

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee March 13, 2019

STINNER: Good afternoon. Good afternoon and welcome to the Appropriations Committee hearing. My name is John Stinner. I'm from Gering and represent the 48th District. I serve as Chair of this committee. I'd like to start off by having members do self-introductions, starting with Senator Erdman.

ERDMAN: I'm Steve Erdman, District 47, ten counties in the Panhandle.

McDONNELL: Mike McDonnell, LD 5, south Omaha.

HILKEMANN: Robert Hilkemann, District 4, west Omaha.

STINNER: John Stinner, District 48, all of Scotts Bluff County.

BOLZ: Kate Bolz, District 29.

STINNER: Assisting the committee today is Brittany Bohlmeier, our committee clerk. Our page today is Cadet Fowler. He is studying film studies at the University of Nebraska-Lincoln. On the cabinet to your right, you will find cream testifier sheets. If you're planning on testifying today, please fill out a cream sign-in sheet and hand it to the page when it comes up-- when you come up to testify. If you will not be testifying at the microphone but want to go on the record as having a position on a bill heard today, there are white sign-in sheets on the cabinet where you-- you can leave your name and other pertinent information. These sign-in sheets will become exhibits in the permanent record at the end of today's hearing. To better facilitate today's proceeding, I ask that you abide by the following procedures. Please silence or turn off your cell phone. Order of testimony will be introducer, proponents, opponents, neutral, closing. When we hear testimony regarding agencies, we will first hear from a representative of the agency, then we will hear testimony from anybody who wishes to speak on the agency's budget request. We ask that you spell your first and last name for the record before you testify. Be concise. It is my request that you limit your testimony to five minutes. Written materials may be distributed to the committee members as exhibits only while testimony is being offered. Hand them to the page for distribution to the committee and staff when you come up to testify. We need 12 copies. If you have written testimony but do not have 12 copies, prees-- please raise your hand now so the page can make copies for you. With that, we will begin today's hearing with LB334.

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BOLZ: Hi, Senator Stinner.

STINNER: Good afternoon, Senator Bolz and fellow members of the Appropriations Committee. For the record, my name is John, J-o-h-n, Stinner, S-t-i-n-n-e-r. I represent District 48, which is comprised solely of Scotts Bluff County. LB334 will provide the intent language to increase the appropriations to the Department of Economic Development for the Business Innovation Act by \$4 million through cost savings from the elimination of the Angel Investment Tax Credit. Regulations under the department for the purpose of planning and development regions would also be made permissive. This legislation is an important piece of what has become an incredibly successful number of programs under the Business Innovation Act, which is essential to Nebraska's economic growth. Since 2011, there have been 81 R & D projects, 208 prototype projects, 95 SBIR/STTR projects, 52 seed investments, and various other grants, investments, and microloan dispensed. Under the [INAUDIBLE] Act, there are five programs. They are the Nebraska Seed Investment Program, the Nebraska Small Business Innovation Research Program, that's also the research in Small Business Tech Transfer or SBIR Grant program. Nebraska Innovation-- number three is Nebraska Innovation Fund Prototype Grant Program, Nebraska Academic Research and Development grant, and the Microenterprise Loan and Technical Assistance Program. Next, I'd like to give you a brief breakdown of how each of these programs work and some of the successes we've seen in them. First is the Seed Investment Program. It provides \$500,000 of financial assistance for the commercialization of a product, process, or service to high-growth, early-stage companies with potential to raise private capital. The state has awarded \$13 million to 52 projects and leveraged over \$88 million in matching funds. After this initial investment, these same companies have gone on to raise a combined total of \$133 million of capital. Second is the SBIR/STTR grant program, which is a matched grant that provides financial assistance to Nebraska businesses that have received a federal SBIR or an STTR grant. The state has awarded \$4 million to 95 projects and leveraged over \$60 million in federal funds. The third is the Innovation Fund Prototype Grant program, which is a match grant that provides financial assistance for product development to businesses operating in Nebraska. The state has awarded \$10 million on two-- on 208 projects and has leveraged is nearly \$9 million. Fourth is the Academic Research and Development Grant Program, which is a matching competitive grant for research and development activities done in cons-- conjunction with a Nebraska college or university. The state has awarded nearly \$10 million to 81

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projects and leveraged over \$8 million. And lastly is the Microenterprise Loan Fund, which provides loans up to \$100,000 to provide grants for microloan delivery and technical assistance. The state has divert-- disbursed over \$12 million in microloans and assistance. Dave Rippe-- Rippe, excuse me, the director of the Department of Economic Development, is here to testify a little bit more on that Bus-- Business Innovation Act and go into more details on programs to contain their effectiveness. I would just like to end by expressing how essential it is that the Legislature invest in Nebraska's continual economic growth. In order to do so, we need to address the lack of capital to help high-growth businesses, especially technology-related businesses, get started in Nebraska. These early-stage businesses are not bankable and lack accessible capital in Nebraska's entrepreneurial ecosystem without a continual commitment to these investments by the state. You'll also see that I've got an amendment for your consideration, AM684. This amendment was drafted to offset a fiscal note, which was submitted by the Department of Revenue for reprogramming cost to be paid to the office of Chief Invest-- Information Officer. As you will see, the fiscal note, that number is \$101,831. In working with-- and I will be working with the Department of Revenue to get a final agreement on this offset. I do want to say this: Nebraska ranked last in the nation in venture capital. That was a study done by Battelle in 2010. We were last. Since we put this together, we've advanced to some-- 30-something, and I think the director can give you those exact numbers. This is for startup capital, for second-stage capital and to try to get some of these businesses that we know are out there, the people that are out there with ideas that aren't bankable, that aren't-- they can't get capital put together for their ideas to develop a business plan and then to develop the product. That's what this whole program's about. It is a program that's \$5.7 million that we provide every year for it. That was cut back from \$7 million because of budget cuts. We cut it back to \$5.7. By discontinuing the Angel Investment Tax Credit, put-- put-- putting those \$4 million, it will provide about \$11.7 million of additional capital for-- for this program. And I think you'll find out that it has been oversubscribed and something that we need to do. With that, I'll open it up for questions.

BOLZ: Thank you so much.

STINNER: And I'm not sure I can answer any of them, so. [LAUGHTER]

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BOLZ: Thank you, Chairman Stinner. Any questions for the chairman? Go ahead, Senator Hilkemann.

HILKEMANN: So bottom line, we're going to do away with the Angel Investment Tax Credit and take the money that's been there and put it into the new--

STINNER: Yeah. It looks like the Angel Investment Tax Credit, when you go back to analyze it, the same parties and people were using those tax credits. Not that it was being misused, but these dollars are better-- better served within these five core programs.

HILKEMANN: Uh-huh. You had-- the Angel one was kind of up in the stars, as far as a project that we were trying to fund with that. Is that correct?

STINNER: Well, it was a defined number of projects, it was a tax credit. And I think that it did a pretty decent job for startup capital or for people who had money, keeping people who have money in our state to invest in startups. This is better purposed within these five programs, I believe, just by studying what the results are on both sides.

HILKEMANN: Uh-huh. OK.

STINNER: And actually, this microprogram and all the rest of the programs within the Business Innovation Act have been highly successful. And, you know, if we can increase that funding, I think you'll see more and more projects.

BOLZ: Go ahead, Senator Erdman.

ERDMAN: Thank you, Senator Bolz. Thank you, Senator Stinner. So with your involvement in western Nebraska, Scottsbluff and Gering in particular, do you know of businesses that would take advantage of this?

STINNER: I-- we've used a microloan prog-- program to help people that had an idea that needed to-- that have a business plan put together could use some of that, yes.

ERDMAN: Can you give me an example of those you've helped?

STINNER: You know, I had two or three main street projects that we started. One of them has to be, I think, the chicory project that is

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now in second or third or fourth stage, I can add-- but they are using the Innovation Campus also. So they've used some of those grants. You know, right now I'm drawing a blank but I know I've used it four, five, or six times within my-- within my banking career and I can't quite remember exactly where.

ERDMAN: OK, thank you.

BOLZ: OK, thank you, Senator Stinner.

STINNER: OK.

BOLZ: Proponent testifiers. Welcome.

DAVE RIPPE: Thank you. Good afternoon, Vice Chairwoman Bolz and members of the Appropriations Committee. For the record, my name is Dave Rippe, R-i-p-p-e, and I'm the director of Nebraska Department of Economic Development. I'm here today testifying in support of LB334. LB334 achieves several goals. First, it helps the department streamline processes for distributing aid to economic development districts and the enterprise zone program. Second, it sunsets the Angel Investment Tax program and ends the \$4 million in refundable tax credits annually awarded under the program. Third, it proposes to use those savings to increase the appropriation for the Business Innovation Act. Finally, the bill provides for ongoing evaluation and reporting of the BIA activities and removes the sunset for the program. As I promised this committee last year, DED has been engaged in reviewing programs administered by the department for their impact and return on investment to the state of Nebraska. Included in this evaluation are two programs created by the Legislature in 2011: the Business Innovation Act programs that support early-stage businesses and promote the development of high-tech high growth Nebraska industries and the Angel Investment Tax Credit program that incentivizes investments into high-tech, high-growth Nebraska companies. The data makes a compelling case for sunsetting the Angel Investment Tax Credit program and increasing funding to the Business Innovation Act. The Business Innovation Act has been analyzed by the University of Nebraska's Bureau of Business Research every two years since its passage. The most recent analysis of the Business Innovation Act in 2018 shows that for every dollar invested by the state, recipient businesses generated approximately \$2.45 in initial matching funds, an additional \$4.46 in follow-up investment capital. This is a total of-- total of \$6.91 raised for every state dollar invested into the BIA program. The report demonstrates that state funds appropriated

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to the Business Innovation Act program clearly help support the growth of the innovation ecosystem necessary to grow the next generation of technology and businesses. In contrast, the Angel Investment Tax Credit program impact has been difficult to measure and has shown signs that the impact the program previously had on increasing angel investment has diminished. The program does not drive new technology and innovation inherently or encourage out-of-state investment into Nebraska, nor does it foster relationships between entrepreneurs and investors in the innovation ecosystem. Finally, our research shows that compared with the Business Innovation Act, the Angel Investment Tax Credit creates fewer jobs at lower pay; 79 jobs averaging \$32,011 per year for the Angel Investment Tax Credit, 79 percent of the state average wage, versus 100 jobs per year averaging \$53,677 under the Business Innovation Act, 120 percent of our state average wage. LB334 ends the program that is at the end of its useful life and increases funding for a portfolio of measurable innovation programs that directly support high-growth Nebraska businesses across our state. I'd like to thank Senator Stinner for introducing LB334 and the committee for your support and working to help us grow Nebraska. I'm happy to answer any questions that you might have.

BOLZ: Very good. Any questions for the director? Go ahead, Senator Erdman.

ERDMAN: Thank you, Senator Bolz. Thank you for coming today, Director. On a-- on page 8-- do you have a copy of the bill, page 8?

DAVE RIPPE: Not in front of me, sir.

ERDMAN: Well, anyway, what it talks about is the evaluation on an annual basis, and it goes on to talk about such assessment and evaluation in the next annual report it submits under subsection (1) of this section, so you're going to report back what you're doing. But the question I have is, it goes on to say that the department will contract with a nonprofit organization pursuant to this section. So what type of nonprofit organization or who would you contract with to do that?

DAVE RIPPE: The entity that we currently use and that we've used for the previous two reports is the University of Nebraska, specifically the Bureau of Business Research. I do have a copy of that report with me from 2018 if you'd like to review that.

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ERDMAN: OK. Thank you. Is this my copy?

DAVE RIPPE: Yeah. You bet.

ERDMAN: Thanks. Thank you.

BOLZ: OK. Any further questions? Thank you, Director Rippe.

DAVE RIPPE: Of course. Thank you.

BOLZ: Further proponents.

BRAD JUSTICE: Thank you, Senator Bolz and members of the committee. My name is Brad Justice, B-r-a-d J-u-s-t-i-c-e. I'm co-founder of Blue Prairie Brands. We are a value-added ag tech processor in the Panhandle located in Gering, Nebraska. We have used the R & D program with the University of Nebraska to advance our company here in the state. I'm not originally from the area. We actually moved to the Panhandle because it is the chicory capital the United States. It might surprise you but there we grow a proprietary type of chicory root. The thing that is great about chicory root is that it leverages your existing grower knowledge, infrastructure, and capital to produce a value-added crop. Chicory root is full of a type of fiber called inulin. It's very healthy for you. So folks that grow sugar beets can both grow sugar and a very healthy type of fiber that is sought after by consumers with growing demand. This market is dominated by European producers; and we have a patent-protected, whole food alternative produced here in Nebraska. One of the-- I will speak directly of the benefits of the R & D program, but I'd like to say, one of the benefits of the-- of these programs is I would consider them par for the course. I'm originally from the mid-Atlantic. There are many programs like this that are used to recruit and encourage startups, and these are the sorts of programs we look for when we look for places to put your business, especially programs such as the R & D program that encourage collaborations of early-stage companies with the university. It allows us to access their expertise, their scale, and to use that to advance our company. In very early-stage companies, it's critical to demonstrate a value that your investors can put money into. They have to have something better than an idea. And so being able to go to the Extension and support agricultural projects at the Scotts Bluff and the Panhandle Extension, where we develop a crop with this ingredient, which is the most clinically studied fiber in the world. Then we took that to the food processing center here in Lincoln, where we took that and developed crisps, doughs, breads, and

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we actually developed the flour product itself there. So at that stage, using the R & D moneys, we were able to take actual products to [INAUDIBLE] consumers, and in front of customers, so we could show General Mills, for example, what we had. And to that end, the success of that program led to an investment in the Panhandle of some companies that you might not expect to find out there. Our largest investor is a tiny little company called Philip Morris International [LAUGHTER], an \$83 billion company. The second largest by market cap is Bunge, who is the third largest grain miller in the world, does about \$45 billion a year in business. And then probably our next largest would be DSM, which is one of the largest vitamin nutrient producers in the world as well. So it's not just that we're able to bring a business to the area. We brought the focus of large international global corporations to the area, and that was all enabled by this R & D program, which allowed us to build that very early value, that seed value, that these other investors were able to now put almost \$10 million into the region. And that's put into-- I tell you, the guy that's done the best is our grower and the story that he gets to tell is an excellent one because we're value-added agriculture. We may not produce the most jobs, but we produce more money per acre for growers. And as the foundation of the economy in that area, that is one of the things we're proudest of. And I'll tell that story with our-- our grower, Dan Fitts, took the proceeds he received from our custom grow. He's turned around and most of the Panhandle's innovation comes out of Idaho right now, and invested in mint oil. So now he's diversified beyond the typical crops of the region which is sugar beet, which is your main cash crop, which is a volatile commodity. And he's been able to diversify into chicory, into mint, and into the core crops of that region. So that program is very powerful. It allows us to draw together the resources across the state: the Extension, the university, and allows companies like my own to build that very early value that then draws in larger investment from outside parties. Thank you for your time.

BOLZ: Great. Thanks for sharing your story. Are there questions? Go ahead, Senator Erdman.

ERDMAN: Thank you, Senator Bolz. Thanks for coming today.

BRAD JUSTICE: Thank you.

ERDMAN: So I appreciate that. Is Dan Fitts your only grower?

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BRAD JUSTICE: Yes. We've grown with other growers there in the region as well, sir.

ERDMAN: OK.

BRAD JUSTICE: But-- but this year we will only grow with Mr. Fitts.

ERDMAN: How many acres did-- is in your project, how many acres they raise?

BRAD JUSTICE: We have grown anywhere from 60 to 220 acres. Our current limitation is, our factory can only process 60 acres. And we dry vegetables and we have no co-processor. So right now, we're limited, sort of, in the next scale, which is a purpose-built facility.

ERDMAN: So you're doing all that in the facility there that [INAUDIBLE] had. Is that where you are?

BRAD JUSTICE: No, sir. We had to build and-- and commission our own facility now, which is a GMP SQF level 2 facility, certified for global trade in food.

ERDMAN: Where-- where are you located?

BRAD JUSTICE: We're in Gering, Nebraska, sir, right next to the WESTCO on Rundell Road.

ERDMAN: Are you in the old Lockwood building?

BRAD JUSTICE: No, sir, that-- that's been acquired by a different party.

ERDMAN: OK.

BRAD JUSTICE: We're next to the tire place on Rundell. I don't know, right-- right-- actually right next to George Risk--

ERDMAN: OK.

BRAD JUSTICE: --Industries, yes, sir.

ERDMAN: So how many employees do you have?

BRAD JUSTICE: We're seasonal, so-- in-- in the company itself, full-time, in Gering, we retain four employees: a site manager, a

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quality manager, and then two other folks who, you know, a receptionist.

ERDMAN: So do they-- you process these, they bring them in or do you stockpile them?

BRAD JUSTICE: We do store them, we stockpile. This year we actually did a storage project in a potato shed in Pine Bluffs.

ERDMAN: Oh, OK.

BRAD JUSTICE: So--

ERDMAN: You haul them away from Fitts's to Pine Bluffs?

BRAD JUSTICE: Yeah, yeah, but we-- we-- there's the-- the potato storage there left and so it's up in Hemingford, it's down in Pine Bluffs, there's some in Alliance. There was a big question, would it even work? And you know, we have the sugar in our product breaks down, not unlike a sugar beet. And so it was a bold experiment. Parts of it went well. [LAUGHTER]

ERDMAN: Is there a-- have you checked with Walther Farms, see if they have any space available at Bridgeport, the potato company?

BRAD JUSTICE: No, sir, but we have reached out, actually, this past year we worked with a farmer, Jack Nielsen of--

ERDMAN: Uh-huh.

