

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee February 6, 2020

**LINEHAN:** [RECORDER MALFUNCTION] 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 that you would like to distribute to the committee, please hand them to the page to distribute. I'll introduce the pages in a second. We need 11 copies for all committee members and staff. If you need additional copies, please ask the page to make copies for you as soon as I introduce them. When you begin to testify, please state and spell both your first and last name for the record. Please be concise. How many people are going to testify today? OK. It is my request that you limit your testimony to five minutes. If necessary-- we will use the light system because it helps us all. So you have four minutes on the green light and one minute on the yellow light, and then when the red comes on, you need to wrap up. If your remarks were reflected in previous testimony or if 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. To my immediate right is legal counsel, Mary Jane Egr Edson. And to my immediate left is research analyst, Kay Bergquist. To my left at the end of the table is committee clerk, Grant Latimer. And now I would like the senators, starting at my far right, to introduce themselves.

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

**GROENE:** Mike Groene, Lincoln County, District 42.

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

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

**McCOLLISTER:** John McCollister, District 20, central Omaha.

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

**BRIESE:** Tom Briese, District 41.

**LINEHAN:** Please remember that the 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 also like-- oh, I'm sorry, I forgot to introduce the

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pages. Pages, could you please stand up? Noa is from Central City, Nebraska. She's at Doane majoring in history and political science. And Erin is from Lincoln, Nebraska, and she's also at Doane majoring in political science, law, politics, and society. I'd like to remind our commitment-- 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 are 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 state government. With that, we will open the hearing on LB1084. Senator Kolterman, welcome.

**KOLTERMAN:** Thank you, Senator Linehan. Good afternoon, fellow members of the Revenue Committee. My name is Mark Kolterman, M-a-r-k K-o-l-t-e-r-m-a-n, I represent the 24th Legislative District. I'm here today to introduce LB1084 as amended by AM2211, a bill that incentivizes the creation of a transformational project. It will be a game changer for the entire state of Nebraska and the region. I'm honored that a majority of my colleagues have joined me by signing onto this bill, which is an early indication of how this project aligns with our repeated goals and discussions on how we grow this state and create high-skill, high-demand, high-wage jobs. In doing that, we all win. Our economy grows, our partnerships with the federal government grow, and we do not-- and we not only retain young talent and recruit new talent, but we bring some of our sons and daughters back home. As I said, we all win. The Nebraska Transformational Project, which is referred to as NExT, N-E-x-T, would allow for a significant expansion to the University of Nebraska Medical Center and Nebraska Medicine, two institutions that are deeply rooted in Nebraska. The Medical Center already is one of the jewels of this state as a considerable economic driver to the economy. It employs thousands of skilled workers, educated the critically important healthcare providers tomorrow, and advances scientific research. It is one of the largest employers of biomedical researchers and drivers of innovation. In recent years, it's become an even bigger player on the federal stage, caring for patients with the Ebola virus in one of the nation's few biocontainment units, bringing in tens of millions of grant dollars to support the training of healthcare professionals, facilities on the way to manage emerging infectious diseases, and globally sharing its expertise on isolation, personal protective equipment, and biopreparedness issues. We've seen firsthand how the Medical Center has been transformed by the public/private partnership

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and how it's grown such investments. The Fred and Pamela Buffett Cancer Center is just one example. The University of Nebraska Medical Center leaders report that cancer center has exceeded all expectations and has created employment opportunities, produced millions in state and local tax revenues. The next project has even greater capabilities. Based on the preliminary estimates of this \$2.6 billion public/private investment, a Tripp Umbach study conservatively reports that the next initiative will create a total economic impact of \$7.6 billion through construction of the project over the next decade. It will generate employment, directly and indirectly, for 41,655 jobs and Nebraska workers for over the next decade. This includes nearly 33,000 construction-related jobs and 8,700 permanent jobs. It will generate an estimated \$211 million in state tax revenue over the next 10-year period. This would be in addition to local government tax revenue, adding an additional \$1.3 billion annually to the state economy when the project is fully operational in 2030, conservatively generating 30.-- \$38.2 million in annual state tax revenue. As I-- as I said, we all need to work together, come together, and get things done for our state. I support LB1084 because I personally believe this is a once-in-a-generation opportunity for us to catapult Nebraska into the national and international scene, boost our economy, and further position us to be a world leader in infectious disease and all-hazards training and response. I will be followed by three individuals who've been working on attracting this project to our state from day one. They can explain the need to pass this legislation-- legislation this year, but I will be happy to try and answer any questions you may have. Thank you for listening, and I appreciate your support of LB1084.

**LINEHAN:** Thank you, Senator Kolterman. Are there questions from the committee? Seeing none, thank you very much. First proponent. Good afternoon.

**JEFFREY GOLD:** Thank you, Madam Chair, and thank you, members of the committee. I am privileged to know many of you. My name is Dr. Jeff Gold, that's J-e-f-f-r-e-y G-o-l-d, and I'm honored to serve as the chancellor of the University of Nebraska Medical Center at the University of Nebraska at Omaha. And I am present today representing the University of Nebraska in support of LB1084. I appreciate this opportunity to be with you. Ladies and gentlemen, the goal of the NExT project, that's N-E-x-T, is to transform the access to and the quality of health education, training, research, and care in our state to the benefit of all Nebraskans. It will involve other professional and institutional providers and health institutions throughout the state as partners in training, research, and care for the development of

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technological innovation, while also significantly increasing the capacity for training more healthcare professionals, students, and revolutionizing health professions' education process. As you just heard, let's briefly talk economics and economic development. The economic study done by Tripp Umbach, a much respected firm, was referenced by Senator Kolterman. A full study report, including the methodology and the most conservative set of assumptions, has been provided to each of you. This study estimates that the next project would result in a total economic impact of over \$7.6 billion over the next decade, creating more than 41,000 jobs, approximately 33,000 of which in the construction-related industry, but a sustainable, permanent 8,700 additional jobs in the Med Center facilities. State, local, and tax revenues would also increase to the hundreds of millions of dollars over this period of time. As you well know, the Medical Center is already a prime mover in the state's economy, with an estimated economic impact today of over \$4.8 billion, employing just over 42,000 direct and indirect jobs in the state of Nebraska. The cancer center that you just also heard of is, of course, just one example of many public/private partnerships that we have spearheaded at the Med Center over the last decades. Your support as a state government is essential to the success of these partnerships. Without question, our philanthropic community is encouraged by the support that you have shown. Frankly, they know a winner when they see one, and they like to invest in success. We at the University of Nebraska, and specifically at the Med Center, have shown that these investments play [SIC] huge dividends for Nebraska across all of our missions of education, research, healthcare for all of the diverse statewide communities that we serve. The next project is yet another public/private partnership that we believe will have an even bigger impact than the cancer center. It truly represents a once-in-a-generation chance for Nebraska to cement its status as a partner with four key departments of the federal government to exponentially enhance the state's healthcare, research, and education efforts, and to shape a state's future in an emerging, knowledge-based economy, and to deliver even more impressive economic benefits to the state as a whole. Since the Ebola crisis of 2014, Nebraska has been nationally known as a global leader in the treatment of highly infectious diseases and as an-- not only "an," but the education authority on biosecurity in dealing with all types of outbreaks. The reason we were in a position to answer this challenge was in part because the state committed funds to support the biocontainment unit about a decade before Nebraska was actually called upon to put it into use. With the wise use of state funds and the critical leadership, the rest became history. As a result of the foresight, the UNMC Center for

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Global Health Security has continued to grow as a partner with the federal government, earning tens of multimillion-dollar contracts and awards. This center has assembled a critical mass of world-recognized expertise and capabilities in medical readiness, again, all as a result of your original investment in medical knowledge and readiness. And even today, as we actively participate in the fast-moving research, as the critically important national response to stop the global impact of the incredible devastation that is being caused by the rapidly spreading novel coronavirus outbreak in China that begun just a month ago and has now reached epidemic proportions and may soon reach pandemic proportions, we are now ready to take the federal partnership to the new level with NExT, which will have a very timely and truly transformational effect on Nebraska's capability and international prestige. You might want to know how Nebraska's funds will be used with state support. We will build the educational, training, and research components of this center and all-hazard disaster response infrastructure. Funding from public and private resources for these purposes will permit the Med Center to leverage support to recruit, retain, educate, and train a new highly skilled workforce of high-demand, high-wage workers. Nebraska will be able to recruit researchers, educators, learners, and new patients at the regional, national, and international level, and our state's attractiveness as a regional leader and a key federal partner. This project will benefit the state of Nebraska, the United States, and indeed the whole world. It is truly a historic opportunity that's before us. Let us seize it. I thank you for all that you do for our state and for allowing me to speak today with you. I am truly honored to play a small part in our community-wide efforts. I am providing for you the testimony, as well, of Dr. Chris Kratochvil, who cannot join us today because his wife's brother recently passed away and he's attending the memorial services there. And I'm also providing to you an article that was published in the Journal of the American Medical Association just this morning that profiles the role that the University of Nebraska Medical Center plays in all-hazard preparedness. I am pleased to answer any questions that you might have. Thank you.

**LINEHAN:** Thank you, Chancellor. Erin. Are there questions from the committee? Senator Friesen.

**FRIESEN:** Thank you, Chairwoman Linehan. Well, you-- this hospital is going to be a training facility also for the biohazard-type issue that there's other hospitals going to be built around the country. Do you think some of that training will happen here for those hospitals?

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**JEFFREY GOLD:** Currently, sir, we actively train the Natural Disaster Medical Service [SIC] in high-hazard biopreparedness for almost the entire United States. The NETEC organization, the National Ebola Training and Education Consortium, which was founded shortly after the Ebola epidemic of 2014, and by the way, subsidized as a line item in the United States federal budget, is responsible for this training, setting up centers, etcetera. There are now 8 regional centers, approximately 55 treatment centers, and about 165 diagnosis and treatment centers for these highly infectious agents. Think Ebola. We, Emory, and New York Bellevue lead this effort, and there's no reason to think we will not continue it. We hosted over 20 separate sessions last year on campus and probably educated, between here and in Atlanta, over 3,000 members of the workforce that will do this. It indeed is that exact same workforce that is now being deployed to Camp Ashland to help us deal with this novel coronavirus outbreak across the country and here in Nebraska. So, yes, sir, we will continue to train these individuals. And it will just become all-hazard. So think nuclear, chemical, radiological, burns, multi-system trauma, etcetera.

**FRIESEN:** How many people per year will be trained at this facility, do you think?

**JEFFREY GOLD:** I really couldn't tell you, but it's going to be in the thousands. I mean, if last year is any example, well, as I say, we trained between 3,000 and 4,000 people. The NDMS is about 15,000 and they're going to have to be trained in multiple different areas, so it'll be separate training in biological agents, separate training in chemical agents, separate training in nuclear radiologic injury, etcetera, and all those will be sequential. I certainly don't believe all of that training will be done here. I'm hoping to be part of a large multimember consortium. The way the federal legislation is currently drafted, the secretary is going to identify up to five sites. We would like to believe that we would be particularly well-prepared to be one of those sites.

**FRIESEN:** OK, thank you.

**LINEHAN:** Thank you, Senator Friesen. Are there other questions from the committee? Senator Briese.

**BRIESE:** Thank you, Chair Linehan. Thank you for your testimony here today and being with us. Under the federal legislation they're-- they're talking about no fewer than five sites to implement these pilot projects. Is that correct?

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**JEFFREY GOLD:** Well, I think what we're referring to, Senator, is the section of the National Defense Authorization Act 7-- number 740, which charges the secretary to identify up to five, but at least one demonstration site.

**BRIESE:** Up-- up to five. How many--

**JEFFREY GOLD:** I think if they had their way and they had their budget, they might want to go to 10, 15, 20, even more, particularly given the events of the last month. But the way it's-- the legislation is currently written, I believe it says up to five. We can provide you with the exact text of that legislation if you wish.

**BRIESE:** Would this be considered a demonstration site that we're talking about here?

**JEFFREY GOLD:** I don't know if it would be considered a demonstration site. That would be a term of art that the federal legislation contains, but it would be the first. We hope it will be the first site in the country.

**BRIESE:** OK. How many other sites are being considered that you're aware of?

**JEFFREY GOLD:** I am not personally aware of any others, sir. I know that the federal government has a number of criteria that they're considering, which has to do with things such as previous experience with highly infectious agents, proximity to the United States Air Force facility that can house certain caliber of aircraft, an educational program, previous history and training, the National Disaster Medical Service Corps, and other qualifications. And I think they would like a broad geographic distribution of those types of sites, but I'm not aware of any specific geographic location.

**BRIESE:** Would it be fair to assume that the location we're talking about here meets those criteria perhaps better than any other site?

**JEFFREY GOLD:** I would like to think so. I-- I-- my colleagues in Washington certainly believe we will be qualified. But the current state is that the Secretary of Defense has charged USAS to complete, within a short period of time, a technical document which will actually specify the qualifications for the site, which will then go into the process of selection.

**BRIESE:** Yes. And as I think about the attractiveness of our site here and what we have to offer and the fact that they're really probably

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zeroing in on this location, I ask myself how critical is the state match dollars to attaining this facility?

**JEFFREY GOLD:** I would say it's very critical, sir, because we have to convince the-- this is a public/private partnership which is another part of the eligibility of this. The public/private partnership aspect of this is specified in the federal legislation that we were just discussing. And so convincing the federal government and also convincing the private philanthropic sector that the state is a capable partner in this project, I think, is not only critical and getting it done, but I also think is extremely time sensitive, because once the determination of the eligibility is made, we really would like to be first in line to say that we have commitments from the state, we have commitments from private philanthropic sector, that-- that we're ready to go, if you will excuse the expression, shovel-ready.

**BRIESE:** Sure. The level of \$300 million, is that-- is that critical or would a lesser amount suffice?

**JEFFREY GOLD:** Well, we actually started at a larger number than that, sir, and we worked our way down to \$300 million. I wish I could tell you I knew that there was a magic number for the federal government. That is the expectation of the private sector to at least minimally match that number, and we hope to do better than that through the private sector. But without having the private sector involved at a very significant level, and of course I'm talking about the philanthropic aspects of the private sector, and of course, to stimulate the federal government, I've asked the federal government for \$1.5 billion to do this.

**BRIESE:** OK.

**JEFFREY GOLD:** That's the-- that's the totality of the project. But the-- the exact specifications of how many beds, how many clinics, how many testing laboratories, what type of security, etcetera, has all yet to be determined through this study that's being conducted right now by USAS.

**BRIESE:** OK. Thank you.

**LINEHAN:** Thank you, Senator Briese. I just want one. You're saying USAS, everybody might not be familiar with what that is.

**JEFFREY GOLD:** That's the United States Military's-- USAS, United States Armed Services Academy, is that close? You would probably know.



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**LINEHAN:** That sounds close, yes. OK. Thank you. Senator Groene.

**JEFFREY GOLD:** It's a university owned and operated by the United States Department of Defense.

**LINEHAN:** OK. Thank you.

**GROENE:** Who will own this facility and who will run it? Will the head person be a colonel or in the-- in the military or in the army or from-- who will own it?

**JEFFREY GOLD:** The University of Nebraska will own it, and parts of it that are used for pure education will be owned and operated on a daily basis by the University of Nebraska Medical Center. Parts of it that are used for clinical care will be leased to Nebraska Medicine. When and if the federal government needs to own and operate certain parts of it, so, for instance, we imagine there will be some component of bed space, clinic space, etcetera, that will be maintained, fully-staffed and operational, and never occupied unless it's used by the federal government, we will own it, but they will pay us to operate it for them.

