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Urban Affairs Committee
January 23, 2018

[LB707 LB768 LB854 LB880 LB940]

The Committee on Urban Affairs met at 1:30 p.m. on Tuesday, January 17, 2017, in Room 1510 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB707, LB768, LB854, LB880, and LB940. Senators present: Justin Wayne, Chairperson; Matt Hansen, Vice Chairperson; Sue Crawford; Sara Howard; Dan Quick; and Merv Riepe. Senators absent: Tyson Larson.

SENATOR HANSEN: All right. Good afternoon and welcome, everybody. We are going to go ahead and get started with today's Urban Affairs Committee hearing. My name is State Senator Matt Hansen and I represent Legislative District 26 in northeast Lincoln, and I serve as Vice Chair of the committee. I'm going to be starting the hearing today because Senator Wayne, our Chairman, is presenting a bill in education. And I will note several of our committee members are also presenting other bills in other committees. We will start off by having the members that are here though do self-introductions, starting on my right with Senator Howard.

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

SENATOR RIEPE: I'm Merv Riepe. I represent District 12, which is Omaha, Millard, and Ralston.

TREVOR FITZGERALD: Trevor Fitzgerald, committee legal counsel.

PRECIOUS McKESSON: Precious McKesson, committee clerk.

SENATOR HANSEN: Thank you. And I will note we are also joined with our page, Heather Bentley, who is from Miller, Nebraska, and is an agricultural economics major at UNL. This afternoon we will be hearing several bills and we will be taking them in the order listed outside of the room. On each of the tables in the back of the room you will find blue testifier sheets. If you are planning to testify today, please fill out one and hand it to Precious when you come up. This will help us keep an accurate record of the hearing. Please note that if you wish to have your position listed on a committee statement for a particular bill you must testify in that position during the bill's hearing. If you do not wish to testify, but would like to record your position on a bill, please fill out the pink sheets in the back of the room. I would also like to note the committee's new policy that beginning with committee hearings on January 30, all letters for the record must be received by the committee by 5:00 p.m. the day prior to the hearing. Any handouts submitted by testifiers also included in the record as exhibits. We would ask that if you have any handouts that you please bring 10 copies and give them to the page. If you need any

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additional copies, the page can help you make more. Testimony for each bill will begin with the introducer's opening statement. After the opening statement we will hear from supporters of the bill, then followed from those in opposition, followed by those speaking in a neutral capacity. The introducer of a bill will then be given the opportunity to make closing statements if they wish to do so. We ask that you begin your testimony by giving us your first and last name, and please also spell them for the record. We will be using a four-minute light system today. When you begin your testimony the light on the table will turn green, the yellow light is your one-minute warning, and the red light comes on we would ask you to finish up and wrap up your thoughts. I would like to remind everyone, including senators, to please turn off your cell phones or put them on vibrate. And with that, we will begin today's hearing with the first bill, LB940, by Senator Friesen.

SENATOR FRIESEN: Thank you, Vice Chair Hansen and members of the committee. My name is Curt Friesen, C-u-r-t F-r-i-e-s-e-n, and I represent the 34th Legislative District, and I'm here to introduce LB940. LB940 was brought to me by the League of Nebraska Municipalities and it seeks to amend the Civic and Community Center Financing Act. Section 1 of the bill changes some definitions, including that a community center must be "owned by a municipality," adds historic districts to the definition of "Historic building," and adds parts to the definition of "Recreation center." Section 2 of the bill raises the amount of facility and related grants available to applicants under Section 13-2704.01. The minimum is changed from \$10,000 to \$15,000. The maximum for cities are as follows: A city of the primary class from \$1.5 million to \$2.25 million, a city with more than 40,000 population and less than 100,000 from \$750,000 to \$1.125 million, a city with more than 20,000 but less than 40,000 population would go from \$500,000 to \$750,000, a city with more than 10,000 and less than 20,000 in population would go from \$400,000 to \$600,000, a city with less than 10,000 would go from \$250,000 to \$375,000. Grant assistance amount for engineering costs under Section 13-2704.02 would change from a range of \$2,000 to \$10,000 to a range of \$3,000 to \$15,000. LB940 also changes the amount of funds available for grants if the funds exceed or fall below certain amounts. Currently, grant limits may increase if the balance of the fund is \$2.5 million, but not below \$1 million. This range would change from \$3.75 million but not below \$2.5 million. The grant amounts would change as follows: cities of the primary class from \$2.25 million to \$3.375 million, a city with more than 40,000 population but less than 100,000 would go from \$1.125 million to \$1.687 million, a city with more than 20,000 but less than 40,000 in population would go from \$750,000 to \$1.125 million, and a city with 10,000 but less than 20,000...more than 10,000 but less than 20,000 would go from \$600,000 to \$900,000, a city with less than 10,000 would move from \$375,000 to \$562,000. LB940 also makes a change that says a city shall not sell any property that received grant funding under the Civic and Community Center Financing Act for at least five years. And that municipalities that have not received grant assistance under this act shall have a priority over other cities who have received such funding within the last 10 years. Thank you for your time, and I would be happy to answer any questions. [LB940]

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SENATOR HANSEN: Great, thank you. Are there questions for Senator Friesen? Senator Riepe. [LB940]

SENATOR RIEPE: Thank you, Chairman Hansen. Senator Friesen, I would ask you who asked you to bring this bill forward? [LB940]

SENATOR FRIESEN: The League of Municipalities. [LB940]

SENATOR RIEPE: Okay, thank you. [LB940]

SENATOR HANSEN: Thank you, Senator. Any other questions? All right. Seeing none, you're off the hook. All right, and with that we will move to our first proponent for LB940. [LB940]

LYNN REX: (Exhibit 1) Senator Hansen, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. I would first like to thank Senator Friesen for introducing this bill on our behalf. The league has two internal legislative committees: one comprised of all first-class cities, Lincoln and Omaha, and another one comprised of second-class cities and villages, of which there are about 40 representatives, but 20 to 25 that show up on a regular basis. That being said, this bill was strongly supported by all of them and it was unanimous. In addition, the league executive board asked that this bill be introduced on our behalf, and we are again very appreciative of Senator Friesen for doing so. He's highlighted the major areas for you. I would like to reference the handout that I've just given you, if you look on the very last sheet of it there's valuable information. This was prepared by DED and it's on their Web site. But if you look at the very last sheet, it has these awards that have been granted from 2004 to 2017. And you'll note they are extensive. So, and you have to turn it over to even see what they are in 2017. So this has been just an extremely valuable program for municipalities across the state of Nebraska, especially since the Legislature no longer provides state aid to municipalities. This is extremely important. I think you all know the genesis of it, which is the 30 percent state throwback sales tax goes into this fund, and this is then for municipalities across the state to apply for grants. The municipalities that are not allowed to apply for grants are those that have been allowed to use throwback sales tax, specifically Lincoln, Ralston, and Omaha. La Vista may go on-line at some point, we hope, and they would also be included. So Senator Friesen has done an outstanding job of going through the bill, I would just like to underscore a couple of points that I think are important. If you look on page 2 of the bill again, lines 7 and 8 make it clear that we're talking about "property that is owned by a municipality and located within the traditional center of a community." In addition, I think it's important to note that the historic buildings on line 14 including "district," we're thinking Brownville, that kind of a concept, to be able to take advantage of this. Again, on page 2 you'll note there are...we also included on line 17 to make it expressly clear that that includes

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"park." So for purposes of park equipment, that sort of thing. In addition, I'm not going to review all of the thresholds that are being increased for the amount of grants that are available, but I would like to indicate we think a very major part of it is on page 4, line 24. As Senator Friesen noted, again on page 4, line 24 (sic--22), "A municipality shall not be awarded more than one grant of assistance" under this act, "and one grant of assistance" under the other provision, "in any two-year period." Right now it's a five-year period. We think that's important so that...because we have so many cities that are waiting until those deadlines pass. In addition, we think it's also important that the municipality doesn't sell any of those properties for at least five years under the act. And one of the things that Senator Friesen suggested, we thought it was a great idea, we wish we would have thought of it, is on page 5, lines 21-23. "The department", meaning DED, "shall give priority to applications from municipalities which have not received a grant of assistance under" this act "within the last 10 years." So with that, I'm happy to respond to any questions you have. I will tell you this has been just an extremely important program for municipalities all across the state of Nebraska. As you can tell from the diversity of projects that have been awarded, and the importance of these in their respective communities. [LB940]

SENATOR HANSEN: Great, thank you. Are there questions from the committee? Senator Riepe. [LB940]

SENATOR RIEPE: Thank you. Thank you for being here. I would ask the question, how do you...once the grants are given, what's the follow-up process to see if what they said was going to be done actually happens? [LB940]

LYNN REX: They have to file paperwork with DED. [LB940]

SENATOR RIEPE: Okay. [LB940]

LYNN REX: And most of these projects, Senator, not all of them, but a great many of them start with the planning grant and then it goes on to basically, now that you have the planning done here's how the process is going to move forward. And then they have to compete with everybody else in order to get, whether it's for a rooftop on a civic center or a community center and some of the other buildings that they have that you can see here, libraries. That was one of the most extensive changes made to this act when Senator Flood was a state senator, to allow municipalities to use this to enhance library services too and buildings. So this is extremely important. But they have to provide a lot of paperwork to DED, as well they should. [LB940]

SENATOR RIEPE: And does the League then provide that oversight? [LB940]

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LYNN REX: The League does not, DED does. [LB940]

SENATOR RIEPE: Okay. [LB940]

LYNN REX: And of course every municipality has a great incentive to do it right, because then you don't get another grant if you don't. So and if you don't, my guess is DED would be on your doorstep to say you'll be paying it back. So everybody has a great incentive to do it right. And again, I cannot understate the importance of these projects and these dollars because there is no state aid to municipalities. This is extremely important. [LB940]

SENATOR HANSEN: All right, thank you. Any other questions? Thank you, Ms. Rex. [LB940]

LYNN REX: Thank you very much. [LB940]

SENATOR HANSEN: All right, we'll take our next proponent for LB940. Welcome. [LB940]

DON WESELY: Mr. Chairman, members of the committee, my name is Don Wesely, I'm here representing the cities of Kearney, Lexington, and Hastings. We are here in support of LB940. Thank you to Senator Friesen for introducing the bill. First off, the cities of Hastings and Lexington want to thank the Legislature for the creation of this 30 percent fund. It has been very advantageous to those two communities. Hastings, for instance, received \$120,000 in 2005 for their Museum of Natural and Cultural History, and then another grant in 2014 of \$750,000 for their city auditorium. I'm going to stop at that point because that would be a nine-year period, and the bill talks about preference for those who haven't received in 10 years. So that would have...that was nine years. But it's a preference issue, and the thing I caution you about is there may be situations where the timing is right for a project and communities have come together. So it's understandable to have a preference for those who have not received within 10 years, but maybe there is a situation where it warrants that sort of exception to the rule. This bill allows for that, and so we think that's advantageous. Also, Lexington has received an \$800,000...excuse me, \$600,000 grant in 2014 for their field house. And that has been an extremely successful project. Kearney has not yet received money, but they do have a \$10,000 recreational planning grant and are hoping to access money at sometime in the future. So this program has been a success and it has many projects to point to that have been of benefit to the entire state of Nebraska. And we support the changes that are proposed in the bill. [LB940]

SENATOR HANSEN: All right, thank you. Are there questions from the committee. Seeing none, thank you. [LB940]

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DON WESELY: Thank you. [LB940]

SENATOR HANSEN: All right, we'll take our next proponent for LB940. Any more proponents? All right, seeing none, we'll move on to opponents of LB940. Seeing none, is there anybody who wishes to testify neutral on LB940? Seeing none, Senator Friesen, would you like to close? [LB940]

SENATOR FRIESEN: Thank you, Vice Chair Hansen. I guess the only reason I really wanted to close is I wanted to make sure for the record everybody knows this is not a property tax bill. But it is really important to small communities out there. They don't have opportunities a lot of times to put up facilities, and without these types of grants and help it would be a difficult task. So I appreciate your support. Thank you. [LB940]

SENATOR HANSEN: Thank you. Any questions for the senator? All right, thank you, Senator Friesen. And we do not have any letters to read into the record, so we will close the hearing on LB940. And we will welcome up Senator Kolterman for LB707. Welcome. [LB940]

SENATOR KOLTERMAN: Good afternoon, Vice Chairman Hansen, members of the Urban Affairs Committee. I'm Senator Mark Kolterman, M-a-r-k K-o-l-t-e-r-m-a-n, and I represent the 24th District in the Nebraska Legislature. I'm here today to introduce LB707, a bill that changes provisions of the Uniform Standard Code of Manufactured Homes and Recreational Vehicles by eliminating applicability and references to manufactured homes and renaming the code. Manufactured homes are built in accordance with the federal Manufactured Home Construction and Safety Standards Act administered by the United States Department of Housing and Urban Development known as HUD. Manufactured homes must display a federal manufactured home label on its exterior. Currently, the Nebraska Public Service Commission inspects all manufactured homes built in Nebraska. The goal of this legislation is to allow for HUD-certified third parties to inspect manufactured homes instead of the Public Service Commission. Nationally, there are 15 HUD-approved state and private third-party agencies that inspect a manufactured home at various stages of production. Some of the third-party agencies also approve the manufactured designs to ensure the plans are consistent with HUD standards. Manufacturers contract directly with the state or third-party agency and pay for the design review and the home inspection services. A manufactured home inspection is similar to a general site-built home inspection, but it has some special areas of concern. Not only do manufactured homes have some different materials and fabrication methods, they're most vulnerable to damage during transportation. Manufactured homes are built in a factory and transported to the site where they're installed. Some are single-wide homes built on single transportable chassis, but multi-section homes, such as double-wides, are transported on separate chassis and then connected together on the construction site. What LB707 does, it removes the authority of the Public

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Service Commission to inspect the manufactured homes and allows for HUD-approved third-parties to conduct these inspections. It is important to do this because the labeling fee assessed by the Public Service Commission has increased over the years and it is expected to continue to increase. Allowing for third-party inspections will significantly reduce the labeling fee. The Public Service Commission fee increases have been caused by two factors: the first being the increased inspection criteria now required by HUD; and the second being the reduced production of these homes in Nebraska, thus limiting the number of homes the PSC can spread the inspection cost upon. The Nebraska Public Service Commission is only one of six state agencies in the country that inspect manufactured homes. Most states allow HUD-approved third parties to conduct the inspections. These third parties specialize in inspections, and because of the number of homes throughout the United States they inspect permits them to do it at a lower cost to manufacturers than done by the Public Service Commission. Such savings can then be passed through to the buyer. LB707 will allow Nebraska companies that manufacture homes the ability to compete on a level playing field with out-of-state manufacturers. Lowering the inspection cost can keep jobs in Nebraska and help create new ones. Another point I would like to make is that this bill coincides with the Governor's agenda for less government regulation. Representatives from Champion Home Builders in York are here to give you more details and answer more technical questions. I also believe that Mark Luttich, director of housing and recreational vehicle department at the Nebraska Public Service Commission is here to answer questions as well. My office worked with the Public Service Commission to draft this bill, it is my understanding that the Public Service Commission has no objections to the legislation. I was advised by the committee's legal counsel that there were technical issues with the bill language as drafted. One of the paragraphs on page 34 did not strike the appropriate language, an amendment to address these issues is also included in your binders. Also, I would just tell you that this was brought to me by a company in my district known as Champion Homes. They're one of the two that build these types of homes in the state of Nebraska. My constituent builds about 400 of these homes that have to be inspected by the Public Service Commission and at the present time they're paying about \$400 per inspection, whereas the private sector would charge about \$100 for an inspection. So if you do the math, that's approximately a \$72,000 savings for my constituent, the customer in my town of York. And if we can become more competitive just in that particular arena, it will help them compete against these other national companies that are bidding for this work. So with that, I would try and answer any questions. Otherwise, I have someone here from Champion Homes that will testify and try and answer any technical questions you might have. [LB707]

