

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

LINEHAN: Welcome to the Revenue Committee public hearing. My name is Lou Ann Linehan. I'm from Elkhorn, Nebraska, and I represent Legislative District 39. The committee will take up bills in the order posted. Our hearing today is your public part of legislative process. This is your opportunity to express your position on the proposed legislation before us today. If you are unable to attend the public hearing and would like your position stated for the record, you must submit your written testimony by 5:00 p.m. the day prior to the hearing. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please turn off your cell phones and other electronic devices. Please, I'm going to restate this in a couple of minutes, move to the chairs in the front of the room when you're ready to testify. And the order-- the order of testimony is introducer, proponents, opponents, neutral, and closing remarks. If you will be testifying, please complete the green form and hand it to the committee clerk when you come up to testify. If you have written materials you would like to distribute to the committee, please hand them to the page to distribute. And I'll introduce the pages in a couple of-- a minute here. We will need eleven copies for all committee members and staff. If you need additional copies, please ask the page to go make copies for you now. When you begin to testify, please state and spell your name for the record. Please be concise. OK. I don't know. I'm going to try and really tighten this down today, guys, so I will-- let's go three minutes. And I'm going to-- because a good part of my district, like many other districts, are underwater because they've evacuated Valley, so I would like to get there. But I want to have a fair hearing. So I'm not saying we can't do it, but I'm just-- see how fast we can. If there are a lot of people wishing-- well, we already covered that. If your remarks are reflected in previous testimony or you would like your position to be known but do not wish to testify, please sign the white form at the back of the room, and it will be included in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. Committee-- I'd like to introduce the committee staff. To my right is legal counsel, Mary Jane Egr Edson, and to my left is research analyst, Kay Bergquist. At the end on my left is committee clerk, Grant Latimer. And I'd like our senators to introduce themselves.

KOLTERMAN: Mark Kolterman, District 24, Seward, York and Polk Counties.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

LINDSTROM: Brett Lindstrom, District 18, northwest Omaha.

FRIESEN: Curt Friesen, District 34, Hamilton, Merrick, Nance and part of Hall County.

CRAWFORD: Good afternoon. Senator Sue Crawford, District 45 which is eastern Sarpy County.

LINEHAN: I don't-- I think Senator Groene and Senator Briese have already gone back to their districts, but I'm not certain of that. Well, we are certain of Briese? Yes. Our pages for today are Brigita Rasmussen, will you stand up, ladies, who's a sophomore at UNL and majoring in agriculture and education, and "Sunny" Ghidey, a senior at UNL majoring in Political Science. Please remember that senators may come and go during our hearing as they may have bills to introduce in other committees. Please refrain from applause or other indications of support or opposition. I'd like to remind our committee members to speak directly into the microphones. Also for our audience, the microphones in the room are not for amplification, but for recording purposes only. Lastly, we're an electronics equipped committee and information is provided electronically as well as in paper form, therefore, you may see committee members referencing information on their electronic devices. Be assured that your presence here today and your testimony are important to us and critical to our state government. With that, we'll open the hearing on LB535. Senator Cavanaugh.

CAVANAUGH: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Machaela Cavanaugh, M-a-c-h-a-e-l-a C-a-v-a-n-a-u-g-h, and I represent District 6 in west central Omaha. I'm here today to introduce LB535 which will add provisions regarding nondiscrimination to the Nebraska Advantage Act. LB535 ensures that companies applying under the Nebraska Advantage Act do not engage in discriminatory practices against their employees or potential employees. The reasoning behind this is a company that insists on unfair employment discrimination on the basis of characteristics that are irrelevant to the workplace should not receive preferential treatment from the state of Nebraska. Under LB535, they will be able to continue operating as they wish with no interference from the state, no risk of potentially frivolous lawsuits, none of the nightmare scenarios we've been warned about on the bills with similar intentions but wider scopes. They simply won't receive a tax break for doing so. I'm sure you all know the Advantage Act already has many criteria the applicants are required to meet down to the number of

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

jobs that must be created by the project and the minimum compensation level for each employee. LB535 does not create an undue burden for these businesses, financial or otherwise, as would be reflected in the fiscal note and is, in fact, supported by business groups such as the Lincoln and Omaha Chambers of Commerce. We've already had a fair amount of discretion-- discussion about the topic of workplace discrimination this session, so I won't belabor the point today. And I am available for questions if the committee has them.

LINEHAN: Thank you, Senator Cavanaugh. Are there questions for Senator Cavanaugh? Seeing none, you'll be here to close?

CAVANAUGH: I have another bill and I have informed the pages, so if I'm called away. But I'm staying until I'm called away. Thank you.

LINEHAN: OK. Thank you very much. Proponents?

DANIELLE CONRAD: Good afternoon, Chair Linehan, members of the committee. My name's Danielle Conrad, it's D-a-n-i-e-l-l-e, Conrad, C-o-n-r-a-d. I'm the executive director of the ACLU of Nebraska, and I'm here today in support of LB535. First of all, we extend our best wishes, of course, to all of Nebraska communities that are suffering through this very difficult and tenuous weather situation. We thought the winter was bad. The thaw appears to be worse in some respects. So we stand in solidarity with all Nebraskans in that regard. In specific relation to the legislation before you here today, to be clear, the ACLU does not take a position on whether or not the state of Nebraska should engage in a tax incentive program. But if they are to engage in a program, we do encourage them to take up the very creative, innovative, thoughtful approach that Senator Cavanaugh has brought to this committee to ensure that our tax dollars don't subsidize businesses that discriminate on the basis of sexual orientation or gender identity. These are basic American values. People should be treated fairly. They should be rewarded for hard work. In Nebraska, voters stand in support of these issues as well. Recent research from the University of Nebraska demonstrates that well over 70 percent of Nebraska voters support nondiscrimination in the workplace. That's something I'd like to draw the committee's attention to. And then finally, as Senator Cavanaugh noted, this is not only a commonsense proposal to extend protections and to strengthen our economic development incentive programs, but it's also a no-cost alternative to moving thoughtful nondiscrimination policy forward. So with that, I'm

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

happy to answer any questions and appreciate how busy you are. Thank you for your consideration.

LINEHAN: Thank you very much for being here. Are there questions from the committee? See none, thank you very much.

DANIELLE CONRAD: Thank you. Thank you.

LINEHAN: Other proponents?

ABBI SWATSWORTH: Thank you, Senator Linehan, members of the committee. My name is Abbi Swatsworth, A-b-b-i S-w-a-t-s-w-o-r-t-h. I'm the executive director of OutNebraska, a statewide organization to empower and celebrate Nebraska's lesbian, gay, bisexual, transgender, and queer/questioning community. OutNebraska is in support of LB535, an update to the Nebraska Advantage Act. We know that Nebraskans value fairness. As Nebraskans, we want to treat others as we would treat ourselves. That is a value that the businesses participating in Nebraska Advantage Act should share. OutNebraska believes that all hardworking people, including those who are lesbian, gay, bisexual, or transgender should be treated fairly and equally and should have the opportunity to earn a living and provide for themselves and their families. Most employers want to do the right thing. The problem is there will always be a few employers who only do what's right when the law requires it. For those times when good judgment breaks down, we need clearly stated statutes so that all employees are hired, fired, or promoted based on their qualification, professionalism, and job performance, nothing more, or nothing less. And that's what updating the Advantage Act is about. No one who is qualified for a job should be discriminated against for reasons that have nothing to do with their job performance. Discrimination based on race, color, religion, sex, disability, marital status, national origin, sexual orientation, or gender identity is wrong. It is time that we hold Nebraska Advantage Act businesses to this basic standard of employment law. Updating the Advantage Act provides one more tool to ensure that all Nebraskans who want to work hard and who do their jobs well are treated fairly and equally and judged based on their job performance. That way, everyone can have a fair opportunity to earn a living, meet their responsibilities, and build a better life. LGBTQ Nebraskans pay their fair share of taxes and give back to their communities. They are already our neighbors and coworkers, and they deserve fair treatment in the workplace. We know that hard work is important to Nebraskans, including gay and transgender Nebraskans. Like you, their paychecks help put food on the table and help to bit-- build a good future for

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

their families. It's time the Nebraska Advantage Act businesses are held to this simple standard of nondiscrimination so that all people have a fair chance to work hard and provide for their families. We respectfully ask you to advance LB535 to the full body for debate.