**GROENE:** So there will be no federal employees on site?

**JEFFREY GOLD:** I can't say that accurately, sir. I don't know. I mean, right now there are a lot of federal employees that are on site that are in various stages of training with us. We train for all branches of the military. The so-called C-STARS program is operated on our campus. And these are all federal military employees actively working with HHS and Homeland Security, as well, sir. But they have never expressed a desire to own any part of either the property or the facility.

**GROENE:** The infectious disease center, who-- who owns that or who built that?

**JEFFREY GOLD:** The--

**GROENE:** Where you do the Ebola--

**JEFFREY GOLD:** --quarantine center that I'm referring to, sir?

**GROENE:** Well, the existing one where you do the infectious disease.

**JEFFREY GOLD:** It was the-- the biocontainment unit was built with funds from the state, from the, I believe, from the county and-- and

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from the university, as well, and is operated off of combined funds right now from the university. But also all the training, etcetera, is paid for by the-- by the federal government. The National Center for Health Security, the so-called TSQC, Training, Simulation and Quarantine Center, was built through capital dollars provided by the federal government and is leased to the federal government but owned and operated by the university.

**GROENE:** So this whole facility will be owned by the University of Nebraska.

**JEFFREY GOLD:** Yes, sir. That is our current understanding.

**GROENE:** And of the-- it says it kept-- before I was under the understanding they had to come up with a billion and a half, a billion six. But what I read here, it's a billion six including the donations, plus the state of Nebraska's \$300 million [INAUDIBLE] the total project is [INAUDIBLE]

**JEFFREY GOLD:** Well, I-- the-- we are estimating, assuming we do the 1,000- to 1,200-bed model and assuming that 25 to 50 beds are kept vacant at any time and assuming that another 100 to 150 beds would be used for training and be available to them in a short period of time, a whole series of assumptions that are derived from that, which have yet to be fully verified by the USAS study and by the Department of Defense and HHS, that was-- is estimated by several architectural firms to cost approximately \$2.6 billion to build. And so by request of the federal government was to understand that they would be responsible for approximately \$1.3 to \$1.5 billion of this because the biocontainment space, burn space, chemical injury space is more expensive to build and maintain than routine clinical space is. So these are estimates, sir.

**GROENE:** So-- all right. So this Camp Ashland, this super flu or whatever it is from China, if this thing existed, these people would be in that building, not at Camp Ashland?

**JEFFREY GOLD:** They might be. It would be dependent. I would say they would probably want to reserve part of the space empty for people that are infected. None of the people that are going to Camp Ashland are going to be infected. They are here for quarantine, which is monitoring, which is an important distinction. But were they to ever become infected or were there to be people in other parts of the United States that would become infected or other parts of the world

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that are American citizens, that's exactly what this center would be used for.

**GROENE:** Well, I'm glad I live in North Platte and not Omaha. You bring a bunch of infected people into our state and concentrate them here. But anyway, so they will award the contract and then you come to us and start asking for money.

**JEFFREY GOLD:** That's correct.

**GROENE:** And the shovel of dirt has to be turned and it has to be started, construction, before we agree to give you \$300 million?

**JEFFREY GOLD:** I don't have that text language of the bill, sir. I have left that to a number of other people, but that's practically certainly so. I don't know whether the dollars would start to flow at the time of commitment, at the time of architectural planning. I'm going to guess they-- typically 6 percent architectural fees are accurate. Six percent of \$2.5 billion is a lot of money and would have to be derived from somewhere. I'm sure some of it would come from the private sector. I'm sure there would be planning dollars that would come from the federal government. I would hope that once the commitment is signed and that the funds start to flow from the federal government, the state component would flow in a metered way as well.

**GROENE:** We just do it. I got one more clarification. You talked about training all these people for the rest of the United States. They're going to go back there and pay their taxes back in those states for these infectious disease. Is this \$300 million building a training facility for nurses in North Platte, for doctors that are going to come to western Nebraska? Or are we investing \$300 to have people fly in, go to some courses, and go back to Massachusetts?

**JEFFREY GOLD:** I would say both, sir, because the expanded capacity should allow us to significantly increase enrollment in UNMC nursing programs, physicians, pharmacists, therapists, many others, dentists, and that will feed the rural workforce of Nebraska. We provide the overwhelming majority of healthcare professionals for the state and of course in your community as well, sir. And this will ricochet widely across the state.

**GROENE:** So--

**JEFFREY GOLD:** Over 85 percent of our students, by the way, are Nebraskans. And we do that intentionally to be sure that we are supporting the health professions workforce in the state.

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**GROENE:** But you already have a facility, the--

**JEFFREY GOLD:** Well, I'd like to expand that so we can send more students to North Platte and take more students from North Platte and from Scottsbluff and--

**GROENE:** So we build this. In a year's time-- you said 3,000 people you've trained in one year or--

**JEFFREY GOLD:** The 3,000 people that I referenced, I thought I was answering the question slightly differently then, apologize for any confusion. Our NDMS, National Disaster Medical Service corps, who are volunteers from across the United States, who have come here for specific training in high-risk infectious disease, that is totally different than the 4,000-student enrollment of UNMC that currently exists today.

**GROENE:** So you will have a specialty there where people who want to get into the-- involved in the medical field in infectious disease, we will be the top-of-the-line place, if you're a top-of-the-line, highly intelligent individual, that you will come to you UNMC instead of MIT or the university-- or Stanford to train?

**JEFFREY GOLD:** I would certainly hope so. But that would also include a huge number of people who are volunteering in event of-- of critical national need, who deal with floods and hurricanes and earthquakes and other things, but would now also deal with all-hazard disaster preparation. And so the-- that-- that is all on top of the number of physicians, pharmacists, and others who would be interested in a world-class experience in highly infectious agents and all-hazard trauma response.

**GROENE:** So percentagewise, we build his training facility, this new hospital, medical school type, what percentage are going to be Nebraska kids, Nebraska people training to come back and work here just in the normal medical profession, family practitioner, and training for the world, the highly infectious disease people?

**JEFFREY GOLD:** Well, I see no reason to believe that the population of the UNMC enrollment will not change very much from what it is, which is currently 88 percent Nebraskans. The people that come for shorter periods of time to train in specific areas, such as biocontainment, such as chemical injury, etcetera, they're going to come from all over the world. But I would point out they will stay in our hotels, eat in our restaurants.

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**GROENE:** Omaha's hotels.

**LINEHAN:** Questions?

**GROENE:** Thank you.

**LINEHAN:** Questions? Other questions from the committee? Senator Briese.

**BRIESE:** Thank you, Chair. Thank you again. Would it be your understanding that if this legislation would be adopted by the body, that you would be entitled to these dollars at some point if the match-- if the private dollars are found, if the other aspects of the legislation are met?

**JEFFREY GOLD:** Let me just restate the question to be sure I understand it, sir. You're asking me, if the federal and the private philanthropic dollars come together, would we believe that we're entitled to these dollars?

**BRIESE:** Yes, yes.

**JEFFREY GOLD:** Yes, I believe that's the case.

**BRIESE:** OK. And may-- as I read this, it all seems like it's sub-- subject to our appropriators, our appropriations of those dollars. And so it would seem to give us some wiggle room if we needed it. That-- that's the way I read it. And if that was the case, would-- would you have contingency-- contingency plans in place to take care of those issues if we ran into a huge budgetary issue, which is not unheard of in this body?

**JEFFREY GOLD:** I guess it would become a question of magnitude. It would come-- it would be driven by exactly what the federal appropriation would be, exactly how generous the private sector was, and whether or not the project could be scaled down at a time that we had not made commitments to it. But the-- the numbers, I think the numbers are the most conservative numbers that we could have brought to you, which is why they are at this level, sir.

**BRIESE:** OK.

**JEFFREY GOLD:** And they're the numbers that the private sector has latched onto.

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**BRIESE:** Would it be your intent or wish that you would get these-- this \$300 million over the course of, what, six years?

**JEFFREY GOLD:** I think that's what was discussed. Yes.

**BRIESE:** OK. OK. OK, thank you.

**LINEHAN:** Thank you, Senator Briese. Other questions from the committee? How many beds does the University of Nebraska Med Center have now?

**JEFFREY GOLD:** We're licensed at just approximately 880 beds and we occupy just under 600 on a daily basis and run between a 103 and 125 percent occupancy on any given day, which means there are patients waiting for placement, etcetera.

**LINEHAN:** So the-- do the 600 beds include the cancer center?

**JEFFREY GOLD:** Yes.

**LINEHAN:** Or are those additional beds?

**JEFFREY GOLD:** No, it includes.

**LINEHAN:** So when you say-- I'm a little confused by the numbers, and maybe this has something to do with the federal project. But if you've got 800 beds now and 600 are occupied, why would you need 1,200?

**JEFFREY GOLD:** Well, of the 1,200, 200 would be what-- what's called scalable, which means that they wouldn't be actual beds that patients would-- would reside in; they would be essentially tented movable space that would be stood up in event of a disastrous hazard that occurred. So that would bring us down to a thousand. And of the thousand, somewhere estimated between-- between 25 and, let's say, 75 would be permanently kept vacant, staffed, and prepared for anything that would happen across the United States. And the rest of the space would either be used for training or would be used for what is ongoing clinical need by-- by our facility right now, which is how we would increase the enrollment of the medical school, the nursing school, the dental school, etcetera.

**LINEHAN:** And Omaha, I know Nebraska's total is not growing significantly, but clearly that part of Nebraska is growing, do you know-- do you have any idea how many hospital beds are in Douglas County now total?

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**JEFFREY GOLD:** No, ma'am, I don't.

**LINEHAN:** OK.

**JEFFREY GOLD:** I can tell you, though, that if you look at our clinical programs, we not only serve the state of Nebraska, but we have, you know, roughly 13 to 14 percent of our patients that we care for today do not live in Nebraska. And indeed, in some of the higher profile areas, such as transplantation, end-stage heart failure, high-risk obstetrics, a full 25 to 28 percent of our patients do not come from Nebraska; they come from other states to get their care in our facilities. And there are very long waiting lists of those-- for those patients as well.

**LINEHAN:** You also have international clients, do you not?

**JEFFREY GOLD:** We always do. At any given time, we probably have between 25 and 50 patients, either inpatient or outpatient. And just to give you a little bit of perspective, last year we saw just over a million outpatients. So when we say 25 percent, that's 250,000 people from out of state are seeing us on an outpatient basis in a year.

**LINEHAN:** Then in your opening comments you said the University of Nebraska would own the hospital, but would they lease part of it back to Nebraska Medicine then?

**JEFFREY GOLD:** Yes. It's very similar to the model that was used for the Buffett Cancer Center. But back to one of the earlier questions, the Buffett Cancer Center, the ground on the facility is completely owned by the university, by the state of Nebraska. The clinical compo-- components that are used, the hospital, the operating rooms, etcetera, are all leased at fair market value to Nebraska Medicine.

**LINEHAN:** OK. Thank you very much. I appreciate that. Yes, Senator McCollister.

**MCCOLLISTER:** Yeah. Thank you, Madam Chair. Didn't the vet center, the veterans' new facility utilize the same model that you're suggesting?

**JEFFREY GOLD:** It use-- utilized a very similar model, sir, in that it is a public/private partnership. The difference here, and it is-- so the-- we used federal dollars for planning, we used federal dollars for construction through the so-called VACDC, the Veterans Administration Clinic Development Corporation, but the-- and we-- and then there were private philanthropic dollars that remained-- were raised successfully to complete the project. The significant

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difference is that the project, when completed, rests on VA-owned property and will be returned to the operation of the Veterans Administration. So that will not be the case here. This will rest on university property and will be owned and-- the facilities will be owned and operated by the university.

**McCOLLISTER:** Early on, you indicated there may be other applications. Does this public/private partnership put us in-- in the front of the line?

**JEFFREY GOLD:** I would hope so. That's why I am so concerned about the urgency of this particular piece of legislation, about making commitments by the private philanthropic community. I know I don't need to tell the people in this room that the private philanthropic community is extremely generous, but they're not the youngest people in the world. And so we would like to get their commitments as rapidly as we possibly can. And also, as tragic as what's going on in Wuhan, China, is right now, it has created an amazing sense of urgency on the federal side. And I think the timing is right to try to move any further legislation and/or appropriation-- by the way, it's not clear this will actually take an appropriation, so this may be handled at the departmental level, but whatever it's going to take, we would like to move that as quickly as possible.

**McCOLLISTER:** Thank you, Dr. Gold.

**LINEHAN:** Thank you, Senator McCollister. Other questions from the committee? Senator Groene.

**GROENE:** Just a couple clarifications. What's your time line? How soon do you think the state of Nebraska will have to start appropriating money?

**JEFFREY GOLD:** No earlier than 2021.

**GROENE:** Next year?

**JEFFREY GOLD:** Yes, sir.

**GROENE:** Our next fiscal budget.

**JEFFREY GOLD:** Yes, the next fiscal year. So just from our perspective, we have identified a site. The site will not become available for site preparation until, at the absolute earliest, mid-spring of 2021. So we would have liked to-- we are-- we have asked the federal government for some planning dollars, even in this current fiscal year, to begin



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planning with the hope that we could start to do some site preparation.

**GROENE:** Are you telling us we've already been chosen as a site?

**JEFFREY GOLD:** No, I said when and if we are chosen, we would like to do some planning.

**GROENE:** So it's-- and you think the federal government is on that time line, too?

**JEFFREY GOLD:** I have no reason to think they're not. But, you know, until I have a signed check, I'm not sure.

**GROENE:** And then am I understanding this right, it's been changed from \$50 million a year for six years that we can do it over the 15-year period?

**JEFFREY GOLD:** I'm not aware of any of those changes, sir. If they have been, they've-- you know, I'm not in this [INAUDIBLE]

**GROENE:** It says \$300 million in matching funds for the \$300 million of private dollars received by the applicant between the date of application and end of the continuation period. And I read over here we got a ten-year plus a five-year. I'm assuming that's-- Senator Kolterman can-- Senator Kolterman will answer that. Thank you, sir.

**LINEHAN:** Thank you, Senator Groene. Other questions from the committee? Seeing none, thank you very much for being here, Chancellor Gold.

**JEFFREY GOLD:** Thank you. Appreciate the opportunity. I'm truly honored to be with you today.

**LINEHAN:** Thank you. Next proponent. Good afternoon.

**LESLIE ANDERSEN:** Good afternoon. Good afternoon, Madam Chairman. Good afternoon, members of the committee. My name is Leslie Andersen, L-e-s-l-i-e, Andersen is A-n-d-e-r-s-e-n. Thank you very much for the opportunity to speak with you today. I'm here representing the Greater Omaha Chamber, as well as the Lincoln Chamber of Commerce, in support of LB1084. I'm also CEO of the Bank of Bennington, excuse me, where I am fortunate to be the fourth generation of the founding family to lead the institution. The chambers are strong believers in economic growth and opportunity. Perhaps no other project over the past decade has presented an opportunity for economic growth in high-wage,

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high-demand, highly skilled jobs than the NExT project. At the Omaha Chamber we have seen the impact made by previous public/private partnerships undertaken to benefit the Med Center and our state. One has to look no further than across the street from this proposed project to the Fred and Pamela Buffett Cancer Center at UNMC. As Dr. Gold mentioned, the cancer center has exceeded all expectations since it opened in 2017. And it represents a true partnership between state government, city and county government, philanthropic gifts, and private investment. Its economic numbers will only continue to grow. We know that this type of public/private partnership works and we know that it works well at the Med Center. UNMC will deliver for the state of Nebraska. At the Bank of Bennington we get to see firsthand the impact a construction project can have on a community. But the next project is on a scale like none of us have ever seen. Without question, this project will have a profound impact on our community, and its effects will trickle down to community businesses and to customers that I work with every day. What really stands out about this project is the size of the investment and the number of jobs that it will create. Jobs are the lifeblood of our communities. As a banker, I've seen how a well-paying job can change a person's life. As a member of the steering committee for Blueprint Nebraska, I know that job creation is essential for the well-being of our state. In fact, creating 25,000 jobs is the first aspirational goal of Blueprint Nebraska. In the NExT project, we have an initiative that will not only create 33,000 construction-related jobs over the next decade, but will permanently add 8,700 jobs to the Nebraska economy. The effect of this growth will ripple across every business sector and in every community in our state. The project goes beyond construction to create something that's permanent. It creates another pillar for our state's economy to be built on. Thank you very much for your time and I'd be happy to answer any questions that you have.