BRAD JUSTICE: --Diamond Hill Farms. We did some work with him. We utilized a lot of the equipment, potato folks to handle it. So we treat it like a sugar beet right up until we get it out of the soil and then it's treated like a potato up to the customer.

ERDMAN: What's your yields? Do you know?

BRAD JUSTICE: We've-- we are consistently on average hitting about 15 ton an acre. But we'd like to see that be 18. You know, one of the challenges we face is there is not crop insurance for this product.

ERDMAN: Uh-huh.

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BRAD JUSTICE: And so we will typically make an up-front payment to secure the land grant for the grower so that he doesn't-- we don't want him in a cash-out basis, where he's losing money working with us.

ERDMAN: Good. You don't plan on going home today, are you?

BRAD JUSTICE: No, sir, I'm going to go home tomorrow. Yes, sir.

ERDMAN: Maybe. [LAUGHTER]

BRAD JUSTICE: Hopefully, I suppose. Yes.

ERDMAN: Well, what I've heard, you are not going home tomorrow.
[LAUGHTER]

BRAD JUSTICE: Don't tell my wife. [LAUGHTER]

ERDMAN: I doubt it. Yeah. Thank you.

BRAD JUSTICE: Thank you.

BOLZ: Do we have further questions for this testifier? OK. Thanks for making it down to talk to us.

BRAD JUSTICE: Thank you.

BOLZ: Other proponents.

JOHN HLADIK: Good afternoon, Senator Bolz and members of the committee. My name is John Hladik. That's J-o-h-n H-l-a-d-i-k. And I'm here to testify on behalf of the Center for Rural Affairs and I'm delighted to say that I am-- you'll receive three handouts in the moment. One is just a summary of the comments I'll make today. But two are examples of thriving businesses in western Nebraska that have utilized the microprogram which I'll discuss in detail. Handouts with stories and pictures, so it won't be boring, I can promise you that. The Rural Enterprise Assistance project at the Center for Rural Affairs serves start-up and established businesses with ten or fewer employees across rural Nebraska. Launched in 1990, we've placed 1,500 microloans totaling more than \$19 million. In 2018 alone, we provided 893 clients with one-on-one coaching and another 1,471 with classroom-based training. And in our 30 years of lending, we've learned that capital alone cannot ensure the success of a business. Education, training, and mentoring are essential, and we provide these tools in the form of educational programs and one-on-one coaching to

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serve more than 10,000 small businesses across the state of Nebraska. We partner with many institutions to advance this work, including the Department of Economic Development. This collaboration is funded through BIA's Microenterprise Technical Assistance and Lending programs. These enable DED to provide grants to community-based microenterprise development organization-- I'll refer to these as MDOs, such as REAP-- in order to encourage the development and growth of small businesses throughout Nebraska. In 2018 alone, these programs resulted in Nebraska-based MDOs serving 5,408 clients with direct assistance and 2,899 through classroom training. A total of 261 clients were able to access direct loans totaling more than \$6.4 million in capital placed. While lending programs generate headlines and earn well-deserved acclaim, BIA's Microenterprise Technical Assistance Program is a key driver of our state's small business success. In total, Nebraska features 145,000 microenterprises, which account for 86 percent of all the businesses in the state. Approximately 24 percent of Nebraskans are employed by a microbusiness and 74 percent report a microbusiness as their sole source of income. Overall, the business owners who participate in technical assistance and training have higher rates of business success than those who do not. Of those who work with an MDO, 84 percent will still be operating their business five years later. The median revenue of these businesses will grow by 60 percent. The number of paid job-supported will increase from 2.1 to an average of 5.6 per business. These successful outcomes are made possible by training that focuses on economic literacy, budgeting skills, the value of marketing, and writing a business plan. And ongoing assistance helps business owners negotiate the challenges they face in marketing and quality control and business expansion. And in total, this training and technical assistance cost an average of \$7,300 per client. Under BIA, the department may award up to \$2 million in grants through the Microprice-- Microenterprise Assistance Program each year. In practice, however, much less has been made available. In the 2017-18 fiscal year, DED awarded \$1 million in funds to Nebraska MDOs. And that same amount was awarded in fiscal year 2016-17. In both years, this funding was divided equally between the microenterprise technical assistance and lending programs. We agree with the intent of LB334 to transfer \$4 million saved by eliminating the Angel Investment Tax Credit to the Business Innovation Act. In doing so, we urge this committee to set aside a minimum of \$1 million of this total for the Microenterprise Assistance Program. This will enable our high-performing MDOs to reach new clients and to increase their impact. Consistent with the requirements of LB449, which was passed in

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2015, we also urge the department to divide this additional funding equally among technical assistance and lending programs. As seen in fiscal years '16-17 and '17-18, this approach strikes the correct balance between providing the lending capital needed to get started and the technical assistance required to succeed. This helps ensure the Microenterprise Assistance Program will continue to outperform expectations. And with that, I'd be glad to answer any questions.

BOLZ: Thank you. Any questions for this testifier? Go ahead, Senator Clements.

CLEMENTS: What's the size of these microloans? What's the range?

JOHN HLADIK: Well, for the purposes of this DED program, \$100,000 is the highest. And we see a lot of them are, frankly, much smaller. Sometimes you just need a little bit to get started or sometimes you need just a little bit for inventory or for a new building. And so we find customers who are in the soft spot where, as Senator Stinner mentioned, they're not necessarily bankable but they just need that nudge to get over the hump.

CLEMENTS: Thank you.

BOLZ: OK. Thank you very much for your testimony. Further proponents.

AMY JOHNSON: Hello. Good afternoon. My name's Amy Johnson, A-m-y J-o-h-n-s-o-n. I am the co-founder and CEO of a company called LifeLoop. We are a software company that sells to senior living communities. We connect families, engage residents, and streamline operations for senior living communities. We started the company in 2015. And the reason we started was a reason that a lot of people can relate to: they have a loved one in a community, and they're trying to stay engaged in their life. And we ended up building a whole operational platform to help with that process, for the staff to then engage the family and allow the resident to-- just to stay engaged as well with technology. And without the Prototyping-- Prototyping Grant and the seed fund, we wouldn't have ever made the leap to start. And so we're very, very grateful for that grant. It was an idea, it was a project, and it allowed us to see if we could build something that would add value without taking so much risk on initially. Today we're in 30 states and we're connecting families all over the US and Canada, which is pretty, pretty cool. We have 12 employees and we-- we think we'll double that soon. So it's been a-- it's been a good success story for Nebraska. LifeLoop also won the Rise of the Rest, which is a

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fund that is backed by Steve Case from AOL, and I think that's highlighted a lot of success stories in Nebraska. They're funding the flyover states, and so it's a great story to tell for Nebraska companies. Questions?

BOLZ: Go ahead, Senator Wishart.

WISHART: Thank you. Are you from Nebraska?

AMY JOHNSON: I am. I'm from Fremont, originally.

WISHART: Where did you go to university?

AMY JOHNSON: Lincoln.

WISHART: OK. Great.

AMY JOHNSON: Yeah. Absolutely.

BOLZ: Go ahead, Senator Clements.

CLEMENTS: Thank you, Vice Chair Bolz. Thank you for being here.

AMY JOHNSON: Yeah. Thanks for having me.

CLEMENTS: How did you find out about the program-- with the state program?

AMY JOHNSON: Yeah, there's a lot of great resources for startups in terms of just support groups and understanding what those options are. And so that was-- that was a big part of it, the Startup Collaborative who is here today as well. They introduced us to that. And we applied and went through a process, and it was very, very important for our early-- early leap.

CLEMENTS: Where is your business located?

AMY JOHNSON: In Omaha. We just got a new office so it's been exciting.

CLEMENTS: Thank you.

AMY JOHNSON: Yeah.

BOLZ: Congratulations on your success.

AMY JOHNSON: Thank you. Thanks for having me.

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ERICA WASSINGER: Good afternoon, Vice Chairwoman Bolz. Thank you for having me. I am Erica Wassinger. That's E-r-i-c-a W-a-s-s-i-n-g-e-r. I am the senior director of entrepreneurship and innovation for the Greater Omaha Chamber. And today, I'm representing the Greater Omaha Chamber, the Lincoln Chamber, and the Nebraska Chamber of Commerce and Industry in support of Senator Stinner's bill, LB334. So our organization, the Startup Collaborative, exists entirely to improve the quality and the quantity of startups in our region and in our state. I think it has been shown that high wages come from net new jobs, which tend to be created from software-centered companies. And so we're doubling down on that in our program. To date, we've worked with 200-plus entrepreneurs in the last two years. We just celebrated our two-year anniversary. And so while we have improved the quantity, we have also improved the quality. Entrepreneurs in our program tend to be three times more likely to be successful, which is an incredible statistic for our state. We have served the majority of entrepreneurs in Omaha, Nebraska, but we've had teams as far away from, as Chadron and Norfolk. And so we like to kind of sprawl out and help you, as long as you fit our thesis and you have a bit of a Nebraska backing in you. We know that it is difficult to get a venture off the ground. As you heard from Amy earlier, taking bets and making calculated risk those early days is critical in this process. The Business Innovation Act has proven to be successful in doing just that. I think the economic impact has been impressive, too, much like Director Rippe shared. It has helped foster, at least according to the Nebraska Business-- Bureau of Business Research, 1,400-plus jobs, \$77 million in wages in areas across software, biosciences, ag and manufacturing, and an annual economic impact of \$284 million to our state. So that should probably not be lost on all of us just how much this ripple can impact. I thought it would actually be best, rather than me tell you why I think this program is important for all my startups, if I asked the startups I get to work with day in and day out what it has meant to them. And one of the founders, Derek Homann, of Median, actually wrote this. So if you don't mind, I would like to just read exactly what he told me to say, "The DED Prototyping Grant has been the single most helpful program to our company. For us, the capital provided by the grant allowed us to build out our initial product, get it in the hands of paying customers, and ultimately get us to the point of being a sustainable business. The Prototyping Grant is far and away the most startup-friendly program I've seen in our state." I think Derek says it well and I know that I have several other founders who have received this Prototyping Grant, as well as funds from Invest Nebraska through the Business Innovation Act, that are thriving as a result of

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this state's investment in their businesses. I'll be happy to answer any questions.

BOLZ: Great. Go ahead, Senator Clements.

CLEMENTS: Thank you, Vice Chair Bolz, and thank you for being here. The Prototyping Grant, what amount would that be?

ERICA WASSINGER: I believe it ranges, sir. So I think the full-- and I will ask Senator [SIC] Rippe to make sure I'm telling the truth on this-- I think the full amount someone can get is \$150,000 and needs to be matched and leveraged by a dollar, right? [INAUDIBLE]

DAVE RIPPE: [INAUDIBLE] around \$50,000 [INAUDIBLE]

ERICA WASSINGER: Most of the teams in our portfolio have re-- raised somewhere between \$50,000 and \$75,000 from the Prototype Grant.

CLEMENTS: With that grant, is there matching funds from the business required?

ERICA WASSINGER: Yes. And that is something that our organization is working hard to help those startups do. We have a really diverse portfolio. We have 50 percent of our portfolio being women and/or people of color. With that diversity, sometimes comes a different network that might not yield the easy access to a friends and family around. So one of our organization's goals is to make sure that matching capital is available.

CLEMENTS: [INAUDIBLE] Thank you.

BOLZ: Very good. Thank you.

ERICA WASSINGER: Thank you.

BOLZ: Further proponents?

JIM REIFF: Good afternoon. I am Jim Reiff, J-i-m R-e-i-f-f, with the Nebraska Enterprise Fund. Thank you, Senator-- Senator Bolz, for this opportunity. Members of the committee, my name is Jim Reiff. I've been with the Nebraska Enterprise Fund for about five and a half years as the executive director. NEF is a certified community development finance institution, or better known as a CDFI. We serve small and biz-- small and microbusinesses across Nebraska with revolving loans, one-to-one business coaching and consulting, and business training.

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And we're happy to celebrate our 25th year this year. So we're pretty excited about that. Over the past three years, some of our achievements including-- includes lending \$10.24 million to 246 small and microbusinesses across the state. The average size, I didn't write it down, but the average size is about \$42,000 per business. We focused on lending to diverse and distressed areas throughout the whole state of Nebraska. This has impacted, both through job creation as well as job retention, 1,505 jobs through the lending alone. Over the last three years, we've also impacted 3,415 different one-on-one coaching sessions with small businesses ranging from anywhere from cash flow projections, business planning, how to read a credit report, as well as numerous other activities. We've trained 2,288 participants on sales acceleration, QuickBooks, putting together a business plan and so forth in in-depth training. We fully support LB8-- LB334 and increasing the support of the Business Innovation Act. And I just want to share one of our clients. Fortunately, we've made him so successful because when we want him to cater, he's too busy to cater for us anymore [LAUGHTER]. But his name is LaWayne Nockai. He's a perfect example of seeing what the mix of lending capital plus technical assistance can do. He started his business. He started working with NEF and he came for an initial loan. That initial loan was about \$30,000. It allowed him to buy startup equipment and get his catering business up and going and continue to be going. But he took-- received coaching from BC Clark, one of our business advisors and mentors, and she does a course called Business Acceleration course. After taking that course, his business grew 300 percent. He was able to go from three employees to nine employees. All these employees are local, and local employees-- we know that when we have local businesses, money stays and recirculates into the economy. He's-- continues doing his catering business, his bread and butter, but he's also been able to open a shop on 48th and Center, some of the best barbecue in Omaha. I won't say for all of Nebraska, but certainly Omaha. But in conclusion, just because of the Innovation Act, businesses like Wayne's-- LaWayne's are able to not only receive the funding they need through the startup expenses, but access training and coaching that supports their business and development. NEF's loan to LaWayne helped him establish his business. This wouldn't have happened without the lending capital. But the Business Acceleration training and the coaching is what helped him really grow his business, increase employment opportunities, and expand its physical location. So thank you for your time and I'm happy to answer any questions.

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BOLZ: Thank you. Questions? Go ahead, Senator Clements.

CLEMENTS: Thank you, Vice Chair Bolz. Thank you, sir, for being here. No question about your 25 years of experience. What's your success and [INAUDIBLE] failure rate, default rate, once again?

JIM REIFF: Sure. The last three years-- I've been there about five years-- first couple of years we had write-offs of less than 1 percent. That doesn't mean there weren't some other loans that were troubled. Last year was a little higher, about 7 percent, but usually we're with-- our target is 3 percent or less, and all-- most of the businesses are near startup. They're not all startup, but they're near startup or in a distressed situation.

CLEMENTS: Are you seeing the economy lately-- business growth?

JIM REIFF: Depends which part of the state you're in. [LAUGHTER].

CLEMENTS: OK.

JIM REIFF: Yeah. Yeah, we're seeing good-- we're seeing good growth in, you know, the Omaha area, a little bit tougher for some of the rural areas. So--

CLEMENTS: Thank you.

JIM REIFF: Yeah. Thank you.

BOLZ: Very good. Thank you. Further proponents.

EVAN LUXON: All right. Thank you, Vice Chair Bolz, members of the committee, for allowing me to testify in support of LB334. My name is Evan Luxon, E-v-a-n L-u-x-o-n, and I'm here representing Centese, for which I'm the co-founder and CEO. Centese is an early-stage medical device company developing technologies to improve outcomes for patients undergoing cardiothoracic surgery. In addition to being the founder of Centese, I am also a Nebraska native. I grew up in Omaha and attended the university here in Lincoln before leaving to attend graduate school on both coasts. After my schooling, I ultimately landed in San Francisco, where I joined TheraNova, which is a medical device incubator that specializes in the identification of medtech opportunities and the formation of companies to pursue them. Throughout my time at TheraNova, where I remain a partner, I've been involved in the formation of four med tech startups that have each developed a novel technology and raised significant funding to bring

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them to market. Centese was one of the companies that was spun out of TheraNova and was formed in 2015. Around that time I also had a personal desire to get back to Nebraska, and I began to consider the idea of building the company here. But I was concerned that it may put the company at a disadvantage or worse, may not be practical at all, given the relative lack of an early-stage medtech ecosystem in the state. However, in the face of these concerns, I decided to seriously consider the possibility, and I connected with many people throughout the state who were very helpful in sharing their own perspectives on the feasibility of building high-growth, life science ventures in Nebraska. During these conversations, the Business Innovation Act was consistently recommended as something I should look into. After researching the various grant opportunities provided by the act, in 2015 I secured a \$25,000 private investment in Centese, in order to apply for a \$50,000 matching prototype grant from the state. The grant was awarded and allowed me to begin initial development efforts on our device. Shortly after that grant was awarded, Centese applied for and was awarded a \$150,000 Phase 1 SBIR grant from the National Science Foundation in 2016, which was matched with \$100,000 from the state through the act's matching grant. With these funds. I was able to hire my first employees, and we demonstrated the initial feasibility of our device in animals. Based on that progress, we then applied for and were awarded the \$750,000 Phase 2 portion of our NSF grant in early 2017, which was again matched with \$100,000 from the state. And in late 2017, we closed our series A round of \$2.9 million in which Invest Nebraska participated through the act's Seed Investment Program. With this financial backing, we've been able to reach significant milestones at Centese, including completion of device development, receipt of 510(k) clearance from FDA, and over just the past couple of weeks, treatment of our first two patients. Going forward, I plan to continue growing the company in Nebraska, and we'll be raising a significant Series B round this year, in order to accelerate our commercialization efforts, particularly in areas of manufacturing and sales. As you can tell, the grant programs provided by the Business Innovation Act have had a significant impact on our success today. And while I can't say that Centese would not be at the point it is today without these programs, I'm confident in saying that without them it is unlikely Centese would be based in Nebraska. Early stage medical device development is a difficult endeavor, and to be frank, there are other places in the country where the ecosystems are more developed, the talent pools are larger, and capital is easier to access. However, by leveling the playing field with respect to capital, the Business Innovation Act provides the opportunity for

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companies like Centese to make early progress in Nebraska, all the while establishing a footprint here from which to grow, and I believe that this bill will continue to strengthen its impact. Thank you for allowing me to be here today. I'll take any questions.

