

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 19, 2021
Rough Draft

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LINEHAN: Welcome to the Revenue Committee public hearing. My name is Lou Ann Linehan, I'm from Elkhorn and represent the Legislative District 39, I serve as Chair of this committee. For the safety of our committee members, staff, pages and the public, we ask those attending our parents to abide by the following procedures. Due to social distancing requirements, seating in the hearing room is limited. We ask that you only enter the hearing room when it is necessary for you to attend the bill hearing in progress. The bills will be taken up in an order posted outside the hearing room. The list will be updated after each hearing to identify which bill is currently being heard. The committee will pause between each bill to allow time for the public to move in and out of the hearing room. We would request that everyone utilize the identified entrance and exit doors to the hearing room. We request that you wear a face covering while in the hearing room. Testifiers may remove their face covering during testimony to assist committee members and transcribers in clearly hearing and understanding testimony. Pages will sanitize the front table and chair between testifiers. Public hearings for which attendance reaches seating capacity-- I don't think we have that issue this morning. Do we have that issue, Sergeant at Arms? Are we having a seating capacity problem this morning? OK, all right. Here then we ask that you please limit or eliminate handouts. The committee will take up bills in the order posted. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please turn off your cell phones. The order of the testimony will be introducer, proponents, opponents, neutral and closing remarks. If you will be testifying, please complete the green form and hand it to the page 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. We need twelve copies for the committee members and staff. If you need additional copies, please ask a page to make copies for you now. When you begin to testify, please state and spell your-- both your first and your last name. Please be concise. It is my request that you limit your testimony to five minutes. We will use the light system. So you'll have four minutes on green and when the yellow light comes on, you need to wrap up. And if you're still there when it's red, I will ask you to stop it. There are a lot of people wishing

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to test-- nevermind. If your remarks were reflected in the previous testimony or if you would like your position to be known but do not wish to testify, please sign the white form on the table outside of the room by the entrance. It will be included in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. First, I would like to introduce committee staff. To my immediate right is committee counsel Mary Jane Egr Edson. To my immediate left is research analyst Kay Bergquist. At the left, at my left at the end of the table is our committee clerk, Grant Latimer. Now I would like the senators to introduce themselves, starting with Senator Pahls.

PAHLS: Rich Pahls, District 31, southwest Omaha.

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

LINDSTROM: Brett Lindstrom, District 18, northwest Omaha.

FLOOD: Mike Flood, District 19, Madison and part of Stanton Counties.

BRIESE: Tom Briese, District 41.

ALBRECHT: Joni Albrecht, District 17: Wayne, Thurston and Dakota Counties in northeast Nebraska.

LINEHAN: Our pages for this morning are-- it's, oh there they are, are Thomas and Turner. Both attend UNL and are studying political science. 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 would like to remind the committee members to speak directly into the microphones. For, for our audience, the microphones in the room are amplifi-- not for amplification, but for recording purposes only. Last, we are an electronics-equipped committee. Information is provided electronically as well as in paper form. Therefore, you may see committee members referencing information on their electronic devices. Be assured that your presence here today and your testimony are important to us and critical to our state government. With that, we will open the hearing on LB39, Senator Lindstrom. Good morning.

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LINDSTROM: Good morning. Excuse me. Good morning, Chairwoman Linehan and members of the committee. My name is Brett Lindstrom, B-r-e-t-t L-i-n-d-s-t-r-o-m, representing Legislative District 18 in northwest Omaha. Today, I'm bringing LB39 for your consideration. LB39 amends the Sports Arena Facility Financing Assistance Act. The bill authorizes financial assistance through 100 percent capture of sales taxes to be used exclusively for sports complexes' construction and maintenance. LB39 redefines terms previously defined to apply to any sports complexes that include concession areas, parking facilities and onsite administrative offices associated with operating the sports complex. Our previous rendition of this bill, LB187, introduced in 2019, was voted out of this committee, but unfortunately, due to the COVID shutdown, we were unable to debate the bill on the floor. LB39 would allow the capture of 100 percent of the sales tax collected within a 600 yards from the exterior perimeter of the sports complex. This is a very specific time frame in which these sales taxes shall be collected, 24 months prior to the project completion and 48 months preceding the project's completion. At the end of that time frame, the sales taxes are then remitted to the city and the state. One major difference from the last version of this bill is that the turnback would be applied to new businesses only. Current businesses in the perimeter would be exempt from this turnback. By incentivizing sports complex developments, our communities will see new business, businesses built to provide jobs, infrastructure and opportunities that would otherwise not have been there, businesses such as hotels, restaurants, retail shops and convenience stores, all to support incoming spectators and athletes alike. This is a massive opportunity to collect on sports tourism and an economic development tool for communities both large and small. There are two amendments before you. AM94 would allow for a public-private partnership and AM95 clarifies the 600-yard perimeter being measured from any point of the exterior boundary or property line of the facility. And with that, I'd like to thank the committee and be happy to answer any questions.

LINEHAN: Thank you, Senator Lindstrom. Are there questions from the committee? Seeing none, thank you very much. Are there proponents?

JEFF LeDENT: Good morning.

LINEHAN: Good morning.

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JEFF LeDENT: My name is Jeff LeDent, J-e-f-f L-e-D-e-n-t, and I represent Millard United Sports. I'm the full-time general manager of Millard United Sports and have served, also served as a volunteer on that board prior to my position. I also had the pleasure of participating in this organization as a kid. Millard United Sports is 81 years old, and we're a multisport organization that runs football, baseball, softball in the Omaha area. We also run leagues and tournaments for teams all over the state, states around us. We manage 41 fields, 26 of them for the city of Omaha. With all that going on, kind of why are we here? It's really simple. It's the need, the need for more complexes, multisport super complexes that this state can be proud of. I commend other youth organizations in the city of Omaha and around the state for doing the very best job they can with the facilities we have. Most of our neighbors have facilities that are far superior to ours, you don't have to look very far for those examples in the Des Moines area, the Kansas City area, there's multisport complexes in those states, quite a few of them. Let's see here, Overland Park has a premiere complex with 12 synthetic lit turf fields, 24 baseball-softball fields. It is a beautiful, thriving complex. Raccoon River, Holiday Park, Fountain Bluff, Tiffany Springs, Mid-America Sports Complex and the 3&2 sports complex in Johnson County are other examples that Nebraska can look to. Sports tourism as a \$9 billion a year industry that has exploded in recent years. Omaha and all of Nebraska is missing out on our true potential to these funds due to lack of sports complexes. But we have a natural draw in the College World Series that brings over 500 teams annually for the Triple Crown SlumpBuster tournament to Omaha. We just need to have them have a reason to come back. We need to show them what we have to offer. I would like to finish with two examples of sports tourism and economic impact. The first one is personal. I have a daughter that plays travel soccer. In 2016, she played in 11 out-of-state tournaments and showcase events. That travel alone and the money spent was nearly \$15,000. Take that times the other 16 members of that team and that one team spent \$240,000 in economic impact outside of the state of Nebraska. That just really shows you what the potential is. The second example is a larger scale. Westfield, Indiana, population of 37,000 people. The mayor of Westfield, Andy Cook, had an idea that most didn't agree with at the time, to take 400 prime acres of corn and soybeans and turn it into a youth sports destination. He built 31 soccer fields, soccer pitches that could be used for football,

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lacrosse and field hockey, 26 baseball-softball diamonds and 88,000 square feet of indoor space. That vision has created 1.2 million visits per year and an economic impact of \$145 million annually. The city's population has tripled since that year. I would say that vision has paid off. For the city of Omaha, we-- a complex that we are trying to get going, we had a pro forma and the city asked us to bet that pro forma. So we hired a third-party company that vets pro formas for people all over the country. And I want to share some of the numbers they came back with for economic impact. I think it will be really surprising. So for 12 artificial baseball fields and 13 synthetic soccer fields, this is what could be possible: 30 national and regional tournaments, which would produce 88,000 total attendees; \$78.4 million direct visitors spending every year; 92,000 hotel stay rooms; 542,000 city occupation fees; 394,000 county lodging fees; \$100,000 in state lodging tax; \$4.3 million in state sales tax per year and \$1.2 million in city sales tax. So my position is if we give up a small percentage of that in the 24 months prior and the 40, 48 months after, we're really recouping, recouping \$78.4 million in economic impact for our state every year after that. The other part is this only covers 600 yards, and that's only a fraction of the spending that takes place inside of that 600 yards. The vast majority of it takes place outside of it. So you're recouping 100 percent of that all of the time. So I wanted to be able to talk to this committee because I know they supported it last time, but I really want them to be a champion for this bill when it gets to the floor. So I--

LINEHAN: Thank you.

JEFF LeDENT: -- thank you for your time.

LINEHAN: Thank you, Mr. LeDent. Senator Flood.

FLOOD: Thank you, Chair Linehan. Mr. LeDent, is there a project envisioned and where is that located in Omaha?

JEFF LeDENT: We have been working with the city of Omaha on revitalizing Tranquility Park in Omaha. It has existing inventory, has space that we could expand upon. So it's really a renovation of an existing park that would--

FLOOD: What's the total cost of that project?

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JEFF LeDENT: Right now, about \$36 million.

FLOOD: And that is located in northwest Omaha, is that correct?

JEFF LeDENT: Yes. Yeah, it would be in-- yeah.

FLOOD: And what kind of amenities would you have there?

JEFF LeDENT: There would be 13 soccer pitches, 12 baseball-softball fields. There would be two super pads, which are essentially the equivalent of four additional soccer fields, football fields or lacrosse fields but they're put together into a super pad format. But on that property also exists an ice rink, the Koch tennis center, mountain bike trails, all of that, so it would really, truly make it a multisport complex.

FLOOD: And would this be owned by the city of Omaha?

JEFF LeDENT: Correct.

FLOOD: So with Millard United Sports, how many athletes do you have involved?

JEFF LeDENT: About 7,500.

FLOOD: And is there a cost to participate?

JEFF LeDENT: Absolutely, yes.

FLOOD: What would it cost to be on a team?

JEFF LeDENT: We've got recreational programs and then we've got competitive programs. So there's a, there's a difference there. On a recreational program, it may be \$150 for a season, where on a competitive team it may be anywhere from \$800 to, you know, \$1,500 for a, for a season to be on a travel team.

FLOOD: So let's say your parents don't have any money.

JEFF LeDENT: We scholarship every-- we don't turn anyone away. We have partnered with our school district to have the free and reduced lunch program as kind of one of our qualifiers. And then from there, we work on their need and we don't turn anyone away.

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FLOOD: How do they, families that can't afford the travel, do you pay for the travel?

JEFF LeDENT: We don't pay for their travel expenses, but we'll pay for the fees associated and they can apply for those same scholarships just the exact same way.

FLOOD: And what about lodging?

JEFF LeDENT: Lodging would be something that they would have to come up with, yes.

FLOOD: Uniforms?

JEFF LeDENT: Same.

FLOOD: They have to come up with their uniform?

JEFF LeDENT: Yeah. So their, their personal expenses they would have to come up with, but their fees that would be the tournament fees, the membership fees, the, you know, all those types of what you call player fees are something that they would have to come up with, fundraise. You know, a lot of them do things like at CHI to, to do fundraising for their player fees. Yeah.

FLOOD: Thank you.

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

JEFF LeDENT: Thank you.

LINEHAN: Are there other proponents?

KEVIN ANDERSEN: Thank you, Madam Chair. Members of the committee, Kevin Andersen, A-n-d-e-r-s-e-n, deputy chief of staff, city of Omaha mayor's office. Thank you for your time, I'm here on behalf of the city Omaha-- the city of Omaha and our partners, and we would like to lend our support of LB39 as an extremely important tool for economic development. LB39 expands the political subdivision's ability to utilize the Sports Arena Financing Facility Act [SIC] to construct a multipurpose athletic complex. A lot of this you will hear from some

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of our partners that are much more in the know or directly involved with a lot of this. So I'll keep my comments very brief. But as you have heard and will hear, sports tourism is a massively growing industry responsible for over, I know you heard \$9 million and we've seen numbers as high as \$15 billion in the United States annually. Visit Omaha estimates youth sports have an economic impact over \$90 million a year in the city of Omaha. Omaha has projected the potential construction of the multisports complex referenced and an economic analysis determined a tremendous impact for this city and state. A lot of those statistics you've previously heard. Athletic complexes and the industry that drives them have a documented impact to the local and state economy. But these economic drivers are typically subjected to that kind of weekend or holiday use. The capacity that these new complexes would bring also supports a great deal of local use as well. It's just as important, yet harder to quantify the benefit for local residents having the availability for both programmed and passive use of these kind of facilities. In Omaha and statewide, our local teams, clubs and general public are strapped for these kind of facilities to support not only their mission but the public quality of life in our communities. But despite the recognizable benefits of these projects, the path to implementation is often complex and difficult. LB39 enables a tool and mechanism to support this process for any political subdivision. Without these facilities, our communities are missing out on the events that drive economic activity. We're all lose-- as you've heard, we're losing our own teams, clubs and families as they travel out of state to communities that host these events of this magnitude over countless weekends, and they're taking their dollars with them. The past 12 months have been extremely detrimental to our local business and state's hospitality industry. But youth sports have helped keep these industries afloat as of late. During the COVID-19 pandemic, Omaha has successfully attracted three recent activities that have demonstrated much-needed economic activity that would otherwise not have occurred. In October, Omaha hosted the USA BMX Bicycling Mid-American Nationals at Hefflinger Park. This three-day event attracted 718 athletes from 34 states to Omaha, with a total economic impact estimated at \$1.6 million. In November, the CHI Health Center hosted a three-day USA wrestling tournament. This event attracted 800 athletes with a \$1.1 million estimated economic impact. Finally, this past January, a month not typically optimal for attracting visitors to our great state, Omaha hosted the Northern

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Lights youth volleyball tournament. This event attracted 3,800 athletes. Local hotel revenues increased 72 percent over the same weekend last year, with an estimated overall economic impact of \$2.9 million. All three of these additions to the Omaha event lineup were due to their original host cities not being able to support them in the COVID-19 environment. And I only use them as an example of how competitive it comes when attracting these events to the local market. Omaha's analysis has determined that the overall economic impact can be exponentially increased by providing facilities of greater scale. The market for these tournaments require a critical mass of localized field inventory to secure more and larger events. Supporting LB39 can offer Omaha and dozens of communities across the state the ability to provide the infrastructure to attract these kind of events. Not only that, your consideration and passage of LB39 sends a strong message to our hospitality and business community that the best is yet to come. We encourage and ask your support of LB39 to support economic development for all Nebraskans. And I will end by noting that the League of Municipalities has offered me to testify that they are supporting this with a letter to the committee. With that, thank you for your time and I'll be happy, happy, happy to answer any questions.

LINEHAN: Thank you, Mr. Andersen. Are there questions from the committee? Senator Briese.

BRIESE: Thank you, Chairman Linehan. Thank you for your testimony here today. Looking at the fiscal note, I have trouble coming up with any estimates or numbers. Has your office tried to put together some numbers on how many dollars we're talking about here, what-- not the economic growth or things of that sort, but how many sales tax dollars are we talking about here in play?

KEVIN ANDERSEN: We've looked at the potential economic impact for one facility, keeping in mind, you know, it's one facility in Omaha where the benefit of this bill could apply to multiple types of facilities, but certainly upwards of another, anywhere from 50 to 70, depending on the utilization, even \$100 million-plus of total economic impact and sales activity.

BRIESE: Thank you for that. That wasn't really my question, the economic impact, but the sales tax dollars are in play here. Have you estimated that at all?

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KEVIN ANDERSEN: That, that could be applied to the turn back?

BRIESE: Yes.

KEVIN ANDERSEN: No, we haven't made that kind of projection yet because it's so project-specific.

BRIESE: OK. Because as policymakers here, we-- it would be nice to have a rough idea of what we're talking about, what this is going to cost, cost us. And I'm just curious if you had any estimates.

KEVIN ANDERSEN: Absolutely. But we can see what we can pull together based off of the projected project we have in mind, keeping in mind that there are potential projects across the city.

BRIESE: OK, thank you.

KEVIN ANDERSEN: Yeah.

LINEHAN: Thank you, Senator Briese. Senator Flood.

FLOOD: Thank you, Chair Linehan. What resources is the city of Omaha going to contribute to Tranquility Park?

KEVIN ANDERSEN: That's kind of where we're at now, is making that financial determination of what best suits the project. But, you know, we've explored any number of, of items, including the use of, of city bond dollars to create the implementation and utilizing this potential turn back too as a piece of the financing mechanism to cover that indebt-- indebtedness and debt service on an annual basis.

FLOOD: So the city of Omaha is ready to commit its own dollars to Tranquility Park?

KEVIN ANDERSEN: If the project ends up penciling out, the city can certainly play its part. Absolutely.

FLOOD: Is it your desire on behalf of the city of Omaha that the turn back tax take care of most of the bill?

KEVIN ANDERSEN: No, we see it as a piece of the financing mechanism, which, which goes to, I think, the importance of the bill. It's such a

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complex process to assemble the capital stack to support this kind of project, that any tools that can be provided are going to be extremely helpful to developing and implementing these types of projects.

FLOOD: What does the city of Omaha spend annually in parks and recreation?

KEVIN ANDERSEN: On a capital basis? I want to say about \$40 to \$50 million annually.

FLOOD: How much of that would you think would be reasonable to apply to Tranquility Park?

KEVIN ANDERSEN: Depending on, and I can get the budget details of what's currently spent. But keeping in mind that these are two potentially independent funding sources, I can't make that kind of commitment now because it's entirely dependent on the financing structure of a, of a potential project like this.

FLOOD: And remind me on the sales tax turn back, I know the state gives up its 5.5 cents. What about your 1.5 cents, the city of Omaha's. It comes with it, right?

KEVIN ANDERSEN: Yes, and it would be applied directly towards the project at hand.

FLOOD: So this would be in addition to the \$44 million the city of Omaha has taken since 1999 with the CHI Center?

KEVIN ANDERSEN: For separate projects, it would be in addition to. Correct.

FLOOD: Thank you.

LINEHAN: Thank you, Senator Flood. Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. So I guess reading the bill here, it sounds to me like it's just the state of Nebraska's tax revenues come to you. But one of my questions, too, is and Senator Flood covered quite a bit of it, but there's been a lot of CARES Act dollars from the federal government come in. What does the, you know, hospitality got a lot of money. What does Omaha stand to get out of

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that? And I know Douglas County and that was all a big, big number to me. But was there a lot of dollars came in that would help out some of this, the hospitality industry where you could use this or--

KEVIN ANDERSEN: Yes. And you are correct in that through various sources, both the, both Douglas County and the state hospitality did receive CARES Act funding for direct COVID expenses, as well as the city of Omaha through the Douglas-- through Douglas County. Because keep in mind, the city of Omaha itself was not a direct beneficiary or recipient of CARES Act funding. But through the state and through Douglas County, we received our passthrough of, of CARES funding, which went directly to COVID-related expenses, including police and fire and other facility-oriented impacts.

FRIESEN: So do you think, do you feel that that more than covered your costs of COVID? Because I'm just hearing reports there's a lot of entities, schools and stuff that their costs really weren't that great and the COVID dollars they have now, they're looking for ways to spend them. Did that happen in the hospitality industry at all?

KEVIN ANDERSEN: I'd say it's fair to say our, our costs and expenses were covered, but we had an extreme hit of potential loss of revenue that comes with events such as NCAA College World Series, other types of events like we're talking about now that did not happen as a relate of COVID. So those loss of revenues, we were not able to fully recover. But our direct expenses, for the most part, we were able to be made whole.

FRIESEN: Do you think some of the small businesses that were especially impacted were made whole?

KEVIN ANDERSEN: I would, I would be doubtful of that.

FRIESEN: OK, thank you.

LINEHAN: Thank you, Senator Friesen. Senator Pahls.

PAHLS: Thank you, Chairperson. I have a question. How many years are, is this project that will receive sales tax?

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KEVIN ANDERSEN: The years determined by the act to go towards the funding would be up to two years prior to project completion and up to four years after project completion.

PAHLS: OK, so am I to assume that would be six years or more?

KEVIN ANDERSEN: It-- up to six years.

PAHLS: OK, so it's six years, and what is taxes coming from? What area? Was that 600?

KEVIN ANDERSEN: Six-hundred yards immediately surrounding the facility.

PAHLS: Around 120th and Maple, is that--

KEVIN ANDERSEN: For that potential project. Yes.

PAHLS: And how much-- what I'm curious, how much do you anticipate that sales tax would be in those six years? Just a rough--

KEVIN ANDERSEN: It's hard to speculate, especially given that that collection would be kind of net new sales tax within this. So what we see in the Tranquility Park scenario is we have a lot of opportunity for commercial development immediately surrounding it, that area within that 600-yard radius, of which to support a project like this, those net new sales tax would go back into the financing for the project itself.

PAHLS: So these are new sales tax?

KEVIN ANDERSEN: Correct.

PAHLS: So if nothing is built, you know, let's just say it stays as is, there's no new properties developed around there, we gain nothing?

KEVIN ANDERSEN: Correct.

PAHLS: This year-- this gives us, allows us after six years to gain something--

KEVIN ANDERSEN: Correct.

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PAHLS: -- as a state. So I think we have to think beyond the six years because the state will get more money after the six years. Am I saying that correctly?

KEVIN ANDERSEN: Essentially, yes. For, for those, for developments that occur as a result of the project and around these types of projects. Yeah, the new development would go back into the financing. But after that, that, that four-year sunset on project completion, all of those sales tax proceeds go back to those local taxing entities as usual.