LINEHAN: Thank you very much for being here.

ABBI SWATSWORTH: Thank you.

LINEHAN: I appreciate it. Are there questions from the committee? Seeing none, thank you very much.

ABBI SWATSWORTH: Thank you.

LINEHAN: Are there proponents? Are there-- are there-- no proponents. How about opponents? Anyone wishing to testify in the neutral position? Senator Cavanaugh, would you like to close? Before you do that, can I read-- we got a couple of letters for the record, so you will know that-- whether they're here: proponents, David Brown, Greater Omaha Chamber; Wendy Birdsall, Lincoln Chamber of Commerce which you mentioned; opponents, Kathy Wilmot, Beaver City; Tom Venzor, Catholic Conference and Nebraska Family Alliance; neutral, none.

CAVANAUGH: Thank you very much. I am glad to know that your words carried weight with the room today.

LINEHAN: But I think-- I think the weather [INAUDIBLE]--

CAVANAUGH: Yeah.

LINEHAN: --more than my words.

CAVANAUGH: I appreciate your time this afternoon, and I hope that you will give this some consideration. I think when we're talking about tax dollars and tax credits, that we need to make sure that those that are receiving these benefits are doing so with being judicious and fair to the people of Nebraska. I will say that from my previous work in nonprofit and development, the way that this would be verified when I was writing a grant if they wanted to know what the policy was or funding contingent upon it, you just had to give them a copy of your policy, your stated policy of employment nondiscrimination which most entities would have. So it's really just submitting two sentences to the application. With that, thank you for your time. And I hope you all have a safe weekend in this storm.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

LINEHAN: Thank you very much. Wait a minute. We might have questions.

CAVANAUGH: Oh, yes. I'm sorry.

LINEHAN: Do we have any questions? It doesn't seem so. OK. Thank you very much--

CAVANAUGH: Thank you.

LINEHAN: --Senator Cavanaugh. And with that, the hearing on LB535 comes to a close, and we will begin the hearing on LB714. Senator Crawford.

CRAWFORD: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Sue Crawford, S-u-e C-r-a-w-f-o-r-d, and I represent the 45th Legislative District of Bellevue, Offutt, and eastern Sarpy County. And I'm here today to introduce LB714 for your consideration. I served as chair of the Economic Development Task Force in 2017 and 2018. As part of that task force work, members spent significant time discussing the issue of job training and employee retention in Nebraska. This bill functions as a tool for small- and medium-sized businesses to train employees in newly created jobs through agreements with state community colleges. LB714 creates a localized, self-sustaining initiative that offers employees an opportunity to acquire competitive work force skills which may include college credit and certifications. LB714 helps employers provide education and training to employees in new positions. It also establishes a funding mechanism to pay for that training. Employers may enter into agreement with the state community college. The agreement between the college and the business would be specific to their needs in terms of curriculum development and training services and other assistance the employer may include, but are not limited to adult basic education and job-related instruction, vocational and skill assessment services and testing, training facilities, equipment, materials, and supplies, on-the-job training, administrative expenses for a new jobs-training program, and contracted or professional services. The jobs in question must meet two stipulations. They must pay more than the Nebraska average wage and the project must provide industry-approved training. With this wage requirement, eligible jobs are generally medium- to high-skill jobs. Examples might include positions in fields like welding, information technology, manufacturing, and biosciences. The exact nature of the jobs eligible under LB17 is not-- LB714 is not limited, however. Under LB714, an employer first applies to the Department of Economic Development for

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

project approval. The application contains the name of the employer, the community college to be involved in the proposed project, the services and other assistance to be provided by the community college, the number of jobs to be created as a result of the project, and the average wage expected to be paid for such new jobs. Once DED approves the application, the community college and the employer must enter into a formal agreement. That agreement has to include provisions addressing how project costs will be paid, a provision requiring that costs of on-the-job training will not exceed 50 percent of the annual gross payroll costs for employees, the number of new jobs to be created including full- and part-time positions and the level of wages and benefits to be paid for the new jobs, and any payments required to be made by the employer to the college. The payment mechanism for LB714 is that, under the terms of the agreement between the college and the business, the company could withhold a portion of the payroll taxes due to the state and remit that money directly to the community college. The new job withholding payment for an employee with a rate of pay that is less than 200 percent of the Nebraska wage is 1.5 percent of their gross wage. Withholding payments for an employee with a rate of at least 200 percent of Nebraska wage is 3 percent. For comparison, this baseline withholding for a single person claiming no exemptions at 100 percent of the state average wage is approximately 4.6 percent. We've put together a table on LB714, withholding levels at 25 percent intervals from 100 percent to 300 percent of the state's average wage. I thank my wonderful intern, Lillian, for helping with this table. An employer utilizing this withholding mechanism would remit the withholding payments quarterly directly to the community college in the same manner they would normally remit to the Department of Revenue. Payments received by the community college, under this agreement, have to be used for the approved project and can't be diverted elsewhere. While it does not appear in this initial bill draft, I'm open to discussing an annual cap on benefits that can be claimed under this program. And I want to also stress that this with-- payroll withholding mechanism is only available to be used for newly created jobs. Companies cannot divert withholdings from existing jobs or train new or exact-- extant workers. Alternatively, at least part of the cost of the training program can be covered by regular tuition payments from the employer. If the tuition payment is going to come from the employer and the employer fails to make the required payments, there'll be a lien on the employer's business property until the agreed amount-- amount is paid. LB714 includes reporting requirements that allow us to see how many jobs are being created and monitor retention. These requirements are spelled out in Section 5 of

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

the bill. Both the employer and the community college report that the payments were paid in accordance with agreement and agree to provide any other information the Department of Revenue requires. The Department of Economic Development is required to submit an annual report including the listing of approved projects, the number of employees who entered and completed training, and the number of employing companies. The Department of Revenue is required to submit an annual report as well, outlining the total number of agreements entered into and the amount of new job withholding payments that employers have remitted to community colleges each year and cumulative. Successful efforts in Michigan from 2008, in Iowa from the 1980s, in Missouri from 2004 and North Dakota have partnered community colleges and local businesses providing assessments, occupational analyses, customized corporate training, professional development classes, and noncredit English as a Second Language courses. In Michigan alone, 111 local partnerships have been established to train nearly 14,000 workers for high-skill jobs. An economic impact assessment in 2013 found that the program generated a net \$76 million in additional earnings the previous year. LB714 allows community colleges and businesses to enter into mutually beneficial, economically sustainable relationships and provides an avenue for work force training in a fiscally responsible way. The bill incentivizes creation of higher-wage jobs with additional training requirements, offering businesses a sustainable foundation on which they can build their employees' skill set. I see this program as a complement-- this program as a complement to the customized job training program and Intern Nebraska, both of which are important but limited work force training avenues. The customized job training program has historically been funded by periodic transfers from the Cash Reserve but has no dedicated funding source and has-- has been a popular program. It's almost out of funds. I also point out that another reason for introducing this bill is, as we're talking about we're going to do with incentives, one of the key recommendations of experts about best practices of incentives is to make sure that you're directing incentives toward people, and invest in those-- SRA recommendation as well. And so one of the important features of this bill is to direct incentives directly toward training of individuals. And the training-- regardless of what happens with the company, those trained individuals are going to remain in your state. And so that's an important part of introducing this bill is to make sure we have that discussion in terms of how we treat incentives as well. Additionally, as the fiscal note points out, in Iowa's experience, indicates that this program is likely to result in a net inflow to the General Fund once the program

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

is established based on new jobs created that will be-- that will be contributing full withholdings after the training is complete. And you see that note in your fiscal-- at the bottom of the first page of the fiscal note talks about the fact that best-- based on information from Iowa, it's estimated that the creation of new jobs may result in a net increase in General Fund revenue over the life of the program. So that was interesting to point it out in the fiscal note. So with that, I'll close and take any questions you may have at this point.