**LINEHAN:** Thank you very much. Are there questions from the committee? Senator Groene.

**GROENE:** Is the chamber approaching the city of Omaha and Douglas County for donations also?

**LESLIE ANDERSEN:** This is not a chamber-driven project; the chamber just supports it.

**GROENE:** So you-- you don't know of anybody trying to get Omaha taxpayers and Douglas County taxpayers to do their share?

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**LESLIE ANDERSEN:** I'm speaking here on behalf of the chamber, so I'm not aware of that.

**GROENE:** Thank you.

**LINEHAN:** Thank you, Senator Groene. Other questions from the committee? Thank you, Ms. Andersen, for being here. Appreciate it very much.

**LESLIE ANDERSEN:** Thank you all very much.

**LINEHAN:** Thank you. Next proponent. Good afternoon.

**BRYAN SLONE:** Afternoon, Madam Chair. Members of the Revenue Committee, my name is Bryan Slone, B-r-y-a-n S-l-o-n-e, and I'm president of the Nebraska Chamber. I'm here today on behalf of the chamber to support LB1084. A consistent theme, at least I try to make it a consistent theme when I-- when I speak to this committee and have this privilege, is that Nebraska needs to grow our economy. We need to grow our economy and our population at a much faster rate. In this regard, the Blueprint Nebraska report highlighted two key economic challenges for our state: first, and very importantly, the need to attract and retain workforce and talent; second, the need to finance the level and enhance the innovation of our technology jobs in our core industries such as agriculture, manufacturing, financial services, transportation, and indeed, healthcare. At our recent Nebraska Chamber board meeting last week, we spent most of the entire day talking about strategies necessary in order to take steps for Nebraska's economic pie to grow and to create the revenue base to truly attack taxes, workforce, education, and the infrastructure needs of the state. This NExT project is a potential game-changing, grow-the-pie opportunity. It is truly a transformational prospect. Its potential for growing Nebraska's economy is potentially the largest economic development project we have seen in the state. Healthcare and public/private partnerships between UNMC and the federal government have a-- have a proven track record of success. The Buffett Cancer Center and the work done around other infectious diseases are just two examples. Supporting our strongest sectors is an important component of ensuring long-term economic growth over the next decade. LB1084 ensures Nebraska can pursue this once-in-a-lifetime opportunity to reinforce our leadership in healthcare, research, technology, and modern disease prevention, as well as attract the next generation of healthcare innovators to our great state. The research and the workforce development and the indirect business development that will be spurred by this NExT project truly has the potential to transform the state,

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and it's my privilege on behalf of the chamber to support this legislation today. Thank you, and I'd be happy to answer any questions.

**LINEHAN:** Thank you. Are there questions from the committee? Yes, Senator Briese.

**BRIESE:** Thank you, Chairman Linehan. Thank you for your testimony here today.

**BRYAN SLONE:** Thank you, Senator.

**BRIESE:** The Tripp Umbach study, or whatever it was, I haven't seen the study itself. I've seen an analysis of it. Can we take those numbers at face value or are they inflation adjusted or-- my question would be-- without this project, we're going to see growth in the healthcare industry in the metro area. Inflationary pressures are going to add dollars to the-- what we're talking about here. When they talk about \$3 billion attributable to additional operations, that's \$3 billion over and above what would have occurred otherwise in the healthcare industry?

**BRYAN SLONE:** And so I'm not going-- I'm not going to speak on behalf of the authors of that report. But I will say you raise a very important point, and one that's critical, is that mere inflation-based growth in our key sectors, whether it be agriculture or manufacturing or healthcare or financial services, is not going to create the sort of economic growth that I'm talking about in terms of-- of dealing with this state's challenges for the next decade or two. Inevitably, what-- what's different about this opportunity is the technology that's brought to bear. This isn't just inflation-based growth. This is-- this is game-changing technology growth in one of our core industries, consistent with what we need to do in several other industries in order to make those kind of economic gains. So, yes, I think this is a game changer, very different than-- than simply the inflation-based numbers.

**BRIESE:** Thank you.

**BRYAN SLONE:** Thank you, Senator.

**LINEHAN:** Thank you, Senator Briese. Other questions from the committee? Senator Groene.

**GROENE:** Senator Briese made a point. So CHI, there's a lot of hospitals. There's some here in Lincoln close by. What's that going to

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do to their proposed growth, dumping 1,200 rooms, government-owned, onto the market?

**BRYAN SLONE:** Yeah, so I think what we will see is what we're trying to do with this proposal, as I understand this proposal, is we're-- we're trying to attract both a global need and a national need and a strategic defense need and provide those services in the state unrelated to the normal growth that's going to occur and the bed space that's required there. We're also going to train up healthcare professionals. My sense, Senator, is that we will-- healthcare will grow at a rate well above the average growth rate no matter what we do. But this is something totally different. This is taking on what has become a global challenge, and we're all very much aware of it. I have no doubt that they're going to be able to fill the beds and they're going to need surge capacity when we have these epidemics.

**GROENE:** When-- excuse me. The way I understood it, we-- of the 1,200 beds, we'd put aside 75 to 120 or something for the-- for all of this research. The other ones are somebody walks into the hospital with cancer, and just like any other hospital, it's going to either go to CHI or they're going to walk into the University of Nebraska or they're going to go to my regional center, medical regional center in North Platte. It's com-- it's government competing with quasi-free-enterprise hospitals, are they not? There's only 75 to 100 beds that might be set aside for the-- the United States government's purpose.

**BRYAN SLONE:** Depending on the attraction of-- of patients to-- to the city of Omaha. I think the other piece of this, Senator, that I would leave to you, is this fundamentally makes Omaha and Nebraska a healthcare center in the world. And in all of our core industries, that's exactly what we need to become.

**GROENE:** Thank you.

**BRYAN SLONE:** Thank you.

**LINEHAN:** Thank you, Senator Groene. Other questions from the committee? Seeing none, thank you very much for being here. Other proponents? Any opponents? Anyone wanting to testify in the position of neutral? OK.

**BOB GROTHE:** Hello, Chair, Revenue Committee. My name is Bob Grothe, it's B-o-b G-r-o-t-h-e. I'm the business manager of Local 21 ironworkers and represent 700 members in our 165-county jurisdiction,

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which includes 73 across the state of Nebraska. I'm here today not only representing my 700 ironworker members, but every construction worker in the state of Nebraska. This bill is much-needed bill that will bring potentially thousands of jobs to our state. My issue with this bill is that potentially the Nebraska-- the Nebraska construction worker may be left out. There are no guarantees UNMC will be built by a Nebraska workforce. I am assuming that the purpose of this bill is to help Nebraska workers to secure full-time jobs. Construction may only be viewed as temporary work until the project is complete, but it is still a full-time job to the construction worker and their family. We are currently losing jobs to out-of-town contractors that has built relationships with companies from former projects they have worked on, on other parts of the country. As an example is the data-- is the Google Data Center in Sarpy County. It is currently being built by an out-of-town contractor that uses an out-of-town workforce. Google is getting Nebraska taxpayer incentives and not using Nebraska workers. On that project alone, there's already been millions of dollars lost in wages and benefits for the Nebraska construction worker to an out-of-state workforce. UNMC has a potential of over \$2 billion con-- \$2 billion in construction cost, with over 33,000 jobs for construction workers. There is potential that this possibly could not be built by the Nebraska worker. A project of this size will bring every large player from all over the country to bid this work. Times are good now in the construction world. Everybody is working. But, you know, the crystal ball for-- for construction is very-- is very limited. You know, six months out we could see there's going to be-- you know, we have work down the road. The work may slow down. And this bill, if it has some type of construction language that ensures Nebraska construction workers will have the opportunity to work here, it will potentially save thousands of jobs for construction workers and it will create thousands more. To award a tax incentive to companies that use out-of-state workers to build their project is not right. When Nebraska construction workers are collecting unemployment and there are projects being built by companies that are using-- that are being incentivized by Nebraska taxpayer dollars and they're utilizing out-of-state workers, there is something terribly wrong with our system. And I-- I wouldn't-- just get off script here a little bit. I'm-- just get a little blunt. You know, I am an ironworker. Yeah, you know this-- this-- this really-- this really worries me. You know, I've got a-- not only-- not only dollars, but the-- you know, and as a construction worker, we-- we take a lot of pride in everything we've done. I've been an ironworker for 26 years. You know, we go around, around the city, around the state of Nebraska and, you know, we see these projects that we built and, you know, we've got a

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lot of pride, we got a lot of pride in that. You know, I got a-- I got an 11-year-old son and I was fortunate enough to work on a lot of the bigger projects in Nebraska. I've been in the field for 19 years out of my 26. And, you know, I can show him and say, hey, you know what? I built that building. It's-- you know, I got something to show, you know? I don't-- I don't have a doctor's degree, I don't have senator's-- you know, I-- that's-- that is what I have my pride in. So it will be, you know, for me, I would like to see some type of language that will ensure that-- that we get to build this project. I will be happy to answer any questions that you may have. And again, this is-- you know, this is my first time ever testifying, so it's really important to me.

**LINEHAN:** Thank you, Mr. Grothe. Are there questions from the committee? You did a very good job.

**BOB GROTHE:** All right.

**LINEHAN:** Thank you very much for being here.

**BOB GROTHE:** Thanks.

**LINEHAN:** Are there any others that want to testify in the neutral position? We have letters for the record. Proponents: Chris Kratochvil, excuse me, Dr. Chris Kratochvil; Judy Wilcox, Lincoln; Dennis Colsden, Rural Region 1 medical response system coordinator. Opponents: none. Neutral: Jenni Benson, Nebraska State Education Association; and neutral, the Nebraska Hospital Association. So, Senator Kolterman, would you like to close, please?

**KOLTERMAN:** Yes, I would. Thank you very much, Senator Linehan. Got a few things that I'd like to try and address, give you a little bit more perspective on how we got to where we are, because it's been a work in progress. And I would-- I would start by saying that this, this idea, this bill, this appropriation, this incentive, whatever you want to call it, is probably bigger than any of us in this room. It's a huge undertaking. We don't know if it's going to happen. We're assuming that it will happen and we're hoping that it will happen. And I can tell you that Dr. Gold and his team have been working on this for several years. So this just didn't come out of the blue, although I got a call on December 7 from-- sent from Dr. Gold, and he said that this was going to be released on the federal level and we are going to be named as a possibility. And he wanted to be proactive and let us all know. And I think he reached out to a few of the people in this room and talked to us about how soon can we put together a team to

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make this happen? That was December 7, not too long ago. By January 23 we had to have something in place in the form of a bill to drop so that we could start talking about it, we could start thinking about incentivizing this, we could start thinking about appropriating. So that isn't a very long time to pull together a team to work on a project of this magnitude. I would like to say that, first of all, I was-- I was humbled and honored that they would ask me to help do this. And after speaking with three of my colleagues in the body, one of them sitting directly in front of me, Senator Linehan, who is Chair of Revenue; Senator Stinner, who is Chair of Appropriations, and talking with also the Speaker-- he's the one that actually informed me that I was going to be getting a call from Dr. Gold-- we had to decide how we'd go about this because this is huge. This could impact our whole state. So we-- we put together a program which we looked at as an incentive program. So if you read, the original bill said we do \$50 million for six years to get us to \$300 million. As we worked through that we discovered-- oh, by the way, we also have been in contact with the Governor. I'm not going to speak for the Governor, but he's been briefed just like we have. So I will say that when we looked at that and we had to drop a bill, we dropped it saying that we'll do \$50 million for six years. If it starts in four years and they give us \$1 billion and philanthropy raises \$300 million, then at that point in time we will start making our commitments, our-- our money contributions to them. So nothing happens till we get to \$1.3 billion of private money and federal money coming into the program. And the 600-- or the \$300 million, we decided not to appropriate, but to-- but to use it as a-- as an incentive and tell the federal government that we've got a private/public partnership, and if you're willing to put in a minimum, a minimum of a billion dollars, we can come up with \$300 million. But we didn't tie it down. At the end of the day, what you see in the amendment is we're not tying it down to any one appropriation. We're going to have-- we're going to continue to see our revenues grow based on what Senator Stinner and the Governor think. Fiscal, everybody's been working on-- on that. But again, we-- we can't commit \$300 million just tomorrow. But at the same time, we put a considerable amount into the rainy-day fund this year, which has taken us way up over where we've been in the past. Who knows what the next-- if the projections are accurate, it's going to grow some more. So we're hoping that by the time this program hits and it starts, we will have the ability to make the commitments that we say we're going to make. But we can't get anybody to come on board if we aren't willing to make a commitment as the state of Nebraska. So our commitment is we'll tell you that we'll put up \$300 million if you give us \$1.3 billion. That's how the bill was written. I will also



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tell you that I've had an opportunity as of yesterday to talk to some of our congressional delegation who are working diligently with Chris Kratochvil; they're working diligently with the Department of Defense; they've worked with Homeland Security; they've worked with HHS; they've worked with the VA and Dr. Gold. And they're saying that if we have a \$600 million, \$300 million from the state and \$300 million from the-- from philanthropy, that will go a long way in selling this to the federal government, because we already have a track record of a public/private relationship with the VA, the Buffett Cancer Center, and things of that nature, and the Ebola situation. So as we've worked through all of these things, we know that there are going to be some challenges. We don't know when it's going to happen. There's a lot of uncertainty. But at the same time, we have to take that step of faith and-- and work through the challenges. I fully appreciate Mr. Grothe. The ironworkers, I understand their position. I understand the concerns of some of the other people that I've heard from. But this is something I think that we can all agree on. If this happens in our state, we will have an opportunity that won't present itself very often. And when we talk about our state, we're not just talking about Lincoln and Omaha; we're talking about the entire state. The Med Center, University of Nebraska Med Center trains most of the people that come out to our rural areas and we need that continued support as well. So as we grow this program, we believe it's going to be very positive. Don't know when it's going to happen, but \$2.6 billion is a lot of money. And finally, I would also say I believe that's just the tip of the iceberg because we're also talking about putting enterprise zones around that area. And an enterprise zone will allow for more dollars to flow in to build new hotels, to build more retail, to build more dining establishments so that we can serve the people that are flying in. And then finally, if the federal government funds this to the extent that they are, it can't do anything except enhance our ability to keep and retain Offutt Air Force Base and STRATCOM. So with all of that, I'm excited. I'm, as I said, I'm humbled and honored that they would ask me to help them with this. I think it's-- it's a-- it's a good project. I have many of the concerns that Senator Groene and others have had expressed, Senator Briese. But at the same time, I'd look at it from this perspective: Nothing ventured, nothing gained. So with that, I'd take your questions.