PAHLS: So common sense tells me if I do lose six years, but in the future, I will get more money that I would not have gained if this area had not been developed, is that's how-- am I interpreting that correctly?

KEVIN ANDERSEN: Absolutely. Absolutely. And because of the visitor attraction that these facilities can bring oftentimes, and we've seen all over in some of our peer cities, Des Moines, Kansas City, they are immediately surrounded by development to capture a lot of that activity because of the number of consumers and visitors that those bring in. That's where you start to see things like restaurants and hotels and retail pop up around those facilities because of the draw that they bring.

PAHLS: So I need to be patient for six years if this would pass?

KEVIN ANDERSEN: Again, you know, depending on projects, this would enable the financing mechanism. So once a project is, you know, committed to up to two years prior to project completion and up to four years after project completion is when that, that testing period exists.

PAHLS: Thank you.

LINEHAN: Thank you, Senator Pahls. Are there other questions from the committee? Seeing none, thank you very much for being here, Mr. Andersen.

KEVIN ANDERSEN: Thank you for your time.

LINEHAN: Other proponents.

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JOSH TODD: Good morning, committee. Josh Todd, J-o-s-h T-o-d-d, wearing a couple of hats today, but all for-- I represent the Omaha Sports Commission in Omaha, Nebraska. Obvious, obvious proponent of this bill. The Omaha Sports Commission, we exist to enrich Omaha through sport, quite simply. Some of our events, you all are very familiar with: the Olympic swim trials, the Olympic curling trials. A lot of the bids for events like the NCAA and the NAI championships we are heavily involved with, which I would argue that great for Omaha, but also very good for the state. We-- I, my livelihood and passion is sports tourism and sports events. So I'm very in tune with, with what goes on not just in the region, but nationally. And Omaha, quite frankly, we do great things, we have some great events, but we fall very behind when it comes to outdoor space. Not just for sports tourism and events, which is, as Kevin mentioned, it is a \$15-plus billion industry when you capture everything from the Super Bowls all the way down to youth travel sports. We, we can't compete. And I know Nebraska and especially in Omaha, we, we make an emphasis on economic development and economic impact and competing for jobs and keeping, keeping talented families and individuals in Omaha. And we, we don't have the sports complexes to go after sports tourism, let alone for our locals to play on every single night. That we-- Kansas City and Des Moines have been mentioned. We also get-- we can't compete with Sioux Falls and Denver, Minneapolis, and these are just within driving distance of Omaha for some of these families and tournaments that, as Jeff mentioned, leave Omaha every single weekend. The opportunity is there with one of these complexes in Omaha to really capture, you know, people love the economic impact of swim trials. This could be a swim trials every single year, at minimum for economic impact. Happy to take questions on an Omaha basis afterwards, but I also am here as a board member for a state coalition called Sports Nebraska, which has 12 member cities throughout the state. And we basically exist to market the entire state to some of these governing bodies and event owners to, to compete with other states to bring, bring tournaments and events here. So what this bill would do, and I'm not speaking for the municipalities themselves, but from a tourism angle, it allows other, other cities smaller than Omaha, obviously, to get a piece of this pie, building their own strategic facilities that fit their cities. So, I mean, it's an exciting time. I can tell you, I'm a new Nebraska resident, about three years ago. So I've seen this happen all over the country. Moved my family here. We love Omaha, we love

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Nebraska. And with our reputation as a sports community, not just in Omaha, but we have some great, great people that represent the state and we're all falling behind when it comes to outdoor field space.

LINEHAN: Thank you.

JOSH TODD: Happy to take questions.

LINEHAN: Thank you, Mr. Todd. Are there questions from the committee? Seeing none, thank you very much--

JOSH TODD: Thank you.

LINEHAN: -- for being here. Other proponents.

JEFF WEAK: Good morning.

LINEHAN: Morning.

JEFF WEAK: My name is Jeff Weak, J-e-f-f W-e-a-k, Omaha, Nebraska. Do I have to give my address?

LINEHAN: No.

JEFF WEAK: OK. You know, [INAUDIBLE] know that. I'm here as a proponent and in some ways kind of the liaison, what seems to be you for a lot of the communities that-- I helped Senator Lindstrom draft the legislation, gave him suggestions. There's a couple of amendments that are currently pending that are of interest because communities have called me and said, you know, this doesn't work for us. What if we did this? What if we did that? It really has been an evolution of this bill coming out so that we know two things happen, that not just Omaha or Lincoln, but the whole state can benefit from a tool like this. That we have a keen interest on Monday through Thursday use, which is the local use. I mean, we can categorize youth sports tourism in Friday through Sunday and Monday through Thursday. If, if a project doesn't benefit the Monday through Thursday, then I would caution there to be a need for it because our local kids need to be our priority. That's just my opinion. And these guys have said a lot of things about the economic impact, and that's fantastic. But we got to, we got to serve our local kids first if we're going to do this. Let the people coming from outside Nebraska fund a project that benefits,

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benefits our, our local users. That's, that's my opinion. And because we have kind of a tiered system, and if you looked at the bill, Omaha has required a certain standard. And they should because it's a larger population base. Lincoln has a secondary standard, and then the rest of the communities across the state have a standard that you think, well, it's just four fields. If they be build a four-wheel, maybe that really doesn't do much. But you'd be shocked at what a four-wheel complex could potentially bring in. And maybe Josh Todd would be the guy to answer that question about what the economic impact would be for a local community which is four fields. It also addresses an issue that we've talked about through the process, and that is new complex as opposed to existing complex and how do we take some of the softball complex, like at Hastings, which is spectacular. But, but maybe they decide, hey, everybody is going to synthetic turf infields as an example, so we don't lose games due to rainouts. That's a great idea. OK, but we're not building a new complex, we're improving an existing complex. They should be included, right? How do we include them? So we built language in and we call it a "project" as opposed to a new occupancy kind of deadline and allow them to to participate as well. During the, the last couple of weeks, I got a call from Lincoln and from, from Elkhorn, the folks that are trying to do a, a project in Elkhorn and said, if it's just a political subdivision, for instance, then, then the city of Valley may need to own the, our project. The city of-- or Douglas County may need to own our project. So, like, we're going to be invested. We're going to have donors, we're going to have corporate sponsors. How do we do that? The amendment where it says a private not-for-profit could be in partnership or in conjunction with the political subdivision adds a layer, one more layer of let's try to get everybody the chance to use it if it gets passed. So I love the excitement about Omaha. And I'm an Omaha guy, so I'm, I'm, I'm pretty fired up about that. But I also know that I, my in-laws have a cabin in North Platte. We drive to North Platte. I see Dowhower Park in North Platte and say, you know, if they just did a little bit of improvement, that thing could really be something special. It's already great, don't get me wrong. But I get excited about the other smaller communities. Senator Flood, as a good example, one of the CVB people who I can't off the top of my head name the lady, called about, you know, Norfolk could use this right along the river where they're take, going to take that-- it's red, so I better shut up so.

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LINEHAN: Thank you, Mr. Weak.

JEFF WEAK: I'll take questions.

LINEHAN: Thank you. Are there questions? Yes, Senator Flood.

FLOOD: Mr. Weak, I appreciate you mentioning Norfolk, but if I'm right, if there's Tranquility Park at 120th and Dodge and then Elkhorn or Valley does something, we could have two of these regions approximately-- I don't know how many miles it is, ten miles apart with-- and is that correct?

JEFF WEAK: Absolutely, it could. Sure.

FLOOD: And then in Hastings, for instance, and I know where the softball parks are, but if you can use an existing location, the 600 feet still applies and all of those businesses in that 600 feet then, all of their sales tax, even if it's a tire store, even if it's something that's not hospitality, all of that sales tax then remits to pay.

JEFF WEAK: No, that's not accurate. It's-- there's no incremental sales tax in the bill as it currently is written. It's only new sales tax that gets developed during the 24 months and the 48 months.

FLOOD: So if you're in Hastings, for instance, and there's no available space to develop, it's probably not an option for them because they won't have the, they won't have the new sales tax.

JEFF WEAK: Have you seen the ground around the Hastings softball complex?

FLOOD: To the-- I know the, I know it's right off the highway there.

JEFF WEAK: Yeah, there's, there's my in-laws live in Hastings, so I've driven by there. And again--

FLOOD: Is the city of Hastings ready to use that?

JEFF WEAK: I have not talked to the city of Hastings. I was not in a position to ask them that question.

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FLOOD: But under, under the expansion with the amendment in your bill, this could be used 50 times across the state.

JEFF WEAK: It could.

FLOOD: And that would--

JEFF WEAK: How great would that be?

FLOOD: Think about how much sales tax revenue that would divert from--

JEFF WEAK: Would, would you believe that we would lose any sales tax? Because this is all new sales tax that wouldn't happen unless the project happened.

FLOOD: There's only so many people in Nebraska, Mr. Weak, and they only have so much money. And if they're not spending it in one place, they're going to be spending it somewhere else. I think that-- I appreciate your love of Nebraska and I'm from rural Nebraska. I appreciate that you like the applications. I just think that the fiscal impact is going to be pretty extreme.

JEFF WEAK: I think it's going to be zero.

FLOOD: OK, we might differ on that.

JEFF WEAK: Yeah, I'm sure we do.

LINEHAN: Thank you, Senator Flood. Are there any questions? Thank you for being here.

JEFF WEAK: Thank you.

LINEHAN: Other proponents? Are there any other proponents? Are there any opponents? Is there anyone wanting to speak in the neutral position? We had written testimony delivered this morning, this morning for LB39. Proponents: Bruce Bohrer on behalf of the Lincoln Chamber of Commerce, the Nebraska Chamber of Commerce and Industry, and the Lincoln Convention and Visitors Bureau; Sara Kay with the American Institute of Architects, proponent; and Andy Pollock, Nebraska Travel Association. No one dropped off. And then we had three letters proponent, one of which was laid down here, she just

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mentioned, I think, for the record, from Mayor Jean Stothert. Would you like to close?

LINDSTROM: Sure. Thank you, Chairwoman Linehan. A couple of things I'd just like to clarify here, a lot of good, good questions that came up. The question on the local sales tax, that is not part of the bill. It's the state sales tax. However, it does, the city or local municipality would provide land, game and parks, things like that. This is a bill that I have worked on for the last couple of years. When we originally put this in LB187, we did it based on existing businesses. So that, that point has come up a few times. And I'll give you the but/for, would those businesses be-- exist in those spots but/for the sports complex? You know, it's interesting as a dad of 10-year-old and 8-- soon to be 10, 8 and 5, I've talked a lot of my friends who have their kids at 10 years old with these baseball tournaments. They play 60 games at age 10, and that exists all over the region, the country. And we're missing out on a lot of those things. And I know Tranquility is in my backyard, but my intent when putting this bill together was to have economic impact across the state. And that's why we tiered it from 12 fields to 6 fields to 4 fields, so everybody that could utilize that. And again, it's, it's new businesses, not anything existing. So when we look at the fiscal note, yeah, there's a part-time person that we have to be hired, but there shouldn't be any type of fiscal note because we're not taking any sales tax from any existing business. And I would argue that it was brought up, well, kind of the bleed-over. Within a 600-yard perimeter of the facility, you're going to get a lot of spill-over into those other businesses in your community and the cities. And so that sales tax is already going to come to the state, we're not really giving up anything because we don't have any new existing. And it's not a forever thing. I believe it's a good economic tool that will pull from people, we have tournament in Sioux City, people from South Dakota come down. You have a tournament in Scottsbluff and you have Wyoming folks come in. And these people travel and they bring money and they bring their kids and they spend a lot of money and they stay the weekend. And so as we talk about how hospitality and retail and restaurants have been hurt, I believe that this is a good tool as we move forward in competing with other states around us in the region. And I will say, you know, I know there's maybe some questions that we still need to answer. I think it's in a good position. And I know

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Groene said this the other day and kind of pointed out his priority, this, based on how we have our discussion, I would like to make this my personal priority bill, because I think it's that important. So I think I covered everything I'd like to cover. If there's any other questions, I'm happy to answer anything else or clarify anything else.

LINEHAN: Thank you, Senator Lindstrom. Senator Flood.

FLOOD: Senator Lindstrom, just so I'm clear on the, is the city portion of the sales tax, does that go-- is that remitted back to the the bonds or does that go back to the city?

LINDSTROM: Well, the city's sales tax is still just what the city-- I'm assuming it goes in the general fund. This, this bill only pertains to state sales tax. And I will point out that after six years and we get more sales tax coming in, it can be directed towards property tax relief. So it's a long-term, long-term--

FLOOD: Well, do you think it's fair that the city should contribute it's--

LINDSTROM: I, you know, that's--

FLOOD: -- sales tax, if it wants to take the state's?

LINDSTROM: I, maybe that's something that we can address and talk with the cities across state if they'd like to do that. They are providing other services like the parks and rec and the land and other projects because it's a public-private partnership. But if it means maybe a percentage or some percentage of the 1.5, I'd have to-- I don't want to speak out of turn there, but if it, if it is a something is a hang-up for the community and we need to address that, I'm open to that discussion.

LINEHAN: Thank you, Senator Flood. Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. Again, my concern was how many-- do you think others will be built across the state?

LINDSTROM: I do. What's interesting about this bill, and you never know what type of response you'll get when you put a bill in, I've had

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more feedback on this bill across the state than maybe any bill I've ever put in. And positive too.

FRIESEN: You know.

LINDSTROM: I mean, we didn't have any opponents

FRIESEN: And I do-- there is a want for it in a way. But I know the Hastings sports complex, didn't it recently go through a bankruptcy? I think as more and more of these fields get built, the competition gets pretty stiff. And when I look in the, in the rural areas more, at least generally, these fields are built out and away from the city. And really no development happens there for four or five, six years. They're kind of a standalone facility, because that's where the room is. There isn't a current facility. So really no sales tax would be collected and they, they wouldn't gain from it. Not like an area, maybe like an urban area like Omaha, where there's, there will be development, I agree. I just-- and I would have liked to see the city saying that they're going to contribute so much, I guess, and not just looking for somebody else to come build it so.

LINDSTROM: Yeah, you know, I think with any, with any project, you have to do the cost-benefit analysis and look at if you're, if it makes sense for your community. You know, I do think providing this tool, they can use it or they can't use it. And I do believe as, for example, in Tranquility, they spent some money and made an artificial field, which now gets a lot of use. And we play soccer tournaments with our kids-- well, I don't play, but they play and I watch-- down there and you do get a lot of those things. So I do think that that artificial turf will help with some of those areas and revitalizing. And, you know, it takes the community. I don't know what type of sports organizations are necessarily in Henderson or if there's a traveling team that-- but to use a baseball term, if you build it, they will come. I just, I do think that you can utilize this across the state, it's just putting the organization together. And families, it's trending that way. I, you know, it would be hard for me to do some of those things with my kids, travel and do 60 games for each one of my kids. But there are some parents that want to do that. And I think Jeff pointed out a good thing. I mean, it's-- sports are, are vital to, I think, youth development and learning how to compete and the things that make a good person and be able to compete in our

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society. So I think there's other things to it. But we have to have the infrastructure to be able to pull other people from other states in the communities that we have across ours and spend money here so.

FRIESEN: Thank you.

LINEHAN: Thank you, Senator Freisen. Are there other questions from the committee?

LINDSTROM: All right.

LINEHAN: Thank you.

LINDSTROM: Thank you.

LINEHAN: That brings our hearing on LB39 to a close and Senator Lindstrom gets to take over.

LINDSTROM: We will now open the hearing on LB181.

LINEHAN: Good morning, Vice Chairman Lindstrom and members of the Revenue Committee. My name is Lou Ann Linehan, L-o-u A-n-n L-i-n-e-h-a-n, and I'm here to introduce LB181. LB181 was brought to me by the city of Omaha. It would mend, amend the Convention Center Facility Financing Assistance Act. Under the current version of this act, parking facilities must be on site and directly connected to the convention center for the use of the convention and meeting facility in order to qualify for the use of sales, state sales tax turnback. LB181 will allow nearby parking facilities that are for the use of the convention and meeting facility but are not directly connected to the facility to qualify for the use of the sales tax, excuse me, state sales tax turnback. I feel like I'm reading Dr. Seuss. A nearby parking facility is defined as a parking lot, parking garage or parking structure that is within 600 yards of the convention and meeting facility in whole or in part. In addition, LB181 would increase the total amount of sales tax turnback from \$75 million to \$150 million. I would be happy to answer any questions.

LINDSTROM: Thank you, Chairwoman Linehan. Any questions from the committee? Seeing none, thank you. We'll have our first proponent. Good morning.

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STEPHEN CURTISS: Good morning, Senators. My name is Stephen Curtiss, S-t-e-p-h-e-n C-u-r-t-i-s-s. I am the finance director for the city of Omaha and I'm here today to testify in support of LB181. And thank you to Senator Linehan for introducing it for us. LB181 would increase the limit on turnback for facilities like CHI Health Center in Omaha from the 100-- to \$150 million from the current \$75 million where it is today. It would make it possible to do a much-needed renovation and expansion of the center and allow for additional parking. The center is a huge economic driver for the city and responsible for thousands of jobs, not only at the center but nearby hotels, restaurants, bars and transportation companies, just to name a few. It also facilitates the funding of approximately \$40 million of funding to smaller communities, lower-income communities and rural communities through the Civic and Community Financing Fund that's also funded by this act. CHI Health Center was built in 2004 for about \$290 million and the debt service is approximately \$19 million. So to Senator, Senator Flood's question, does the city produce or put its part back in? And the answer is yes, that and a lot more. Because we got \$4 million from this, there's another \$15 million or so per year plus operating costs that the city is contributing into that. So the \$1 million or so that we would get from our local option sales taxes is definitely going back into this project. We don't anticipate reaching the current \$75 million until the bonds are paid off in around 2027. So there is no fiscal impact for this bill for at least five or six years. Don't forget too, that as we do a large event, for every hundred million that we bring in, a lot of that sales tax is generated outside that 600-yard area. I'd say the vast majority of it, because all restaurants and most hotel rooms are outside of that 600, so that's all tax revenue coming to-- excuse me, coming to the state and to the city that's all that. So if you think about every hundred million this generated outside that 600-yard space, 500-- or about \$5.5 million of state sales tax gets generated, which isn't part of this turnback. We will have used our, used approximately \$75 million by the time we do the payoff of the bonds, as I said earlier. But part of the \$75 million, remember, goes to something a little different, and that is the north-south turnback, which in the original law says that it's for areas with a high concentration of poverty, to showcase important historical aspects of such areas or areas within close geographic proximity of the area with a high concentration of poverty, or to assist with the reduction of street and gang violence in such areas.

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So that's \$7.5 million roughly over the course of this \$75 million that would go to those efforts that have nothing to do with the actual center. I think another very important part to remember that in addition to the \$75 million turnback, the CHI Health Center will have generated, another \$32 million is generated for the Civic and Community Financing Fund, which is administered by the Department of Economic Development. And this fund provides funding to smaller rural communities for various civic projects. And I think someone is going to talk about it a little bit more today. Because without this expansion, all those other funding sources are also terminated. This bill is a simple addition to the already successful bill, or a law that was passed a number of years ago, which is the Convention Center Facility Financing Act, which we've talked about. It's time to plan for the expansion of the CHI Health Center and more parking and these funds would be very helpful to achieve this. And because of all the other funding sources, I would argue that the bill would also benefit citizens across the state of Nebraska. And I'd be happy to take questions.

LINDSTROM: Thank you. Any questions? Senator Pahls.

PAHLS: I've heard that this benefits Omaha, so I want to make sure that we understand. Let's say that I happen to still be living at Atkinson, Nebraska, which is out west. What would I-- how do I benefit from that if I live in a small town in Nebraska?

STEPHEN CURTISS: The town of Atkinson would be a great example if they had a facility or other funding source that, that would be covered under. And again, I think Lynn Rex is going to talk about the Civic Community Financing Fund, that fund of \$32 million. They put a grant into the DED and granted money that would have come from this turnback out of Omaha.

PAHLS: Well, OK, you mean something like a library?

STEPHEN CURTISS: Could be a library. And I think Lynn is probably prepared to tell you exactly what's in that fund, what they can do. But yeah, I think it's very civic projects.

PAHLS: OK, I just want to make sure that there is money leaving other the additional taxes that we, from all the areas beyond the limit.

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STEPHEN CURTISS: Yes. Yeah. Only 63 percent of this actually can go to the facility itself. The rest of that goes to either the outstate or to the north and south for impoverished areas and gang violence.

PAHLS: That's what I'm trying to dispel this, that this is just an Omaha thing. But I would be curious if somebody can tell me in one or two of the smaller communities.

STEPHEN CURTISS: And I think Lynn can do that. But remember, to, to your point, outside of that 600-yard radius, hundreds of millions of additional sales tax-- or additional economic activity that's all sales tax that isn't part of this turnback is also generated because of the facility. And without those larger meetings, those people from out of town and other places don't show up. And that money isn't--

PAHLS: And it's too bad we don't have a picture just showing how much new development beyond that.

STEPHEN CURTISS: Yeah, because if you think about it, in that area, there's only two hotels. Both hotels have a restaurant. And that's pretty much all that's covered in this. And those hotels were built basically to support this facility. All the other restaurants, almost every restaurant in downtown Omaha and almost all the hotel rooms are outside of this 600 yards. All that sales tax comes to the state and stays with the state.

PAHLS: Thank you.

LINDSTROM: Thank you. Any other questions? Senator Flood.

FLOOD: Thank you for coming today. I wanted to ask you, it looks like since 2000 you have-- the city of Omaha has received \$44 million.