SENATOR HANSEN: Great. Thank you, Senator. Are there questions from the committee? Seeing none, we'll move onto proponents. We'll let the record show that Senator Quick has joined us from the Transportation and Telecommunications Committee. Welcome. [LB707]

MIKE CLONIGER: How are you guys? [LB707]

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SENATOR HANSEN: Doing well. [LB707]

MIKE CLONINGER: I'm Mike Cloninger, M-i-k-e C-l-o-n-i-n-g-e-r, part of the team out at Champion Home Builders in York. I apologize, I'm a little nervous sitting here talking to you guys. Not so much because I'm nervous about talking, but it's very rarely anybody is actually listening. So this is a different situation here for me. So I appreciate that. Just a quick background, this started with us a few months ago. We came to a Public Service Commission hearing where the announcement was being made that the rates were going to go up from a couple hundred dollars to \$400 per label. And that became a cost issue to us. And the director of the Public Service Commission told us that in order for the budget to really be balanced after the folks it was going to have to ultimately go up to about \$650 per label or per floor. So we come down to talk to the commission about what the impact was going to be to our business. At that time they asked us what could we, if we were using a third-party inspection, which most of the country is doing, what would that cost us. And our analysis at that time was about \$95 a floor. At that point in time, the Public Service Commission said their comment, they just stopped the discussion, they said it sounds like we could get out of this deal, reduce the bureaucracy and just basically turn something like this over to third party inspection process. And that was the end of the hearing and we thought that was a done deal. At that time then we found out it was a state law and we had to introduce legislation to undo that, and that's how we came to the point where we are here today. We appreciate the opportunity that it was moved to this position. What's happening in the state of Nebraska, quite frankly, is this is the economy of scale. Years ago, when this process started, there were a number of manufacturers and there were an awful lot of HUD houses that were being produced. As Mr. Senator Kolterman has indicated, there's two of us now and we out at Champion produce most of those. And what's happened now is we're at an unfair disadvantage to manufacturers that are close to the state of Nebraska but not in the state of Nebraska. Commodore out of Indiana; our own plants in Indiana; Worthington, Minnesota; Skyline in Kansas produce and ship a product into the same markets that we do all using third-party inspectors and being able to provide that to the public at a lower cost. We at Champion are number two, basically, in the country, as far as manufactured housing goes. We have 36 plants. We have just announced a merger with Skyline, which will take us to the number one publicly held company. So we have the opportunity through contracts with third-party inspectors to get this job done at a much lower cost and be competitive with our competitors in other states who are basically competing with us, building product and shipping it into our market. That being said, with a high number of HUD houses that we build, we're not at all opposed to working with the other manufacturers of HUD products here in the state, where they could maybe piggyback their inspections on top of the guys that would be coming to our plant to inspect our houses. We're 15, 20 minutes away in terms of the location of the manufacturing facilities, which would help reduce their costs as well to get that done. We've had the opportunity over the years to increase our work force by about 40 people in the last 2 years out in York. If we lose the HUD business, HUD is about 30 percent of what we build. If we start losing that business because of

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these costs to other guys in other states, that's obviously going to impact that to a great extent. Another thing I just wanted to cover with you guys is we hire...we bring out from the prison here in Lincoln about a dozen guys every day. They come out to the plant in a van and work with us, they're there all day and come back out. When those guys get paroled or get on probation or they get out of the prison, a number of those guys will come to work for us. And it's kind of nice to be able to grow the population of the town of York, bringing people in that lived in other areas to come in and come to work for us out at Champion Home Builders. I'm assuming the red light means that I'm done here, so I can...in fact, if they had it at the table of work, we would get through meetings there an awful lot faster than we do. So we might take that idea back with us to York. [LB707]

SENATOR HANSEN: Absolutely, glad we could help. Let's see does any committee members have questions? Senator Riepe. [LB707]

SENATOR RIEPE: Thank you, Chairman Hansen. And thank you, sir, for being here. How many homes do you produce in say 2017 last year that were subject to the HUD certification? [LB707]

MIKE CLONINGER: You know, I don't have that exact number, but it's probably between 240 and 250 last year. And the number of those houses that we're producing now is increasing, not decreasing. We anticipate that for 2018 that number will be greater than that. [LB707]

SENATOR RIEPE: Second question, if I may, Mr. Chairman. What is the Skyline merger? What are the implications for the York plant and the state of Nebraska? [LB707]

MIKE CLONINGER: For the York plant, that's a great question. We don't really know yet. We know that we're going from basically 28 active plants around the country to pick up their 8 plants and take us to 36 plants. It's a way for us as a company to become a publicly held company, since Skyline is publicly held. And the acquisition of the merger will allow us to be publicly held. I think what that will end up doing for the...it shouldn't do much for Skyline out in Kansas. We have some markets where we overlap and so on, which obviously impact what we're doing here cost-wise. But to be perfectly honest with you, I was in a meeting in Louisville just last week with the chairman of the board and our president, and they're still trying to figure out exactly what that is meaning. They're meeting with the guys at Skyline trying to find out what they do, how they run their corporation. It sounds like they will shut their corporate headquarters in Elkhart down and move their corporate operation to our headquarters in Michigan. And we're putting an ambassador program together to blend the leadership of the two companies. We have been around, Champion has been around, since 1950, we have been in York since 1960. We're the oldest Champion plant in the entire country. Skyline has been around for a little over 50 years, so it's from the standpoint of blending I think synergy should be best practices from both

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companies, should be a rising tide obviously. But I can't honestly tell you exactly what that impact is going to be, because we're just really starting to figure it out ourselves. [LB707]

SENATOR RIEPE: Okay, thank you. Thank you very much. [LB707]

MIKE CLONINGER: Yes, sir. [LB707]

SENATOR HANSEN: Thank you, Senator Riepe. Any other questions? Seeing none, thank you for coming down to testify. [LB707]

MIKE CLONINGER: Thank you very much. [LB707]

SENATOR HANSEN: We'll take our next proponent. [LB707]

LISA HURLEY: Good afternoon. I'm Lisa Hurley, it's L-i-s-a H-u-r-l-e-y, I'm the executive director of York County Development Corporation. I'm here in support of the bill, because it directly impacts a York County business that employs 161 employees today. That's a large employer for York County, and I can see how this bill could affect recruitment of a similar company anywhere within the state or an expansion of a similar company. This bill would remove an expensive regulation that our surrounding states do not have. If the bill does not pass, there could be long-term economic consequences, not only to York County, but also to the state of Nebraska overall. If Champion's costs increase beyond their competitors, the homes could be shifted to one of their facilities in another state, which means the York facility shrinks. And, quite honestly, that doesn't...that's not something I want to face. They have built their HUD homes up to 30 percent of their market, which has been huge because it's allowed them to not only add the employees, but there's no longer shorter at-work hours, days off, or even layoffs. And that is a change from five years ago. The culture within Champion has become very, very positive and employees like working there. And I would hate to see their orders being shifted to another state. As an economic developer, my primary responsibility is taking care of our existing businesses. That includes addressing barriers, identifying barriers that need to be removed, whether it's at the local level or at the state level. And LB707 will do that, it will remove a barrier, a challenge, that surrounding states do not have. I want to thank Senator Kolterman on working with us on writing the legislation, and for you to hear it today. Do you have any questions for me? [LB707]

SENATOR HANSEN: Sure, we'll see if the committee does. Senator Riepe. [LB707]

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SENATOR RIEPE: Thank you, Chairman Hansen. Of course I have...can you give me a number of how many stay within the state, of the homes that are produced at Champion in York?
[LB707]

LISA HURLEY: That might be a better question for Mike. I know it's...is it over 1,000 for total homes? The HUD homes are 30. [LB707]

MIKE CLONINGER (from audience): Our biggest market right now is Colorado. In terms of shipping houses in Colorado we have...I'm sorry. [LB707]

SENATOR HANSEN: Yeah, let's... [LB707]

LISA HURLEY: Yeah, okay. If you don't mind, I'll repeat that. Because he has told me that in a business retention and expansion interview. Most of them are about 10 homes. A few years ago they were going up to the Balkans, up into the oil fields. [LB707]

SENATOR RIEPE: The reason I ask is because we've often discussed about the shortage of housing in the state of Nebraska. [LB707]

LISA HURLEY: Yes. And we are within York County talking, Mike sits in on our housing committee, and we are talking about potential partnerships with him within York County.
[LB707]

SENATOR RIEPE: Okay, thank you. Thank you, Mr. Chairman. [LB707]

SENATOR HANSEN: Thank you, Senator Riepe. Any other questions? All right, thank you, Ms. Hurley. [LB707]

LISA HURLEY: Okay, thank you. [LB707]

SENATOR HANSEN: We'll take any proponents of LB707. Seeing none, are there any opponents to LB707? Welcome. [LB707]

MIKE MORROW: Hi. My name is Mike Morrow, M-i-k-e M-o-r-r-o-w, and I'm with BonnaVilla. We are a division of Chief Industries based in Grand Island, Nebraska. Unlike the competitor, we are the locally, I would say Nebraska owned and operated, company. Chief Industries has employers...employs about 1,500 people in the state of Nebraska, and we are the

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single independent modular and manufactured home division of that company. And we understand the issues that the benefits that were given by the senator for the bill. However, the things that we would like to have considered as a part of this legislation are that there are some immediate impacts to us and our business based on the way the legislation is currently written. First of all, the immediate impact to us is because we do also build HUD units. And I think we're that factory that is 20 miles down the road. There are certain aspects of the federal program that would require us to remake our engineering and design approvals with the third-party engineering companies that were previously discussed that are not shared by the competitor. And those costs are significant and they are very significant when compared to the benefits that the competitor would get with the legislation as written. On a per-unit basis, if that's multiplied out, the cost to us in the immediate term to go to those same third-party engineering companies would be upwards of \$25,000 to \$30,000 immediately. And over time, the per-unit cost would also be higher. So not only would we not see a savings on a per-unit basis, but we would have an increase on a per-unit basis. We also think it's important that the timing of the legislation be considered, the stated reasons for the legislation being that the market conditions and the effect on the HUD program. Market conditions are improving, and we're seeing an increase. And although we are not building the number of HUD units the competitor is, we're seeing an increase in that. And I think that us and the program itself could see an increase. There's also been some changes at the federal program level recently that will probably have an effect on the issues of the regulation that were a part of the stated cost increase and things of that nature that brought about the increase in cost to the competitor. Finally, what we would like to propose is that we would like the opportunity at least to sit down with the senator and discuss some opportunities where we can, you know, maybe suggest changes that would make the legislation something that would benefit both us and the competitor, rather than a significant negative impact to one of us or the other. Obviously us being the one negatively impacted most. [LB707]

SENATOR HANSEN: All right. Thank you for your testimony, Mr. Morrow. Are there questions from the committee? Senator Quick. [LB707]

SENATOR QUICK: Yeah, thank you, Senator Hansen. And thank you for your testimony. [LB707]

MIKE MORROW: Yes, sir. [LB707]

SENATOR QUICK: So what are the exact differences between, could you explain that, between your company and the company in York? [LB707]

MIKE MORROW: Well, the biggest difference is, and as was previously described, they are a larger-scaled operation, with facilities that operate they do throughout the entire country. We are

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a singular facility. And so within Chief Industries there are other business divisions. We are the only one that does what we do, which is exactly the same, almost, as the competitor. However, we only have one operation. So the biggest difference is that as a locally-owned independent, we have no opportunity to utilize scaled operation cost with third parties. We would love, you know, on a per-unit basis to, as was described, piggyback, but it will be under a single-plant contract. And the up-front cost, they are able to completely avoid that because they have other operations in the country that already work with the federal government's HUD program with their existing approval. So they have no immediate cost in that, that's shared...I mean, that's not a shared thing, that's specifically us. [LB707]

SENATOR QUICK: Thank you. [LB707]

SENATOR HANSEN: Thank you, Senator Quick. Senator Riepe. [LB707]

SENATOR RIEPE: Chairman Hansen, thank you. A question I would have is the same one I had asked the Champion Homes people, and that is the number of homes that you have produced or constructed last year for that would be subject to HUD certification. [LB707]

MIKE MORROW: I don't have that exact number either, but I would say that it would be closer to 10 or 20 homes. [LB707]

SENATOR RIEPE: Ten or 20, okay. I'm sorry, thank you very much for that. I have a second question, if I may, Chairman. My question, I thought I heard that you had stated that you are unable to meet the U.S. Department of Housing and Urban Affairs, HUD, that you could not meet their expectations or their requirements. Did I hear you say that? [LB707]

MIKE MORROW: No, sir. [LB707]

SENATOR RIEPE: Oh, okay. I'm not sure what I heard. Okay, thank you. [LB707]

MIKE MORROW: No, what I said was we would be unable to meet...to handle the program the same way the competitor does through third parties, because we do not have the scaled operational size. We're a locally owned independent with one operation. So we would have to handle that differently. [LB707]

SENATOR RIEPE: Okay, thanks for that clarification. Thank you. [LB707]

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SENATOR HANSEN: Thank you, Senator. And thank you, Mr. Morrow. Seeing no other questions, thank you for your testimony. All right, are there any other opponents to LB707? Seeing none, is there anybody who wishes to testify in a neutral capacity to LB707? [LB707]

