeping track of how many miles you drive on your car for, you know, government funding purposes. So that's a whole other discussion, but each state is having this type of difficult discussion as to, how are we going to fund this long term with the changes in fuel use by vehicles? [LB610]

SENATOR DAVIS: And I think I visited with you about this this morning but we know that trucks do a lot more damage to our highways than anything else. [LB610]

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SENATOR SMITH: Yeah. [LB610]

SENATOR DAVIS: Are we effectively taxing the trucking industry for the damage that they do to our roads? [LB610]

SENATOR SMITH: I think we may have a couple of representatives from the trucking industry here today so I'm going to save the answer to that question from them. [LB610]

SENATOR DAVIS: Save the best for them? [LB610]

SENATOR SMITH: But if they don't answer it, ask them. And...but you'll hear them here today in support. [LB610]

SENATOR DAVIS: Thank you. [LB610]

SENATOR GLOOR: Thank you, Senator Smith. [LB610]

SENATOR SMITH: Thank you. [LB610]

SENATOR GLOOR: (Exhibits 1-3) Before we move to proponents--go ahead, you're welcome to have a seat--I need to read into the record some letters from proponents: Jack Andersen, Sheridan County Commissioner; Gary Werner from Werner Enterprises; and Ernest Peterson, Ash Grove Cement Company. All three of those letters are letters of support. Good afternoon. [LB610]

RICHARD REISER: (Exhibits 5-30) Good afternoon, Senator Gloor and members of the Revenue Committee. My name is Richard Reiser. It's R-i-c-h-a-r-d R-e-i-s-e-r, testifying...I'm a lobbyist for the Nebraska Trucking Association. I'm also a 21-year veteran of the trucking industry in Nebraska and a former Nebraska Highway Commissioner. My purpose today is to quickly go through with you the exhibits that we are handing out to you now that we hope will be helpful to you in considering this important bill. Exhibit 1 is the only exhibit that I intend to read. That's the reference...the letter used referenced to the Honorable Mike Gloor from Duane Acklie, chairman of Crete Carrier Corporation. I was born and raised on a farm near Norfolk and educated at the University of Nebraska. In 1971, my wife and I purchased a small trucking company, Crete Carrier Corporation, which has grown and thrived here in Nebraska and has provided thousands of jobs in Nebraska. In 1981, I was appointed to the Nebraska Highway Commission and served as a commissioner for 27 years. Having spent most of my life in the highly competitive trucking industry, I am acutely aware of the need to control costs and

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spending both in our business and in government. Believe me when I say I do not take lightly any proposal to increase taxes. However, my business and public service experience has also given me a deep appreciation of the vital role that infrastructure plays in the economy and wellbeing of our state. As a Highway Commissioner and the owner of a trucking company, I saw firsthand the importance of good roads to the people of Nebraska and of sound transportation infrastructure to effective and efficient commerce. I also saw the ever-increasing costs of maintaining and constructing our roads. Our company paid over \$945,000 in fuel taxes to the state of Nebraska in 2014. Due to the manner in which fuel taxes are apportioned among the states, it really makes little difference in the trucking industry in which state the fuel is purchased. Taxes are prorated based upon miles driven throughout the year in each state. The number shown above is the amount of our fuel tax which went to the state of Nebraska. An increase in fuel tax will result in increased amounts being paid by all trucking companies which run miles in Nebraska. The gas tax and fuel tax is really a user fee in which those who use the highways pay for the highways. In balancing the need to control costs against the importance of infrastructure to our state, I vote in favor of infrastructure and ask you to do the same. Please vote to advance LB610. Thank you for consideration of my opinion, Duane Acklie. We also have offered you a letter from Gary Werner, chairman of Werner Enterprises, a similar type of a letter. Werner is also one of the larger trucking companies in the state and in the country. They collectively paid with their owner/operators \$737,000 in Nebraska fuel taxes in 2014. My purpose in mentioning those is not to say these people pay a lot so you really ought to listen to them, but just to show you that companies that do pay a great deal of money in fuel tax already are both coming forward and saying, we'll pay more, this is that important to us. The next document is...kind of speaks for itself. It's the "2014 State Highway Needs Assessment." Some of you are probably already familiar with that. The following document is from...is the asset management sheet that's from the Department of Roads annual report for 2014. It's this single-page document. The significance of that is the graph in the lower right-hand corner. Their goal is to maintain 84 percent of the highway system in at least good or very good condition. In 2014, they hit that goal. In 2014, it's at 74 percent. It's gone down 10 percent in ten years. The next sheet down is from the State Highway Funds. That's from the Department of Roads annual financial report for 2014. The line I wanted to bring to your attention there was the very first line. Under receipts at the top of the page, motor fuel tax, it shows the amount varies year to year but has gone down consistently since 2010. The next sheet is just a sheet on statistics on highways and roads in Nebraska. The next sheet is called the total state taxes. It shows you the taxes in adjoining...in all states. It's been modified slightly to show you the current tax in Nebraska of 25.6 cents and to show the 10 cent increase in Iowa. The next document down is the chart that we prepared for you. It shows you various...the cost of a 1.5 cent increase to various motorists depending on the miles they've driven. If an average motorist drives 12,000 miles a year and gets 20 miles to the gallon, you'll see this would cost him \$9 the first year; after four years, \$36. The rest of these are simply clippings that are designed to show you that this is a

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national problem, not just a Nebraska problem. And many states are dealing with the problem now. Thank you. [LB610]

SENATOR GLOOR: Thank you, Mr. Reiser. Any questions? I see none right now. Thank you. [LB610]

RICHARD REISER: Thank you. [LB610]

SENATOR GLOOR: Next proponent. [LB610]

PAM DINGMAN: (Exhibit 31) This chair may be made for people who are taller than I am. I'm Pam Dingman, Lancaster County engineer. Last year I was appointed and then elected county engineer. [LB610]

SENATOR GLOOR: Could I ask you to spell your name for us, please? [LB610]

PAM DINGMAN: Sure. It's spelled...my last name is spelled D-i-n-g-m-a-n. My first name is spelled P-a-m. I am testifying in support of this bill. Over the last several decades, fundings for infrastructure at the city, county, and state levels have not kept up with the needs for our aging infrastructure. In Lancaster County alone, there are 272 miles of pavement of which approximately 80 miles, or nearly 30 percent, are in dramatic need of being overlaid or completely replaced. If we continue to underfund infrastructure, some of these paved roads may need to be milled down and returned to gravel in the near future. We are currently...we currently have the annual funding to overlay ten miles a year of asphalt road. In addition to that, we pave one to two miles of new paving a year. We are currently 26 miles behind in new paving. In Lancaster County, we have 297 bridges of which 80, or nearly 27 percent, are older than 50 years which is considered to be the useful life of a bridge. Lancaster County has not built a bridge in two years. I would like to provide you with a few examples of bridges that could be repaired or replaced with additional funds. The bridge shown on 176th Street in Lancaster County was actually purchased from another entity, most likely Nebraska Department of Roads, in the early 1930s. It is actually a dirt deck bridge. When it was damaged last year by a motor grader, the road had to be closed for several months while we located steel plating, which had not been manufactured in decades, for its repair. The bridge shown on Raymond Road has been in Lancaster County's 1 and 6 year road plan since 1998. This bridge was built in 1933. The photo shows water overtopping the road. And in this instance, this is the Mother's Day storm event from 2014. This bridge is overtopped by water actually several times a year. In fact, it is overtopped so often and so regularly that my department puts barricades at this location in advance of any major rainfall forecast. Lastly, and sadly, I would like to show you the bridge located on West Pioneers Boulevard which Commissioner Hudkins, who is in the room, may

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also comment on. Upon a routine inspection, this bridge...of this bridge uncovered a sinkhole of nearly eight feet by the deck. This is a route that is used by many local farmers, and it's also a school bus route. The inspection caused this bridge to be closed and later rated to a maximum capacity of three tons which means it can pass a passenger car or a nonloaded truck. As our roads and bridges continue to deteriorate, the quality of our life for our schoolchildren and for those who use the roads to get to school and for the many farmers who use these roads to get their products to market deteriorates, this is becoming a matter of economic development. Our infrastructure must become a priority in order for our state to prosper. The county simply has to have more funding to build and maintain our existing infrastructure. Lancaster County also supports the revenues generated from this tax to be split amongst the city, county, and state in equal thirds. In addition, if this bill is passed, Lancaster County and Lancaster County Engineering would pledge to be good stewards of the funds allocated to our organization for the purpose of repairing and replacing aged infrastructure. Thank you sincerely for your leadership and willingness to bring this increase forward. Are there any questions? [LB610]

SENATOR GLOOR: Thank you, Ms. Dingman. Any questions? [LB610]

SENATOR DAVIS: I've got a couple, Senator Gloor. [LB610]

SENATOR GLOOR: Senator Davis. [LB610]

SENATOR DAVIS: I assume you use property taxes also for roadwork? [LB610]

PAM DINGMAN: That is correct. [LB610]

SENATOR DAVIS: Are these roads used by farm tractors? [LB610]

PAM DINGMAN: On occasion they are used by farm tractors as they travel from one field to another. [LB610]

SENATOR DAVIS: So are they...given the fact that farm tractors have gotten so much larger, are the bridges able to handle those loads? [LB610]

PAM DINGMAN: You know, the bridges, they are posted, once they are rated for weight, so the farmers are very aware of how much their trucks and tractors weigh. That's the reason they're posted so that they are actually fined if they are caught going over one of these bridges with a heavy load. Does that answer your question? [LB610]

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SENATOR DAVIS: Yeah. So is that something that is done regularly by your county officials, I mean, going out and catching people who might be overloaded? [LB610]

PAM DINGMAN: You know, it's a state statute and when I came into office I did review the statute. Being an engineer by background, not an attorney, I did ask the county attorney to look into that for me. If someone is caught violating that rule, their vehicle is weighed and then there is a fine. The fine...now, and it creates a few issues, because our law enforcement, as they travel out in the county, they don't have a scale with them. So the proving of on something being overloaded is somewhat difficult, Senator. But there have been fines in the past issued to people and people are obviously aware. [LB610]

SENATOR DAVIS: Thank you. [LB610]

SENATOR GLOOR: Seeing no other questions, thank you for your testimony. [LB610]

LARRY HUDKINS: Good afternoon. Thank you, Senator Gloor and members of the Revenue Committee. For the record, my name is Larry Hudkins, L-a-r-r-y H-u-d-k-i-n-s. I am a farmer from the Malcolm area, and I am a member of the Lancaster County Farm Bureau. I also serve as the Lancaster County Commissioner and I am here today representing the Nebraska Farm Bureau Federation and in support of LB610. First, I want to express Farm Bureau's appreciation to Senator Smith for his work to assure funding for bridge infrastructure. Nebraska farmers rely heavily on good roads and a strong transportation infrastructure for the transport of agricultural inputs and commodities. Good roads, good highways, good bridges are essential to farmers and ranchers who each year face more and more global competition. A key for our competitiveness will be to keep the costs of shipping commodities low to help producers market their products in an increasingly competitive global marketplace. Each fall, the Nebraska Farm Bureau members are asked to submit policy statements on issues of importance to them. And judging from the number and the diversity of the statements we received from our members from clear across the state, roads funding and bridge infrastructure were very important to them. During our discussions, members considered many funding alternatives, considered many possibilities, and ultimately adopted a policy statement that states, if the Legislature determines additional funding is necessary, Farm Bureau would support increasing motor fuels taxes. We support LB610 because we believe it is necessary for continued maintenance of our current infrastructure. As a Lancaster County Commissioner, I can personally share with you the challenge we face in dealing with bridge decay and safety concerns as our county engineer just mentioned some of them to you. I want to tell you that we have about 26 bridges that we...that are on our watch list. Five of them have been on there for a number of years. We know we have problems with them. We simply do not have the money. A lot of people would say, you haven't used your total lid levy. We are at 26.81. We have struggled to hold that line for a number of years but the farmers



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have had a tremendous increase in Lancaster County. My own taxes went up 42 percent, 28 percent, and last year 17 percent, not valuations, actual taxes. My wife, former Senator Carol Hudkins, brought bills like this three times during her 16 years in the Legislature. And I do like the concept that is in LB610 where instead of reallocating the Highway Trust Fund and getting into a fight between the cities, the county, and the state, it's this concept that the good senator has brought forth of giving each an equal part...really makes a lot of sense. We all desperately need this money. And you know, maybe I'm not paying enough tax in this regard. I think I'm paying too much property tax. I personally like the income tax, because that means that I had income and I can pay my tax. Two years ago, during a drought, our dryland corn only made 31 bushels to the acre. And Senator Carol and I had to go to the bank and borrow \$41,000 to pay our property tax on our farm. The nice thing about income tax is, at least you've made money to be able to pay tax on it. The property tax is not geared on ability to pay. I would also like to say that my new pickup is a 2014 F-250, pulls a 20-foot stock trailer to Columbus, Nebraska, on a regular basis. My old 2002 got 9.4 miles to the gallon. This new one pulls the same stock trailer weighted to the same weight limits. I get 14.7. So I'm not using as much fuel as I used to, so I'm not paying as much tax as I did. I think this is part of our problem. These cars and trucks are efficient. One other thing I'd leave you with: We have the Interstate 80 and at least four or five good north/south routes across our state. Almost anybody going from east to west is going to have to stop and buy a tank of gas. Let's invite our friends and neighbors that use our roads to help us pay for our roads as well. Any questions? [LB610]

SENATOR GLOOR: Thank you, Commissioner Hudkins. Senator Schumacher. [LB610]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Thank you, Commissioner, for your testimony. Our road and bridge system, particularly in the rural areas, kind of laid out 100 years ago or so, long railroad tracks between county seats, between little burgs and villages that were thought that they were going to grow and grow and grow, little 160-acre farms...the needs under which that system that the virtual design of and the location of the roads all were based kind of on those parameters. Has Farm Bureau or anybody else, to your knowledge, the state or anyone, stepped back and said, okay, rural Nebraska has dramatically changed. The nature of agriculture has dramatically changed. The strategic deployment of market or farm-to-market roads may have also changed in that. And if we put a whole bunch extra resources toward a roads program and bridge program, do we need bridges in the same places? Do we need roads in the same places? Do we need roads in places where they're not? And any big plan, because we're talking about a nice chunk of money here if we do this, and rather than saying that we're married to something that made sense 100 years ago, is there any thought given to what makes sense 100 years from now? [LB610]

LARRY HUDKINS: Yes, Senator Schumacher, there certainly is. And in Lancaster County, we just closed a mile because it had a bridge in it, minimum maintenance road, wasn't used very

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often. We also had the tiger beetle in this area which made it environmentally very expensive to get a 404 permit on this bridge. We went to the local farmers and said, can you possibly go around from the other two sides and get it? And over by Denton about two years ago, we closed one too. So we just can't keep all the roads open just because they have been there for over 100 years. We do try to prioritize. We try to avoid creek crossings. If we can build more road and come to an intersection that may not be exactly in the middle of the mile or on the edge of the mile, we have done that on occasions too. [LB610]