STEPHEN CURTISS: Yeah, I believe it's closer to \$49 with the current pay in. But yes.

FLOOD: And so you are still a long ways away from your \$75 million cap.

STEPHEN CURTISS: Yeah, we have six years and about \$4 million a year, so we'll be at about \$72, \$74 million in 2027 when the bonds are paid off, and the, and the law would say that that turnback ends.

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FLOOD: And as I see this, you want to add a parking garage and some parking facilities.

STEPHEN CURTISS: Yes.

FLOOD: Won't you be charging for parking in those, don't those cash-flow themselves?

STEPHEN CURTISS: Not in a-- a normal parking garage in the downtown area does. One that's event-driven, there's not enough parking to support the-- there are not enough events to support that parking payment.

FLOOD: In 2007, grab the right document here, Carol Ebdon, is she the finance director for the city of Omaha?

STEPHEN CURTISS: She was at that time.

FLOOD: OK, she presented what's marked as Exhibit 8 from LB551 that said that at the current rate, about \$16 to \$21 million is expected to repay the Qwest Center bonds rather than the \$75 million anticipated. What would that, what would that mean?

STEPHEN CURTISS: I have no idea. Our payment is \$19 million a year. I can't-- I've only met her briefly once. Our payments are \$19 million a year for the Qwest Center currently, for now, the CHI Health Center.

FLOOD: Have you refinanced that bond or is it the same?

STEPHEN CURTISS: We have a number of times, yes.

FLOOD: Have you added any, any additional capital to it?

STEPHEN CURTISS: No.

FLOOD: So how many times would you say you refinanced?

STEPHEN CURTISS: Once.

FLOOD: What year was that?

STEPHEN CURTISS: Probably four or five years ago because it was done as tax-exempt and you can generally only do those once.

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FLOOD: Did you extend the term?

STEPHEN CURTISS: No.

FLOOD: So the original term was to 2027?

STEPHEN CURTISS: Yes.

FLOOD: OK. And in 2007, the Legislature expanded what you were able to collect the sales tax on. You weren't here then, but it's also on the arena, the sports arena, in addition to the convention center.

STEPHEN CURTISS: Yes.

FLOOD: And so that took your sales tax recapture from about a million dollars to, I guess, \$4.3 million in 2018, 2019.

STEPHEN CURTISS: Yeah, I think what you're referring to actually is when they switched the 200 yards to 600 yards. That's what brought the amount up quite a bit about three years ago, two to three years ago.

FLOOD: And then 10 percent of the funds that the city of Omaha gets, you don't use for debt service. And that goes to, to help minority communities in poverty areas and, and gang reduction.

STEPHEN CURTISS: Yes. And I think there's a bill coming after this one to change slightly that the characteristics of that, that group that does that.

FLOOD: So if we were to do this and Senator Lindstrom's bill, we would be looking at potentially giving up \$6 to \$7 to \$8 million a year for turnback sales taxes in the Omaha area?

STEPHEN CURTISS: Yeah, but an argument could be made, and I'm not sure that you agree with this, a lot of this economic activity wouldn't occur, so those sales tax wouldn't be there in the first place.

FLOOD: So if a family comes from Norfolk and they spend the weekend at one of these tournaments, we're still going to eat somewhere in Omaha. Maybe we eat at Big Freds instead of we, we eat at one of these locations. I, I don't know that that argument is 100 percent true.

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STEPHEN CURTISS: Remember that a lot of these people are coming from out of state. So, for instance, the restaurant tax in the city of Omaha, we've always estimated about 30 percent is paid for by people outside of the city of Omaha. And CHI Health Center and all the hotels around there, that's almost 100 percent people that aren't from Nebraska. So these are new dollars are coming for the most part.

FLOOD: What percentage-- so we're paying about \$4 million of the \$19 million, the state of Nebraska is, of the actual debt service on the CHI center.

STEPHEN CURTISS: Yeah, remember that's paid with economic activity that the center itself is producing.

FLOOD: Right. Do you think, I mean, at some point we've accomplished the mission. You've got a successful convention center. You've got the ability to, to, you're generating money. At what point should the state say, hey, we've done our job to nudge this development and refocus somewhere else?

STEPHEN CURTISS: I would argue the state ought to stay involved in this as long as we can keep it going.

FLOOD: Do you share then your sales tax? I mean, do you use your portion of sales tax to--

STEPHEN CURTISS: Yeah, that and about \$14 million more.

FLOOD: What if we just automatically applied it to-- it would just recapture the whole thing and gave it to you that way?

STEPHEN CURTISS: When you say recapture the whole thing--

FLOOD: Like, instead of just taking the 5.5 percent and giving it to you through this fund, what if we just gave you the full 7 and--

STEPHEN CURTISS: That would be fine. You're already giving us the 1.5 anyway, but if you wanted a different mechanism, that would be fine as well.

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FLOOD: Going back to 1999 when this LB382 was introduced, you had, the city of Omaha had a gentleman by the name of Rob Barton with KPMG, do you still work with them?

STEPHEN CURTISS: No.

FLOOD: We would hope that the life of a, of a facility exceeds that of its financing to a great degree, and he essentially said that this would be presented to the Legislature at that time in LB382, that we would upfront the money, we would pay for the bonds and then this would live on its own. Do you think that, you know, are you breaking with that request today in front of the Legislature, the commitment that was made by the city of Omaha in 1999?

STEPHEN CURTISS: I can't speak for that commitment, but I would argue that I believe the state should continue to try to participate and engender this economic activity that can otherwise go away in this [INAUDIBLE].

FLOOD: I'll let the rest of the committee ask some questions.

LINDSTROM: Any questions? Any other questions from the committee? Seeing none.

STEPHEN CURTISS: Thank you.

LINDSTROM: Thank you.

RICK HOPPE: Morning, Senator Linehan, members of the committee. I'm Rick Hoppe, the city administrator for Ralston. That's R-i-c-k H-o-p-p-e. Thank you for the time today to talk about LB181 and potentially Ralston's inclusion in that bill. You're being handed out an amendment which mirrors the language of LB181 in a different act. You heard from Senator Lindstrom on the Sports Facility Financing Act. This would make essentially the same changes that LB181 makes to the Convention Facilities Act. I hope to make a couple of points here today and try not to repeat. One of the things I do think is important to talk about is you all read The World-Herald. I think none of you would be surprised about the articles have written about the Ralston arena in the past. And if I were you, I'd be asking Rick, are you really expecting us to bail out the Ralston Arena by including this bill? And my answer would be very simple. No, we are not. We're taking

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care of ourselves on this issue. We have done a number of things since I've been there. I served as the chief of staff to the mayor of Lincoln for 12 years. I got hired to this job primarily with two missions: to fix the finances and to see through a \$200 million dollar development project called the Hinge. We've already taken some dramatic steps. We hired a private sector financing-- excuse me, a management company, Spectra, to manage the arena and replace the city team. In their first year they reduced our operating deficit or would have been on pace to by over a half-million dollars. That's incredible progress. Unfortunately, COVID-19 derailed that to some degree, but we were on pace to do that. I made focus on short-term debt, the-- that's been generated by arena-related borrowing and made some tough cuts to do that. And as a result, we're paying off a short-term note this spring, which will undoubtedly raise our bond rating and allow us to do some of the refinancing, which will put us in better fiscal shape. And I thought it was important to address that as we talk a little bit more about why this is important the city of Ralston be included. We have the same issues the city of Omaha has and the same type of needs. Parking is going to become an issue for us for a different reason. About 500 of our 1,700 spots are at Horsemen's Park. And you may or may not have heard there's a casino going up there. We anticipate losing those spots. And as a result of that, we're going to have a little bit of a parking challenge. The other piece of it is economic development related. I had mentioned the \$200 million Hinge project, which will occur in near the downtown area in Ralston. 73rd Street connects the arena to the Hinge area. That \$200 million project, we have already had about \$30 million in development since I've been there, including a business incubator that's creating jobs at a pretty good clip. The land that currently houses our surface parking lots may be more valuable to us as part of that economic development project since it's part of the Hinge area. So we're wondering if we can solve both problems by potentially doing a parking garage. The loss of the 500 spots, as well as the economic development potential of the Hinge project. The future renovations is also a bit of an issue. We're going to, we're going to have to turn the facility over, as I would mention, something that I think is going to be a problem at CHI in the future, too, which is making the facility even more pandemic safe. Modern shows change all the time. The needs of a, of a facility has to meet the needs of a changing society and those changing needs as well. I would also tell you, to Senator Flood's questions, which have been

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very good, Ralston is certainly contributing our share of this. Now, while we aren't contributing directly our cent and a half of sales tax, which generates a little over a million dollars a year, we are putting about a million dollars of property tax into the bond payments. We get about \$3.2 million from the turnback and about a million from property taxes. So it is a wash. We essentially are contributing our 1.5. Our finance director felt like the property tax revenues were a little bit more stable and thus not tending to have the fluctuations that you'd see in a sales tax. And that's why we're using that. We contribute about \$1.4 million annually to the civic and community clients and funds. Senator Pahls, you and Mr. Curtiss had a discussion about that. We think that's very important to this conversation as well. We believe that between the garage, the renovations and being able to go beyond our bond expiration date, will allow the Ralston Arena continue to be a significant economic driver in the central metro area. We do generate about \$12.5 million a year based on what we're seeing in terms of spending outside of the arena for private businesses throughout the central metro. So we think that there's a lot of potential here. If Ralston is included in this, we think when LB181 makes some great sense. I'd also say that we've heard questions about where does the state get its money? When do you come into the picture? I'd say in part, we are not impacted by the requirement that we were talking about the previous bill, the new spending, the new business like that in the Hinge, that sales tax is going to go to the state. We are-- our businesses ran out in October of 2020.

LINDSTROM: Thank you. Any questions from the committee? Seeing none, thank you.

RICK HOPPE: Thank you.

LINDSTROM: Good morning.

LYNN REX: Good morning. Senator Lindstrom, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We're here in strong support today of LB181 and also the Ralston amendment that has been offered to you. And just to underscore the point of not only is this vitally important in terms of a revenue base, just as Senator Pahls you noted for the state of Nebraska itself and growing your revenue, but also for the

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municipalities involved here, specifically Omaha and Ralston. But it also has a tremendous impact on other municipalities across the state. And over \$47 million from 2004 until 2020 have gone to other municipalities in this state under a grant program under the CCCFF. And that includes-- it's just been a very important program. And they have to use it, it's not for operations. They have to use it for buildings, they have to use it. Matter of fact, Senator Flood, during your first term in office, way back when, you amended it to allow the use for libraries, which was extremely important. There's been a number of libraries that have used these improvements. So it has to be a facility that will help bring in tourism, a facility that will do-- it will help not just the community, but also help others in the state itself. So this is just been a huge, huge benefit to municipalities across the state. By definition, if the program ends, the money going into this, which is 30 percent, that goes away too. And just to give you an idea of some of the projects here, I'm just going to name a few of them, I'm not going to bore you with too many of them. But these are really important projects. For example, in Norfolk, the Johnson Park and Riverfront Improvement, \$1,125,000. And this is always a matching program, too, but that's the amount that they received in 2020. In Atkinson, somebody mentioned Atkinson, in 2020, the community center renovations, \$58,866, a big deal for them. So every cent-- from Osmond, Alliance, all across the state, I mean, you can put dots all throughout the state of Nebraska and municipalities that have benefit from this. It's just been a very important program for them. So we really hope that you will advance these bills. I think it's important. And that 30 percent, by the way, is coming from the Ralston Arena, the Lincoln arena and the Omaha arena. That's what funds these projects. And again, not to just be a Debbie Downer, but because the Legislature has eliminated state aid to municipalities and basically other, other than the Municipal Equalization Fund, this is it. The CCCFF is the only direct benefit in terms of grant programs for municipalities across the state of Nebraska, period. End of story. There's nothing else like it. So it's really, really important. I'm happy to respond to any questions that you might have.

LINDSTROM: Senator Flood.

FLOOD: Good morning, Ms. Rex.

LYNN REX: Good morning.

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FLOOD: In addition to CCCFF, you also have the half cent of sales tax in your quiver, which I think is far more impactful than to CCCFF.

LYNN REX: The, the short answer is yes. But again, voter-approved, local voters deciding that they want to impose that tax on themselves. But no question, the state of Nebraska granted municipalities the authority to have voter approval of local option sales tax.

FLOOD: Which would-- is a pretty big opportunity for the cities.

LYNN REX: For those municipalities, yes. For those municipalities that have a retail operation.

FLOOD: And you have access to occupation taxes.

LYNN REX: We do. But again--

FLOOD: And our sales-- and our occupation taxes on cell phones are the highest in the nation at 21 percent.

LYNN REX: Actually, not so.

FLOOD: OK, why?

LYNN REX: Well, unfortunately, Anne Boyle has passed. But there are, when you consider how Nebraska taxes that compared to other states, it's sort-- there are some, it's not the highest. I mean, she was able to present information--

FLOOD: Top five?

LYNN REX: Probably. Yes.

FLOOD: I was asking actually, are you familiar with creative districts?

LYNN REX: I'm sorry?

FLOOD: Creative districts. Senator Hunt passed that bill last year, [INAUDIBLE].

LYNN REX: I'm sorry. I'm sorry. I'm aware that the bill passed. But other than that, I don't know. I mean, I'm aware of the bill, but--

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FLOOD: Are cities--

LYNN REX: -- I don't know any city that's implemented.

FLOOD: And I believe cities like Kearney, but do you know much about where cities are as it relates to diversity and inclusion?

LYNN REX: I can't hear you. I'm sorry.

FLOOD: Are cities endeavoring to increase diversity and inclusion?

LYNN REX: Absolutely. That's an important element of what we're trying to do all across the state.

FLOOD: And what's an example of a city that's really thriving and promoting diversity?

LYNN REX: OK, so, for example, some of the, I think the innovative programs that are going on in Gordon, Nebraska, because of their Native American population. We have Scottsbluff, Gering, and frankly, we're in Lexington, Nebraska, third, fourth generation. Their involvement, there are, you know, they're, they're serving on the city council. They're doing-- they're just doing a great job out there.

FLOOD: Have you been made aware of the research that suggests that there is a connection between the arts and diversity and inclusion?

LYNN REX: I know that there is. I can't say that I'm well-informed, but yes.

FLOOD: Do you think the cities of this state would object to using-- to, to diverting some of the money from the sales tax turnbacks to cities that adopt creative districts?

LYNN REX: I would need to know a little bit more about what you're talking about in terms of are you thinking about diverting, are you talking about the 30 percent?

FLOOD: [INAUDIBLE], yes.

LYNN REX: That would be problematic. And I'll tell you why, because--

FLOOD: It wasn't for libraries.

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LYNN REX: Because it's a structure. So I guess my question to you would be, and I'm not trying to be adversarial, I just don't know. My question to you, Senator, would be, are you, are you saying that this would be for an operational expense or is this for-- because this is intended, not that things can't change and obviously we're creatures of state so the Legislature can decide how you want us to structure and use these funds. And I fully understand that. But is it for an operational issue for supporting the arts or is it for an art building? There would be a differential.

FLOOD: That would be an important distinction?

LYNN REX: A huge distinction. Yes.

FLOOD: OK.

LYNN REX: If it's a structure, absolutely. They could do that now.

FLOOD: Why do you prefer structures over operations?

LYNN REX: Because the Legislature as a condition of setting this together when Brad Ashford and Senator Landis structured the throwback sales tax with passage of LB382 when this bill was passed, it was intended to be for a structure, not for operations. They wanted to make it clear that-- and frankly, to be blunt, Lincoln--

FLOOD: Actually, Senator--

LYNN REX: I'm sorry.

FLOOD: -- it wasn't Senator Ashford, LB382 was Senator Lynch.

LYNN REX: But the deal that was put together was--

FLOOD: LB551 in 2007.

LYNN REX: Oh, I'm so sorry. You're right. You are correct. I'm so sorry. You're right, thank you. Thanks for that correction. You are correct. But when the CCCFF was put together, the intent of this was that, and the words obviously underscored that it has to be for a structure because they didn't want money going out just to be used for operations.

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FLOOD: And actually, I'm looking at the legislative history from LB382 in 1999. There was also testimony at the time that once these bonds were paid off, we'd be done with these programs.

LYNN REX: That is true.

FLOOD: Do you remember that?

LYNN REX: I do remember that. Yes, I do.

FLOOD: And I'll look at the history to see if we specifically mentioned structures.

LYNN REX: But, well, if you--

FLOOD: Things have changed since then.

LYNN REX: Things have changed, but that being said-- yes.

FLOOD: [INAUDIBLE].

LYNN REX: Thank you.

LINDSTROM: Any other questions from the committee? Senator Briese.

BRIESE: Thank you, Vice Chair Lindstrom. And thanks for your testimony here today. Earlier, you said something about the end of the Civic and Community Center Financing Fund. Were you implying that failure to pass this bill jeopardizes the Civic and Community Center Financing Fund?

LYNN REX: Well, what I'm suggesting is that as long as these programs exist, 30 percent of the throwbacks-- as long as there is throwback sales tax, Senator, 30 percent of that goes into the CCCFF for other municipalities across the state to access those grants. But once those funds are done, once those programs are done and once the throwback sales tax ends, then there, there's no 30 percent going into the fund.

BRIESE: But we don't need to pass this bill to keep that intact, correct?

LYNN REX: Well, for a period of time you do. I mean, when these programs expire, I mean, that's why I think Omaha is here today. I

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think, as Steve Curtiss indicated, that it's a few more years before the bonds are paid off. But once the throwback sales tax is done, there's no more 30 percent going into this fund. And the other communities across the state will not have access to those dollars.

BRIESE: Their ability to access dollars beyond the \$75 million expires, but does that jeopardize the dollars going back into the Civic and Community Center Fund?

LYNN REX: Yes, when the throwback sales tax ends-- and by the way, it won't end the same time for all three arenas.

BRIESE: Yeah.

LYNN REX: But when that ends, then the 30 percent throwback sales tax will not be going into this fund.

BRIESE: OK. Thank you.

LYNN REX: You're welcome.

LINDSTROM: Senator Friesen.

FRIESEN: Thank you, Vice Chair Lindstrom. Ms. Rex, I remember a few years back, while we, we did change some things, we went from 200 to 600 yards. And I don't know if that was to bailout Ralston or what exactly the reason was, but we greatly expanded the area that was subject to this. Probably had to do with Pinnacle Bank Arena--

LYNN REX: All three arenas, correct.

FRIESEN: So a lot of, a lot of revenue was dumped into the system at that time. And the 30 percent, at the time, we weren't even able to spend it all, is that right?

LYNN REX: Well, there is, there's a long story there. And you and I are probably two of the people in this room that remember that, which is basically that for whatever reason and we don't probably have enough time to go into it but but/for Senator Annette Dubas and Heath Mello as a state senator and others, for whatever reason, DED was not getting grants out the door. And so it took-- this is the most, if you look at the statutes governing the CCCFF, they are the most

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prescriptive in the state, state statutes applying to municipalities and also to the state to say to DED, this is what you're going to do. And I remember a very interesting meeting with Senator Harms, Senator Dubas over at DED where it was the quintessential, tell us why the money is not going out the door. You have the money, you're sitting on millions of dollars. In addition, we found out that at that time, DED was not requesting all the entire appropriation. So we had-- there's one time that this fund has been penetrated by a nonmunicipality, and that was for state colleges to build some sports arenas or something for a state college. And at the time, Senator Lavon Heidemann, who was then Chair of the Appropriations Committee, made the comment that, well, basically cities aren't using this. There's millions of dollars there. Gary Krumlan, who was the assistant director of the League then had just left the DED the day before and received a readout saying, showing that there was no money. So we said to the Fiscal Office, can you please tell us, how can this possibly be Heath Mello and Annette Dubas, I don't know who could make it first to us in the Rotunda, said, what is the difference here? How can you have millions of dollars there and then no dollars? How does that work? Well, then the answer was because DED never requested the funds, so the funds were just there. So it has been a very interesting ride in terms of the CCCFF.

FRIESEN: So at that-- some point we expanded what you could all use those on, correct?

LYNN REX: Yes.

FRIESEN: Do you have a current list of what can all the funds can-- and you don't have to provide it now. But if you could give that to me, just the different things that it can be used for.

LYNN REX: Sure. I'm happy to do that. I can tell you-- I can actually, what I can do is actually get you a copy, I think, of some of the most-- one of their last reports, Senator.

FRIESEN: Are all the funds currently being used all the time?

LYNN REX: We hope so. We request that every year. It says that it can be used for a new construction or renovation or expansion of existing public spaces. Also, that includes conversion, rehabilitation or reuse

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of historic buildings. It talks about planning grants. It goes through eligible facilities in terms of community senators-- centers, civic centers, other public spaces, libraries, recreation centers, historic buildings. And there's a complete-- DED does a nice job of putting together an annual report. And they have every grant that was issued from 2004 till 2020, again, totaling over \$47 million for municipalities.

FRIESEN: OK, thank you.

LYNN REX: That's a very good deal. But again, to underscore Senator Briese's point, maybe not his point, but his question, which is that when the throwback sales tax is no longer coming into the fund, there will not be a fund. And in fact, because of COVID this last year, DED has put tremendous-- which I understand they've had to put restrictions on. I mean, the money's just not there. So they're doing only planning grants this year.

FRIESEN: What do the matching funds require the city to--

LYNN REX: One to one.

FRIESEN: One to one.

LYNN REX: Fifty percent

FRIESEN: OK.