MARK LUTTICH: Good afternoon, members of the Urban Affairs Committee. I am Mark Luttich, that's spelled M-a-r-k L-u-t-t-i-c-h, I'm the director of the housing and recreational vehicle department with the Nebraska Public Service Commission. I'm here today on behalf of the commission to provide some general background and information about the programs we administer. My personal background, I have been involved with this manufactured home program since 1978, when it was in the Department of Health. Approximately 20 years ago, it was moved over to the Public Service Commission, nothing other than the address changed and the title of the agency. I became the director of the programs in approximately 1985. The department also oversees modular homes and recreational vehicles, recreational vehicles are the travel trailers and motor homes that you see at the state campgrounds and private campgrounds. Nebraska, as you have heard earlier, has two factories producing manufactured homes: that's Champion in York and BonnaVilla in Aurora. Both factories also produce modular homes, and at both factories that's a majority of their production as was stated earlier. Historically, many years ago Nebraska had many more factories building manufactured homes. And at one time, approximately 22,000 labels were sold. But last year it was under 200 because we're down to 2 factories now. There is HUD oversight, and this HUD oversight that we have to report to involves three portions, and that is: plan review, factory inspection, and handling of consumer complaints within the state of Nebraska. There are approximately 10 states that do factory inspections, we're one of them. There are five private companies that do the inspections, and we are the only state that still continues to provide plan review. Other states used to, but I would imagine there were reasons in their state costs or whatever that those states pulled from that duty many years ago. We retain that still. Our programs are all cash funded, and our seal fees are adjusted annually to cover department expenses. Previous testimony from Champion Homes said that during our workshop last summer we talked about a possible label fee of around \$650, and that was accurate. But when we had our fee hearing two or three months later, with more data throughout the extra few months, we were able to lower that request to \$400, and that's what they currently pay. So for a single-wide manufactured home, the label fee is \$400, and for a two-section home the grand total is \$800. Those fees that we charge for that label covers all of our duties in that program: plan review, inspections, consumer complaints, whatever it might be, it's all rolled up into that \$400 label fee. So the label fee, as stated earlier, has gone up because of increased regulation from Washington, D.C., and the reduction of production within the state for us to spread those costs out. And that's where the third-party inspection agencies have a benefit, because they inspect, do plan review nationwide, and so they have a larger base to spread their cost to. As you've heard today, there's a disagreement between the factories. So what is the effect of this bill should it pass? And so to clarify...not to clarify, but to put in conclusion and easy to understand, hopefully, both manufacturers, if this bill was to pass, would have to hire a third-

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party inspection agency. And each third-party inspection agency would have to perform a one-time recertification of the plant. Both plants would have to pay that bill. And the only additional expense that BonnaVilla in Aurora would have is to hire a third-party inspection agency or a plan review agency to review their typical designs and manuals, and that would be a one-time cost. I have no idea what any of these costs would be to these factories, that's privy to those inspection agencies. The difference between production between the two plants in 2017, Champion ordered approximately 175 labels and BonnaVilla ordered about 5. That's the end of the information that I have, and I'm willing to take any questions that you might have. [LB707]

SENATOR HANSEN: All right, thank you. Are there questions from the committee? Senator Riepe. [LB707]

SENATOR RIEPE: Chairman Hansen, thank you. Thank you for being here with us to help us gain some insight. How many HUD homes did you say the Public Service Commission inspected? Was that this labels that were given, the 15? [LB707]

MARK LUTTICH: Yes, that is the labels. The labels represent transportable sections. [LB707]

SENATOR RIEPE: Okay. [LB707]

MARK LUTTICH: So something under 200 for 2017. [LB707]

SENATOR RIEPE: Okay. And inspection fees collected, I think you said it was \$400? [LB707]

MARK LUTTICH: That is correct. [LB707]

SENATOR RIEPE: And then I'm rather curious that it started at \$650. Are you a for-profit organization? [LB707]

MARK LUTTICH: No, we were, based upon the data that we had in July, it looked like our label fees that we would be considering come fall could have been around \$650. But during the next two or three months expenses didn't come in as great as we thought and production went up some. And so we were able to settle upon a \$400 label fee, and that's what the plants are presently paying. [LB707]

SENATOR RIEPE: I have one more question, Mr. Chairman. How many employees do you have within your commission? [LB707]

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MARK LUTTICH: We have three full-time employees and then we contract with an inspector, someone else, and two other individuals doing plan review. That helps us to... [LB707]

SENATOR RIEPE: Is this a question whether the state stays in the business at all and just acquiesces to the federal inspection? [LB707]

MARK LUTTICH: If this bill passes, our office would have no further work involved with the manufactured home program within the state of Nebraska. [LB707]

SENATOR RIEPE: So what happens to those three or four employees if you will? [LB707]

MARK LUTTICH: They would stay on board as they are, working with the modular homes and recreational vehicles. The contract individual and requirements may reduce some. [LB707]

SENATOR RIEPE: And there's enough work there to justify all three of them staying, or is it a matter of two stay and someone catches the short straw? [LB707]

MARK LUTTICH: No, all three would stay. The contracts would be reduced somewhat. [LB707]

SENATOR RIEPE: I'm always looking for state agencies that somewhere another the work goes away but the staff never does. So I just... [LB707]

MARK LUTTICH: In our case, we are able to manage that with the contracts that we have. That's what kept our costs down over the years, because the contract individuals are only paid when they do work for us. And if this bill was to pass, some of those contracts individuals' duties would go away as well. [LB707]

SENATOR RIEPE: And if they don't, you're going to have to add staff? [LB707]

MARK LUTTICH: No. [LB707]

SENATOR RIEPE: Okay. [LB707]

MARK LUTTICH: We would retain exactly as we are. [LB707]

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SENATOR RIEPE: Okay, thank you. Thank you, Mr. Chairman. [LB707]

SENATOR HANSEN: Thank you, Senator Riepe. Any other questions? Seeing none, thank you for your testimony. [LB707]

MARK LUTTICH: You're welcome. [LB707]

SENATOR HANSEN: (Exhibit 1) All right, is there anybody else who wishes to testify neutral on LB707? Seeing none, we will invite Senator Kolterman up to close. And while he is coming up, I will note that we have a letter of opposition from Commissioner Crystal Rhoades of the Public Service Commission in her individual capacity. Senator Kolterman. [LB707]

SENATOR KOLTERMAN: Thank you again, Vice Chairman Hansen. I guess the point I would bring out is what we're trying to do is keep businesses strong. And we're not really trying to put one company out of business as it pertains to HUD, and this is specifically for HUD building projects. But we have one company that does 185 of these projects and we have another company that does 5. At some point in time you have to look at the economy of scale and decide do I stay in that portion of the business or not. Again, we would like to work with them. We will sit down with them and talk about some possible compromises, we're always open to that. But at the same time, when you have the Public Service Commission charging \$400 and private industry can do it for \$100 it doesn't make a lot of sense to keep people employed just to charge more money. And so I would ask that you move this bill forward, and we will work to try and get some compromise language if possible. [LB707]

SENATOR HANSEN: All right, thank you, Senator. [LB707]

SENATOR KOLTERMAN: Thank you. [LB707]

SENATOR HANSEN: Any questions? Seeing none, thank you, Senator Kolterman. And we will close the hearing on LB707. And that means we're moving to Senator Quick's LB854. [LB707]

SENATOR QUICK: Thank you, Chairman Hansen and members of the Urban Affairs Committee. My name is Dan Quick, D-a-n Q-u-i-c-k, and I represent District 35. I introduced LB854 to expand the current law to allow small cities and smaller communities to create land banks. In 2013, LB97 was passed by the Legislature, which allowed for creation of land banks and regional land banks through interlocal agreements. Through a compromise, in order to pass legislation, only Omaha and cities in Sarpy County were authorized to create a land bank. Because of the success of the land bank in Omaha, many other municipalities in smaller

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communities have expressed interest in creating their own land banks. LB854 will provide that municipalities be allowed to enter into agreements for joint administrator of multiple land banks. As an example, a newly created land bank could work with the Omaha Land Bank to provide administrative support if a smaller community did not have the resources and needed assistance. The Urban Affairs Committee held a public hearing last year on LR138, introduced by Senator Crawford. LR138 addressed the issues that municipalities have with vacant, abandoned, and nuisance properties, and the tools needed to address them. At the hearing, the executive director of the Omaha Land Bank testified to the success of the land bank, that the land bank had in Omaha. After the hearing, many expressed interest in establishing their own land banks to address the properties they have issues with. In closing, there are many communities looking forward to the opportunity of creating land banks. There are others coming behind me to testify in favor of the legislation. And with that, I thank you, Chairman Hansen and committee members. And I will answer any questions that you have. [LB854]

SENATOR HANSEN: Great. Let's see if our committee members have any questions. Senator Riepe. [LB854]

SENATOR RIEPE: Chairman Hansen, thank you. Thank you, Senator. Thank you for being here. Omaha's issue was openly discussed was the confiscation of private property and so there was a challenge about is there in fact due process for taking these funds...or taking these land, you know, properties, if you will. Has that been addressed? [LB854]

SENATOR QUICK: Well, and maybe that's something that someone coming behind me could answer better. [LB854]

SENATOR RIEPE: The other question I would have, and you may want to defer on this one too, is this I think another issue, at least in Omaha, was the funding source, to come up to be able to at least pay some appraised value for these properties to get them into the bank. [LB854]

SENATOR QUICK: Okay. And that's something I would defer that as well. [LB854]

SENATOR RIEPE: Okay. [LB854]

SENATOR QUICK: I apologize I don't have the answer for you, but I think someone will be able to answer those questions for you. [LB854]

SENATOR RIEPE: Okay. Okay, thanks. Thank you, sir. [LB854]

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SENATOR HANSEN: All right, thank you, Senators. Thank you, Senator Quick. All right. With that, we will move on to proponents of LB854. Welcome. [LB854]

CHRISTY ABRAHAM: (Exhibit 1) Hello, Senator Hansen and Senator Riepe. My name is Christy Abraham, C-h-r-i-s-t-y A-b-r-a-h-a-m, here representing the League of Nebraska Municipalities. I first want to thank Senator Quick for introducing this bill, we're very grateful for him to do that. He really covered everything I wanted to say in his opening. I just want to give you a quote. The Nebraska Municipal Land Bank Act states the primary goal of the land bank is "to facilitate the return of vacant, abandoned, and tax-delinquent properties to productive use." And I think this committee knows very well that vacant and abandoned property is something that is a very big concern to municipalities from all across the state, both in large metropolitan areas like Omaha and in very small communities. They all struggle with this issue of vacant and abandoned property. As Senator Quick mentioned, you did have an interim study last year on this issue and discussed some of the tools that cities have. Unfortunately, those tools can often be expensive for cities and can last for a very long time. So the land bank is just another tool for cities to be able to use to deal with this issue. As Senator Quick said...mentioned, this bill really only does two things. The most important one, of course, is to open up the land bank to any municipality who might want to use it, and then to allow communities to work together and be allowed to have a more established land bank provide some administrative support for them. So again, thank you to Senator Quick. And I'm happy to answer any questions you might have. [LB854]

SENATOR HANSEN: Thank you. Other questions from Senator Riepe. [LB854]

SENATOR RIEPE: Thank you, Chairman Hansen. Would you object if the committee did an amendment to expand this to include slum landlords? [LB854]

CHRISTY ABRAHAM: Well, I mean, I think this bill is...a land bank is a political...it's a political subdivision, so I think you maybe would not want to do that. [LB854]

SENATOR RIEPE: Just a question. [LB854]

CHRISTY ABRAHAM: Yeah. [LB854]

SENATOR RIEPE: Thank you, Mr. Chairman. [LB854]

SENATOR HANSEN: All right. Thank you, Senator Riepe. So just...and I have a question, Ms. Abraham. If...could you just kind of walk me through the process of how does land come into a

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land bank? How are people envisioning this far. I know Omaha has been a good example, and hopefully we will have someone from Omaha testifying as well. [LB854]

CHRISTY ABRAHAM: Yes, and the executive director of the Omaha Land Bank is here, and he will do a much better job than I will in explaining that. But generally, I think one of the ways that property comes into a land bank is if you have a property that has back taxes owed on it there is a bidding procedure to get those properties. And the current law does allow land banks to have what's called an automatically accepted bid on some of those properties. And it allows them to get the property, clear the title, and just make the property available to someone who, you know, will use it in a more productive way. [LB854]

SENATOR HANSEN: Okay. [LB854]

CHRISTY ABRAHAM: But Mr. Barnhart I'm sure will be much more eloquent and complete than I am. [LB854]

SENATOR HANSEN: All right, perfect. We'll let him note that that question is probably coming. Thank you for your testimony. [LB854]

CHRISTY ABRAHAM: Great. Thank you so much. [LB854]

SENATOR HANSEN: All right, are there any other proponents? [LB854]

SHARON HUEFTLE: (Exhibit 2) Good afternoon, Chairman Hansen, members of the Urban Affairs Committee. My name is Sharon Hueftle, S-h-a-r-o-n H-u-e-f-t-l-e, I'm the executive director of the South Central Economic Development District. I appear before you today on behalf of the Nebraska Regional Officials Council, also known as NROC. We appear before you in support of LB854, and appreciate Senator Quick for introducing it. Last summer, I appeared before this committee during your interim study hearings on LR138. At that time, I indicated that while working in our district we often come across abandoned residence or residences where the property owner has passed away or moved to a facility and the home sits vacant. The current owner or next of kin may intend to address the house, but it doesn't rise to the top of their priority list, and that house sits for years and the condition severely deteriorates. Regardless of the costs, these dilapidated living units create a negative image of the community and they prohibit progress in the right direction. During that hearing, I discussed several tools that have been proven effective and led to some tangible successes in many communities but they all had a major limitation: they leave the community with a vacant lot. They do not address redevelopment. Although cities can utilize foreclosure or tax sale, currently there is no efficient

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way for a city to acquire and rehabilitate or redevelop a property. The members of NROC have followed the work of the Omaha Municipal Land Bank, and we believe a similar tool would give towns a streamlined way to obtain a clear title and redevelop parcels the private sector is not addressing. If communities had access to funds, the institutional knowledge, and the connections of a land bank to turn dilapidated properties into thriving ones, the impact on our communities could be monumental. Therefore, we wholeheartedly support the expansion of the use of land banks embodied in LB854. In conclusion, a land bank could fill the gap that currently exists between a vacant lot and productive parcel in the community. I believe one possible solution is that which is contemplated in LB854 and the growth of effective land banking across Nebraska. Thank you, do you have any questions? [LB854]

SENATOR HANSEN: Great. Do we have any questions? Senator Riepe. [LB854]

SENATOR RIEPE: Senator Hansen, I'm your most engaged committee member. I have two questions. How long does the land bank have to then resolve this issue? I mean, their purpose for doing this is it's an eyesore, it's a danger to the community. But how long do they have to get that resolved, in essence tear that property down probably? [LB854]

SHARON HEUFTLE: Or prepare it for sale for rehab. And I'm going to let Mr. Barnhart answer that question. I can tell you, in visiting with him and hearing his stories, much shorter than what we're seeing with our nuisance properties that we're dealing with, waiting for tax sales and enforcing...foreclosing on cleanup bills and that kind of thing. [LB854]

SENATOR RIEPE: The other question that I have, and you may want to differ on this one, would be too is as these properties would come up, are others afforded an opportunity to submit a bid or participate in an auction so that it's not just unilateral action on the part of, say in this case, maybe the city or Omaha or any of the municipalities who might simply go in and just it happens overnight and the public is not made aware of it--public notices, those kinds of things? [LB854]

SHARON HEUFTLE: I'm going to let Mr. Barnhart answer that. [LB854]

SENATOR RIEPE: Okay. [LB854]

SHARON HEUFTLE: But there isn't any process that is happening that goes without that due process in any of our communities. [LB854]

SENATOR RIEPE: Thank you. I will eagerly await Mr. Barnhart. [LB854]

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SHARON HEUFTLE: All right. [LB854]

SENATOR HANSEN: All right, thank you, Senator Riepe. I don't have any questions, so thank you for coming down. [LB854]

SHARON HUEFTLE: Thank you. [LB854]

SENATOR HANSEN: Welcome. [LB854]