**LINEHAN:** Thank you, Senator Kolterman. Senator Friesen.

**FRIESEN:** Thank you, Chairwoman Linehan. A couple of questions that I have, and one of them is-- has to do with Section 28 in the bill. It talks about just transferring 1 percent of state revenue.

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**KOLTERMAN:** That's taken out.

**FRIESEN:** Everything?

**KOLTERMAN:** That's taken out. The amendment took that out.

**FRIESEN:** I don't see that it took it out. It has Section 27 here, the amendment, and then it ends, so I assume Section 28 stayed.

**KOLTERMAN:** Well, it was intend-- it was intended, the amendment was intended to take it out. So I'll-- I'll--

**FRIESEN:** OK. So how is it-- so how is it read?

**KOLTERMAN:** I'll have to--

**FRIESEN:** Is it just 1 percent of--

**KOLTERMAN:** It's not-- the 1 percent has been-- should have been taken out of the bill.

**FRIESEN:** OK. So it's just \$300 million?

**KOLTERMAN:** \$300 million is our commitment--

**FRIESEN:** OK.

**KOLTERMAN:** --period.

**FRIESEN:** All right. So will there be any other incentives used there, TIF financing, anything like that?

**KOLTERMAN:** I can't answer that.

**FRIESEN:** OK.

**KOLTERMAN:** Well, I-- they-- the Med Center would not be eligible for TIF, I don't believe, because of--

**FRIESEN:** OK. Some of the other--

**KOLTERMAN:** --it's a not-for-profit.

**FRIESEN:** Some of the other buildings around there could be, but that's--

**KOLTERMAN:** Some of the other buildings in these enterprise zones could be.

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**FRIESEN:** Right.

**KOLTERMAN:** But I don't bel-- I might be wrong, but I don't believe a not-for-profit like the Med Center can--

**FRIESEN:** This isn't in an extremely blighted area. It's just a--

**KOLTERMAN:** It's not, no.

**FRIESEN:** OK. So is there anything if the federal government decides to walk away in ten years?

**KOLTERMAN:** There's clawback provisions.

**FRIESEN:** The university owns it?

**KOLTERMAN:** There's-- we'll own it, but there's also clawbacks in the-- in the bill that if we commit the \$300 million and all of a sudden they back out, we get our money back.

**FRIESEN:** I'm-- I'm saying that if it actually gets built and ten years down the road they decide not to be a partner anymore and they walk away--

**KOLTERMAN:** We own it.

**FRIESEN:** --we have the hospital and then we run it.

**KOLTERMAN:** We own it.

**FRIESEN:** I don't expect to clawback anything.

**KOLTERMAN:** Correct.

**FRIESEN:** I mean, we own the facility, right?

**KOLTERMAN:** We own the facility.

**FRIESEN:** OK.

**KOLTERMAN:** The-- between the Med Center and the state-- well, the state of Nebraska owns the facilities up there.

**FRIESEN:** Right. OK.

**KOLTERMAN:** Correct.

**FRIESEN:** Thank you.

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**LINEHAN:** Thank you, Senator Friesen. Senator Groene.

**GROENE:** Could you define for me on line 6, page 7, of the amendment what-- what the definition of the continuation period is? Is that that 15 years I referenced earlier? \$300 million of matching funds for the \$300 million of private dollars received by the applicant between the date of application and the end of the continuation period.

**KOLTERMAN:** I'm not where-- I find--

**LINEHAN:** Can you repeat the page number?

**KOLTERMAN:** Yeah, what page are you on?

**GROENE:** Page 7, line 6, of the amendment, AM2211.

**KOLTERMAN:** I'll have to get an answer for that, Senator Groene.

**GROENE:** Because I don't find that term in the rest of the amendment.

**KOLTERMAN:** Yeah, I haven't-- I haven't had a chance to look at the terms.

**GROENE:** We heard from the ironworker, which I really appreciated his testimony, and the metal workers, 33,000 jobs, construction jobs, and I knew the Facebook-- I had heard that the Facebook project tied up every electrician in a 500-mile-square area. Don't you think this is enough economic development for the Omaha area and it shouldn't be in-- this 20-- this \$300 million should be included in LB720's max of \$125 million?

**KOLTERMAN:** No, I do not.

**GROENE:** Or do they get some more on top of it, most of that to Omaha?

**KOLTERMAN:** Well, I don't-- I don't necessarily agree with your assessment, but I don't believe it should be included. And we can talk about that again as well.

**GROENE:** It sounds like they're going to have plenty of jobs for a while if this project is--

**LINEHAN:** Questions?

**GROENE:** Anyway, still trying to figure out what this does for North Platte when all-- everybody out west goes to Denver and the Front Range for medical services.

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**KOLTERMAN:** Well, maybe we can slow that down by creating more doctors out there from Nebraska.

**GROENE:** Isn't the purpose of the Med Center belonging to the taxpayer of Nebraska, we give them a mission to-- to educate doctors and nurses and medical people, or are they doing us a favor?

**KOLTERMAN:** That's one aspect of it.

**GROENE:** Thank you.

**KOLTERMAN:** It's also to do research, save lives.

**GROENE:** We're on the same side, Mark.

**KOLTERMAN:** All right. Thank you.

**GROENE:** Thank you.

**LINEHAN:** Other quest-- Senator McCollister.

**McCOLLISTER:** Yeah. Thank you, Madam Chair. So there's no set funding schedule, Senator Kolterman?

**KOLTERMAN:** No, there is not. And that was intentional. Senator Stinner, as you know, if you-- if you're in Appropriations, you can't appropriate for more than two years. That's why he suggested we move this-- he and the Speaker suggested we move this to an incentive program, just like we do with LB720. If-- if you don't earn it, you don't get it.

**McCOLLISTER:** Thank you.

**LINEHAN:** Thank you, Senator McCollister. Other questions from the committee? I see none. Thank you, Senator Kolterman. And with that, we'll close the hearing on LB1084 and open the hearing on AM2207 to LB720. Good afternoon, Senator Kolterman. Would you like to open on AM2207?

**KOLTERMAN:** Good afternoon, Chair-- Chairwoman Linehan and fellow members of the Revenue Committee. I'm Senator Mark Kolterman, M-a-r-k K-o-l-t-e-r-m-a-n, and I represent the 24th District in the Nebraska Legislature. Last year when I introduced and prioritized and carried LB720 to Select File, it-- I did so because I firmly believe in the importance of growing our state from east to west-- west and north to south. Whether your top issue is to reduce high property taxes for

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farmers and ranchers or to reform school funding, I hope you also recognize that a thriving business sector is a critical part of the solution. Our businesses are listening and I hope this message, the message of our legis-- the let-- the message our legislative-- legislative body sends is that we value their commitment to Nebraska and we value the jobs that they bring to our communities, border to border. After LB720 was held on Select File, I had the opportunity to meet with many of you. I used the interim to make a good bill, I believe, even better. In order to meet the competitive needs of Nebraska businesses and communities, we made specific changes to address business activities in areas of opportunity for our state, such as a preproduction service and cer-- certain aircraft, and we've made our competitive enhancements as well. We've-- we've worked to address concerns that we heard in the bill hearing last year in this committee, throughout the session, into the interim, primarily that LB720 didn't go far enough in addressing the pressing needs of rural Nebraska. The vast majority of the bill remains the same. The FTE pooling is still not allowed. And I want to point out on page 6, line 27, that employed full time under this program means that employee is a full-time employee as defined and described in Section 4980H of the Internal Revenue Code of 1986, as amended, and the regulations for such section. Applicants are required to offer health insurance to the employees and provide other sufficient benefits. And the program remains subject to a base spending authority. That being said, I would like to highlight a couple of very important changes that we've made in AM2207 since last session. Based upon concerns that-- that I heard and my team heard from rural senators and rural manufacturers across the state, we have added two new tiers to the mainline program. We have added a new rural manufacturing tier, which you'll see on the far left of your brochure there. And it says it's for counties with populations of less than 100,000 people. If a company hires five new FTEs and invests \$1 million, the company would qualify for a rate-- wage credit of 6 percent and an investment tax credit of either 4 percent or 7 percent if the investment is greater than \$10 million. Manufacturing is a growth industry for Nebraska and often starts employees out at an entry-level wage. And because of the large training investment these companies put into their employees, those companies also bolster these wage levels with strong benefit packages as well. So one of the concerns we heard last year were the wages were too high for rural areas. And you will see that we've lowered the wage threshold in the rural manufacturing tier to 70 percent of the statewide average, or \$31,387 annually. That being said, a company still has to offer on top of that an ACA-compliant health insurance plan and a sufficient benefit package on top of that wage base. By

increasing the wage credit to 6 percent, we believe this will entice more manufacturers to go back to our rural areas. Now I've handed out a chart that lists the 72 counties that are 1 percent growth or less. This was provided to me by Senator Groene over here. This tier was specifically designed to bring jobs and an opportunity back to those static or struggling areas of our state. We've also added a new manufacturing growth and expansion tier. If a manufacturing company-- a company hires ten new FTEs and invests a million dollars, the company would qualify for a wage credit of 4 percent and investment tax credit of either 4 or 7 percent greater-- if-- if it's greater than-- if you know it's going to be greater than \$10 million, they can start getting the 7 percent all the way across and above the \$10 million. Again, because of the wage feedback we received from manufacturers, we lowered the wage threshold to 75 percent of the statewide average, or \$33,618 annually. That being said, a company still must offer an ACA-compliant health insurance plan and a sufficient benefit package on top of these base wages. In the original growth and expansion tier, we're returning to the ten FTEs and changing the wage threshold to 90 percent of the statewide average, or \$40,352 annually, plus health insurance and benefits. To provide cohesion across all the tiers, we've returned all the tier wage thresholds to a percent of statewide average than having some wages based on statewide average and some on the 90-county average. So as you can see, based on the last page of the document which I handed out-- if you turn to the last page, it's on this back page-- you will see when we pass this bill, even by making these wage threshold accommodations, we're still increasing wages significantly under this program for where we were-- where we are today and with the Nebraska Advantage. On top of the increased wages, we're still requiring health insurance and a sufficient benefit package so that total compensation will be significantly higher than today. Then finally, we're also creating a new program called the Key Employer and Jobs Retention Act. This will allow the state to be proactive, be proactive when it comes to keeping key employers in the state and retaining our well-paid employees when there's a change in ownership and control the key employer when the new owners are considering moving some of all their jobs to another state. We've talked a great deal about our new program being nimble and responsive to the conditions of a quickly changing economy. In an economy that will continue to see more acquisitions, mergers, and relocations, this act is a step in the right direction. In order to qualify for this new act, a key employer must employ over 1,000 FTEs. They must keep at least 90 percent of the base year employment wage threshold of 100 percent of the statewide average. And there's a yearly cap of \$4 million and a ten-year cap of \$40 million.

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If a company fails to retain the required level of employment of the entire performance period, all or a portion of the retention credits will be recaptured and disallowed. The important thing is, if this had been in place a few years ago, our state would have had-- been more competitively positioned to retain a Cabela's in Sidney. We simply cannot afford to continue to be reactive to-- to the reality of today's economy. With an ever-evolving tech economy, fast-growing companies developing across our state, we look forward and contemplate-- we need to look forward and contemplate what tools will be necessary in order to retain growing companies who are prime for buyouts by our state corporations. Now follow-- following me are individuals who worked closely on these changes. They will explain to you why these changes are needed and why it is imperative this bill with these changes passes this year. In many regards, it was a blessing that we didn't pass the legislation last year, so we didn't have to come back and-- and make changes. We're more than willing to continue to work with the rural economy and advance property taxes; but at the same time, this bill needs to pass as well. So with that, if you have specific questions about the two tiers that we put in, the people following me will give you their rationale and then I'll try and answer questions on my closing, like I did last time, if that's OK. I mean, I will take questions now, but I prefer to have you hear the whole spiel before you hammer me.

**LINEHAN:** No one is going to hammer you.

**KOLTERMAN:** [INAUDIBLE]

**LINEHAN:** Senator--

**KOLTERMAN:** Senator Friesen.

**LINEHAN:** Yes, Senator Friesen. Thank you.

**FRIESEN:** Thank you, Chairwoman Linehan. Pretty good-sized bill to go through.

**KOLTERMAN:** It is a bit.

**FRIESEN:** Who wrote the bill?

**KOLTERMAN:** It was a compilation of-- the Chambers of Commerce primarily had a lot of input in the bill.

**FRIESEN:** Omaha, Lincoln, greater--



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**KOLTERMAN:** Omaha, Lincoln, and the State--

**FRIESEN:** State Chamber?

**KOLTERMAN:** --Department of Economic Development wrote the bill, and-- and what we're dealing with today is primarily the amendments because the bill has actually been heard already.

**FRIESEN:** Right.

**KOLTERMAN:** And I could go into the highlights of the entire bill, but we're really focused mostly today on--

**FRIESEN:** Yeah. I'm talking about the amendment.

**KOLTERMAN:** The-- the State Chamber had a lot of input in it, Omaha Chamber especially with the retention piece, but we also worked with PRO and we feel like what you have here is a compilation of a lot of input. I had a lot of input from my colleague to the left over here when it came to the rural tier, as well as Senator Friesen. And I heard some things from Senator Briese and a lot of the other agricultural people from around the state. I don't disagree that we need to en-- to entice people to come back. But that's kind of-- it was a compilation of many people.

**FRIESEN:** OK. I was-- I had-- you know, I had visited with NPPD officials. They've been very active in rural economic development. And I was told they had no input in this bill. I was kind of surprised by that. So that's why I was curious as to who all had a chance to--

**KOLTERMAN:** Well, if they didn't have any input, they didn't seek me out because I listened to a ton of people--

**FRIESEN:** I-- yeah, I-- that's why I was wondering.

**KOLTERMAN:** --and that's their own fault.

**FRIESEN:** I-- well, but I don't think anybody is allowed to just come--

**KOLTERMAN:** Well--

**FRIESEN:** --be a part of a discussion of something of this nature.

**KOLTERMAN:** Yeah.

**FRIESEN:** But that's all right. Just curious. Thank you.

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**LINEHAN:** Thank you, Senator Friesen. Other questions from the committee? Senator Groene.

**GROENE:** Still at \$125 million cap with the exception of another--

**KOLTERMAN:** That-- that was put in by the amendment last year, with the exception that if we get to that, because of the new reporting requirements that we have, we're going to have a better handle on where we stand. If we get to that cap early, they can come back to the department of-- or the Executive Committee and ask for more monies. And at that time, we'll have to decide whether or not we're going to increase it for the year or not. Then after four years, it goes back to the-- the regular 3 percent of revenues, which it's been historically since 1986.

**GROENE:** So they can--

**KOLTERMAN:** Or a hundred and-- the bill is-- the fiscal note is about \$154 million a year.

**GROENE:** Well, they can add another \$25 million up to \$100--

**KOLTERMAN:** If-- if they come back and show solid proof that they've got a lot of people applying, correct.

**GROENE:** That one decision lasts for four years, though, is what you said, or every year they have to come?

**KOLTERMAN:** They have come back every year. If-- so, because-- because we're basing it on a fiscal year, every year that-- for the first four years that cap is in place, the \$125 million.