SENATOR SCHUMACHER: Is there any strategic plan across the state to really say, you know, ask the tough questions? How do we...do we have the roads and bridges in the right places considering this economy? [LB610]

LARRY HUDKINS: And you know, I do not know of any organized effort to do that other than we do have schooling through the...all of us that are county commissioners. We attend in southeast NACO at least four times a year where we have specific programs on this where we invite people from the state Department of Roads to give us priorities and what we need to look for in the future. [LB610]

SENATOR SCHUMACHER: Thank you, Commissioner. [LB610]

SENATOR GLOOR: Senator Scheer. [LB610]

SENATOR SCHEER: Thank you, Senator Gloor. Real quickly putting your Farm Bureau hat back on... [LB610]

LARRY HUDKINS: Okay. [LB610]

SENATOR SCHEER: ...which is the higher priority, roads or property tax relief? [LB610]

LARRY HUDKINS: Well, they're interconnected but in Lancaster County here I've witnessed a tremendous shift in who is paying the taxes. Our residential and commercial property has been stagnant for nearly five years, but agricultural property has raised significantly. Most people would say Lancaster County is an urban county. Well, there's 864 square miles in Lancaster County. Eight hundred of them are outside of the city limits. So we're a county and a half by most standards. In eastern and southern Nebraska, most counties are 24 by 24 miles. We're 24 by 26...36 by 24 miles is...Gage County has. Property tax for our farm population is really a tremendous burden. Roads are something that everybody needs and everybody shares. And in Lancaster County, we have to balance with the 92 percent of the population that live inside the

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community versus the 8 percent that live outside but have about 90 percent of the roads. So it's a constant battle. Roads or bridges? It depends on what we have money to do with. Bridges are very expensive, yeah. [LB610]

SENATOR SCHEER: No, no, you're answering on a commissioner basis. I asked for a Farm Bureau basis. [LB610]

LARRY HUDKINS: On the Farm Bureau basis (laugh) we support both. We support property tax relief and we also support an increase in taxes actually, for...to pay for the roads. [LB610]

SENATOR SCHEER: I understand that. The question was, on a priority basis, which is more important? [LB610]

LARRY HUDKINS: Well, if we don't have good roads and bridges, we can't make enough money to pay our property taxes, so I think we think that roads and bridges are certainly super important. [LB610]

SENATOR SCHEER: Okay. Thank you. [LB610]

SENATOR GLOOR: Seeing no other question, you are welcome to take all those hats you wear and... [LB610]

LARRY HUDKINS: And I just come up with a washcloth so I need one on cold days. Thank you. [LB610]

SENATOR GLOOR: (Laugh) Thank you. Good afternoon. [LB610]

DAN THIELE: (Exhibit 32) Good afternoon. Chairman Gloor and members of the Revenue Committee, my name is Dan Thiele, D-a-n T-h-i-e-l-e. I'm appearing as president of the Professional Engineers Coalition. The Professional Engineers Coalition is comprised of the Nebraska Society of Professional Engineers, the American Society of Civil Engineers, the Professional Surveyors Association of Nebraska, and the Structural Engineers Association of Nebraska. We have an associate member, the American Society of Mechanical Engineers. I'm appearing today in support of LB610 to update the fuel excise tax in Nebraska. As the previous speakers have indicated, transportation infrastructure has been severely underfunded over the past several years. The Build Nebraska Act obviously helps, but still we're falling further and further behind. It's just not enough. The real spending, real dollars available for road improvements from the excise tax, from the gasoline tax, has been falling with inflation for 20

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years or more. Transportation funding from Federal Highway Administration has been also diminishing and an increase in this allocation is exceedingly unlikely in this atmosphere. So Nebraska is left, like all of our neighbors, with having to find new mechanisms to fund and maintain our highways and bridges. The condition of our infrastructure has been severely deteriorating as the previous speakers have indicated. Nebraskans obviously depend on our transportation infrastructure to move our crops to market, to move our goods from producer to consumer. And our...the economic vitality of the state is critically tied to our highway and bridge system. Increasing the fuel excise tax will provide much of the needed funding to maintain and improve our roads. This is a user fee paid by...paid substantially by the users...the roadway users. Obviously there's some exceptions, but they are, in the grand scheme of things, fairly small. With the recent action by our neighbors in Iowa, the--and our other neighbors around us--the time is certainly right for Nebraska to act on this particular funding mechanism. So our organization would encourage, would ask the committee to advance LB610. Thank you. [LB610]

SENATOR GLOOR: Are there questions? I see none. Thank you. [LB610]

DAN THIELE: Thank you. [LB610]

SENATOR GLOOR: Welcome. [LB610]

MARK LUTJEHARMS: Thank you. Good afternoon, Chairman Gloor and members of the Revenue Committee. My name is Mark Lutjeharms, M-a-r-k L-u-t-j-e-h-a-r-m-s. And I serve as the legislative chair for the American Council of Engineering Companies of Nebraska, or ACEC Nebraska. And on behalf of ACEC I am here in support of LB610. ACEC Nebraska represents the business interests of private engineering firms across the state. As partners in delivering a safe and efficient transportation system in Nebraska, we see firsthand the impacts associated with the lack of investment in our streets and highways and we applaud the initiative to raise the gas tax and thank Senator Smith for his efforts in sponsoring this important legislation. Traditionally, as you know, the gas tax serves as a user fee. When you buy your gas, included in that purchase is the fee to support the transportation infrastructure. Then, of course, this fee is used to preserve and maintain the roads across the state and in the past has been used to build new bridges and roads. However, as you know and has been testified already this afternoon, NDR's budget has not been able to keep up with these growing needs of maintaining our aging infrastructure, not to mention the need to build new roadways and bridges or add capacity to others. Essentially, we have been shortchanging our roads and bridges for decades, and it is difficult to argue otherwise. Although other funding mechanisms have recently been enacted, namely the Build Nebraska Act, our infrastructure needs are still not being met. Other ideas, such as basing the user fee on vehicle miles traveled have merit. However, the implementation of the technology to do so are not yet ready. Until then, we must rely on the tried and true method

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to funding our...excuse me, to funding our transportation infrastructure, that being the gas tax. Some will say now is not the time. However, our members would tell you that not only is now the time, but the time is long overdue, long overdue for a significant increase in the user fee that supports our transportation infrastructure. Your vote to support LB610 is needed to improve and protect the state's transportation infrastructure for our citizens. Thank you, and I'd be happy to answer any questions that you have. [LB610]

SENATOR GLOOR: Are there any questions? Seeing none, Mr. Lutjeharms, thank you very much. [LB610]

MARK LUTJEHARMS: Thank you, Senator Gloor. [LB610]

KATIE WILSON: (Exhibits 33, 34) All right. We're passing out a testimony from our national office, which you'll see, and then a couple other documents. All right. Good afternoon, Senator Gloor and members of the Revenue Committee. My name is Katie Wilson, K-a-t-i-e W-i-l-s-o-n. I am the executive director of the Nebraska chapter of the Associated General Contractors of America. I'm here today in support of LB610. My members have always supported a gas tax user fee increase, because it's the most responsible, viable solution to funding the increased needs of our roads and bridges. Highway users benefit from the improvements their user fees or taxes generate. Good roads are a priority for the people of Nebraska. And the efficiency of Nebraska's highway system is critical to the state's economy. The Build Nebraska Act went into effect July of 2013, which funds capital improvement projects over a 20-year period. The balance of the Department of Roads highway construction budget is focused on system preservation only. Funding for Nebraska's roads is not adequate to meet the needs. According to the Department of Roads "2014 State Highway Needs Assessment" report, the total needs for the next 20 years are \$10.2 billion, and that's in today's dollars. And this is just for the state system. Counties and cities are falling even further behind. The revenues generated today won't get it done. Fiscal year 2015, Department of Roads revenues are \$457 million as you can see by the second page of the graphs. At this rate, we will never meet the 20-year needs. The biggest success the highway system has had in the past years was the Build Nebraska Act. Those funds are doing good things. However, it was half of what was needed then, and now here we are three years later talking about raising the fuel tax 1.5 cents each of the next four years to fund state and local construction projects. I commend Senator Smith for submitting this bill. We can't keep kicking the problem down the road. We need to help the state, counties, and cities with the ability to fix their deteriorating roads and bridges. In the past two years, ten states and the District of Columbia have adopted gas tax increases. About 12 states, including Nebraska, have gas tax increase bills pending today. Two of our border states have increased their gas tax. Wyoming increased 10 cents in 2013 and Iowa passed a bill which raised their gas tax 10 cents two weeks ago and it went into effect on March 1. Do we really want to sit back and watch our neighboring states do what we should be doing, or do we join them and make a statement that we in the Heartland have

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made roads funding a priority? There are insufficient revenues being generated from the current fuel tax rates to meet the transportation needs of the state while construction costs are increasing. LB610 will help lessen that gap. We hope you vote to advance LB610 and that concludes my testimony. Thank you. And I'll answer any questions. [LB610]

SENATOR GLOOR: Any questions for Ms. Wilson? I see none. Thank you. [LB610]

KATIE WILSON: Thanks. [LB610]

SENATOR GLOOR: Good afternoon. [LB610]

DENNIS SCHAARDT: (Exhibit 35) Good afternoon, Senator Gloor, Revenue Committee. My name is Dennis Schardt, D-e-n-n-i-s S-c-h-a-a-r-d-t. I'm a Pawnee County Commissioner from down south here. I haven't been here and done this for a while, so I'm a little rookie at it maybe, but I'm just handing out there kind of what our county goes through to try to get our bridges done in our county. Basically, we have roughly 166 bridges in our county over 20 foot. We have 100 that are under 20 foot. In our 1 and 6 year budget plan, we have 42 bridges right now on it that need to be replaced that are up...cost...some are varied, but \$250,000. So just in our 10-year plan, we have \$10.5 million that we need to do that. Right now, we are only budgeting \$500,000 to replace them. So it would take us 21 years to do our six-year plan. That's where our problem arises. You talked earlier about, do we need all these bridges and stuff? We kind of actually have a thing with our engineer where we've kind of, you know...the old square mile thing, you can't have a road that way anymore, we don't feel, because farms have grown. So we've looked at it and say, okay, if this bridge goes out, how much farther is it going to be to get the product to the town to do it? So we've sat down, worked with things and tried to figure out which bridges we really need, because we know we ain't going to be able to redo them all. Also, physically we can only do a couple structures a year. That's where we're getting behind on things. To replace all the bridges that we have right now, it would take us 83 years to do. And we see no end of it. I probably will never see the end of that, because I'm a little bit older than that, too, so I'll never see the end of that. I guess our big concern is, we think this is a great program to hopefully get more money down to us, the local level. We feel that we as county commissioners, we know the land, we know our area, we know what bridges need to be replaced. And we don't think we need somebody else telling us how to...which ones to replace and which ones not to replace. We just want to make it right for our whole county so they can get their product into town. With that, I'll answer any questions that are...or anything. [LB610]

SENATOR GLOOR: I don't see any... [LB610]

SENATOR SULLIVAN: Can I just... [LB610]

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SENATOR GLOOR: Sure. Senator Sullivan. [LB610]

SENATOR SULLIVAN: Thank you. Do you have any idea what percent of your budget goes to roads and bridge improvements? [LB610]

DENNIS SCHAARDT: Of our road and bridge, over half of it does. [LB610]

SENATOR SULLIVAN: Okay. All right. Thank you. [LB610]

SENATOR GLOOR: Thank you very much. You're not a rookie. [LB610]

DENNIS SCHAARDT: Thank you. [LB610]

SENATOR GLOOR: We have an all-star team of testifiers at the end of the season. You may make it. (Laughter) [LB610]

DENNIS SCHAARDT: All right. Thank you. [LB610]

SENATOR GLOOR: Thank you, Mr. Schaardt. [LB610]

JERRY RADKE: (Exhibit 36) Members of the committee, my name is Jerry Radke, J-e-r-r-y, Radke, R-a-d-k-e. I'm a Deuel County Commissioner. I'm here to testify in support of LB610. Deuel County needs additional funds that could be generated from an increase in the gas stop to help pay for some of our road expenses. We are already at our cap and have no place to go for additional revenue. There is no lid on expenses. When you're a small county, there is not a lot of options to raise money. The NRD has a moratorium on new irrigation wells, which has killed the ability to produce any extra income through taxes on that on land. We've pushed taxes up as far as we can go. A quarter section of land that was taxed at \$700 a year is now \$1,100. That's on dryland. Farmers can't pay the...make that pay. Good dryland producing ground is being put into CRP and that reduces that tax base. Our only discretionary area is to cut road maintenance. We need to buy a new mower but can't put it in our budget. Heavy commercial and recreational traffic, not necessarily local traffic, has killed our roads. The state detoured the interstate when a bad accident took out an overpass. Who is going to pay the millions to repair our county road from Big Springs to Lewellen and Lake McConaughy? A huge volume of Colorado traffic gets off the interstate at Big Springs on the way to the lake. They use a county oiled road to take to the lake because it's by far the shortest route. The state gets the majority of the gas tax, but the county gets the road repair bill. In last fiscal year, we received \$342,653.93 in Highway Allocation Funds to support all of the roads in the county. We are already at our cap and have no

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ability to allocate money to volunteer firefighters. When there is a disaster like a flood or a wildfire as in previous years, where do we get the money to operate? We can't expect volunteer firefighters to fuel trucks from their own pockets. For these reasons, I encourage you to support the gas tax increase in LB610. Thank you for the time to give me to testify, so. [LB610]

SENATOR GLOOR: Are there any questions for...Senator Schumacher. [LB610]

SENATOR SCHUMACHER: Thank you, Senator Gloor. And thank you for driving in all the way from Chappell or Big Springs? [LB610]

JERRY RADKE: Big Springs. [LB610]

SENATOR SCHUMACHER: How much extra money do you feel this would bring in a year, once it's fully implemented, for Deuel County? [LB610]

JERRY RADKE: I haven't seen the exact projection yet. I mean, we just...I just kind of got this handed to me a couple days ago and I was going to be close. [LB610]

SENATOR SCHUMACHER: How much money for roads and bridges more than what you have now do you need? [LB610]

JERRY RADKE: Anything would help. I can't quote you the exact numbers right off. [LB610]

SENATOR SCHUMACHER: Okay. [LB610]

JERRY RADKE: But that one road alone is...we've got ten miles but in the county. And it's a major feeder road to Lake McConaughy. It's a...for years the trash come out of Scottsbluff to the dump at the landfill south of Ogallala down our county road. It should be a state road, but they won't take it over, so we have to suffer from the consequences. [LB610]

SENATOR SCHUMACHER: What if we tolled it? Put a toll on it? [LB610]

JERRY RADKE: We've talked about that, too, so. [LB610]

SENATOR SCHUMACHER Thank you. [LB610]



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JERRY RADKE: Anyone else? [LB610]

SENATOR GLOOR: Seeing no other questions, thank you, Commissioner Radke. [LB610]

JERRY RADKE: Thank you. [LB610]

SENATOR GLOOR: Other proponents. We have a 30-second clock. (Laughter) [LB610]

LARRY DIX: Start it. Start it. I understand. Start it running. [LB610]