MARTY BARNHART: (Exhibit 3) Good afternoon, Senators. Marty Barnhart, Omaha Municipal Land Bank executive director. M-a-r-t-y B-a-r-n-h-a-r-t. I'll read a prepared statement to you and then I'll answer any questions you may have, please. As I handed out to you, I've made a statement that encapsulates these words. Vacant, empty, delinquent lots and structures drag down property values, create safety hazards in neighborhoods, and often become the location of crime. A variety of issues, from missing owners to liens on the property, make it difficult to transition these properties to new owners, meaning the properties continue to deteriorate and cities miss out on potential tax revenue. A land bank is an organization that acquires vacant, abandoned, and dilapidated properties for redevelopment. By acquiring these properties that have been neglected and rejected by the open market, eliminating their liabilities and transferring them to new owners in a manner most supportive of local needs and priorities, a land bank serves as a catalyst for transforming distressed properties into community assets. Places where people want to live, work, and play. An overriding public need, as you know, to confront the dilemma of vacant, abandoned, and tax-delinquent properties prompted the Legislature to pass the Nebraska Municipal Land Bank Act in 2013. That legislation allowed the city of Omaha to create the Omaha Municipal Land Bank as a government nonprofit in 2014. That same year, a board was appointed and the first board meeting was held. From 2014 to 2016, the board created policies, hired an executive director, developed a strategic plan, and began working to inform the community about the land bank's presence and the promise. 2017 was the first year of implementation and brought many successes, including a total of 51 properties sold, 3 properties transformed, and almost \$300,000 in property sales, and the addition of 4 staff members. The land bank is led by an executive director and staff working under the supervision of the OMLB board of directors. The land bank uses public funding, philanthropic contributions, property tax recapture, property sales, tax certificate redemptions, and bonding authority to finance our efforts. The long-term goal of the OMLB is to reinvigorate our hardest-hit neighborhoods by facilitating development that leads to increase property values, reduce crime, improved opportunity, and most importantly, renewed hope and pride in our neighborhood and city. The Omaha Municipal Land Bank gives the city of Omaha a way to responsibly acquire, develop, and inspire change in distressed properties. With staff dedicated to the mission, the ability to cancel taxes and clear titles, selling prices that encourage development, a focus on

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community needs, and a development requirement for all properties sold, the land bank is uniquely able to address the problem of distressed properties in the city of Omaha. We believe that distressed and abandoned properties can be found everywhere, from the largest cities to the most remote rural areas. Around the country, and now in Omaha, land banks have proven to be an effective tool to address problem properties and to reinvigorate communities. The Omaha Municipal Land Bank can be used as a successful model to quickly and easily expand land banks to other Nebraska communities. Questions, please. [LB854]

SENATOR HANSEN: Yes, the most anticipated questions. Senator Riepe. [LB854]

SENATOR RIEPE: Thank you, Chairman Hansen. Tell us...or, yeah, tell us a little bit about your background. Is that in real estate, assessment, banking, law? I believe you're the second person to occupy this particular role. [LB854]

MARTY BARNHART: I am the second person to occupy this role. My career began with Douglas County in 1984, working with the county attorney's office in tax foreclosure. My first requirement was to foreclose for Douglas County and assist him in that procedure, which I did for three years. And the next 13 years I ran the Land Utilization Commission as their director, and returned 6,000 properties to a tax revenue-producing position. I left in 2000 to go off into the private market, I've had my own company, I've been a consultant and have worked for many nonprofits during that time as well. [LB854]

SENATOR RIEPE: Thank you. That is very nice credentials, thank you. My follow up on this would be too is has the concept been challenged in court? [LB854]

MARTY BARNHART: It has not. [LB854]

SENATOR RIEPE: It has not. Do you anticipate that it will be? [LB854]

MARTY BARNHART: I do. [LB854]

SENATOR RIEPE: And...okay. Obviously, you're in the position, so you have confidence that you will prevail. [LB854]

MARTY BARNHART: I do. [LB854]

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SENATOR RIEPE: Okay. Let me go back to the question I had earlier too, was are private investors afforded an opportunity once a property is declared, and has to be maybe declared and posted and publicly given notice, that action is going to be taken on a property at this location, therefore private could come in as well as the city? Because I'm assuming the city is not looking just to...the city of Omaha is not just looking to see how much land they can accumulate. [LB854]

MARTY BARNHART: Correct. We do have an opportunity and a procedure. The first thing we do is take the first 30 days after acquisition to clean and secure the property... [LB854]

SENATOR RIEPE: After acquisition? [LB854]

MARTY BARNHART: After acquisition we clean and secure it, just for the first 30 days. And next thing we do is notify every neighborhood group that might be in the vicinity of that property so that they will know that that property is available. Through social media we make it available to all the private industry and the nonprofits and, of course, any municipalities as well. It then goes on the block and for the next 45 days the property is available to anyone that might come in and make an application for it. But it's an open bidding cycle, where if someone comes in and wants to obtain the property they must apply like anyone else. And if we have more than one applicant, they are asked to come to an auction, and the bidding begins at the amount we're asking for that property. That property price may be an appraised value or maybe the value we set on the property based on what we received as far as the purchase price. [LB854]

SENATOR RIEPE: But by that time, the property is yours. [LB854]

MARTY BARNHART: Correct. [LB854]

SENATOR RIEPE: I'm backing that up a little bit. Before it becomes yours, is there an opportunity for a private investor to go in and compete with you to get that property with the assurance that he or she will go in and clean that property up within a designated period of time. [LB854]

MARTY BARNHART: I'll answer your second part of your question first. There is no assurance for the private investor that they'll ever clean it up. Matter of fact, quite often we see them speculating on the property, sitting on the property and holding it hostage for a number of years. They would have the opportunity to answer your first part of your question through the private market, either to obtain it from a bank, which is one of our sources of purchase... [LB854]

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SENATOR RIEPE: Okay. [LB854]

MARTY BARNHART: ...to foreclose on the property through a tax lien certificate method, to be able to bid on the property in a tax certificate auction or a sheriff's sale that the county might hold, or to go out and purchase a property that's been in code enforcement from a private individual and take the property and acquire it that way. [LB854]

SENATOR RIEPE: Okay. Once you have a property, do you have a standard that says within x time if the current owner that you have taken the property from doesn't challenge it legally, which then of course that would stall things up, do you have a limited time that you go in so that you don't become the owner of a bad piece of property within the city? [LB854]

MARTY BARNHART: We do an inspection process, usually in the first 30 days, even before acquisition. We have an asset manager that goes in and reviews the property. We're trying to ensure that the property is understood by us. We do have those that you spoke of earlier, that may be so fire damaged or foundation problems that they must be torn down. And we'll know that those need to be torn down and we'll move forward to either work with the city of Omaha to tear those down or tear them down with our own dollars. In the other cases, we'll inspect the property, we'll determine a comparable value when it's redeveloped, and we'll seek to purchase the property at a fair market price, either from an individual or take it from a bank or possibly take it through a foreclosure proceeding with the city or the county. [LB854]

SENATOR RIEPE: Regarding land use, I know the city of Detroit, which had to go in and clean up hundreds of acres, I think, almost, from what I've read, and they turned those into some community gardens. Have you done any of that? [LB854]

MARTY BARNHART: We have. [LB854]

SENATOR RIEPE: Yeah, okay. [LB854]

MARTY BARNHART: Our properties fall into three categories: those that are developable or redevelopable, so a house may be redevelopable, a vacant lot would be buildable. And they would have either nine months to redevelop that home, under specific standards that we require, or two years to build a home or a building on that property. They can no longer speculate on it, they can no longer sit on it. They must do something with it or, by covenant in the deed, the property automatically reverts to us if that time period expires and they do nothing with it. Or second, in the case of the other places, we also separate the properties into adjacent lots. And we'll contact the adjacent owners for a small strip of land and then the buildable piece, and say to

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them, this property could be adequate green space for you, would you like to buy it at a nominal fee and we'll assist you to walk through the process of getting it replatted and reorchestrated for your taxes? Or third, as you indicated, we do have garden lots as well. This year, because of the foreclosure work we're doing on behalf of Douglas County, we'll have approximately 60 to 70 properties that will be garden lots within the northeast and some in the southeast Omaha area. That's east of 48th Street, north of Dodge, or south of Dodge, in those areas that we're working with, a lot of these consortium. In the other hearing that's taking place today, we're discussing that, and garden lots being available. [LB854]

SENATOR RIEPE: Are you partnering with Habitat for Humanity on any of not-for-profit organizations that want to build homes? [LB854]

MARTY BARNHART: We are. [LB854]

SENATOR RIEPE: You are? Okay. [LB854]

MARTY BARNHART: We're actually working with at least five different nonprofits currently, with tax lien certificates. We do investments for them year by year. We hold the certificate for three years and then sell it to them at our cost three years later, after the foreclosure. So Habitat, Holy Name, Gesu Housing, city of Omaha is involved in that, and then other consortium like St. Vincent de Paul are also coming in there and rebuilding together Omaha. [LB854]

SENATOR RIEPE: I know I like to say I support the concept. I really like the idea of cleaning up bad pieces of property. I just want to make some assurance that property owners have their rights respected at the same time. And so I've been intrigued, and I've followed this along, obviously, to some degree. Thank you, Mr. Chairman. I appreciate your tolerance. [LB854]

MARTY BARNHART: Thank you. [LB854]

SENATOR HANSEN: All right. Thank you, Senator Riepe. I know you touched on this...thank you again, Mr. Barnhart, for coming. I know you touched on this some in your testimony. My question earlier was just kind of a quick overview refresher of how properties enter into the land bank. [LB854]

MARTY BARNHART: Thank you. Four different types of properties come into the land bank. The first being the set of properties that are under foreclosure, and those properties may include the tax lien certificates that may be invested in on the first Monday of March. Three years later, we do the foreclosure through a tax deed process, or we may assist Douglas County or the city of

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Omaha on their foreclosure, whether it be for taxes with the county or vacant property ordinance or demolition leans with the city of Omaha. So foreclosure is item number one. Second, we do reach out to owners of property that are code enforcement, or possibly under the condemnation proceeding, seeking to purchase those properties from those individuals at what might be a fair market value from them. This is a distressed property, so it may not sell for a property that would be a real estate price, but it would be a property that would be negotiated and fair to that person we're seeking to buy it from. Third, banks. Our real properties or real estate-owned properties. I always ask the same question, Senator Hansen, when a bank calls me, have you already talked to your investors? And if you have, I'll be glad to speak with you, because I do not want to compete against the private marketplace. So if they have exhausted their investors, the investors aren't interested, then I will indeed buy one of their properties, or at least look at it, to see if we want to buy it. Wells Fargo Bank donated about six properties to us last year; First National sold us two or three; and other banks, like American National Bank, are just beginning with a few that they have to entertain the offers with us. Fourth, we take donations as well. Because we're a nonprofit and a governmental subdivision, we can receive a donation of property, which we received last year, as well as in 2016. Properties that folks say, I no longer want this, I can't take care of it, can you get me a letter of donation for it. And we do, without any value attached to it. They must determine value through an appraiser for IRS purposes. [LB854]

SENATOR HANSEN: Perfect, thank you. [LB854]

MARTY BARNHART: You're welcome. [LB854]

SENATOR HANSEN: All right, I think those were our questions. So thank you for coming down, Mr. Barnhart. [LB854]

MARTY BARNHART: Thank you so much. [LB854]

SENATOR RIEPE: Thank you. [LB854]

SENATOR HANSEN: Appreciate it. All right, we'll take any other proponents for LB854. [LB854]

CHRIS CONNOLLY: Good afternoon. I'm afraid anything I'm going to say now is going to be anticlimactic, but I'm going to... [LB854]

SENATOR RIEPE: I'm sure you'll be fine. [LB854]

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CHRIS CONNOLLY: Mr. Chairman, Senator Riepe, thank you for your time this afternoon. My name is Chris, C-h-r-i-s, Connolly, C-o-n-n-o-l-l-y, and I'm the chief assistant city attorney for the city of Lincoln. And I'm here today to voice the city's support for LB854. I would like to thank Senator Quick for introducing the bill. And we have been previously supportive of the efforts to get the land bank approved, and we believe it's time to expand the availability to other cities. While Lincoln, and many other cities around the state, have not had an immediate need for a land bank, it's a powerful tool for use in addressing areas with urban decay. The concern for Lincoln, with not having land banks available, is that in the event of an economic downturn more severe than we saw in 2008, the efforts to change the statute to allow Lincoln and the other cities to use land banks may come too late. Planning for bad economic times, since they are inevitable, is always a good idea. We have been fortunate with our economic success here, and have been able to watch Omaha's success with its land bank and learn from their experience. While we are not looking to create a land bank any time soon, we believe the experiences that Omaha is gaining will be helpful to Lincoln and other communities that may wish to create one. Simply authorizing the city to create a land bank will allow us to move more quickly if and when the time ever comes for a land bank in Lincoln. And with that, I would happy to answer any questions you might have. [LB854]

SENATOR HANSEN: Thank you, Mr. Connolly. Are there questions? Senator Riepe. [LB854]

SENATOR RIEPE: Mr. Chairman, thank you very much. I assume with the previous testimony that if you establish a land bank the first thing you're going to do is call Wells Fargo Bank and see if they have any to gift to you, is that correct? [LB854]

CHRIS CONNOLLY: Well, you know, I would sure like to visit this with Mr. Barnhart some more and learn some of his techniques for acquiring properties, if we decided to go that route. That's correct. [LB854]

SENATOR RIEPE: Get a leg up? [LB854]

CHRIS CONNOLLY: Exactly. [LB854]

SENATOR RIEPE: Okay. Thank you, Mr. Chairman. [LB854]

SENATOR HANSEN: Thank you, Senator Riepe. Thank you for coming down, Mr. Connolly. All right, next proponent. [LB854]

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DON WESELY: Senator Hansen, Senator Riepe, my name is Don Wesely, I'm here representing the cities of Hastings, Lexington, and Kearney. We are here in support of the bill, and as first-class cities, are interested in this option to use. And are very impressed with what Omaha has done, and we want the opportunity as well. I know Grand Island was hoping to be here, and unfortunately, because of the bad weather, can't be here. But there's a lot of first-class cities around the state and others that you've heard about from the regional representative that spoke. This will go statewide and it will have an impact in all. So we urge your support for the bill. [LB854]

SENATOR HANSEN: All right, thank you. Are there questions? Seeing none, thank you, Mr. Wesely. All right, do we have any more proponents for LB854? Seeing none, we will move to opponents for LB854. Welcome. [LB854]