LINEHAN: Are there questions from the committee? I have one. Oh, I'm sorry. Senator Friesen, sorry.

FRIESEN: Thank you, Chairman Linehan. Senator Crawford, I like the sound of the bill kind of. It's work force development. This is what I consider to be a good-- a good work force development bill. So the community colleges don't really have any money in the game, so to speak. They're going to have the courses that are required, but they're not-- the tuition isn't being paid through the withholding that the--

CRAWFORD: By the withholdings, yes.

FRIESEN: --company is keeping. And so they'll be able to pay the tuition when the community college is fully reimbursed, so it shouldn't affect their costs any but they'll-- they may be asked to design a program for that specific employer?

CRAWFORD: Correct. That was part of the agreement that we have come up with.

FRIESEN: And that'll be the cost that'll be borne by the community college then?

CRAWFORD: Correct.

FRIESEN: OK. Sounds good. Thank you.

CRAWFORD: All right.

LINEHAN: Thank you, Senator Friesen. Other questions from the committee? I just have one.

CRAWFORD: Sure.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

LINEHAN: How did you get the fiscal office to agree to look at what Iowa's results were?

CRAWFORD: I don't know. I can't take credit for that. So I thought it was an interesting that they--

LINEHAN: Yes. It is interesting.

CRAWFORD: --that they pointed out that fact. I think it's common that they look at other states when they're building their estimates. So it was interesting that they recognized that that was something that we had seen in another state.

LINEHAN: Thank you. Other questions? Seeing none, you'll be here to close?

CRAWFORD: Yeah. I will.

LINEHAN: Proponents?

GREG ADAMS: Afternoon, Senator Linehan and the committee. My name is Greg Adams, G-r-e-g A-d-a-m-s, executive director of the Community College Association. I had already submitted a letter in support on behalf of the association, but as I was listening to testimony and the question, particularly, that Senator Friesen asked, there is one comment that I want to make. And then I'll get away from the mike. Certainly the Community College Association supports something like this for all the obvious reasons. First of all, work force development. It doesn't matter what state you look at, we're all in the same boat, and it's-- and it's changing the way that we grow the state. And we've got to look more at-- at work force development. Secondly, the community colleges, we believe, ought to be and are at the forefront of work force development. We know that we have higher education partners that-- that do a lot of the same work, but we're also unique. If we have any concern about this bill, any concern, and-- and it may not be justified, I don't know, it's-- paying tuition is great. And us designing programs, that's the business that we do. Training, customized training, we offer more customized training credit hours than-- than we do regular credit hours in our institutions. The issue to us might be if-- if-- let's say we were very fortunate and we get a big company comes to Nebraska and they want to locate in the Central Community College service area, as an example. And they have a lot of employees that they'd like to train. And as the bill is drafted, you're going to withhold money and pay

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

tuition. That's fine. We'll design programs. That's what we do. We'll sit down with the employer and do what we have to do. Our concern might be if it's an employer that has equipment demands that we're unprepared for, we'll go out and get that equipment. But then the question becomes when-- as the money is being withheld, what kind of a timeline there before we can get reimbursed back on that so that we don't have to run to taxpayers and say, well, we've-- we're-- we're having to add square footage or we're having to add new equipment or more staff to do this. And it's just that lag time. Probably most of the ventures that something like this would take on, we can handle it as is. I'll conclude.

LINEHAN: Thank you very much, Mr. Adams, Senator Adams, I should say. Questions from the committee? Senator Kolterman.

KOLTERMAN: Thank you, Senator Linehan. Senator Adams, when you talk about programs, like specific programs that might come to our state, a couple come to my mind. John Deere is in Milford and you got-- I think we've got GM parts in Milford. Is that what you're referring to, how you're going to pay back those individuals?

GREG ADAMS: I would see-- not something like that necessarily because we already have those programs and we have the equipment in place and we've got the staffing in place. It would be-- if something very unique came to the state and maybe they had manufacturing processes that are-- that are unique and brand new to us and we don't have the equipment to train on or-- or-- or the staff necessarily ready to go on that, then-- then we'd have to do something different. We'd have to expend some dollars up front.

KOLTERMAN: When most programs, that I mentioned, were started, did they-- didn't they help fund those?

GREG ADAMS: Yes. Particular--

KOLTERMAN: Isn't that a possibility that could exist as well?

GREG ADAMS: Sure. Sure.

KOLTERMAN: Yeah. Thank you.

LINEHAN: Thank you, Senator Kolterman. Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. So this-- I mean, these aren't necessarily going to be high school kids coming. This could be a

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

33-year-old retraining for a different job because he's looking for a better job or whatever.

GREG ADAMS: That's right.

FRIESEN: And so it'll be-- it'll be up to the company to hire the person first of all. They'll have to apply for a job and then they would-- basically the company that needs this employee would be sending them to school. That's-- basically that's what it amounts to. And they'll be working part-time, going to school part-time. Program training, it'll be designed to fit whatever they want.

GREG ADAMS: That's right.

FRIESEN: OK. Otherwise no restrictions. I am-- I know companies, a lot of times, they would almost probably loan you the equipment. I ain't too worried about that because they're--

GREG ADAMS: In some cases, that's right.

FRIESEN: --you're going to be training them for their equipment, so it just fits.

GREG ADAMS: Yep.

FRIESEN: But it sounds like a good fit. Thank you.

LINEHAN: Thank you, Senator Friesen. Other questions from the committee? Thank you. Next proponent? Are there any opponents? Anyone wanting to testify in the neutral position?

BRYAN SLONE: Thank you, Chairman Linehan and members of the Revenue Committee, for this opportunity to testify on LB714 on behalf of the state Chamber of Commerce, the Omaha Chamber of Commerce, and the Lincoln Chamber of Commerce. My name is Bryan Slone, spelled B-r-y-a-n S-l-o-n-e, and I'm the president of the Nebraska Chamber of Commerce. Looking forward, there are two major challenges to the continued competitiveness of this state. One which this committee has discussed in length and that's the tax rates in this state and how that makes us, at times, uncompetitive with other states. We have some of the highest income tax, sales tax, and property tax rates of any of our nearby states. And it's a-- it's a competitive issue. But the second issue is really work force. And I've passed out a chart that was produced by the UNO Center for Public Affairs Research and presented at an economic conference we had earlier this year. When we look at

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

work force in this state if you look at the bottom chart, if nothing changes, University of Nebraska Omaha research group would project that we hit our peak in work force last year, in 2018, in total number of work force age population. That will actually decline for the next year-- ten years, through 2028, before it starts increasing again. And so as we talk about taxes and spending and all of those issues, the-- the elephant in the room is, unless our population grows and indeed if our work force declines, it's hard to project an economy without a lot of productivity and technology changes which produces the revenues for those things to happen. And so work force may well be, and certainly as I travel the state and talk to our members, work force is the number one issue for all of our members. And work force means not only attracting people to our state with jobs that attract people to our state, but also connecting people in this state to jobs in the state and keeping them in our state. Part of the arsenal that's necessary to make that happen is clearly exactly these kinds of partnerships with our educational systems and particularly with our community colleges because they're most suited to deal with the specific job opportunities and growth opportunities in their particular areas. And so I want to compliment Senator Crawford for bringing this to the committee's attention and for offering this legislation because these partnerships are absolutely necessary. And so the chambers' position as neutral has nothing to do with whether these partnerships are needed. Indeed this is a central economic planning piece for most states. We have two issues that we would like to continue to work with the senator and this committee on. One is the funding mechanism, and working through withholding taxes is a difficult part of that. And I'll talk more about that in questions if somebody wants to know about that. And two, we would prefer to have the job descriptions be customized for each of the six community college districts because the economy is very different in each of the areas of our state. And with that, Chairman, I think I've reached my limit. And I'd be happy to take questions.