SENATOR SCHEER: You've been waiting for two hours and now you're not ready? (Laughter) [LB610]

LARRY DIX: (Exhibits 37-40) Oh, and I forgot that. (Laughter) Good afternoon, Senator Gloor and members of the Revenue Committee. For the record, my name is Larry Dix, L-a-r-r-y D-i-x, and I'm executive director of the Nebraska Association of County Officials appearing today in support of LB610. Certainly we want to thank Senator Smith for bringing this bill forward. And I'm passing out some information and I started putting it together based on some of the questions that were starting to happen early on in the hearing. But I'm going to make just a couple of statements from NACO's perspective. Larry Hudkins commented about it, and I think I've been quoted before: This is one of the few taxes that folks from outside of the state of Nebraska will pay. And so it's very rare in our state where we have that opportunity. And so it's something we believe that we really, really need to take advantage of. What I'm handing out to everyone is a few things that may be of interest. One there is a letter from Red Willow County that they wanted me to make sure we have on file. A second one will show a list of the counties and the amount of revenue that they will gain based on the fiscal note. And in the fiscal note, to do those calculations, I went through and took the second year. So we would have a full year of revenue. So you can sort of see where that goes. And then, of course, as additional years add up, you'll see additional...you would have to multiply that from year to year. But that does give you a one-year. Then I want to make sure I answer Senator Sullivan's question, had a question from Senator Davis and Senator Brasch. Two other handouts...let's start with Senator Schumacher's question and hopefully I'll get through these. Senator Schumacher, if you'll look at this map that...or sort of this flow chart. I think you were talking about the cent versus the 2 cent and sort of where does that go and where does it enter into the formula. If you look at sort of the middle, absolute middle of the page, you'll see a box that says motor vehicle fuel tax. And my belief in reading the bill--and certainly those that are wiser than I--but I believe the money that Senator Smith is talking about is...goes right into the middle into that fixed line, into that fixed box. And so you see there, if it goes from there to the left, the 2...currently 2.8 cents goes to the Highway Allocation Fund which is split evenly between cities and counties, and then the 7.5 cents goes

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over to the Highway Cash Fund. So what you'll see in this bill, when money is being put in there, it's going into that fixed component and then it flows across. So that makes it a little bit different than if money would just go into the Highway Trust Fund. Okay? So I think that may help Senator Schumacher in answering that question. But you can ask me a question on that later. Senator Sullivan, your statement, your question about, how do we know it's going to go towards bridges? I would like to be able to say, trust us. What I would tell you also is that we...not all 93 counties will have bridges, at least not according to Department of Roads classification. And they classify them 20 feet or longer. So we have four counties that, while they have bridges, they're just not 20 feet or longer. From our point of view, certainly the needs out there are bridges, but they're also paved roads that are really falling apart and things like that. Certainly we know the biggest problem...what I hear from counties, the biggest dollar problem are the bridges and the hardest for them to address. Senator Sullivan...or Senator Brasch, you had talked about a new director, wait till the new director comes in which is fine and we appreciate Governor Ricketts taking time to make that decision. But the new director certainly is going to oversee those state highways and state roads. From a county perspective, we need to operate now. You know, we need the help now rather than kick that can down the road until somebody new comes on. And we're certainly anxious to have whoever that person is, because we work very, very close with Department of Roads on a number of things. I'll squeeze in Senator Davis'. He had a question about how that money flows once it gets into the Highway Allocation Fund. I can tell you, the sheet I handed out, Section 39-2507, that tells you once a dollar gets in there, these seven factors impact that dollar and how they are disbursed from county to county. Okay? So with that, I'll try to answer any questions anybody has. [LB610]

SENATOR GLOOR: Are there any questions for Mr. Dix? Senator Brasch. [LB610]

SENATOR BRASCH: Thank you, Chairman Gloor. And thank you, Mr. Dix, for addressing that question. This will take some consideration and thought. However I do remember, I think it was in the year 2010, there was a major summit on roads held in Omaha. There were 200 or more interested parties besides the engineers that attended. And that's where Senator Fischer and I think Senator Ashford, there, Senator Dubas reviewed surrounding states, methods of funding, and from that LB84 was born. We've heard in testimony--and I don't know if they're here today--but also an engineer, Director Peters, had addressed that we are just now seeing the funding of LB84 coming forward. The state had been in a recession for many, many years. We had to make cuts. Give us a chance to help. On...I'm curious if what you're telling me here today is, when the state of Nebraska is saying the money is there, it takes time with all of the permitting, etcetera, the work crews, the contracting, our plans, does more money need to go into the counties? Perhaps the plan or the funding with the new director...perhaps that's the formula we need to address, is the chicken or the egg, you know. Where are we going to start... [LB610]

LARRY DIX: Sure. [LB610]

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SENATOR BRASCH: ...if this funding is going to be effective? [LB610]

LARRY DIX: Right. And, Senator Brasch, I appreciate the question. I always appreciate your support for the counties and the roads. And I know you know very well of some of the bridges that we looked at this fall and how it affects the counties in your area. I think we heard testimony that, you know, we've had some of these bridges in counties, we've had them on the 1 and 6 year plan. You would think that would mean they'd be fixed in six years. But they've been on for 16 years. So the counties...while the Department of Roads will ramp up to do their studies, the counties have a number of bridges sort of on the shelf and waiting to be replaced. And many of them don't necessarily have to be replaced, but they have to have significant repair. And so they do have the ability to spend the money if it were to come to them. [LB610]

SENATOR BRASCH: Okay. Very good. [LB610]

LARRY DIX: And when I say they have the ability to spend the money, we also have to be concerned that there's also spending lids that we have to take into consideration, but I...but we'll figure out a way to work around those. [LB610]

SENATOR BRASCH: Very good. Thank you. [LB610]

SENATOR GLOOR: Seeing no further questions, thank you. Oh, I'm sorry. Senator Schumacher. [LB610]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Just one clarification: On the sheet you put out showing the amount each county would get...and I guess it's 2015-16? [LB610]

LARRY DIX: Right. [LB610]

SENATOR SCHUMACHER: Okay. I'll pick on Deuel County, since someone from Deuel County was here. [LB610]

LARRY DIX: Yeah. [LB610]

SENATOR SCHUMACHER: It shows in '15-16, Deuel County gets \$5,900. And then if we look at another sheet that we have here, it would indicate that 2019 and beyond, it will bring in about 12 times as much money. So is this a correct interpretation that Deuel County at the end of this

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thing when it's fully implemented at 2019 would be getting about \$72,000 a year, about... [LB610]

LARRY DIX: Senator Schumacher, I always trust your calculations. (Laughter) But I am...I think, when I look at that, what we're going through, and you're pulling that off of the fiscal note... [LB610]

SENATOR SCHUMACHER: Right. [LB610]

LARRY DIX: So you're saying that in '15-16, here's the amount that comes to the counties? [LB610]

SENATOR SCHUMACHER: Right. It says \$50.8 million in 2019 and beyond. And in '15-16, which is what I think your figures are based on, it's \$4.2 million. [LB610]

LARRY DIX: Right. [LB610]

SENATOR SCHUMACHER: So that's roughly 12 times... [LB610]

LARRY DIX: That's where you're...12 times, yes. [LB610]

SENATOR SCHUMACHER: ...the money. And so I take 12 times the money times Deuel County's share, \$5,900, and come up with roughly \$70,000/\$72,000. [LB610]

LARRY DIX: That would be the same method I would use... [LB610]

SENATOR SCHUMACHER: Same, okay. [LB610]

LARRY DIX: ...to calculate that estimate, yes. [LB610]

SENATOR SCHUMACHER: Okay. Thank you. [LB610]

SENATOR GLOOR: Seeing no further question, thank you, Larry. [LB610]

LARRY DIX: Thank you. [LB610]

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SENATOR GLOOR: Good afternoon. [LB610]

MARLENE JOHNSON: Good afternoon. Chairman Gloor and members of the committee, my name is Marlene Johnson, M-a-r-l-e-n-e J-o-h-n-s-o-n. I'm the Mayor of West Point, Nebraska, and I'm president of the League of Nebraska Municipalities. First, I would sincerely like to thank Senator Smith for introducing LB610. This bill would increase the fixed rate for motor fuel tax to help municipalities, counties, and the state address the significant funding gap to maintain and improve our highways, streets, roads, and bridges. LB610 is truly a modest proposal especially when you consider that Iowa just increased its gas tax 10 cents this year. LB610 would only increase the fixed motor fuels tax rate by 1.5 cents every year for four years for a total of 6 cents. Of the total 6 cents, 2 cents would be allocated for municipalities, 2 cents for counties, and 2 cents for the Nebraska Department of Roads. The portion that is allocated to municipalities and counties would increase 1 cent or about \$12 million every year for four years from 2.8 cents to 6.8 cents. It is estimated that this would generate an additional \$48 million annually after four years. Since this amount is divided equally between municipalities and counties, each would receive an additional 0.5 cents, or about \$6 million, every year for four years, resulting in an increase of \$24 million annually after four years. It is projected that this total amount collected for municipalities and counties at the end of the fourth year would be about \$120 million. On March 4, the league executive board voted to support LB610 with a unanimous vote by those executive board members able to participate on the telephone conference call which is, of course, a quorum of the executive board. The revenue that would be generated by LB610 is of critical importance to help close the funding gap needed to maintain and improve Nebraska's transportation infrastructure. In quoting from the 2014 State Highway Needs Assessment, this report identifies current needs for the next 20 years at \$10.2 billion in today's dollars. The report states that with inflation applied, over the next 20 years, the total cost of the 2014 needs are estimated at \$14.6 billion. Unfortunately, there has not been a recent assessment of the collective needs of municipalities and counties. The LR152 report of the Transportation and Telecommunications Committee in 2009 quoted from the 2004 report of the Governor's Transportation Task Force for Nebraska's Future. This report was presented to then Governor Mike Johanns and quantified the counties' and cities' collective estimated project costs at \$2.47 billion. With inflation and increasing costs of materials, our dollars buy less today than ever before. The price of constructing and maintaining streets and roads continues to increase. And due to lack of funding, municipalities have deferred maintenance and construction which ultimately results in even higher costs. Nebraska's transportation system is vital for Nebraska's future. First and foremost, this additional revenue is needed to help address safety concerns. Safety-related issues includes those caused by deteriorating infrastructure as well as congestion in areas with increased traffic counts requiring new construction for additional lane capacity. Second and critically important is the need for additional revenue to help maintain and improve this segment of our transportation infrastructure for economic development and redevelopment efforts. As many have noted, transportation truly is the engine that powers Nebraska's economy.

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Our highways, streets, roads, and bridges are literally economic lifelines for our agricultural, manufacturing, and business sectors which rely heavily on the commercial transportation industry to transport inputs and move products to market. Transportation and infrastructure is essential for municipal economic development and redevelopment efforts which help retain and create jobs for our citizens. This includes jobs for many farmers and others living outside of municipalities who are employed at businesses located in our cities and villages. The economic health of the state of Nebraska and the financial stability of revenue for the state budget are directly related to the strength of our agricultural economy as well as the economic viability of our municipalities. With only a few exceptions like ethanol plants, economic development and redevelopment occur in and around municipalities. In closing, I want to emphasize that our transportation infrastructure, economic development and redevelopment, as well as job creation and retention are interdependent. Without good-paying jobs, we cannot expect our high school and college graduates to remain or come back to Nebraska and become part of our valuable work force, which is necessary to retain and attract more businesses to our state. Please advance LB610 to General File to help provide this additional funding essential for maintaining and improving our state and local transportation and infrastructure. I want to thank you very much and if you have any questions, I will certainly try to answer them. [LB610]

SENATOR GLOOR: Are there any questions for the mayor? Senator Schumacher. [LB610]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Thank you, Mayor, for coming here and testifying and helping enlighten us today. (Laughter) Has the league done any analysis of what income demographic will be paying this--what appears to be when fully implemented--\$75 million a year in additional taxes? [LB610]

MARLENE JOHNSON: Not to my knowledge at this time. You know, this is kind of just something that we've just kind of been looking at and starting to study. And, you know, I think it's just not only, though...as it was stated earlier, it's not only our citizens here that are going to be paying for this. You know, it's going to be everyone passing through the state of Nebraska that is going to help us pay this...these taxes or this use tax or whatever you want to call it. And so it's not going to rely solely on the residents of Nebraska. It's going to be spread out for all of the tourism and transportation costs that we have going through our state. So I think it would be very difficult to try and figure...you know, to come up with that type of a figure based on, you know, what we have at this point, because, you know, you'd have to take into account, as I said, the people that are passing through the state. [LB610]

SENATOR SCHUMACHER: But nevertheless, it is fairly reasonable to anticipate that the folks making between \$20,000 and \$120,000 a year and live in Nebraska will pay the great bulk of this tax. And this is on top of then the LB84 money which is sales tax money, 0.25 percent, that is

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also targeted at that group. So we're going to be, irrespective of the...whatever interstate traffic we might happen to pick up, we're going to be focusing the burden, the bulk of the burden of roads and bridges, on an income demographic in a very regressive way. [LB610]

MARLENE JOHNSON: Well, I guess I would sort of respectfully disagree with you a little bit on that point, because I think, as we are all...we live to what our means allow. And so, you know, I don't know that everyone is going to be traveling the same amount of time using the same amount of gas and so forth. You know, that's...everybody's use is going to be different, so I don't know that we can literally say that someone is going to be paying more than someone else. It's kind of an individual decision as to, you know, how you live and how you drive and where you go and that type of thing. I don't...you know, I don't say you're wrong. I just don't know at this point how we can probably do any figuring on that. And maybe there's a possibility and that's something we can probably look into. [LB610]

SENATOR SCHUMACHER: And I would think...that was the nature of the question, whether or not the League had done any analysis of who was getting hit the... [LB610]

MARLENE JOHNSON: Not at this point. [LB610]

SENATOR SCHUMACHER: Okay. [LB610]

MARLENE JOHNSON: But we can certainly see if we can figure out a way to do that. [LB610]

SENATOR SCHUMACHER: Thank you. [LB610]

MARLENE JOHNSON: Sure. Thank you. [LB610]

SENATOR GLOOR: Senator Brasch. [LB610]

SENATOR BRASCH: Thank you, Chairman Gloor. And welcome, Mayor. [LB610]

MARLENE JOHNSON: Thank you. [LB610]

SENATOR BRASCH: And good to see you here. My questioning is maybe aligned with Senator Schumacher's. We have the LB84 and now we're looking at raising the gas tax. And last year you were here as a proponent of bonding for the highways. Do you think...will this replace the

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bonding or will this be enough or is it going to be LB84, gas tax, and bonding? How do you see this working? [LB610]

MARLENE JOHNSON: Well, at this point in time, you know, obviously the senators have to agree whether they want to do bonding. So I think, you know, unless that is brought forward again, that got killed last year and so that's not an option at this point in time. So I, you know, I don't think that that is something that we can talk about right now because it's not on the floor. [LB610]

SENATOR BRASCH: But will the revenues, I'm asking, from the figures you had said...and you were also on the steering committee, I believe, of the roads meeting in Omaha. You were one of the speakers... [LB610]