LINDSTROM: Senator Pahls.

PAHLS: Thank you, Vice Chair. When I asked a question about Atkinson, Nebraska, I thought I knew the answer because many years ago when I was reviewing this, I think they helped with the library. But now you're saying, you know, I'm not going to ask you to check that back, back, but you said this was a community center. So that must--

LYNN REX: Theirs was. Yes, but again, you have to wait-- there was a time you had to wait five years before you could get another grant.

PAHLS: Well.

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LYNN REX: That's down to two. So some, some municipalities have more than one grant.

PAHLS: So I'm just-- cause having, having taught in Atkinson, Nebraska, a number of years ago, that was a Title 1 community, that was, it just was, you know, they received all kinds of federal money in the schools because it was a Title 1 school. So that tells me that some of this money is going to those communities that do need it.

LYNN REX: Oh, there's no question.

PAHLS: So that's why I'm trying-- this idea that Omaha is the king here, I tell you, I see it as a sharing the, what I call the-- I don't want to say the wealth, but sharing the benefits.

LYNN REX: There is no question. And I will tell you it was not, it was not just only because of the generosity of the Legislature at the time, but also because of the need to get votes.

PAHLS: I get--

LYNN REX: There is no question that when it was Qwest Center, there was not going to be the votes to get that done. And the senators said, you know what, if you want us to vote and we are not in Omaha and you want our support, we want you to do something to step up to help other communities across the state. And that's how the CCCFF was put together. It's been just an incredible program for municipalities across the state.

PAHLS: Right, this is an example of both sides saying, let's get together.

LYNN REX: Absolutely.

PAHLS: And I mean, it still goes on in the Legislature now, this is nothing new. But was an example of something good came out of everybody compromising.

LYNN REX: For some of our municipal leaders, if they were here today, they would tell you it's been an extraordinary difference in their community. For some of them, it's the only grant they ever got, period.

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PAHLS: Right. I know from whence I came. Thank you.

LYNN REX: Thank you.

LINDSTROM: Thank you. Any other questions? Seeing none, thank you.

LYNN REX: Thank you very much. Really appreciate it.

LINDSTROM: Any other proponents? We did have written testimony, Jennifer Creager with the Greater Omaha Chamber as a proponent. We will now move to opponents. Seeing none, any neutral testifiers? We did have one letter of written testimony from Andy Pollock with Nebraska Travel Association in neutral. And we would invite Chairwoman Linehan back up to close on LB181.

LINEHAN: Thank you. I learned a lot this morning. I appreciate all your questions. I'm just back up here because the city of Omaha, I think this got passed out, but they're not sure it did, the resolution. Did you all get a copy of this? OK, so. Any questions?

LINDSTROM: Senator Albrecht.

ALBRECHT: Hi. Thank you, Vice Chair Lindstrom. Did you get the letter from, the testimony from Andy Pollock [INAUDIBLE]?

LINEHAN: I've talked to Andy a couple of times, we got some work to do.

ALBRECHT: An amendment?

LINEHAN: Yeah.

ALBRECHT: OK.

LINDSTROM: Any other questions from the committee? Seeing none, thank you.

LINEHAN: Thank you very much.

LINDSTROM: And that will close the hearing on LB181. Oh, and I did-- I'm sorry, excuse me. We did have letters for the record, two proponents, one opponent and none neutral. And that will close the hearing on LB181.

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LINEHAN: So we will open a hearing on LB479. Welcome, Senator McKinney.

McKINNEY: Greetings, members of the Revenue Committee. Thank you, Senator Linehan. Today, we acknowledge that the Convention Center Facility Financing Assistance Act, or as it is referred to as the turnback tax, was enacted in 1999 to be beneficial to the economic well-being of the people of this state and to drive funds into specific districts within Nebraska to ultimately help revitalize neighborhoods and facilitate, facilitate community sustainability. However, in various cases, to revitalize-- the revitalization component of the act has yet to be met. District 11, specifically since 1999, has been neglected politically, socially and economically, even though it serves as the home of the CHI Center, or its close. Ten percent of this fund generated from the facilities are supposed to be allocated to municipalities and equally distributed to areas with high concentrations of poverty. North and south Omaha, for example, meet this criteria. It has been reported that on a yearly basis, both areas have received a combined sum of, of \$400,000. Additionally, both areas are said to have received \$7.5 million by the end of the act. The concern here is where have these funds been going and exactly how have they been used to revitalize communities? North Omaha, which encompasses several districts within the Legislature, has consistently ranked as the poorest in this state. While this bill looks to keep in accordance with the act's original intent, we seek to amend provisions regarding who may serve on these committees tasked with overseeing the disbursement of funds pursuant to this act. In an effort to ensure compliance and representation in all, LB479 seeks to restructure the committee to include two members of a community in which there is a high concentration of poverty, and one member of the state Legislature whose district includes the most census tracts that have a poverty line of 30 percent or above. The legislative representative will not be a voting member. We don't-- we had, we went back and forth on this, but it is not constitutionally doable. But I think the legislative members should be on the committee. This bill seeks to further create transparency and accountability for the committee while simultaneously incorporating input from the state to foster a sense of camaraderie at different levels of government. Furthermore, a restructuring of the committee will allow input from trusted members of the community in

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which the original act sought to help. I ask you to vote this bill out of committee on to General File, and I'm open to any questions.

LINEHAN: Thank you, Senator McKinney. Are there questions from the committee? Senator Flood.

FLOOD: Senator McKinney, thanks for bringing your bill. Tell, tell us what would be the best use of funds, in your opinion, if they were applied in your district?

McKINNEY: The best use of funds, in my opinion, would be to invest in small business and entrepreneurship growth, to make sure that we are creating jobs. That's the biggest thing that's missing in District 11, a lack of jobs and a lack of capital to sustain small business and entrepreneurship.

FLOOD: Talk about, and I don't, I haven't yet-- we'd have to figure out how we would do that. But so you're not-- you'd be interested in something that doesn't go to a structure?

McKINNEY: That's tough, I would say yes and no. I think, you know, there are structures in my district that have been neglected and needs some work, but there's also things that need to be done operationally to improve not just the structures, but the community.

FLOOD: What kind of arts investment do you have in your district?

McKINNEY: Oh, it's very bleak. You know, the Love's Jazz and Art Center just closed. I know there's the Union for Contemporary Arts, which is across the street, but the Love's and Jazz is closed. The Malcolm X Center isn't doing the best and, you know, so.

FLOOD: Thank you.

LINEHAN: Thank you, Senator Flood. Other questions? Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. So are you saying there isn't enough oversight or the right oversight of how the money is being spent now?

McKINNEY: So, yes, I think it's not necessarily clear if we've been annually receiving between north and south Omaha, the city of north

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Omaha has received \$200,000. I've asked many questions about where this money goes and where has it been going to, and I don't get a lot of clear answers.

FRIESEN: So by adding these two spots on there, you're feeling there's going to be better oversight and--

McKINNEY: Yes.

FRIESEN: -- and it's not necessarily allowing you to spend the money any differently, but you're going to find out where it's going and how it could be used better?

McKINNEY: Right? Yeah, just creating more transparency and oversight to make sure that what is being distributed is going to the right spots to improve the economic sustainability of the community.

FRIESEN: OK, thank you.

McKINNEY: No problem.

LINEHAN: Thank you, Senator Friesen. Other questions from the committee? Is the CHI Center in your district?

McKINNEY: No, it's not. It's, it's downtown. It's close, though.

LINEHAN: Where does, where does your district-- what's the street?

McKINNEY: It's like 16th and, like Cuming is like the line for me.

LINEHAN: Cuming is?

McKINNEY: Yeah. And then I think CHI-- I don't know.

LINEHAN: It's, it's, Cuming is--

McKINNEY: It might be in Tony's.

LINEHAN: -- only like inches.

McKINNEY: Yeah.

LINEHAN: OK.

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McKINNEY: Yeah.

LINEHAN: OK, any other questions? Thank you very much for being here.

McKINNEY: No problem.

LINEHAN: Are there proponents? Are there any opponents? Is there anyone wishing to testify in the neutral position?

JACK CHELOHA: Good morning, Senator Linehan, members of the Revenue Committee. My name is Jack Cheloha, J-a-c-k C-h-e-l-o-h-a, I'm the registered lobbyist for the city of Omaha, and I want to testify in a neutral capacity this morning on LB479. Basically, the city of Omaha doesn't have any objections to the bill. I sent the bill out to the city council members who would be representatives of the current board that decide how to spend the 10 percent. And I've also sent it to the county board as specified within the law. That's who's on the committee now. There's a city council member, county board member and then a member of the community that the two of them agreed on. This is how the bill was structured, I want to say it was back in about 2007. This was the Brad Ashford bill. And as part of the discussion, and in order to get the bill across the finish line, this amendment was offered and was agreeable at the time of both the city of Omaha and to the participants that would benefit in these high-poverty areas. Within the statute, it says it shall be spent to promote the historical aspects of the areas and to try to prevent violence within it. Through the course of years, these committees have met. They've distributed grants. It's been carefully documented and within our finance department and within our city council and the county board. So I'd be happy to look for this information and share it with Senator McKinney. You know, maybe he was just asking the wrong people or something. I'm not certain on that. But, but it's out there and it's public money, so it's publicly accounted for. And, and, and if he thinks that it would help the committees to have the senator who represents these areas be on it, we don't have a problem with that. So I'll try to answer any questions.

LINEHAN: Thank you, Mr. Cheloha. Briese, Senator Briese and then Senator Flood.

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BRIESE: Thank you, Chair Linehan. Thanks for your testimony here today.

JACK CHELOHA: Yes, sir.

BRIESE: How many dollars are we talking about here?

JACK CHELOHA: Well, roughly if Omaha gets \$4 million in turnback money to help pay for CHI Health Center, it would be 10 percent or \$400,000 a year which is distributed. Based upon the statute, these have to be areas with high poverty that fit within the U.S. Census. With that, we have two tracts that run both in north Omaha and south Omaha, and we've been dividing the money equally between the two plots of qualifying areas of the city.

BRIESE: OK, and what have these dollars been used for?

JACK CHELOHA: Based on my recollection, we've given money for neighborhood grants to neighborhood groups that do nightwatch, if you will. That helps with the crime prevention. We've given money to, I think, as was mentioned, the Love's Jazz Center. There's an arts center at 24th and Cuming Street that have applied for grants. Those are ones that come to mind right now for me, but I'd have to refresh my memory as well if I get the documents for the senator.

BRIESE: OK, very good. Thank you.

LINEHAN: Thank you, Senator Briese. Senator Flood.

FLOOD: Thank you, Chair Linehan. Easy questions here. So the city of Omaha administers the 10 percent out of its 70 percent share of this?

JACK CHELOHA: That's correct. Along with the county, the county board member.

FLOOD: OK, so we could do this one or two ways. One way we could say if this bill were to go anywhere, we could put in there that we would like a 10-year plan and, and look at all the money and say, OK, the 10-year plan has to be submitted with the approval of the Omaha City Council and the input of, of our members that would be in those census tracts. And that would help us plan a little bit better if there's a concern about the money. Would that be OK?

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JACK CHELOHA: I think that, I think that would be fine. I mean, we'd be happy to work together. And every year that the money has been appropriated, we can account for that. We can be happy to send those.

FLOOD: I'm sure. The other part is we could take that 10 percent and give it to the fund admin-- administered by the state and and have that 10 percent be-- I'm not saying it's a better way. I'm just saying there's one or two ways to do this. I think it's better if it goes through the officials in Omaha because it's closer to the affected areas. But would you be-- would you object, and I wouldn't mind if you did, but having that 10 percent come through the CCCFF fund administered by DED?

JACK CHELOHA: Well, I think we're comfortable with the way it's been set up now. And because that 10 percent is coming off of the 70 percent that goes to Omaha, I'd feel more comfortable doing it the way it is now instead of having it go into the 30 percent.

FLOOD: That's fair. Would you work with Senator McKinney--

JACK CHELOHA: Absolutely.

FLOOD: -- to put that together?

JACK CHELOHA: Absolutely.

LINEHAN: Thank you, Senator Flood. Are there other questions from the committee? Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, sir, for your testimony. So my understanding is you'll, you'll get the committee a more detailed breakdown of where the money's gone. And thank you for that.

JACK CHELOHA: Sure.

BOSTAR: Can you-- do you have an opinion or can you characterize whether or not you feel that this money has made an impact? Has it, has it improved things? And can you, can you characterize that in some way? Has this benefited?

JACK CHELOHA: Sure. Thank you, Senator Bostar. I appreciate that question. I think it absolutely has had an impact because the number

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of people that apply for these grants each year has grown exponentially. The community has been aware of it. And because they've, they've grown, they've had an impact relative to, you know, the two driving factors within the statute. We're either trying to promote a certain area that hasn't been utilized before. And I think the reason for that was because the underlying bill that gave money for a large convention center arena was used as entertainment and so the purpose was how can we drive some entertainment or some tourism dollars to these impoverished areas? And so we've tried to fund, you know, areas within the impoverished area that, that highlight then, for instance, either black history or, as we talked about jazz or the arts, etcetera. So that's helped. And likewise, some of the projects in south Omaha, it's more diverse in terms of the Hispanic community and so money there has gone for Hispanic groups and their arts and their promotion. I don't know if you knew this or not, Senator, but on the bill that benefits the Pinnacle Bank arena, 10 percent of the amount of money that Lincoln receives goes for low-income housing. And so that's how Lincoln is statutorily directed to spend that 10 percent. But in Omaha, this, this was the compromise that was reached. And, and this is how we've used it and we think it's making an impact.

BOSTAR: Thank you. So Senator McKinney spoke about in his opening, I think, in response to a question from Senator Flood, supporting, you know, things that would benefit his community in his opinion. Things like supporting entrepreneurship, business development. Does any of this money go to anything like that?

JACK CHELOHA: Technically, I don't believe that statutorily authorized. But if the committee was so inclined, I think maybe you could, if you want to move forward with LB479, the language is within there on page, let's see, page 2, lines 20-- let's see. I'm sorry about that. OK, so it's lines 23 through 28 on page 2 of the bill. And so that's where we talk about the important historical aspects of the area and then the reduction of street and gang violence. So those are the limitations statutorily now. But so if you wanted to put it towards, you know, economic development programs, I mean, that's something we-- you could look at and decide as a committee.

BOSTAR: I mean, I would, I would certainly maybe try to make the argument that supporting things like entrepreneurship within that community would serve to benefit reductions in crime and increase

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opportunity. And those things are linked. But if it needs to be more explicit, I suppose we can. Would you be in favor, I mean, would you have any objection to the Revenue Committee including that kind of language within the statute?

JACK CHELOHA: No, I don't think that would be problematic. And in fact, I'll look back to a previous witness who works on economic development. And I think that's something that he'd be happy to look at and help us with as well. So I think that's acceptable.

BOSTAR: And since, since this whole, and I'll be done after this, I promise. Probably. You know, since the aim of this is to-- it's focused on higher poverty areas. Can you, you know, I represent an area of Lincoln, so but I would just really like to know what is sort of Omaha's bigger picture plan to address these high-poverty areas, say, in Senator McKinney's district in north Omaha or, you know, and additionally in south Omaha? What-- and how does this fit into that plan? What's the vision here and what is what is Omaha doing--

JACK CHELOHA: Sure.

BOSTAR: -- to help these, these areas?

JACK CHELOHA: Yeah, I mean, you've kind of lifted the plane to a higher level now for a more of a 10,000-foot look down. But, but I think there's a number of things we can point to. In fact, there was a bill advanced just Monday-- no, Tuesday by the Legislature by Senator Wayne, which changes the community development law where we can now go from 15 to 20 years on a TIF bond, and that has to be used in those areas of high concentration of poverty. So that's one thing, and we've been supportive of that. That took a constitutional amendment which was passed on the ballot last fall. The city of Omaha was supportive of that. Likewise, we work with our small and emerging businesses, we're mindful of that. We have that within our, our contracts that we let within public works and other things. And so I think there's a definite strong endorsement to try to help these, these areas and, and we've shown that. But in terms of a magic, you know, answer, I'm not sure if I have that for you today.

BOSTAR: OK, well, well, I, you know, I hope that-- I appreciate the intent there. And related to Senator McKinney's bill, I think maybe

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there would be some benefit to trying to show that to a greater extent and having some more of that transparency in there.

JACK CHELOHA: Sure.

BOSTAR: But anyway, thank you for answering my questions.

JACK CHELOHA: Thank you.

LINEHAN: Thank you, Senator Bostar. Are there other questions? Senator Pahls.

PAHLS: I have this question. Is Ben Gray, does he serve on that?

JACK CHELOHA: Yes, Ben Gray's city council district is the ones that primarily encompass those low census, low-poverty census tracts. So that's the north Omaha one. And then in terms of south Omaha, it would be Vinny Palermo on the city council along with, you know, the other reps are the county board members for those same geographical areas.

PAHLS: Those two city council people that I know, they would not let anything slip by without a lot of deep thought, because I know Ben Gray is very sold on his area the same way Vinny on south O.

JACK CHELOHA: Absolutely.

PAHLS: So whatever that-- but it would be interesting, because I sat on the council and I didn't know how this money is being spent.

JACK CHELOHA: Right. And the reason why, Senator, is just because the committee is a committee of three and that's the city council member and the county board and one, one that's a citizen. And this bill will change that slightly, but--

PAHLS: Which I think it's to the better.

JACK CHELOHA: Sure.

PAHLS: And also but it would be interesting just to know what is happening.

JACK CHELOHA: Sure. Absolutely.

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PAHLS: Thank you.

LINEHAN: Thank you, Senator Pahls. Are there other questions from the committee? Do you know who this citizen member is?

JACK CHELOHA: I do not. I could find that and I get that. And there will be a different one for each north and south, and I'll get it for you.

LINEHAN: Right. Would you get that for us? I'm a little troubled that it can be used reduction for street and gang violence, that's one of the uses?

JACK CHELOHA: Yes.

LINEHAN: It can't be, it can't be used to fund police, can it?

JACK CHELOHA: No, no. This is not utilized to fund the city's budget whatsoever. These are, these are grants outside of that. And as I've said, it's typically gone for neighborhood watch groups that, you know, need either lighting equipment or, or just the ability to organize--

LINEHAN: Explain what a neighborhood-- I think I know.

JACK CHELOHA: Yeah.

LINEHAN: But just so we're clear, what is a neighborhood watch?

JACK CHELOHA: Oh, OK. Usually they're staffed, if you will, by neighborhood associations. You know, within Omaha, we have numerous neighborhood groups, everything from Dundee Memorial Park to Stonehenge to, you know, the south Omaha group is broader-- what do they call themselves? South Omaha Neighborhood Association, SONA. And so they, they have an obligation, if you will, and they do things to get the ear of council members and the mayor's office to improve their area. Likewise, they have, you know, monthly meetings typically where they can voice their concerns. And with that, they will organize and sometimes, you know, in terms of a neighborhood watch, I mean, they literally may take hours where they, you know, either drive or walk their communities and, you know, report on things or if they need to call 911, they do or things like that.

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LINEHAN: So it's a, it's a community public safety.

JACK CHELOHA: Right. Right, exactly. Yeah.

LINEHAN: All right. Other questions from the committee. Thank you very much for being here.

JACK CHELOHA: Thank you.

LINEHAN: Is that, that was neutral, right? Is there anyone else wanting to testify in the neutral position?

-----: Letters for the record.

LINEHAN: I'm sorry. We got no submitted testimony. We have one proponent letter for the record. Welcome back, Senator McKinney.

McKINNEY: Thank you. I would just say that, you know, if we're trying to, trying to prevent crime as a state and as a community, we need to invest in small business and entrepreneurship. We can't wait for individuals to go to prison and then say we need the help or we need to build a new prison because we have to house these individuals. I think the problem with our prison overcrowding problem is a lack of investment in people and a lack of investment in communities like north Omaha. The reason I brought this bill is because as much as the city may say they're doing the right thing, when you get on the ground like I have and like I've campaigned with the grassroots, few people know where these resources are going and few people feel the effect of these resources throughout the years. I'm open to a 10-year plan to see what's going on and really map out what needs to be done. Talk about driving tourism from the, from the city's perspective, drive down 24th Street or 30th Street, what type of tourism is going on currently? If we're, if that's the city's plan to drive tourism, they're failing completely. The Love's and Jazz Center that he mentioned is closed currently. Shut down. I'm open for an amendment to add small business and entrepreneurship. Definitely open. And sitting over here, I Googled the turnback tax to see if I can find some information where some of these resources have been going. So I believe this article is in 2017. Boys and Girls Club of the Midlands, \$5,000. Center for Holistic Development, \$10,000. Compassion In Action, \$25,000. Great Plains Black History Museum, \$10,000. Love's

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and Jazz, I believe, got \$15. Heartland Family Services, \$9. Metro Area Youth Services, \$14,000. Mount Moriah Baptist Church, \$15,000. NeighborWorks Home Solutions, \$9,000. Omaha NAACP, \$15. Police Athletics for Community Engagement League, \$9, \$9,500. YouTurn, \$10,000. None of that went to economic development or small business, that went to nonprofits. Nothing against nonprofits, but north Omaha has an overabundance of nonprofits. Not to say that they're not doing the work, but we need to create jobs and business. And you don't do that by creating more nonprofits. I think creating a more transparency adding me to, adding me or whoever else comes after me or somebody else or Senator Vargas to this committee brings a more-- makes it more transparent and we'll get a better understanding of what's going on. And it will help us in the Legislature create better bills to better assist communities like north Omaha if we have a better understanding of what's going on on the ground. And I'll be open to any more questions.