COBY MACH: Good afternoon, Mr. Chairman, Senator Riepe. My name is Coby Mach, C-o-b-y M-a-c-h, here on behalf of the Lincoln Independent Business Association, also known as LIBA. We're opposing LB854 for many reasons. One, it competes with the private sector. This bill allows land banks to hold land for any amount of time, collect rent, lease it, and sell land with the benefit being exempt from paying taxes. At the same time, the private sector is trying to do the same thing and has to pay taxes. This is a government body owning and renting homes, retail, commercial, and industrial if they so desire. Along with competing with the private sector, this bill allows land banks to decrease the property tax base, which puts more pressure on the private sector, because they end up being the ones who bridge the gap. Land banks would decrease the property tax base by buying land, which immediately takes it off the tax rolls. It then is up to the land bank to sell, lease, or rent. Renting is an incentive for them to hang on to the property and have continual income. In addition, if the land bank buys and sells the property, the land bank gets 50 percent of the property tax for five years, which would again decrease the property taxes available to the general fund. Finally, when a land bank buys a tax-delinquent property, it may discharge and extinguish claims for taxes on that property, which again decreases the amount of property tax dollars. Whereas, if it's left in the private sector, those taxes would have to be paid. In addition, a land bank has its own board, and although it is subject to Public Meetings Act, land transactions have customarily gone through city council and a public process. Putting another governing body in place would just complicate the process, reduce transparency, and make it more burdensome for tax payers to follow how the government is spending money. On top of that, the members of the land bank board are appointed, which means they are not accountable to the taxpayers. These are not elected officials. The stated intent of the bill is to fix problem properties and return them to productive use. However, the bill goes way beyond that stated intent. It allows the city to convey property for the use of public spaces, community gardens, wildlife conservation areas, which does not relate to fixing tax-delinquent properties and getting them back on the tax rolls. They also have the ability to issue bonds and issue debt without a vote of the people. And while tax-delinquent properties are getting a lot of

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attention today, that is not a criteria that must be met in order for them to make purchases of property. Only one criteria must be met, and one of those criteria is that the board feels that buying the land would serve in the best interest of the community. Again, we're asking that you not advance this bill. I would be happy to try and answer any questions you might have. [LB854]

SENATOR HANSEN: Senator Riepe. [LB854]

SENATOR RIEPE: Thank you, Chairman Hansen. Is this a short-term, long-term issue here, that business is looking in and saying give us more time? Whereas municipality has said, you know, sometimes these properties are quite frankly a problem today, and so they want to come into a short-term solution, as opposed to waiting a year or two years? Is that part of it? [LB854]

COBY MACH: Sometimes. In fact, we even had a government intervention, if you will, with a property that had become rundown on our main street, at 48th and O Street. And you never are quite sure what is rumor and what is true, but it was our understanding that privately companies were probably within a year of getting something built and done there. Government came in, declared the property blighted and intervened, and so redevelopment did move along fairly quickly. Sometimes more patience is...we need it, we believe. [LB854]

SENATOR RIEPE: The thing I'm trying to understand, Mr. Chairman, if I may proceed... [LB854]

SENATOR HANSEN: Of course. [LB854]

SENATOR RIEPE: ...is the cities have the right to condemn. So you're saying this is an acceleration of that condemnation process? [LB854]

COBY MACH: Well, it's an acceleration, but it also goes way beyond that. This is creating a new government body that now, if you want to have input on, now you're attending more meetings. This is a body that can issue debt without a vote of the people. There are very, very broad powers here. [LB854]

SENATOR RIEPE: Has the business community taken a look at this, and they as a collective group could in fact create a not-for-profit, they collectively could acquire these properties and in the interest of civic responsibility, you know, go after these properties and get them cleaned up? Ergo, removing the need for a city-based not-for-profit, you know, land bank? [LB854]

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COBY MACH: We have a wonderful business community here in Lincoln, and businesspeople that do often go together to work out some of these problems. Because our community leaders, we want a nice-looking community, we want to continue to grow our community in a positive manner. So have dollars been spent, have people gone out of their way? Absolutely. Have we thought about forming a nonprofit in order to do that? Not to my knowledge. [LB854]

SENATOR RIEPE: Thank you. Thank you, Mr. Chairman. [LB854]

SENATOR HANSEN: All right. Thank you, Senator Riepe. And thank you for coming down. [LB854]

COBY MACH: Thank you. [LB854]

SENATOR HANSEN: (Exhibit 4) All right, is there any other opponent testimony to LB854? Seeing none, is there anybody who wishes to testify in a neutral capacity? Seeing none, Senator Quick would you like to close? Any while he's coming up, I will read we have letters of support from the city of Grand Island and from the Grand Island area Habitat for Humanity. [LB854]

SENATOR QUICK: Thank you. And I know this will be beneficial, especially in Grand Island. I know that they, Marlon Ferguson, the city administrator, expressed to me he wanted to come down but not able, because of the blizzard that hit Grand Island and outstate Nebraska. But I know they sent that letter of support so. But I believe this will not only help, well, I think it will help Lincoln as well, but it will help all of these other smaller communities with some of these properties that they have issues with. So I'm hoping we can advance this out of committee and onto the floor. So thank you. [LB854]

SENATOR HANSEN: Great, thank you. Question from Senator Riepe. [LB854]

SENATOR RIEPE: Now this...again, thank you very much. This is not mandating that they, it only affords them the opportunity to... [LB854]

SENATOR QUICK: They don't have to. [LB854]

SENATOR RIEPE: ...be able to move forward. Thank you very much. [LB854]

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SENATOR HANSEN: All right. Thank you, Senator Riepe, and thank you, Senator Quick. And with that, we will close the hearing on LB854. And we will move on to the hearing of LB768, which is also Senator Quick. [LB854]

SENATOR QUICK: All right, thank you, Chairman Hansen. And thank you, Senator Riepe, for being here. I do have the amendment. Well, I guess I should start off this way first. My name is Dan Quick, D-a-n Q-u-i-c-k, and I represent the 35th Legislative District. I have introduced LB768, a bill that will amend the Local Option Municipal Economic Development Act to define "economic development program to include early childhood infrastructure development for the cities of the first and second class and villages." And also with that we're going to...we have the legal counsel for the Urban Affairs Committee has inserted two amendments that he has briefed the committee on. In Nebraska Revenue Statute Section 18-2709 we have inserted language that includes childcare facilities and the definition of qualifying businesses. The other amendment includes some technical cleanup language, also a suggestion of the legal counsel of the committee. In 1991, the Legislature passed the Local Option Municipal Economic Development Act, LB840, to authorize incorporated cities and villages to appropriate local sales and property tax revenues for certain economic development purposes. Currently, communities may use these funds for different eligible activities including, but not limited to: direct loans or grants to qualifying businesses or fixed assets or working capital or both; grants or loans for job training; the purchase of real estate; and grants or loans to businesses to provide relocation incentives for new residents. According to the Department of Economic Development Web site, to date these are 68 communities--and I'm not going to list all of them--that have voted to create such programs. And there's a whole list of communities below. Fremont has taken advantage of the act for almost 20 years, using local funds for street construction and renovation, new police and fire departments, and economic development. Senator Larson's hometown of O'Neill has benefited from the act as well, with nearly \$1 million in local funds appropriated since 2013 to create jobs and increase housing. Blair has even considered appropriating local funds to promote filmmaking as an allowable way to promote economic development infrastructure under the act. In my hometown of Grand Island, we have local option LB840 as the primary incentive offered by the Grand Island Area Economic Development Corporation. LB840 is a cash payment made directly to a company and based on job creation and training needs for employees. A structured payment system is established between expanding businesses and the Grand Island Area Economic Development Corporation. Training incentives can be paid upfront to jump-start a business, while job creation incentives are an annual payment delivered over a three-year period of time. It is also possible to structure a low-interest and/or forgivable loan to meet businesses' needs. Current statute defines such qualified businesses for LB840 funds as those which conduct activities that include the manufacture of articles of commerce; the conduct of research and development; the processing, storage, transport, or sale of goods or commodities which are sold or traded in interstate commerce; telecommunications activities; tourism-related activities; or the production of films. LB768 represents a logical extension of the act to include early childhood

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infrastructure development to address early childhood education shortages that impair the ability of communities to attract new business or that impair the ability of existing businesses to recruit new employees. While we don't often talk about early childhood as an important part of economic infrastructure, it most certainly is. According to the recent information from the Committee for Economic Development, the childcare industry revenue in Nebraska, combined with spillover effects, has nearly \$460 million impact on our economy. Furthermore, the bill also will ensure that funds are only...that the funds are only being appropriated for quality early childhood programs. In 2013, the Legislature passed the Step Up to Quality Childcare Act, which measures early childhood programs on the five-step scale, with step five being the highest rating a program can receive. Under LB880, a program would need to achieve a recognized quality rating of a step three or higher to be eligible for the LB840 funds. High-quality early childhood programs play an important role in a community's economic development. Last year, Nobel economist James J. Heckman released a study that found high-quality early childhood programs for disadvantaged children can deliver 13 percent per child per year on investment. This type of investment pays real dividends in Nebraska cities. I will close by stating that LB768 comes with no cost to the state but with a great opportunity for the valuable short and long-term returns. It allows for the local control of the LB840 funds to be invested in new and innovative ways to help ensure the future well-being of children and communities. I believe that when we invest in our children from a young age we're investing in our state's economic future. With that, I would be happy to answer any questions. [LB768]

SENATOR WAYNE: Any questions from the committee? Senator Riepe. [LB768]

SENATOR RIEPE: Thank you, Chairman. I have a couple of questions, and maybe you can defer or you can respond. Is this fundamentally an expansion of an option that currently exists in Fremont, that would take it on to other cities? Did I hear that wrong? [LB768]

SENATOR QUICK: Well, I think it's actually part of the LB840, which I believe it's statewide, if I'm correct. [LB768]

SENATOR RIEPE: Okay. [LB768]

SENATOR QUICK: And maybe I can defer that to somebody else to answer. [LB768]

SENATOR RIEPE: Any I assume, if I heard this right, this is a total local decision, which is a "self-imposed tax." [LB768]

SENATOR QUICK: Yeah, I mean, they would. Yeah. [LB768]

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SENATOR RIEPE: And the only other question I would have right off would be I always get concerned about special funds and solo, you know, these silo kinds of things that the only use could be for early childhood development, that there's no flexibility for other community projects. Is that the intent of this, is to have it that narrow in scope? [LB768]

SENATOR QUICK: Well, actually under the program now it's, you know, it allows for infrastructure to be built for economic development, you know, for other structures. This would just add quality early childhood development facilities... [LB768]

SENATOR RIEPE: As an option. [LB768]

SENATOR QUICK: As an option. [LB768]

SENATOR RIEPE: Okay. Thank you, Mr. Chairman. [LB768]

SENATOR WAYNE: Any other questions? Seeing none, thank you. Any proponents? Never had somebody so excited to testify, not in Urban Affairs. [LB768]

SARAH ANN KOTCHIAN: (Exhibits 1, 2) Very anxious, we've been waiting a little bit this afternoon. Learned a lot in this committee. Good afternoon, Chairman Wayne, members of the Urban Affairs Committee. My name is Sarah Ann Kotchian, spelled S-a-r-a-h A-n-n K-o-t-c-h-i-a-n, and I appear today in support of LB768 on behalf of the Holland Children's Movement, a nonpartisan, not-for-profit organization founded by Richard Holland that strives to fulfill his vision for Nebraska to become the national beacon in economic security and opportunity for all children and families. We would like to express our gratitude to Senator Quick for the introduction of LB768, and to the members of this committee who have already co-sponsored this bill. And also to this committee's legal counsel, who has been very helpful in getting us to where we are today with amendments and language. The idea for this bill grew out of what works well in Nebraska, that being local control and to create new pathways to increase options and opportunities for investment in quality early childhood education without costing the state, which is no easy task to be sure. As local communities tackle the ever-present goal to attract and retain new talent, they are realizing more and more that young families need childcare to work. And the demand for access to affordable, quality childcare is real and present. To allow local communities the option to invest LB840 funds in quality early childhood programs is to recognize the early childhood industry as the economic driver that it is. Unlike some other industries, childcare businesses are local, they serve Nebraska children and families, help Nebraska parents enter and stay in the work force, and employ Nebraskans--all of whom spend money in local economies. LB768 is an innovative policy solution at the state level to meet an identified need at the local level, and we would urge you to advance this option to support the

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work force of today and ensure that more young children enter school ready to succeed and grow into the work force of tomorrow. And I thank you for your time. [LB768]

SENATOR WAYNE: Any questions from the committee? Seeing none, thank you. Just for the record, I was not running the meeting that made you go so long. Not going to talk who was. [LB768]

SARAH ANN KOTCHIAN: And I guess that's relative, too, depending on where you're sitting today. Thank you very much. [LB768]

SENATOR WAYNE: Any other proponents? [LB768]

SENATOR HANSEN: For the record, I would like to just point out we're speeding along compared to Judiciary. [LB768]

DREW THEOPHILUS: (Exhibit 3) Thank you, Chairman Wayne and members of the Urban Affairs Committee. Thank you for allowing me to testify today. My name is Drew Theophilus, that's D-r-e-w T-h-e-o-p-h-i-l-u-s, and I am director of Dividends Nebraska. Dividends Nebraska is a statewide group of more than 100 business leaders committed to making public and private investments in early childhood, a key economic development strategy for Nebraska and its communities. I'm here today to testify in support of LB768 and really echo a lot of the comments that Sarah Ann just made. As you know, any community requires a strong and diverse infrastructure if it is to thrive economically. This includes obvious elements such as housing, roads, power and utilities, telecommunications, and job training programs. But it also includes community assets that work in the background, so to speak, to promote economic productivity in various ways. High-quality early care and learning programs are among the most important of these local economic assets. We know that any community is more likely to cultivate a retain a skilled and competitive talent pool if young working families have adequate access to reliable, well-managed childcare services. These services decrease employee absenteeism and increase workplace productivity, which benefits the bottom line for our state's employers. Quality early care and learning programs promote children's cognitive, emotional, and social development at a critically sensitive time in the formation of neural architecture, paving the way for skills they will one day carry with them into the work force. In sum, a robust network of local early childhood services increases our state's marketability as a desirable place to live, work, and do business. In recent years, an increasing number of Nebraska communities have begun incorporating early childhood into their own strategies for economic growth. Red Cloud, Randolph, Pender, and Columbus are all examples of places where the public and private sectors have demonstrated a variety of innovative approaches to addressing the needs of working parents and employers through local investments in early care and learning. LB768 reflects similarly innovative

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thinking by expanding our definition of how communities can use existing funds earmarked for local economic development to include quality early childhood programs. It is important to note that this bill does not mandate the use of economic development funds in this way, but simply makes such usage allowable if it fits the specific needs of a given community. I would like to briefly reflect on the fact that the bill specifies that such funding only applies to quality early childhood programs as defined by their rating in the state's Step Up to Quality Program system. This refers to stable, reliable, and well-managed programs that offer meaningful work force support while actively promoting stronger developmental outcomes for young children. Absent high-quality standards we cannot say that the investments in early childhood programs truly constitute strategic investments in local economic development. LB768 offers communities greater flexibility to make their own decisions about how to invest local economic development funds while promoting accountability for such dollars committed to early care and learning. This constitutes responsible policy and makes good economic sense. On behalf of the membership of Dividends Nebraska, I strongly encourage you to advance this bill out of committee. Thank you, and I would entertain any questions you might have. [LB768]

SENATOR WAYNE: Any questions from the committee? Senator Riepe. [LB768]

SENATOR RIEPE: Chairman Wayne, thank you very much. I've lived in Omaha a long time and I've not heard of Dividends Nebraska. [LB768]

DREW THEOPHILUS: Sure. [LB768]

SENATOR RIEPE: So I'm interested in finding out a little bit more. Are you a self-defined think tank? [LB768]