MARLENE JOHNSON: Yes. [LB610]

SENATOR BRASCH: ...four years ago and have done a yeoman's...woman's job of paying attention to the roads and we are grateful. But you have vast knowledge. With that and your experience, is this going to be the magic bullet that takes care of our roads or are you thinking this is just the beginning? [LB610]

MARLENE JOHNSON: I don't think there ever is a magic bullet, because one never knows exactly what's going to happen in the future. I think that this would be a major help. LB84 has been great and it has...and that was...you know, part of that was designated for the expressways, the four-lanes, which we have been waiting 20-some years to have finished. And so that is still designated for that and will not be used, you know, for other projects. [LB610]

SENATOR BRASCH: Sure. [LB610]

MARLENE JOHNSON: So that cannot really be entered into our basic bridges and roads and that type of thing that need to be taken care of. And I would hope that if we can get something like this, it's going to help. I don't know if we can ever say that we're going to cover it all. But any help that we can get to improve what we have is going to help our economic development, because that's basically what it all boils down to. We have manufacturing plants in our community. They bring in major transportation and trucks and that type of thing. And they're in and out of the community all the time. If they can't get there because our roads are not any good, you know, we're not going to exist as a community. And so I think that, as I said, I don't know that this is the magic bullet, but I know that it would definitely help the process and allow us to improve a lot of what we have so that our roads are better than they are. I'm sure that we will



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never, ever reach a point where everything is 100 percent, we are fantastic, we can quit, we don't need any more money, because you are going to have continued use of your roads and continued deterioration. And so I'm not sure that, as I would say, that this is the end all to end all. But it's certainly going to be a major help which is what we can ask for at this point in time, is help us move forward, you know, to improve our roads and keep them so that they're good for our economy. [LB610]

SENATOR BRASCH: Very good. And thank you for coming here. Good to see you. [LB610]

MARLENE JOHNSON: Well, thank you. [LB610]

SENATOR GLOOR: Seeing no further questions, thank you, Mayor Johnson. [LB610]

MARLENE JOHNSON: Okay. Thank you very much. [LB610]

SENATOR GLOOR: Any additional proponents? [LB610]

LARRY JOHNSON: Hi, everybody. I need my glasses. (Laugh) Good afternoon, Mr. Chairman and members of the Revenue Committee. My name is Larry Johnson. I'm the president of the Nebraska Trucking Association. And that's spelled L-a-r-r-y J-o-h-n-s-o-n. I want to compliment, first of all, all my preceding folks that came up with all the numbers and stats. My testimony is pretty simple. I'm here to represent over 1,100 members of the Nebraska Trucking Association. And that's 13,500 of the interstate motor carriers that call Nebraska home. I always like to add that that is interstate carriers. It has...the number of farm vehicles aren't in there or any intrastate vehicles. So we are home to a lot of people that pay diesel taxes. I'm here today to testify strongly in favor of Senator Smith's bill that creates conservative provisions to increase our state's highway user fees or gas tax over the next four years. We would like to thank Senator Smith for his leadership--and I might add bravery--commitment to safe and efficient roads by introducing it. As president of the Nebraska Trucking Association, I hope that I've always been a trusted and professional resource for our members of the Legislature on trucking and transportation issues in our state if and when you've needed them. It is with this in mind that I just wanted to bring up some thoughts. And maybe if I'm the last person to testify, I think we all have determined that without a doubt our city, county, and state infrastructures are in need of improvement. But I'm here to speak with one voice for our conservative, successful business people in the trucking industry whether it be one guy with one truck or a worldwide company with 10,000 that call Nebraska home. They are the companies that have been built in Nebraska on very slim margins to connect our farmers, ranchers, and manufacturers into the world supply chain. We've often been said to be frugal because they have to be. The trucking industry's continued investments in new, more environmentally friendly engines and aerodynamic tractors

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and trailers to eke out just 0.25 of a mile more per gallon is very expensive. Their investments in safer equipment and hiring the safest driver continues to grow. Yes, they are conservative, but they also know a great deal when they see it. They like safe and efficient roads and are willing to pay their fair share by supporting this bill. We understand how easy it is to just say no to higher taxes or fees. However, the provisions of LB610 are being introduced with confidence by a conservative senator with a conservative solution supported by conservative businesspeople. And we're confident that they will be used as they have been in the past by our trusted managers within our Nebraska Department of Roads and city/county street and roads departments. As Senator Smith said, we have a system that works with our variable and fixed rates on our users fees that don't allow us to spend money we don't have. We haven't bonded or borrowed into our future. It's a system that is done well. We just need to help it out a little bit more. I'd like to ask that you join us in helping the cities, counties, and state road officials across the state by supporting LB610. And thanks, and I'd be happy to answer any questions. But before I go to questions, you know, I was just thinking of this sitting here, that we see all these big numbers, you know? And I start thinking about my 20-year-old daughter who is coming out of college with \$30,000 worth of student loans. And she's driving a secondhand car that she's bought herself. And she drops into one of those potholes. It's \$100 for the tire and \$50 for the wheel that she doesn't have and she's trying to stand on her own two feet. I think that's where me, as a citizen, I don't mind paying that extra \$15, because I fall into that per year at the highest level. So...but thank you very much and let me know if you have any questions. [LB610]

SENATOR GLOOR: Are there any questions for Mr. Johnson? Senator Brasch. [LB610]

SENATOR BRASCH: Thank you, Chairman Gloor, and welcome, Mr. Johnson. [LB610]

LARRY JOHNSON: Thank you. Glad to be here. [LB610]

SENATOR BRASCH: It's good to see you. Will this affect the price of diesel for your trucking industry? [LB610]

LARRY JOHNSON: Yes. [LB610]

SENATOR BRASCH: Yes, it will? [LB610]

LARRY JOHNSON: It will increase it. [LB610]

SENATOR BRASCH: And with all the states raising their prices around us, I'm just picturing an IFTA report. [LB610]

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LARRY JOHNSON: Yes, you're familiar with them. (Laugh) Yes. [LB610]

SENATOR BRASCH: I'm familiar with them. I have filled out one or two or more. So the independent truckers, individuals who are trucking, when they sit down to fill that report out, there's going to be quite a difference in a chunk of change potentially and especially the industry. [LB610]

LARRY JOHNSON: Well, yes. [LB610]

SENATOR BRASCH: And then who gets the price increases? Does it come back to the consumer? [LB610]

LARRY JOHNSON: Well, in a fraction. [LB610]

SENATOR BRASCH: Perhaps? [LB610]

LARRY JOHNSON: Perhaps. As you know, there are fuel surcharges for certain sectors of the industry. Certainly people that move products that are bulk like grain or cattle, gravel road construction, it's difficult for them to get one. But, yeah, a fraction would go on to the consumer. [LB610]

SENATOR BRASCH: Because I remember not too many years ago where the price of milk went up and they blamed it all on the truckers bringing milk into the stores that... [LB610]

LARRY JOHNSON: They always do... [LB610]

SENATOR BRASCH: They always do? (Laugh) [LB610]

LARRY JOHNSON: ...with respect to our dairies. [LB610]

SENATOR BRASCH: Just...but you believe the industry is prepared and you said you're a strong supporter, so there should not be anything to fall back on the typical consumer on the pricing of getting goods? [LB610]

LARRY JOHNSON: Well, in the long run we, as an industry, recognize that we're losing billions of dollars. When we're taking our grain to market into the world supply chain, when we're sitting

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in Chicago hours upon hours trying to get to a port, they need to help themselves too. And how we're helping them as a Nebraska trucker going to them is through the IFTA report. [LB610]

SENATOR BRASCH: Absolutely. [LB610]

LARRY JOHNSON: We're paying their 40 cents a gallon in their state taxes. So... [LB610]

SENATOR BRASCH: And I'm not picking on you, seriously. [LB610]

LARRY JOHNSON: Oh, no, I don't...oh, no, not at all. [LB610]

SENATOR BRASCH: No, I just, the question...when I saw the trucking industry is here... [LB610]

LARRY JOHNSON: Yeah. [LB610]

SENATOR BRASCH: ...I'm thinking that that increase may come back home possibly. [LB610]

LARRY JOHNSON: Well, when we see fuel going up as high as it does... [LB610]

SENATOR BRASCH: Um-hum, the fuel is going up and then the tax is going up and... [LB610]

LARRY JOHNSON: Yeah, but we can't control that... [LB610]

SENATOR BRASCH: Absolutely. [LB610]

LARRY JOHNSON: ...because our miles that we drive aren't discretionary. [LB610]

SENATOR BRASCH: Okay. [LB610]

LARRY JOHNSON: We have to deliver the goods. And so it will have an impact on us. [LB610]

SENATOR BRASCH: Okay. [LB610]

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LARRY JOHNSON: And hopefully we don't take the entire brunt, but it's something that...the fuel volatility is something none of us can control, what happens in Saudi Arabia. We tend to hope to share through that fuel surcharge the risk. [LB610]

SENATOR BRASCH: Hopefully we can drill here and get more... [LB610]

LARRY JOHNSON: Yes, yes. [LB610]

SENATOR BRASCH: Thank you. And it's great to see you again. [LB610]

LARRY JOHNSON: Good seeing you. And thank you. [LB610]

SENATOR BRASCH: Thanks. [LB610]

SENATOR GLOOR: Seeing no further questions, thank you, Mr. Johnson. [LB610]

LARRY JOHNSON: All right. Thank you very much. [LB610]

SENATOR GLOOR: Are there any more proponents? Could I see a show of hands how many people remain to be heard in one capacity or the other? Okay. Thank you. [LB610]

LYNN REX: (Exhibits 41, 42) Senator Gloor, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. I appreciate the opportunity to be here today in strong support of LB610. First of all, I'm passing out two handouts to you. One was prepared by Senator Smith's office which outlines for you how the 6 cents generated from 1.5 cents each year for four years, how that's divided out so that 2 cents goes to the Nebraska Department of Roads, 2 cents to counties, and 2 cents to municipalities. And that is only dealing with the fixed rate. But I think they did an excellent job on this chart of showing you how this interfaces with the chart that Larry Dix gave you earlier, Senator Schumacher and other members of the committee, dealing with the overall gas tax structure itself. Secondly, the other handout that I'm giving to you outlines the cuts to underscore the need for funds for municipalities in the state of Nebraska. The cuts total elimination ultimately of state aid to municipalities along with our Municipal Infrastructure Redevelopment Fund and other related funds. So with that, again, if you just note on the chart itself, it shows you how it fits in, what the fixed rate would be. And again, this is incrementally. And I just want to underscore again as our board president, Mayor Marlene Johnson, noted, what a modest proposal this is. This is 1.5 cents for four years. Iowa just did 10 cents already in one day. Wyoming has done 10 cents. Other municipalities...pardon me, other states across the country are doing so as well. And as was

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reported, there are at least 12 that are considering raising the gas tax rate right now. One thing I would like to share with the committee, and especially with Larry Hudkins here, who is a Lancaster County Commissioner, is when Senator Carol Hudkins was a state senator, she too was here before this committee to try to raise the gas tax and at that time by 1 cent. And what I can share with you is that the night before, she and Larry went to every...I'm going to call them filling stations. Now they're much more sophisticated. But she and Larry went to every filling station in Lincoln, Nebraska, and took a picture of what the price was per gallon. There were 4 to 5 cent differentials per gallon in Lincoln, Nebraska alone from northeast Lincoln to southeast Lincoln, northwest Lincoln to southwest Lincoln. So that's just in one city. So let me suggest to you again how modest this proposal truly is but again how fundamentally necessary it is. If you would also look at the second handout, it says recent cuts in municipal aid programs. And these are only three of the municipality programs but these were the main ones. If you would look...I'm just going to reference you to about half of the way down. The total for all programs in FY 2002-03, municipalities had a 25 percent cut. And this is on that first page. In FY 2003-04, municipalities had a 34 percent cut. In FY 2004-05, municipalities had a 32.5 percent cut. Going to the bottom of page one, in FY 2005-06 through FY 2008-09, 100 percent of our municipal infrastructure redevelopment funds were totally eliminated. The only exception was for Lincoln. They took theirs out in a state aid cut instead. The pages that follow basically outline the bill numbers and how that interrelates to everything else that was going on in the Legislature at that time. I would now ask you to turn to page 5 if you would, please, and look specifically at the bottom of the page, of page 5, the 2009 special session. In FY 2009-10, a 2.5 percent cut, one of the least cuts that we had--we didn't have much left though--in FY '10-11, a 5 percent cut, and then in FY '10-11, LB383 was enacted, totally eliminating state aid to municipalities. And I will also underscore to counties, NRDs, and others too at that time. So there's no question that there is a need for funding. There is a huge gap and there is a huge need. I would like to incorporate by reference the testimony of Randy Peters of November 10, 2014 when he had a joint meeting of the Appropriations Committee and the Telecommunications Committee. And I'm just going to read just a short excerpt of what he said at that joint hearing. He said: Simply stated, the Nebraska Department of Roads highway construction program has three priorities. In order: first, state bridges in need of immediate work; second, preservation of the existing highway system; and third, the addition of capital improvements to the highway system throughout the state. That approach worked reasonably well while the state and federal motor revenues grew naturally and generally kept pace with our program. Then drivers became more concerned about fuel efficiency. And I would add, inflation eroded the buying power of the revenues that were coming in. And highway user revenues flattened. Nebraska and most other states reached the point where system preservation, just taking care of the existing network in place including the bridges consumed virtually all of our construction funding. Planned major capital improvement projects languished year after year. And that's what I want to underscore. This is a catch-up bill. LB610 is to catch up. And, Senator Brasch, you asked some great questions. This is not a silver bullet. This will help us catch up. Will it help us catch up all the way? Absolutely not, but it's critically

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important and we strongly support LB610 and appreciate your consideration. I'd be happy to answer any questions that you might have. [LB610]

SENATOR GLOOR: Any questions? I see none. Thank you, Lynn. [LB610]

LYNN REX: Thank you so very much. And thanks to Senator Smith for introducing this important proposal. [LB610]

SENATOR GLOOR: Additional proponents? [LB610]