LINEHAN: Thank you, Senator McKinney. Are there any more questions from the committee? I think it would be appropriate if you, if we, if the committee asked, and I should have asked when Mr. Cheloha was up here, if they gave us a list of what the contributions, where they've gone over the last-- ever since the program began.

McKINNEY: I tried to find it. I honestly did and--

LINEHAN: Well, now we might--

McKINNEY: -- hit a dead end. Yeah.

LINEHAN: OK. OK, so let's just-- we can write a letter, the committee can write a letter or something and ask for that.

McKINNEY: OK.

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

McKINNEY: Thank you.

LINEHAN: With that, we bring LB, the hearing on LB479 to a close. And I'll see you all in an hour.

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LINDSTROM: All right, we will get started here. Welcome to the Revenue Committee public hearing. My name is Brett Lindstrom. I'm from Omaha and represent District 18 and I serve as Vice Chair of this committee. Senator Linnehan is introducing a bill in another committee, and she'll return shortly. For the safety of our committee members, staff, pages, and the public, we ask that those attending our hearing to abide by the following procedures. Due to social distancing requirements, seating in the hearing room is limited. We ask that you only enter the hearing room when it is necessary for you to attend the bill hearing in progress. The bills will be taken up in the order posted outside the hearing room. The list will be updated after each hearing to identify which bill is currently being heard. The committee will pause between each bill to allow time for the public to move in and out of the hearing room. We request that everyone utilize the identified entrance and exits to the hearing room. We request that you wear a face mask covering while in the hearing room. Testifiers may remove their face covering during testimony to assist committee members and Transcribers to clear-- in clearly hearing and understanding the testimony. Pages will sanitize the front table and chair between testifiers. Public hearings for which attendance reaches seating capacity or near capacity, the entrance door will be monitored by the Sergeant of Arms, who will allow people to enter the hearing room based upon seating availability. Persons waiting to enter the hearing room are asked to observe social distancing and wear a face covering while waiting in the hallway or outside of the building, although it's too cold to wait outside the building. The Legislature does not have the availability due to the HVAC project of an overflow hearing room for hearings which attract several testifiers and observers. For hearings with a large attendance, we request that only testifiers enter the hearing room. We ask that you please limit or eliminate handouts. The committee will take up-- take up the bills in the order posted. Our hearing today is your part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. To better facilitate today's proceedings, I ask you abide by the following procedures. Please turn off your cell phones. The order of testimony will be the senator who introduces the bill, proponents, opponents, neutral, and then closing remarks by that Senator. If you will be testifying, please complete the green form and hand it to the page when you come up to testify. If you have written materials that you'd like distributed to the

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committee, please hand them to the page to distribute. We will need 12 copies for all committee members and staff. If you need additional copies, please-- please ask the page to make copies for you now. When you begin to testify, please state and spell your name for the record. Please be concise. Is, let's see, today, go four minutes. Is everybody in here for the first bill, if you can raise your hand quick? Second bill? Third bill. Ah, we can go five minutes. We'll do five minutes. So green will be you'll see green. And then with one minute to go, you'll see the yellow. And then at red we'll have a hard stop. And then a senator may ask you a couple of questions. But to keep it fair, we try to end right on the red. If there are a lot of people wishing to testify, if your remarks were reflected in previous testimony or if you'd like your position to be known but do not wish to testify, please sign the white form on the table outside of the room of the entrance and it will be included in today's official record. Please speak directly into the microphone so our Transcribers are able to hear you and your testimony. I would like to introduce the committee staff starting to my immediate left, committee counsel, Mary Jane Egr Edson. To my left, Kay's out but she should be back sometime. Kay Bergquist is our research analyst. And at the end the table is Grant Latimer. And then I'll have the senators introduce themselves starting on my far right.

PAHLS: Thank you, Senator. Rich Pahls, District 31, southwest Omaha.

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

FLOOD: Mike Flood, Norfolk, and I have Madison and part of Stanton County.

BRIESE: Tom Briese, District 41.

ALBRECHT: Joni Albrecht, District 17: Wayne, Thurston, and Dakota Counties in northeast Nebraska.

LINDSTROM: Thank you. And our afternoon pages are Jason and Reid, both attend UNL. Jason is a political science and history major and Reid is an ag econ major. Please remember that senators may come and go during our hearing as they have bills to introduce in other committees. Refrain from applause and/or indications of support or opposition. I'd

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also like to remind our committee members to speak directly into their microphones. For our audience, the microphones in the room are not for amplification, but for recording purposes only. Last, we are electronics-equipped committee. Information is provided electronically as well as in paper form. Therefore, you may see members-- committee members referencing information on their electronic devices. Please be assured that your presence here today and your testimony are part-- important to us and is critical to our state government. So with that, we will open the hearing on LB175 introduced by Senator Friesen.

FRIESEN: Thank you, Vice Chairman Lindstrom. My name is Curt Friesen, C-u-r-t F-r-i-e-s-e-n. I represent District 34 and I'm here today to introduce LB175. LB175 redirects revenue from the General Fund and puts it in the newly created Transportation and Aeronautics Capital Improvement Fund. This redirected revenue would come from the sales and use taxes imposed pursuant to Section 77-2703 on the sale or lease of aircraft as defined in Section 3-101. The capital fund created under LB175 shall consist of revenues already mentioned and any authorized transfers, gifts, grants, bequests or donations. The purpose of the fund is to improve, build, repair, renovate, rehabilitate, restore, or modify any infrastructure at any public airport licensed by the aeronautics division of the Department of Transportation. There are some airports across the state that don't necessarily have the means to make the needed upgrades to their facilities. However, in the time of crisis or emergencies like floods a few years ago, the small airports played a crucial role in offering assistance to hard hit areas of the state. We need to do our part in the maintenance of these facilities, and the most logical source of funds is that from sales tax on aviation-related sales and leases. With that, I'd be-- answer any questions you may have.

LINDSTROM: Thank you, Senator Friesen. Any questions from the committee? Seeing none, thank you. After we spray it down here, we'll have our first proponent. Good afternoon.

NATHAN MASTEN: Good afternoon. Vice Chair, Senators, I appreciate the opportunity to testify before you on behalf of LB175. My name is Nathan Masten, N-a-t-h-a-n M-a-s-t-e-n. I live in Elwood, Nebraska. I'm the president of the Nebraska Association of Airport Officials. I'm also the airport manager for the airport in Lexington, where I also run a small business maintaining aircraft and operating aircraft

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to provide high resolution imaging and thermal imaging for the farming community. I'm here to testify in support of LB175, which is the same bill that was introduced last year as LB1033, which was advanced and it has been unchanged since then. This proposal is to redirect sales taxes collected on the sales and leasing of aircraft from the General Fund to the Aeronautics Capital Improvement Fund, sales taxes that myself and my industry are already paying, an industry that has an overall state impact of \$8.6 billion as shown in the economic impact study done in 2017, which you're receiving right now. We're making this request because since the early 2000s, until very recently, state aid to airports has averaged less than \$200,000. These grant funds are used to assist your airports in putting together their 10 percent local match required to leverage 90 percent federal grant funds available to them. However, with a very low levels of state funding available to assist local airports, we've been seeing potentially federal funded projects go by the wayside. That statement is supported by similar statements made in the state, in the state by the Department of Aeronautics annual reports from 2015 and '16 and again in the division's capital improvement update from 2019, where it states that approximately \$500 million in needs-- we have approximately \$500 million in needs at our state airports across state. One of the consequences of not being able to come up with that 10 percent local match and so for having to forgo the federal funds is that the condition of our airports is deteriorating. Things like runway cracking and deterioration are first and foremost. My airport in Lexington has just bid a project to rehabilitate and repair a concrete runway and taxiways that will start next month. Even though our services are in fair shape, without this rehabilitation, those runways would soon be unrepairable and require total replacement. The specific use of the funds provided by this bill and the prioritization of the projects that might benefit from these additional funds would still be up to consideration of the Nebraska Aeronautics Commission, as it does now with the limited funds they have. In reviewing the list of projects presented to the commission last fall, we expect that the vast majority of these projects requiring funds would still be maintenance projects, projects to repair runways, taxiways, aprons, projects to replace airport beacons and runway lights or projects to replace aircraft, hangar doors and not projects to improve the facilities, but just to maintain them and offer safe operating condition. With additional funds that we expect the Aeronautics

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Commission will be able to provide-- fund more projects or fund projects at a higher level. Instead of funding the 5 to 7 they currently do, perhaps they could do 10 or 15. Instead of the 2 percent that they currently fund when they do fund one, perhaps 5 or even the 10 percent local match that's required. We realize that asking for money in these-- these days and times are problematic. We would also not be here if we were not committed to our airports and the benefits they provide to all the Nebraskans. Understanding the challenges of requesting additional funds, we have tried to be sensitive to what you need to do as well. In 2019, a increase to state's aviation fuel taxes was presented to this committee as a way to provide additional funds. And although those taxes have not been updated since 1985 and were actually lowered at that time, it was seen as a new tax and it was turned away. This request does not ask for any new or additional taxes. And as a result, this bill was not opposed by the DOT last year. What this request asked is that we be able to use sales tax generated by our industry to support our industry using a tried and true funding model already in place, already in use by the DOT and as was also adopted by Game of Parks in 2014. By the way, I'll mention that Game and Parks will be in here in just a little bit to talk about LB350, which actually continues their measure. By allowing the state-- state sales tax collected on the sale and leasing of aircraft to go directly to the Capital Improvement Fund will provide a significant increase to the funding to Nebraska's airports without a tax increase. That concludes my testimony. I'll answer any questions that I can.

LINDSTROM: Thank you for your testimony. Any questions? Senator Albrecht.

ALBRECHT: Thank you, Vice Chair Lindstrom. And thanks for being here. Can you tell me, do you get federal dollars at all to maintain your facility?

NATHAN MASTEN: So I mentioned early on that we receive, will receive 90 percent federal grants--

ALBRECHT: 90 percent.

NATHAN MASTEN: --but those-- those have to be matched 10 percent locally.

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ALBRECHT: OK.

NATHAN MASTEN: So obviously, that means in my case in Lexington, you know, if we were to get a \$150,000 grant from the federal government, we have to come up with \$15,000.

ALBRECHT: And give me some examples of sales tax in your industry. Like when they fuel up, do they pay taxes?

NATHAN MASTEN: So current-- currently we do. We do have a state fuel sales tax on aircraft, aviation fuel that is 5 cents for 100 low lead, which is more of a gas-based gasoline type fuel. And it's 3-- 3 cents on Jet A, which is more of a diesel-based fuel. Excuse me. The sales tax that we're referring to here is actually the sales tax charged when an aircraft is purchased, just like you pay sales tax on a vehicle. We pay sales tax on those aircraft purchases as well as leases. And currently those funds just disappear into the General Fund. So what we're asking is to use those sales taxes that we're paying to support

ALBRECHT: Do you know how much it would be like in [INAUDIBLE]

NATHAN MASTEN: So the fiscal note originally when we started this process, we estimated it to be about \$700,000, \$750,000 a year. The fiscal note that the state did with this shows that in fiscal year '22 it'd be actually \$1.3 million, which was over our estimate, but obviously that's what they came up with.

ALBRECHT: And if you get this \$1.3 million, so do-- do people have to apply for it--

NATHAN MASTEN: Correct.

ALBRECHT: --throughout the state based on [INAUDIBLE]

NATHAN MASTEN: So currently, the way-- the way the system works currently, any overages or extra that the-- the-- the Division of Aeronautics has goes into a pool. And then the Nebraska Aviation Commission-- Airports Commission actually divvies out that-- that money to people who apply for it. But traditionally, that money over the last 10 to 15 years has only been about \$200,000 a year. Conversely, states that surround us are funding their airports

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considerably higher than that. And this is just funding airports, not-- not to actually run their division. Kansas is at \$5 million. Iowa is like 4.6 and I actually had that listed in my testimony at the end. But like Colorado is \$22 million that they fund their airports with. So comparing to that, we're way short the folks that surround us.

ALBRECHT: Thank you very much.

LINDSTROM: Senator Briese.

BRIESE: Thank you, Vice Chair Lindstrom. Thank you for your testimony. Is your testimony that you're unable to access some federal dollars here because of the lack of state support?

NATHAN MASTEN: Personally, my airport, we-- we have the means to access that. The specific airports that don't, I mean, I obviously can't mention them by name, but there are airports, typically your smaller airports, such as your Gordons or your Thedfords, where they don't have the extra money to come up with to leverage those federal dollars. And that's-- that's the 10 percent we're talking about.

BRIESE: Any statewide estimate of how many federal dollars that this could mean to us here?

NATHAN MASTEN: So if you actually go back--

BRIESE: If not, that's fine if you don't have [INAUDIBLE]

NATHAN MASTEN: No, actually I do. In-- in the-- in my testimony there on the fourth page, actually lists out by year the number of federal tax dollars that had to be reallocated because the federal or because a local could not come up with their match. And 2018 alone, it was \$1.9 million. That was money that had to be turned away.

BRIESE: That's not here on page 4.

NATHAN MASTEN: That's-- and that's-- that's actually in my-- my written testimony. That-- that other one is the economic impact study.

BRIESE: OK. Thank you very much, appreciate it.

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NATHAN MASTEN: Yep.

LINDSTROM: Any other questions from the committee? Seeing none, thank you.

NATHAN MASTEN: Yep.

LINDSTROM: Good afternoon.

GREG WHISLER: Good afternoon. My name is Greg Whisler, G-r-e-g W-h-i-s-l-e-r. My wife Terri and I are the airport managers of the Seward Airport in Seward, Nebraska. We're in the same situation as the Lexington Airport and the other airports around the-- the state. We are in support of LB175. One of the major things that it does, as was mentioned earlier, is it puts taxes that were collected on aviation users back into the aviation system and it does not increase an additional or make an additional tax. And the federal system uses some of that also with aviation taxes based on fuel sales, both jet and 100 low lead, but also airline ticket. Each airline ticket has a tax on it, and that is money used to pool for funding of airport improvements. The reinvesting of those taxes paid by aviation users back into an aviation capital improvement fund just makes sense. The Nebraska Department of Aeronautics, pardon me, the Department of Transportation Aeronautics Division is very good at helping airports, but it is limited to what it can do based on the amount of money that it has. And it was-- as mentioned earlier, our projects are generally fairly expensive due to the vast concrete and large physical areas that have to be repaired. In the case of Seward, Seward's airport was constructed in 1973, so 47 years ago. And we're on the same concrete for the runway that was-- that was placed then. So it's very important to put money into the correct locations as far as maintenance preservation. There's never enough money to replace something once it's been-- once it's been built so we need to take care of what we have. As mentioned earlier, will be real quick, but the change of distribution is similar to the Game and Parks utilizing sales tax based on boats, utility vehicles, and personal watercraft, and also the Highway Trust Fund using money from sale of vehicles, trailers, and semitrailers. The primary source of revenue for general aviation airports in Nebraska is the local property taxes, hangar rental, in some cases revenue from cropland based on the-- the land surrounding the airport that we need to protect but utilize farmers to help

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control that. That revenue is primarily used for airport operation maintenance and repairs, but it doesn't-- doesn't provide enough for improvements. Those improvements come from utilizing the Federal Aviation grant money, as was discussed. But again, we have to be prepared to have our-- our part of that as an airport or pay for any unfunded portions of that project that the FAA does not fund. And it, as was mentioned earlier, if we don't utilize that money, that federal money, it gets taken away from us and goes to another state. And that seems very-- that's a huge loss to receive something that we could have a 10 percent investment on, but not be able to take advantage of. The airport or the Aeronautics Commission commissioners have a very difficult job to decide who gets those dollars for the amount of requests that come in. And-- and it's always difficult because one person or one airport that gets something takes away from another airport and there's just not enough to-- to help everyone. As was mentioned, the-- the state of Nebraska is quite a bit further behind in distribution of state money into airports compared to our surrounding states. And I just would like to let people know that the use of aircraft in airports around Nebraska is very similar to people using cars, pickups, and trucks. It's just that most people don't see those activities because they're not at the airport when it happens. But there's a lot of aircraft that are used for businesses that are very small airplanes, but they keep things happening. They travel within the state. You can't fly from here to Ainsworth on a commercial airliner, but you can get there in a small airplane and back in the same day and take care of your business and be gone only one day as opposed to two days. So airplanes are very useful. They're very necessary. And even though they're not big or visible to the public most of the time, they're up there in the national airspace system every day, just like all the vehicles are on the roads that we-- that we travel on. Just one thing that was said many years ago is remember that when a business owner comes to your town to develop a new business or invest in a property, they didn't come in on a Greyhound bus.

LINDSTROM: Thank you for your testimony. Any questions from the committee? Senator Bostar.

BOSTAR: Yes, thank you, Senator Lindstrom. Thank you, sir. Do you-- do you know how many airfields in the state utilize a passenger facility charge?

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GREG WHISLER: There's only about five airpla-- airports, approximately, that have scheduled airline service. So the-- the vast majority of airports in Nebraska do not have scheduled airline service.

BOSTAR: Right. And so the PFC charge and I don't know, does-- does any amount of the PFC charge get to the division that gets distributed back out to other airfields? Or does-- does all of that stay within the airfield that have the commercial scheduled service?

GREG WHISLER: To be perfectly honest, we are not a part of that since we're a small airport. So I don't know the answer.

BOSTAR: OK. Thank you very much.

GREG WHISLER: You bet.

LINDSTROM: Thank you. Any other questions? Seeing none, thank you.

GREG WHISLER: Thank you.

LINDSTROM: We'll have our next proponent. Good afternoon.

SANDI DECKER: Good afternoon. I'm Sandi Decker, S-a-n-d-i D-e-c-k-e-r, and I'm here representing the Fairbury Airport, and I'm also the vice president of the Nebraska Association of Airport Officials. And I started at the February airport back in 1980. At that time, the FAA issued grants at 95 percent with the Department of Aeronautics contributing 2.5 and the remaining 2.5 was the local airport. This made it easier for the smaller airports to fund their projects. Over the years, the FAA dropped to 90 percent and the state contributed 5. Now it is FAA 90 percent, state zero, and the local airports have to do the remaining 10. Several of these airports can't generate this much so that projects have to be dropped and improvements are not made. Smaller populated cities and counties are unable to issue the necessary bonds. They can't generate enough from tax relief or property tax, hangar rent, farmland, fuel sales, and such. If the sales from the tax from the purchase and leasing of aircraft could be funneled into the Division of Aeronautics instead of the General Fund, the division could once again help these airports. They would become safer and also a better asset to the state of Nebraska. Fairbury's been lucky because we have been able to issue bonds. But if it were

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not for that, we would not be able to meet our obligation for a federal project. At this time, if you have any questions, thank you.

LINDSTROM: Thank you. Any questions? Senator Pahls.

PAHLS: Thank you, Mr. Chair. I'm just looking at it because I've been looking at the jobs throughout the state and I see you're at Fairbury. There are 34 jobs?

SANDI DECKER: It's not airport jobs. It is crop dusters that are located on our field.

PAHLS: OK, so as I go down through this list because some of these are numbers--

SANDI DECKER: We have absolutely no paid employees at the airport per se.

PAHLS: OK.

SANDI DECKER: We have two crop dusters that operate off of there.

PAHLS: I'm just trying to figure out--

SANDI DECKER: Yeah.

PAHLS: --the number of jobs because I was surprised at some of the jobs, because I don't know how they could be in some of these smaller communities. Thank you. I appreciate your--

SANDI DECKER: Um-hum, no problem. It also includes their entire business. And, you know, even if they're on Fairbury, in fact, one of them is Fairbury and Dorchester and several areas. And I think they just threw it all in when they filled that out.

PAHLS: OK. Thank you.

SANDI DECKER: Um-hum.

LINDSTROM: Any other questions from the committee? Seeing none.

SANDI DECKER: Thank you for your time.

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LINDSTROM: Thank you. Good afternoon.

DIANE HOFER: Good afternoon. My name is Diane Hofer, D-i-a-n-e H-o-f-e-r, and I'm representing the Nebraska Aviation Council. In my day job, I'm the aviation subject matter expert and a professional registered engineer with Olsson here in Lincoln. And I've spent over 35 years designing and constructing over 100 airports in Nebraska, as well as Kansas, Iowa and Missouri. I've worked at Millard. I worked at Aurora, Central City, Norfolk, Wayne. I've worked all across the state. I'm also a former deputy director for the Nebraska Department of Aeronautics, and I'm here to support LB750 [SIC LB175] to make sure Nebraska airports receive the state support that's commensurate with their contribution to the economy. You've seen that 2020 Economic Impact Study, \$8.6 billion. As a consultant, Olsson did assist with that study. So if you have some questions, I might be able to help there. But I think that study really shows that airports are vital to Nebraska's economy. We've all used airline passenger service. We do overnight shipping. Yes, that comes by air. But there's so much more going on. Aerial applicators: In that study, crop dusters are providing an additional \$1 billion in crop yields due to the aerial application of crops. So that is really helping support agricultural economy, which helps our whole entire state. Rural medical services: We're not talking about flight for life necessarily. That is important to get out of airports. But coming into these rural airports, medical specialists are traveling regularly to airports across the state. Cardiologists, oncologists going to O'Neill and Broken Bow and Chadron. That's how we're keeping our rural communities going. And yet this industry is getting so very little state support compared to our neighbors. Kansas gives out \$5 million in state grants; Iowa, about \$5 million; Missouri, \$4 million; South Dakota, \$1.2 million; and Colorado, \$22 million. That's just really a contrast between our \$250,000 and this 5, 4 or 5, 6 million that our neighbors are giving. And as a former aeronautics employee, our agency used to be the leader in airport development across the country and now we've really fallen near the bottom. So airports really need the support. The State Aeronautics Capital Improvement Plan that the state publishes is actually \$520 million. And I've seen firsthand cracks on a runway that are bigger than a beer can, broken lights, leaking terminal buildings. There really is a need at all airports, all sizes. And even that, the state's own report says that there are 140 airport projects that are

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not expected to be funded in the short term due to lack of available funds. And the CIP does factor in federal grants, but these grants are not nearly enough to meet their needs. Airport revenue: We talked about fuel sales and leases. They cover part of the cost, but they don't go anywhere near to cover the capital improvements and maintenance costs. So LB750 [SIC LB175] would help meet these vital needs. It would transfer funds already being collected on aircraft into the Aeronautics Division. So it's not a new tax, it's not a tax increase. It's simply a user fee system that deposits the funds from the aviation industry back into the aviation system. So the state has 80 public use airports that are a key component to our economic success. And they-- they have substantial needs for maintenance and capital improvement. And in fact, eight of those airports are not eligible for federal grants, so they have no other funding source outside of local funds. LB750 [SIC LB175] would help fill that gap in funding needs. And in closing, one of my favorite quotes-- quotes is, if you build a mile of highway, you can go a mile. If you build a mile of runway, you can go anywhere.