BOLZ: Thank you.

EVAN LUXON: Uh-huh.

BOLZ: Questions for the testifier? Well, thanks for coming back home.

EVAN LUXON: OK. Thank you.

GARY MADSEN: Thank you for having me here today. My name is Gary Madsen, G-a-r-y M-a-d-s-e-n. I'm co-founder, president and CEO of ProTransit Nanotherapy. We're a nanoparticle drug delivery company based at the University of Nebraska Medical Center down in Omaha. And the reason I'm happy to be here is that I've gained a lot of support from the state of Nebraska already, and I'm here to give a little recap of how helpful the state has been. Like the last speaker, I've, for personal reasons, wanted to come back to Nebraska. I have a-- a son and a son-in-law's-- a son, daughter-in-law, and baby here in Omaha. And so I wanted to get back here and to find a place to go with my background, which is a Ph.D. in medical microbiology, biotech for 30 years, was a very difficult proposition. So the state started a program called the Entrepreneur-in-Residence program, which I came-- which allowed me to come back to Nebraska. I then formed the company about five years ago, and it was the beneficiary of one of the Prototype Grants, that a Phase 1 grant. And now we've gotten a Phase 2 grant, which has really allowed me to hire high-level, highly trained Ph.D. candidates right out of the university. They have a-- you may not know this, but they have a very well-established nanomedicine center at the Med Center in Omaha, and those people graduate and a lot of them would like to stay right in Nebraska. And so I've hired a whole series of these recent graduates, and I've got one that just started a couple months ago. So they're delighted to have the opportunity to go into a commercial organization right here in Nebraska, instead of leave the state and find it in some big pharma company somewhere else. So I just want to thank you all for-- for what you've done. I really fully support the idea of putting more money into this program. It's really allowed us to move from a pure research stage to now on the verge of commercialization. We recently signed an exclusive licensing deal with a California-based skincare company, and they're going to work with us to take this skincare product that we're

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developing nationwide and then worldwide. So we-- we're on the cusp of what could be a major success. And we're going-- if this happens as we plan, we'll be building a full plant right in Omaha to continue to expand and develop additional nanomedicine products. The comp-- the people we work with most are the University of Nebraska Medical Center. They have a whole pilot plant there for scale up of nanomedicine type of products. And so the relationship between our company and the university is a very valuable one that we just really couldn't live without. So thank you all for your past support, and I fully endorse this next step in the project as it goes forward. Thank you. Is there any questions?

BOLZ: Thank you for your testimony.

GARY MADSEN: Sure.

BOLZ: Further proponents. Do I have any opponents to LB334? Any testifiers in a neutral capacity? Senator Stinner, would you like to close?

STINNER: I am going to waive because I am going to turn--

BOLZ: [INAUDIBLE] He is going to--

STINNER: --the rest of the meeting over to you.

BOLZ: --waive closing. Get some rest, Senator Stinner, thank you for LB334. Do we have any letters on LB334? Looks like we have three letters of support on LB334. From Brad Roth; from Rocky Weber, president of the Nebraska Cooperative Council; and from Pat Haverty with the Nebraska Economic Developers Association. And with that, we'll close the hearing on LB334 and open the hearing on LB551.

[BREAK]

McDONNELL: Thank you, Chairperson Bolz and members of the Appropriations Committee. My name is Mike McDonnell, M-c-D-o-n-n-e-l-l. I represent Legislative District 5 in south Omaha. Today I'm introducing LB551 for the committee's consideration. Currently \$470,000 is appropriated in each year of the preliminary biennium budget to the Department of Economic Development for aid to economic development districts. The appropriation request in LB551 would increase this funding to-- by an additional \$530,000, thereby providing a total appropriations of one million of general funds, in both Fiscal Year 2019-20 and Fiscal Year 2020-21, to the Department of

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Economic Development for the purpose of funding these development districts. This bill was brought to me by the Nebraska Regional Officials Council, which was established in 2009. The state's eight economic development districts structure this professional network as a mechanism for peer exchange and learning and to assure a unified voice at the state and regional level when advocating for their regions' programs and services. Each of the economic development districts is a dues-paying members and the board is comprised of executive directors from each district. The goal of the Nebraska Regional Officials Council is to assist cities, businesses, and other community members in growth and development. The Nebraska Regional Officials Council impacts lives and reinforces community wellness through the work of these districts. The funds appropriated in LB551 will assist development districts in bringing about positive advancements within the district statewide to include workforce development, housing, infrastructure improvements, business expansions, and tourism, among several others. I would note that the dollars flow to the individual districts through the Department of Economic Development, and that the vast majority of the dollars appropriated would flow, not to Omaha and Lincoln, but rather to rural communities throughout Nebraska. Tom Higginbotham, who is the executive director of the Northeast Nebraska Economic Development District and board chairman of the Nebraska Regional Officials Council, will be providing testimony before you today to further elaborate on the distribution of these funds. Funding resulting from LB551 will ensure the expansion of the continued growth through the partnership between development districts and the Department of Economic Development. Additionally, the funding from LB551 will continue to serve as a partnership and link between federal and state programs at the local level. Communities across Nebraska have benefited from these programs, which I feel are critical to the growth, sustainability, and success of our state. Current funding, which includes a preliminary appropriation of \$470,000 in each year of the biennium, coupled with additional funds provided by LB551 will allow development districts to leverage additional funds and further maximize the investment back into our communities, the citizens who live in them, and ultimately our state as a whole. I'm here to try to answer any of your questions and I will be followed by a number of people that are going to give testimony how this has impacted our state, east, west, north and south.

BOLZ: Go ahead, Senator Erdman.

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ERDMAN: Thank you, Senator Bolz. Senator McDonnell, you are one guy that brings a lot of bills with a lot of money costs-- cost a lot of money.

McDONNELL: This is the first bill that I've brought that would come out of the General Fund--

ERDMAN: Yeah, OK. Thank you.

McDONNELL: --which as the committee we've already approved for \$470,000.

ERDMAN: [INAUDIBLE].

McDONNELL: And this is an additional \$530,000.

ERDMAN: \$530,000. So you being a member of the Appropriations Committee and this is not your first rodeo, what do you propose-- what do we cut to give you \$530,000?

McDONNELL: When we go into executive session, I will-- I will discuss those options, but also I think we're going to look at the idea of how much do we need in a rainy day fund. There's going to be a number of things that we're going to discuss in this-- this process. But looking at the success of the-- the Department of Economic Development since 1967 in the state, and what we've done with the Nebraska Regional Officials Council since 2009 and the return-- that's why you'll hear some of the testimony today. The return on the money that we're investing-- we're not taking an additional \$530,000 and adding to the \$470,000, saying, oh, we'll just never see this again. The economic impact to our state, the-- the impact to those communities. And I can start going through some of that, but I'll-- I'll steal some of the testimony from some of the people coming from behind me. They'll be testifying after me, but we will go into depth. And-- and if you look at one of the handouts that you received, and looking at the Nebraska Economic Development-- the districts and the measuring statewide impact, oh jeez, if we start looking at the-- managed 130-- 130 grants, 200-- 2015 to 2016 totaling \$30 million. But the idea of the-- the 200 loans totaling \$16 million and the idea of the impact to it-- more than 650 new jobs have been created, another 800 jobs retained. It just-- if you look at throughout the state the impact it's making, from enhancing-- improving the water quality in the metropolitan area going all the way to the Panhandle, supporting local businesses and growing tourism, the economy growing, transplants-- transportation,

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improving on that through the network, through the trails, through the Sioux land. I mean just all throughout the state and there's-- there's five pages of what they've done in trying to measure the impact to our state.

ERDMAN: So we can spend our way into prosperity, right?

McDONNELL: No, I think-- I don't think we can cut our way to-- to greatness. I don't think--

ERDMAN: [INAUDIBLE].

McDONNELL: --we can cut our way out of a problem, but I think we can invest our-- our money in a way that does help us become a better state.

ERDMAN: Thank you.

BOLZ: All right. Thank you very much, Senator McDonnell. Proponent, please.

THOMAS HIGGINBOTHAM, JR.: Thank you, Vice Chair-- Chairwoman Senator Bolz and the members of the Appropriations Committee, for the opportunity to testify today for LB551 funding for the development districts pursuant to state statute 13-1901 through 13-1907. My name is Thomas, T-h-o-m-a-s, Higginbotham, H-i-g-g-i-n-b-o-t-h-a-m, Jr. I am executive director of the Northeast Nebraska Economic Development District headquartered in Norfolk. I also serve as the board chairman for the Nebraska Regional Officials Council, which is associated-- the association of the eight development districts in the state. NENEDD, as we call ourselves for short, covers 16 counties in northeast part of the state. Our population of our region is a little over 199,700, of which 72,000 is made up of Columbus, Fremont, and Norfolk. Of the 117 communities in our footprint, 110 of them have a population of \$2,500-- 2,500 or less. Our region faces many economic challenges to rural communities throughout the country. We are currently supported by a combination of funds, a planning grant from the U.S. Department of Commerce, Department of Administration, the Nebraska Department of Economic Development, and local membership dues and special contracts. Why we support this? Thank you for the commitment of the \$470,000 in the preliminary budget. We greatly appreciate that. The request for the additional \$530,000 in each year is a sizable request, but here's what we can do with it. Providing an additional \$530,000 in funding through LB551 will continue the growth of our partnership with the

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Department of Economic Development, which is mutually beneficial to all communities, entities, to best meet the needs of our communities we serve and the citizens that live in them. It will allow everyone to maximize limited resources for-- for all-- for more effective outcome. Development districts provide the link between federal and state programs at the local level. As such, district staff are regularly attending county, city, and village board meetings to gain firsthand knowledge of community needs, in turn-- in turn helping them turn those into projects. We see this as an opportunity for the Nebraska Department of Economic Development to utilize district staff as an extension of their own. In additio-- the-- this additional resource will allow the districts to expand and grow to meet the needs of the state and the communities we serve. As a point of reference, I have handed out a table showing estimated funding at different levels for the development districts based on state statute 13-1906. Successes-- we first started receiving this funding at a level of \$500,000 for fiscal years '15-16, '16-17 and '17-18. In 2018, the 105th Legislature passed and Governor Ricketts approved a main line budget state budget bill, Legislative Bill 944, which reduced the funding from \$500,000 to \$470,000 for fiscal year '18-19. This past year alone, the cumulative reports submitted to the Department of Economic Development by all eight districts on this funding shows that over \$33.3 million in grants and loans for planning public facilities, infrastructure, business assistance, housing, tourism were brought into our communities, resulting in the creation and/or retention of 251 full-time jobs, 16 rental units, 97 homes rehabbed, and 26 families received down payment assistance to become homeowners. To date, the Northeast Nebraska Economic Development District's share of this four-year funding has totaled \$298,504.55. This funding was put to work by-- by us and it has assisted member communities with projects such as housing, street improvements, water, sanitary sewer improvements, libraries, fire halls, housing studies, comprehensive plans, engineering studies. During this time, over \$22 million in grants and loans have been brought into our 16-county region, resulting in 418 full-time equivalent jobs, 24 rental units, 20 homes rehabilitated, and 29 families receiving down payment assistance to become homeowners. These projects are very important to the viability and growth of our communities. In addition-- assisting our communities, we also participate in the National Association of Development Organizations' annual policy conference in D.C., where we meet with our senators and our congressmen, as well as federal agencies to advocate for the federal programs that fund these projects. In closing, I urge you to support LB551, which is asking to

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increase our base funding from \$470 to \$1 million for the development districts. This funding will provide additional resources necessary to grow each district, creating new programs, expansion of staff, to build and strengthen the state of Nebraska, creating prosperous communities where people want to work, live, and raise families. Thank you again, Vice Chairwoman-- Senator Bolz and the members of the Appropriations Committee, for the opportunity to testify in support of this bill. We would appreciate any increase that you can provide and we'll be good stewards of those dollars. Thank you.

BOLZ: Thank you for your testimony. I'm-- I'm having a little bit of a hard time connecting the dots to what the practical application of these funds will be. Can you-- can you brass tacks this for me a little bit? If we give you an additional appropriation, what will you-- what will you do differently tomorrow? What is it--

THOMAS HIGGINBOTHAM, JR.: Well, some-- some--

BOLZ: --beyond the theoretical?

THOMAS HIGGINBOTHAM, JR.: Yeah, some districts will use those dollars to expand their staff and to be able to better serve the communities within their region. My staff-- I have a staff of 10. I have three planners on staff, two business, two housing staff, and one business loan department staff, you know, so these dollars can be used to expand those-- the staff to better serve the communities in our 16 counties. You know, we could also use these dollars to create new programs, pilot programs. We have in the past been visiting with the Nebraska Department of Economic Development on things that we can assist them with-- to do.

BOLZ: Are there-- are there-- I was looking in our existing statutory language. There is a definition of the development districts. But in my initial review I-- I don't really see direction in terms of goals or outcomes or expectations. Are there certain things that you are to deliver based on your existing preparation?

THOMAS HIGGINBOTHAM, JR.: Yes. Every district-- as I mentioned earlier, we get some of our funding from the Department of Commerce, the Economic Development Administration, EDA for short. With those dollars we put together a scope of work for our region. We take those dollars and we supplement our membership dues in the last four years, the state appropriation dollars, to work on our scope of work. So we do put together a scope of work and also a comprehensive economic

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development strategy for five years. So every five years we update that comprehensive economic development strategy and annually we update our scope of work.

BOLZ: OK. Are there other questions from the committee? OK. Thank you, sir. Further proponent.

GREG YUELL: Good afternoon, Vice Chairwoman Bolz and members of the Appropriations Committee. My name is Greg, G-r-e-g, Youell, Y-o-u-e-l-l, and I am the executive director of MAPA, which is the Metropolitan Area Planning Agency, based out of Omaha, Nebraska, and we serve as development district for Douglas, Sarpy, and Washington Counties in Nebraska, as well as Pottawattamie and Mills Counties in Iowa. And as Tom Higginbotham described, we are one of the eight development districts that comprise the Nebraska Regional Officials Council, or NROC, and all the districts work to grow and strengthen cities and counties in our respective regions through community and economic development. However, we do not all offer the exact same services and so we try to work together to ensure that if one of our districts is unable to provide a certain service, another district will be able to assist to meet a community's needs. So as the senator and Tom kind of gave an overview of-- of what we do and how this money works, my purpose is to give you a kind of an example of how in the past this funding has helped us expand our services. So MAPA, as I mentioned, we're not all the same. Throughout most of our 50-year history, we did not provide assistance to communities related to housing-related projects. That had just not been one of the items our board identified for us. Now, much of our funding that we receive comes from federal sources, and that has significant restrictions with that and is limited in how it can be applied. So the new influx that we received a few years ago of state funding gave us the additional flexibility necessary to grow services related to housing. So in 2017, the MAPA Foundation applied for and has secured funding from Nebraska Department of Economic Development for a grant on behalf of the villages of Valley and Waterloo and that was to do owner-occupied housing rehabilitation. In the past, in our region similar grants had gone-- gone mainly to the city of Omaha, where they have the staff and the resources to do that, but the smaller communities in our region did not have that and were not able to secure those kinds of grants. So with that, MAPA was able to assist those smaller communities. And then in 2017, the Legislature passed LB518, which as you probably recall is the Nebraska Workforce Housing initiative and under this bill communities can apply for grants to build workforce housing,

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which is defined as housing. It's a step up from affordable housing. It costs less than most of the new housing being provided by the private market across most of Nebraska. So this would-be housing is less than \$275,000 for owner-occupied or less than \$200,000 for rental housing units. And we're shooting for below that number. So funding from the workforce housing grant program was supplemented with funds from the city of Blair, from MAPA's Foundation and from Nebraska Investment Finance Authority or NIFA, as well as a local bank to develop a fund of nearly \$1 million. And with that fund, we'll provide low-interest loans with favorable terms to a developer to build five new housing units on the former Dana College campus in Blair. And then the intent of the program is that upon the sale of those homes, that fund will be replenished and then revolved again to build five new homes and continue that process, again looking at workforce housing that was not being provided by the market. So MAPA has now submitted a subsequent application in the same area, Dana College campus, with DED's innovative housing program through the Nebraska Affordable Housing Trust Fund. It is highly unlikely that MAPA would have been developing these new services that will be benefiting Blair, Waterloo, Valley, and other communities without the state funding that we received. We were able to maximize the value of the state dollars we received to leverage federal funds, philanthropic, and private funds as well. So your decision to fund the development districts is greatly appreciated. The need among our communities for a regional partner that can bring expertise and capacity to secure funding is very great. We hear about it all the time. So if there is ability to expand and increase funding, it will allow development districts to continue to grow our services to leverage additional funds, and it will have a greater impact on Nebraska. So we support LB55-- 551 and ask that you give this funding your strong consideration as you go through your process. Thank you for your time and attention.

BOLZ: Go ahead, Senator Wishart.

WISHART: Thank you for being here. Do you-- do you bring down federal dollars as well as some projects that you are working on?

THOMAS HIGGINBOTHAM, JR.: Absolutely. We-- we work through the Economic Development Administration that was mentioned earlier, Housing and Urban Development. MAPA, we have a significant part of our work is through transportation, so receive a lot of dollars through DOT and other agencies.

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WISHART: So some of the investments that we would be making into this program can be leveraged then with federal dollars as well.