LORAN SCHMIT: (Exhibit 43) Chairman Gloor and members of the Revenue Committee, my name is Loran Schmit, L-o-r-a-n S-c-h-m-i-t. There have been a lot of good questions asked by committee members and there's been a lot of good testimony. I appreciate very much Governor Ricketts saying this morning that he was going to look for efficiencies in the Department of Roads. And I commend him for it and I suggest that if he wants to do that, he might want to start up in Senator Schumacher's territory. Start at Columbus and drive the new freeway system to Norfolk. He might also, if he's very courageous, start out here on Highway 2 and drive to Nebraska City. And if he has the time and the help, he should count all of the patches on those two sections of new freeway that have been built within the last few years. It is a disgrace and it is a measure of incompetence and it measures upon criminal that we have spent millions and millions of dollars on new roads and we are repairing roads that were built within the last 10 or 15 years and doing so not sporadically. But I drove three miles north of Columbus and I counted on the right-hand side of the freeway 140 patches. And I didn't get them all because I couldn't count that fast. And I suggest there were even more on the west side of the freeway. I would not try to attempt to count the patches on the road between Lincoln and Nebraska city. It is a disgrace. And I hope that the Governor will do exactly what he said. And I would suggest that this committee would call the Department of Roads and ask them to explain why a road that was built only a few years ago is full of potholes. When the freeway was built north of York, it was so rough they had to grind it down before the public could use it. The Department of Roads was quoted in the newspaper as saying they gave that contractor a new contract to build another section of highway so he could afford to buy better equipment to build better roads. What right or what responsibility is it of the state of Nebraska to worry about the ability of the contractor to buy good equipment? The responsibility is to build good roads. There isn't a member of this committee or this Legislature or any public who would put up with the kind of construction that we have seen repeatedly, not sporadically, not once in a while, but virtually all the way through. You have a freeway system which was passed in 1987, was supposed to cost a little over \$200 million and be completed by a little...I think 2002. The Department of Roads has at this time spent more than \$600 million. It is only 60 percent completed and the department has no intention of completing the system. I know this committee is very realistic. But if anyone

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believes that the Department of Roads will follow the directions of this committee or the Legislature, then you are being naive. They absolutely refuse. They do things in their own way and that is it. At least we ought to make sure we get our money's worth. I agree with the people who have testified here today. This is a small token of what we really need. Iowa passed 10 cents. You don't cut a dog's tail off an inch at a time to help the dog. You do it all at one time. You ought to do this and do it responsibly but make sure you get your money's worth. The Department of Roads has for years conducted a manner of construction by their own rules. I don't know how long it's been, but many more years than was anticipated, to widen the road between Lincoln and Omaha. Now we're going to start west and the youngest member of this body will not be around when they get to Kearney. It's not going to happen. We don't have the adequate funds. The ethanol industry...before the development of the ethanol industry, the only local market for corn was our livestock industry. Our grain was hauled to local elevators and shipped out by rail. Today, most of that grain, that...49 percent of last year's crop was marketed locally, That's over 700 million bushels. Another 18 pounds of that corn, every bushel, was hauled back out to cattle feeders to feed millions of cattle. We have the number one livestock feeding system in the state. We need roads as has been testified here. But the number one criteria for this committee ought to be to make the Department of Roads testify before the committee as to why their expenditures exceeds their projections as much as they do. If you don't learn from history, ladies and gentlemen, you're going to repeat the same kind of mistakes. And I suggest that we have not learned from history thus far. Thank you very much. I'd answer any questions. [LB610]

SENATOR GLOOR: Senator Schumacher. [LB610]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Thank you, Senator Schmit, for being here today and it's always a pleasure because you have some institutional memory. What you point out about the road north of Columbus, the road around the north side of Fremont was a lot cheaper than going to Disney World because you got to bounce up and down on it until they resurfaced it right after they built it. But I would think that somewhere in the process a contractor or an engineering firm breached some standard of care or...in its design specification or something else. In your time here, do you recall...or what was the result of any action to go back on a contractor or back on an engineering firm to say, listen, this just wasn't...couldn't have been right? [LB610]

LORAN SCHMIT: Not once, Senator. During my earlier days down here, the state built Highway 15 between David City and Seward's county line. It was so bad that...it broke up so badly, they finally covered it over. You could take a screwdriver and tap on that concrete almost anywhere and poke holes in the road. I asked the Lincoln Journal, I asked the World-Herald to come out there and review it. They did not do so. I finally took the local paper, The Banner-Press out there. They took pictures. You could take a screwdriver and dig up that road. No one ever did



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anything about it. I spoke to Governor Exon. Well, he said, we'll have to work on that. We did not do it. The Department of Roads would always say, oh, yes, Senator, I'm glad to have you talk here, it's a good idea, pat you on the back, and you're out the door and down the road and they pay no attention to you. Absolutely none. And they will do no...they will not listen to you now unless you call them to account for the sloppy work they have done in the past. There is no excuse for it. They did not want to have a freeway system. The Legislature defied them and passed the bill which created the freeway system. The Department of Roads stayed on it until 1992 more or less. Actually, that's...they went off their own haywire. So the Legislature told them, do not go around towns like McCool Junction, yet they do so. They went around McCool Junction. You have to slow down to 55 miles an hour anyway. You could have slowed down to 35 and gone through McCool and maybe kept the town alive for a few more years. I have no idea how many millions of dollars it cost to go around McCool Junction, but it cost millions of bucks. The department refuses to acknowledge there might be someone in this Legislature who is concerned about getting a dollar's worth of road for a dollar's worth of money. And you folks are in the position to call them in and ask them. And the Performance Audit Committee ought to do it. You folks can do it. Transportation Committee ought to do it. Someone needs to find out why. They can give all the reasons they want to. We've talked about inflation. I've been a supporter of bonding. The \$200 million that we could have built the freeway system for, had we issued bonds, and been dedicated to do it, we could have had the freeway system completed. We didn't do it. We got the interest rates at all-time lows today. If we're ever going to use bonding, this is the time to do it. Not for...I'm not saying we should. But I'm saying you've got to take a look at who has been running the railroads the last 50 years and ask if we're satisfied. I will say this: In my observation, the cities and counties have done a much better job of handling their money than has the state. The Nebraska department...or the ethanol industry, whether it is Columbus or Madrid, have had decent cooperation from the local municipalities and the local counties. We have not had that kind of cooperation from the Department of Roads. You pay for roads whether you have them or not. For 40 years we tried to get a bridge across the river between Columbus and Schuyler. No, they won't do it, not in the road plan, no, there's no traffic there to put it. Well, why should there be? (Laugh) It's a river. You can't get across it. But since we've had those two towns there, we've built the packing plant. We've got an ethanol plant. We've got all kinds of construction. You would have saved millions of dollars as a public if we had a bridge there. You can't...poor Senator Schumacher beat his head against a brick wall for, say, eight years. He's still doing it. He's going to be dead and gone, as I will, before we ever get that. And hopefully maybe Senator Schumacher can help. But if you have any illusion, get this straight. We talked about Department of Corrections being screwed up. We talk about problems with other areas. There isn't any department who has a greater responsibility and, in my opinion--and I want to emphasize that--less interest in listening to the Legislature than the Department of Roads. I'm sorry. And I have a good relationship with Director Coolidge and a number of other members out there. But somewhere along the line, they consider the Legislature to be strictly supernumeraries, not needed to be listened to. [LB610]

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SENATOR SCHUMACHER: If we seriously consider this bill, is there anything that, from your training and experience here, we should...I mean, here we raise money. We raise \$75 million a year mostly on the backs of working people. [LB610]

LORAN SCHMIT: Yes. [LB610]

SENATOR SCHUMACHER: Is there some string, some regulatory, some oversight that we should build into this piece of legislation? [LB610]

LORAN SCHMIT: Well, Senator, I thought we'd done that with the freeway system. We laid it out. We said where we wanted to build the roads. And I remember when we put Highway 2 in there. Senator Warner said, Loran, you guys have finally gone too far, we're going to kill the whole bill. Well, we didn't kill it obviously. We built the system. We built Highway 2 and they named it the Jerry Warner Highway (sic), which was fine with me. They went in there because Cal Carsten insisted on having that in the bill. That's why it's a four-lane road to...it would not be. Department of Roads at that time vehemently protested building that as a four-lane system. If you got behind a truck when you left Lincoln, Nebraska, you were behind that same truck when you got to Nebraska City because of the highway going through the hills like it does. Going downhill you couldn't get around a truck. Going uphill you didn't dare try, and so you just chugged along. The Department of Roads said, we do not need that. My friend Senator Warner said, if someone wants to go to Kansas City, ride up to Omaha and take I-29. That was a difference of opinion between he and I. But the facts are that the freeway system gave thousands of people access to the interstate who before did not have that access. We know the benefits of living on the interstate. And if you happened to live in Norfolk and Fremont or Atkinson, you had no decent access. The freeway system provided that access and it should have been completed. I hope yet in my lifetime it will be completed. But unless we put in the language and call them in here, it's...I don't know how much you can do, Senator. You're the lawyer. You're better equipped than I am to it. But you have to give them direction. And the Governor...I appreciate what the Governor says. There can be efficiencies. There's no doubt in my mind. There can be efficiencies. We need to say, is that the best way? The engineering firms...I believe the engineering firms need to design those roads so that they stand up. Someone cheats. But they don't stand up, and they crack and they have holes in them, thousands of those holes, thousands, tens of thousands. I don't know how you have the courage to run a department and call that a Department of Roads. It's an impossibility. And I hate to become so incoherent that I can't describe my frustration. But we talk about all the costs and so forth. Senator Smith, you know, is getting some flak because he introduces this bill. As my friend from the league says, it's a token bill. It's a token bill. The price of gasoline is going up and down \$1.50 in the last year's time. It makes no difference to you and I if we pay a penny a gallon or 10 cents if we need it to do a job. Ask Bruce Larson (phonetic) from the First National Bank if you can finance the Nebraska road system given the present financing system we have. He'd say, go back to the drawing board.

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Come in here with a realistic plan to pay for what you need, because what you have today doesn't do what you need to do. And I've been around here a long time, maybe too long, but I'm getting tired of being lied to by an agency of the government which this Legislature is in charge of. And that's the end of my story. [LB610]

SENATOR SCHUMACHER: Thank you, Senator. [LB610]

LORAN SCHMIT: Thank you. [LB610]

SENATOR GLOOR: Thank you, Senator Schmit. Hang on a second. We have one last question from...Senator Schmit. [LB610]

LORAN SCHMIT: I don't know if I'd like that or not. [LB610]

SENATOR BRASCH: Oh, you will. No. I do...you bring up a question that...it's just burning in my mind now. Director Peters has been there in charge two years. And I only know Director Fredrickson for two years because I just...being a new senator then. Has there been a long...since you seem to speak of a longtime history of road inefficiencies, was--and you don't need to name names--but was there a long-term Department of Roads czar that you are...or is it just the turnover in directors or... [LB610]

LORAN SCHMIT: I have a high...Senator. [LB610]

SENATOR BRASCH: And I don't want to take much of your time, but yes or no? [LB610]

LORAN SCHMIT: I have a lot of confidence in the commission system. Unfortunately, the commissioners, as qualified as they are, are also busy people. And we all know what happens whether it is your job or the highway commissioner's job or any other area, they have to rely upon what they're told. There's no way Duane Acklie can get in his car and drive out and check the freeway at Norfolk, Nebraska, even though he came from there. He would be glad to do so. [LB610]

SENATOR BRASCH: So you're saying it does not reflect on the directors... [LB610]

LORAN SCHMIT: No, it does not. [LB610]

SENATOR BRASCH: ...present or past. [LB610]

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LORAN SCHMIT: No. [LB610]

SENATOR BRASCH: Okay. Very good. [LB610]

LORAN SCHMIT: It's the system within the system. [LB610]

SENATOR BRASCH: All right. [LB610]

LORAN SCHMIT: And, Senator, if you've been out to the Department of Roads, they treat you like company and they give you chicken on Sunday and days off and that sort of thing, but as soon as you walk out of that room, they say, forget Senator Brasch. [LB610]

SENATOR BRASCH: We'll have a cup of coffee another time. Thank you. [LB610]

LORAN SCHMIT: Okay. Thank you, Senator. [LB610]

SENATOR GLOOR: Thank you. [LB610]

SENATOR DAVIS: I've got a couple questions. [LB610]

SENATOR GLOOR: Okay. I am going to ask that the questions have to do more with the proponents of this specific bill and that we try and avoid getting into playing the fact that we're the...we're not the Transportation Committee. So if I could, I'd like the questions to be more specifically towards this bill. We have two more bills yet to hear and in fairness to those people who are waiting for those bills, I appreciate your passion and it's good information and good advice for us, but I would ask for that counsel on the bills. Senator Davis. [LB610]

SENATOR DAVIS: So a couple questions, Senator, and you made reference to the deteriorating conditions of the roads. And I'm getting there. Don't worry about it. In large part, we have seen a huge increase in truck traffic over the last 30 or 40 years since my dad was on the highway commission back in the '70s. Are we taxing that segment of the society enough to pay for the damage that they do? And, you know, if you Google this, which I did a few minutes ago, you know, nine...one truck can do the same equivalent damage as 9,000 cars. Would you like to comment on that? [LB610]

LORAN SCHMIT: I'd rather not, Senator. I have no information in that regard whatsoever. [LB610]

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SENATOR DAVIS: Okay. Thank you. [LB610]

SENATOR GLOOR: Thank you, Senator Schmit. [LB610]

LORAN SCHMIT: Yeah, thank you. [LB610]

SENATOR GLOOR: Additional proponents? [LB610]

JOHN HANSEN: Mr. Chairman, members of the committee, good afternoon. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I'm the president of Nebraska Farmers Union and would tell you that long before Shep's (phonetic) mother was a pup, we have come before this committee and supported this particular way to fund roads and bridges and that we think that the folks who use fuel...it's a reasonable tax and would also point out that as the demographics go of the folks who will be helping pay this, disproportionately, folks who live in rural areas pay these kinds of taxes because we travel more miles in order to do our business, to go to meetings, to be involved in the community, to get our products to market, all of those things. We put on a lot of miles. But we also think that we have to have roads. We have to have bridges. I like the distribution formula of this particular way to fund transportation. I like the third/third/third. Our friends at the county and the municipal level, I think, do a good job. I think Loran Schmit identified a longstanding frustration that we have also shared with this committee in the past over funding is that we'd like to get more bang for our buck. We would thank Senator Smith for having the courage to bring this forward. We think it's a reasonable approach and would associate ourselves with the remarks of most of the folks that have come before the committee so far this afternoon especially if you agreed with them. And with that, I would end my testimony. [LB610]

SENATOR GLOOR: Thank you, Mr. Hansen. Any questions? Thank you for your testimony. [LB610]

JOHN HANSEN: Thank you. [LB610]

SENATOR GLOOR: Additional proponents? Seeing none, we'll move to opponents of this bill. [LB610]

MATT LITT: Good afternoon, Chairman Gloor and members of the Revenue Committee. My name is Matt Litt, M-a-t-t L-i-t-t. I am the state director of Americans for Prosperity-Nebraska and I am here to represent our 40,000 members across the state in opposition to LB610. This committee, over several years of thoughtful and comprehensive study, has heard one