LINDSTROM: Thank you. Senator Flood.

FLOOD: This is more for my interest than anything. But isn't the Alliance Airport like extra long runway like, Sandi might be pulling my leg. They try to tell me you can land the space shuttle there, which I think is probably--

DIANE HOFER: It is. I believe it's a 6,800 foot runway. It's an old World War II base. And so it-- they've just maintained that length all along. I don't think you could land the space shuttle there. You might be able to land the space shuttle in Lincoln. We have a 12,000-foot runway, which is also the military benefitted. Yeah.

FLOOD: Offutt has one, too, right?

DIANE HOFER: I don't know the length of Offutt's runway off the top of my head. Sorry.

LINDSTROM: Senator Pahls.

PAHLS: Just a little-- thank you, Vice Chair. Just I've been intrigued because as a kid, I was intrigued by all these crop dusters since it

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has been brought up twice. And I'm just curious, since we're also looking at taxes. If I happen to have some land and you are the crop duster, you charge me for dusting the crops.

DIANE HOFER: Yeah. Yes.

PAHLS: Do I have to pay sales tax on that dusting of the crops?

DIANE HOFER: I don't believe so. I believe that's a-- I'm not an expert on that. But I believe that, you know, that would be a service like somebody maintaining your car or something like that. So I don't think there's a sales tax on that.

PAHLS: OK, so if we are thinking about taxing services, not in this particular bill, I'm just trying to put all the pieces of the puzzle together. And I'm not trying to capture your--

DIANE HOFER: No, no, that's--

PAHLS: OK.

DIANE HOFER: But I believe the way this is written is just on aircraft--

PAHLS: Right.

DIANE HOFER: --sales and part

PAHLS: Yeah, this is just a side--

DIANE HOFER: --and this is just the existing sales.

PAHLS: --question on the side. Thank you. Appreciate it.

LINDSTROM: Thank you. Senator Bostar.

BOSTAR: Thank you, Senator Lindstrom. Thank you, ma'am. So do we have airports that have to close because they can't maintain the necessary funding in order to do critical maintenance?

DIANE HOFER: Yes. When I started for the Aeronautics Department, there were close to 100 public use airports and there were now 80 public use airports. So many of them were in smaller communities. And and so,

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but-- but, yeah, that's-- that's literally the number of public use airports. I think it was in the mid 90s to 100 that we started with 30 years ago.

BOSTAR: And for the airports that let's say don't-- don't get all the way to having to close down, how many of them have issues with needing to close a runway, for example, and not just during maintenance, but because conditions deteriorated to such an extent that it was unsafe?

DIANE HOFER: Oh, I wouldn't-- I wouldn't venture to guess that. But I know there's a number of airports that struggle with the length of the runway. For instance, like Gothenburg, Frito-Lay built a plant there 10 or 20 years ago and they wanted to fly into the airport right next to their plant. But the runway is so short and they don't have any money to develop it. So they have to go-- they probably have to go to Lexington and benefit Nathan. But it's just one more factor that's going to affect the economic development of an airport. I'm sorry I don't have those statistics.

BOSTAR: Great. Thank you.

DIANE HOFER: The state is starting on a state airport system plan, and so they are going to be gathering some of those statistics of where those needs directly are. So I think that answer will be coming.

BOSTAR: Thank you.

LINDSTROM: Thank you. Any other questions? Seeing none, thank you.

DIANE HOFER: Thank you.

LINDSTROM: We'll have our next proponent.

GEARY COMBS: Good afternoon, Vice Chairman and committee members. My name is Geary, first name is spelled G-e-a-r-y, last name is Combs, C-o-m-b-s. I'm the chairman of Blair Airport Authority, and I represent the airport authority and the Blair Municipal Airport. I'm here to testify today in support of LB175, which creates the Nebraska Department of Transportation Aeronautics Capital Fund. I am going to skip a lot of my comments because they've made previously as we have time invested here. I will say that the state funds will aid in the building and permit improvements to accommodate modern aircraft and

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maintain the safety that's needed for air traffic operations. Strong airports support state or strong airports will support local and state economy. And one most recent example of what an airport can do is when the city of Fremont was isolated by the floods from the Platte River and its tributaries. There were a tremendous number of personal and corporate aircraft that moved in and out of Fremont to other airports such as Omaha, Millard, Blair. Without that support, if you saw the film, there were hundreds of cases of water and food, residents being moved in and out, and that's all from a private community. So it's very important to the state to have airports like Fremont. Nebraska airports currently receive no General Funds from state tax collections. Just to reiterate, LB175 doesn't increase taxes to Nebraska residents or to buyers and renters of aircraft. It's just moving funds that are in the General Fund over to the new fund. And LB175 is a model of LB814. And on the back of my letter, there is an article from the World-Herald this past Sunday regarding the Game and Parks Commission and how some of that funding is used out at Fort Robinson. Currently, the Blair Airport is unable to apply for grant funds or state funding because NDOT Division of Aeronautics funding is not available. There are many other airports in a similar position today. In 2016, this was alluded to, it's a little more detailed, the Department of Aeronautics Annual Report, there were two sentences of note. On page 1, the director comments were he states that the airport projects are being delayed or abandoned because some of the local airport sponsors could not meet the 10 percent federal match for project costs. On page 25, the report states that federal projects are being delayed or abandoned because airport sponsors cannot finance the 10 percent of the project cost. And on 26, the report states that airport sponsors are aware of the limited funds available and are along-- no longer requesting funds for state grants for their "improvement." The Department of Aeronautics has seen a deterioration in the airport system and an increased need for the reconstruction due to the delay of timely rehabilitation. A similar statement was made in the 2015 report. I ask for your report of LB175 and really appreciate your consideration. Thank you.

LINDSTROM: Thank you. Any questions from the committee?

GEARY COMBS: Thank you very much.

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LINDSTROM: Seeing none, thank you. Any other proponents? I do have one written letter from Jeanne McClure from American Council of Engineering Companies as a proponent. We'll now move to opponents. Seeing none, any neutral testifiers? Seeing none, then we'll have Senator Friesen come up to close. And while he does so, we did have-- oh, Senator Friesen waives closing. We did have one letter for the record, one proponent for LB175.

FRIESEN: OK, with that, we'll open the hearing on LB178. Welcome, Senator Lindstrom.

LINDSTROM: Thank you, Senator Friesen and members of the committee. My name is Brett Lindstrom, B-r-e-t-t L-i-n-d-s-t-r-o-m, representing District 18 in northwest Omaha. And I bring to you LB178, the bill to adopt the Infrastructure Improvement and Replacement Assistance Act to provide for a turnback of state sales tax revenue. Nebraskans recognize the statewide importance of maintaining our infrastructure. As a matter of public policy, the state of Nebraska has invested and continues to make significant investments in our roads and bridges. LB178 addresses another important facet of our state's infrastructure that is often ignored because we visually cannot see it, and that is our sewer and water infrastructure. LB178 seeks to return a portion of the state's 5.5 percent sales tax collected on water and sewer services to assist all Nebraska communities statewide in updating much needed water and sewer delivery systems. The bill would have the state of Nebraska turn back 36 percent of the 5.5 percent sales tax dollars collected for potable and sewer services from July 1, 2021, through June 30, 2022, turn back 54 percent of the 5.5 percent from July 1, 2022, through June 30, 2024, and turn back 72 percent of the 5.5 percent after July 1, 2024. And you might ask why those percentages? Last year I brought a bill that was similar to this. And based on the fiscal note that we got back, we had to amend it this way. So it made more sense as far as the portion of the 5.5 percent. So if it looks funny, it's just what we had to do. The legislation provides much needed financial assistance for water quality projects, including nitrate mitigation, and to address other water quality concerns for drinking water. Nebraska has a vested interest in our sewer and water resources from Grand Island, Hastings, Plattsmouth, Waverly, Blair, and communities across the state. Being able to provide water and sewer is critical to our economic-- economic development, sanitation and living standards for all Nebraskans. And unfortunately, these

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projects are very expensive. Nebraska is at a critical junction where we need to begin partnering with rather than profiting from much needed statewide infrastructure upgrades. One point I would like to bring to your attention with LB178 is the addition of Section 4(4) on page 4. This portion defers any increases in sewer and water rates and requires each political subdivision to account for the receipt of these funds in their budget statements and how this has allowed them to defray increases in water and sewer rates to the users in their communities. This was an important addition to provide transparency and accountability that we had a concern with in a previous rendition of this legislation. Also I've passed out an editorial or there will be an editorial coming from the Omaha World-Herald from 2019 that supports the previously introduced bill, LB242. And with that, I'll be happy to take any questions on the bill.

FRIESEN: Thank you, Senator Lindstrom. Any questions from the committee? Seeing none--

LINDSTROM: Thank you.

FRIESEN: --thank you. Proponents who wish to testify in favor of LB178.

DONNA GARDEN: Good afternoon, Senators. My name is Donna Garden, that's D-o-n-n-a G-a-r-d-e-n. I'm the assistant director of the city of Lincoln's Transportation Utilities Department in charge of utilities, water and wastewater. I'm here today to testify in support of LB178 and for the water and wastewater infrastructure improvement and replacement. Thank you for the opportunity to discuss how this act would positively impact Lincoln. Infrastructure improvement and replacement in our water and wastewater systems is crucial to maintaining the health and safety of our citizens. This is a high priority recognized across federal, state, and local levels. The importance of improvement projects in delivering the well-operating, clean water system, are immeasurable: health, safety, ability to grow and economic impact. So are the consequences of inaction. The question always comes down to funding. Without adequate funding, all systems ultimately fail, taking away the quality of life that we take for granted, clean water and sanitation. The city of Lincoln works hard to maintain a robust repair and replacement program for both its water and wastewater infrastructure. In Lincoln, we have studied the

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performance of our water distribution system and know that if we don't replace at least seven miles of pipe of our older mains each year, we will begin to lose the battle with water main breaks. And we've heard a lot about that from what we've seen in Houston and other places in the United States. Water main breaks can cause significant damage to public and private property and disrupt water services to businesses, industry, and residential customers. In order to maintain the system, Lincoln is spending over \$9 million a year with hopes of increasing future funding. Lincoln is fortunate enough to be a growing city, but with that growth, we must invest considerable funding for water supply wells, pump stations, reservoirs, and new mains. Lincoln Wastewater spends at least \$5 million per year on rehab of our sewer system and is making progress on funding for future treatment plant expansions. The consequences of wastewater system degradation, inadequate capacity, or failure is something that none of us want to think about, including property damage due to sewer backups and the irreparable harm to our state's beautiful rivers. All Lincoln water and wastewater projects are funded entirely by ratepayers. These same ratepayers pay sales tax on their water and wastewater services. This bill allows for more of their hard-earned dollars to fund the service that they are counting on for their families and businesses. With federal funding availability trending downwards over the last 15 years, we found ways to stretch every dollar in our budget. Federal aid to a city such as Lincoln is only in the form of loans, albeit low-interest loans. But there are no federal grants available to us. The state of Nebraska has provided funding for some infrastructure projects via the Water Sustainability Fund, and Lincoln has benefited from that fund and is grateful for its creation. This bill would turn back to Lincoln water and wastewater system between \$1.3 million and \$2.7 million per year. All of it would be used for infrastructure repair and replacement. We all acknowledge that infrastructure repair and replacement is necessary for safe and healthy families and growing businesses. We strongly encourage you to consider this act. Please help all Nebraska municipalities construct, upgrade, redevelop, rehab, and replace sewer and water infrastructure facilities with a percentage of the sales tax paid on these important services. And with that, I'll take any questions.

FRIESEN: Thank you, Ms. Garden. Any questions from the committee? Seeing none, thank you for your testimony.

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DONNA GARDEN: Thank you.

FRIESEN: Any other proponents for LB178?

JIM THEILER: Good afternoon, members of the committee. My name is Jim Theiler, last name is spelled T-h-e-i-l-e-r. Senator Pahls, good to see you. I'm the assistant director of public works responsible for the oversight and management of the environmental services for the public works department. I'm here testifying today in support of LB178, the Infrastructure Improvement and Replacement Act. And I want to make three key points here that I'd like to talk about before I get into the rest of my testimony. And Donna talked about some of these things. But, you know, this is a statewide issue. You know, every water and sewer community district in the state is facing needed upgrades in the state. Clean water, safe discharges of wastewater are critical issues that we need to-- we need to face in this state. And we just saw what happened out at Mead if we're not upkeeping our wastewater infrastructure. And this is an extremely vital part of the economy of the state that we have to maintain if we want to attract and maintain business. The city of Omaha, and I'm going to update a number here because I just got this, we own and operate a wastewater collection treatment system that serves a population of over 700,000. This service area includes over 300 square miles in Douglas and Sarpy County, includes the communities of Bellevue, Papillion, Gretna, La Vista, Ralston, Bennington, and Boys Town. The collection system includes over 2,000 miles of sewers, some of which has been in service since the 1890s. This past year, we signed an agreement to provide treatment for the recently formed South Sarpy Wastewater Agency, which will expand our service area to include the southern portion of the fastest growing county in the state. Our water and wastewater utilities are an important part of the background that exists in Nebraska to sustain our economy. Some, maybe not all of you on this committee, are aware about the city's federally mandated combined sewer overflow program, which Omaha began to implement in 2009. The CSO program continues to be a priority for Omaha and the state of Nebraska that will provide for reduction of overflows of combined sewage to the Papillion Creek and the Missouri River. Reducing the impacts of CSOs are necessary in order to comply with the federal Clean Water Act. The city has worked closely with the Nebraska Department of the Environment and Energy to ensure compliance while trying to minimize the burden on our ratepayers. Omaha meets with the

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NDEE on Monday next week to present what we're proposing for our latest update to our combined sewer plan. And we expect the continued support of working with the NDEE to meet our regulatory obligations in a manner that allows us to minimize the impacts on our ratepayers. What some of you may not realize that going forward, the CSO program is becoming a much smaller part of the financial challenges we are facing to maintain and update our infrastructure. We recently completed a master plan for the upgrade of our two major-- major wastewater facilities. And as mentioned previously, we operate a regional wastewater collection treatment system that supports nearly a third of the population of the state of Nebraska. Upgrades to these facilities will cost over \$1 billion in today's dollars over the next 20 years. In addition, we're estimating approximately \$1 billion in expenses to main-- maintain and upgrade the 2,000 miles of sewers that we maintain under the streets of Omaha. If you include the remaining costs with the CSO program, you will see about \$3 billion in necessary capital improvements to maintain and upgrade the collection system. I've included a chart in my testimony that shows the revenues that need to be generated to support the system as well as the potential turnback tax if enacted. That chart's included in my testimony. Also included, I provided a chart. This includes the combined increases from the Omaha sewer system, as well as the Metropolitan Utilities Districts, a water system which we don't own and operate. That's a separate system from us. In closing, I'd like to ask for your support of LB178. This bill, again, will support the entire state of Nebraska and it's a vital part of our community. And I would entertain any questions that any members might have.

FRIESEN: Thank you, Mr. Theiler. Any questions from the committee? Senator Flood.

FLOOD: Thank you for your testimony today. That sewer, the CSO program has been painful. How are you doing on getting that completed? When does that end?

JIM THEILER: The state gave us an extension to allow us to continue to work until 2037 to get things finished. I would say we're probably about halfway there. We are going to be meeting with them on Monday, actually, to propose some things that will reduce the amount of expenditures we have to do. And we're confident that the state will work with us on that. But-- but again, I want to stress that, yes,

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that's been painful and there's been a lot of costs thrown into that. But going forward, it's-- it's going to-- it's going to be going down on our priorities and these other areas, just increasing the expenditures on our treatment plants and the collection system in general. That's where the funding is going to be needed.

FLOOD: Do you think you'll be able to get that \$60 a month down for the average homeowner? Because I got to imagine that's really tough for some folks that struggle.

JIM THEILER: Yeah, so we do have and I didn't mention this, but we do have ratepayer assistance programs that we partner with the utilities district. So, in fact, that we gave out over \$3 million, which is a little more than normal. But we got-- had some federal CARES Act money to support with us this year. So we worked very hard on the affordability of our system. Yes, it is a concern of ours. I can't necessarily say we'll get it down with this. What I can say is the rates of increases will be minimized quite substantially. And the reason I can't say we'll be able to decrease it is just there's just so many numerous things that we have to maintain.

FLOOD: Thank you.

JIM THEILER: Yep.

FRIESEN: Thank you, Senator Flood. Senator Pahls.

PAHLS: Now that you brought that up, thank you, Senator Flood, my just for the sewer system just repair, my monthly bill is, fluctuates between \$55 to \$60. That's me. Basically small townhouse. So, just to let you know, that's in addition to anything else. Is that not true? I mean, like the--

JIM THEILER: Oh, yes. So your bill is about when I say typical, it's-- that's what we see is like a typical bill. Depending on the size of your family, you know, that can range upwards \$70, \$80 a month. And people that use less water, you know, \$40 a month, somewhere in that range.

PAHLS: But that's-- that's actually been a new cost to me since we started the project.

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JIM THEILER: Yeah.

PAHLS: Close to.

JIM THEILER: And I want to make sure it's really not a new cost. It's been increasing, but Omaha's costs are in line with what I'm going to call some of our peer utilities: Kansas City, St. Louis. We're-- we're not over a national average of those costs at all. But, yes, it's a burden. I agree.

PAHLS: OK. When this process is over, how many dollars do you think we're going to spend on this?

JIM THEILER: Overall, the CSO program's cost, even including the cost reductions that we have, is about a \$2 billion program.

PAHLS: \$2 billion?

JIM THEILER: \$2 billion.

PAHLS: Do we or do we pay taxes on any of that, sales tax?

JIM THEILER: Yes. Well, the taxes are for the-- the-- the taxes are the revenue that we collect to generate that. But, yes, that-- that's part of-- that's part of the reason we need the revenue that we're asking the taxes to be turned back from. Am I answering that correctly?

PAHLS: I just want-- does the state, do they benefit at all from our being under this water?

JIM THEILER: Well, as-- as these-- as our requirements to meet regulatory obligations increase, our need to increase like the CSO program, that was a federal mandate. That was a Clean Water Act. So if we didn't have that, we would not have as much revenue needed to run our system. We would not be paying that many taxes back to the state.

PAHLS: Right. So by this project, we are actually paying the state additional money.

JIM THEILER: And I'm going to say that in the past, when this was brought up before, and I don't want to, you know, some have said

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that-- that the state regulations that require us to do more give the state a windfall. That's the way this has been categorized in the past. I didn't use that in my testimony today.

PAHLS: But I just-- I just-- there is, I didn't say a windfall, but we did receive more dollars--

JIM THEILER: Yes.

PAHLS: --from Omaha.

JIM THEILER: Yes. The more we-- the more we have to spend to maintain our system, the more sales tax the state receives.

PAHLS: Yeah. So I'm just trying to let people understand it's not all going to the city. A lot of it's coming back.

JIM THEILER: Correct.

PAHLS: Thank you.

JIM THEILER: Yes.

FRIESEN: Thank you, Senator Pahls. Any other questions from the committee? Seeing none.

JIM THEILER: Thank you.

FRIESEN: Thank you for your testimony. Any other proponents?