THOMAS HIGGINBOTHAM, JR.: Absolutely. And-- and that's kind of what I am talking about, that-- that flexibility that state money is so important since a lot of our sources do come from federal sources. When we're able to utilize state money, we can apply that in different areas to different programs, and it really makes it go a lot further. It's not just a single dollar being spent. It can be leveraged.

WISHART: So are there examples where in order to achieve a competitive grant on the federal level or dollars that are-- come out for bid on the federal level, that there is a requirement for a local match and if you didn't have these dollars we wouldn't be able to draw down those federal funds?

THOMAS HIGGINBOTHAM, JR.: The best example is the one I-- I just talked about, our projects--

WISHART: Yeah.

THOMAS HIGGINBOTHAM, JR.: --in Blair. The past couple of years--

WISHART: Yeah.

THOMAS HIGGINBOTHAM, JR.: --ab-- absolutely, without state funding that allows us to then pull down-- to be able to bring in NIFA money, able to bring in private bank donations and others, because of that. I think of a lot of DOT projects as well, where we're able to leverage that money. We are also with the city of Blair. They're working on a south bypass project and going after a federal program. But part of the criteria, as the-- the Department of Transportation looks at their different projects and scores them is how much skin-- skin in the game does a community have. So the city of Blair is able to put in 30 percent of that, and so that's able to get their score up. If they were just doing 5 or 10 percent, they wouldn't be able to do that. So that type of project comes along often and that's a transportation example but would also work in housing and community development and planning, lots of things that communities need to help grow their communities.

WISHART: OK. Thank you.

BOLZ: Thank you. Oh, go ahead, Senator Erdman.

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ERDMAN: Thank you, Senator Bolz. Thank you for coming. So these homes you're building on the college-- the former campus of Doane or Dana, are using-- are they using TIF financing to build those?

THOMAS HIGGINBOTHAM, JR.: No.

ERDMAN: They're not?

THOMAS HIGGINBOTHAM, JR.: Well, not those particular funds. There-- there is a TIF district for the entire area. There's that and former college campus has, you know, a-- a kind of a master plan and it's-- there's a nonprofit that actually owns the land now, is overseeing that, so we're working with the city of Blair. We have a small portion of that for-- for the workforce housing. There's also some multifamily housing going in and then some projects related to the Angels Share is the nonprofit there where they're working with kids that are coming out of the foster care system and places like that. So there is a TIF district for it as a whole. But that's not for our specific project.

ERDMAN: So are there private contractor just building homes without their--without this help?

THOMAS HIGGINBOTHAM, JR.: No. Not-- not at that location.

ERDMAN: Thank you.

BOLZ: OK. Thank you, sir.

THOMAS HIGGINBOTHAM, JR.: Thank you.

BOLZ: Further proponents.

JOE KOHOUT: Vice Chairwoman Bolz, members of the Appropriations Committee, my name is Joe Kohout, K-o-h-o-u-t. And I'm the registered lobbyist on behalf of Nebraska Regional Officials Council. I am passing out testimony. I am not Judy Petersen. [LAUGHTER] as you can imagine. Judy is from the Central Nebraska Economic Development District and had intended to come today, but unfortunately due to weather and now flooding around her property that we just saw on Facebook a few minutes ago, the-- her-- she was not able to-- to be with you today. I would note a couple of points in her testimony. That the Central Nebraska Economic Development District appreciates the appropriation that this committee has provided in the past. And I would note in the fifth paragraph down on page 1, they see an EDD gets about \$50,000 and they've been able to generate over \$3.7 million in

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state and federal grant funds for housing development. So I would just note those couple of points and would ask that the committee take her testimony under advisement, even though she could not be here today.

BOLZ: Thank you for your testimony. Questions for this testifier? I have one and-- I understand you are not Judy. You can pass it along to her if you don't have a response. But this is the first testimony that I've seen referencing economic development districts working on workforce development.

JOE KOHOUT: Uh-huh.

BOLZ: What-- what does that mean in the flight through an economic development district? Perhaps she can send me an email response.

JOE KOHOUT: I will-- will actually-- absolutely ask and will follow up with the other folks and have them get information to all the committee members.

BOLZ: OK. Thank you.

JOE KOHOUT: Thank you.

BOLZ: Further proponents. Do we have any opponents? Any testifiers in a neutral capacity? Senator McDonnell, would you like close?

McDONNELL: Thank you, Senator Bolz. I believe good neighborhoods build good cities, good cities build good states, and what creates a good neighborhood is good-paying jobs, it's good public education, it's good public safety. We're talking about investing in our people. We are talking about investing in our state. Now, I know as-- as this committee, we've already put together a preliminary budget and we said, we believe in this program. We believe in it to a point of \$470,000. We're looking at taking the program to a million dollars because we know it works. This is an investment. And this is making a difference. I believe in it. Also I'm willing to work with the committee on the total amount of money, but I believe we should because of the success of the program. And it's obvious, if you look through the-- what they've done and how they're-- how they're measuring the money that we're investing. We are getting a great return on this money. I'll try to answer any of your questions.

BOLZ: OK.

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McDONNELL: Thank you.

BOLZ: Thank you very much, Senator. So I have a--

WISHART: Steve.

BOLZ: --a--

WISHART: Steve. Steve.

BOLZ: --one letter of support from Pat Haverty, from the Nebraska Economic Developers Association.

_____ : What an eccentric.

BOLZ: And with that, we'll close the hearing on LB551 and open the hearing on LB531, creating the Enhanced Voter Fund, providing transfer [INAUDIBLE].

ERDMAN: It's coming from the west; 60-mile-an-hour winds [INAUDIBLE].

WISHART: Oh my gosh.

ERDMAN: You can't even see across the road. It's completely whiteout. The governor declared an emergency.

BOLZ: Good afternoon, Senator Vargas

VARGAS: Good afternoon, Vice Chairwoman Bolz, members of the Appropriations Committee. My name is Tony Vargas, T-o-n-y V-a-r-g-a-s. I represent District 7, the communities in downtown and south Omaha. LB531 creates the Enhanced Motor Voter Fund. Funds do not come from any state tax or fee or any general appropriations. Funds would come from the federal Help America Vote Act-- HAVA money, which is directed by the Federal Government's and Nebraska Secretary of State. Now the purpose of this fund will be to increase voter registration through eligible Nebraskans' interaction with state agencies and create efficiencies. For example, if an eligible voter, a currently registered voter moved and changed his or her address at the DMV, the money in the Enhanced Motor Voter Fund could be used to allow the DMV and the Secretary of State to devise a system in which the individual's voter registration could also be updated at the same time. Or an ineligible-- an eligible voter, a currently registered voter, was applying for SNAP benefits or Medicaid, his or her address could be used to update the voter registration at the same time. This

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would have a number of benefits for our democracy. But our primary concern here with this bill is using existing federal funds and directing the Secretary of State's office to use them for a specific purpose. There will be people testifying behind me that can answer more specific questions about federal HAVA money. So I'd ask to save some of the technical questions for them. I do want to give a little bit more light here as well and I've had the opportunity to talk with the Secretary of State and deputy Wayne Bena. And you know, one of the things I think we can agree on and what we've seen some from recent reports is that there's basically duplications of-- of information. We've seen a lot of these inefficiencies come up, and I think they've arisen a-- at a level in our state more than other states. I'm encouraged that the Secretary of State is-- is committed and-- and to addressing these, and then they'll be looking at ways to address this over the coming years. These funds, I hope, go a step further. Because from last year, when I brought a bill that was trying to improve our voter registration process to an opt-out system, we worked hand in hand with the Department of Motor Vehicles, we worked with the Secretary of State's office, and really identified some-- some substantial obstacles to then implementing and increasing voter registration rolls and addressing some of the duplications that we're seeing in information, and where there's some real problems that we need to address. And some of those include funding. I didn't want to create an unfunded mandate. And so in an effort to do that, we wanted to find funds that are already existing for federal reasons that do align with the purposes of-- of-- of sort of this content and set them aside, so that when there is time for us to work on these things, that we can then move forward and address some of these inefficiencies. But again I am encouraged that the Secretary of State is also taking efforts to address some of those different instances that I've identified and just look forward to continue working with-- with you all to increase voter registration in the state of Nebraska. With that, I am happy to answer any questions.

BOLZ: Thank you, Senator Vargas. Go ahead, Senator Erdman.

ERDMAN: Thank you, Senator Bolz. Senator Vargas, what currently happens now if I go in to renew my license or if I'm getting a new license? Do they not offer me the opportunity to register to vote?

VARGAS: They offer you the opportunity to register to vote, yes.

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ERDMAN: OK. So if now they currently offer you that option, why do we need to do this?

VARGAS: So this isn't a policy. This is not stating that there is something that we are or not going to do. That's a separate conversation. But generally there are additional things that we can do to improve voter registration efficiency, some of which can include the point of contact where people are coming and then providing an opt-out system. Some can include ways that we can address dupe-- duplications in some of the registration information we see. We need to improve our voter rolls as well. And so-- but this is not a set policy stating what we are or are not going to do with the funds. It-- like a statutory policy language. This is the intent of the funds would be used in this area.

ERDMAN: So what exactly are we trying to accomplish? What problem are we trying to solve with this?

VARGAS: Well, I think similar to a lot of that bills that we've-- we've heard, there are areas of focus. And one of the areas of focus here is improving our voter registration rolls. And so I want to make sure we're setting aside some funds, specifically federal funds that are utilized for this purpose so that we can then address some of the issues that we've seen in our voter rolls.

ERDMAN: Describe what the deficiencies are with our voter registration rolls.

VARGAS: I actually will ask some of the people that are going to come, both from the Secretary of State's office, and then also from other individuals testifying which will be on different sides of this fence for-- for this specific bill. They'll be able to tell you some of the inefficiencies that we're seeing and the things that we need to improve in voter registration. But they do exist. They came out of, again, a bill I introduced last year. There's both a cost associated with it, but there are process improvements that we need to make internally. But any time there's a cost, to your point, we need to figure out a mechanism to pay for them. And we're really fortunate to have these HAVA funds. And I think that finding better ways to leverage federal funds, obviously not all of them-- HAVA funds are in the millions, we're talking about \$200,000 here, I think is a good step forward to setting them aside so that we can really prioritize them to be as most impactful as possible.

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ERDMAN: OK, I'll listen to the other testifiers.

VARGAS: Great. Then I'll make sure-- if they can't answer, I'll figure out an answer for you.

BOLZ: Go ahead, Senator Hilkemann.

HILKEMANN: Senator Vargas, the HAVA funds. Tell me, I need to know a little more about them. I know those are federal funds. Are we as a state allocated x number of dollars like a block grant to them, or how do they work?

VARGAS: I-- I will have somebody testify a little bit more as to the HAVA funds, but the-- but they are-- they are funds that are given to us. The-- the part that I know that is important here is there is a match that we need to then put forward so that we can get a certain amount of the HAVA funds. They are-- they are earmarked for a specific earmark. They-- they have an intent language for what they can and cannot be used for. I think it's broad in some places, but it is very constrained to improving the voter registration process and equipment and a lot of things that-- that are in that arena. But it is-- it is very-- it's very constrained to election administration.

HILKEMANN: But-- you said a match, where are we getting the funds to match the HAVA funds?

VARGAS: There is in our budget requests, a speci-- specifically appropriations budget request that five-- the ability to utilize a 5 percent match for these HAVA funds. So that's-- that did come to us. That's-- that's one of the requests from the Secretary of State. I cannot remember whether or not we authorized that yet or not, but I don't believe that we have yet--

HILKEMANN: [INAUDIBLE].

VARGAS: --Scott is telling me something different.

HILKEMANN: You're suggesting that we use these funds for-- this would be earmarked only for voter registration.

VARGAS: This would be earmarked with the intent to improve voter registration rolls, but like any cash fund, we would set it aside so that it can be utilized for some specific purpose. So I put some intent language on the purpose here, but it is for vote-- improving voter registration rolls, improving voter registration process. And

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one clarification, and this is kind of-- this is not to your question but I want to make sure to state this. The way that we wrote this is specifically allocating funds from an existing cash fund, the Election Administration cash Fund. The intent, and we will have to work on an amendment, was not to take the funds from the election mission-- Election Administration cash Fund but to then transfer funds that we would get from HAVA into this new motor voter, you know, Enhanced Motor Voter improvement Funds. So we will have to change that. That's a conversation I had with the Secretary of State to make it-- to-- for the actual intent of what we're trying to do. But as it stands right now, we are not trying to take \$200,000 from this specific Election administratio-- Administration Fund, because that fund does not have enough funds right now, as it exists, to transfer 200-- I think it has like \$211,000, something like that. The intent is to use HAVA funds from wherever they come and a portion of them, a very small percentage of the \$200,000, to then go to this specific cash fund.

HILKEMANN: Is the other-- is the Secretary of State planning to use the HAVA funds for the improvement of our election process as far as equipment counting?

VARGAS: Yes. So-- and I will let the Secretary of State speak for themselves, but very high-level, I'll tell you. Every single Secretary of State is using HAVA funds for a variety of different reasons, within the purview of what you're allowed to use it for, but they are trying to prioritize improving the election administration process, registration process, voter equipment, that kind of runs the gamut. One of the things that I mentioned and asked the last time we were here when we were going through the budget-- initial budget request is finding out more information as to that. I know they will be bringing that, and there are some good uses for the HAVA funds that they're going to bring. But I also wanted to-- and what I've seen is a little bit of a gap here is trying to then set aside money for what I've seen in some of the bills I brought last year as real-- real gaps in our voter registration system and improving our motor ro-- and our voter rolls. So that's what the intent of it is, some of which will be addressed through HAVA funds and-- or even just General Funds to the Secretary of State. And there's-- and they have-- there-- there's intent for them to address this over time, but not everything that I would-- I've-- I've found out of some my legislation last year that will improve the voter registration system.

HILKEMANN: Do you plan to be here for closing?

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VARGAS: Yeah, yeah.

HILKEMANN: OK.

VARGAS: I'm going to be here.

HILKEMANN: We will have some questions that'll come up after others testify.

VARGAS: I'll hold you to that, Senator Hilkemann.

BOLZ: OK. Thank you, Senator Vargas.

VARGAS: Thank you.

BOLZ: Proponents, please.

WESTIN MILLER: Oh, you know what? I have one for you.

_____ : You have to give it to him.

CADET FOWLER: Thank you.

WESTIN MILLER: Thanks. Hi, Senator Bolz, members of the committee. My name is Westin Miller, W-e-s-t-i-n M-i-l-l-e-r. I'm the policy and communications associate with Civic Nebraska. Civic Nebraska is a nonpartisan, nonprofit organization. We work with the Legislature on elections and voting rights legislation. So typically, I'm with the Government Committee. It's my first time with Appropriations, so it's an honor to be here. Thanks for letting me speak. I'm here in support of LB531. I want to thank Senator Vargas for this great idea and I do look forward to the conversation. I've passed out a few materials today. These will start to answer some of the questions that have already been brought up. Mostly, where's this money coming from, where's it going, and why is this a good use of our time? And I think it certainly is. Senator Hilkemann, I'll start with your question about kind of some context of what exactly is this money and where is it coming from. So in 2002, the Help America Vote Act, or HAVA, was passed by Congress and it was passed largely as a response to the public confidence catastrophe that was the Bush v. Gore election. Members of Congress from both parties understood that regardless of political affiliation, public trust in elections was dramatically shaken as a result of the hanging chad crisis in Florida. The Help America Vote Act appropriated significant amounts of money to states to make improvements in their election system, and at the time

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Nebraska chose to spend most of that money on new election equipment. That fund is now dry, until in March 2018, Congress passed basically a mini grant extension to the states and allocated some more money. Nebraska got \$3.4 million. All we have to do to get that money is provide a 5 percent match, it's about \$174,000. This new federal money is going to be deposited directly into the Election Administration Fund. That's mandated by the language that created the grant, and LB531 seeks to specifically appropriate \$200,000 of that new federal money into the new fund that we're creating, the Enhanced Motor Voter Fund. According to the Secretary of State's current budget request, and of course, I'll let Secretary Bennett clarify this, but it's-- according to my reading, he's already accounted for how we're going to spend about 1.9 of these \$3.4 million. And just to put on the record, we enthusiastically endorse how they are spending those \$1.9 million. I think that the digital security of our elections will be significantly improved by some of the changes that they're proposing. However, I do think that this new fund is also really important as Senator Vargas alluded to, because it provides a really reasonable, measured amount of direction from the Legislature to the Secretary of State about how to spend about 6 percent of that money. It's important that we don't forget about a very important part of the Help America Vote Act's intent, which is to improve participation and public confidence in the election process. Senator Erdman, one of your questions, what is this-- what is this fund actually going to do? The Enhanced Motor Voter Fund is specifically to expand on a program that was created as a result of the 1993 National Voter Registration Act. Motor Voter is the concept that came out of that congressional act. It's the process by which Nebraskans can register, update, or affirm their registration while they're already having an interaction with the Department of Motor Vehicles. The Enhanced Motor Voter cash Fund is designed to improve those interactions by making them more efficient and ultimately enhance the accuracy. And I think that's the security of our voter rolls. I want to be respectful of the committee's time. If-- I can definitely go into more detail about this process, if you want to ask, but otherwise I would thank you for your time. I am happy to answer any questions.

BOLZ: Thank you. Are there questions for this testifier? Go ahead, Senator Wishart.

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WISHART: You know, you've been-- Senator Vargas has spoken to us, too, and you have as well, but can you just brief us a little bit more about the fiscal note in-- yeah. Just brief us more about that.