DREW THEOPHILUS: We are a standalone policy advocacy group with an employee of one, which is me, and a group of members that from across the state about 100 business and industry groups in total. You may be familiar with us under a former name, which was the Nebraska Early Childhood Business Roundtable, we've been around for about six or seven years. We rebranded in January of 2017 if nothing else than to shorten the name, which was a mouthful to say. [LB768]

SENATOR RIEPE: So you're a 501(c)(3)? [LB768]

DREW THEOPHILUS: We are not a nonprofit, we are not even an organized entity. We just simply have members, we have no board, we except no fees. It's just an aggregation of

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businesses and industries that are interested in advocating for these policy advancements.
[LB768]

SENATOR RIEPE: I think it's important sometime to try to figure out, it's like reading a book, you want to talk about the author. [LB768]

DREW THEOPHILUS: Right. [LB768]

SENATOR RIEPE: Explore the author before you necessarily figure out whether you like what the book says or whatever. What's your primary funding source? [LB768]

DREW THEOPHILUS: Primary funding source, we have an independent contract that we work with a body that pays for my salary to travel around the state, recruit, educate, and engage our membership. We do no fund raising. We charge, as I said, no fees for our members to join. We simply just want businesses and industry that are interested in being a part of this conversation. So my...the only spend on the organization is the money I am paid to, as I said, travel the state and sort of act as director of the organization. [LB768]

SENATOR RIEPE: Okay. Thank you, Mr. Chairman. [LB768]

SENATOR WAYNE: Any other questions from the committee? Seeing none, thank you for coming today. [LB768]

DREW THEOPHILUS: Thanks for your time. [LB768]

SENATOR WAYNE: Welcome, I don't get to see you very often in here. Education is down the hall. [LB768]

JOHN SPATZ: (Exhibit 4) I'm glad you noticed. And Senator Wayne and members of the committee, my name is John Spatz, it's J-o-h-n and it is S-p-a-t-z. Believe it or not, but it is pronounced Spah-tz (phonetically). And Senator Wayne, you're right, I think this is my first time in front of the Urban Affairs Committee, so I'm actually looking forward to being here today. So I appreciate Senator Quick introducing this bill, and I'm going to take a little bit different approach and I want to talk about property taxes for a minute. And I don't know if anybody has brought up property taxes to you this session or any time previous to this. One of the things we've heard, we've heard elected officials say the only way to property tax relief is through spending controls at the local level. And if you look at the tax situation in the state of Nebraska, we rely heavily upon property taxes and we are a high-tax state. But I think the fact that we're a

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high-tax state, that's a symptom of other causes. And when we introduce bills that nibble around the property taxes or the income tax rate, we're trying to address symptoms of a broader problem. On the front of this you'll see revenue growth in the state of Nebraska for the last few years, and you know this better than I do. But you'll see revenue has been flat or going down the last few years. I would assert one of the main reasons is commodity prices have gone down. We're a very heavily reliant on the ag industry. So when you look at this, when revenue is down in the state it's difficult for us to invest in early childhood, it's difficult to us to address property taxes or income taxes, but yet we keep hearing about spending at the local level being the problem. The School Board Association has a community engagement program, and one of the things we've learned, particularly in rural Nebraska, but really everywhere, barriers to economic development in a lot of places around the state are focused around two things that we have found: housing being one and childcare being another as a big barrier to economic growth in the state of Nebraska. So half of the problem that we say is from the revenue generation point we were very dependent upon the ag industry, and how do we develop higher-wage industry in the state of Nebraska and how do we provide economic stimulus in rural and urban Nebraska? We think childcare is a huge part of that generating new resources for the state of Nebraska. Now, we think the other half of the problem is, if you look at the state of Nebraska over the last 20 years and you look at where demand is growing, as a percentage of the state budget the areas that are growing as a percentage are things like corrections, child welfare, and Medicaid. And things shrinking as a percentage of the state budget are K-12, special ed, and higher ed. This is a 20-year trend. And we frequently hear we need to run government more like a business. If this is your business trend for 20 years, and if this trend doesn't look to end, this is a bad business model. So part of what we're saying is how do we flip this chart? And in 20 years, if this chart is flipped, if 20 years from now we can say the things growing as a percentage of the state budget are K-12 and early childhood, and the things shrinking are corrections because the demand on corrections and Medicaid is going down, what does that mean for property taxes and income taxes? And so again, what are the causes of things like this? A lot of you are probably familiar, I've been kind of new to this party, but adverse childhood experiences. And what I have learned over the last few years about brain development for early childhood, when you're born...when children have toxic stress it stimulates Cortisol, which impacts the brain development. And the next few charts in here, it's called ACEs: adverse childhood experiences. When children have multiple ACEs, and those are incidences where a parent maybe abandoned a child or beat a child, they go to jail, every indicator gets worse the more adverse childhood experiences a child has. Everything gets worse, and it impacts a lifetime of both physical and mental health. And you can peruse through some of those, where it shows obesity, alcoholism, mood disorders, anxiety. Everything gets worse the more ACEs that a child has. And in that last handout you can see, you look at return in investment. And all of the studies show, and there's multiple studies around the nation that show the earlier you invest in people, at the younger the age the higher the return on investment. And again, if you're a CEO and you're asked to run a government like a business and you look at this data, and we have limited resources in the state of Nebraska, we're going to say

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how do you invest in the state of Nebraska? This bill gives us a great opportunity with no state investment, but it encourages that collaboration at the local level. And I certainly stand ready to say school boards want to engage in this and support communities when they do discuss early childhood infrastructure. And my red light is on, so I would be happy to answer any questions if you like. [LB768]

SENATOR WAYNE: Any questions from the committee? Well, since it is your first time, I'm going to give you the honorary of saying is there anything else you would like to add? [LB768]

JOHN SPATZ: Well, there probably is. You got to be careful giving me the mike. But, no, I really appreciate this. And again, we're concerned about the overreliance on property taxes as well, but we've got to begin looking at the causes. And the state of Nebraska, you know, we don't have mountains and oceans and coal and oil, we've got to develop our human capital for the long-term to be taxpayers over the long period of time. And the best investment, the best way to do that over the long-run is through early childhood investment. Again, this is a clever way of doing it because it promotes local control and encourages that collaboration at the local level. So we're very supportive of this. I'm thrilled to be here in front of the Urban Affairs Committee talking about early childhood. And hopefully we have opportunities...I don't think I've been before Ag and Natural Resources, so we'll work on a bill next year to talk about early childhood in the Ag Committee. So we'll work on that in the interim. [LB768]

SENATOR WAYNE: Any other questions from the committee? Thank you for coming today. [LB768]

JOHN SPATZ: Thank you for your time today, I appreciate it. [LB768]

SENATOR WAYNE: Any other proponents? [LB768]

ELIZABETH EVERETT: (Exhibit 5) Good afternoon, Chairman Wayne, members of the Urban Affairs Committee. Thank you for having me here today. My name is Elizabeth Everett, E-l-i-z-a-b-e-t-h E-v-e-r-e-t-t, and I'm here today representing First Five Nebraska and to support LB768. In the interest of time, I won't repeat the information that has already been conveyed by others, but I would like to provide you with some key statistics regarding children at risk in each county to aid you in your decision-making process. I have submitted into the record a map that shows the children at risk in each county. These are the children who will benefit the most from this bill if this bill is enacted into law and is moved forward from this committee. Please at this time let me know if you have any questions, and that is it. [LB768]

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SENATOR WAYNE: Any questions from the committee? Seeing none, thank you for coming today. [LB768]

ELIZABETH EVERETT: Thank you. [LB768]

SENATOR WAYNE: Any other proponents? [LB768]

TRACY GORDON: (Exhibit 6) Good afternoon. Thank you, Senator Quick, for introducing LB768 and for this opportunity to be with you today. My name is Tracy Gordon, T-r-a-c-y G-o-r-d-o-n, and I am the co-executive director for the Nebraska Association for the Education of Young Children. The Nebraska Association for the Education of Young Children is an affiliate of the National Association for the Education of Young Children, and we envision a state where all young children receive the highest-quality early care and education, and where early care and education becomes a priority for all of Nebraska's citizens. We are committed to supporting high-quality care and education for young children in the state of Nebraska by advocating for issues relating to young children and their families, serving as a resource for others interested in quality early childhood education, and providing projects and services that improve the quality of services being offered to Nebraska's young children. I come before you today in support of LB768, which would expand the use of the Local Option Municipal Economic Development Act funds to include early childhood infrastructure development of quality early childhood programs. The quality of childcare is important because it is closely linked with children's social, cognitive, and language development. Children in high-quality early childhood programs are more likely to be emotionally secure and self-confident, proficient in language use, able to regulate impulsive and aggressive behaviors, and advanced in cognitive development. Over time, these children may experience enhanced school achievement, higher earnings, and decreased involvement with the criminal justice system. However, providing high-quality early childhood education programming is expensive. Generally, policymakers, consumers, and economists expect that higher-quality services should cost more than lower-quality services, and this is particularly so in a labor-intensive industry such as childcare, where the quality of staff is critical to good services. Providing quality early childhood education is dependent on many factors, including both process quality and structural quality, including adult to child ratios and group sizes, well-educated staff, low staff turnover, effective leadership by experienced directors, and appropriate environments and materials accessible to children. As policymakers, you are tasked with identifying and understanding the investments that yield the highest public returns for Nebraskans. Here, the literature is clear: investments in early childhood education infrastructure yield extraordinary public returns. Thank you for your time, I would be happy to answer any questions. [LB768]

SENATOR WAYNE: Any questions from the committee? Senator Riepe. [LB768]

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SENATOR RIEPE: Chairman Wayne, I don't think this...were you eagerly awaiting for something? [LB768]

TRACY GORDON: I am happy that you have a question. [LB768]

SENATOR RIEPE: Well, I'm trying to make it as tough I can. You note in your comments, it says proving quality early childhood talks about access for man...this basically doesn't address the manpower availability and training. It's just... [LB768]

TRACY GORDON: Correct. And it's when I speak to that I'm addressing the fact that in order to have a high-quality early childhood program you have to have well-trained, well-educated, competent teachers. And having those teachers coming to these communities would be a draw. So being able to provide high-quality early childhood programs in the communities that can access these dollars may in turn draw higher-quality staff to be employed there. [LB768]

SENATOR RIEPE: Sounds like it's part two. [LB768]

TRACY GORDON: Yes, it could be. [LB768]

SENATOR RIEPE: Okay. Thank you very much for coming. [LB768]

TRACY GORDON: You're welcome. Thank you. Anyone else? [LB768]

SENATOR WAYNE: Any other questions? Seeing none, thank you for coming today. [LB768]

CHRISTY ABRAHAM: (Exhibit 7) Good afternoon, Senator Wayne and members of the Urban Affairs Committee. My name is Christy Abraham, C-h-r-i-s-t-y A-b-r-a-h-a-m, I'm here representing the League of Nebraska Municipalities. I just want to join the chorus of thanking Senator Quick for introducing this bill. I'm going to come at it with a little bit different perspective, and hopefully to address some of Senator Riepe's questions. The LB840 plans are really an important tool that cities use. And it's a local program, it uses local funds, it requires voter approval from the municipality to do this. They develop plans on how they want to use this money and then the citizens vote, and that's how it happens. In the last few years there's actually been quite a few changes to what can be included in an economic development plan. For example, in 2013, language was added to say that there could be relocation incentives offered. There's also been a couple of additions that address, similar to this bill, only for cities of the first class, second class, and villages. And those included things for rural infrastructure development and the construction or rehabilitation of housing as part of a work force housing plan. And I

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point this out only to say that this is a program that is constantly evolving and additional things are added to it on a fairly frequent basis. And as was stated in the previous testifiers, communities are very interested in attracting a good work force, and having high-quality early childhood education is a big part of that. So we're excited for cities to have this option to include this as part of their LB840 programs. And I'm happy to answer any questions. We're also in favor of the amendment. Thank you to Senator Quick and your excellent legal counsel. [LB768]

SENATOR WAYNE: Any questions from the committee? Seeing none, thank you for coming today. [LB768]

CHRISTY ABRAHAM: Thank you. [LB768]

SENATOR WAYNE: Any other proponents? [LB768]

SHARON HUEFTLE: Good afternoon, Chairman Wayne, members of the Urban Affairs Committee. I'm Sharon Hueftle, S-h-a-r-o-n H-u-e-f-t-l-e, I'm the executive director of the South Central Economic Development District. And I appear today on behalf of NROC, the Nebraska Regional Officials Council. We're appearing today in support of LB768, and we appreciate Senator Quick for introducing it and the co-sponsoring senators for signing on. NROC members assist cities, counties, businesses, and other community members. We assist them with community development planning needs such as local comp plan, grant writing assistance, and housing programs, economic development through loan assistance, technical expertise and work force programs, and planning for regional or cross-jurisdictional projects such as a regional solid waste management plan or a long-range transportation plan. And providing a forum for interrelated communities to comprehensively approach issues of growth and development. Our individual districts work tirelessly with communities to develop plans and assist in economic development. LB768 brings this mission forward in a proposal that brings together our state's need to further quality early childhood to all residents, as well as bringing the economic benefits. These benefits start immediately in the community and build as the child benefiting from the quality start ages to adulthood by being more economically productive and engaged in their community. I want to add too that lack of childcare, we are seeing the evidence, as spoken by the households impacted, that it's a hindrance to employment. We had about 10 percent of households in a community survey last year, just one that I happen to be looking over this weekend, that when asked what are barriers to improving your employment, training of course was one, formal education was one, but about 10 percent said lack of a quality childcare was hindering them from improving their employment. So we encourage you to advance LB768 as an economic development tool for the long-term success of our state. Thank you. Any questions? [LB768]

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SENATOR WAYNE: Any questions from the committee? Seeing none, thank you for coming today. [LB768]

SHARON HUEFTLE: Thank you. [LB768]

DON WESELY: Mr. Chairman, members of the Urban Affairs Committee, my name is Don Wesely, D-o-n W-e-s-e-l-y, representing the cities of Kearney, Hastings, and Lexington. And in particular, Lexington wanted to come and tell you that they are very interested in utilizing this option available to them. They've done some work in early childhood, there again to track work force. And they need it, and they're having difficulties meeting their needs. And if this option was available they take advantage of it, they think, and amend...they're currently an LB840 community, so they're already there. But they could amend it if this is amended into the statute, and they would like that opportunity. So thank you. [LB768]

SENATOR WAYNE: (Exhibits 8, 9) Any questions from the committee? Seeing none, thank you. Any other proponents? Any other proponents? Any opponents? Any opponents? Anybody testifying in a neutral capacity? Anybody testifying in a neutral capacity? Seeing none, Senator Quick, you are allowed to close on Senator Quick days. Oh, before you close, let me read the letters. Letter of support from the Nebraska State Education Association, letter of support from Voices for Children in Nebraska. [LB768]

SENATOR QUICK: Thank you. I really thought this is a really good bill. It not only helps with economic development, but most important I think it helps with our children to help them at a young age. I had the opportunity to attend an ACEs seminar here awhile back, and I'm glad it was brought up because that's one of the things that I feel like it's really important to me, because it helps the children. I mean, they talked a lot about earlier here childhood trauma and the brain development, as was talked about earlier. And I'm all about investing in our children as soon as we can to help with that. I think it's going to, if we invest in our children on the front end, we'll reduce a lot of the costs on the back end and actually throughout their lives. And it also will help the families, the working families in Nebraska as well. So with that, hope we can pass this and take it to the floor. So thank you. [LB768]