LINEHAN: Thank you, Mr. Slone. Are there questions from the committee? Senator Lindstrom.

LINDSTROM: Thank you, Madam Chair. Thank you, Mr. Slone, for being here. On the chart, I would imagine-- and I don't know if you know this because the UNO did the research, but does this demographic have to do with the baby boomer population?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

BRYAN SLONE: It is the baby boomers. So this is the-- the mirror image of the baby boomers. We have lots of young children come up-- coming up in first and second grade, but from third through twelfth, this is-- this is the projection. And right now we, you hear me say this often, but we have fewer kids in public K through 12 than when I graduated from high school which was the Stone Age.

LINDSTROM: I think UNO did a study, or at least they presented to us during our orientation, that we have upwards of 2,000 net increase or 4,000 net increase in population every year in the state, but the population from the western part to the eastern part, and the west part's declining. So you know, as I look at this bill, maybe the incentive towards work force, I think I'm in favor of it because maybe there's more efficiencies, getting people through, you know, technology that always advances even in agriculture, a lot of it's in agriculture so, to provide that type of training. Does that come into this equation as far as the decline in work force that deals with just less people needed to do certain jobs?

BRYAN SLONE: The decline in work force is actually statewide. There's-- there's several components. One is the population growth is relatively small compared to other states. Two, we tend to age as a state, and this is just-- this is not rural or urban. This is across the state. We're tending to age faster than other states. And so we are on the-- the lower ten, if I remember right, in terms of-- of aging population of the states. We're aging. We're one of the ten-fastest aging states in the country. And so that create-- is creating unique work force. So to earlier points that were made, you hear me comment often that-- that success means attracting 20- and 30-year-olds. But in this case, sometimes, it also means reengineering people in their 40s and 50s and even old guys like me.

LINDSTROM: Thank you, Mr. Slone.

LINEHAN: Thank you, Senator Lindstrom. Other question? Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. The first issue you had was targeting of certain jobs. And I'll agree with that. We don't want to-- we don't want companies incentivized to just train for jobs that whatever reason. So we need to target, you're saying, I guess?

BRYAN SLONE: I'm saying that the targeting should be-- should-- we should have the flexibility to be different in each of the six

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

community colleges because they serve very different needs and very different areas of the state. So whereas financial services may be very important in one area, ag may be the most important in another area. So we want the community colleges to be able to tailor this technical training.

FRIESEN: Do you think the community colleges have complemented each other well or is there some issues that we need to look at down the road as to who does what and as to where some efficiency is to be gained there?

BRYAN SLONE: Yeah. I think there's obviously efficiencies to be gained across our educational system. But-- but I will say this about the community colleges, they have been markedly flexible in their communities, in being responsive to their community needs. They need to be part of any plan we have, an integral part of any plan we have for work force. I think they would readily admit that they can work more efficiently together and that they're moving in that direction. But I think they would readily admit that as well.

FRIESEN: Do you have-- how would you set up criteria for what jobs you would target? Is there somebody has a list ready or?

BRYAN SLONE: I would-- I would say this is very much-- when you look at this in other states, and there are other states that have these programs, that it becomes a tool in the war chest of the Department of Economic Development and the chambers and others as you attract businesses. Typically now, businesses are not only interested in taxes and housing and all the typical issues, but they're interested in this training issue because most large businesses, when they come to the state, are going to require an employee base that's going to require some training up front, and having a partnership with a community college is now a competitive issue in most states.

FRIESEN: So it'll be driven more by the business that is--

BRYAN SLONE: The businesses that we're attracting to each of the regions in the state, and they'll be very different, in some cases.

FRIESEN: Thank you.

LINEHAN: Thank you, Senator Friesen. Are there other questions? I think you-- you mentioned, and I'll give you an opportunity to address

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

it, you're not particularly fond-- or you're questioning the way it's paid for.

BRYAN SLONE: Um-hum.

LINEHAN: You want to expand on that?

BRYAN SLONE: As you may know, I practiced as a tax accountant and tax lawyer for over 30 years, and-- and one of the more frustrating things for small businesses and where they most often get in trouble is payroll taxes. And the segregation of funds works OK, but not great. And the penalties for failure to deposit these kinds of funds are-- are very severe and sometimes criminal. And so earmarking these funds is a difficult proposition and probably not a slippery slope we want to go down. That does not mean that we don't think that we ought to find a way to do this. And-- and I would suggest that the businesses themselves, the community colleges, and the communities all need some skin in this game when we create a funding mechanism. It shouldn't be just a state expense.

LINEHAN: Thank you. Other questions from the committee-- the committee? So you're willing to keep working with Senator Crawford to see because I do-- I do think--

BRYAN SLONE: Absolutely. This is-- this is-- for us, this is just as important as the tax things I always like to wax eloquently on, or not so eloquently.

LINEHAN: OK. Thank you. That's very helpful. Other questions from the committee? I keep looking over there; there's nobody over there. Thank you very much for being here, Mr. Slone.

BRYAN SLONE: Thank you.

LINEHAN: Anyone else wanting to testify in the neutral position? Senator Crawford, would you like to close? Let me check, first, letters in the record, proponents: Rocky Weber, Nebraska Cooperative Council; and, Michael Chipps, Northeast Community College. There were no opponents, and no one submitting a letter of neutral.

CRAWFORD: Thank you, Madam Chair, and thank you committee members for your attention. I appreciate your attention to this issue. I do think that providing this kind of special training and specialized training is critical. The bill, right now, focuses on the wage for the job which would allow the different community colleges to have different

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

specialties. I don't know. We'd have to talk as a committee about whether or not we thought we should be determining what those specialties should be. I guess we left it more-- we left it open because the wage was the criteria, and you don't know what kind of company is going to come to a community to have particular jobs. So that's why it's open. I do think that, as some of the dialogue happened here, I do think that sometimes in the agreement, equipment or other components like that would probably be a part of the agreement, that the company may choose to pay for those things to make sure that they're provided to the community college-- college. So and I will continue to work with the chamber if they have ideas for other funding mechanisms. I think the withholding mechanism is one that's been used in other states. And so really it-- it gets the payment from the new job that just been created. So I think there's something very attractive about that. And so I appreciate it. So that I think is an important part of the mechanism is that you're getting the payment from the new job. In other states, they have opportune ways for community colleges to borrow against that incoming future revenue. And we did not put that in this bill, and that's something we could discuss. I think that's part of what the letter from the Northeast Community College suggested was a concern that they had. But we did not put that in this bill, and it's another issue that we could discuss. But just wanted to make sure that we were looking at different opportunities and ways other states really look to invest in their work force as part of the economic development incentives.

LINEHAN: Thank you, Senator Crawford. Senator Kolterman.

KOLTERMAN: Thank you, Senator Linehan. Senator Crawford, this-- I'm intrigued by the bill. I have one question. Would you be open to allowing Nebraska School of Technical Agriculture be included as well?

CRAWFORD: Sure.

KOLTERMAN: I mean they have a two-year program in many instances.

CRAWFORD: That's a great-- that's a great suggestion.

KOLTERMAN: There may-- you know, there might be some opportunities there as well.

CRAWFORD: All right. Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

LINEHAN: Thank you, Senator Kolterman. Other questions from the committee? Are you-- I do have empathy for what Mr. Slone said about payroll deductions--

CRAWFORD: Yeah.

LINEHAN: --because it gets very complicated and you-- and it can be criminal. So-- so did you look at tax credits at all? I mean if they're going to-- hopefully they're planning on making money. So if they invested with these programs, would there be a way you could use a tax credit?

CRAWFORD: Could. I mean that just wasn't the model we were looking at, at the time. And we could think about whether or not, yeah, that makes sense as a-- as a mechanism. Again, the logic of the mechanism was that the new jobs paid for the training. Was that-- that was how it was designed.

LINEHAN: OK. OK. Other questions? Senator Friesen.