RICK KUBAT: Good afternoon, Chair Linehan and members of the Revenue Committee. My name is Rick Kubat, R-i-c-k K-u-b-a-t, here on behalf of the Metropolitan Utilities District to support LB178. MUD provides water services to the Omaha metro area and surrounding communities, including Bellevue, Bennington, La Vista, Ralston, Waterloo, Fort Calhoun, and Offutt Air Force Base. We serve over 600,000 Nebraskans, or close to one third of our state's residents with water services. We do not provide wastewater services, just the clean water delivered through the tap. What I want to cover today is Nebraska's tax policy as it relates to water. We have a unique, excessive, and regressive tax policy on water. I provided a handout that's kind of a one-on-one on water. It starts with Nebraska's water use. This is older

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information by the Department of Natural Resources, but it largely holds true today. Roughly 93 percent of our state's water is used for irrigated agriculture, our number one industry. And then there's a slight portion, 3.6 percent for the public water supply. That is all residential, industrial, and commercial water. We certainly don't tax irrigated agriculture water, nor should we. We do tax the public water supply. In fact, we double tax it. And I'll get into that in a moment. I'm rather certain we do not tax these other categories. So the next slide shows real fast we tax water delivered through the tap. That's a double tax. We tax water used in industry and there's a one-time tax on sewer. I'll get into that more specifically. We do not tax bottled water and as previously mentioned, irrigated agriculture. In light of Senator Pahls's question, if I can back up and explain this, on the wastewater side, when communities go out and buy pipes, mains, and materials for the build-out of their wastewater system, they do not pay sales tax on those items. What folks pay city and state sales tax on is their sewer bill. So it's a one-time tax. So we'll push wastewater aside, talk about potable water. When organizations go out and buy pipes, mains, and materials for the delivery of clean water, we pay city and state sales tax. There's some very narrow exemptions, manufacturing exemptions for stuff like chlor-- chlorine. The vast majority of stuff we pay city and state sales tax. What makes Nebraska crazy is we incorporate that into the bill and then we go ahead and pummel our public again with a second or cascading, a pyramiding of city and state sales tax again. So a few years ago, we looked at the-- we asked the American Municipal Water Agency to send out a questionnaire to their members. Fifteen random states responded. Six states said we don't do any taxes because it's regressive. If we overtax water, people can't be in the homes. It's bad public policy. Eight states said we either tax inputs and materials on the back end, but not both. We're only able to find one state, Arizona, but at least Arizona takes a portion of their revenue stream to help pay for the underlying cost of water. From there, a few years ago back, the Legislative Research Office looked into this. It's hard to do a state-by-state comparison because every state is unique. But what was apparent was Nebraska is one of eight states that has a tax on residential water. So real quick to summarize, Nebraska is a high, high tax state when it comes to water. LB178 would bring us closer to the middle. Statewide, our communities are struggling to finance water and sewer-- sewer services. You should have heard communities from

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around the state offering support from Grand Island, Hastings, South Sioux City, Plattsmouth, Norfolk, Beatrice, Blair, Waverly. This is a statewide issue. I know that the fiscal note is really high. I kind of look at it this way. Mr. Theiler handed out a previous slide that showed the additional tax revenue garnered by the state due to Omaha's unfunded federal mandate of CSO, where before that kicked in it was around \$2 million. Today it's-- it's about \$11 million. We could literally take that additional state tax revenue and fund the first phase of LB178. We'd be taking money out of Omaha and distributing it to communities statewide to pay for water and sewer because you're going to be hearing a lot more from your communities about double-digit rate increases for water and sewer services. And then I'll-- I'll end with this. We talk about keeping people in Nebraska. We have some communities struggling, whether it's with nitrates or manganese. If we don't have adequate sewer and water infrastructure in our communities, it's going to-- it's going to be more difficult to help people lure there. And just-- just so you have a general idea in Omaha, we have over 3,000 miles of water main. To replace one mile of main is about \$1.3 to \$1.5 million. And that's just on the potable water side. These numbers get staggering and crazy. So when you look at the fiscal note, you might think it's big. This is a big problem. So with that, I'd be happy to answer any questions.

FRIESEN: Thank you, Mr. Kubat. Any questions from the-- Senator Pahls.

PAHLS: Thank you, Senator. So you're saying throughout the state, if we don't do something, a good number of communities are going to be charging double digits. Did I hear that?

RICK KUBAT: I believe, Senator, you're going to see a lot more communities whose water and sewer rates are going to have double-digit rate increases because you have things such as the lead and copper rule. We've got lead service line replacement. And I think it's the American Society of Civil Engineers ranks us at a D minus because we're behind the curve in getting our older sewer and water systems out of the ground. We, statewide, we've got to play catch-up. Yes.

PAHLS: OK. I'm assuming that some of the smaller towns, they probably have a lot of the old piping, lead, and all that kind of stuff
[INAUDIBLE]

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RICK KUBAT: The-- that would be correct.

PAHLS: And I'm just because several years ago this was a big issue for me is what we tax and what we do not tax. The picture here of water, I get taxed out of my drinking fountain. But if I owned a irrigation system, I do not get taxed on the water. Is that what you're telling me?

RICK KUBAT: That's correct.

PAHLS: If I buy bottled water, I get taxed.

RICK KUBAT: No. No on the bottled water. You--

PAHLS: No taxes on that.

RICK KUBAT: No taxes on that. Just water delivered through the tap and it's a double tax.

PAHLS: Tell me double tax on water. And then people were so critical because we want to look at all of these exemptions. This is a primary reason why I started this a number of years ago. I drink, it's smart for me, well, maybe not because of the cost of the water, but the-- the inequities are throughout the state appears to me. Thank you. That's just my sermon.

FRIESEN: Thank you, Senator Pahls. Senator Briese.

BRIESE: Thank you, Senator Friesen. And thanks for your testimony here today. I've heard you talk about the need for dollars for infrastructure here. And I've heard you talk about sales tax on municipal water bills for-- for your customers. We have a bill before this committee to eliminate the sales tax on municipal water. If we would pass that, am I hear-- are you suggesting that you would automatically increase your rates to recoup that difference, not to recoup that difference, but increase your rates to a similar degree because they're getting a break on their sales tax? Would that happen?

RICK KUBAT: You know who's going to be better at answering that question is probably the League of Municipalities. It's a double-edged sword type of issue. Because that bill, I believe you're referring to, Senator Wayne's bill,--

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BRIESE: Sure.

RICK KUBAT: --would-- would repeal both the city and state sales tax. So you're pulling revenue away from the very cities that I would say this bill's trying to to help because it allows the cities to maintain their tax levy authority. In that one, those folks that provide those services are going to lose out on the revenue for their city portion of their tax levy.

BRIESE: Sure. But it would seem that that would, if we repeal that, that would give MUD an excuse to just go ahead and raise their rates by a similar amount and water bills stay the same. Anyway, neither here nor there but just curious.

RICK KUBAT: MUD-- MUD's a little bit, isn't similarly situated in the sense that in most communities, it's a lot of times it's the city that's providing these services. They would lose out on that tax levy authority. MUD doesn't receive that. So that specific bill you're talking about would just basically allow us to lower our rates. What I would say, though, is that the problem is of sub-- of such substantial magnitude. If we want to at least try and start getting ahead of it, this would be a better approach so that we can get those old sewer pipes and water mains out of the ground.

BRIESE: OK, thank you.

FRIESEN: Thank you, Senator Briese. Any other questions? Senator Linehan.

LINEHAN: Thank you, Senator Friesen. Can you go back to this sheet? We didn't have it in our hands when you or I didn't [INAUDIBLE]. Explain-- explain to me here-- explain to me this, what this is telling me.

RICK KUBAT: So and Mr. Theiler would be better in terms of knowing exactly when CSO kicked in, but it probably kicked in around 2010. What this is telling you is in 2010, the state of Nebraska collected off just that, sales tax dollars just off the sewer portion of folks's water bills, \$2.7 million. Then you've got CSO kick in. And here today we're at \$9.4 million. So essentially, what I'm telling you is one of the biggest benefactors of Omaha's unfunded federal mandate is the

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state of Nebraska, because they're garnering all this additional sales tax dollars. The beautiful part about LB178 is we take some of that revenue and we disburse it statewide.

LINEHAN: I think you and I had this discussion before. But this is the what, I don't know, it's now \$55 a month [INAUDIBLE]

RICK KUBAT: Yes. And what's kind of disturbing is the other chart that you were given, the red and blue one. The red one kind of shows the enhanced rate that basically--

LINEHAN: Why didn't the-- why didn't-- I don't because I-- this has been brought to my attention by many constituents and this is a huge cost to a family. So my argument with your chart here is a lot of these people that pay this \$55 sewer bill is something they have-- they didn't get 55 more dollars, like they're paying this versus maybe buying something else they would pay sales tax on. It's not like, I mean, there are plenty of people who probably have spare cash, but a lot of them don't. So I think it's-- I am not asking a question. I'm sorry. I just, I question that all that \$55 wouldn't be spent on something else if they didn't have to pay their sewer.

RICK KUBAT: Yes. I mean, it-- it's-- it's a struggle. Being able to afford water services in the homes is becoming more and more difficult for the folks we serve in our area.

LINEHAN: So why didn't, like many times when a city or county, probably city, is facing this kind of an issue, this huge millions and billions, whatever, why didn't they do-- why didn't they bond it?

RICK KUBAT: Oh, in, you know, again, the city of Omaha would be better. And both MUD and the city of Omaha, I mean, bond counsel loves us because that-- we're trying to spread cost out as far as long as we can. And when you talk about Omaha's \$2 billion CSO, I can't imagine how many bond releases they have to try and spread the cost out over a long period of time.

LINEHAN: So they have bonded part of it.

RICK KUBAT: Yes, definitely. The rate increases just even with the costs being spread out, the rate increases are necessary just to make those bond payments.

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LINEHAN: OK, thank you.

FRIESEN: Thank you, Senator Linehan. Any other questions from the committee? I got a few things I'd like to clarify I guess. Do you guys pay electricity on the water or the pumping of your water?

RICK KUBAT: That's a great question. I think it was about maybe nine years ago and I think the Nebraska Supreme Court said that we did not get the manufacturer's exemption for electricity. So I'm almost certain that we do pay city and state sales tax on the electricity. And if that's incorrect, I'll get back to you.

FRIESEN: OK. Do you-- what do you pay for water?

RICK KUBAT: And we had this conversation last time.

FRIESEN: Yeah.

RICK KUBAT: You know, the water coming up out of the ground is free, but it's the nightmare of the distribution system that really is what we're paying for.

FRIESEN: We're charging a tax on the service.

RICK KUBAT: Yes, I-- I would say that.

FRIESEN: OK. I was just trying to clarify that agriculture doesn't really get a break because we don't pay for water either.

RICK KUBAT: We-- we did try and put what I call Friesen friendly language in towards the end of the bill to attempt to address your other concern.

FRIESEN: Well, at least you have a good memory.

RICK KUBAT: Thank you.

FRIESEN: And I do think you probably do pay sales tax on pumping. So I'm-- I'm not against this necessarily because I-- the one thing that is interesting, though, is in-- in order for transparency, if we just eliminate the sales tax instead of doing that through the state back to you, we-- would that be better or is it-- I know it does-- you

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mentioned that, you know, you have a city sales tax, but again, it's-- it's a circular route for money to flow.

RICK KUBAT: It is. We don't want to completely wean the state off the drug habit, which is the insane amount of track-- tax revenue they're getting. We want to move towards that so that it does it-- it's not a shock to the revenue system.

FRIESEN: OK. I was looking for transparency.

RICK KUBAT: It helps-- it helps address the double taxation issue. You know, it brings us more in line what I would say to be more-- more of a, hey, state of Nebraska, why are we hammering the public with sales tax on water?

FRIESEN: And see, as a state senator, I don't want to get blamed for that.

RICK KUBAT: I always tell them it's not your fault.

FRIESEN: Thank you for your testimony. Any other questions? Seeing none,--

RICK KUBAT: Thank you.

FRIESEN: --thank you.

LINEHAN: Are there more proponents?

LASH CHAFFIN: Good afternoon, members of the Revenue Committee. My name is Lash, L-a-s-h, Chaffin, C-h-a-f-f-i-n. I'm a staff member at the League of Nebraska Municipalities. And I would like to offer the League's support for this-- this measure. Around 500 cities and villages operate water distribution systems in Nebraska, and it's a little unclear, but around 450 operate wastewater treatment systems. Some of the very small ones, people have their own wells, but that's increasingly-- increasingly rare. And the-- the infrastructure needs are-- are off the chart. And this-- this would be money that would get used and it would get used well. The, you know, cities and villages try to maintain their systems and they've tried for years. And it's something-- it's a-- this is-- this is where they live. This is what they use. However, water and wastewater regulation is a constantly

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moving standard. When I started with the League, city water systems, including the large ones, tested for 12 contaminants. It was the obvious ones, lead, sort of-- sort of the obvious ones. Now, they test for almost 200. And-- and I would say in, you pick a-- you pick a place, Ansley, Nebraska. The wastewater discharge permit, the NPDES permit, in all likelihood, is the most complicated document in the entire city and-- or in Ansley's case, a village. But it's the science that goes into those is incredible. And-- and so it's-- it's a-- it's a-- it's a moving standard. Not in like Omaha. You know, 60 years ago, nobody cared that it was a combined sewer. Now people care. And so the-- the financial needs are-- are incredible. And in lieu of giving my long historical talk about wooden water mains in Bridgeport, I would like to address a couple of things. Senator-- Senator Briese, I think the issue with just eliminating the tax is, as Senator Pahls, who I'm going to involve in this discussion, too, identified a few years ago, if you're starting from scratch with a sales tax system, then-- then eliminating the tax would probably be a legitimate discussion. The League will oppose the bill next, is it next week or the week after, on taking that off because embedded into the current system is revenue going to cities and villages. And it's further complicated in Nebraska. In-- in a York, Nebraska, the entity that owns the water and sewer system is the same entity collecting the municipal sales tax. It's not so simple in Sarpy County where it's a different entity. So, you know, a, you know, and Omaha might be getting the tax, but the water system might. So it gets-- it gets very, very complicated. And, you know, someday when we totally reinvent the sales tax from scratch, then that's-- that discussion becomes imperatively important. And because as one of the prior testifiers indicated, Nebraska is treating-- treating domestic water subscribers in a very unfair fashion. And it's probably-- this is-- this is a way to partially remedy that and hopefully bring some money back to the infrastructure needs. I would certainly answer any questions. Thank you for your time.

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

FRIESEN: Thank you, Chairwoman Linehan. So, Mr. Chaffin, you remember our conversation probably a year ago in some municipalities that do cash transfers out of their proprietary funds, which are sewer and water.

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LASH CHAFFIN: Sure.

FRIESEN: Use it for general fund.

LASH CHAFFIN: Yes.

FRIESEN: So I-- not all cities are desperate for money to keep their sewer and water systems up. So is there a way to make sure that these rates, when they charge them, when we give this turnback, I know there's some language in here that addresses that sort of. But are we certain now that they won't do those transfers out of those proprietary funds to do other things and then down the road, they're short of money to maintain their sewer water and complain again, they don't have enough revenue?

LASH CHAFFIN: Oh, I definitely remember our conversation. And a couple of things are-- come into play. First, a transfer from a water or sewer utility into the General Fund falls under the 2 percent restricted funds lid. Thus, if you're to transfer money today in excess of anything you're transferring today, you wouldn't be required to lower some other revenue source coming into the General Fund.

FRIESEN: What if they're doing a capital improvement project, but it's outside the lid?

LASH CHAFFIN: It would still be under the restricted fund.

FRIESEN: OK.

LASH CHAFFIN: There's two lids, two lids at play, as I'm sure this committee has heard the-- the story on that many times. Now, and if it's a capital improvement, yes. Almost all water and sewer infrastructure is bond funded. So it's clearly a capital improvement. And I think if it-- if it-- if it was guaranteed by property taxes, it would be outside the 45-cent lid,--

FRIESEN: You--

LASH CHAFFIN: --but it would still be under the 2 percent.

FRIESEN: --would then figure revenue bonds on--

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LASH CHAFFIN: They are, although often the smaller cities are guaranteed, but they--

FRIESEN: Sure.

LASH CHAFFIN: --they pay them off with revenue.

FRIESEN: Better bond rates.

LASH CHAFFIN: Correct. Correct. But and then there's a second issue with respect to a city transferring money into the general fund. The-- the-- in light of some recent financial mishaps in counties and cities, the Auditor used to regularly give audit waivers for small counties and small municipalities. That practice ended last year. So they can still do it and legally they can. But after what happened in Pilger, that-- that process is-- I don't-- I haven't seen their appropriations hearing, but they may be asking for more money to do audits.

FRIESEN: I am concerned about that. Other than that, I-- I see exactly where we're going and be OK with that. Thank you.

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

LASH CHAFFIN: Thank you.

LINEHAN: Other proponents. Are there any other proponents? Is there anyone wishing to testify as an opponent? Are there any opponents? Is anyone wanting to testify in a neutral position? Letters, do you have? Just a second. Senator Linehan didn't check the letter list. We had four letters sent in-- letters sent as proponents. We had several proponents delivered written testimony this morning. That's very nice of them: Dean Edson, Nebraska Association of Resource Districts; Bruce Bohrer, Greater Omaha Chamber of Commerce, Lincoln Chamber of Commerce; Tim Gay, Sarpy County Board of Commissioners; Matt Schaefer, AGC-Nebraska, Nebraska Association of Commercial Property Owners; Joe Kohout, United-- United Cities of Sarpy County; Jeanne McClure, American Council of Engineer Companies; Julia Plucker, Coalition of Agricultural Manufacturers. Thank you.

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LINDSTROM: Thank you, Chairman Linehan and members of the committee. I don't know if I can do much better than Mr. Kubat today. He's kind of on fire. [LAUGHTER] But I-- I will say this bill last year, or two years ago, LB242, now this one, I think we've come a little bit further in our understanding of the problem. And I thought we had a decent debate on the floor when this came out. And I'll remind the committee it came out 7-0-1 a couple of years ago, one abstained. But it is an important issue. And it was brought up that, you know, if we could turn back the hand of time and not tax it, great, I'd be all for that. I mean, I know, Senator Wayne, we had that discussion on the floor, when we brought this up. However, if you take Omaha out of it, we-- we hear about the needs from across the state and the infrastructure and nitrates and everything that comes with that. You include Omaha in there with the CSO and the federal mandate. The state is getting, you know, the windfall as those rates increase on-- on people. And we're collecting the 5.5 percent on that. The state's making out pretty well. So we heard a couple of turnback bills today and the airport, we're simply giving the money back to our local ratepayers to be able to use for their quality water. And I think that that's, as a taxpayer, I'd rather have my money go to my local community. And the one question came up last time we had this debate on the floor and it was brought up that this is just an Omaha bill. How does this work on the percentages? The money that is turned back is distributed based on where it comes from. So it isn't that a portion from Albion is going to Omaha to deal with their sewer separation. This is spread equally across state, back to their local-- back to your local utilities to pay for the needs of the infrastructure. So I'd appreciate hopefully the same treatment this go-around and we could kick it to the floor at some point, no opposition. So I appreciate that. And I'll answer any final questions that you may have.

LINEHAN: Any questions from the committee? Just one. I'm just-- this is a-- I don't know if we can talk to the Fiscal Office or we could look at this, but if they're right that our sales tax revenues are going to go up because of their fees going up and the chart they sent out how much more state revenue will come in from sales taxes on their fees, and with the fiscal note, if it was what we call that, if it was dynamic, wouldn't it show that these-- these fees, you know, what I'm saying, like the fees they're coming in?

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LINDSTROM: Oh.

LINEHAN: It's not really cost. It-- I'm not 100 percent signed on here yet, so I don't sound like that. But it's not really costing. It's just money. We're not going to send money we've got back. It's just not taking money that's going to be coming in. I mean,--

LINDSTROM: [INAUDIBLE]

LINEHAN: --I would like to see, I guess what I'm asking for is I'd like to see what they say we're going to get in new sales tax revenue versus what this fiscal note says it's going to cost.

LINDSTROM: Yeah, I see what you mean. So, you know, that 70 say, for example, in 72 percent in the final year, it's 4 percent of the 5.5 percent. And that's why we had to change it. So the state is still getting the revenue. But I see what you mean by looking at the discrepancy.

LINEHAN: I'm just-- if it's going to be going up then just-- I'll talk to you off the record, but I think we should look at how the numbers really work.

LINDSTROM: You know, my seventh year, I have yet to figure out and not to knock on the Fiscal Office, but there's always questions that I look at and go, how? How did this happen? Right? But, yeah, we can figure that out.

LINEHAN: OK. All right. Thank you. Any other questions? Thank you very much.

LINDSTROM: Thank you.

LINEHAN: With that, we bring LB178 to a close and we open on the hearing LB233, Senator Friesen. Good afternoon.

FRIESEN: Thank you, Chairwoman Linehan. Members of the Revenue Committee, my name is Curt Friesen, C-u-r-t F-r-i-e-s-e-n. I represent the 34th District, here today to introduce LB233. Current law provides that-- I just want to quantify something quickly. This isn't giving away any revenue for a change. Current law provides for the rental or lease of automobiles, trucks, trailers, semitrailers, or

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truck-tractors as defined in the Motor Vehicle Registration Act. The tax shall be collected by the lessor on the rental or the lease price. You will note that even our current statute does not specify the method by which a vehicle is rented. For some reason, companies and individuals who rent vehicles via a peer-to-peer network have decided that this does not apply to them. But they are wrong. According to the letter I provided the committee, our Tax Commissioner has stated that this transaction is taxable and that the only question remaining is whether or not the platform or the vehicle owner collects the tax. LB233 simplify-- simply clarifies our law and policy of taxing the service of renting a vehicle by specifying that if there is a peer-to-peer rental of a vehicle made through a digital platform or other digital medium, the tax shall be collected on the rental price by the party facilitating the rental. Opponents will tell you that this isn't an actual rental, but a car sharing situation. Unfortunately, even if they refer to it as a rental on their websites, apps, and advertisements, car sharing is a practice of sharing a car for regular traveling, especially for commuting. Peer-to-peer car rental is a process whereby existing car owners make their available-- make their vehicles available for others to rent. You will hear that collecting a sales tax under LB233 constitutes double taxation for vehicle owners, and this is misleading and simply not true. When individuals purchase a vehicle for personal use, they pay sales tax on that vehicle. If that vehicle is being purchased by a company as part of input or part of a fleet of vehicles only used for rentals, sales taxes for the purchase are not collected on the sale of the vehicle until it is sold for private use after being used for the business. Secondly, the sales tax required and collected under Nebraska law that LB233 refers to is the tax on the service of renting a vehicle, not the sale of a vehicle. Furthermore, it is not a tax paid by the vehicle owner. It is paid by the party renting the vehicle. LB233 ensures that Nebraska is collecting sales tax revenue from the service of renting a vehicle, regardless of who is providing the service. Requiring the facilitator to collect and remit the tax is the best way to accomplish this because they are a party-- are the party collecting and disbursing the rental fees. Thank you for your time and I would be glad to answer any questions.