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overwhelming theme from countless Nebraskans across our state: Our taxes are too high and government must act to lower the burden. We oppose LB610 because it is quite simply a tax increase. This bill simply doesn't fit with the priorities of state government during a point in time when this committee and the Unicameral has worked hard to lower taxes. Increasing the gas tax in that context certainly is a contradiction to the good work that has thus far been accomplished by our state Legislature. We oppose LB610 on its specifics. This bill would raise the state fuel excise tax by 6 cents, putting Nebraska's total excise tax at 31.6 cents per gallon. That would be 11 cents higher than the national average. When Nebraskans already pay one of the highest excise fuel taxes in the nation, increasing that burden by nearly 25 percent would be a jolt to the pocketbook of many families and small businesses. A higher gas tax means higher prices not just on gas but on goods and services throughout the economy. This increased cost would inevitably be passed down to consumers, resulting in a regressive tax hike on middle- and lower-income Nebraskans. Thousands of Nebraskans struggle with stagnant wages and an increased cost of living and have received some relief from falling gas prices. These lower prices have amounted to nearly \$100 extra per month for the average family and expected to lead to an additional \$100 billion of economic growth nationwide. The Legislature should embrace these short-term lower prices, not confiscate the savings, increase costs, and weaken growth potential. Indeed, we believe that the drop in gas prices we have all recently enjoyed will be short-lived. In fact, during the last 30 days, the statewide average for a gallon of unleaded has increased from \$1.97 to just \$2.40...or just under \$2.40, excuse me, while the national average has roughly followed the same trajectory. The argument that falling gas prices justify an increase to the gas tax and that lower consumer prices will ease the pinch is simply a fallacy. Since the time LB610 was introduced, the average statewide price of gas has fluctuated by \$1.36 and has shown a recent uptick that leads economists to predict that gas will be more expensive, not less, in the future. We sympathize with the role of Senator Smith as Chairman of the Transportation Committee and, of course, the responsibility of all state senators to ensure our transportation infrastructure is robust and well-maintained. Certainly we, too, believe transportation is a core responsibility of government and that a healthy transportation system is important for public safety and economic growth. That is why our organization has supported efforts to ensure...excuse me, strong financial support of our transportation system through methods like LB84 and we support additional efforts to use current revenue to fund necessary transportation projects. Nebraska's state budget is set to increase by just over 3 percent and this has been hailed as a significant win for fiscal restraint and indeed it is over recent budgets with close to 6 percent spending growth. But when wages are stagnant--the Department of Labor reported that 2014 wages increased by an average of an uninspiring 1.7 percent and with wage growth is not expected to perform much better in 2015--it's hard to see how state government spending can grow...continue to outpace economic performance of taxpayers yet spending continues to grow. Surely legislators can find adequate funding for transportation, a core government function, in the biennial budget projected to top \$8.6 billion. We must stress that a solution is not to increase the tax burden on hardworking families. The solution must be a prioritization of spending with a focus on

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transportation funding. On this we agree with Senator Smith. The people of Nebraska have spoken clearly on the subject of taxation. Through countless comment periods offered to this committee and the Tax Modernization Committee, through the ballot box this past November where many state legislators were elected with campaign platforms that promised tax relief, Nebraskans have made a clear mandate given to the 104th Legislature that it is for lower taxes, not higher. We encourage the committee to oppose LB610. [LB610]

SENATOR GLOOR: Are there any questions for Mr. Litt? Seeing none, thank you for your testimony. [LB610]

MATT LITT: Thank you. [LB610]

SENATOR GLOOR: Welcome. [LB610]

JOHN DILSAVER: Good afternoon, Chairman Gloor and committee members. My name is John Dilsaver, spelled J-o-h-n D-i-l-s-a-v-e-r. Today I represent the Nebraska Petroleum Marketers and Convenience Store operators and Western Oil of Valentine, Nebraska, my employer. In respect to the committee members' time, I will be the only spokesperson for our 14 board members, 180 wholesalers, and 1200 convenience store retailers that we represent. We oppose LB610. We certainly agree with some of the prior testimony that Governor Ricketts, through his efficiencies and infrastructure...we think there's some real merit to allowing him to get a new director put in place. Over the last several years, really for 20 years, Nebraska has had higher gasoline tax than the surrounding states. It's only been in the last six days that Iowa has leapfrogged us and there is a lot of conversation about, you know...so we got 20 years of history, we've got six days of history. Motor fuel excise tax accounts for 56 percent of the current highway funding. One hundred percent of this increase is being asked to paid by that 56 percent. We're not opposed to good roads. We favor good roads. Those roads allow consumers to get into our convenience stores, our truck stops. We deliver fuel on the roads to those convenience stores. We deliver fuel to the farmers. Some alternatives that we would pass along in addition...besides being the only source for 100 percent of this increase, you know, the other 44 percent that's currently collecting the revenue, maybe, you know, you should look at a piece of that also. The state surplus fund, you know, if the bridges and the counties are in that dire emergency of a need, it's probably certainly a good use of some of the state emergency funds. Off-road diesel and dyed tax is currently at 0 cents per gallon in the state of Nebraska. Some other states actually tax a portion of dyed diesel which is really used for off-road purposes, the road builders. And just one final comment would be, potentially some other states have also used a differential between the gasoline tax and the diesel tax. There was some discussion on the IFTA returns, the traffic up and down interstate 80. Certainly they pay just based upon the miles that they drive in Nebraska.

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Kansas and Iowa do have a differential on diesel fuel over gasoline tax. That concludes my comments if there's any questions. [LB610]

SENATOR GLOOR: Mr. Dilsaver, one of the interesting things about the testimony today though has been most of the...I mean, some of the large purchasers of fuel from you folks have been the ones who have come before us as proponents of this increase. That's an interesting dichotomy in interests to me... [LB610]

JOHN DILSAVER: Sure. [LB610]

SENATOR GLOOR: ...assuming that those sort of increases ultimately get passed along to the final user. [LB610]

JOHN DILSAVER: You know, with...you know, we do transport fuel in the state so we do fill out IFTA returns, you know, so we're familiar with if our...you know, if we're picking up fuel in Council Bluffs or Des Moines or Wyoming and bring it into the state...I think it's interesting that the truckers that are domiciled in Nebraska and don't leave the borders of Nebraska, you know, they probably aren't really the ones here testifying in favor of it. The larger carriers that have very few of their percentage of miles traveled in the state are potentially the ones that are...you know, because the IFTA corrects that based upon the miles that were traveled in the state. [LB610]

SENATOR GLOOR: Okay. Other questions? Seeing...Senator Davis. [LB610]

SENATOR DAVIS: Can you explain when you talk about the difference between gas and diesel prices exactly what you mean? I don't... (inaudible). [LB610]

JOHN DILSAVER: It's on the excise tax. Currently, the excise tax in Nebraska is 25.6 cents both on gasoline and diesel. There's a differential in Iowa. I believe it's a couple cents higher. [LB610]

SENATOR DAVIS: So it's higher for diesel? [LB610]

JOHN DILSAVER: It's higher for diesel in most states. It's never lower. I haven't seen...not in the surrounding states. There's not one that's lower. There's always a little bit of a differential on... [LB610]



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SENATOR DAVIS: So what you're effectively doing then would be raising the diesel price but leaving the gas price alone? [LB610]

JOHN DILSAVER: Well, I'm just pointing that other states have...you know, just to offer some alternatives as opposed to never coming here with any suggestions. You know, some other states have a differential between their gasoline excise tax and their state tax. [LB610]

SENATOR DAVIS: And I... [LB610]

JOHN DILSAVER: Some states do it with ethanol too. The state of South Dakota only charges 8 cents a gallon on the ethanol portion of motor fuel, so. [LB610]

SENATOR DAVIS: And I appreciate your bringing alternatives. I just wanted to know exactly how that works, exactly what you meant. Thank you. [LB610]

JOHN DILSAVER: Yes. Sure. It's not the differential in the price. It's differential in the excise tax. [LB610]

SENATOR GLOOR: Seeing no other questions, thank you. [LB610]

JOHN DILSAVER: Okay. Thank you. [LB610]

SENATOR GLOOR: Additional opponents? [LB610]

RICHARD HALVORSEN: Good afternoon. My name is Richard Halvorsen, R-i-c-h-a-r-d H-a-l-v-o-r-s-e-n, and I'm representing myself. I grew up on a farm and my brother still farms and especially as regards to bridges, the farmers are kind of victims of their own success. When we were farming, nobody hauled their grain to the market in semis. And we didn't have combines that took up three-quarters of the road. So in that respect, maybe General Funds should be tapped, you know, since, you know, they pay income tax on that. Maybe the General Funds should be tapped for some of the expenditures for bridges. Second thing is, they say there's no other avenue of income. Well, there is...or revenue. There is one: wheel taxes. I live in Lancaster County. I also live in Lincoln in Lancaster County and this happens to be the month of registering my car. So I got my tax bill. Now, since it's an old car, the registration fees, it's \$20 and change. Wheel tax: \$74 which kind of irks me that Lancaster County...well, she's gone. You'll lay out of all these needs and they don't have a county wheel tax. If you go around Lincoln, north, south, east, west, you'll find all sorts of acreages. And some of those houses have five-car garages. Those people are paying zero in wheel tax to support Lincoln streets. And they

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aren't farming those acreages. They're too small to farm. So they're working here in Lincoln. Again, I guess it's the lack of political will, but...and again I have no idea how much...you know, I haven't done any research on how much extra money that would come in and how much, you know, that would cover some of those deals but again, to me the issue of fairness. And again, maybe the state...that's something I haven't heard addressed. Why can't we have a state wheel tax? I wouldn't suggest \$74. That might be a little bit too high. A lot of people wouldn't like that. But that would be one issue of revenue that each car licensed in the state, I don't know, \$10, \$20 you pay when you register it. Again, my...well, if it was only \$20 I wouldn't bat an eye, you know since I only pay \$20 of revenue. But again, that would...you wouldn't have to worry about miles driven or miles not driven. You pay a basic tax just for owning the car. Again, I haven't done any research, but then...so I'm not opposed to the scale of bill. I say if we raise extra revenue, maybe bring back down the scale of the taxes, that's what I would I would be looking for. Thank you. [LB610]

SENATOR GLOOR: Are there any questions of Mr. Halvorsen? Thank you. [LB610]

RICHARD HALVORSEN: Yeah. [LB610]

SENATOR GLOOR: Additional opponents? Anyone who would like to speak in a neutral capacity? [LB610]

JOSH MOENNING: (Exhibit 44) Good afternoon. [LB610]

SENATOR GLOOR: Good afternoon. [LB610]

JOSH MOENNING: Chairman Gloor, Senators, my name is Josh Moenning, M-o-e-n-n-i-n-g. I am executive director of the group 4 Lanes 4 Nebraska. Four Lanes 4 Nebraska is a trade association promoting the modernization of Nebraska's transportation infrastructure. Our board consists of business and industry leaders in northeast Nebraska along the Highway 275 corridor. I'd like to begin by thanking Senator Jim Smith for sponsoring this bill and recognizing the critical need for additional transportation funding across our state. It is clear that our transportation needs, whether they are replacing or repairing aging bridges or improving and expanding inefficient roadways, outweigh our existing resources. While our group has not to date endorsed any specific policy approach to new funding, we believe all reasonable options must be on the table including increased user fees via fuel taxes as part of a larger, adult discussion about how we create and maintain viable transportation systems that facilitate new growth across our state. To that end, 4 Lanes 4 Nebraska has a particular interest in reviving and completing our state's expressway system. The expressway system, as Senator Schmit discussed here this afternoon, was enacted in 1988 and it was Nebraska's last big-picture roads plan. It was

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designed to connect major Nebraska communities to the interstate system with four-lane highways, emphasizing those segments with particularly high, heavy truck traffic. The policy today is nearly 30 years old. It's nearly five-sixths complete. Nearly 500 of the plan's original 600 miles have been finished. Of the 100 miles that remain, Highway 275 is about half of what's left undone. Our case is simple. It's time to finish the job. We want to partner with you in this work. Four Lanes 4 Nebraska is a private sector driven organization eager to explore creative partnerships. We want to work with you, our Governor, and local policymakers and citizens across our state on finding reasonable solutions to getting key road projects started and completed. We are currently commissioning an economic impact study of the economic development, public safety, and quality of life benefits of completing the expressway system's last big project, Highway 275. This study will also explore alternative transportation funding strategies outlining innovative examples from other states including the use of public/private partnerships. Recognizing the significance of funding challenges to large infrastructure projects, we understand the complexities involved in this process. In the weeks and months ahead, we look forward to exploring all strategies in terms of new transportation funding. In our view, all options should be on the table including user fees, bonding, public/private partnerships, vehicle fees, and others and the discussion guided by a long-term view of sustainable growth across our state. Growing Nebraska and bridging the gap between our urban and rural areas means embracing 21st-century infrastructure. Let's finish the plan we've started and chart a new course for the future for the benefit of generations of Nebraskans to come. Thank you. [LB610]

SENATOR GLOOR: Thank you, Mr. Moenning. Any questions? Thank you. More neutral testimony? [LB610]

DAVID BROWN: Chairman Gloor, members of the committee, I'm David Brown, D-a-v-i-d B-r-o-w-n, and I'm president and CEO of the Greater Omaha Chamber and I'm here in a relatively strange capacity today, neutral, on a tax increase. We would normally not be sitting here saying, maybe. Today, though, we have a reason for being here. One, we think Senator Smith's bill recognizes very important infrastructure needs across the state. We have been proponents for some type of infrastructure funding for road projects, bridge projects, sewer and water projects across the state for many, many years including a bill that was introduced back in 2009 called the High Priority Surface Transportation Act which created an infrastructure bank not unlike 26 other states where they've utilized existing gas tax revenues in combination with local revenues to bond and to provide funding for large-scale projects that never quite get to a point where states can fund them because they're so big. We believe that that capacity exists in this state as well, but feel that the tax increase should be of last resort. We don't believe we've looked at all the other options. And so while we are typically reticent to support a tax increase and remain so, we would ask that the Revenue Committee consider other options for funding road projects in the state before we start with a gas tax increase. Thank you very much and I'd be happy to answer any questions you might have. [LB610]

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SENATOR GLOOR: Any questions for Mr. Brown? Seeing none, thank you. [LB610]

DAVID BROWN: Thank you, Mr. Chairman. [LB610]

SENATOR GLOOR: Anyone else in a neutral capacity? Seeing none, Senator Smith, you are recognized to close. [LB610]

SENATOR SMITH: Thank you, Chairman Gloor and members of the committee. Thank you for your patience. I know it's been a very long evening. I'm not going to be long but I did want to just clarify a couple of things. First, let me thank the testifiers that were here, those that came on either side of this issue. I greatly appreciate their input. I appreciate the businesses and the industries that are...were represented here, that wrote in, that they understand the need to protect our infrastructure, develop our infrastructure, and maintain it. I also want to thank the watchdogs that came and spoke as well, the fiscal conservatives, those that are looking out for our spend and our tax dollars. And I couldn't agree with them more. In fact, I appreciate Mr. Litt. I saw that he left. But I was going to make a little joke here and say I appreciate him reading my prepared testimony except that that prepared testimony was not on this particular bill. (Laughter) I think I've actually said that many times before and couldn't agree with him more. But this is not the place to use that because in my honest opinion I believe he's wrong. Stewardship and efficiency improvements are critical. But unless the new...next roads director's name is Houdini, that alone is not going to work. We have to find a place to fill the funding gap. And Senator Brasch, I'll just...I know you got your answer, but I wanted to clarify that, again, the Roads Department is only 3,500 of the 15,000 bridges. It's only 10,000 of the 100,000 miles of roads. The largest amount is counties and cities and that is not under the jurisdiction of the Roads Department. So...and they're the ones that have the greatest need. And if they're not finding their need met somewhere, it's going into...they're dipping into their own pockets to meet those needs. When you mention the cost coming back local, the cost of those fuel taxes and the cost being passed on to consumer, without the reliable bridges and roads, the additional miles they have to be driven to get the produce to market, that's a cost as well. Or the repairs on the vehicles, that's a cost as well. And I would challenge you that probably a fuel tax increase of the modest amount that we're talking about is less of a cost on those people that it means the most to. South Dakota is...was another one of those border states. Their governor has a proposal on the table right now in their budget to increase it 2 cents per year for the next number of years. We're not alone and we're not alone in the need and we're not alone in having this agonizing discussion. None of us want to increase taxes, but there's...if we have to look at increasing taxes or if we have to look at increased funding for roads, it's my honest opinion that I would rather see it satisfied through a user fee, pay as you go, than to find greater allocations in the General Fund or borrow against future Legislatures. Something else that Mr. Litt said, I just want to correct the record. He said the Nebraska had one of the highest and that we're above the national average. That is not correct. The U.S. average is 27.66 cents. That's according to the API effective January 1 of this