FRIESEN: Chairman Linehan. I mean to me, you know, if a business is paying this expense, it was also a deductible expense.

CRAWFORD: OK.

FRIESEN: I mean it's not as though there's-- not that it's good enough to justify that maybe, but there could be some other incentives put in there on top of that. But to me it would be a deductible expense. And again if-- I guess, I would just caution, I-- I don't want the community colleges' costs driven up because that puts pressure on property taxes.

CRAWFORD: Right.

FRIESEN: But I do think there's some different ways of doing it and maybe the payroll. But you got to remember that those are deductible expenses if they are an employee. And the tax credits are something but then it's a budgeted item and you can put limits on it.

CRAWFORD: Right. You could put the limits on the-- how much they could receive--

FRIESEN: Yeah. Well, that's all--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

CRAWFORD: --per new employee or something like that.

FRIESEN: Right. Yeah. And I'm assuming, I guess, this was-- this wouldn't be a company that's retraining its work force. It's more of new jobs created.

CRAWFORD: This mechanism is that. Right. Right.

FRIESEN: Thank you.

LINEHAN: Thank you, Senator Friesen. Other questions? Seeing none, thank you very much.

CRAWFORD: Thank you.

LINEHAN: With that, we bring the hearing on LB714 to a close. And we will open the hearing on LB738. Senator Justin Wayne.

WAYNE: Good afternoon, Chairwoman Linehan and the Revenue Committee. It's good to be back in front of this committee, as always. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e, and I represent Legislative District 13 which is north Omaha and northeast Douglas County. I am here today to introduce LB738 which would add a new tax bracket starting at \$2.5 million a year or higher income-- or higher income at a rate of 7.84, a single percentage point higher than those making just \$29,000. So just to make it clear, once you hit the \$2.5 million threshold, it's the dollar or cent after that that gets the higher tax, not the complete amount. I'm just wanting to say that, for the record. I do think it's a little crazy to me that a person who makes over \$2.5 million is being taxed the same as somebody who's making \$29,000. Although that person who's \$29,000 does not have the same tax breaks or deductions they can make typically as a person who is making \$2.5 million. When polled, the national studies have shown that the overall-- overwhelming majority of Americans support a tax increase in one form or another on the highest tax earners. In fact, our own Warren Buffett has talked about this many times, and I think he would support this bill. I did not ask him, so I'm not speaking for him. But off of public statements, I think he would. The state is facing a fiscal deficit. This is one way that I think we can start closing some of that and providing revenue for our state. Again, this would be, just so you know, this would be one of the smallest, millionaire tax is what they call them, in the country and one of the lowest. Last year, Chairman Smith expressed interest in using the revenue generated from this to buy down the tax burdens of Nebraska, to lower their tax

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

rate, certainly an idea that I'm open to. And if this committee would want to go in a different direction of how to use that money, I would be open to that too. Thank you for your time. And with that, I will answer any questions.

LINEHAN: Thank you, Senator Wayne. Are there questions from the committee? Do you have any idea-- I'm not seeing any, but do you have any idea how many tax filers we're talking about here?

WAYNE: No they just-- they didn't list how many there were. They just said that based off of 2000-- or previous tax years, this would generate \$5 million, \$5.7 million. But I didn't-- they didn't give a breakdown on how many it was, and my staff couldn't find exactly the number of how many it was.

LINEHAN: I would guess the Department of Revenue could give you some idea if you ask them. That would be helpful, I think, for the committee to know.

WAYNE: I will ask and have that information to you.

LINEHAN: Thank you very much.

WAYNE: I'll have that for you before your next executive session on Monday regarding this bill.

LINEHAN: Thank you. That's very efficient of you. Are there questions? Yes, Senator Lindstrom.

LINDSTROM: I guess not-- not a necessary question but I guess, based on statements that Mr. Buffett has said over the years, he actually wouldn't be paying this because he pays as much as his secretary is what he says.

WAYNE: That's true. We'd probably have ten minutes to include all the assets, but that gets a little complicated. And I'll let this committee figure out how to do that to meet Buffett's needs.

LINDSTROM: I'm just pointing out what he said. So thanks.

LINEHAN: Thank you, Senator Lindstrom. You will stay to close?

WAYNE: No. I am in Judiciary introducing another bill right after this.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

LINEHAN: OK. Have a nice weekend. Thank you.

WAYNE: Yes. And please travel safe and don't stay too late because the Platte River is getting kind of high.

LINEHAN: So I've heard. Proponents? There you are.

DAVE WELSCH: How much time do we have to take?

LINEHAN: Three minutes. Because of the weather, we're trying to get people out.

DAVE WELSCH: I understand. I'll talk fast. Good afternoon Senators. My name is Dave Welsch, D-a-v-e W-e-l-s-c-h. I'm a farmer and currently serve as president of the Milford Public Schools Board of Education. I've served on the board for 20 years. I'm here to testify in support of LB738. Currently our state is in need of additional revenues to provide property tax relief and to rebuild our Cash Reserve. LB738 will help to do that. LB50 is also a responsible way to improve our income tax code and provide an even greater amount of new revenue. Increased income taxes are needed to help rebalance our three-legged stool of tax revenue. Increasing income taxes will provide revenues to lower property taxes which support our public schools. I have long held the belief that income taxes are the appropriate tax to fund our public schools. A good education is vital to lifelong employment and income. While not always a one-to-one correlation, it is safe to say that as a person's education increases, their income also increases. As a person graduates from high school, then college or university, and finally a postgraduate degree, all along the way, their income potential increases as well. So if education is the link to higher income, shouldn't income taxes play a large role in funding our education system? I believe it should. It saddens me when groups such as the Chamber of Commerce or those representing banking interests testify before this committee asking for lower tax rates, corporate tax incentives, or other tax breaks such as the S corp LLC income tax exclusion and the capital gains tax exemption. These groups are often in the higher income categories in our state and therefore have taken advantage of education to create the income they have today. I simply do not understand why they are not willing to pay their fair share in supporting our state and especially education within our state. There is not a direct correlation between owning property and income. Just because a farmer owns \$1 million in farmland does not mean they have the income to pay those property taxes. This is especially true in today's economy. Most farmers will tell you that when they are making

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

money, they are willing to pay income taxes. But having to pay high property taxes no matter what their income is becomes a challenge. So focus on providing property tax relief first to the rural equalized districts that have been hit the hardest with increased property taxes and then to all areas of the state. As you look to obtain 33 votes to provide property tax relief, focus on property tax relief for urban areas as well to pass a property tax relief bill. Urban areas want property tax relief as much as rural areas do. The vast majority of Nebraskans are not asking for income tax cuts. Thank you, and I'd be happy to take any questions.

LINEHAN: Thank you, Mr. Welsch. Are there questions from the committee? Seeing none, thank you for being here today, sir.

DAVE WELSCH: Thank you. Have a safe drive home.

LINEHAN: Thank you very much. Are there any other proponents?

JOHN HANSEN: Madam Chairman, members of the Committee, for the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I am president of the Nebraska Farmers Union. Our organization has had a lot of discussions over the years over taxes generally, and so the idea of income taxes has-- we have a clear policy that says that we need to have more reliance on income taxes because as a whole, in order to solve problems and get to the point where we're dealing with the issues before us, of course, property tax relief is a more fair way to fund K-12 education or two of those issues that-- income taxes are viewed by most folks as a more fair tax based on ability to pay. And that's borne out by the data when you look at it. And so, you know, how much is the tax? How much is the disposable income? And are you sliding up the ask relative to the ability to pay in any of the three different primary revenue sources? So-- so income taxes get to be viewed as generally more fair. So the other thing that we found in-- in studies, as we've looked at this down over the years, is that the perception of tax load and whether or not it's too fair-- it's too high or not or how high it is are also geared by their perception of whether or not someone that they know or a member of their family or a neighbor who has more money than they do is paying their fair share of the freight. And so you kind of judge your load relative to people that you know's load. And so for that reason, income tax is-- is an important part of the mix where you're saying, well, yes, they're making money, but if you're making money, you're always in a position to be able to afford to pay it. From a business standpoint, I would hate to guess how many different kinds of businesses I've owned and

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

operated in my lifetime. It would be quite a few. And if you're going to look at the place to tie into the revenue stream in a business, it's after the investments been made, the risk has been taken, and all the bills have been paid. And at the end of the process, if you're making money in your business, that is, to me, the most fair and reasonable time to ask that business to contribute-- contribute to the kitty, to pay for the public good and the services that you use as a business in order to be able to generate the-- the-- and operate the business that you had and operate in a fashion that caused you to be profitable. So with that, I haven't told you anything that you haven't heard from me before. But thank you for your kind attention, and I hope that the roads back home in your direction are better than they are in northeast Nebraska.