**GROENE:** That's per year, not--

**KOLTERMAN:** Correct.

**GROENE:** --not \$125 million stacked on another \$125 million, not another \$125--

**KOLTERMAN:** No, correct, \$125 million per year.

**GROENE:** Thank you.

**LINEHAN:** Thank you, Senator Groene. Senator McCollister.

**McCOLLISTER:** Yeah. Thank you, Madam Chair. And the applications, Senator Kolterman, are based on first come, first serve?

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**KOLTERMAN:** That's for one aspect. That's the-- the retention and growth aspect. We set that up as a separate act inside the bill. So we can-- if we-- if we have a lot of consolidation going on and we want to keep those good-paying jobs like we have the ability to lose, we feel like if we have-- we-- we've kept the ability to go in and reappropriate in future years if necessary.

**McCOLLISTER:** But these-- separate programs.

**KOLTERMAN:** At the present time, that \$4 million a year falls under the \$125 million dollar cap.

**McCOLLISTER:** OK. But these various components don't have separate-- separate caps.

**KOLTERMAN:** No, they do not.

**McCOLLISTER:** OK. Thank you.

**LINEHAN:** Thank you, Senator McCollister. Are there other questions?  
Senator Friesen.

**FRIESEN:** Thank you, Chairwoman Linehan. I was curious. I think in the bill you did take out one portion that was adopted last year and that was that--

**KOLTERMAN:** That was--

**FRIESEN:** --community economic development, that \$2 million.

**KOLTERMAN:** We-- we took that-- that was Speaker Scheer's amendment.

**FRIESEN:** OK.

**KOLTERMAN:** And he said if-- if we've met the criteria that these rural manufacturers wanted, he was OK pulling that out.

**FRIESEN:** OK. So that came out and that was replaced by the--

**KOLTERMAN:** It was replaced by the rural tier. And that only had a \$2 million limit to the--

**FRIESEN:** Yeah.

**KOLTERMAN:** --to the total package.

**FRIESEN:** Yeah.

**KOLTERMAN:** Correct.

**FRIESEN:** OK.

**LINEHAN:** Thank you, Senator Friesen. Other questions from the committee? OK. First proponent, please. Good afternoon.

**METKA KOLM:** Good afternoon. Good afternoon, Chairperson Linehan and members of the Revenue Committee. For the record, my name is Metka Kolm, spelled M-e-t-k-a K-o-l-m, and I am here to testify in support of AM2207 on behalf of Nucor and the Nebraska State Chamber of Commerce. While we are supportive of LB720 with the adoption of the underlying amendment, I will focus on the manufacturing component. Manufacturing is Nebraska's second-largest industry and it is highlighted as a prime growth sector for the state in the recent Blueprint Nebraska report, making it important to have incentives that manufacturers can access. Nucor has four divisions located in Norfolk, and we currently employ 1,100 teammates who live and work in the state. Annually we pay approximately \$84 million in payroll dollars and state and local taxes to the state of Nebraska. Nucor supports many local Nebraska suppliers with over \$70 million paid to them in 2019, not including our sister division transactions. Since the introduction of LB720, manufacturing in-- interests in the Nebraska Chamber have been highlighting that the bill was not accessible to this critical industry for two reasons: the high wage threshold-- threshold and a lack of enhanced credits in the entry-level tiers. Manufacturers typically start employees off at entry-level wages, but often counter that with strong benefit packages. Sometimes these are 40 to 50 percent of the wage that is paid. These employees often do not require college degrees and the manufacturer gives them a path to the middle class with increased wages over time. We believe that a state's incentive package should recognize this unique entry-level position if it wants to grow and keep jobs in the manufacturing sector. The wage modifications in AM2207 for rural and urban areas reflect this. Manufacturers and the Nebraska Chamber support this important change. For incentive programs to truly compete for manufacturing projects, there needs to be an enhanced credit at all levels. To remain viable, manufacturers must continually invest in new technology and equipment to take care of our customers by providing higher-quality products. Investment credits help manufacturers compete for capital expenditures to-- to fund continual improvement and expansion projects that could be-- end up being allocated to locations outside of the state. These projects typically come with a high price tag, but allow us to keep and add jobs local. The drafted amendment reflects changes that will be necessary for the state to target growth

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in the manufacturing sector and will show that Nebraska is open for business. We know this has been a long process and we appreciate the work that Senator Kolterman and this committee have put in to make sure our incentive package works for the industries we should target as a state. We feel AM2207 better reflects that goal and offer our support to it and LB720 with this adoption. Thank you. And I would be happy to answer any questions you may have.

**LINEHAN:** Thank you very much for being here. Are there questions from the committee? Senator Groene.

**GROENE:** So Nucor, in Madison County-- we've got some room out there in Lincoln County for an expansion-- would fit under-- which one would really help you, the rural manufacturing or the manufacturing growth and expansion?

**METKA KOLM:** Nucor specifically could follow-- fall under either one of those tiers. But under the county we-- under the county numbers, we would go under rural manufacturing.

**GROENE:** So you could be at 70 percent--

**METKA KOLM:** Yeah.

**GROENE:** --get the extra wage credit.

**METKA KOLM:** Correct.

**GROENE:** Thank you.

**LINEHAN:** Thank you, Senator Groene. Senator Friesen.

**FRIESEN:** Thank you, Chairwoman Linehan. Do you qualify for any other Advantage Act or LB775 credits [INAUDIBLE]

**METKA KOLM:** Yes. Yeah.

**FRIESEN:** You're using some of that program?

**METKA KOLM:** Yes. We've used Nebraska Advantage Act extensively. Since 2009, Nebraska-- Nucor has invested \$230 million in the state facilities that are located here, upgrading our equipment, our technology. We've grown our teammate count over that time as well. So we actually qualified under the Tier 4 under the Nebraska Advantage Act.

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**FRIESEN:** So theoretically you can apply for some more under this and be working under both programs.

**METKA KOLM:** Yes.

**FRIESEN:** OK.

**METKA KOLM:** But I think technically I don't know if you can have both applications. We can ask-- the people following me may be able to answer that better.

**FRIESEN:** I'll do that. Thank you.

**LINEHAN:** Thank you, Senator Friesen. Senator Lindstrom.

**LINDSTROM:** Thank you, Chairwoman Linehan. Nucor has several facilities across the country.

**METKA KOLM:** Correct.

**LINDSTROM:** How-- how many thereabouts or where are the vast majority located?

**METKA KOLM:** Two hundred and fifty locations throughout the U.S., 13 specific bar mills that would be in our product group, and then the Vulcrafts and cold-finish divisions as well.

**LINDSTROM:** So when Nucor is looking at expansion, and obviously they've participated in LB775 and Nebraska Advantage, when it comes to this new package, does this give Nucor-- or give Nebraska an upper hand or is it a level playing field when it comes to what Nucor looks at as far as expansion? How does this com-- how does this compare to some of the other packages, both wages and capital improvements, with across the country?

**METKA KOLM:** That is more done at our corporate level where they compare the packages, but I do know that they're highly involved. And when the first package came out, there were several concerns about the investment credit, that it was just too low for what we had been receiving previously and what we saw in other states. So they're highly involved and give us a lot of data. But as far as like the specific packages across the states, they do a lot of that. I know on the investment piece there was a large concern, though, with the first package.

**LINDSTROM:** And this new amendment with the wage satisfies--

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**METKA KOLM:** Yep.

**LINDSTROM:** --any concern?

**METKA KOLM:** Yes.

**LINEHAN:** Thank you, Senator Lindstrom. Other questions from the committee? Senator Groene.

**GROENE:** Curiosity question more than anything.

**METKA KOLM:** Yeah.

**GROENE:** Your raw material is still remanufactured steel or--

**METKA KOLM:** Correct.

**GROENE:** --do you use iron ore in any [INAUDIBLE]

**METKA KOLM:** We do not use iron ore at our specific facility. We use scrap primarily.

**GROENE:** So a lot-- a big-- you try to center yourself where there's access to scrap.

**METKA KOLM:** Correct.

**GROENE:** Thank you.

**LINEHAN:** Thank you, Senator Groene. Other questions from the committee? Seeing none, thank you very much for being here.

**METKA KOLM:** Thank you for having me.

**LINEHAN:** Next proponent.

**DAVID G. BROWN:** Good afternoon, Chairwoman Linehan and members of the committee. Thank you for the opportunity to speak to you today. I am David G. Brown, D-a-v-i-d G. B-r-o-w-n. I'm the president and CEO of the Greater Omaha Chamber and I'm here today to offer our support for AM2207 and to LB720. I'm mostly here on behalf the Lincoln Area Chamber of Commerce. We cannot thank Senator Kolterman enough for his dedication to this bill. He's been a champion for business and we're very grateful to that-- for that. I'm here to address the portion of the amendment that would establish the Key Employer and Jobs Retention Act. It would give us the ability to react quickly when our communities are facing the loss of very large employers and thousands

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of jobs due to acquisition. We don't have such tools today. If you'd indulge me, I'd like to paint a picture for you of how this tool could help. Imagine that on a warm spring day, a headline shows up in the news ticker on CNBC that a company on the East Coast has announced its intention to purchase a large company located in Nebraska. This announcement would come as a shock to both employees of the company and community leaders, but within the hour-- hours, the news is confirmed. Time lines are established. Elected and business leaders all profess the commitment to work together to try and convince the company to keep as much of the local company intact and maybe even get more jobs as a result of the merger of the two companies. Meetings are held. Contact is made to both the acquiring company and local company to see what the prognosis is for keeping the jobs in the community. The message is clear. Until the deal is done, it's business as usual and there's no additional information available. Despite that, local communities come up with plans to embrace any laid-off employees and help them find different jobs in the community. Community officials contact the state Department of Economic Development looking for financial support to convince the acquiring company to stay. But in the end, because all of our economic development tools available today require new job creation and new capital investment, there are no resources available that are targeted at this purpose. Now let's flip the view-- viewfinder, if you will, to the headquarters of the acquiring company. After the announcement, they have been busy assessing what the assimilation of this new company means to them. The company has several locations across the country where the Nebraska jobs could be moved. Economic development groups at the company's other locations aren't shy about putting proposals in front of the acquiring company, outlining resources that are available to entice these new jobs to their communities. And the resources are significant because to them these are new high-paying jobs and new capital investment to their communities and their states. From a review of the community proposals, the acquiring firm now knows that there are plenty of alternatives to keeping jobs in Nebraska. By the time the company announced its plans to move or eliminate thousands of Nebraska jobs, we realize that despite aggressive efforts to the contrary, we really had no weapons to use in this fight. Productive work force, support of local communities, willing state government, even a relatively competitive business climate just weren't enough. The company announces job shifts to other locations. "For sale or lease" signs show up at their Nebraska facilities. It would be easy to focus attention on the acquiring company and paint them as the villain. I don't think that's very productive. What if instead we see our way to value the company's past and give the state a chance to build a future



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with them? Thousands of jobs, millions of investment in land and buildings, well-documented philanthropy and volunteer engagement, that's got to be worth something. What if we created a tool that would enable us to pause the site elimination process in very specific circumstances? What if the state makes an investment in that company to give the local leadership time to convince the acquiring firm to actually see how productive and profitable having facilities in Nebraska could be? That is what adoption of this amendment will allow us to do. It will give us a tool that enables us to react quickly when facing the loss of very large employers and thousands of jobs, a tool that will change the direction of a dialog. Specifically, the AM2207 is aimed at companies that have recently been acquired by another business and are deemed to be at risk of eliminating or moving more than a thousand employees to another state. To earn the incentive, a company would commit to the retention of at least 90 percent of current employee and compensation levels. The program would provide a 5 percent wage retention credit for employees who earn at a minimum the state's average wage and receive health coverage that at a minimum meets the requirements of the Affordable Care Act. The wage credit would be available over ten years. The credit is capped at a total of \$4 million per year. The jobs would have to be retained each year or the credits would have to be repaid to the state for any period when unemployment might-- when employment might fall short. Unfortunately, there are targets out there for this type of scenario. In the not-too-distant past, we could have used a tool like this to work with Bass Pro Shops when they acquired Cabela's. Today we know that Fiserv has recently completed its purchase of First Data and Charles Schwab has announced its intention to purchase TD Ameritrade. There are other companies across the state that meet the criteria of the bill that might at this very moment be at play. We just don't know. And their loss would be just as impactful to the state and local communities. Site Selection magazine says there are many states that deal with retention of employees and their incentive arsenal, and they cite five states that specifically target retention of key businesses effectively. Nebraska is not prepared to deal with these situations. With this amendment to LB720, we can be ready. We can give communities a tool to compete for jobs. Thank you. I'd be happy to answer any questions you might have.

**LINEHAN:** Thank you, Mr. Brown. Are there questions? Senator Briese.

**BRIESE:** Thank you, Chairman Linehan. Thank you for being here today, Mr. Brown.

**DAVID G. BROWN:** Thank you, Senator.

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**BRIESE:** Thank you for your testimony. Are you familiar with programs in other states to much degree?

**DAVID G. BROWN:** I looked at the five states that have specifically been identified by Site Selection magazine, and the proposal that we're looking at is consistent with each of the different states. In some cases, the-- the incentives have been specifically designed for a specific company that is in a situation of leaving. In other situations, it's a bit broader and it provides us a different incentive approach for the states to be able to try and incent companies to stay. So it really varies state to state.

**BRIESE:** OK. Is it-- is it unusual in those programs to allow one individual as much discretion as the director would have pursuant to this? His approval, I think, here hinges on his "belief" that they're going to leave, a considerable amount of discretion there.

**DAVID G. BROWN:** Well, you're right, Senator. There is a lot of discretion there. But in-- in these cases, there will be a lot of information that came from the company that says we now have acquired you, but now the competition has begun, and here's the places you're competing with, here's the-- the types of-- of information we want from you to respond to a request for information, and-- and we will be making a decision about where those jobs will be at some date certain. So I would expect that this is-- I would be very surprised if the director would be able to make a decision about this absent some kind of a very specific proposal that says these jobs are potentially going to go somewhere else.

**BRIESE:** OK. Thank you.

**DAVID G. BROWN:** That's traditional in-- in our business, at least in economic development.

**BRIESE:** One person oftentimes making decisions like that?

**DAVID G. BROWN:** Well, in many states, the secretary of commerce or the director of department of economic development are the-- is the person that makes the decision about how far you go with a specific piece of incentive. And LB720, as you know, shifts some of the responsibility, most of the responsibility to the director-- director of Economic Development to assess whether or not companies have earned the incentive that they're applying for. So this would give that person the same kind of responsibility.

**BRIESE:** OK. Thank you.

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**LINEHAN:** Thank you, Senator Briese. Senator Lindstrom.

**LINDSTROM:** Thank you, Chairwoman Linehan. And thank you, Mr. Brown, for being here. Appreciate all the work that you do--

**DAVID G. BROWN:** Thank you, Senator.

**LINDSTROM:** --for the Chamber. I have two questions with regards to just how the program would operate. With the minimum of the 1,000 full-time employees, a lot of names that were cited in the testimony are-- were household names. And-- and I know this-- in the particular last 24 months there's been a lot of mergers and acquisitions. There are companies in the state of Nebraska that have maybe-- maybe fit in between 0 to the 1,000 full-time employees that, you know, possibly could get acquired or have a merger. Was there-- that 1,000-employee number, was that considered, discussed at a lower, or how did you settle on that?