WESTIN MILLER: Absolutely. Yeah. Thank you for asking. So the fiscal note as it's written, it notes the explicit purpose of this bill, which is the \$200,000 transfer in the Election Administration Fund and also has a \$200,000 expenditure from the General Fund, which seems to be to replace the money that's coming out of the Election Administration Fund initially. I think this is maybe a kind of a gap of, like, understanding the intent of the bill. So a couple of things I think are important to point out. In this I refer you to the handout, on the right side, especially, that explains kind of the logistics of how this grant works. We can start to draw down on this fund immediately. As of March 2018, we are good to make-- make draws against this grant. In order to get that grant, we have to put up \$174,000. According to this fiscal note, that money has already been put up. It's already in the fund. I think that the kind of where we're kind of passing in the night here is that the purpose of this bill is to use this new federal money to create this new cash fund. It was never to pillage \$200,000 from the General Fund. I think this fiscal note is kind of an implication that that is not how the Secretary wants to spend that money, which is totally his right to say that, totally his obligation. I think that unless I'm wildly misunderstanding this grant, which I don't think that I am, this is-- this \$200,000 is a draw we can put against the federal money right now, so there's no reason that we need to take \$200,000 from the General Fund to pay for this. I would also point out finally that the 5 percent match, \$174,000, is currently in the Election Administration Fund. We've done our duty. There's no reason that money, then, can't be spent on positive improvements like this. The 5 percent match was to make sure that states have some skin in the game and we do. And so I think that I would encourage the committee to consider that this \$200,000 can come directly from this new federal grant. I don't see any reason why it has to come from the General Fund.

WISHART: OK, so just so I'm clear--

WESTIN MILLER: Yeah.

WISHART: This-- the-- so then-- the \$200,000 that we would be putting up would be a requirement for the 5 percent match.

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WESTIN MILLER: That's right. So we are obligated to put up \$174,000 of state money into the Election Administration Fund. We have to do that sometime before, I think, March 2020. Otherwise we have to give the federal money back is my understanding.

WISHART: OK. So what-- what-- what we are contemplating today is that using those dollars that were already required--

WESTIN MILLER: Uh-huh.

WISHART: --to-- to put up for a match, really focusing those on Motor Voter.

WESTIN MILLER: I think that we can talk about the money that's used for a match or that-- we have-- we have very broad access to all of this \$3.4 million right now. And they've also included in those handouts, they're kind of the narrative that the Secretary of State submitted to Congress to say, you know, this is how we plan to spend this money, and they said, great, do it, here's the money. The-- improving the Motor Voter process easily falls within that category. If you want to look at-- at the specific narrative, I believe it's-- yeah. The-- the-- the second giant point that we proposed is voter registration systems and management, subpoint B being specifically about voter list maintenance, and subpoint C is specifically about voter registration system enhancement. So this is clearly within the application that we submitted to Congress. So I-- I think the confusion is, I think it's about whether or not we have access to this money right now, and I'm arguing that we do. Congress has said we could have started making drawdowns in March. And so we can start another-- I know the word charge is flippant. You could tell I'm not in front of this committee a lot but we can charge this \$200,000 to that federal grant starting right now. Congress has given us the OK to do that.

BOLZ: Do you have questions, Senator Hilkemann?

HILKEMANN: Well, will this money be competing, then, with the money that-- that-- the Secretary of State wants for new equipment?

WESTIN MILLER: I would say, possibly, but we don't know yet, which is kind of the purpose of this bill, to make sure that we're defining our priorities. So my understanding is that Secretary Evnen in his binding budget request has already spoken for about 1.9 of these \$3.4 million. We are suggesting that, as we figure out how to spend the remaining

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1.5, that we make sure at least \$200,000 is used for the express purpose of improving our voter registration process. Secretary Evnen is doing, like I said, excellent things with this money. But implementing policies to increase our voter rolls is not one of those things, so far. So I just want to make sure that doesn't get lost in a larger, messier budget conversation. Does that answer your question?

HILKEMANN: Yeah.

WESTIN MILLER: Oh.

HILKEMANN: I think it does. I-- I just know that-- that one of the things that we have is a problem is we have old, decrepit--

WESTIN MILLER: Absolutely.

HILKEMANN: --voting counting equipment that they want to replace across statewide and that is a fairly expensive process.

WESTIN MILLER: It is.

HILKEMANN: And so I'm wondering how much? You've got this piece of pie.

WESTIN MILLER: Uh-huh.

HILKEMANN: How much of this piece of pie is going to be taken for this? And if we do, how is that going to take it away from a bigger more-- we have, again, it's as we do in this committee all the time, it's priority, priority, priority.

WESTIN MILLER: Absolutely.

HILKEMANN: And I--

WESTIN MILLER: I can't imagine how difficult it is for you all to constantly balance the thousands of competing interests for our state dollars. I do think, though, that-- two important things to note. One is that this HAVA grant is not enough to replace election equipment, even if we used every single dollar for that purpose. It wouldn't even come close to the replacements that we need. And I also would argue that the specific policies that can be enacted as a result of the Enhanced Motor Voter cash Fund do stand to save a tremendous amount of money, which can help us to plan ahead for, unfortunately, the next time we have to do this, because we all know that our next purchase of

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equipment is not going to be-- it's not going to last forever. The efficiency gap that Senator Vargas referred to in our current voter registration process is that-- well, Senator Erdman is correct, that you can currently register to vote at the DMV. A lot of people, thousands of people, choose not to take advantage of that interaction. And when that happens, there's a tremendous opportunity cost to the state. One is an opportunity cost of improving the accuracy of our voter rolls, but also provisional ballots are really expensive. They cost like five times as much in terms of process and staff time to handle as just a regularly cast ballot. And that's money the state could start to accumulate and help us be better prepared for the next time we have to buy new equipment. So I think it's crucial that some part of this grant enacts a process that could save us some money long term. And while you'll hear me later say that replacing our equipment is so absolutely important, it's kind of like buying a car. There's no winning situation, you just hope your money lasts a little bit longer.

HILKEMANN: But you just touched upon a thing. It's-- we already-- we already, as Senator Erdman said, we already have this available.

WESTIN MILLER: Yeah.

HILKEMANN: How is this going to make it any different?

WESTIN MILLER: Yeah. So this policy's been enacted-- I wish I knew -- the exact number-- about a dozen states across the country. This kind of-- this kind of opt-in process that we're talking about. That little change, and I guess, to be very specific, one of the specific policies that Civic Nebraska would like to see changed is changing this motor voter process change from an opt-in to an opt-out process, and all that means is, right now the conversation is-- so let's say Senator Erdman is renewing his license, and at some point, either the form or me as a person says, OK great, would you like to register to vote while you're here? He might say yes, or if he's in a big rush or if he doesn't understand that this process is actually quite simple, he might say, no, I got to go, see you later. All that we want to do is change that interaction to say, OK, we're collecting all this information anyway. We're gonna go ahead and use this information to update or affirm your registration while you're here, check this box if you really don't want us to do that. That's all they we're suggesting that we change. And there is ample proof from other states, like Oregon and Illinois and Alaska even, that that interaction has a tremendous impact on how quickly and how regularly and how efficiently

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we can update our voter rolls. It's-- it's a tiny change but it has a pretty significant impact.

HILKEMANN: OK.

BOLZ: Thank you, Senator. Senator Hilke-- or Senator Clements, did you have a question? Go ahead.

CLEMENTS: Yes. Thank you. Thank you, Mr. Miller. This new voter fund-- motor voter fund, who is going to administer that?

WESTIN MILLER: It would-- it would be under the purview of the Secretary of State.

CLEMENTS: Secretary of State? And I'm not sure why it's necessary to create this. Can you speak to that?

WESTIN MILLER: Absolutely. Thank you for the question. I think the main reason is that it's perfectly within the jurisdiction of the Legislature to provide some basic direction as to how this money ought to be spent, and that's how I interpret the creation of this new fund. Like I said before, the choices that are being made currently are fantastic. But as an organization and kind of my job is to kind of monitor the policy wins as far as the implementation of policies that ensure that our elections are accessible to all eligible voters. I mean, a lot of that is making sure that our registration rolls are increasing, but are also as accurate as possible. And that is a component that is currently absent from how this new HAVA money is being spent. And so I think it's-- I think it makes perfect sense for the Legislature to essentially say, hey, let's not forget about this important piece, which is an express part of the purpose of HAVA to begin with. And so this fund just says, hey, with at least 6 percent of this new money, let's ensure we don't forget about improving both the size and the accuracy of our voter rolls.

CLEMENTS: Thank you.

BOLZ: Do you have a question, Senator Erdman?

ERDMAN: Yeah, I did. Thank you, Senator Bolz. And so we already have contact with these people when they come in to renew their license or whatever it is.

WESTIN MILLER: Uh-huh.

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ERDMAN: How in the world is it going to cost \$400,000--

WESTIN MILLER: [LAUGH].

ERDMAN: --to collect that information that we already have?

WESTIN MILLER: Yep.

ERDMAN: Those people sitting in front of us. They get a new computer program or whatever it is, and away we go. How does it-- how does it cost us \$400,000 to do that simple procedure?

WESTIN MILLER: Great question. Several pieces to that answer. First is that the LB531 fiscal note, again, is about the fund itself, not the implementation of this policy. I would argue that this fiscal note is twice the size that it needs to be because that \$400,000 is the actual cash transfer, plus Secretary of State's assertion that we need to then take from the General Fund to replace the Election Administration Fund. So the fund we are trying to create itself is \$200,000. Now that fund alone is more than it costs to implement that opt-out change that I just told you about. The Fiscal Office estimates that that particular change will cost about \$74,000, mostly for a full-time-- new full-time staff member to manage the influx of applications and there's some-- some I.T. needs that I'll admit, I don't fully understand but the Secretary of State says is necessary. Because this money is required by Congress to be about elections, this-- this \$200,000 number came from the bill Senator Vargas referenced. It was a previous, much larger version of a-- a bill to change that opt-out process. It involved like networking in new departments and things like that. We thought it prudent, since this money has to be spent within five years and it has to be spent on elections, we thought it might be prudent to budget a little bit more than we needed to give the Legislature flexibility to say, hey, look, we've-- we've made this change at the DMV. It's been tremendously efficient. We believe it's a really good use of time and money. Why don't we loop in DHHS and having a little bit more than \$74,000 will give flexibility. So I-- I think the honest answer to your question is, I think the money that we need urgently is about \$75,000 to do this first policy that I think is a tremendous use of time. But the remaining \$200,000, again, with the qualification that we have no intention of ever taking from the General Fund. That was-- that is antithetical to the purpose of this whole fund. But I think it allows the Legislature to be both specific and flexible in future appropriations.

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ERDMAN: So if we're already collecting this data, registering people now, why do we need another person to keep track of the people registering when we already have people at the motor vehicle registering them now?

WESTIN MILLER: Yeah, so--

ERDMAN: Why do we need another person?

WESTIN MILLER: Sure. This fiscal note came from the Secretary of State. I think that the general reasoning is that there is going to be a large influx in applications and so we might need more staff to process those. I will let Secretary Bena talk about the rationale, but I think that's the basic idea that the Secretary of State is feeling a little bit stretched to capacity as far as staff goes.

ERDMAN: I got bad news for you. We don't have a lot of people in Nebraska.

WESTIN MILLER: Sure. [LAUGHS]

ERDMAN: So it's not going to be a large influx of people.

WESTIN MILLER: That's very true.

ERDMAN: And you made a-- you made a comment we're going to try to follow the pattern of Illinois. I'm not sure I want to be in that same camp of Illinois.

WESTIN MILLER: Yeah. And sorry, I-- I don't-- I can-- I don't know the political landscape of Illinois more broadly, but I just know that they are a state who's implemented this change and they [INAUDIBLE].

ERDMAN: Well, it looks to me like this is something that we may need to update our voter files--

WESTIN MILLER: Uh-huh.

ERDMAN: And-- and-- looks to me like that ought to be able to be done with the funds we have and what they-- what they do now. This-- I don't see the reason for this yet.

WESTIN MILLER: I would-- I would agree with you that there's no need to take any money from the General Fund to implement this change. Again, I think the rationale for me is that this federal money is

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here. We have it and we can only spend it on elections or Congress will take it back. It's explicit in the grant that if you try to use this just for, like, general expenditures, you're going to get audited, and they're going to take it. So since we have it and we have to spend it on elections, I do think it's prudent to allocate 6 percent of that election money on the registration process.

ERDMAN: Don't make an assumption that I think we ought to spend it.

WESTIN MILLER: Well, if-- if they don't, it's going to go back.

ERDMAN: So what?

WESTIN MILLER: Oh, OK, well, fair enough.

ERDMAN: Whose money is it?

WESTIN MILLER: The taxpayers.

ERDMAN: Yeah, that's right.

BOLZ: Very good. Thank you, Senator Erdman. Senator Wishart.

WISHART: So-- so it cost 7-- it would cost \$75,000 to do a change--

WESTIN MILLER: At the DMV only.

WISHART: --at the DMV only--

WESTIN MILLER: Uh-huh.

WISHART: --to have an-- opt-out instead of opt-in?

WESTIN MILLER: Yeah. So Senator Vargas has a bill that kind of demonstrates one of the things we can do with this, and all that bill does is change that interaction that I described earlier from opt-in to opt-out. The Secretary of State-- the fiscal note that came up for that bill this morning--

WISHART: OK.

WESTIN MILLER: --and it's at \$72,850.

WISHART: OK--

WESTIN MILLER: That's for the DMV only.

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WISHART: OK, so what's the-- what is the-- can you give us a progress update on that, though?

WESTIN MILLER: The hearing is tomorrow.

WISHART: The hearing is tomorrow.

WESTIN MILLER: Yeah.

WISHART: OK.

WESTIN MILLER: I'll be there. Come on, it will be great.

WISHART: So what I'm hearing is-- is that-- that potentially, if that bill advances from the Legislature, it would cost potentially \$75,000. Look, we-- we can talk more about this--

WESTIN MILLER: Uh-huh.

WISHART: --when the Secretary of State's office is here. And these so-- potentially as an Appropriations Committee we could utilize these HAVA funds to fund that legislative change.

WESTIN MILLER: I believe it's absolutely accurate. I think that this avenue is a chance to ensure that we are efficiently only using money that Congress has given us. If we don't do this, I think there's no guarantee that the cost for the bill that's being heard tomorrow won't come out of the General Fund, because I think this is the way to ensure that we're only using this federal grant, which certainly seems more efficient with Nebraska taxpayer dollars.

WISHART: And with states that have switched over to the opt-- to the opt-out--

WESTIN MILLER: Uh-huh.

WISHART: --process, can you tell me a little bit about what-- what they've seen?

WESTIN MILLER: Yeah, absolutely. So like I said, I believe this change has been made in 12 states across a variety of political spectrums. It's been enacted by at least three Republican governors. The-- I mean, the most immediate result is that the vote-- voter registration and turnout go up. Now I know that it's not a guarantee that someone who registers to vote will vote, but it is also just a fact. Like

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we're sitting here, we all get to vote if you're registered. So turnout registration goes up, the cost efficiency of the registration process is significantly improved. The most common reason I've read is about provisional ballots specifically. And I guess, just for the record, like the reason that's expensive is because-- the reason it's expensive and relevant is because if I show up to a poll at the wrong polling place because I didn't update my registration when I moved last month, they're going to issue me a provisional ballot. And that ballot has to be processed separately before it can be counted. I've got to go back in and affirm where I live. It is-- it's a lot of work for the voter, it's a lot of work for the county officials, and it's expensive. And so some states have seen a really dramatic reduction. I don't want to make up numbers, but I am happy to send them to you, but there've been some dramatic numbers in the use of provisional ballots, and that alone saves a lot of money.

WISHART: OK. Thank you.

WESTIN MILLER: Thank you.

BOLZ: OK. Thank you for your testimony.

WESTIN MILLER: Thank you.

BOLZ: Further proponents? Any opponents to LB531?

WAYNE BENA: Madam Vice Chairman, members of the committee, for the record, my name is Wayne Bena, W-a-y-n-e B-e-n-a. I serve as deputy secretary of state for elections, here on behalf of Nebraska Secretary of State Robert Evnen in opposition to the Election Administration cash Fund transfer posed in LB531. I'll first talk about our opposition to the green copy of the bill and then to Senator Vargas's testimony in his opening, because they're two completely different things and I'll separate those two for you because there's been some misinformation. Not on purpose, but I just want to clear what the opposition is, where this money is coming from. So first, the Secretary of State's opposition to this bill as for the green copy has to do with the effects the transfer will have on the federal grant the state has received. In 2018, Nebraska was awarded a grant by the Election Assistance Commission under the Help America Vote Act or HAVA. This grant totaled just under \$3.5 million and is to be used over the next five years in part to secure our elections. This grant came with a 5 percent obligation match by the state of Nebraska, in this case approximately \$175,000. The Secretary of State in his budget

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proposal intends to pay for the match out of the Election Administration cash Fund. If the proposed transfer in the green copy of LB531 is enacted, there will not be enough funds left in that fund to pay for the 5 percent state match. The state is required to show proof of the match being appropriated within two years of receiving the grant. Without proof of the appropriation, the entire \$3.5 million grant will be lost. The Secretary of State respectfully asks this committee not approve the transfer proposed in LB531. Now moving on, to that-- based upon the testimony and Senator Vargas' in his opening, we would oppose his transfer coming directly from the HAVA grant itself. The Secretary of State's office has identified the purpose of the federal funds and has sought an appropriation from this committee based upon those purposes. We do not believe that this legislation is necessary, as it furthers the limits of our ability to manage these funds, creates additional administrative burden and expense, and it's not necessary to make the improvements the senator requests, such as duplicates. We can do that now through the HAVA funds. Now we've only known about this for 24 hours, and we also needed to have to do a little research if it's actually allowed to make a transfer out of a federal fund into a different cash fund, such as this. I only bring that up because we need to do research, it's only been done in the last 24 hours. But from everything I've heard in the testimony today, we can already do that in the HAVA grant itself and we don't need to create a separate fund for such purposes. With that, I'm happy to answer any questions that you may have.