LINEHAN: Thank you very much, Mr. Hansen. Are there questions from the committee? Seeing none, thank you. Safe travels.

JOHN HANSEN: Thank you very much.

LINEHAN: Other proponents? Are there any opponents?

RON SEDLACEK: Chairwoman Linehan and members of the Revenue Committee, for the record, my name is Ron Sedlacek, R-o-n S-e-d-l-a-c-e-k. And rather than create a string of witnesses up here and take more of your time, consolidate testimony of a number of groups, I'm here to represent them all. I'm here on behalf of the Nebraska Chamber of Commerce, the Greater Omaha Chamber of Commerce, the Lincoln Chamber of Commerce, Nebraska Bankers Association, and NFIB Nebraska all in opposition to the bill. As you've been hearing testimony over the course of the number-- numerous public hearings you've had this session, you've probably been told more than one time that Nebraska is a high-tax state considering property tax burdens, income tax burdens, and so on. And again, just to reiterate, in a previous bill that we testified on, Nebraska still remains higher than those facing most taxpayers in other states when it comes to the income tax rate. Our marginal rate of 6.84 percent on earnings over \$30,420, currently that's the 16th highest rate in the nation. Meanwhile, our income tax on the personal level have grown by over \$846 million over the past nine years. And in addition, we have a number of, of course, businesses who operate as pass-through entities such as S corporations and-- and so forth. And they pay, rather than at the corporate rate, the individual rate. So when we look at surrounding states, we still have the second-highest nominal rate. We've got two states, of course, surrounding us that are no income tax states. Iowa does have a higher

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

nominal rate, but-- and that's 8.53 percent, but it's based on a different-- certainly different margins. But also there's a mitigating factor and that is you are able to deduct the income taxes paid-- the federal income taxes paid, and it gets you state liability in Iowa. So the effective rate is much lower than the nominal rate. At any rate, we're here because there are a number of businesses, entrepreneurs that-- that have significant investment in Nebraska. And a number of these people are highly mobile people. Our concern is that these super brackets, as they've been tried in other states, have been temporary. And they found that they don't generate the revenue that they anticipated. These people are highly mobile. So are the businesses. And what we're trying to do, of course, is to encourage these entrepreneurs to stay in Nebraska, to grow in Nebraska, to enhance our economic growth, encourage capital flow in the state, and hopefully receive more investment and job creation through their efforts. And as I see my time is running out, I just would like to reiterate that these millionaire taxes are often very ephemeral. It's a rare bird in Nebraska that you have someone who makes more than \$2 million, \$2.5 million every year. Quite often, millionaire status is achieved in one tax year, particularly when your life's equity in a farm or business have accumulated over 5-- 4-- 40 years of work. It's quite a bite.

LINEHAN: Thank you very much. Are there questions from the committee? I'm glad you brought up the one time because there used to be averaging, but we don't have that anymore, right?

RON SEDLACEK: We don't. It would be based on any given year.

LINEHAN: So if you were, for some reason, you'd be-- made \$1 million one year, you would pay this tax even though the next year, you could be making far less than that.

RON SEDLACEK: Well, this bill would be \$2.5 million actually.

LINEHAN: I'm sorry, \$2.5 million, but--

RON SEDLACEK: Oh yeah. I mean, as I say, you could accumulate a lot and cash in, and have one heck of a tax bill for that year. But again, that's something that's been accumulated over a lifetime, and it's quite a bit of bite for someone in just one year to take. And I'm not sure that the intent is to tax that retirement income to that point. But that money won't be there the next year.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

LINEHAN: And then, could you expand a little bit? You said this, but maybe I'm just asking you to repeat it because I don't think I've heard this before. Though Iowa's tax rate is higher than ours--

RON SEDLACEK: Um-hum.

LINEHAN: -- it's mitigated by the fact that--

RON SEDLACEK: Um-hum.

LINEHAN: --Can you explain that again?

RON SEDLACEK: Well the state allows a deduction for federal income taxes paid in Iowa, OK?

LINEHAN: So your high-income earners could take 30 percent of their--

RON SEDLACEK: Whatever that might be. That's correct. Um-hum. Um-hum. So their nominal rate-- again, they have a higher nominal rate. And that has been lowered since-- and it's scheduled to lower at the-- sometime this year. I can't recall the date exactly but-- but their rate will be lowered, and they still keep the federal deduction. So that's an important deduction. If we had that, that would be-- that would be fantastic, although I'd rather see a lower nominal rate with the current system as opposed to a higher nominal rate--

LINEHAN: Do you know what that makes that?

RON SEDLACEK: --because site selectors and all, they look at, you know, what are your rates and maybe not dig in as much.

LINEHAN: So are you-- could you get for us or do you know what the effective rate for someone in Iowa making over \$100,000, what their tax is over \$100,000 in Iowa?

RON SEDLACEK: We sure could try for you. Um-hum.

LINEHAN: The effective rate, that would be helpful for the committee to have.

RON SEDLACEK: Um-hum. Um-hum.

LINEHAN: Thank you, Mr. Sedlacek. Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. At the end there, you brought up a point that I can't resist. You mentioned the one time sale of

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

farmland, and I understand the concern there. But I guess, if we weren't taxed to death every year to start with, I'd be more than happy to pay the one-time, a little bit over \$2.5 million tax. But I-- it's a concern. I understand it. But don't use farmland as an example. Thank you.

RON SEDLACEK: We appreciate your instruction.

LINEHAN: Thank you, Senator Friesen. Other questions from the committee? Seeing none, thank you very much--

RON SEDLACEK: Thank you.

LINEHAN: --Mr. Sedlacek, for being here. Other opponents? Anyone wishing to testify in the neutral position? Letters for the record we have: proponents, Renee Fry, OpenSky Policy Institute; opponent, Sarah Curry, Platte Institute; no one in the neutral position. And Senator Wayne said he had to go to Judiciary, so that closes the hearing on LB738 and opens the hearing on LB724. Senator Vargas.

VARGAS: Good afternoon, Chairwoman Linehan, members of the Revenue Committee. This is bad teacher practice. I don't usually like handing out-- handing out items without talking through them first, but I wanted to make sure you have them. My name is Tony Vargas, T-o-n-y V-a-r-g-a-s. I'm proud to represent District 7, the communities of downtown and south Omaha. I'm going to take a little departure from the conversation we were having before. Instead of talking about tax brackets, I'm going to be here to introduce LB724, a bill that attempts to address the persistent gender disparities that exist in the workplace by requiring every business that receives benefits in the Nebraska Advantage Act to have an equal number of women and men on their board of directors. Now, my office lovingly refers to this bill as the girl act or the gender inclusivity and recognition of leadership act. Don't laugh. It is an apt name as LB724 ensures that companies that operate within our state recognize the valuable contributions and perspective that women bring to the boardroom. Now, in amending the Nebraska Advantage Act to include this provision, we can better promote the act's intention and mission which is to encourage and reward employers that invest in Nebraska and its work force. It is also one of the stated goals of the Nebraska Advantage Act to create and retain new high-quality jobs in Nebraska. In my opinion, high-quality jobs are ones that recognize women are a significant portion of Nebraska's work force and provide paying employment equity for women, including equity in leadership. Now the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