**DAVID G. BROWN:** Well, to be honest, we looked at-- at the-- an-- a subjective analysis of what would be considered large and impactful across the state. And also at what point do we want to say that we want to be able to compete for projects and at which point will we have so many of these applications that it basically overruns the ability to-- to do any other kind of project in the state as well? So we plugged in 1,000 employees thinking that those are high-paying jobs. There's a lot of them. It will certainly be impactful to any community where 1,000 jobs were lost. So I would say it's arbitrary, but there's a lot of discussion about what-- what number should be. Should it be 2,000? Should it be 500? And we set it on 1,000 thinking that it would limit the scope enough to really be impactful to companies, but it wouldn't broaden it so much that we would have a huge amount of demand for-- for this-- this incentive.

**LINDSTROM:** And a second question kind of falls on that, because it's my understanding that the cap is \$4 million a year. The application process would-- would take place every year, correct?

**DAVID G. BROWN:** Well, the application would take place and they would have to show that they have maintained their credit. So an application would take place once, on the baseline year incentives, all those standards are set. They could earn this incentive for each of ten years as long as they show that they hit that 90 percent number at the wage level, etcetera.

**LINDSTROM:** So if there was--

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**DAVID G. BROWN:** So they'd have to show that each year.

**LINDSTROM:** So if there was a, say, for example, a deal done, the closing transpired this year, would a-- would a company be able to apply two-- two years after the closing date? Would that be a possibility here on how it would operate?

**DAVID G. BROWN:** The challenge with-- the only challenge with this incentive is that it right now sets the total amount of the credit at \$4 million a year. So the only challenge you might face is if more than one company applies and the \$4 million already been allocated. And so at that point, we would have to re-- readdress the issue of what do we do here? I mean, what do we do to try and retain more than one company that might be in this situation in a given year's time?

**LINDSTROM:** Appreciate it. Thank you.

**DAVID G. BROWN:** Thank you.

**LINEHAN:** Thank you, Senator Lindstrom. Senator McCollister.

**McCOLLISTER:** Yeah. Thank you, Madam Chair. This bill is based on retention. If a Nebraska company were to buy another company in another state, could-- could this particular amendment be used for that or would we simply use the other provisions in LB720?

**DAVID G. BROWN:** It would be the other provisions of LB720. It's like the communities I mentioned in my-- my little story. We would look at jobs that would be potentially moved here from another state as new jobs to this state. So they would then try and apply under the traditional LB720 criteria, would not qualify under the retention component.

**McCOLLISTER:** And in-- in the amendment, the clawback provisions apply just as it-- in the other parts of LB720, correct?

**DAVID G. BROWN:** Yeah. So if a company said they have earned the \$4 million, you pay the \$4 million and then the jobs drop below, a portion of that can be clawed back or they won't be eligible for the \$4 million moving forward.

**McCOLLISTER:** Thank you.

**LINEHAN:** Thank you, Senator McCollister. Other questions from the committee? Senator Groene and then Senator Friesen.

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**GROENE:** You mentioned two large companies.

**DAVID G. BROWN:** I did.

**GROENE:** And they both come next year if we pass this thing. And we got \$4 million. How's that work?

**DAVID G. BROWN:** Well, they have two years after the-- the-- the closure, excuse me, that the business deal is closed in order to make application for-- for this incentive. And so we don't know what's going to happen with either one of them. It may be that-- that both companies come to us and say, you know, we're going to stay and we're going to grow and our--that's really what our goal is with them. But right now, we don't have the tool if they come to us and say, you know what, we think we're going to go. And so we-- we don't have any way to try and convince them to try and stay. So our-- our preference, Senator, is that we have-- we are in the business of our companies acquiring other companies and not in the business of being acquired. But right now, we don't have a tool to respond if they are.

**GROENE:** But this decision is made by the State Department of Economic Development--

**DAVID G. BROWN:** It is, sir.

**GROENE:** --not by Omaha Chamber.

**DAVID G. BROWN:** Yeah. I-- I have no authority to make decisions on this, Senator. You're absolutely right.

**GROENE:** Well, you said "we," and I just had to say.

**DAVID G. BROWN:** Well, I count myself a Nebraskan. [LAUGHTER] Even though I've only been here 17 years, I still think I'm a Nebraskan and would expect the government to do what the bill allows them to do.

**GROENE:** Probably in the details of the bill, but how is this dispensed, just a credit on their corporate income tax or we send them a check?

**DAVID G. BROWN:** It's-- it's a-- it's a tax credit against their-- their wage-- withholding wage, their withholding tax. So they would be able to put-- take it as a credit.

**GROENE:** Thank you.

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**LINEHAN:** Thank you, Senator Groene. Senator Friesen.

**FRIESEN:** OK, I-- I got a-- thank you, Chairwoman Linehan. I have a few questions, but I want to standardize some terms now first that we can work on and--

**DAVID G. BROWN:** Sure.

**FRIESEN:** --here we call them incentives, and when we talk about farm subsidies, those are called subsidies. And I would like to think of them all as incentives or all as subsidies. Could we standardize that term in the industry? Would that be fair?

**DAVID G. BROWN:** I-- I am-- I am certain that you can-- you can call them anything you want to, Senator. I think the industry dictates what those terms are. Once again, I'm a pawn in this play. We use the terms that are given to us.

**FRIESEN:** Did you have a lot of-- can you answer technical questions about the bill?

**DAVID G. BROWN:** I-- I can to a certain extent, yes.

**FRIESEN:** OK. I've got a few questions. One of them has to deal with the retention. [INAUDIBLE] so that just basically one company can be accepted?

**DAVID G. BROWN:** The-- the original intent was to say we need to have an incentive in case this happens. And I think as the amendment was crafted and edited through the process, I think it was assumed that if a company used all \$4 million of the credit, the first company used all \$4 million of the credit, then there would not be any available that year for another company.

**FRIESEN:** So if one company applies and only used \$2 million of that, they could accept another company to use the other \$2 million?

**DAVID G. BROWN:** That-- that's my understanding, Senator, yes.

**FRIESEN:** So if a-- if I was looking to acquire a company in Nebraska, this would be an opportune time to do it, because at that point I could say, well, I'm going to buy the company and we're hiking out of here, and now I'm going to get \$40 million to keep me here? I mean, would it have-- would it drive someone to buy a company when they wouldn't have otherwise?

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**DAVID G. BROWN:** I don't believe so, Senator. I think all we're really trying to do is to make it worth their while to give us time to show that they should be here. What we're finding, I think, Senator, is that if a company from outside of this market buys the company, they're looking at the financial details and they have-- they really don't have much understanding of the productivity of the work force, the support they get from the community, the way Nebraska works uniquely from a lot of other states. And we think that if we can just put a-- a pause on the project a little bit to slow them down, to be able to realize the benefits of being here, they will see the same benefits that, say, many of the companies that we've moved here over the past two decades have found: that they started out with one purpose and then brought other departments here because of the productivity of-- of the workers here and their ability to get things done. So we think that this will give them pause to say, hmm, maybe there are some unanswered questions, let's keep our employment levels there high. And then maybe-- maybe we can convince them to do some expansion in the future too.

**FRIESEN:** OK. I mean, the way I read it, I mean, it seemed like we're pretty well targeted at one company. But last year, I know I talked about part-time or full-time equivalents. Are we still dealing full-time equivalents?

**DAVID G. BROWN:** Yes, these are FTEs--

**FRIESEN:** And--

**DAVID G. BROWN:** --as identified under LB720, which Senator Kolterman talked about [INAUDIBLE]

**FRIESEN:** So they can be part time.

**DAVID G. BROWN:** No, there's no pooling. These are full-time equivalents.

**FRIESEN:** Full-time equivalents.

**DAVID G. BROWN:** Yes, sir.

**FRIESEN:** It mentions FTEs [INAUDIBLES]

**DAVID G. BROWN:** FTEs for us means full-time workers, not pooling of part-time workers and cos-- saying how many FTEs are there. These are full-time workers.

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**FRIESEN:** OK. I'm-- I-- I guess that does-- it does confuse me because-- unless there's a definition somewhere. But like on page 3 it talks about full-time equivalents again and wouldn't it just say full-time workers?

**DAVID G. BROWN:** I-- I-- I will defer to Senator Kolterman and the Bill Drafters to figure out how to make that consistent. But I know what the intention is, Senator, and that is that we're talking about full-time employees.

**FRIESEN:** OK. And that would be a 40-hour employee?

**DAVID G. BROWN:** Yeah, it's either 37.5 or 40 hours, depending upon the company, yes, sir.

**FRIESEN:** OK. I'm curious. When we-- I've always talked about creating high-paying jobs and I-- I do like the rural manufacturing portion of it. But at these levels now, are some people going to qualify for food stamps and even with a job here?

**DAVID G. BROWN:** No, sir.

**FRIESEN:** The-- the pay will be high enough that they cannot--

**DAVID G. BROWN:** Yes, sir.

**FRIESEN:** --qualify for any benefits?

**DAVID G. BROWN:** The way we are in this state, there's a cliff, as you all have heard, from other discussions, and so-- so certainly not. If that changes, they may be a modified number. But right now, according to state law, they would not.

**FRIESEN:** Because I'm-- I think that-- what were we talking about, a \$15-an-hour job at the minimum? I-- don't look at him.

**DAVID G. BROWN:** Thank you. I mean, I-- I think there are people better informed on that topic than me.

**FRIESEN:** OK.

**DAVID G. BROWN:** I know in this particular amendment that I'm talking through, the company is-- will set a baseline of what their current compensation is and they must maintain at least 90 percent of that compensation level in employment level. So I would imagine that the companies that we're talking about, 1,000-plus employees, I-- I would



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have no problem thinking that they would be well above the minimums that are in the rural Nebraska piece of this, if you're talking about companies I know are in Omaha or Lincoln and are large companies like the two I've mentioned.

**FRIESEN:** I was talking to a gentleman the other day and he was-- there was employed and he was getting like \$20 an hour, but he was going to drop his health insurance. He's-- he's offered health insurance, but he couldn't afford it. And so, I mean, here, too, you're going to-- you're going to have a pay level and you're going to offer an employee health insurance at some minimum level. But if they can't afford it at that wage, they just wouldn't take it, right? And so they actually could be employed without benefits.

**DAVID G. BROWN:** I-- I think, frankly, the law says you've got to be insured and so you would have to go on a spouse's benefit or you have to buy your own private insurance or take your employer's insurance, so.

**FRIESEN:** Or you could qualify for Medicaid expansion.

**DAVID G. BROWN:** One-- one could only hope not, but-- but maybe, yes.

**FRIESEN:** OK. I'll have some other questions, maybe, from some others down the road on the part-time versus full-time employment. But that's all I have for now. Thank you.

**DAVID G. BROWN:** Thank you, Senator.

**LINEHAN:** Thank you, Senator Friesen. Senator Groene.

**GROENE:** Try to make it quick. So you think ten years is just the transitional period? We're going to give this for ten years. You said a pause.

**DAVID G. BROWN:** Well, the pause is to say we're going to try and keep this here. If the company decides after two years that, nope, it doesn't make any sense, they're leaving, then they don't get any more incentive. If they continue to stay here and then we get them to also grow, then the incentive is to keep them here long term, yes, sir.

**GROENE:** The Fiserv and-- and the TD Ameritrade, those deals are done, right?

**DAVID G. BROWN:** No, sir.

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**GROENE:** Both of them are still in the process?

**DAVID G. BROWN:** The Fiserv closed on their deal with First Data in July of last year. So if that's what you mean, that deal has closed. They have-- they have not made decisions about what they're going to be doing long term.

**GROENE:** But TD Ameritrade--

**DAVID G. BROWN:** TD will not be complete until the Justice Department has approved the deal. And then the closing has to take place after that.

**GROENE:** So you said this two-year period. Is that grandfathered then like Fiserv?

**DAVID G. BROWN:** No. So let's say the Fiserv deal stopped in July, was done in July. Their two-year period started in July when their deal closed and they would have two years within which to apply. TD, once their deal closes, let's just pick a date, if it's October of this next fall, then their clock will start in October.

**GROENE:** All right.

**DAVID G. BROWN:** OK.

**GROENE:** One last thing. The old Advantage Act threshold pay was \$13.35. How many projects do you think in your area would not qualify now because-- that were qualified under the Advantage Act would not qualify now because their wage scale is too low? I'm not disagreeing we shouldn't do this, but--

**DAVID G. BROWN:** Yeah. I can't think of a project that we've done in our region that the wages-- well, in the last-- well, since Nebraska Advantage Act, there were very few that paid wages less than the state average wage, which at the time was about \$38,000 a year.

**GROENE:** Earlier-- earlier you said it would kind of like weed out the ones that really weren't high-paying jobs, so we're not weeding out anybody.

**DAVID G. BROWN:** Well, we weren't. But we've told them, as well, that in-- in some markets, our market in particular, you know, they're paying \$15 an hour to work at McDonald's. And so are you going to be able to attract the employees that you need at a level that might be at \$10 or \$12 an hour? Now that-- that is a bit different in some of

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the rural communities that we also represent, you know, from Nebraska City and Plattsmouth and Fremont, etcetera. And so-- and we're glad that there is some flexibility in that wage criteria because the wages in Omaha are many times different than they are or might be in Plattsmouth. But we still think that the requirements in Nebraska Advantage and now in LB720 would enable both kinds of communities to grow and then have companies make projects in those-- those cities.

**GROENE:** Thank you.

**DAVID G. BROWN:** Thank you.

**LINEHAN:** Thank you, Senator Groene. Counsel just showed me that we do have the hourly wage-- the hourly wages on the back of this sheet.

**GROENE:** Yeah, but I was-- I was referring to the \$13.35 above how many of the Advantage Act would have not-- would now not-- that did get the project and would not now get a project.

**DAVID G. BROWN:** Yeah.

**GROENE:** You think most of the projects that you did-- that we did give the Advantage Act to would have probably qualified to the new standard--

**DAVID G. BROWN:** I believe so, yes, sir.

**GROENE:** --is what you're saying.

**DAVID G. BROWN:** Yes, sir.

**LINEHAN:** Thank you, Senator Groene. Other questions from the committee? Thank you, Mr. Brown.

**DAVID G. BROWN:** Thank you, Senators.

**LINEHAN:** Other proponents?

**DAVE RIPPE:** Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Dave Rippe, D-a-v-e R-i-p-p-e, and I am the owner of the Queen City Development Company in Hastings, Nebraska. In that capacity, I've had the great pleasure of working with the Greater Omaha Chamber of Commerce and a number of other different stakeholders over the interim to help make improvements to LB720. Many of these improvements are reflected in the amendment before you today, AM2207. Last year, I joined you for 90 minutes to discuss the

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necessity of LB720. [LAUGHTER] My hope is that we won't be repeating that feat again today. [LAUGHTER] We discussed the competitive landscape in which our state competes in the process, and reasoning that was undertaken and considered in order to draft legislation that allows our state to be competitive while also being responsible to the taxpayers of Nebraska and the numerous other calls for state funding. I've stayed engaged with this bill because I believe a responsibly crafted business incentive plan is a critical component of an overall economic development program of work and ultimately a healthy, future-oriented and growth-focused state budget. I firmly believe in the necessity of a compet-- comprehensive approach to creating new and better opportunities for Nebraskans. I serve as the director of the Scott Scholars program at Hastings College as one of my day jobs, which is a partnership between the Suzanne and Walter Scott Foundation and the Hastings College. Our primary goal under this program is the development of workforce- and career-ready leaders for Nebraska. As I meet with high school seniors and their parents, and as I work with our students on campus, the most common themes amongst Gen Z students that I hear are continually reiterated in different ways. They want to know what opportunities are out there for me-- them-- and how do they become part of something greater than themselves. Updates to the talent section of this bill are a step in the right direction for our state to successfully recruit and retain young talent. Under this amendment, talent recruitment payments that may be reimbursed include, without limitation: payment by the taxpayer without repayment by a-- by the employee of an employee's student loans, an employee's tuition, and an employee's down payment on a primary residence in Nebraska. Add to this that credits may be used for the costs of employer-sponsored on-site childcare, and you can start to see how our state will be able to market this program to progressive employers and how those employers will be able to leverage the ImagiNE Nebraska Act to help attract and retain top-tier talent in our state. Also focused on the employee is clarifying language relating to what qualifies an employee. Qualifying employees must meet qualifying thresholds. They must be full-time employees, 30 hours a week or more, and they must be offered a sufficient package of benefits. To participate in any pool, to be qualified as an employee under this act, you must be a full-time employee, no exceptions. You must be offered a sufficient package of benefits. On a recruitment visit last year, a business owner told me that in evaluating growth alternatives for their company, that certainty was the greatest currency. As we sit here today with Nebraska Advantage program sunseting, I would encourage you to help us in bringing certainty to the table for our state. I greatly appreciate the work that was done throughout the last session by the

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Legislature to improve this bill, and I appreciate your continued work to build a strong bill for the entirety of our state. If you have a couple of questions, I'm happy to answer them.