BOLZ: Thank you, Mr. Bena. Are there questions for Wayne? Go ahead.

WISHART: Well, since we have you here, first of all, Wayne, thank you so much for being here. Since we have you here, I-- I'm interested in that policy change tomorrow around-- since we're on Appropriations Committee and eventually we're going to be dealing with the money side of it and got you in front of us here, is that something that-- that your-- that the Secretary of State is interested in-- in this-- in changing, instead of an opt-out provision to, excuse me, instead of an opt-in provision to an opt-out provision?

WAYNE BENA: The Secretary of State provided a letter to the committee today.

WISHART: OK.

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WAYNE BENA: --opposing that legislation, based in part-- with our counties' concern of the number of duplicate registrations that this process currently will add to an already overburdened system.

WISHART: OK. And in terms of the fiscal note around that policy, can you just talk a little to it again--

WAYNE BENA: Yeah.

WISHART: --[INAUDIBLE].

WAYNE BENA: If you don't mind, there's a little bit of a history, I'd like to--

WISHART: Yeah.

WAYNE BENA: --so LB290 was Senator Var-- this was that bill two years ago--

WISHART: OK.

WAYNE BENA: --and LB290, he had a fiscal note of approximately \$200,000 between the Secretary of State's office as well as some DMV costs as well.

WISHART: OK.

WAYNE BENA: And after the first session, and this was before I started with the Secretary of State's office, however when I first started in September of 2017, an amendment was being brought around to LB290 by a lobbyist and it had a meeting with then-Secretary Gale. And that amendment took out some of the provisions and some of the fiscal impact of that bill. Secretary Gale, upon looking at that, realized that of that \$200,000, let's say it's \$200,000 for the Secretary of State's office, it then moved to about \$72,000 for an I.T. professional, based upon the needs of implementing this system, as well as the influx of registrations that would be coming in, and us needing to work with the counties to make sure that they can handle that influx. At that point, it was our impression that-- that-- even though that that was taken out the-- the-- in that meeting it was determined that yes, the I.T. professional was needed. Now that amendment that was being circulated is now become that bill this year. And so the Secretary of State's office continued the position of what

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that amendment's fiscal impact was-- was an additional FTE for the purposes of administrating this program.

WISHART: Why are there-- why would there be-- walk me through why there would be more duplications caused by having an opt-out policy, as opposed to what we have now.

WAYNE BENA: A little context. We just finished a report for the Election Assistance Commission and it was really the first time that I've gone through this process and it was really eye opening to me. From not-- from November 2016 to November of 2018, the state of Nebraska and our-- our hardworking county election officials processed 40,000 duplicate registrations under the current process, 20,000 in Douglas County alone. And so if that's with having an opt-in-- opt-out provision, it is anticipated that every person that's going through would then increase those numbers. And many of those people that opt out now are people that are already registered voters. If I'm going to a DMV and ask to register to vote, I'm not going to need that because I know I'm registered to vote. So this is registering every person to vote unless they decide to opt out. Registrations will increase, duplicates will increase. And that's the concern the counties have on the current form of this legislation, is the far amount of duplicates that they're going to be processing beyond what they're doing right now.

WISHART: And what-- walk me through the-- I mean, what do you mean when you say by duplicates? How is that happening now?

WAYNE BENA: There is no mechanism. If you register to vote, that file goes to your county election office and has to be touched by an election official, regardless if you're registered to vote or not, in order to clear it. So regardless if you're registered to vote and you've changed nothing, we still have to process that registration--

WISHART: Are there--

WAYNE BENA: --under the current system.

WISHART: OK. Are there states that better address and have lower rates of duplication?

WAYNE BENA: Yes.

WISHART: And what? Just give me some ideas of what it is.

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WAYNE BENA: They-- they filter out-- they filled out-- filter out duplicate registrations at the point of registration, and that's not happening in Nebraska.

WISHART: OK. And is that a tool that-- that we as a Legislature could help you with?

WAYNE BENA: It's something-- it's a project that when I came on board, it's something that I'm willing to tackle right-- right now, and I can right now--

WISHART: With [INAUDIBLE] OK.

WAYNE BENA: -- without money. And I'm-- and I'm- and I and the Secretary of State are willing to do that. What we're saying is, before that can happen, if you put this on top you're going to complete the duplicative process. I don't know how easy it's gonna be. In a perfect world when the electronic delivery from the DMV and state online registration, it probably should have been done at that point. It wasn't considered. It wasn't implemented at that point. I don't know what it's going to take to put that on top of the current system we have or possibly even have to start over. But I'm willing to look into that project and it's one of my-- one of my goals. But again, we are really stretched to capacity, and spoiler alert, you're going to hear about that later on today, in our-- in our budget so. But in regards to what you, Senator, you want to know the duplicates, I can do that right now, willing to do that right now, with the HAVA money or the budget without having a cash transfer to a different fund.

WISHART: OK, thank you.

BOLZ: Go ahead, Senator Clements.

CLEMENTS: Thank you, Vice Chair Bolz. Thank you, [INAUDIBLE] Bena. Regarding registration, can you register to vote online right now?

WAYNE BENA: Yes, if you have a state ID or driver's license.

CLEMENTS: On the Secretary of State's Web site--

WAYNE BENA: Curr-- currently it's maintained-- it's managed and maintained by the Secretary of State. But you can put a link on it on any Web site and many of our counties do, so--

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CLEMENTS: Oh, the counties do too?

WAYNE BENA: Yeah, the counties can put a link to our site on their Web sites as a-- as a way to drive traffic to the registration.

CLEMENTS: And is the Department of Motor Vehicles linked to voter registration online?

WAYNE BENA: They-- not only do we get-- so if you go into a DMV office and register to vote through a technician, we'll get that electronically into the system. But as well if you-- if you have-- there is an online component to online DMV so if you're--if you are reregistering your driver's license online, there is an online component to register to vote as well through the DMV.

CLEMENTS: All right. I would think that you were able to get quite a few people that way also. Thank you.

BOLZ: Go ahead, Senator Hilkemann.

HILKEMANN: Just for clarification, you may remember my question earlier to the last person. If we were to pass this, this would take money away from the purchase of new electronic voting equipment. Is that correct?

WAYNE BENA: Not necessarily. And spoiler alert, that'll be later on as well-- as well. We are asking for appropriations for the equipment. There are some money from this in certain contingencies, that could be used in certain scenarios. But right now none of this money is allocated for the purchase of new equipment at this time. We're asking that-- we're asking this committee for appropriations for the project that's outside of these HAVA funds. However, under certain scenarios there is some contingencies within this HAVA money based upon what projects are approved. Moving forward.

HILKEMANN: So is it the intent of the Secretary of State, then, not to use all the HAVA funds that we have available to us?

WAYNE BENA: I am-- the Secretary of State's office will use all of the HAVA funds appropriated to us under the projects that we have outlined.

HILKEMANN: OK.

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WAYNE BENA: And I think most of you have a blue briefing packet about the Secretary of State's budget. There is the narrative in that packet, as well as the budget of how we're using that money over the course of the five years.

BOLZ: Go ahead, Senator Clements.

CLEMENTS: Just one more. You said over five years. So the \$3.4 million, is over five years. It's not each year.

WAYNE BENA: Correct. I get-- the office has five years to spend \$3.5 million, challenge accepted.

CLEMENTS: So it's really divided up over a period of time.

WAYNE BENA: Correct.

CLEMENTS: All right. Thank you.

BOLZ: Very briefly, I-- I just want to make sure I'm clear. It is your perspective that the-- so two questions. The first is, it is your perspective that the transfer to the cash fund would remove the necessary matching dollars and that's your first reason for opposition. Is that correct?

WAYNE BENA: As written-- as written in the green copy, if you take that \$200,000, I will not-- the office will not have the funds to show that we have appropriated the state match. There'll be less money in that fund than the state match requires.

BOLZ: Because of the transfer to the cash fund.

WAYNE BENA: The transfer of the \$200,000 to the cash fund that he proposed-- this bill proposes.

BOLZ: So simply by placing it in a separate cash fund-- is it the cash fund or is it the purpose is what I'm trying to get at? Is the purpose utilized your concern in terms of the matching funds? And I understand your policy opposition. I'm just trying to understand the mechanics. Is it that the purpose would not qualify as matching funds, or is it that the placement in the cash fund would not qualify?

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WAYNE BENA: [INAUDIBLE] Since the purpose of the fund would not be to pay for the state match, then that-- that money would be not touchable for that purpose. It would be my opinion.

BOLZ: So the purpose as proposed in the bill, you think would not qualify for state matching funds.

WAYNE BENA: Initial reading, I would say yes.

BOLZ: Thank you. OK. Thank you, Mr. Bena.

WAYNE BENA: See you in a little bit

BOLZ: Sounds good. Do I have any further opponents? Any testifiers in a neutral capacity? Senator Vargas, would you like to close?

VARGAS: OK. I love doing this by the way. Sorry. I just got a little romantic about being-- being a senator. [LAUGHTER] No, it-- it--I, I. OK, so two things. One, I do-- I do want to thank Wayne; I want to-- I want to thank Westin, because I think what we're hearing is-- one, there is an intent by the Secretary of State to then improve election administration, specifically the security and some enhanced technology. So that's one thing that we can both mutually agree on. Put aside the policy piece right now because we're not talking about specific policy. We're not siding on a policy. So the second thing that we're trying to address is the transfer piece. So the way that the Election Security Grant is stated for HAVA, 2018 HAVA Election Security Grant, all federal funds and state cash matching funds must be deposited into the state Election Fund as described in Section 104 of HAVA. The reason why we wrote it this way, and we can change it, is that the assumption was made based on this language that if the matching funds that they're intending to use are currently in this Election Administration Fund-- OK?-- they're meant to be a 5 percent match, that then all the rest of the HAVA funds that they're requesting, the \$3.4 million, is going to go into that same fund. So taking \$200,000 from-- after all the funds are in there, that's the intent. And if we need to work on language on at what point this-- it goes-- this transfer goes into effect or when it does, to then address removing, so that we don't have \$200,000 right now and then move \$200,000 and have zero or negative. That is something that we can do. Happy to work on that. So that's just one-- one very simple-- simple thing. But just keep in mind, again; based on the-- on the match funds, we are going to get \$3.4 million for the use of HAVA, OK? There is a program narrative that goes along with what we're going to use

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for HAVA. And the Secretary of State has implemented this program there. It's a few pages and-- and there is additional information that supports, obviously, the program narrative. What we have in front of us as the Appropriations Committee is approximately \$1.9 million for how they described to use the HAVA funds in this biennium budget. There is not a request in front of us on how they intend to use the remaining X amount of dollars of the \$3.4 million. So what I'm asking is to have \$200,000 of that total 3.4, which we have accounted. There is-- there is more than at least, you know, do the math. But there's only 1.9 that's utilized right now. There's at least \$1.45 million that is not being specifically requested of us and told what the purpose is yet, even though there might be internal conversations and they'll be-- programmatic language on what their intent is over multiple biennium. And that's what I'm requesting. So I want that to be very clear. The other part I want to be clear is: and I-- we've all been able to then be in this seat, where we've requested cash funds. We create a cash fund. We take funds from a existing cash fund. And the reason why we tend to do it is because we believe that our body, us sitting in these seats, that with our legislative intent there is something that we believe is important enough to set aside funds for it. Now some people might question some of our bills and say, well, shouldn't the department or shouldn't an agency or somebody else that already lives in this world be doing that already? I think we always ask that question of ourselves and we try to use that before we even get to the point we introduce a bill that takes a cash fund, creates a cash fund, or does some sort of transfer. I think what we're-- I'm asking of you, which many of you have asked as well, is for the intent to create a cash fund for \$200,000 with the legislative intent of setting it aside for the purposes of improving our voter registration, our voter rolls, and making sure we're setting aside funds for that. In addition, again, this came out of a bill from last year. And for those of you that know me, I like working on things, we worked on a lot of different amendments. And after we realized one of the main pieces of the testimony from the Secretary of State was that this is, and-- and Secretary Bena said this, that we're already an urban-- overburdened system. When we dug into that language a little bit more and what that means, an overburdened system, what we heard is that that means that we don't have enough of our human resources to do this, and we also don't have enough funds. So then we started working on some of the language, then amended to make the processes work in statute. But we still ran into the costs and the burden of the Secretary of State. We're trying to address some pieces of that. So if I'm saying that \$75,000 would then help address some of those, to

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address-- improve voter registration, that would cover the costs with this \$200,000. So based on what I heard last year on-- on trying to improve our voter rolls, there is an overburdened system, there's a cost associated with it. And then now I'm-- I'm realizing that I'm bringing forward requests so that the Legislature makes this intent very clear, that we want to set aside funds to improve this system in this way. And I can also say that I probably agree with the Secretary of State on 95 percent of things. We tend to probably do that with most of our agencies. Sometimes we may not agree on the 5 percent. And when those instances come, we bring legislation with the intent of trying to address that. That's what I'm asking of you today, except I'm not asking you the policy which is very, very important. I still have to win the policy argument in a separate place, and others may have to do the same. But what I am saying, let's-- let's set aside the funds, given that the federal Congress had the intent of making funds available for improving election administration, improving voter registration, improving enhancements in this arena. And let's make sure we're not using General Funds when we can. It's very fiscally conservative way of going about doing it. That is the intent of this. And I'm really, and I want to be very plain about it, because I think we have all been in this scenario before. And I think it's OK sometimes if we may disagree or agree with how funds are used, but we as a body in Appropriations have the ability to have legislative intent and create cash funds to set aside purposes for things to actually happen if we don't believe or we don't see that they will happen to the full extent that we-- we are looking for in policy. And again, this is not set aside policy language. The last thing I-- I just want to address is, I think we can all agree that if we have inefficiencies in our system, we should be doing everything we can to try to address them. But I think we make tradeoffs all the time. We see inefficiencies in the system of foster care. We see it in-- we've seen it in-- in our Historical Society with-- with-- we've seen it in behavioral health in reimbursements. And when we don't have money, we tend to make the decision to not do it. And the first question we usually ask ourselves, and we've all been there: are there federal funds for us to utilize to then improve this? And then when they are, we try to then utilize them and as a first-- as the first step. And all I'm saying is, let's utilize those federal funds proactively. Set it aside, so that we can try to improve the voter rolls in-- in-- in a very specific way. And they'll be set aside for that reason. One thing I wanted to address for you, Senator Hilkemann, is-- and this-- and this gets to something else that you may want to do. It sounds like you care very much about election technology. Looking at the way that

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this is-- this is written, the HAVA, and I'll have to look a little bit into it. Technically, the entirety of these funds could be used for some level of election technology improvement. It was the choice of the Secretary of State to not use it for that. He could have brought up a bill saying all the funds for HAVA could be specific for the election technology, or even the budget request that was requested of us. That technically could have been something that could have been done, and it wasn't. Now it's our-- our legislative autonomy to then decide that we may agree or disagree on how they spend those funds, especially since there is a budget request in front of us. That is up to us. But you do make a really good point. To one, it's not being taken from the existing-- this is not necessarily being, you know, offsetting or being taken from the existing election technology request that they have of us. It's not going to affect that, and you heard that from Secretary Bena. But it could have been utilized for other things. That's why I'm only asking for \$200,000 of it. It exists. It's there. It's appropriated from federal government to us for those purposes. And I think it's a very prudent way of setting aside funds. The intent to then improve our voter registration system and make sure there is the necessary enhancements for things that are going to help make sure more people register to vote in the state of Nebraska. With that, I'm happy to answer any additional questions.

BOLZ: Go ahead, Senator Wishart.

WISHART: Yes. I wanted to speak again, ask you some questions specifically about the policy change that you'll be introducing tomorrow--

VARGAS: Uh-huh.

WISHART: --and the \$75,000. First of all, I applaud to you for-- and this is something we should all think about when we come with a bill. In previous years and in the tough budget climate tried to find a place where we can fund it that isn't from the General Fund. So I applaud you for doing that. You're pretty notorious for finding, for sniffing out [INAUDIBLE] funds. So but with this, we-- we did hear that there was some concern about actually creating additional inefficiencies if we have an opt-out process. Can you talk about-- are there other states, because I could see how that-- that could potentially happen, especially with the technology that we have right now, that's already causing inefficiencies?

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VARGAS: Uh-huh.

WISHART: Can you talk about what other states have done when they-- to improve that?

VARGAS: Yeah. Let me-- I want to try to clarify something you said. Not that it's incorrect, it's-- I just want to make sure it's a little more clear. So Secretary Bena and I both identified that there are inefficiencies currently. And the report he referenced identified these, like, 40,000 du-- duplicative sets of information for-- for individuals and that's already an existing problem that he is committed, and I've heard the Secretary of State is committed to addressing. That is one aspect that I think we both mutually agree upon that we can work on. The second aspect of this is-- the data and we're talking about the bill. But the idea of doing an opt-out system and trying to then get more people into the voter rolls-- one of the things we heard out of that hearing was that there are unintended consequences and inefficiencies in the system, you know, by doing the opt-out and, it's going to cost money, it's gonna be burdensome, and we need to figure some of that out. And so trying to address as many of those on the front end, like you just said, finding the-- finding funds, and setting them aside, and trying to avoid General Funds is one mechanism of doing that. I mean, I don't believe there's been testimony stating that doing opt-out in this way for voter registration is creating-- is going to create more inefficiencies. It will create more work. And so that is both in testimony from that bill. I think that's what we heard today. It creates more work, which is the hard part.

WISHART: We heard it would create more-- potentially more duplication. Excuse me, I said [INAUDIBLE] more duplication.