language of this bill is straightforward as it states that any domestic corporation seeking to qualify for the tax incentives under the Nebraska Advantage Act have a board-- have a board of at least 50 percent women. If a corporation fails to meet such requirement at any time during the entitlement period, the failure will be treated in the same manner as a failure to maintain the required level of employment pursuant to other sections of the Advantage Act, and it will trigger a recapture of the tax incentive. In 2017, less than one-third of global boards had at least three women. In fact, a quick look at some of the major publicly traded companies operating in Nebraska show that many have less than three women. This failure to adequately include women in the boardroom not only hampers opportunities for women in leadership roles, but also negatively impacts the success of those companies. Numerous studies have shown that when there are more women in the boardroom, and this should not be surprising because we're lucky to have a lot of chairwomen leading our efforts here, that the companies experience a better return on equity, more innovative ideas, and a stronger focus on research and development. It is for this reason that California became the first state in 2018 to establish quotas requiring any publicly traded company to include women on their board of directors. This committee understands the important role that tax incentives play in addressing persistent economic problems. However, our state has traditionally failed to address the economic problems that are the wage-gender disparities and a lack of women in leadership roles. We have the opportunity to use the Nebraska Advantage Act, which has done a wonderful job in promoting investment in our state, to incentivize publicly traded companies to provide more leadership roles for women. In turn, these companies will provide better business to our state, help to close our wage gap, and encourage innovation. Now, for any of you-- for any of you who run a business or sat on a board, it is my hope that you understand and experience that diverse boards, specifically with gender diversity, lower volatility, lead to better performance, and promote varying perspectives that enhance both the mission and the vision of the board. I look forward to working with this committee as we seek to provide equity within our state and the companies that operate inside. And one note on this, I reference California and what they did. They required that all publicly traded have a gender equity no matter what. I didn't go down that route. I went down the route of we're also saying that there's a certain number of jobs with a certain level of wage, and we have a 50-50 diversity pool of women and men in the state. And we're incent-- providing incentives. I don't think it should be that hard to have a board that has equity with gender,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

especially for giving that money for a reason. So with that, I welcome any questions that you may have. And I thank the committee for having this conversation.

LINEHAN: Thank you, Senator Vargas. Are there questions from the committee? Yes, Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. So if I am a-- currently have 50-50 representation on a board, do I get a prize? Because I qualify for some Advantage Act help.

VARGAS: Do you get a prize? Under this bill?

FRIESEN: Would I qualify for some tax incentives?

VARGAS: You're qualified under the Nebraska Advantage tax incentives if you have 50-50 board.

FRIESEN: But I have to fill out all that paperwork though?

VARGAS: I mean all the paperwork that you submit right now for everything else I assume that that's not going to be a heavy lift.

FRIESEN: Could we make this easier so that you reach that 50-50 quantity, there is a special program.

VARGAS: I'm happy to work with the committee on something that makes that-- makes that happen. But as many of you had seen the application process, there are things that are required of these companies. I think that this, along with the other points that they need to then make on employment and wages, that 50-50 gender diversity would not be a huge lift.

FRIESEN: Well, I've been 50-50 diversity for over 20 years.

VARGAS: Well, I appreciate it, Senator Friesen. You'd qualify then.

FRIESEN: Thank you.

LINEHAN: Thank you, Senator Friesen. Other questions from the committee? This isn't a question, but actually, this is an improvement from what I looked at ten years ago. It used to be-- well, I should not get myself in trouble, try not to. OK. Will you be here to close?

VARGAS: I may not be here to close, so I just want to say one reaction to that. It has been an improvement. I think we're in a new age where

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

there is much more that we can do. This is a low bar because the pool of candidates that we have for board, I think if we were to say, let's try to have 50-50 in a lot of different other underrepresented groups, it's a lot harder because we have a lot more-- fewer people to pull from. But 50 percent of this state are women. And I-- and I can attest, from my experiences working with amazing people on different boards and in-- and in corporate leadership programs, that women bring a lot to the table. I don't need to say that, and I do not want to mansplain that. But I think it's important that, as an advocate for women, that this is something that we can do. And I also-- and Senator Kolterman had this brief conversation. I really hope that we can include this in the ImagiNE Nebraska Act if that is what moves forward as our-- with our incentive package. I do not think it should be hard to be able to do this. Thank you for your time.

LINEHAN: OK. Let me ask you a serious question. I mean they're all serious but--

VARGAS: Yeah. No, serious question. These are all serious questions.

LINEHAN: --because these boards, if I understand it right, they have term limits. They serve for four years and then they come back, or maybe some of them have limits that you only serve two four-year terms or two six-year terms. So you would have to make some kind of adjustment that you can't-- like you wouldn't be-- you wouldn't want to kick somebody off that's on the board. It would be a-- you would have to figure out-- you would have to push it out into the future, right?

VARGAS: There-- there is, and so there's one thing that I would probably want to work on here. And I, as-- as-- as-- for those of you that know the application process, there are different stages when you're accruing the credits and then when you're-- the entitlement period. And so there is a way to streamline this where you could say, during this period you-- if you don't currently meet the qualifications, that when you get to 50-50, you know, during that entitlement period, then you-- you-- you qualify and keep the credits. But like anybody that served on a board before and if you've been the chair of a board, and-- then you know that when you're doing strategic planning for people departing and leaving, sometimes you think, we need somebody that has HR experience, marketing experience. I think the same thing can be done for, let's make sure we still have gender equity on the board. And so when somebody is transitioning off, let's make sure we still bring on somebody that identifies as a female. And

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

I think it's possible. So we can work on a provision that provides for some of those exceptions, but it's something that I'm more than happy to work on.

LINEHAN: Thank you, Senator Vargas. Other questions from the committee? Seeing none, thank you. Have a safe weekend. Stay calm.

VARGAS: Thank you very much.

LINEHAN: Proponents?

TIFFANY SEIBERT JOEKEL: Good afternoon, Chairperson Linehan, members of the committee. My name is Tiffany Seibert Joekel, T-i-f-f-a-n-y S-e-i-b-e-r-t J-o-e-k-e-l, and I'm here representing the Women's Fund of Omaha to testify in support of LB724. We are supporting this bill because representation matters. Women represent a slight majority of the population in our state, 50.1 percent. We're very close to 50 percent of the work force, yet the further up the corporate ladder we look, the less and less women we see represented in those places. Despite the fact that women overall in Nebraska are more highly educated than men and particularly if we look at the 25 to 34 population, 41.3 percent of women have a bachelor's degree or higher compared to 32.1 percent of men. So we think this is an important component of having a conversation about ensuring that corporate leaders are representing the population in the work force. As Senator Vargas indicated, there's some really strong emergency-- emerging research about the impact of gender diversity in leadership in business, and I've included a Forbes article that gives a much more thorough overview of that than I ever could in three to five minutes. We believe equal representation in board positions is critical to impacting gender equity throughout a company. In order to achieve gender equity in the workplace, it helps to have women at the top to help to implement changes that will impact the work force at every level. I want to make a couple of notes in relation to questions. Senator Friesen, I am happy to tell you that this would be the easiest part of the application for you, 50 percent there you go. So then you just have to work on the rest of it. To the point you asked, Senator Linehan, about the timing, I actually think Senator Vargas is not giving himself enough credit. I think the way the bill is drafted, it allows time between the application and the attainment period for the tiers and the entitlement period. So you actually don't have to meet this 50 percent threshold until you get to the entitlement period which I think is five years, depending on the tier, or seven for others. So I do think it gives time for a business to commit to that

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

and get there upon application. And I would note, it's lovely to get to testify on a bill that has no fiscal impact. So there's that. We're confident that companies who meet this threshold will benefit from the brainpower and contributions brought by the unique, valuable perspective of women. We'd encourage you to support this bill and include it in any other further iterations of business tax incentives, Senator Kolterman. Except-- thank you. With that, I'd be happy to answer any questions. Thank you.