**LINEHAN:** Thank you very much, sir. Do we have questions from the committee? Yes, Senator Friesen.

**FRIESEN:** Thank you, Chairwoman Linehan. I'll have a couple of questions. I think you understand the bill. You've been familiar with how this works. In here I see that the-- the definition of extremely blighted has been changed, and so now a city could-- could declare an area extremely blighted and then they get a higher-- 1 percent more in wage credits. Is that true?

**DAVE RIPPE:** I believe that amendment was adopted by a vote of the Legislature last year. Yes.

**FRIESEN:** Yeah. But now in here it talks about extremely blighted area--

**GROENE:** What page?

**LINEHAN:** Page 100.

**FRIESEN:** Could a city just declare an area extremely blighted? I thought that was set on some [INAUDIBLE] guidelines, on page 26, I think.

**DAVE RIPPE:** Cities, under community development law, have the ability to declare areas of blight and those are subject to state statutes, a percentage of community and whatnot in their community for utilization of tax increment financing, etcetera. I do believe my understanding is that cities also have the purview to establish areas of extreme blight, which I'm not going to sit here and-- and profess to be an expert in areas of extreme blight.

**FRIESEN:** Well, I was-- I was curious about that because last year we did talk about it and I thought those were based on some federal something or other. They're not? OK.

**DAVE RIPPE:** I'm seeing heads shaking by people that are smarter than me.

**FRIESEN:** Man, I thought you knew everything. Going back to the-- so what a-- what is the minimum an employee has to be? He could be working for 30 hours a week.

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**DAVE RIPPE:** Thirty hours a week.

**FRIESEN:** And you could be offered benefits, but you don't have to take any or you're not given any. You're offered a package of benefits?

**DAVE RIPPE:** Correct. We as a government, as an employer, as anyone, we can't force somebody to accept benefits. And so ultimately the language that-- that was modified was that benefits would be made available. And-- and that, I think, is about the best as an employer that you can do. You know, we were-- for a real life example, let's-- which is fun. Once upon a time, when my wife and I were both employed for companies that paid benefits, which was great, by the way, her benefit package was much better than mine. So we-- we had family health insurance on her benefit package and we didn't accept mine. You can't have two health insurances.

**FRIESEN:** Right.

**DAVE RIPPE:** And so there are likely going to be scenarios in dual working families where you have benefits that are more attractive with one employer than another, so.

**FRIESEN:** But you can-- you can say that we can offer packages, but you could also in our program say that they have to provide it, not just offer it. We're choosing to offer a package.

**DAVE RIPPE:** I think that we might be getting into a little bit of legal waters here. I think the intent is certainly--

**FRIESEN:** As we count-- as we count employees--

**DAVE RIPPE:** Yeah.

**FRIESEN:** --we can do however we want, couldn't we?

**DAVE RIPPE:** I think what the intent of the bill, the intent of the drafting group, and the intent of the-- the amendment last year was that employer-- employers would offer sufficient benefits to their employees, that employees would have a sufficient suite of benefits available to them. However we ultimately get there in the bill, I think, is certainly up for discussion.

**FRIESEN:** OK. OK, that's all.

**LINEHAN:** Thank you, Senator Friesen. Senator Groene.

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**GROENE:** You're a private individual now, a businessman, right?

**DAVE RIPPE:** Yes.

**GROENE:** You don't answer to a city council or governor?

**DAVE RIPPE:** That's correct.

**GROENE:** All right. So which of these tiers would you think would be beneficial for Hastings?

**DAVE RIPPE:** Let me participate along with you. I think the way that the bill is structured, Senator Groene, is-- is obviously in recognition that-- that every-- that there's no silver bullet. Right? I do believe that the addition of the rural manufacturing tier is-- is specifically applicable to many of the companies that I know and that-- that-- that I've worked with over the last decade. I do see strong applica-- applicability there. But if you drive down the road to-- to Grand Island or-- or up to-- to Norfolk, certainly I'm sure that there's employers like Nucor that-- that might well qualify under another tier as well.

**GROENE:** So, just an opinion, those big, bad rural senators that filibustered the bill last year, is this a better bill?

**DAVE RIPPE:** I believe that we are in a better place right now with the amendment than we were last year.

**GROENE:** Thank you.

**LINEHAN:** Thank you, Senator Groene. Other questions from the committee? Senator Briese.

**BRIESE:** Thank you, Chair. And thank you for being here. Thanks for your testimony. Following up on what Senator Groene asked about being better for rural Nebraska, have you tried to quantify the dollars distributed among congressional districts, activity in congressional districts, going out to those districts? What percentage?

**DAVE RIPPE:** Have we-- have we modeled under this bill--

**BRIESE:** Yes, under the [INAUDIBLE]

**DAVE RIPPE:** --how the-- how the benefits of this bill might be distributed across the state?

**BRIESE:** Yes.

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**DAVE RIPPE:** Is that the question?

**BRIESE:** Yes.

**DAVE RIPPE:** I don't believe that we have the ability to speculate on what that-- that could be, no.

**BRIESE:** OK.

**DAVE RIPPE:** What I will say is that in the design of this bill, what we've seen as impediments across the state for accessibility has been the ten-job threshold in rural areas. And-- and we talked about that last year. In 63 of our state's 93 counties, creating 10 jobs is something like the equivalent of creating 1,000 jobs in Omaha. And so knocking that down to five FTEs, making it more-- more accessible for-- for the rural areas with less population, certainly, we think that will help.

**BRIESE:** OK. And the reason I asked, I've heard some of my colleagues suggest that, you know, we ought to ensure that a certain percentage or minimum percentage goes to the 3rd District, for example, but we don't-- we have no idea what number we're talking about, how or what percentage we're talking about now, correct?

**DAVE RIPPE:** Yeah. I think that-- that obviously what you see under the program is that it's utilized by different geographies of the state at different times. And-- and so I do think it would be hard to-- to notch out geographically where resources might fall, not to say that we don't do that in other programs in the state. We do.

**BRIESE:** OK.

**DAVE RIPPE:** But-- but I think that would be difficult.

**BRIESE:** OK, thank you.

**LINEHAN:** Thank you, Senator Briese. Other questions from the committee? Seeing none, thank you very much for being here.

**DAVE RIPPE:** Thank you.

**LINEHAN:** Other proponents? Are there any other proponents? Are there any opponents? Is there anyone-- OK. Again, if you're-- I know, we're almost done, so I'd rather-- go ahead.



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**RENEE FRY:** Good afternoon, Chairperson Linehan. Members of the Revenue Committee, my name is Renee Fry, R-e-n-e-e F-r-y. I'm the executive director of OpenSky Policy Institute, here today to testify in opposition to AM2207. While we continue to have many serious concerns about LB720, I'll spend some time today focusing on our two biggest concerns, which are the affordability of LB720 and job quality. Since 1987, the cumulative revenue forgone due to both LB775 and Advantage has surpassed \$4 billion. According to the Department of Revenue, LB775 is projected to reduce revenue by \$2 billion after accounting for economic gain by 2025, and Nebraska Advantage is projected to reduce revenue by \$1.5 billion after accounting for economic gain by 2028. In fact, these two programs are projected to reduce revenue by \$815 million over just the next three years, an increase of \$341 million over historic revenue loss from incentives, and nearly \$1.7 billion through calendar year 2028. Given that for at least 75 percent of incented firms nationally, the firm would have made a similar decision regarding location, expansion, or retention without the incentive, there is a legitimate question as to whether these incentive programs are actually worth their cost. LB720 would continue this expensive trend and is projected to cost taxpayers nearly \$1 billion through FY '31, according to the fiscal note. While LB720 does have a cap, nothing in the bill stops it from being exceeded. DED is required to project refunds paid in credits taken for each of the upcoming three calendar years. The director only stops taking applications in the calendar year in which the cap is projected to be exceeded. Therefore, if DED is projecting \$50-- \$50 million in credits to be taken in year one, \$100 million in credits to be taken in year two, and \$200 million in credits to be taken in year three, DED will continue taking applications until year three, thereby adding to the liability and guaranteeing that the cap would be exceeded. In year three, the director then hits pause on application-- on applications, and then can request additional authority from the Executive Board. If the Executive Board doesn't act on a request to override the cap within 45 days, their request is approved. So the cap actually doesn't limit the cost of a program. It only functions to hit the pause button on applications in a year in which the cap is projected to be exceeded. And it's hard to envision that the Executive Board would refuse to reinstate the taking of applications and leave the state without an incentive program. While the cap might be well-intentioned, it's unlikely to have any substantive impact. The other main point we would like to make is that wages in the amendment are significantly lower than last year's bill. The minimum wage in the 2019 version was \$40,632. In this amendment, however, manufacturing and aircraft service can qualify when paying wages as low as \$32,396 per year, or

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\$15.58 an hour, in the 90 counties and receive incentives. A family of four at these wages would qualify for SNAP, Medicaid expansion, and free lunch. Please see the handout that I passed out in terms of benefits at these wage levels. In Sarpy and Lancaster and Douglas Counties, these two industries can pay wages as low as \$34,710 per year, or \$16.69 per hour, and receive incentives. I would mention that the Omaha average wage is \$25 an hour, so this is about \$9 less that we wouldn't be incentivizing. Furthermore, it only requires that employers offer health insurance to its employees, as was discussed previously. It doesn't require the employer to actually pay for them. And the AM has, in fact, removed the language that prevented part-time jobs from being pooled to be full-time-equivalent jobs. So if the intent is to disallow pooling, that does need to change. And I'd be happy to point you to that language if time allows. Finally, as you well know, in-- incentives and the property tax bill are tied together, and we understand that the university project, LB1084, is going to be thrown into the mix. If these, all three bills pass, they could consume between 6.8 and 9.4 percent of state revenues between FY '23 and '28. Please see the chart that I handed out on this as well. For reference, the average annual revenue loss could be more than twice the size of the state appropriation for corrections and nearly equal to state funding for the University of Nebraska. Even if state revenues continue to grow at the historic adjusted rate of 4.2 percent annually, the impact of these measures would create a structural deficit that will have lawmakers continuously faced with having to increase taxes or enact funding cuts to essential services like corrections, K-12 education, and higher education to balance the budget. With that, I'd be happy to answer questions.

**LINEHAN:** Are there any questions from the committee? Senator Friesen.

**FRIESEN:** Thank you, Chairwoman Linehan. So in your chart here there are jobs that-- where they're eligible for SNAP, free lunches, CHIP, Medicaid expansion.

**LINEHAN:** Yes.

**FRIESEN:** There's two tiers, I guess, that would do that.

**RENEE FRY:** Yes.

**FRIESEN:** Can you talk a little more about how you see the-- because I'm still the-- you know, 30 hours a week is not a full-time job. And so can you pool, like last year you could pool employees into a full-time equivalence? Describe your take on how this is written.

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**RENEE FRY:** Yeah. So if you look at AM1975, it was introduced by Senator Stinner and was passed last year. Section 2 added language that says: For purposes of this section, only full-time employees, as defined and described in Section 4980H of the Internal Revenue Code as amended and-- and the regulations for each section shall be included in the calculation of total hours paid. So that language has been removed. If you look at page 3, for example, Section 15, and you have section (a) there talking about equivalent employees, that language about full-time is no longer part of that section as it had been adding-- added in AM1975. And honestly, I don't-- we have not been able to figure out what section (b) is doing here. But the way it reads now is that new employees is the lesser of (i), which is equivalent employees, not full-time employees but equivalent employees, and (ii) the sum of, and that's where we have equivalent employees employed full-time. But if you look at equivalent employees and the definition thereof on page 2, Section 10, equivalent employees doesn't say anything about it being full-time. So again, if it's intended that this is to prevent pooling, that needs to be addressed in an amendment to this bill, because clearly this Section 15(a), which is-- is used then, is replicated, that language is replicated throughout the bill, only requires equivalent employees. The sum thereof, that section (b), we haven't been able to figure out what that's doing.

**FRIESEN:** OK.

**LINEHAN:** Other quest-- I'm sorry, go ahead. I'm sorry.

**FRIESEN:** Oh, I-- so in another part in there it talks about from employees employed at the qualified location 51 percent of the time, they're counted as an employee there and it counts as-- for credit. And so they-- they-- 49 percent of the time they could be anywhere? And yet--

**RENEE FRY:** That's how we would read the bill, yes.

**FRIESEN:** And they're still counted as a full-time employee?

**RENEE FRY:** As equivalent employee, yes.

**FRIESEN:** Equivalent employee, OK. Thank you.

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

**GROENE:** I have one. So--

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**LINEHAN:** Senator Groene.

**GROENE:** Thank you, Chairman. I'll-- so you're saying with your handout, if these people have no job and are not productive at all, they're going get SNAP, free lunch, CHIP, and Medicaid expansion, right-- Medicaid-- if they're just lying on their couch, right?

**RENEE FRY:** No, not necessarily. There are-- there are job requirements with some of these benefits, things that-- that people have to do. They--

**GROENE:** They go down to the Kwik Shop and make \$9 an hour then, instead of \$15.58. That what you're saying?

**RENEE FRY:** Yeah, I mean, there are requirements. There are employment requirements or other--

**GROENE:** And if you have health insurance, then that eliminates the Medicaid expansion, right?

**RENEE FRY:** Well, it-- again, the employer has to offer it. So if it's too expensive, someone may opt to be on Medicaid expansion because they can't afford what's offered through their employer.

**GROENE:** And if you have family healthcare, then that eliminates CHIP eligibility, too, is that not correct? That's for the child.

**RENEE FRY:** Again, so it-- so it depends on what is offered. Right? So-- so, for example, again, it's just offered. They may-- they offer insurance. It may be too expensive and they can't afford it and so, again, it may be cheaper for them to go and-- Medicaid expansion or CHIP. It depends on, again, they would meet the wage thresholds to be eligible. And so maybe-- or if-- if it is actually paid, they could get it for themselves and have their child on CHIP--

**GROENE:** OK.

**RENEE FRY:** --because they're salary el-- or they're eligible by salary.

**GROENE:** Well, the way you read the bill, if the-- if-- let's say they just hire a bunch of people 30 hours a week and then they [INAUDIBLE] add up the 30, they add up the hours and divide it by 40 hours. And so 75 percent of their-- you know, they'll get credit for 75 percent of their total employees is what you're saying, because they're all

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part-time and the full-time equivalent is divided by 37.5 hours? Is that what's considered full-time?