SENATOR WAYNE: Well, that will conclude Senator Quick day and the hearing of LB768. And now we will move back to Senator Hansen. Senator Hansen, we will now open the hearing on LB880. Senator Hansen. [LB768]

SENATOR HANSEN: Great. Good afternoon, committee members. Chairperson Wayne and members of the Urban Affairs Committee, my name is Senator Matt Hansen, M-a-t-t H-a-n-s-e-n, and I represent the 26th Legislative District in northeast Lincoln. I introduced LB880, a bill

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that would task cities of the metropolitan, primary, and first- and second-class cities to include an early childhood element as part of their comprehensive plans. They are already required by state statute. LB880 would become effective when a new comprehensive plan is developed or a full update to the comprehensive plan is undertaken or by January 1, 2020. Modeled after prior legislation in 2010 that added an energy element to comprehensive plans, the date provides ample time for municipalities to incorporate this new element into the comprehensive planning process. The early childhood element would add a new section to the comprehensive plan that would utilize existing resources and data to assess the supply of quality, licensed early childhood education programs for children under six; evaluate the ability and utilization of licensed childcare capacity and quality for children under six; and promote early childhood health and education measures that benefit the community. The collection and analysis of this information provides greater transparency to the public, including new businesses that may wish to relocate to the area knowing they can attract and retain new, young talent who will raise their families and thrive in communities. Gathering such information also arms decision-makers with robust information to guide policies and target limited resources to wise investments like high-quality early childhood education. The childcare industry has an undeniable effect on parents' participation in the labor force and a significant impact on the economy of local communities. However, childcare is not just the key work for support parents, but also critical for the healthy development of children to ensure they start school ready to learn. Access to high-quality childcare ultimately leads to a more skilled work force. Families and employers depend on quality childcare for more stability in today's employees and to lay the foundation for tomorrow's employees. Investing in early learning and development is the best foundation for human capital, however, this type of targeted investment that can have both intermediate and long-term benefits to a individual child and society at large cannot take place without measured and thoughtful planning. LB880 in short is an opportunity for cities to evaluate and analyze the access families have to early quality childhood programs and to make positive changes to promote children's health, early learning without costing the state additional funds. There is a movement currently in favor of quality early childhood education, as you might well notice from Senator Quick's bill, and this movement is well underway in Nebraska and nationwide. It would serve us well to continue our forward-thinking work in this area and to support the health and education of young children. With that, I would close my opening and ask the committee to work with me on LB880. [LB880]

SENATOR WAYNE: Any questions from the committee? Senator Riepe. [LB880]

SENATOR RIEPE: Senator Hansen, thank you very much. Would you talk to us a little bit about whether this will or will not have a fiscal note to it. I see. [LB880]

SENATOR HANSEN: Sure. [LB880]

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SENATOR RIEPE: Maybe it gives you an opportunity to clarify. [LB880]

SENATOR HANSEN: Sure. My intent was not for this to have any significant fiscal impact. I know we had an interesting fiscal estimate from one of our cities. As you heard in Senator Quick's bill, and I'm sure you hear in mine we have all sorts of available resources between various stakeholders and agencies already. My thought was just to ask city leaders to, you know, kind of take the existing resources and just make sure they're applying them throughout their community. So it was not my intent or my goal to have any significant bill fiscal impact. And if the bill needs some technical tweaks to ensure that, I would be happy to do so. [LB880]

SENATOR RIEPE: I didn't have an opportunity, but I noticed in your piece it talks about "requires," which is always an alarm for me. [LB880]

SENATOR HANSEN: Sure. [LB880]

SENATOR RIEPE: But it also then "all cities." Does that mean all villages? Because I think in the Planning Committee we came to the...I think the average in Nebraska's population is 365. I mean, would that require these villages as well to have a required...? [LB880]

SENATOR HANSEN: No. So this is primary, metro, and first and second-class cities, and it would not require anybody who doesn't currently have a comprehensive plan to have a comprehensive plan. It's just saying the next time you update your comprehensive plan, which most of them already do on kind of a regular cycle, you include this component. [LB880]

SENATOR RIEPE: Okay, thank you. [LB880]

SENATOR HANSEN: Thank you. I would have been disappointed had you not asked a question. [LB880]

SENATOR WAYNE: Any other questions from the committee? Senator Crawford. [LB880]

SENATOR CRAWFORD: Thank you, Chairman Wayne. And thank you, Senator Hansen. Just trying to get a feel for what this would mean for the city. So basically somebody could put together a study of how many childhood education programs they have already, and in terms of the capacity and quality for children under age six could you give me a sense of what that would require for a city to put that together? [LB880]

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SENATOR HANSEN: Sure. As I said, we already have kind of some existing state programs and state statutes related to early childhood education, the Step Up to Quality Program that has been mentioned. It is kind of my thought that you could kind of piggyback off the existing data from there and use that as kind of a starting off points. I mean, this is kind of to, you know, ask cities to take the first step on that. And if they want to do something much more intense or kind of they would be able to tailor it to their community. I know I've heard from some of the other components. So in 2010, when the Legislature encouraged them to do an energy use one, you know, a lot of cities used that opportunity to just have some public hearings. You know, what's the community looking for, what should we do? And I think things like that would be a great way of getting involved. [LB880]

SENATOR CRAWFORD: Great, thank you. [LB880]

SENATOR HANSEN: Thank you. [LB880]

SENATOR WAYNE: Any other questions from the committee? Seeing none, thank you. Will you be staying around for closing? [LB880]

SENATOR HANSEN: I will. [LB880]

SENATOR WAYNE: Any proponents? [LB880]

SARAH ANN KOTCHIAN: (Exhibits 1, 2) Good afternoon again, Chairman Wayne and members of the Urban Affairs Committee. My name is Sarah Ann Kotchian, S-a-r-a-h A-n-n K-o-t-c-h-i-a-n, and I appear today in support of LB880 on behalf of the Holland Children's Movement, a nonpartisan, not-for-profit organization founded by Richard Holland that strives to fulfill his vision for Nebraska to become the national beacon in economic security and opportunity for all children and families. And we would like to express our gratitude to Senator Hansen for the introduction of this bill. LB880 is a forward-thinking proposal reflective of the need and public support to increase access to affordable, quality early childhood care and education. In recently released public opinion research from our sister organization, the Holland Children's Institute, 75 percent of Nebraskans polled favor expanding access to affordable childcare for young children. K-12 education is already examined in city development plans and we see this proposal as the next logical step to strengthen communities now and long into the future. Educators and business leaders alike know it is smarter and more cost-effective to get products or services right at the beginning than to fix problems later, and this requires thoughtful planning like that proposed today. LB880 is an innovative opportunity for communities to assess, evaluate, and promote the well-being of young children and families. Along with this letter I've also handed out a fact sheet that spells out how cities can build on and utilize existing public

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resources and data in their planning. It is not the intent of this bill to create a burden, especially not an extraordinarily financial burden, but rather to help benefit the planning with respect to young children and families. We have an enormous amount of data at hand in Nebraska, and the resources to let cities know if and how we are recognizing quality early childhood care and education. And we would urge you to advance LB880 to ensure more young children enter school ready to succeed and grow into the work force of tomorrow. I'm happy going forward, if there is any need for a negotiation or solutions that need to be addressed, I'm happy to help however we can on that end. And I thank you again for your time today. [LB880]

SENATOR WAYNE: Any questions from the committee? Senator Riepe. [LB880]

SENATOR RIEPE: Chairman Wayne, thank you. I know that you stated it's not your intent to create a burden on the cities. [LB880]

SARAH ANN KOTCHIAN: That's right. [LB880]

SENATOR RIEPE: And as we all know, intent and sometimes...needs to be more defined, if you will. Sometimes those small things can end up being very burdensome with no intention, no malicious intent. What are we talking about a line in the plan, are we talking about a paragraph in the plan, or are we talking about something that potentially could cost a city money to go out and do a study to come in and meet the specifications? Who sets those standards? Is that...? [LB880]

SARAH ANN KOTCHIAN: I think that those are great questions and very fair assessment of intent. So that's one of the reasons we put together this fact sheet, to help cities as a guide when they're working through this proposal. So, for instance, to address the supply of quality, licensed early childhood education for programs, that's available on the DHHS Web site. I'll try to set a clear picture, because I did see the fiscal note this morning and noticed that there was in Imperial, actually, in the fiscal note. And I have nothing but kind words for our Fiscal Office, and this, I think the information came from the city. And so I kind of walked through how they might be able to do this looking at existing information, and went to the census, found that there were 82 children under 5 in Imperial, there are 7...going to DHHS licensing Web site, there are 7 licensed programs in Imperial that serve a total of 135 children as far as licensed capacity. Which immediately lets me know they're not, what we would commonly refer to as a childcare desert. So there's probably an adequate amount of space to meet the needs of children. Same information on DHHS, four of those programs have agreements for subsidy. Two of those largest programs, the Little Longhorns on Broadway, will serve 45 children; and Rainbow Promise will serve 29. So this is a lot of quick information I was able to gather and assess. What I did notice from these, they have age ranges too, there might be a need for more infant and toddler care

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among these programs. As far as quality, same licensing information, none of these programs are nationally accredited. And we have an expert in the room on that. There aren't any Sixpence programs in that area or in Chase County, which could be room for opportunity once that's recognized then there's an identified need. But there are two programs in Imperial participating in Step Up to Quality, that serve 24 children. So the information is out there, so it's how a community wants to utilize it to assess what's available and the quality that exists. And then from there, figure out among themselves how they want to promote the health and education of young children. [LB880]

SENATOR RIEPE: So there's no requirement for a "corrective action plan" if Imperial doesn't measure up to some other town of equal size? [LB880]

SARAH ANN KOTCHIAN: That's right, there's not. This would become a part of the city planning process. [LB880]

SENATOR RIEPE: Okay. Thank you very much for explaining that, that's helpful. [LB880]

SARAH ANN KOTCHIAN: Sure. [LB880]

SENATOR WAYNE: Any other questions from the committee? Seeing none, thank you for staying. [LB880]

SARAH ANN KOTCHIAN: Thank you. [LB880]

SENATOR WAYNE: Any other proponents? [LB880]

DREW THEOPHILUS: (Exhibit 3) Thank you again, Chairman Wayne and members of the Urban Affairs Committee, for allowing me to speak to you today. Once again, for the record, my name is Drew Theophilus, spelled D-r-e-w T-h-e-o-p-h-i-l-u-s. And again, I am the director of Dividends Nebraska. Dividends Nebraska is a statewide group of more than 100 business leaders committed to making public and private investment in early childhood a key economic development strategy for Nebraska and its communities. I am here today to testify in support of LB880. Nebraska is at a turning point as a world leader in agriculture and a burgeoning home to global businesses, including Union Pacific, Kawasaki, Hudl, and Cargill. Our state is well-positioned for long-term economic growth. However, our ongoing success depends on growing a healthy, skilled, and productive citizenry and work force. At present, we face serious challenges to our ability to attract and anchor talent from outside the state, as well as cultivate our own fund of human capital to meet the needs of business and industry. Creating a more robust early care

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and learning infrastructure is an important factor in addressing those needs. Quality early childhood programs improve work force participation and productivity, provide employment opportunity, and stimulate the state economy as consumers and producers of goods and services. Perhaps even more importantly, quality early childhood programs help ensure more children, especially those most at risk, will enter kindergarten with the assets of cognition and character necessary to narrow the achievement gap, meet academic milestones, and eventually acquire the marketable skills we will need in the state's future work force. LB880 requires Nebraska's cities to incorporate early childhood into their comprehensive plans for growth. Not unlike LB768, it demonstrates the kind of strategic thinking we need to bring economic development efforts statewide. The bill would encourage these communities to assess their existing early childhood infrastructure, identify gaps, and adapt solutions specific to local needs. It is the perspective of Dividends Nebraska that LB880 exemplifies the ideals of local control, fiscal accountability, and responsible investment that reflect our own values as a civic and business leaders. In doing so, it helps lay the foundation for ongoing growth by strengthening a critical element of our economic infrastructure. Accordingly, we encourage the committee to advance the bill to General File. Thank you, I would entertain any questions you might have. [LB880]

SENATOR WAYNE: Any questions from the committee? Seeing none, thank you for coming today. Welcome back. [LB880]

JOHN SPATZ: Thank you. Again, Senator Wayne and members of the committee, my name is John Spatz, it's spelled J-o-h-n S-p-a-t-z, and I am the executive director for the Nebraska Association of School Boards. And again, I'm very pleased to be able to engage this committee in early childhood and in early childhood issue. I'm very pleased to be able to do that. And again, I'll reiterate, I think there's a long-term tax consequence. As we look to ways to lower our reliance upon property tax, address our income taxes, we've got to look long-term and avoid addressing the symptoms. So with the School Board Association, we have two programs that we do right now with school boards. One is the strategic planning, where we get the school board together to look at the strategic plan for the district. And the other one is our community engagement, I mentioned this before. And these programs have evolved a little bit over the years. Historically, when schools talked about a strategic plan they talked about very specific student outcomes or student scores, teacher pay, and those sorts of things. What we have seen over the last few years, both in our community engagement and in our strategic plan, is an evolution of schools looking...or thinking outside the box a little bit. And what we have found, it's a little anecdotal, but across the state of Nebraska the biggest barriers to economic growth in rural Nebraska are housing and childcare. And we see this over and over again. And in doing something like this, Senator Hansen, I think it's a very clever way of saying from the state's perspective we think early childhood is very critical. When a community builds a comprehensive plan, something like this is extremely important to the viability and future of this community. It's exactly what we're seeing as we're engaging school boards, we think a little bit differently than

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we have in the past. And I think school districts are very prepared to collaborate with cities and counties and leaders in communities to address these sorts of issues. Because again, some of the risks that I see right now is that short-term pain people are feeling out there is real. If you are a farmer and commodity prices are low and your valuation is high, that short-term pain is real. If you are a parent with a child on Medicaid and you're struggling to find a provider, that short-term pain is real. And I worry sometimes when we get together we address that short-term pain with short-term solutions but ultimately harm our long-term viability as a state. And you saw that with that chart I gave to you during the previous hearing. Over the last 20 years, where is the demand growing in the state of Nebraska. And you're very familiar with our corrections, and we keep trying to catch up in the area of corrections--whether it be beds or staff or facility. And will we ever catch up? We're at 160 percent capacity right now. We've got to begin to develop that long-term vision in the state of Nebraska to lower demand in corrections, and the way you do that is investing in early childhood. I said one of my objectives at the School Board Association is to make people ineligible for corrections or Medicaid, meaning they're not committing crimes and they got a job with health insurance. I don't want them to qualify because they have health insurance or they're not committing crimes. So again, these are ways that we can think outside the box to collaborate around these sorts of issues, so I really appreciate this committee's indulgence in this. And Senator Wayne, I certainly want to let you know I want to work with you and this committee in whatever way that we can to help these types of issues. And we're very pleased to be able to do that, so I appreciate your time today. [LB880]

SENATOR WAYNE: Thank you. Any questions from the committee? Seeing none, thank you again. [LB880]