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year. Nebraska is below that. And Nebraska ranks 25 out of 50. So I think we have behaved prudently as a state in our spending and the care for our roads. Unfortunately, we just have a need. And we have to find a way of satisfying it. Thank you for your time. [LB610]

SENATOR GLOOR: Senator Harr. [LB610]

SENATOR HARR: Thank you. Thank you, Senator Smith, for coming out as a tax-and-spend liberal. (Laughter) I do have...it's getting late... [LB610]

SENATOR SMITH: Friends like you, Senator Harr, friends like you. (Laughter) [LB610]

SENATOR HARR: Yeah. Exactly. I guess my question is, you know, you've made a very good case for the need and...to increase taxes. And I agree with that, but...Senator Sullivan is not here, but I think she could probably make a really good case for the fact that we need to spend more money on education. So how do we determine, as we open this dam and increase taxes, why does one take priority over another? [LB610]

SENATOR SMITH: Well, interestingly, Senator Harr, what we're asking for here is to satisfy itself. The gas tax is a user fee and it's a pay as you go. We're not asking for an allocation out of the General Fund. [LB610]

SENATOR HARR: But as I said yesterday, taxes are taxes. And what that means is, we're increasing taxes to pay for one area, roads. How do I determine, okay, how do we create a user fee to pay--that's what income taxes are to a certain degree--to pay for government. How do we make a differential...and when I'm making this decision, what takes priority? Why do roads take priority over education or--name another important subject--mountain lions. How do I make that determination? [LB610]

SENATOR SMITH: Senator Gloor, he's dragging out your meeting. (Laughter) [LB610]

SENATOR HARR: Yeah. All right. Thank you. I appreciate it. [LB610]

SENATOR SMITH: All right. Thanks. [LB610]

SENATOR GLOOR: I was interested in the answer, actually. But that's...seeing no further questions, thank you, Senator Smith. [LB610]

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SENATOR SMITH: Thank you. [LB610]

SENATOR GLOOR: That will end the hearing on LB610. We will take...Senator Johnson, you've been waiting very patiently, but we need to take about a 10-minute break if you would bear with us. [LB610]

SENATOR JOHNSON: I'm okay with that. [LB610]

SENATOR GLOOR: All right. [LB610]

BREAK

SENATOR GLOOR: We will reconvene. Senator Johnson, welcome to the Revenue Committee/  
Transportation Committee. (Laughter) [LB653]

SENATOR JOHNSON: (Exhibit 1) Thank you. And I was interested in...been interested in transportation so I enjoyed to a certain extent the hearing. (Laughter) So we'll go from there. My name is Jerry Johnson, J-e-r-r-y J-o-h-n-s-o-n. I'm here to introduce LB653. And as you probably...as you get the letter and you start reading it, I will preface my comments by, that letter was...arrived in my office actually after the hearing started this afternoon after I was in hearings. And so we are going to be working on this legislation and most likely we will not need to be moving it forward at least for this...maybe even for this session. But LB653 creates an annual and short sales tax holiday limited to the first Friday, Saturday, and Sunday in October. It is limited to a maximum purchase of \$2,500 of energy efficient products. That statement there will have to be revamped as...based on this letter. I know the Revenue Committee is being asked to consider numerous sales tax exemptions including zoos and trees, textbooks and more. It is important to emphasize that LB653 is only one that does not...it's the only that does not create a yearlong exemption. It creates only a holiday for three days out of the year. The other 362 are totally taxable days. The products that qualify are clearly defined as dishwashers, clothes washers, air conditioners, ceiling fans, fluorescent light bulbs, dehumidifiers, programmable thermostats, refrigerators, and doors and windows that meet the energy efficiency guidelines set by the United States Environmental Protection Agency and the United States Department of Energy and are authorized to carry the Energy Star label. There's, I think, maybe still one or two here to testify and I won't go through that because they'll cover some stuff. Obviously, the companies that sell the products are in support of this. We have some letters that I think, maybe, some of you have received or should have received, maybe, in your packet. The limits of the bill minimize the amount of sales taxes forfeited to encourage the significant resulting...energy savings as a result of consumers replacing old and inefficient appliances with energy efficient products. Promoting energy efficiency is needed for Nebraska to achieve its sustainable energy

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policy. Star...Energy Star light bulbs use 70 to 90 percent less energy. And Energy Star appliances save hundreds of dollars over their useful life compared to noncertified products. You have a letter from the city of Lincoln that talks about their support. They feel that the benefits of this will outweigh the cost of it in the long term. Again, as I would comment, this letter that was received from the Department of Revenue was received after you started your hearings, after I was in another hearing, and there are definitely some things that are going to have to be looked at as we talk about the Streamlined tax and...Sales and Use Tax Agreement that has been in place, I believe, for around ten years, at least that's what I'm hearing. And we will need to revamp and tweak this bill in order to make sure it complies with that. So with that in mind, by the time we get all of that worked through, get it run through the channels and back to you, it's probably not ready for this year. We ask you to hold it and we will be working on it in the meantime. And that concludes my opening. [LB653]

SENATOR GLOOR: Thank you, Senator Johnson. Any questions of Senator Johnson? Okay. [LB653]

SENATOR JOHNSON: I will...if I'm in the room, I will be here to close. If I'm not, I will not close. (Laughter) [LB653]

SENATOR GLOOR: We appreciate that guidance. [LB653]

SENATOR JOHNSON: Thank you. [LB653]

SENATOR SCHUMACHER: Sounds quantum to me. [LB653]

SENATOR GLOOR: Thank you, Jerry. We'll now go to proponents. [LB653]

KRISTEN GOTTSCHALK: Senator Gloor and members of the Revenue Committee, my name is Kristen Gottschalk, K-r-i-s-t-e-n G-o-t-t-s-c-h-a-l-k. I am the government relations director and registered lobbyist for the Nebraska Rural Electric Association, representing 34 rural electric providers who serve more than 230,000 meters over more than 85,000 miles of distribution line. I also serve as the legislative subcommittee chair of the Nebraska Power Association which is a voluntary organization comprising all of the electric providers in Nebraska including Rural Electric, PPDs, coops, municipal systems, and public power and irrigation districts. And I'm here today testifying on behalf of both organizations in support of LB653. We appreciate Senator Johnson introducing LB653 and his understanding of the need to encourage and incentivize the use of energy efficient appliances. You know it's interesting, the electric industry is one of the only industries that I know of that actively encourages its consumers to use less of their product.

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And as we encourage more energy efficiency and conservation programs, we can put off the need to build more generation and we derive greater benefits from the generation we do have online in addition to the environmental benefits of not needing to build additional generation. We actually need to build generation to meet the maximum demand. So most of the year, we're not using all of the generation but we need to offset that demand at those peak times. And in some ways we do that, we...like, Nebraska is a summer peaking state. We implement programs like load control on irrigation systems, so when everybody is running their air conditioner, everybody is watering their lawns, we can put off the irrigation to times when that peak demand decreases. So that's one way that we do this. And on a day-to-day basis, many utilities will actually control water heaters and air conditioner loads. Everybody gets up in the morning, takes a hot shower. The utilities will actually control those loads so that they can defer that to another time. So with the inclusion of more energy efficient appliances through this type of sales tax holiday, we can further decrease that peak demand and reduce costs and have a greater environmental benefit. Many utilities are already offering rebates and other incentives to encourage the purchase of energy efficient appliances but not all utilities are able to do so simply because of their size. Offering a sales tax holiday for the purchase of Energy Star compliant appliances is another tool to encourage smart purchases that will help in managing loads and, again, reduce the need for new generation development. Did have a couple of suggestions for changes in the bill, and on page 2 where we list the qualified products, I would suggest adding clothes dryers. Clothes dryers were just added to Energy Star in February. And if you're going to incent a washer, we might as well get more benefit and incent the dryer as well. And I would also strike fluorescent in front of light bulbs because we'd like to ensure that all Energy Star compliant light bulbs including LED bulbs which offer even greater efficiency and are currently more expensive to buy so that would be another option. With that, NREA and the NPA encourage you to advance LB653 and help our consumers save money and use less energy. [LB653]

SENATOR GLOOR: Thank you, Kristen. Any questions of Ms. Gottschalk? Seeing none, thank you. [LB653]

KRISTEN GOTTSCHALK: Thank you. [LB653]

SENATOR GLOOR: Continue with proponents. [LB653]

JIM OTTO: Senator Gloor, members of the committee, my name is Jim Otto, J-i-m O-t-t-o. I am president of the Nebraska Retail Federation and I testify on...in favor of LB653 today on behalf of the Nebraska Retail Federation. First of all, very large thank you to Senator Johnson for introducing it. He covered it very well in his opening. One of the concerns I had with the...it's...we just got the fiscal note and I thought the fiscal note was very high but I think that's kind of explained in the letter...as a result of the letter from the department...not in the letter but



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as a result of the letter from the Department of Revenue, I think it was our intent that the cumulative be \$2,500. I think the Department of Revenue is interpreting that you could buy \$2,500 refrigerator and a \$2,500 air conditioner and you could buy \$2,500 in windows and you could have \$7,500. That wasn't our intent. But based on what I see in that Department of Revenue letter, I'm thinking that must be how they feel it's going to work which makes it a much higher fiscal note than we were anticipating. But with that, I would just like to read one...or a couple sentences from the city of Lincoln's letter in support of the bill. It says, "We recognize that any sales tax holiday does, in fact, lower the amount of sales tax revenue that the city of Lincoln would otherwise realize and normally the city of Lincoln would oppose such a reduction in revenue. Nevertheless, the net benefit from this targeted, short-term sales tax holiday for our local electric ratepayers allows us to support LB653." I would just mention that the support of the city of Lincoln and the fact that I...usually, the city of Omaha would be here opposing it because they would also lose sales tax. I think that would...and I don't believe they are, so with that, I'll shut up. (Laughter) [LB653]

SENATOR GLOOR: Questions? Seeing none, thank you, Jim. [LB653]

JIM OTTO: Thanks. [LB653]

SENATOR GLOOR: (Exhibits 2-9) Additional proponents? Let me read into the record proponent letters that we have: Paul Campbell with Sears; Brian Gamberini, the Home Depot; Stacy Bivona, Builders; Ron Romero, Schaefer's TV and Appliance; Zach DeWaters, Lowe's; Fred Krotter, Krotter's Home and Auto Center; Denise Pearce, city of Lincoln. That pretty much covers SouthPointe, I believe, (laughter) so we have those letters and as we heard read in the record, neutral testimony from Len Sloup of the Department of Revenue with his letter, as Senator Johnson made clear. Let's move to opponents of this bill. Those in a neutral capacity? [LB653]

JILL BECKER: Thank you, Chairman Gloor and members of the committee. My name is Jill Becker. Last name is spelled B-e-c-k-e-r, and I appear before you today as a registered lobbyist on behalf of Black Hills Energy. We are appearing in a neutral capacity because right now none of the natural gas Energy Star appliances are actually listed as the...many of the allowable products in the bill and we would certainly like to see that. Certainly the letter that we got from the Department of Revenue threw us for a loop because we aren't sure if an appliance over a certain dollar amount will qualify. So that's going to be one of the pieces that we work on. As Kristen mentioned, we would like to see dryers added to the list as well as water heaters. And I think both of those would fit under that...whatever the number is that we have to comply with. But certainly we would be interested in working with Senator Johnson and the committee in figuring out how we can make this work for our state and figure out those tax issues. I'm

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certainly not prepared to answer any of them today but we certainly have an interest in the bill. And with that, I will be happy to answer any questions. [LB653]

SENATOR GLOOR: Are there any questions? Senator Harr. [LB653]

SENATOR HARR: How is natural gas eliminated right now or not included? [LB653]

JILL BECKER: Well, we just don't happen to have to any natural gas dishwashers, natural gas light bulbs, so it's just in the designation of the products. [LB653]

SENATOR HARR: Oh, okay... [LB653]

JILL BECKER: It's not that it...it's not... [LB653]

SENATOR GLOOR: ...like we have water heaters and dryers. [LB653]

JILL BECKER: Yeah. Yeah. And just for the committee's information, this list is certainly not an exclusive list. There is a much more extensive list of products that are Energy Star labeled. I'll just use that term. [LB653]

SENATOR HARR: Okay. [LB653]

JILL BECKER: So, you know, certainly it's up to the committee what products you'd like to use. But if you're looking at really making energy efficiency gains, the way that you do it is through your heating source, whether it's a gas or an electric furnace, and your water heater. [LB653]

SENATOR GLOOR: Water heater. [LB653]

JILL BECKER: Those are the two biggest appliances and right now they're not in the bill, I believe, so. [LB653]

SENATOR HARR: Okay. Thank you. [LB653]

JILL BECKER: Thank you. [LB653]

SENATOR GLOOR: Noted. Thank you, Jill. [LB653]

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JILL BECKER: Thank you. [LB653]

SENATOR GLOOR: Anyone else in a neutral capacity? Seeing none, Senator Johnson, you're still here. [LB653]

SENATOR JOHNSON: I will make a quick close. Thanks for those that came in. I would agree, and maybe we...I think we need to tweak that somehow because that list is going to continue to change. If there's a way that we can put Energy Star certified in there and have a backup list or something to help identify them and that's a flexible list, I don't know. [LB653]

SENATOR GLOOR: Senator Sullivan. [LB653]

SENATOR SULLIVAN: Thank you, Senator Gloor. Well, and...thank you, Senator Johnson, and another thing that just occurred to me with respect to furnaces, electric or...I mean, we have an electric furnace and I think when we got a new one, we got some sort of energy credit. So that maybe should at least be considered or talked about when you're putting in all of these things in the mix. [LB653]

SENATOR JOHNSON: Yeah, now, the way I read the ruling today, we were under the thinking that if you bought a furnace that might be \$5,000, you'd get credit on the \$2,500 portion on it. But the way this will read, I think, is that anything priced over \$2,500 is not going to be eligible, so. [LB653]

SENATOR SULLIVAN: Okay, well, and this doesn't even have a thing to do with the sales tax. It's just an outright credit against the purchase price... [LB653]

SENATOR JOHNSON: Yeah. [LB653]