VARGAS: Yeah. It will create, yeah. So it will create more instances where there's going to be more information, and there's more information that's gonna need to have to then be addressed and reconciled. And that-- that part is true. Since more people are then opting out, that means more information is coming in. And so there is gonna be more duplications. But again, based off of the fiscal notes that received in the past, the high watermark of let's say \$200,000 but then after amending it's \$75,000 we're trying to then figure out what is the cost of addressing some of those inefficiencies. That's what we're really trying to do. There's always gonna be some level inefficiencies, that with legislative changes we have. Really we're trying to work off the factual information we have, which is the

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fiscal note and what-- what the testimony was from the Secretary of State and the DMV as to what do we need to address. That's what we worked off of. And I believe that one aspect of this is funding to make sure that they can adequately have the resources, both the technology and the people, to then address this. And so that's what the intent of this is.

WISHART: OK. Thank you.

VARGAS: Yeah. Of course.

BOLZ: OK. Seeing no further questions, thank you, Senator Vargas.

VARGAS: Thank you very much.

BOLZ: We do have some letters of support for LB694 from Mike Rankin, chief executive officer of-- nope, sorry, we are still on LB531. So letters of support are Sherry Miller with the League of Women Voters of Nebraska, and Larry Dix with the Nebraska Association of County Officials. That will close our hearing.

HILKEMANN: Is Larry Dix a proponent or--?

BOLZ: Letters of support.

HILKEMANN: Support? OK.

BOLZ: So that will close our hearing on LB531 and open the hearing on LB694, again, Senator Vargas. Welcome back, Senator Vargas.

VARGAS: OK. Good afternoon, Chairwoman Bolz, members of the Appropriations Committee. My name is Tony Vargas, T-o-n-y V-a-r-g-a-s, and I represent District 7 in the Nebraska Legislature, which is made up of the communities of downtown and south Omaha. LB694 amends a provision of the Affordable Housing Act to require only for-profit entities to provide matching funds to receive assistance provided by the Affordable Housing Trust Fund. Currently statute provides all eligible entities, including government subdivisions, local housing authorities, community action agencies, community reservation or neighborhood-based nonprofit organizations, and for-profit entities to provide matching funds. The reason for this change stems from the interim study I did on the Affordable Housing Trust Fund which, for those new members that were not here, was this-- this past summer. One recurring theme that I heard throughout the study was that the biggest barrier for initiating projects for nonprofit and community

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organizations was coming up with the initial matching funds. Something this committee has dealt with over the past few years is the amount of uncommitted funds in the Affordable Housing cash funds and the ways that the Fund is trying to then improve the way-- its inefficiencies. We all know that there is more of a need than there are available affording housing units in Nebraska. My hope is that by removing this initial matching requirement from any of the entities doing these projects and developments, work will get done quicker and the needs of so many low-income Nebraskans will be met. With that, I'm happy to answer any questions.

BOLZ: I'll ask you a couple, Senator Vargas. The first is the la-- last time I spent time working on the Affordable Housing Trust Fund there were applications and projects that were applied for and there weren't enough resources to approve all of them. So can you help me think through how we would justify approving a project application from a nonprofit entity that hasn't raised matching funds, as compared to other projects that have done that work of raising matching funds?

VARGAS: Yeah. And so I'm gonna try to cite some of the committee recommendations from the legislative audit that was done. Let's look at the performance audit from 2017. In March, and again, I will state this and per director of economic development, Director Rippe, there have been improvements in the way that this program has been facilitated and managed. It's-- it's very encouraging and I think we've heard that from many people. And so now we're really looking at the legislative language and ways to improve it. And I would say that it's as much as that there is more funds that are committed, and it's not-- I don't think it's a blanket generalization that-- that-- that's for every single project. There's some instances where we were underutilizing funds. There are some instances we were overcommitting and it kind of depends. But one thing that we did here is-- there is a barrier for certain different entities that are trying to access these funds and haven't been able to access them. And so one of the differentiating barriers between for-profit or non-for-profit-- for-profit and everybody else, is all everybody else had a harder time with creating the matching funds for it. And so one legislative change that would make the grant a little bit more competitive and more equitable as opposed to equal is, think for-profit entities have an easier time of having matching cash funds. I think the other entities have a harder time of having unobligated matching cash funds. I'm thinking of not only nonprofits or community-based organizations or even government organizations having those amount of funds just

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available is sometimes hard. As we even see here, most funds that we commit to agencies are somewhat accounted for in some way, shape, or form, and some instances they are not. So in an effort to then not necessarily add more funding to it, although there are bills to then add more funding to the Affordable Housing Trust Fund that I'm in support of specifically trying to target where these projects are done, those are not my bills. I do think making the grant more competitive and more equitable so that we can see more projects done by a different variety of organizations and entities is a good thing, and one of the things we heard from the hearing.

BOLZ: So maybe asking a similar question, is the-- do you-- do you think that the grant application process and criteria is rigorous enough that even if a nonprofit entity hasn't done the work of raising matching funds that their obligations and their commitments and so-- can you describe that a little bit?

VARGAS: Yes. And I'll actually let some of the different individuals behind me talk about the rigors of the application and the high watermark and standard for what they have to then commit. But I will say, very high level and generally, what is needed to apply, and if none of you have seen, I encourage you to then look at the application process for the Affordable Housing Trust Fund. There are other agencies, who shall not be named, that should be looking at the-- at least, the-- the supplies and the guidance of information there. I think it already is a pretty high standard for reporting and then for basically what you're putting forward to then request these funds. And even on the back end in terms of accountability, I do think it's pretty high standard. But I'll let others after me talk about what that standard is to make sure that we are not lowering any standard while modifying some of the legislative language.

BOLZ: OK. Thank you. Do you have-- go ahead, Senator Hilkemann.

HILKEMANN: Sir, do you have a copy of the-- do you have a copy of the green copy in front of you?

VARGAS: Oh, yeah, I do.

HILKEMANN: I need-- I need-- I guess I'm not reading well or something here. In line, on the second page, line 6, 7, and 8, all right, it says-- it says "for-profit" entities working in conjunction with one of the other eligible organizations. "For-profit"-- so what's the difference between for-profit in 6, and the for-profit at 8? In line

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8, we have "for-profit entities" and we have in 8-- what's the difference?

VARGAS: The difference is what you just described. A for-profit entity submits an application in partnership with a nonprofit entity or government subdivision versus a for-profit entity applying on their own. For-profit entity applying on their own needs to provide the match, a for-profit entity that's working with a nongovernmental association, leveraging both of their expertise and what they do, you know, for a grant together wouldn't be required to then do-- you know, provide the match.

HILKEMANN: So you're simply-- so we're simply getting rid of that-- the last portioner. In other words we are adding, but they're not-- they don't have to work with anybody right now.

VARGAS: No. We're just providing an exception that if a nonprofit-- if a for-profit entity decides to then apply for the Affordable Housing Trust Fund. Right now everybody has to provide a match. And now in this change, the only entity--

HILKEMANN: Sorry, could you repeat that?

VARGAS: Right now, all the entities listed here have to provide a match. All the entities: community agencies, local housing authorities, government, you know, divisions, for-profit entities working in conjunction with nonpro-- other eligible organizations, nonprofit entities and for-profit entities. They're all held the same who is all equal in that manner. To then provide a little equity here, we are changing it. For-profit entities would be required to do the match. All the other entities would not be required to then submit the match.

BOLZ: Did you have a question, Senator Dorn?

DORN: Well, it was a lot along with Senator Hilkemann's line in many--and he got around to answering it. Because I read it the same way you did, that-- yeah, the for-profits-- it's the same thing and then we-- we were including these other agencies. But no, if a for-profit is involved, even helping one of the other agencies, then they have to provide you a 10 percent match.

VARGAS: Yee-- so-- [INAUDIBLE]

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DORN: So [INAUDIBLE]--

VARGAS: --so defining this a little bit--

DORN: --whatever a nonprofit, a for-profit of a local contractor now comes in and helps them. Do they still have to provide a 10 percent match?

VARGAS: Sso this is based on the application itself.

DORN: [INAUDIBLE].

VARGAS: So if you're applying and you are a for-profit entity that partners with, again a governmental subdivision, then you would not be required to then submit the match. If you're a for-profit entity that partners in the grant application for with a nonprofit entity, you would not be required to make the match. If you're a for-profit entity by yourself applying solo, you will be required to make the match, which is currently how it exists right now for everybody.

HILKEMANN: Is this-- is this-- sort of I'm-- I am sorry.

BOLZ: Go ahead, Senator Hilkemann

HILKEMANN: Is this the sort of thing like Habitat for Humanity utilizes?

VARGAS: I cannot tell you right now if they utilize these funds, but they are an affordable housing rehab organization. We'll have a couple of different individuals come up that have utilized these funds that could speak to their experiences udee-- using it. But that is a nonprofit entity that works in the affordable housing space, that-- that is for.

HILKEMANN: OK, well. [INAUDIBLE] All yours, Senator Dorn.

BOLZ: Go ahead, Senator Dorn--

DORN: I guess a follow-up question then. Basically what the bill then is doing, we're looking at the for-profits' [INAUDIBLE] 10 percent. What we're doing with this bill basically is, these other agencies, we're putting in this bill that now they don't have to do the 10 percent match.

VARGAS: Yeah, that's it. You're right.

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DORN: That's-- that's more, yeah.

VARGAS: That was spot on. Yeah. I apologize for not--

DORN: Yeah.

VARGAS: --laying that out--

DORN: [INAUDIBLE] some of us think backwards. No, I'm teasing. No, but basically what those other entities up there-- the community action agency, community-based or neighborhood-based nonprofits. Now, the current statute, they have to do a 10 percent match. What this bill is doing is, they now will not have to do the 10 percent match.

HILKEMANN: OK. Thank you. He did answer your question.

VARGAS: He did, yeah, yeah, he answered my question. Senator Dorn, we're gonna have to replace--

DORN: No, no, we're not--

VARGAS: [INAUDIBLE]

DORN: --because I read the thing the same way Senator Hilkemann did. And I go, this doesn't, this is-- yeah.

BOLZ: Very good. OK Are there any further questions for Senator Vargas? OK. Any proponents for your bill, somewhere in the room?

VARGAS: There are some.

MATTHEW CAVANAUGH: All right. So-- good afternoon. I'm Matthew Cavanaugh, M-a-t-t-h-e-w C-a-v-a-n-a-u-g-h. Happy early St. Patrick's Day to everybody. I actually-- I'll skip reading the statement. I'll jump right to answering some of the questions. And I'm not surprised that you're confused because this portion of statute is very confusing, so to-- partly what I-- what we appreciate, we're speaking-- here as a proponent for LB694. What we appreciate is that this clarifies what is currently an unclear portion of statute, which is then differently interpreted-- interpreted over the years. So one piece of information I provided was the rules and regulations that guide-- that govern this document or this portion of statute. You'll see if you read that, they went through the trouble of clarifying the paragraph, relevant paragraph on-- so this is page 5 of the rules and regulations, which is in the back of what I handed out and

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highlighted, page 5 and 6, they sort of segmented who are eligible recipients by putting them under subsections A, B, C, and D. So if you reference on page 6, where it says required match, it actually is clear that a match is only required by for-profit entities who work in conjunction with one of the other eligible entities. So that's the way the rules and regulations are written, and that's because that's the way the program was always administered and understood by the Department of Economic Development until the Legislative Audit Committee did provided their review in 2017, at which point they said, Hold on, you should-- you need to be requiring a match from every applicant. And at that time-- so there was some back and forth between the department and the Legislative Audit Committee that we're not privy to, but ultimately ended up with the department requiring matching-- 10 percent cash matching funds from every applicant. So there is-- nothing in statute changed, but the way it was administered by DED changed from that point forward. So really what from my reading, what Senator Vargas's legislation does really by putting a period in that clarifies that that last clause of statute is re-- only modifying the last portion of a very long, eight-line long sentence. Seems to me that it retains-- returns the interpretation of the statute to the original intention of the statute, as well as putting it back in line with the rules and regulations. The reason this is important-- everybody has always provided match. Prior to the reinterpretation and after the reinterpretation, everybody's always brought match. What we would like to see is-- is to have more variety of what match is. And that-- and the reason for that, Senator Bolz, you raise a great point about-- seems my time expired but I'll wrap up-- that this is a very competitive program. There's a lot of need for this. There's so much we could use, so much more affordable housing. How do you award someone who doesn't bring match versus someone who does bring match? What we want to see is just that there is a variety of programs and recipients who can access this. So we want people to be able to bring different types of match. So there's some quotes in here from organizations in southwest Nebraska that have a challenge accessing the match because they're representing five counties--

BOLZ: May I ask if there are any questions--

MATTHEW CAVANAUGH: Yeah.

BOLZ: --of the committee? I just wanna treat all the testifiers fairly here so.

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MATTHEW CAVANAUGH: Of course.

BOLZ: Are there any questions for this testifier? Go ahead, Senator Wishart.

WISHART: Yeah. I would like to hear more about the-- the organizations that are having trouble making the match--

MATTHEW CAVANAUGH: Uh-huh.

WISHART: --and the other varieties of ways organizations can-- can show a match--

MATTHEW CAVANAUGH: Sure.

WISHART: --if it's not directly dollars.

MATTHEW CAVANAUGH: Right, exactly. So great example is the quote from Habitat Lincoln, who says, Every time Habitat Lincoln builds a new home, our program participants put in 300-400 hours of sweat equity, which has a significant value. We provide land, which can be worth tens of thousands of dollars. Ultimately we provide the homebuyer with the financing-- a zero or low-interest loan-- which is worth thousands of dollars over the life of the mortgage. All of this costs Habitat Lincoln, but none of it can be counted as matching funds without \$50,000 in cash, in addition to these contributions. So that would be an example. Land is a very common input for these nonprofit developers and so can a lot of things. Southwest Nebraska Community Betterment Corporation mentioned that they work with local businesses who provide HVAC resources, they'll-- the local utilities will provide utility assistance. There's a lot of other inputs that go into a home that have a-- can have an easily discernible cash value that could be accounted for in a competitive application. So we really don't want to see any application not have some sort of match, just would-- we would like to give DED the-- the flexibility to be able to evaluate what other kind of matches are available. And really, I don't anticipate that there'll be any drastic change or maybe any change whatsoever. They could continue to require a 10 percent match from every applicant that they-- they could-- change-- had make no change to the program at all if they wanted to. So this just would give them more flexibility, as was the original intention of the statute.

BOLZ: Go ahead, Senator Clements.

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CLEMENTS: Thank you. Thank you, sir. So DED does administer this program.

MATTHEW CAVANAUGH: Yes, sir-- Senator.

CLEMENTS: And-- and-- and regarding the match, could this language be interpreted to say that they cannot require a match?

MATTHEW CAVANAUGH: For-- yes, so they could waive a requirement for a match entirely.

CLEMENTS: Well, I mean if a nonprofit says, you can't make me match now with this change.

MATTHEW CAVANAUGH: I don't believe so. They would-- they-- so it would all come down to the application. So the application is what dictates what kind of match is required and DED has all the authority to-- to absolutely require a match from everyone. They only-- this only changes what they are required to request. So if you look at the very end of the statute or the rules and regulations, it says, the department may require matching funds on a project-by-project basis at a level that both ensures financially sound projects and maximizes the leveraging of the trust fund. So they always have the authority to require-- they could require 100 percent match. They could require a dollar-for-dollar match if they wanted to.

CLEMENTS: So the-- the advantage to this language would be that-- that if someone could donate land, use the lots as the match, more the labor than they're furnishing.

MATTHEW CAVANAUGH: Yep. Exactly. So then that would be-- go ahead.

CLEMENTS: Have those types of things being used in the past?

MATTHEW CAVANAUGH: They're currently used in every project, really. And they are evaluated. They do-- they contribute to the competitiveness of an application, I believe so. If you-- you-- they still-- Habitat for Humanity still provides the land or will purchase the land and have that as an input into the development. But they just want to give you credit for that for matching funds.

CLEMENTS: And with for-profit entities, it says, matching funds, so that would mean cash from them is required.

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MATTHEW CAVANAUGH: That's currently how they interpret it. Yes.

CLEMENTS: All right. Thank you.

MATTHEW CAVANAUGH: Uh-huh.

BOLZ: Thank you. Mr. Cavanaugh, I'm-- I'm having sort of the same struggles as Senator Clements in terms of what you're representing to us as how it might work or how your vision [INAUDIBLE] and the actual language of the green copy.

MATTHEW CAVANAUGH: Uh-huh.

BOLZ: Why not just redefine what it means to provide a match? Why not add to the statutory language that a match shall mean land, work-hours, or-- or any number of things, versus eliminating the match requirement entirely?

MATTHEW CAVANAUGH: Yep, [INAUDIBLE].

BOLZ: Because I'm afraid that that's how the plain reading of the green copy might come across.

MATTHEW CAVANAUGH: I would support that. I think that would be a great idea to do that. And-- so-- I think this-- this-- Senator Vargas would maybe want to-- like to-- this is like a clean approach to just reverting to an old standard, clarifying a portion of statute. But I would like to see go further and maybe specify what are-- I don't know, maybe if we would want to prescribe land and-- and sweat equity or whatever or just put in some broader language about-- let's-- let's value things that have a discernible cash value. I'd be happy to work with Senator-- anybody on the committee for language like-- of that nature.

BOLZ: That sounds reasonable. A related question is-- I'm a little hesitant to, per the plain language of the re-- the green copy to say that a for-profit entity working in conjunction with another nonprofit should be qualified-- should qualify you to waive the matching requirement. Perhaps I'm just not familiar enough with the underlying rules and regulations. But just looking at the statute language, it is very easy to say that you are working with a nonprofit. It's pretty easy to say, Hey, I'm partnering with a nonprofit because I make referrals to Legal Aid. And that doesn't have a meaningful relationship. And perhaps that's reflected in the rules and regulations but maybe they're strengthening in the statute as well.