**RENEE FRY:** So-- so we're actually assuming that these are 40-hour, full-time. So if it's actually 30 hours, that's going to bring those salaries down.

**GROENE:** Not the hourly pay but--

**RENEE FRY:** So I think that's another-- no, the-- no, exactly, the hourly-- the hourly wage would be that-- what's on this sheet. But we were assuming full-time for the purposes of this. But if they're only working 30 hours, then their salary is going to be lower. Yes.

**GROENE:** So you could-- not saying to do it, but you could have an amendment it's \$15.58 an hour or a minimum of \$32,396 gross wages, would fix that.

**RENEE FRY:** Yes, I-- we would still wonder-- I mean, that's still you would be eligible for SNAP, free lunch, CHIP, and Medicaid expansion at those levels. You could also just be clear that it's 40 hours a week and that it's full-time.

**GROENE:** Well, people don't have a job now in my area and they're going and they're laying on the couch or they-- or they're working for nine bucks an hour, and I don't see how this is better for those individuals.

**RENEE FRY:** Well, I think the question is, these are jobs that we're incentivizing, right? So taxpayer dollars are going to these jobs. Do we want them to be so low that then they're actually bene-- eligible then for state government benefits as well? Or do we want them to be high-paying jobs? If you look at all the reports that have been done, SRI, all of those, they recommend that we pay higher-wage jobs. Then we have reach--

**GROENE:** But isn't the reality of life is that a lot of folks, their productivity to a free enterprise is \$15.58. And if they're not in Nebraska, they're going to be in Oklahoma or-- or some-- somewhere else or in Iowa. But those people exist in Nebraska and they need jobs.

**RENEE FRY:** Yes. The question, again, I would ask is whether we should be using taxpayer dollars to subsidize those jobs.

**GROENE:** They need jobs.

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**LINEHAN:** Thank you, Senator Groene. Other questions from the committee? What is-- I've asked you this before. I think you know, since it's in your materials here. What does-- what is the wage for which a family of four-- and it's-- it's their gross wage, I think-- qualifies for children's health insurance benefits?

**RENEE FRY:** For CHIP?

**LINEHAN:** Yes.

**RENEE FRY:** Two hundred and thirteen percent, \$54,852.

**LINEHAN:** You want to say that again?

**RENEE FRY:** Two hundred and thir-- 213 percent of the federal poverty level or--

**LINEHAN:** Which is how much?

**RENEE FRY:** --\$54,852.

**LINEHAN:** You know that's well above the average median in-- household income in Nebraska.

**RENEE FRY:** Yeah. It's not above the median household income.

**LINEHAN:** What is the median household income?

**RENEE FRY:** I haven't looked in a while. The last time I looked, it was about \$58,000. So we can look that up--

**LINEHAN:** Yeah.

**RENEE FRY:** --what the most recent numbers are.

**LINEHAN:** Because according to the Federal Reserve, unless it's jumped a lot in the last year, I think that's above the median household income in Nebraska.

**RENEE FRY:** OK. We'll look at that.

**LINEHAN:** All right.

**RENEE FRY:** But I think it's-- I think it's higher than that.

**LINEHAN:** Thank you very much. Are there other questions from the committee? Thank you.

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**RENEE FRY:** Thank you.

**LINEHAN:** Other opponents? Anyone want to testify in the neutral position?

**BOB GROTHE:** Good afternoon, Chair, Revenue Committee. My name is Bob Grothe, B-o-b G-r-o-t-h-e. I am the business manager of Local 21 Ironworkers and represent 700 members across 73 counties in Nebraska. I-- I testified the last bill. I-- I'm kind of on the same situation here with this-- with this bill. I-- I-- I read through it as best I could. It's a very large bill, a lot of pages. I haven't probably read that much since high school. [LAUGHTER] So I kind of skimmed through it, and I actually-- I was looking for the word "construction" in there. I didn't see any-- anything about construction in that-- in that bill and it's-- it's really disheartening. I really feel like the construction worker in Nebraska is getting forgot about on this bill. We have, you know, the last-- the last one I talked about, the Google project, you know, they're getting millions of dollars in tax incentives and it's being built by out-of-state contractors using out-of-state workforce. And that is not right. There is-- there's a lot of other big projects coming up. There's a mine in Elk City [SIC] Nebraska. You know, they-- they applied for, I believe, \$200 million in tax incentives. This project could very well be built by all out-of-state workforce. There's a lot of data centers coming up. There's-- there's just a ton of-- ton of work coming up here. And I believe if we don't get any type of language for construction workers, we will lose-- lose this work. Work will not be good forever. It is good right now. All-- all of-- all of construction people, I believe, are-- are working. Union, nonunion it doesn't matter. Everybody's working. This work will come to an end. It will slow down. And when that time comes, we're going to need jobs. And-- and if we have out-of-state workers and they're-- and they're getting tax incentive monies and our construction workers of Nebraska is not-- they are not working, we definitely have something wrong with our system. So I'm asking you guys, I'm pleading with you to please put some type of construction language in there to ensure that we keep our Nebraska workforce working. Again, I feel like we are being forgot about in this bill, that, you know, we-- we-- a lot of these data centers, there's more man-hours going into that-- into that project than there will ever be as far as full-time workers. This bill just focuses on what happens after the project is completed. There is nothing there about when the project is being executed. So that is my spiel and I will take any questions from you guys.

**LINEHAN:** Thank you very much for being here. Senator McCollister.

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**McCOLLISTER:** Yeah. Thank you, Madam Chair.

**LINEHAN:** You're welcome.

**McCOLLISTER:** What motivates an out-of-state contractor to hire out-of-state employees or ironworkers?

**BOB GROTHE:** Well, I believe-- I believe a lot of-- Google, for instance, or any of these-- the-- a lot of the contractors that make relationships through-- over the country, you know, building their different projects, well, they make these relationships and they want to continue to use that contractor to build these projects. We-- you know, it doesn't help us in that fact. The Google project, for instance, the-- the contractor that's building, out of Denver, Colorado, they have done other Google projects across the country and they want to keep them. I-- I don't believe it's price. I don't think they were any cheaper, you know, than us. You know, obviously, the wage-- wages are different between the open and closed shop. But I don't-- I don't think that was the case. I believe they-- I just believe it's relationships. I really do. I don't-- I don't think it has anything do with the price. I don't think it's cheaper to bring an out-of-state contractor into Nebraska because then you got to pay room and board, you know, the wages. And I don't think it's any cheaper. I just think it's relationships.

**McCOLLISTER:** So you're suggesting that we put something in the bill that requires the use of local ironworkers instead of bringing folks in.

**BOB GROTHE:** That's correct, local workforce, exactly. You know, Iowa has a bill right now that-- that has that. They-- I actually have copies of it. I should have handed them out to you guys. But they-- they require, you know, the local contractors, local workforce have preference to that. You know, I--we're just-- we're losing jobs and there's potentially a lot of-- a lot of jobs to be lost in the future.

**McCOLLISTER:** Is it more expensive to bring in out-of-state workers?

**BOB GROTHE:** I would, you know, I would think it would be because, you know, we're-- we're in town. When an out-of-state worker comes in, you got to-- you got to pay for the room and board--

**McCOLLISTER:** Yeah.

**BOB GROTHE:** --where we don't have to do that. You know, our-- maybe our wages may be a little bit higher, and then again, I'm talking, you



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know, union wages. This-- this is not about us. This is about Nebraska, western Nebraska, everywhere. I-- I don't-- I don't believe it's-- you know, I don't believe it's any cheaper to bring-- bring them guys in.

**McCOLLISTER:** What's the average wage, hourly wage for an ironworker?

**BOB GROTHE:** An ironworker, a journeyman ironworker with benefits is \$47-- I don't have my partner behind me. I'm trying to remember off the top of my head. It's right about \$48 an hour. For the-- on their check wage, it is \$30.69.

**McCOLLISTER:** Thank you.

**BOB GROTHE:** You're welcome.

**LINEHAN:** Thank you very much, Senator McCollister. Thank you. Are there other questions from the committee?

**GROENE:** A quick one.

**LINEHAN:** Senator Groene. Sir, wait, sir.

**BOB GROTHE:** Oh, I'm sorry.

**GROENE:** What's the difference between an ironworker and a metalworker?

**BOB GROTHE:** I guess I don't know what it-- so if you're talking about a sheet metalworker--

**GROENE:** Sheet metal.

**BOB GROTHE:** OK. Yeah, sheet metalworkers, they do more of the ductwork type stuff, the high vac, AC, you know, the furnaces, the air conditioning and that type of work, where ironworkers, we do more of the skeleton of the buildings, the structural steel. You know, we do precast, curtain wall, that type of stuff.

**GROENE:** Thank you.

**LINEHAN:** Thank you, Senator Groene. Other questions? Senator Briese.

**BRIESE:** Thank you, Chair Linehan. Thank you for your testimony. Appreciate that today. But aren't a lot of these out-of-state contractors going to employ local ironworkers and construction crew members?

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**BOB GROTHE:** If-- you know, I-- I can only talk about the ironworkers and-- and close-- in our-- as far as the union. In our collective bargaining agreement, they're required to hire local workforce. As far as the closed- shop people, they're-- they're not required do anything like that. And you know, right now, again, I always reference back to the Google. They're not using--

**BRIESE:** OK.

**BOB GROTHE:** --a local workforce.

**BRIESE:** OK. Thank you.

**BOB GROTHE:** Yeah.

**LINEHAN:** Thank you, Senator Briese. Other questions from the committee? Seeing none, thank you very much for being here, sir, appreciate it.

**BOB GROTHE:** Thank you.

**LINEHAN:** Are there other neutral? Anybody else want to testify in the neutral position? OK. I have letters for the record. Proponents: Jamie Harder, Duncan Aviation; Tim Burke, Omaha Public Power District; Anthony Goins, director of the Department of Economic Development. Opponents: Sue Martin, Nebraska State AFL-CIO; Ashley Frevert, Community Action of Nebraska; Ann Hunter-Pirtle, Stand For Schools. Neutral: none. Senator Kolterman, would you like to close?

**KOLTERMAN:** Certainly I would. Been an interesting afternoon.

**LINEHAN:** It has.

**KOLTERMAN:** A couple of things: If-- if in fact there are errors in the drafting of the amendment to not in-- to include pooling, we will take a look at that because our intent is not to allow pooling. Been a lot of talk about the wage levels. Let me just tell you where this came about. I sat in the Economic Development Task Force meeting last fall and I listened to concerns of many of our constituents, a large employer in Lincoln, in Grand Island, in North Platte, in Norfolk, in Endicott, all over the state. And they looked at this and they said, we can't live up to this starting wage. It's been at \$13-- if you look at the thing, it's been at \$13.35 for-- for the Advantage Act. They agree that's too low. But at the same time, these people provide-- what we're looking at now is a significant increase from where we've been; but on top of that, we're going to put a health insurance prop--

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program in place, and additional benefits. So as I've-- as I listened to each one of these companies, major companies, major corporations, they might start their salary at \$16.67 or they might start their salary at \$15 an hour or \$16 an hour. But they will tell you that within three years, most of those employees, if they're-- if they're good work, hardworking employees, they're going to be getting in the neighborhood of \$60,000. So we looked at how do we monetize? And then in addition to that, we're looking at the benefit package. So if you're getting \$15 an hour starting wage and you put another 46 percent into benefits on top of that, that's a lot. And people can make a good, honest living at those kind of wages, especially if you have a husband and a wife employed. So for us to turn our back on these companies that have proven-- they've grown here in Lincoln substantially. They've grown in Norfolk substantially. There isn't hardly anybody in Norfolk that wouldn't love to work for Norfolk-- for Nucor. They take good care of their employees. So for us to turn our back on those people and say you've got to give us at least a \$40,000-a-year job plus benefits, I think we're doing them a disservice. Now, if that's an-- if that's in Omaha and people want to pay that, you want to bring that wage up in Omaha, I think the cost of living is probably more expensive in Omaha, that's fine. But let's-- let's-- let's incent our people to build in rural Nebraska. Those are good-paying jobs. If we're going to-- if we're going to continue to expand and grow Omaha, we-- we owe-- we owe it to listen to our rural senators and our rural manufacturers and treat them equally. Senator Friesen, you asked about redevelopment plans or extremely blighted areas. We passed some legislation, LB86 in 2019, which allows extremely blighted areas of the community development law where you can change that. It has to be done by-- by community. And that was under the-- also under the Nebraska Affordability-- Housing Affordability Act. [SIC] So that-- that is allowed if the community decides to do that. They might be able to qualify for a little bit more of an incentive, but that is allowed under this bill. Other than that, if you have additional questions, I'm more than willing-- oh, and by the way, I did find out that NPPD and OPPD were both highly involved or had input in this bill. So with that, it's been a long day. I would try to answer your questions, if I can. I can't-- I'll tell you this. I'll never begin to please everybody. But they can't accuse us of not listening because we've listened hard and we tried to put together a good bill.

**LINEHAN:** Thank you, Senator Kolterman. Senator Friesen.

**FRIESEN:** Thank you, Chairwoman Linehan. One question I think is when we-- when we-- have you looked at the constitutionality of letting the

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Exec Board appropriate money or spend money? And that was a question I think I've had before. You know, we're-- we're-- we're taking it out of the hands of Appropriations. We're putting the DED to just make the request. Now we're letting the Exec Board decide whether to appropriate more money.

**KOLTERMAN:** I have not looked at that, but I find it real ironic that the people that brought the amendment to us originally and passed the amendment last year are the same ones complaining about it today.

**FRIESEN:** No, I'm-- I'm asking a question.

**KOLTERMAN:** I understand and I'll look into that.

**FRIESEN:** I-- I-- and I've asked the question before.

**KOLTERMAN:** Yeah.

**FRIESEN:** And I wondered if you had looked into it at all or if you've looked--

**KOLTERMAN:** I have not looked into that.

**FRIESEN:** OK. I-- are there any other cases in the-- in-- where we do that?

**KOLTERMAN:** I don't know. I don't know the answer to your question.

**FRIESEN:** OK.

**LINEHAN:** Thank you, Senator Friesen. Senator Groene.

**GROENE:** Isn't part of what you're doing when you create a-- like a rural one at \$16 with benefits, isn't part of the-- the added benefit, the extension of it is that forces the Kwik Stop and the McDonald's to raise their raises for those entry level and the father or mother who works in the factory making 16 bucks and then the part time, their raises, everybody's lifted because we created a little higher-paying job for that subset of skilled or unskilled labor?

**KOLTERMAN:** I'm-- I'm-- very good point, Senator Groene. And-- and that does happen. And I-- I would tell you that there's a large manufacturer processing plant in Fremont, Nebraska, that started their wages at \$15 an hour. They put a 40 percent-plus benefit package on top and everybody in Fremont had to raise their wages because a lot of people were moving around. That's-- that's what we're trying to do

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here. But they're going to make a lot more than that in the long run. But when you-- you have to start somewhere and you have to put training into that when you hire somebody. But in-- in a very short period of time, many of these employers are paying on average \$60,000. And they'll tell you that they've got-- they've got very stable workforces. I can tell you in my hometown, there's not a lot of turnover. And they-- the two or three companies that are there are paying very good wages.

**GROENE:** Thank you, sir.

**LINEHAN:** Thank you, Senator Groene. Other questions from the committee? Seeing none-- did I already read the letters-- brings the hearing on AM2207 to a close. Have a nice weekend.