SENATOR SULLIVAN: ...or a check as I recall, maybe, and I'm not even sure who it came from, so. [LB653]

SENATOR GLOOR: From your energy...probably from your energy provider. [LB653]

SENATOR JOHNSON: And, yeah, so there's work to do here. I think this...you know, we didn't have any opponents here but it's late. But, you know, hopefully it's a good program, good bill when we get the thing tweaked and ready to go to prime time. So that's the only comment I have. [LB653]

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SENATOR GLOOR: Senator Schumacher. [LB653]

SENATOR SCHUMACHER: Thank you, Senator Gloor. And thank you, Senator Johnson, for bringing this. You know, I've been thinking here, I think I've seen the Energy label Star thing on things as cheap as computer or...like, computer screens and computers, very low energy utilization, still must merit the star, but pretty high price tag. And if we're...if we get a fiscal note issue on this at any point, maybe there's some way to eliminate those high price tags items where energy really isn't a factor. [LB653]

SENATOR JOHNSON: Yeah, it's good point, yeah, so a few more things to look at, I agree. [LB653]

SENATOR GLOOR: Thank you, Senator Johnson. [LB653]

SENATOR JOHNSON: Yep, thank you. [LB653]

SENATOR GLOOR: And that will end the hearing on LB653. We will now convene the hearing on LB438. Thank you for your patience, Senator Morfeld. [LB653]

SENATOR MORFELD: Well, you guys are actually moving along quickly. We just got done with our first bill in Judiciary. (Laughter) [LB438]

SENATOR GLOOR: Gee, I wonder what that was about. [LB438]

SENATOR MORFELD: If somebody wants to trade a committee, just let me know. [LB438]

SENATOR HARR: Hey, hey, hey, hey. [LB438]

SENATOR GLOOR: I wonder what that was about, dude. [LB438]

SENATOR SCHUMACHER: He's looking way too happy. [LB438]

SENATOR SULLIVAN: Yeah, that's right. [LB438]

SENATOR MORFELD: Well, it's not 90 degrees in here so I'm good. [LB438]

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SENATOR DAVIS: Did they bring products? [LB438]

SENATOR GLOOR: Don't eat the brownies. [LB438]

SENATOR MORFELD: I've got a few jokes. I won't answer that. Okay. Senator Gloor, members of the Revenue Committee, my name is Adam Morfeld, that's A-d-a-m M-o-r-f-e-l-d, representing the "Fighting" 46th Legislative District. LB438 establishes an educational trust fund funded by 10 percent of the proceeds of sales and use tax revenue derived from online purchases and allows the Legislature to transfer the funds from the trust to TEEOSA when it determines that those funds are needed. This bill sends a clear message that Nebraska values education, recognizes the importance of consistency when it comes to statewide funding for education especially during economic downturns when state and local school districts face periods of declining revenue. Reductions made in promised state aid dollars during such times are disruptive to school districts, students, and property taxpayers. During the last recession, state aid for education dropped by \$128 million in 2011. That is a 13.5 percent decrease. In my bill, I propose a 10 percent transfer from online purchase sales tax revenues. Finding a dedicated source of revenue and directing those funds into an educational trust fund is a good idea. It would help build up a separate reserve fund for education to be used to level out those funding fluctuations. This fund could also be used to fund new, innovative education programs if the Legislature sees fit to do so. Funding from the lottery for education-related programs is limited, about \$11 million, and there is much more demand for such funds than is currently available. In my handout, I show seven other states--and I actually don't have the handout with me but we'll get it up here for your guys (laughter)--in my handout we show about seven other states, many of which that have trust funds as dedicated sources of funding. LB438 is similar in that it provides for direct revenue source of funding. Investing in our children and their education is a constitutional responsibility of the state. Establishing an education trust fund with a dedicated source of revenue will assist the state in meeting that constitutional obligation. It will provide our kids with quality teachers and a quality education despite downturns in the economy. I urge your favorable consideration of LB438, would be happy to answer any questions or work with you on this. [LB438]

SENATOR GLOOR: Senator, were you aware of LB200 that we advanced? That's Senator Davis' bill that would have...would allocate, for the first 12 months anyway, a reduction...that was in property tax, wasn't it, Senator Davis? [LB438]

SENATOR DAVIS: Yes. [LB438]

MARY JANE EGR EDSON: Property tax credit. [LB438]

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SENATOR GLOOR: So that is out on the floor. I don't happen to know whether it's been prioritized or intends to be. But we already have one bill and I think there's another one being heard next week from Senator Kintner that would allocate it between property tax and income tax relief. So just wondered if you knew there are two other bills that fit in this genre? [LB438]

SENATOR MORFELD: I haven't read them in detail, Senator. [LB438]

SENATOR GLOOR: Okay. [LB438]

SENATOR MORFELD: But I've obviously read about them in the paper... [LB438]

SENATOR GLOOR: Okay. [LB438]

SENATOR MORFELD: ...and heard a little bit from Senator Davis on them, too, so. [LB438]

SENATOR GLOOR: Okay. Senator Davis. [LB438]

SENATOR DAVIS: Can I make a comment or an observation about that? [LB438]

SENATOR GLOOR: Sure. [LB438]

SENATOR DAVIS: My bill anticipates that might happen. But with yours, it looks like maybe some of this revenue might already be coming in because don't some online merchants already rebate tax? [LB438]

SENATOR MORFELD: Yes, they do, and I know that there are some federal efforts to tighten that up a bit, yes. [LB438]

SENATOR DAVIS: Thank you, Senator Morfeld. [LB438]

SENATOR GLOOR: Okay. Good clarification. Senator Sullivan. [LB438]

SENATOR SULLIVAN: Thank you. Senator Morfeld, I think in your explanation of the bill you make the comment that, yes, it's used for a trust fund, but it could also be used for innovative grants. I mean, isn't...aren't...isn't that kind of competing interests? You're trying to have a rainy day fund for education but you might be accessing it for innovation grants? [LB438]

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SENATOR MORFELD: Well, there's certainly competing interests in everything we do. And I think that could be considered competing interests or it could be seen as coinciding interests. We want to make sure that we have high quality and excellent education. If the trust fund has enough funding in it, that the Revenue Committee feels as though it is a high enough level, then we may want to divert some of that funding to other initiatives also related to education. So I don't think it's competing. I think that they're complementary. [LB438]

SENATOR SULLIVAN: Thank you. [LB438]

SENATOR GLOOR: Other questions? Senator Brasch. [LB438]

SENATOR BRASCH: Any reason why it just couldn't go straight into TEEOSA? Why create the fund? Why doesn't this just go into TEEOSA? [LB438]

SENATOR MORFELD: That certainly could be a revenue stream. I think that that's a different bill. (Laugh) But I... [LB438]

SENATOR BRASCH: Oh, okay. All right. [LB438]

SENATOR MORFELD: ...not one that's been introduced but I think it's a different kind of funding mechanism. My purpose here is that, you know, there are fluctuations in the economy, as all of you know, and I want to make sure that, in the future, we're taking that into account, knowing that that's very likely to happen and that this will soften the blow to some of our educational initiatives and the quality of education that we give our children in Nebraska. [LB438]

SENATOR BRASCH: Okay. Thank you for introducing the bill. Thank you. I have no other questions. [LB438]

SENATOR MORFELD: Thank you, Senator. [LB438]

SENATOR GLOOR: I don't see any other questions right now. [LB438]

SENATOR MORFELD: Thank you. [LB438]

SENATOR GLOOR: We'll move to proponents. Welcome back. [LB438]

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JASON HAYES: (Exhibit 1) I have a handout. It's being passed around. Good afternoon, Senator Gloor and members of the Revenue Committee. For the record, I am Jason Hayes, J-a-s-o-n H-a-y-e-s. I am here today representing the Nebraska State Education Association. NSEA supports LB438, and we thank Senator Morfeld for introducing this legislation. Nebraska consistently falls short of providing the level of state aid to education funding needed to close achievement gaps and provide the resources our public schools require. I have provided a handout showing the level of state aid to education. It's the last page of the handout that you'll be receiving--so I'll wait just a second--which shows the level of state aid to education over the past 12 years under TEEOSA. Current state aid to education funding in fiscal year 2014 is \$933 million. The red bars on the chart represent actual funding. The blue bars represent what the law in effect at the time should have funded. Typically, the TEEOSA formula is altered on a regular basis to fit not what is needed in K through 12 schools as indicated by the formula, but to fit what the state can afford at a particular time regardless of the need. Note that the trend line of TEEOSA funding decreased dramatically in 2011 after federal stimulus dollars were phased out. Fiscal year 2015 may be the first year since 2010 in which total TEEOSA funding actually rises above the prerecession level. My point in showing you this chart is that during a recession funding to education can be cut significantly. Such cuts put incredible pressure on property taxes and education programming at the local level. An education trust fund with a dedicated source of revenue will help alleviate this negative impact. LB438 proposes a 10 percent transfer from online purchase tax revenues. In order to be effective, this percentage transfer should be higher than 10 percent, but it is a good start by the Legislature in taking steps to mitigate the harm to education funding levels in a slow economy. Building reserves in an education trust fund now for use when revenues slow during a bad economic downturn is good long-term public policy. Seven other states, as Senator Morfeld mentioned, have education-related trust funds, and I have included a handout with my testimony listing each one. NSEA believes that finding a source of revenue and directing those funds into an education trust fund is an important step to ensuring that children receive quality education regardless of fluctuations in revenue. We believe a portion of the online sales tax is the right source for those funds and I thank you for your time and consideration. [LB438]

SENATOR GLOOR: Any questions? Seeing none, thank you, Jason. [LB438]

JASON HAYES: Thank you. [LB438]

SENATOR GLOOR: Continue with proponents. [LB438]

LISA FRICKE: Give me a second to put my eyes on. [LB438]



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SENATOR GLOOR: You've been very patient waiting so you can take all the time you need to get squared away. [LB438]

LISA FRICKE: Okay. Well, thank you. I appreciate that considering I thought it was 1:30. And I just killed your microphone. [LB438]

SENATOR GLOOR: It's okay. [LB438]

MARY JANE EGR EDSON: It happens every day. [LB438]

LISA FRICKE: Really? Well, that's good to know that I didn't kill it. [LB438]

SENATOR DAVIS: It's got nine lives, they say. (Laughter) [LB438]

LISA FRICKE: (Exhibit 2) Well, I am very nervous but I am very, very passionate about this bill. And so thank you, Senator Gloor and members of the Revenue Committee, for allowing me to speak today. My name is Lisa Fricke, L-i-s-a F-r-i-c-k-e. I am a retired teacher and I have dedicated 36 years of my life to public schools in the state of Nebraska and loved doing it. My concerns I will bring forward to you now: Nebraska relies too heavily on property taxes for state aid to public education. According to the U.S. Census Bureau in 2012 annual survey of the school finance, about 58 percent of Nebraska's education funding comes from property taxes and other local sources. And that's a burden for a lot of people. By using internet sales tax, LB438 would alleviate part of the property tax burden as well as help with some of the other challenges that we face in public schools today. Consider from 2000 to 2014: Nebraska's K-12 student population increased by 20,386 students. That's a lot of kids. State aid to public schools has stagnated at about 37 percent of K-12 funding statewide. And Nebraska has ranked 49th in the nation with its portion set aside for state aid to education K-12 for 20 years. That's a long time. From 2003 to 2004 through 2014-15, the state aid program funded through TEEOSA came up almost \$800 million short of what was required in laws existing during that time. In other words, the funding formula was changed almost every single year to spend less on education than was needed to, you know, go through with the actual costs of what the schools needed. So it created some factors that are a burden. It kept property taxes high. It created larger classes. And it gave...it took away programs for students and it also gave fewer opportunities for students to use updated technology which is a huge thing in this century. So the report, and it's entitled Finance Reforms on the Distribution of Spending, Academic Achievement, and Adult Outcomes, May 2014, so this was a recent research: Research has shown increasing per pupil spending by 20 percent for a child's entire K-12 career increases high school completion by 22.9 percentage points, increases adult earnings by 24.6 percent, and increases an annual family income by 52.2 percent. And it reduces the incidence of adult poverty by 19.7 percentage points. That's huge.

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And those numbers demonstrate increased investment in K-12 schools is a wise, long-term investment. Funding shortages will continue to plague public schools if we don't change our attitude from the cost of K-12 schools to the investment of K-12 schools. And I would like you to consider it as a total investment. And LB438 is exactly that: an investment in our kids. As an experienced teacher, I can tell you this: We have more children living in poverty, more children who are refugees and immigrants, larger class sizes, and continuous standardized testing. And that's a shame that we have to deal with the testing on top of all of the funding issues. Yet districts are allocated less money to fulfill mandates by the state and federal governments. Figure that out. We need more from the Legislature for our kids in our districts in Nebraska. LB438 could help by providing the necessary funding. I urge you, Senators, please, consider getting LB438 out of committee. It's better to be proactive now and build rather than being reactive in the future when we don't have what we need for our students in Nebraska. I urge you to ask me any questions. I'm passionate about this. I will try to answer them. This is a discussion that's long overdue. [LB438]

SENATOR GLOOR: Are there any questions? How come you're not teaching? If you can do this, you ought to be back in the classroom. (Laughter) [LB438]

LISA FRICKE: I miss teaching so much. My mom had health issues in 2012 and she passed away a year later. And I miss teaching a lot. I renewed my certificate in November and so if a possibility opens up, I would love to go back to the classroom. [LB438]

SENATOR GLOOR: Good. I'm glad to hear it. [LB438]

LISA FRICKE: Thank you, Senator. [LB438]

SENATOR GLOOR: Thank you for taking the time and, again, for being patient and waiting through the rest of the hearings. [LB438]

LISA FRICKE: May I add one more, just a little comment? [LB438]

SENATOR GLOOR: Sure. [LB438]

LISA FRICKE: I know you've had a long day. I did some research on the schools that Jason mentioned and I called the revenue director of Alabama asking about their trust fund and she was so polite. They started a trust fund in 1927--forward thinking--and they now have over \$5 billion in a trust fund for the kids in the state of Alabama. Is...are their school districts perfect? No. But they have the money that can be taken from this trust fund to do what is needed for their schools.

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And so this is a start. This is only a start. I'd like to see over \$5 billion in a trust fund for Nebraska down the road. Can we, please, start today? [LB438]

SENATOR GLOOR: Thank you. [LB438]

LISA FRICKE: Thank you. [LB438]

SENATOR GLOOR: I'm going to ask: Are there any other proponents? Are there any opponents? Anyone in a neutral capacity? Senator, you are recognized to close. [LB438]

SENATOR MORFELD: I'll make it very brief. But I'm more than willing to work with the committee on this. I think that this is a starting point for the conversation and I'd be happy to answer any questions. [LB438]

SENATOR GLOOR: Are there any final questions? I see none. [LB438]

SENATOR MORFELD: Okay. Thank you very much. [LB438]

SENATOR GLOOR: Thank you, Senator Morfeld. And good luck with your return to Judiciary. (Laughter) [LB438]

SENATOR MORFELD: I might get lost along the way. [LB438]

SENATOR GLOOR: That ends the hearing on LB438. [LB438]