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Could you-- could you speak to that, to what that relationship means in the application process?

MATTHEW CAVANAUGH: Right. Yes. So that-- so none of that-- that changes definitionally in this. There-- this is-- won't change anything between how a non or a for-profit working with a nonprofit because that language is already in statute so this wouldn't change anything in that regard.

BOLZ: But it does exempt a for-profit entity working with a nonprofit from the match required.

MATTHEW CAVANAUGH: It's so-- it's-- it's confusing. I actually-- so currently you can only access the Affordable Housing Trust Fund as a for-profit if you are working with a nonprofit. So-- and so this just clarifies that those entities are the only ones who are required to bring a 10 percent match-- a 10 percent amount of-- a match of 10 percent. So which is-- if you read the match requirements in the rules and regulations, it's a little more clear but that-- they're right now the only entities required. So we don't-- this doesn't expand anybody's ability to access the fund. It actually just says that those for-profit entities working in conjunction with a nonprofit are now the only ones who have to bring a 10 percent match. And which-- so-- but to your question, which is more a fundamental question about how the statute is now. I think, what does it mean to be a for-profit working with a nonprofit, is again something that we could ponder and see. I think at this point really had it-- kind of shakes out the way you would expect it to shake out because of the application process and DED is more or less the gatekeeper of that. So if you had some kind of dubious working with relationship, you probably wouldn't get through the application process. And that's really because it-- it is how you imagine that a for-profit developer works with a nonprofit hand in hand. And it's usually the situation when a nonprofit or community doesn't have the capacity to do a development on their own. So of course they need to work with a developer. But they're kind of the ones driving it, working with the community, and saying, this is where the housing will be placed and the kind of housing we want to see, that kind of thing. So there probably is room to strengthen that definition in statute. But it's-- it-- it's really at this point, I think, protected by DED in their application process.

BOLZ: OK. Thank you. Are there any further questions for this testifier? OK, thanks for coming in.

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MATTHEW CAVANAUGH: Yeah. Thank you all.

_____ : [INAUDIBLE]

MATTHEW CAVANAUGH: Yes, sir.

BOLZ: Are there any further proponent testifiers? Do I have any opponent testifiers? Is there anyone in a neutral capacity? Senator Vargas, would you like to close?

VARGAS: I want to thank you guys for having this conversation. I'm going to work with Mr. Cavanaugh to try to address some of the interpretation language. And I-- I do encourage you to look at the fiscal note, at least from the way that the Nebraska Department of Economic Development has made the determination regarding these funds and-- and the explanation of the estimate and how these changes will affect. Under their interpretation, this would eliminate the requirement for matching funds for organizations other than for-profit entities applying for grants under the Nebraska Affordable Housing Trust Fund. This will have a minimal cost, which is why there's no fiscal impact as it stands. But there are other ways to then modify the match language so that there's other potential substitutions. [INAUDIBLE] That was something we were mulling around but it also got into this world of, How far do you go on what these different substitutions are when-- when the baseline is-- we heard from the testimony from some of the different entities that it is hard to have the match. And some of these different programs, I mean, think about the-- you know, there's millions of dollars in this fund and if you're trying to do a million dollar project, and you're required to have \$100,000 in match funds dedicated to this, that can be a barrier for some entities, whoever they are. And just trying to make it potentially easier for some of these entities to do the work, and that is very similar to how some other grant programs operate. Not every grant program we have is on a match. It's not like a standard. Many of our grant programs are you apply and if you have a good record and you're able to prove your worth, then you get the money and then you're able to then move forward. And-- and you know, we did even talk about the HAVA grants have 5 percent match, which is much, much smaller. So it's not a standard necessarily that there needs to be a match. But I do implore our committee to then try to figure out some ways to then make this a little bit more competitive-- more, even more competitive than it is right now. And if anybody ever wants to talk more about this, the implementation of the Affordable Housing Trust program and the audit, it is very-- very helpful. But again, a lot of

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changes have been made into the administration of it, so that I think dollars are going out better since the audit, which I am encouraged by.

BOLZ: Any final questions for Senator Vargas? OK. We do have one letter of support. No, three letters of support on LB694: Mike Renken, the chief executive officer-- officer of NeighborWorks, Lincoln; Shawn Ryba, South of Downtown Community Development Association of Lincoln; and Kelsey Wilson, the Nebraska Chapter of the National Association of Social Workers. That will close our hearing on LB694 and open our hearing on LB737.

VARGAS: OK. Good afternoon, Chairwoman-- sorry, Vice Chairwoman Bolz and members of the Appropriations Committee. My name is Tony Vargas, T-o-n-y V-a-r-g-a-s. I represent District 7 in the communities of downtown and South Omaha. LB737, and this is building on some of the conversation we had previously, increases transparency and accountability in the form of Affordable Housing Trust Fund by placing annual reporting requirements in the Department of Economic Development. This bill arose from my interim study on the trust fund, LR461. One thing that the committee noted was that there has been a lack of clear information about the use of the money in the trust fund. Then again, I think this is like historically, I would say probably since 2016. LB737 corrects that problem by placing reporting requirements in the Department of Economic Development similar to other reporting requirements that they have for other programs and funds. The department is already required to submit some information about projects that use these funds, which I'm very encouraged by. LB737 adds four more. These new annual reporting requirements include: an explanation of application funds and fund balances; the amount of funds actually expended by the department; the department's current budget for administration of the trust funds and planned use of the distribut-- distribution of funds, and project summaries including information about the project's location, funds granted and an explanation of the reasons for approval or denial for every applicant. My hope is that this committee and our legislative body will be able to-- better able to make informed decisions about the trust funds and tangible benefits of the Affordable Housing Act to communities all across the state. You know, I-- part of this also came out of some of the audit. And again, I'm encouraged by some of the work that the Department of Economic Development has done in increasing reporting. I think this is an additional step and is in alignment with what we do for many other types of funds. And I think it's a prudent way moving

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forward so that we can avoid what happened years ago whereas people will sometimes look to these types of cash funds and see them as ways to then remove funds for them for other projects. I think there is an absolute need, we heard from the interim study, for affordable housing across the state, and there is also a need for increased transparency and accountability through all partners, including ourselves. And this is just one way to improve the tool that we have in our toolbox to help manage this fund and oversee the management of the fund. So, with that, I'll help-- happy to answer any questions.

HILKEMANN: Do we have any questions for Senator Vargas? Senator Dorn.

DORN: This is a bill basically that's requiring more accountability.

VARGAS: Uh-huh.

HILKEMANN: Senator Clements.

CLEMENTS: Thank you. Thank you, Senator Vargas. And just looking-- looking at the green copy here-- well, in the interim study, were you not able to get some of this information or is this data that is missing in the analysis?

VARGAS: I wouldn't characterize it that way. In the interim study, we were able to get some of the data, especially even after the hearing. So since there's been improvements in the department on-- on reporting, and this is not just for this agen-- this-- this specific program, many other programs, but given the focus on this program in the last four years that it was part of an audit, there were news reports. There was a \$10 million expenditure taken from this cash fund for a separate-- not affordable housing, but a separate bill. It seemed like there's a need for some more oversight over it. And instead of adding, I would say, more staff or changing more stringent requirements for it, or even looking at explicitly adding funds in this, it seemed very prudent to then add some more consistent standards of reporting that we see in some other funds. This way we can make more informed decisions and help support the department on the intent of this when it was originally-- when it was drafted.

CLEMENTS: Let's see here. There's another question. The reasons for approval or denial [INAUDIBLE] that's a lot of different things to track. Is that going to make this burdensome?

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VARGAS: So-- I think that's hard to define, whether or not it makes it burdensome. I'd-- I'd venture to say if we asked any of our agencies if any of our bills was somewhat burdensome. And I think we could look at testimony from most of our agencies, changes we make is burdensome. It will require some more. But the fiscal note, as you can see, shows that the department projects that they'll be able to absorb the cost. But transparency is really the goal here. And I'm just glad that the department and the director share this-- share this emphasis on transparency. So we're in alignment there.

CLEMENTS: I'm not totally familiar with this fund. Are there federal funds involved with this? Or is it all state funds?

VARGAS: So LB3-- 1322 was signed into law in 1996 and it created the Nebraska-- NAHTF. It's been reauthorized since 2001. To my knowledge, it's not leveling additional federal funds but--

CLEMENTS: Matthew.

VARGAS: Matthew's just nodding, yes. [LAUGHTER] He's nodding yes right now?

CLEMENTS: It's state funds.

VARGAS: It's just state funds, yes. But some of the-- the intent of-- again, is part of the audit. And-- and-- and coming out of there are some things that have changed within the fund. But it was meant to serve the lowest income individuals for the longest time. There's some level of matching funds. I've already talked to you about the eligible recipients for it. But it was created for specifically affordable housing in the state of Nebraska.

CLEMENTS: Did I hear that you're asking for the locations or geography for the projects? Where is that? I thought I heard that but I don't see it. Applicant municipality I guess it says [INAUDIBLE] Line 27 on the green copy, page 2.

VARGAS: Yeah, the applicant municipality. I think it's always helpful when we know something's been done in our municipality. This way we really can be really proud of the projects. And there are letters of support from different agencies-- I'm sorry, different entities from across Nebraska that have utilized this, and I think it's just encouraging that more people want to use this. I just want to make sure senators really know where they're being done.

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CLEMENTS: Yes. I think that's helpful to senators to know it's statewide, not just local ones. Thank you.

VARGAS: Of course.

HILKEMANN: Are there additional questions? Thank you, Senator Vargas.

VARGAS: Thank you very much, Senator Hilkemann.

HILKEMANN: Proponents for LB737.

MATTHEW CAVANAUGH: Good afternoon. Again, I'm Matthew Cavanaugh, executive director of the Nebraska Housing Developers Association, M-a-t-t-h-e-w C-a-v-a-n-a-u-g-h. And I am here in support of LB737. My organization represents nearly every entity that regularly competes with Affordable Housing Trust Fund dollars, and we support this effort to bolster the program's annual report. My members are working hard to build new homes, rehab old ones, and provide down payment assistance with the support of the Affordable Housing Trust Fund. They are proud of this work and supportive of the Affordable Housing Trust Fund program. Anything that helps showcase the program and its accomplishments is positive in our opinion. All the additional information required by LB737 is currently available on the public record somewhere, but in the state's, be it in the state's monthly accounting reports, the programs' qualified allocation plan or from news releases provided by the Department of Economic Development. However, having all of this information in one policy annual report will advertise the health and utility of the program, ideally with little administrative hassle to the department. If the Legislature sees fit to require these additional reporting elements, we support that decision. We only ask that each year, with these reports-- when these reports are produced, that you take the time to review them to see the awesome impact the Nebraska Affordable Housing Trust Fund continues to make for the supply of affordable housing across the state. I thank you for your time and I'm happy to answer any questions. And I'll just add that I would like to echo Senator Vargas's statement that the department has done a great job in recent years to improve reporting and what they've shared, the information that is readily available, so they-- that-- I think they-- as far as I know they have indicated they'd be able to provide this information. And so with that, I'm happy to answer any questions.

HILKEMANN: Are there questions for Mr. Cavanaugh?

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MATTHEW CAVANAUGH: Great. Thank you. Oh, so-- sorry. Sorry, Senator.

HILKEMANN: On this fund, is this-- I'll check but do they have to pay the money-- they have to pay the money back? Is this like a loan-type thing--

MATTHEW CAVANAUGH: That--

HILKEMANN: --not necessarily?

MATTHEW CAVANAUGH: That can depend. There are-- there have been situations where they don't pay back to the state. But a loan can go to an organization, the organization could-- would put that into a home, for instance, and then there would be a lien or a title put on that house, and then it could go back to the organization if that home is sold or refinanced. That kind of thing happens. So there are some of these funds that are in reuse, years-- many, many years later, but they're never-- it's grants from the state to the entities so it doesn't come back to the state.

HILKEMANN: Does your organization work with groups like Habitat for Humanity or Fuller Housing or any of these type of groups?

MATTHEW CAVANAUGH: Yes. Yep. Exactly. So Habitat for Humanity Omaha and Lincoln are members of our organization as well as many other nonprofit housing developers.

HILKEMANN: You work with-- do you work with Abide?

MATTHEW CAVANAUGH: Abide I do not work-- Abide is not a member of ours. [INAUDIBLE] But they do great work as well. I would love to have them as a member.

HILKEMANN: You know about the group.

MATTHEW CAVANAUGH: Yes. Important work.

HILKEMANN: Uh-huh. Other questions? Seeing none, thank you. Are there--

MATTHEW CAVANAUGH: Thank you.

HILKEMANN: --other proponents for LB737?

KORBY GILBERTSON: Senator Hilkemann, members of the committee, for the record, my name is Korby Gilbertson-- sorry, I have a cold-- spelled

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K-o-r-b-y G-i-l-b-e-r-t-s-o-n. I'm appearing today as a registered lobbyist on behalf of the Nebraska Realtors Association. Sometime, in the last 25 years, the realtors apparently became the unofficial guardian of these funds, and we've been involved in various legislation pretty much every year, it seems like, since then, and trying to protect the sweeping of the funds for other purposes and things like that. When you look at where the funds come from, it comes from the transfers of real property, and-- and you look at the average price of a home, say, in Omaha, is around \$200,000. The homebuyer can expect to spend another 2 to 5 percent of that on just closing costs. The seller then pays the doc stamp tax, which on average for a \$200,000 house would be an additional \$450 that goes into-- into these coffers and of which, \$1.20 goes to the Affordable Housing Trust Fund right now. So when you look at that, and you look at the number of closings there are a month, around over a thousand a month in the Omaha area. So this is quite a bit of money when you start adding it together. And the realtors' main interest in this is protecting homebuyers and home sellers from having these dollars go to uses that aren't for homes. And we applied what has gone on in these different projects, there are projects going on across the state, and this is a bill that when we read it, we thought, gosh, why didn't we think of that 10 years ago. Because until recently, it has been rather hard to get good information, and we would be told that all of the funds have been accounted for. And then all of a sudden, there'd be \$5 million sitting there that was not accounted for. And we want to make sure that that doesn't happen in the future, especially when you look at different legislation each year coming in and asking for different uses of these funds. With that, I'd be happy to answer any questions.

HILKEMANN: Senator Dorn.

DORN: You-- thank you, Senator Hilkemann Thank you for coming. About how much-- how many dollars total come into the fund?

KORBY GILBERTSON: I don't know the total amount for each-- each year, but it's a dollar-- so it'd be \$1.20 per thousand dollar value of each--

DORN: Uh-huh.

KORBY GILBERTSON: --property that gets transferred, so--

DORN: So you said on a \$200,000.

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KORBY GILBERTSON: Yeah.

DORN: Over on \$100,000, about \$200, \$250 [INAUDIBLE].

KORBY GILBERTSON: Yeah. Uh-huh.

DORN: So and that's every property across the state--

KORBY GILBERTSON: Every-- there are some ex-- There are a list of exceptions.

DORN: Exceptions.

KORBY GILBERTSON: So yeah.

DORN: [INAUDIBLE] but majority of the properties.

KORBY GILBERTSON: Uh-huh.

DORN: -And this is used for--

KORBY GILBERTSON: Affordable housing projects.

DORN: --affordable housing.

KORBY GILBERTSON: Some money does go to behavioral health projects. And then, for a number-- one of the projects that was worked on earlier, and Senator Wishart knows about this, is some of the money that goes to the counties was actually set aside so that they could improve their recordkeeping and modernize the assessor's Web sites and things like that, so that information is more easily accessible. So some of the money has gone towards things like that, but otherwise we've tried to always make sure that, you know, when-- when a homebuyer or seller asks what this is for, there's a good answer for it.

DORN: I appreciate the-- Senator Vargas, too, here-- he added a thing here to make sure that there is more accountability and that we make sure these funds are getting used what they were intended for. If we intend to use them for something else, then [INAUDIBLE] have a process we can go through to do that. I appreciate that.

KORBY GILBERTSON: Yeah. Thank you.

HILKEMANN: Additional questions? [INAUDIBLE].

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KORBY GILBERTSON: Yes. Thank you.

HILKEMANN: Additional proponents for LB737? Are there any opponents to LB737? Are there any wishing to speak in a neutral capacity on LB737? We do have a letter of support on LB737 from Renee Just, Nebraska Appleseed, which will be read into the record. With that, we will close. Oh, I'm sorry. We haven't closed. Would you like to close? I'm sorry, Senator.

VARGAS: That's OK. I know it's been a bit of a day [INAUDIBLE]

HILKEMANN: [INAUDIBLE] you talked about-- love this. Now I've put you in a Randy-- Rodney Dangerfield. [LAUGHTER]

VARGAS: All-- all I want is just highlight-- is just the additional here letters of support that we see-- see-- see-- we see Atkinson, Bloomfield, Center for Community Change, Central Nebraska Development District, and the list goes on with these additional individuals-- entities that are supportive of this. I want to thank you again. I want to thank the members of the committee and I've-- I've said this before, I want to thank the Department of Economic Development and Director Rippe. And I think the general feeling is that accountability is good. There's things that we can do internally. We don't want to be overly onerous, but we also want to then have some measure of accountability standards and continue to improve. And that's all we're looking for with this. I would ask for your support for this legislation. And that's all I have.

HILKEMANN: Any questions of Senator Vargas? Seeing none, thank you very much.

VARGAS: Thank you very much.

HILKEMANN: And with that, we will begin our-- that will close our hearing on LB737. And we will be getting the hearing for Agency 72, the Department of Economic Development.