JOHN SPATZ: Thank you very much. [LB880]

SENATOR WAYNE: Next proponent. [LB880]

ELIZABETH EVERETT: Hello again, Chairman Wayne, members of the committee. Thank you again for having me today. My name is Elizabeth Everett, E-l-i-z-a-b-e-t-h E-v-e-r-e-t-t, and I'm here today on behalf of First Five Nebraska and to support LB880. Again, I'll keep my testimony pretty quick here. I would just again like to reference the map that I've already submitted into the record that shows the children at risk between ages zero to five will benefit from this bill. I urge you to support this bill. Thank you, and I will take any questions. [LB880]

SENATOR WAYNE: Any questions from the committee? Senator Crawford. [LB880]

SENATOR CRAWFORD: Thank you, Chairman Wayne. And thank you for being here and for your information. Are you willing and interested in working with municipalities as they develop

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these plans in terms of helping to provide some access to information and technical assistance?
[LB880]

ELIZABETH EVERETT: Yes, definitely. [LB880]

SENATOR CRAWFORD: Thank you. [LB880]

SENATOR WAYNE: Any other questions from the committee? Thank you for coming today.
[LB880]

ELIZABETH EVERETT: Great, thank you. [LB880]

SENATOR WAYNE: Welcome back. [LB880]

TRACY GORDON: (Exhibit 4) Thank you. Thank you, Senator Hansen, for introducing LB880 and for this opportunity to speak with you again today. My name is Tracy Gordon and I am the co-executive director for the Nebraska Association for the Education of Young Children. That is Tracy, T-r-a-c-y, Gordon, G-o-r-d-o-n. The Nebraska Association for the Education of Young Children is an affiliate of the National Association for the Education of Young Children and we envision a state where all young children receive the highest-quality early care and education, and where early care and education becomes a priority for all of Nebraska's citizens. We are committed to supporting high-quality care and education for young children in Nebraska by advocating for issues relating to young children and their families, serving as a resource for others interested in quality early childhood education, and providing projects and services that improve the quality of services being offered to Nebraska's youngest children. High-quality early childhood education fulfills two important goals: keeping children safe while their parents work, and nurturing and developing children in ways that prepare them for school and beyond. Research shows that providing a high-quality education for children before they turn five yields significant long-term benefits. A child's development from birth until five, when the brain develops rapidly, is critical to build the foundation of cognitive and character skills necessary for success in school, health, career, and life. Early childhood education fosters cognitive skills along with attentiveness, motivation, self-control, and sociability. The character skills that turn knowledge into know-how and people into productive citizens. As policymakers, I say it again, you are tasked with identifying and understanding the investments that yield the highest public returns for Nebraskans. And here, the literature is clear: investments in early childhood education yield extraordinary public returns. The conventional view of economic development typically includes company headquarters, office towers, entertainment centers, professional sports stadiums or arenas. We believe that in the future, any proposed economic development list should have early childhood education at the top. We believe that including early childhood

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education in a community's long-term comprehensive plan is a cost-effective strategy even during a budget crisis. Immediate and long-term benefits will be seen for generations to come through a reduction in the need for special education and remediation, better health outcomes, reduced need for social services, lower criminal justice costs, and increased self-sufficiency and productivity among families. By both helping kids develop early foundational skills and by allowing more parents to actively pursue careers, investments in early childhood development provide benefits not just for children and their parents, but for society as a whole. Thank you for your time. Questions? [LB880]

SENATOR WAYNE: Any questions from the committee? Seeing none, thank you again for coming. Any other proponents? Welcome back. [LB880]

BRIAN HALSTEAD: Good afternoon, Senator Wayne and members of the Urban Affairs Committee. For the record, my name is Brian, B-r-i-a-n, Halstead, H-a-l-s-t-e-a-d, I'm with the Nebraska Department of Education. And prior to this session starting, the State Board of Education set forth some priorities that they wanted to look forward to in this session. One of them was in the area of early childhood education, pre-kindergarten, and kindergarten. And one of their concepts was to support changes to statutes where county and city comprehensive planning to include early childhood education. And lo and behold, Senator Hansen's bill meets that thing. So I'm here to show support for the bill, and I'll stop there and answer any questions you might have. [LB880]

SENATOR WAYNE: Senator Crawford. [LB880]

SENATOR CRAWFORD: Thank you, Chairman Wayne. Thank you for being here. What resources does the department have that cities could use in completing these plans? [LB880]

BRIAN HALSTEAD: We probably have a great deal of data that's available for all of the current early childhood programs, pre-kindergarten programs. We are also part of Step Up to Quality. The department has been in the pre-kindergarten world going way back to last century with special education, and we provide services to children from the date of diagnosis going forward. We have been doing pilot pre-kindergarten programs since 1991 that required a public-private partnership in all of those. So there's a lot of information the department could easily make available to any of the cities in the state of Nebraska as they plan for the future. [LB880]

SENATOR CRAWFORD: They can just contact your department? [LB880]

BRIAN HALSTEAD: You bet. [LB880]

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SENATOR CRAWFORD: Get a hold of the information? All right, thank you. [LB880]

SENATOR WAYNE: Any other...Senator Riepe. [LB880]

SENATOR RIEPE: Thank you, Chairman Wayne. Given the fact that everything has a cost, will this be viewed by counties and municipalities as being an unfunded mandate? [LB880]

BRIAN HALSTEAD: The information from the department is free, so in that regard all of that data we would certainly make readily available to any of those entities who want it. We have a standing practice of doing that. If they want us to create new reports or analysis of data that we don't already have, that's probably a cost to us. But we would weigh that depending on what the need is. Many of these items, looking at the city of Lincoln's, they're already accessing that data for the K-12 piece of it. So in the sense of it's more of reaching out and asking us, and I'm certain we can provide them with lots of data if they want to access our data. [LB880]

SENATOR RIEPE: Okay, thank you. [LB880]

BRIAN HALSTEAD: You're welcome. [LB880]

SENATOR WAYNE: Any other questions? Thank you for coming. [LB880]

BRIAN HALSTEAD: Thank you. [LB880]

SENATOR WAYNE: Any other proponents? [LB880]

SHARON HUEFTLE: Good afternoon, Chairman Wayne and members of the Urban Affairs Committee. Once again, I'm Sharon Hueftle...see, I can't do that three times. S-h-a-r-o-n H-u-e-f-t-l-e. I'm the executive director of the South Central Economic Development District, and I appear before you today on behalf of NROC, the Nebraska Regional Officials Council. We appear before you in support of LB880, and we appreciate Senator Hansen for introducing it. Our members assist cities, counties, businesses, and other community members with community development planning needs such as local comprehensive plans, grant writing assistance and housing programs; also with economic development through loan assistance, technical expertise, and work force programs; and planning for regional or cross-jurisdictional projects; and providing a forum for interrelated communities to comprehensively approach issues of growth and development. As I've noted, our individual district's role throughout the state is to provide assistance to our member communities in the development of comprehensive plan, as well as assisting with economic development. For our members, the efforts contemplated in this bill are

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the perfect intersection for what we can do to assist local communities. Access to quality early childhood programs is one of the single greatest needs across the state in our local communities. Simultaneously, research demonstrates that early childhood education can lead to enormous success later in life. We encourage you to advance LB880 as a way to create not only local economic development, but also to prioritize early childhood planning. Thank you for your time. Do you have questions? [LB880]

SENATOR WAYNE: Any questions from the committee? Seeing none, thank you for coming today. Any other proponents? Any opponents? Anyone testifying in a neutral capacity? I thought there was no way you could be in this room and not testify. [LB880]

LYNN REX: I'm so sorry. Senator Wayne, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. And first of all, we do appreciate and understand the significance of this bill and the importance of early childhood development and also education. That being said, we do have some of the concerns that Senator Riepe has raised. And I think that perhaps the best way to address this issue is to just look on page 4 of the bill, Section 3, 19-903. Starting on line 31, "The comprehensive development plan shall, among other elements," and then it lists these--(1), (2), and (3) are the standard types of things that you would think about when it comes to municipalities in terms of what you would have in a comp plan: the uses of land for ag, housing, commerce, industry, recreation, education, so forth. (2), I'm on page 5, line 8, "roads, streets, highways...transportation routes," and so forth; (3) "schools, libraries, other public buildings" and so forth. Not the quality of them, not assessing them or rating them, but just where are they and what when are they. And then in (4), starting on line 14, the energy element. And that one is just for villages. Because you'll note that in this bill, 14-403.01 relates to metropolitan class cities; 15-1102 is primary class cities; and then again starting in 19-903 this actually applies to first class, second class, and villages. But the energy component and also this component would in fact not include villages, would not apply to them. So our concern with this is not having municipalities consider this and include it, but rather the assessment that's required. And perhaps, we're going to offer an amendment here, and that's why we're in a neutral capacity, because I think that the way to address this is to indicate that...and I don't know what the right, we'll defer to the committee, whether it's the Nebraska Department of Education, Nebraska Health and Human Services, the local school district, whichever entities shall provide the information to the municipalities. Because, for example, when you're looking at on page 5, starting on line 21, we're talking about such plan or update "shall include, but not be limited to, an early childhood element which assesses the supply of quality licensed early childhood." What we're hearing from our cities is they don't feel that's something that they are in a position to do. In other words, if you provide them...require the agencies and entities that have the information to provide them that information, others that are qualified to make those kinds of assessments. Line 26, "evaluates the availability and utilization of licensed child care capacity and quality for children under age six". So basically what we're saying is we understand the

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importance of this, we think it's important to have something like this in a comp plan, but municipalities should not have to generate that information. Rather, we think that the entities that would traditionally have it should be required to provide it to them. With that, I'm happy to answer any questions you have. And with that amendment, we would be neutral on this bill. In fact, with that amendment, we would support the bill. [LB880]

SENATOR WAYNE: Any additional questions? Senator Riepe. [LB880]

SENATOR RIEPE: Thank you, Senator Wayne. So let me reiterate here, I think you're talking about a city having to make a judgment on the quality. [LB880]

LYNN REX: That's exactly right. And that's what I think as well, in addition, what Imperial was outlining too, is just identifying. Imperial is a smaller community, but still a big community in Nebraska in terms of Nebraska cities. As you know, there are 30 cities of the first class; we have 117 cities of the second class, population roughly 805,000. So in terms of just the cost of doing some of this too, that comes into this. But you're right, it's the judgment call of what's a quality daycare, what isn't, what's qualified early childhood education, what isn't, all those kinds of components. So we're suggesting, based on what Brian indicated from the Nebraska Department of Education, he's saying they have that information already, if I understood his testimony correctly. I think the school districts say they've got that information, others here have said the same thing. Then I think the bill should say municipalities should only include this element when that information is provided or that these entities will be providing the information to them. So they're not making that assessment on what's quality childhood education ever. And that is the concern of municipalities. [LB880]

SENATOR RIEPE: Thank you. [LB880]

SENATOR WAYNE: Any other questions? Seeing none. [LB880]

LYNN REX: And thanks to Senator Hansen for introducing this measure. It's an important issue and we hope that as a committee you will take our concerns into consideration and advance it with that type of amendment so we can be in a support capacity. Thank you very much. [LB880]

SENATOR WAYNE: Thank you. Welcome. [LB880]

JACK CHELOHA: Good afternoon, Senator Wayne, members of the Urban Affairs Committee. My name is Jack Cheloha, that's spelled J-a-c-k, last name is C-h-e-l-o-h-a. I'm the registered lobbyist for the city of Omaha, testifying in the neutral capacity on LB880. First of all, it was

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valuable for me to be here and listen to the proponents. I understand the importance of early childhood development and why we want to have resources in place and give this the highest of priorities. So with that, I guess I'm flattered that Senator Hansen has chosen cities to be the conduit, if you will, for this information. Also, some other things that I like within the bill are the 2022 date and the flexibility of it, and what exactly would go into the plan would be a judgment call based on that community and what they think they have available. But with that, we have concerns, as you heard from Ms. Rex and the League of Municipalities, a city's primary duties typically involve police, fire, streets, sewers, economic development, things along those lines. Typically, early childhood development is not a task that we've been assigned, although we're always mindful of it because we want to have a community that's engaged and we want to have our priorities met in order to have a great quality of life. So it seems to me when we heard from some of the proponents, if they had access to the data, whether it's Health and Human Services or it's the Department of Education, we're going to need access to that. Maybe some of these other entities would be a better point person on this issue than cities. That's our concern. You know, as a loyal political subdivision of the state of Nebraska, we'll do what you tell us to do, and we'll do a good job with it. But we just think that maybe you need to think about some of these other entities. And if you do in the end decide that we're the best group to come up with this plan, then we would need to have access to that data from, as I understand when it comes to childcare centers, those would be from the Department of Health and Human Services. And they have any records of any complaints or violations of state law, etcetera. And so those would be things that we would have to have access to, along with what programs are in place through the Department of Education. And so we just need to have the ability to access that in order to add it to our plan by sometime before 2022. So those are our concerns, and I'll try to answer any questions you might have. [LB880]

SENATOR WAYNE: Any questions from the committee? Seeing none, thank you for coming today. [LB880]

JACK CHELOHA: Thank you. [LB880]

SENATOR WAYNE: (Exhibits 5, 6) Anybody else testifying in the neutral position? Seeing none, Senator Hansen. We have two letters of support: Nebraska State Education Association and Voices for Children in Nebraska. Go ahead. [LB880]

SENATOR HANSEN: Great. Thank you, Chairman Wayne and members of the Urban Affairs Committee for listening to testimony on LB880. First off, let me start I appreciate all the commentary and testifiers on the bill about the support or the neutral. One of the things that inspired me when this issue kind of got raised to my attention that I had an interest in doing is I kind of a lot of times, especially in the context of Urban Affairs bills, I always think about my

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district. I have a district that is kind of like a chunk of the city of Lincoln, a pie slice where I go from some very historic kind of older, core neighborhoods. You know, there's a home on my block that's from the historic town at University Place that's 130 years old. And then I go all the way out to the western...sorry, eastern edge of my district, and it's literally brand new developments being carved out of cornfields as we speak. And sometimes we recognize that the challenges and opportunities in relative parts of the district are very different. That's why I like to have, you know, city leaders, city officials have an opportunity to have different neighborhoods, different kind of constituencies come in and have an opportunity in the process. So when it was presented about, you know, kind of how can we incorporate early childhood with cities, I thought that was a great opportunity. The city comprehensive plan, since it's already a vehicle that exists and already is, you know, an opportunity for cities to stay involved. I'm more than happy to work with the league and other organizations, the city of Omaha, to clarify language and make sure we have the best available options. I think some of the language we had originally turned in the green copy of the bill, you know, in terms of quality early childhood care is maybe more of a term of art that we're more familiar with with the Department of Education. You know, some of the...coming to realize that, you know, when we say some of those terms, some of the groups that are very involved with early childhood efforts know exactly what you mean right away. And if you're less familiar it becomes kind of a more abstract and different concept. So I would happy to do whatever language moving forward to move it and tighten up and get LB880 moved forward. Thank you. [LB880]

SENATOR WAYNE: Thank you. Any last questions? All right, this will close the hearing on LB880. And this will conclude the hearings for today in Urban Affairs, January 23. [LB880]