LINEHAN: Thank you, Ms. Joekel. Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. So I'm in-- you look at businesses and you tend to think of them as they should be fairly intelligent. So if you can make an economic case of having a diverse board, why aren't they doing it on their own? What's-- what's stopping them or is it just the, we just always did it this way? But you seem to have data that shows that a very diverse board is good for the business.

TIFFANY SEIBERT JOEKEL: Yeah. So I would say, to be fair to businesses, that that is emerging-- emerging data. I'm not sure that the data has always been strong. So I think it's very clear now. But I'm not sure it's always been there. I would also say, Senator, that if there was a silver bullet to address gender equity, it would have happened generate-- generations before. I mean I'm here before you benefiting from the work that has been done by women fighting that glass ceiling in generations before me, and I'm grateful for that. But we are still not there. Gender equity is a combination, a variety of factors. It's about education which women have really come a long way and, in fact, now surpass men in that regard. But it's also what occupations are being chosen and how those are-- are paid and the value attributed to them. So occupations that are primarily done by women tend to generally be less compensated than men. So nursing, teaching, care-- home care, those sorts of things are-- have lower pay than banking and finance and other things which tend to be largely populated by men. There are also all sorts of challenges. They call it the motherhood penalty. And there are some studies that show that women, for every child that they have, take a 7 percent penalty in pay. I think one way to address that is to have women in leadership who recognize these challenges. Men who become dads don't face these same penalties. So I think it's a combination of structural factors. I think it is unintentional bias in a lot of cases but some intentional bias. And that's why we think it's so important that having women in

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

leadership will be able to change these conversations and recognize these barriers where they exist.

FRIESEN: I guess I look at it as a company if they want a competitive advantage-- I look at all-- some of the issues that we regulate, and those companies who are ahead of the curve are the ones that recognize all these things and they're doing them. And it gives them a competitive advantage. Whether others realize it or not, that's their fault.

TIFFANY SEIBERT JOEKEL: Right.

FRIESEN: I chose to be in a low-income job.

TIFFANY SEIBERT JOEKEL: Yeah.

FRIESEN: That's just not smart on my part. Thank you.

TIFFANY SEIBERT JOEKEL: Well, if I may respond, Senator, I think then that means we're making our economic development programs even stronger, right, because we're giving them-- we're requiring them to meet this advantage. I agree with you that I would hope they would recognize that on their own, but it's not happening fast enough. And I think this is one way that we can do it that's not a mandate on businesses but instead provides an incentive.

LINEHAN: Thank you, Senator Friesen. Senator Lindstrom.

LINDSTROM: Thank you, Madam Chair. The Women's Fund, is it structured as a 501(c)(3)?

TIFFANY SEIBERT JOEKEL: Correct.

LINDSTROM: So if I donate to the Women's Fund, I can take a write-off, correct?

TIFFANY SEIBERT JOEKEL: Correct.

LINDSTROM: So if we added-- I'm just going to play this, because--

TIFFANY SEIBERT JOEKEL: Sure.

LINDSTROM: --just bear with me a little bit.

TIFFANY SEIBERT JOEKEL: Right.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

LINDSTROM: So if we added in here that for an incentive you could-- you could only get a tax write-off if your board or any nonprofit board had a 50-50 split between men and women. Would-- would other folks be in favor of that? And the reason I ask, I was just curious, the Women's Fund has a board?

TIFFANY SEIBERT JOEKEL: Yes.

LINDSTROM: What's the percentage of men on that board?

TIFFANY SEIBERT JOEKEL: Zero.

LINDSTROM: I just-- my point is I don't think that we should be in the business of dictating what people should be doing with that so.

TIFFANY SEIBERT JOEKEL: I think that's fair, Senator. I appreciate that. I mean my argument for that would be that we're exchanging a state benefit, right, which I think you're arguably saying we are doing the same for a write-off for any donation that you make to the Women's Fund. I think the difference here is being that we have very strong representation of men on court-- boards, both corporate and nonprofit. And I think that's lagging in-- in-- for women. And so I think this is an opportunity in exchange for a very significant business tax incentive.

LINDSTROM: I get the concept. I'm just pointing.

TIFFANY SEIBERT JOEKEL: Yeah. I appreciate it.

LINDSTROM: Thank you.

LINEHAN: Thank you, Senator Lindstrom. Other questions from the committee? I would just say, part of my experience in life has been that, you know, what used to be, and it's clearly improving, everybody kind of got to the point where they knew they had to have one woman. So we don't ever get to the point where there's enough of us to help each other.

TIFFANY SEIBERT JOEKEL: Yeah.

LINEHAN: Which is, you know, the tipping point.

TIFFANY SEIBERT JOEKEL: Right. There's a lot of research about being the only, right, and how difficult that can be.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

LINEHAN: So but I do think it's a little dangerous because these people have huge financial obligations, and they could go to jail. So I can understand why corporations are very careful about it.

TIFFANY SEIBERT JOEKEL: Absolutely. I just would argue that I think there is an existing pool that they can draw from that have the talent-- the talents and they are up to the job, the fiduciary duty.

LINEHAN: OK. I would agree.

TIFFANY SEIBERT JOEKEL: Thank you.

LINEHAN: Other questions? Thank you very much for being here.

TIFFANY SEIBERT JOEKEL: Thank you.

LINEHAN: Other proponents?

DANIELLE CONRAD: Hi, again. Good afternoon. My name is Danielle Conrad, it's D-a-n-i-e-l-l-e, Conrad, C-o-n-r-a-d, and I'll tell you, I grabbed Senator Vargas on the way out. I thought that he was going to maybe give a shout out to his new baby girl, Ava, as he was introducing this. That's something maybe I would have done in my opening, but I think he was so passionate and committed about LB724 that it maybe had-- had passed by for a moment. But it was-- it was definitely something I was thinking about while he was testifying. And my daughter is something that I think about when I was preparing my testimony for this legislation. So I'm here today, on behalf of the ACLU of Nebraska. We've long been a champion for gender equity and gender justice in the workplace and beyond. We want to commend Senator Vargas for this thoughtful, creative, innovative approach to advance gender equity issues in-- in our state public policy. We've provided some testimony that mirrors some of the legislative intent findings that are present in this legislation about the fact that equal pay has been the law of the land on the state and federal level for well over 50 years. Yet in Nebraska, without further additional corrective action, it'll be until 2066 that we-- we are able to achieve a private market correction to that persistent and unfair disparity. The disparities are more pronounced for women of color. And so by building up a culture of leadership and gender equity and diversity in the boardroom, we think that this is one creative approach to address the wage gap and to inspire more women to be involved in corporate governance and leadership in our state. The only other thing that I just want to make a point in relation to Senator Cavanaugh's bill and

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 15, 2019

Senator Vargas' bill that are before you this afternoon is that tax incentive programs have always been a very fraught debate in-- in our state with a lot of different perspectives on the table because there's a lot at stake, right? And at each iteration that Nebraska has looked at LB775, LB312, Nebraska Advantage, Super Advantage, or the Imagine Nebraska Act that Senator Kolterman brought forward, we've improved these programs. We've increased transparency. We've set wage standards. We've had a dialogue and a debate about whether or not companies that utilize tax incentives should utilize public benefits for their employees. This is the next generation of those important debates within the context of our tax incentive programs. And please remember, they're not a mandate for corporate formation. But for the select companies that decide to seek taxpayer subsidization of their bottom line, we should ensure and drive forward best practices and good policy to advance and benefit all Nebraskans in the workplace. So with that, thank you.

LINEHAN: Thank you. Are there questions from the committee?

DANIELLE CONRAD: OK. Thank you. Thank you.

LINEHAN: Seeing none, thank you very much. Are there other proponents? Are there any opponents? Is there anyone wanting to testify in the neutral position? I guess not. It's-- so we have letters for the record: proponents, none; opponents, David Brown, Greater Omaha Chamber; Wendy Birdsall, Lincoln Chamber of Commerce; Bryan Slone, Nebraska Chamber of Commerce; letters in neutral, none. And with that, LB724 hearing comes to a close. Thank you all and drive safe. I should introduce-- we have a special guest here today.