LINEHAN: Thank you, Senator Friesen. Are there questions from the committee? Seeing none, are there proponents? Good afternoon.

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KORBY GILBERTSON: Good afternoon, Madam Chair, members of the Revenue Committee. For the record, my name is Korby Gilbertson, it's spelled K-o-r-b-y G-i-l-b-e-r-t-s-o-n. I'm appearing today as a registered lobbyist on behalf of Enterprise Rent-A-Car Company, Midwest LLC. I first want to thank Senator Friesen for his continuing efforts on this issue. LB233 represents the second time this committee has heard this proposal. So I won't spend a lot of time rehashing the past, but want to give a brief picture of the process or business we're talking about since you have a couple new members. Car sharing, let's make no mistake about it, is another word for car rental. There are various companies who act as facilitators for individuals who want to rent their personal vehicles. You can think about Uber only this time you're actually giving someone your car to use instead of just giving them a ride. These facilitators, some of them are Turo, Avail, Getaround, and others own the online platform where vehicle owners can book or share or rent their vehicles. In return, the facilitator platform collects the rental fee and typically pays the car owner anywhere from 60 to 85 percent of that fee, depending on the agreement between the car owner and the platform. Why is Enterprise interested in this bill? Obviously, number one, we rent cars. We collect the taxes, the other fees that are collected by or are required by cities, fees required by airports, things like that. We think there should be more of a level playing field. Secondly, Enterprises is considering adopting this business platform for areas where they might not have existing fleets of cars. So in 2019, when Senator Friesen introduced this bill, there were three major claims made against it. Number one, this isn't taxable because it's car sharing. It's not car rental. Number two, the facilitator shouldn't have to collect the tax because they're just a facilitator. This harkens back to the Uber arguments of years past. And then thirdly, it isn't fair because it creates a double tax on vehicles for private car owners. This time, you don't have to take my word for it. As you also saw, Senator Friesen handed out a letter from the Department of Revenue that clearly shows how this transaction is taxable. So whether or not they call it sharing or renting, it is taxable. And secondly, this is not a new tax. I kind of-- Senator Lindstrom said he feels bad digging on fiscal notes. I, too, feel kind of bad because in the fiscal note says this is a new tax. The Department of Revenue says it's not. So I think I'm going to side on the side with the Department of Revenue. But sharing or renting under Nebraska Chapter 77, rental is defined as the "transfer

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of possession or control of tangible personal property for a fixed or indeterminate term for consideration." So you can call it whatever you want, but the minute you hand over a vehicle and get paid for the use of it, that is a rental. The number two argument that being a facilitator makes it different, that you no longer have to collect the tax. Thank Amazon. Being a facilitator specifically makes you a retailer under Nebraska law. Retailers are every person operating as a multivendor marketplace platform that acts as an intermediary by facilitating sales between a seller and the purchaser, or engages directly or indirectly through one or more affiliated people, goes on. And then it also includes and if you collect payment from the purchaser and transmit payment to the seller. And under Nebraska statute, a car, a sale is considered a rental. A rental is considered a sale under Nebraska statute, just in case there is a question about that. And then furthermore, the host or the car owner, just like when we used to deal with Amazon, my friends made fun of me because I pay the taxes and nobody else did. That host is also liable for the taxes. So all this bill is asking is who should be collecting those taxes and remitting them to the state? And we would argue that the facilitator is the natural party to do that, since they are already collecting the rental fees, paying the car owner, and remitting other costs to whoever is involved in the agreement. So I'd be happy to answer any questions.

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

KORBY GILBERTSON: OK. Thank you.

LINEHAN: Are there other proponents? Are there any other proponents? Are there any opponents?

KYNDELL GAGLIO: Chair Linehan and members of the Revenue Committee, for the record, my name is Kyndell Gaglio, spelled K-y-n-d-e-l-l G-a-g-l-i-o. I am part of the team at Turo, a peer-to-peer car sharing marketplace. Turo creates a car sharing community where Nebraska car owners connect with neighbors or visitors who can book those cars. Turo does not own, share, rent or, resell any vehicles. We respectfully oppose LB233. Several hundred Nebraskans are currently leveraging Turo to earn much-needed extra income during these challenging times, the vast majority of which use the additional

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income, on average it's a couple hundred dollars a month, to make their car payments, pay for insurance, or other monthly necessary household expenses, think groceries, student loan payments, etcetera. In addition, thousands of Nebraskans use Turo for their vehicle needs, whether to find a vehicle that can comfortably accommodate car seats or that are wheelchair accessible. So how it works for those of you who may be unfamiliar with the Turo platform, I was curious what cars were available in the area as I was waiting for the bill to be heard. I found, for instance, Patrick's 2007 Scarlet Toyota Yaris. It has a picture of Patrick, his two young children, and his dog, guest reviews. He has five stars. A note to his prospective guests: This Husker mobile is available, preferably at a Husker fans needing transit to Lincoln to cheer on the Huskers and then all of the stipulations that Patrick has chosen for use of his vehicle. So what days it's available, what the cost is, the miles that are included in that, and where the pickup and drop off location are. It's completely up for him to decide. We oppose LB233 because rental car companies are a special industry with special tax rules and special tax exemptions. To saddle peer-to-peer car sharing users with those same rules but without those same exemptions would be extremely unfair. While rental car companies collect a tax on the rental price of their vehicles, that collection exempts them from paying a sales tax when purchasing new vehicles. So, according to a NetChoice report, last year alone, that exemption was worth about \$21.1 million. So in contrast, your constituents using peer-to-peer car sharing do not get this exemption. They are subject to all taxes surrounding vehicle ownership. These can be exorbitant sums. So sales tax on, for instance, a \$35,000 vehicle registered in Lincoln is estimated to cost well over \$2,000. They also pay their annual registration fee on the vehicle. So that same vehicle's annual registration fee, about \$800. In comparison, while a rental car company does pay an annual registration fee up-front, they are authorized to collect up to a 5.75 percent additional tax on the transaction price to recoup their costs. However, your constituents using peer-to-peer car sharing do not have this benefit. To argue that the people using peer-to-peer car sharing should be paying the same fees as multibillion dollar rental car companies is fundamentally flawed based on this current system. Moreover, and perhaps more important for our purposes here today, this bill's concept has become moot. Working with the Nebraska Department of Revenue after the Marketplace Fairness Act passed, Turo is now collecting and remitting

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the state sales tax on each transaction. In essence, the state is now double dipping on the sales tax on Nebraska host vehicles because it collects the tax when your constituents purchase their vehicles and then also on each transaction when the vehicle is put to use. Thank you for this opportunity to address the committee on behalf of the many community members benefiting from peer-to-peer car sharing in Nebraska.

LINEHAN: Thank you. Are there questions from the committee? They're already paying the sales tax? You're paying the sales tax now?

KYNDELL GAGLIO: Yes.

LINEHAN: We're collecting.

KYNDELL GAGLIO: We are collecting and remitting to the state.

LINEHAN: OK, thank you. Any other questions? Thank you for being here. Are there any other opponents? Thank you.

VANESSA SILKE: Good afternoon, Chairperson Linehan and members of the Revenue Committee. My name is Vanessa Silke, that's spelled V-a-n-e-s-s-a S-i-l-k-e. I'm the attorney and lobbyist for Avail, which is a subsidiary of Allstate Insurance Company. You've heard prior testifier in opposition to this bill. And I'm here to echo. I'm not going to repeat everything that she said, but Avail is aligned with Turo in their position on this bill in opposition. The letter from the Department of Revenue, that ruling itself moots this bill. It would only add confusion to add another second bill in the language of LB233 that would-- doesn't use the same terminology as the marketplace facilitator language from LB284. And it's ambiguous. It says whoever facilitates. If we already have a revenue ruling that requires the platform to collect the tax and that's already happening, then why would we have a separate statutory provision that says whoever facilitates this also has to collect a tax? It's just confusing. It's-- it's duplicative and I don't think that it serves any purpose. In addition to the policy issues that Turo's testifier raised, I do think it's important and this is to the point of what I passed out. I don't expect you to read that here during the hearing time, but I'm happy to answer any questions that you have. We have engaged with Senator Friesen over the past few years in a number of different ways

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and twice now, the second time for Revenue, once in Transportation and Telecom and hopefully in the future in Banking and Insurance. Because this is a growing industry, the market has-- has garnered support from insurers and from these platforms for this car sharing business to develop model legislation that's already been passed in a number of states. It's been considered here in Nebraska. And we had an interim study where we looked at this because right now this is not a regulated industry. So I think it's inappropriate for this committee to advance a bill that would confuse and duplicate taxes that are already being collected under existing law. And number three, if it's so important to Enterprise Rent-A-Car that we have some sort of level playing field, I think that we should be focusing on meaningful legislation that sets a baseline for reporting requirements, consumer protection, and insurance, which is what I passed out. That's the model legislation from NCOIL. It's the National Council of Insurance Legislators. This and the cover letter that's on page 2 I think in there, shows that this was supported not only by Avail and Turo, but also NAMIC and APCIA. Those are two major industry groups for insurance. There's a lot there that would help facilitate the growth of this business here in Nebraska and address some of the concerns that Enterprise has raised over the last three years. And yet we don't see this model legislation support for it to be adopted here in Nebraska. So it's not a Revenue Committee issue for this session. It's certainly something that Avail and Turo have participated in over the last few years. And for that reason, we ask that you not advance this bill and that we continue to work on regulating this industry. So I haven't taken up all my time. I know it's Friday afternoon. We've heard a lot of different policy issues here today. With that, I'm happy to answer any questions that you all have.

LINEHAN: Thank you, Ms. Silke. Are there questions from the committee? Seeing none, oh, I'm sorry.

FLOOD: I maybe, who are you with, I'm sorry?

VANESSA SILKE: Avail. Avail is a subsidiary of Allstate and they are not here in Nebraska yet. They are developing a peer-to-peer car sharing platform. They are in other states. Colorado is one where they're at. Colorado actually exempts peer-to-peer car sharing from taxation because of a policy issue that it removes cars from the road.

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It reduces impacts because we don't have everyone having separate cars so.

FLOOD: How does this work with Avail like you have a rental car out there?

VANESSA SILKE: No. So as the prior testifier explained, this is simply an interface online. So Avail does not own any cars at all. And I know that the semantics of what are we calling a rental versus sharing, it's actually important because of the regulations on actual car rental fleets where a company like Enterprise is acquiring vehicles and renting them out. This is different. This is peer to peer. And for that reason, we have different language.

FLOOD: So you're paying the tax right now.

VANESSA SILKE: If Avail, once they establish here under that revenue ruling, that's what that states is that the platform must collect and remit the tax. And that Turo is here in Nebraska right now and they are collecting and remitting that tax under existing law.

FLOOD: OK. Thank you.

LINEHAN: Thank you, Senator Flood. Senator Brieese.

BRIESE: Thank you, Chairman. Thank you for your testimony. Is part of your goal to undermine anything in this bill or any of this new provision in the bill here?

VANESSA SILKE: I don't think this bill should pass, given the revenue ruling that says under existing law, the platforms already have to collect and remit tax. For me, there's no reason to add this provision at all.

BRIESE: Obviously, you want to achieve something else in here. And without studying that, looking through it, I can't decide what.

VANESSA SILKE: Sure.

BRIESE: But what's the main goal?

VANESSA SILKE: The main goal is--

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BRIESE: The first priority.

VANESSA SILKE: --is to the extent Nebraska wants to regulate the peer-to-peer car sharing industry because it is fundamentally different from going to the counter and renting a car. There are different insurance issues, different-- different considerations from a policy perspective. One of them is tax. One is insurance. One is consumer safety. That model legislation would look at the entire industry. And if we adopt that here, that's a better vehicle to look at these issues than a piecemeal tack-on provisions that don't utilize industry language and don't mirror the language that we have passed in LB284 for the marketplace facilitator issues.

BRIESE: It wouldn't hurt anything to adopt this, to codify what the department has essentially done and then replace it someday with model legislation, would it?

VANESSA SILKE: What I understand from that revenue ruling letter, and I don't have it right here in front of me, is that under current law, so without LB233, we're already required to collect and remit that tax.

BRIESE: OK. OK. Thank you.

LINEHAN: Senator Briese. Senator Flood.

FLOOD: When you say remit, does the Department of Labor, since you're the interface, if the current law is that the tax has to be collected, there may be some ambiguity on who collects it. Wouldn't we be better to say you're responsible for that if you're the interface between the two parties?

VANESSA SILKE: I can tell you Avail is opposed to that tax rate being-- a tax even apply to this. But their goal is to comply with state law. And if we have a ruling that says under current state law, they already have to do this, they'll comply.

FLOOD: But my sense is that this-- the Department of Labor needs something clarified so that we don't let one side slip out of this.

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VANESSA SILKE: I don't have that letter in front of me, and I do not recall that it says there's a request for legislation. It's simply a ruling on current law.

FLOOD: OK, thank you.

LINEHAN: Thank you, Senator Flood. Are there any other questions from the committee? Seeing none, thank you very much for being here.

VANESSA SILKE: Thank you. And after you've had a chance to read the NCOIL legislation, if you have any questions about the industry, I'm happy to answer that for you. Thank you.

LINEHAN: Are there any other opponents? Is there anyone wanting to testify in the neutral position? Any letters, now I've hid them again. So on written testimony that was submitted this morning for LB233: proponents were John Peetz, Nebraska Trucking; Joe Kohout, United Cities of Sarpy County. And letters: there were two proponent letters submitted. Good afternoon.

FRIESEN: Thank you, Chairwoman Linehan. I'll make this really quick. I do think that this language clarifies exactly who is supposed to collect it and remit it. It takes away any ambiguity that might be out there. Yes, they're supposed to be collecting it, but it doesn't really specify who's going to. What this bill does is spell that out exactly. So with that, I'd be glad to answer any questions.

LINEHAN: Thank you, Senator Friesen. Are there questions from the committee? Seeing none, thank you very much. With that, we bring the hearing on LB233 to a close. And Senator Lindstrom takes over.

LINDSTROM: All right, we will open the hearing on LB350, introduced by Chairwoman Linehan.

LINEHAN: Good afternoon, Vice Chairman Lindstrom and members of the Revenue Committee. My name is Lou Ann Linehan, L-o-u A-n-n L-i-n-e-h-a-n, and I'm here to introduce LB350. This is a very simple bill. LB350 would extend the sunset date from October 1, 2022 to October 1, 2027 for the distribution of sales and use tax to the Game and Parks Commission Capital Maintenance Fund from the sale of motorboats, personal watercraft, all-terrain vehicles, and utility-type vehicles. I would be happy to answer any questions, but

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there are people behind me that know more about this than I do. So just saying.

LINDSTROM: Very good. Any questions from the committee? Seeing none, thank you. First proponent. Good afternoon.

TIMOTHY McCOY: Good afternoon. Vice Chairman Lindstrom and members of the committee, my name is Timothy McCoy, T-i-m-o-t-h-y M-c-C-o-y. I'm the deputy director of the Game and Parks Commission, 2200 North 33rd Street, Lincoln, Nebraska. And I'm here representing the commission in support of this. First, I want to thank Senator Linehan for bringing this bill forward and for the opportunity to address the committee today. I'm going to try to be brief today, which is hard for me, but I know you've had a long day. I will start with just a brief history for all of you on the Capital Maintenance Fund. This bill-- the Capital mains-- Maintenance Fund was created in 2014 by LB814. Focus at that time was to address a growing deferred maintenance and immediate repair needs that have been identified by our engineering and parks divisions. And the funding source for CMF comes from the diversion of sales tax on motorboats and motorized personal watercraft, Jet skis, and nonfarm ATVs and UTVs. That funding source has provided about \$3.7 to \$4.9 million annually, with some fluctuations averaged about \$4.5 million a year. I will point out that originally this was for five years. It was extended twice with a sunset now and it's October 1, 2022. And that's because general CMF funds were transferred to the General Fund in FY 2018 for \$4.5 million and then another \$8.5 million was-- was transferred in FY 2019. So that from a capital programming and planning standpoint, that sort of caused us to take some shifts and starts, but we continued to develop and complete projects as those funds become available. The focus has been public safety, public health, ADA compliance, updating utility and sanitation systems, and maintenance improvements in our campgrounds and cabins and boating facilities. And generally when I talk about this, you know, the-- the infrastructure we have in a state park, especially one regardless of size, is a lot like a small town. We have potable water systems. We have sewer systems that have to be maintained, electrical systems anywhere that we have activities, especially with campgrounds and the demand for larger camp-- larger amperage, tower or plug-ins, I can't think of the word, for-- for the newer RVs that continue to get bigger and bigger. So the funding to implement this, as we looked at in 2018, we looked for a proactive plan to project forward our capital

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maintenance needs. Part of that was a larger concern by our commission that we should never let ourselves get behind on this. We don't want to have deferred maintenance. We don't want to have failing systems that we have to shut a park down with. So using that forward, looking over the next 10 years, looking at projects and costs, about a \$76 million need, which would be \$7.6 million annually over the next ten years. And so part of that then was next, looking at how do we achieve that? And-- and extending the Capital Maintenance Fund looks like it's a critical part of that for our business model. And part of that business model is based on trying to maintain in our-- our parks cash fund that sustains 73-- Jim Swenson, our parks chief, will be behind me with more of these details. I might get some numbers wrong. About 73 percent of our-- our parks operating and management budget is based on those user fees. So-- so we do try to manage our-- our cash funds to maintain a reserve balance, about 25 percent reserve of an annual operating. That does good things for us. And we've used those funds that have helped us a lot, being able to manage activities with the damage that we undertook in the 2019 floods and also with all of the challenges with COVID this year. So-- so it is-- is important to us. We believe this is important for the state. We think it will really serve both the park users and maintain our integrity and our-- our ability to sustain the park system based on that user fee issue as we move forward and hopefully to continue to also support our communities and economic impacts of tourism in the state. With that, I thank you for your time. I encourage your support and the light is about to turn red.

LINDSTROM: Thank you. We appreciate that. Any questions? Senator Flood.

FLOOD: Mr. McCoy, thank you for coming today. When this was started in 2014, did you-- did the Game and Parks Commission ever represent-- I'm not asking because I know-- I'm asking because I don't know-- did the Game and Parks Commission ever say, hey, do this one time and we will be done? Or did it-- was it envisioned to go on forever?

TIMOTHY MCCOY: Well, I think when we originally talked about it and because I was actually working in this role at the time, because the sustainability of our park system was a big challenge, there was the thought we might need this for-- for more than the period of time. But I think it's also the reality that the-- that in doing something new

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like this, you need to come back and be able to talk about what you've done and try and identify those needs. Now, as we look forward, trying to get past a lot of our major system upgrades on electrical, sewer, I'm hopeful that this is not-- not a continuous issue, but it is a challenge. We have about over \$95 million worth just of buildings in our parks system.

FLOOD: [INAUDIBLE] this Revenue Committee that this is the last time you'll be here to ask for this?

TIMOTHY McCOY: What's that?

FLOOD: Would you commit to this Revenue Committee that this is the last time that you'll be here to ask for this?

TIMOTHY McCOY: I probably can't commit that for future commission. You know, I work for a commission. I--

FLOOD: Can you get us a list of the projects that you're going to complete--

TIMOTHY McCOY: Yes.

FLOOD: --2027?

TIMOTHY McCOY: Yes.

FLOOD: OK. Real quick, I know it is Friday afternoon. You are user funded through permits. How much General Funding do you get?

TIMOTHY McCOY: We get about 12 percent of our agency fund from the General Fund. So 88 percent user-based. In our park system, that's a higher, they have a higher percentage. It's where the highest percentage is. And I had that number in front of me. It's about 23 percent General Fund. The park system when it originally came over to our agency and if you look 30 years ago, was about 50 percent funded with General Fund. We've-- we've continued to see with the issues with General Funds that we've got to rely more on-- on user fees in generating revenue.

FLOOD: You know, I would say I'm generally, I think well of Game and Parks and I like the idea of deferred maintenance. I think it's

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dangerous when the Legislature starts just earmarking little pots of money for different pet projects. Wouldn't you be better to go to the Appropriations Committee and just up your General Fund appropriation or amend your user fees instead of having this different payer mix? Because if you notice, the airports are here now wanting their share.

TIMOTHY McCOY: I know. I know. Yeah, I-- I understand. I understand the challenge you face. And it is, you know, one of our concerns is if you continue to bump user fees to-- to deal with these sorts of large infrastructure issues, we will potentially price people out of the park system; and we feel a responsibility to all the citizens of the state. That's-- that's my-- that's my feeling.

FLOOD: Right. But I think it's a dangerous precedent for us to start carving off little sections of everybody and everybody's sales tax. Suddenly, everybody has their own funded plan and they miss the Appropriations Committee. So I-- I would like to see from you a list of what you plan to complete by 2027. And we'll read those into the record on the floor if it gets to that point and that we know what the contract is between the revenue, you know, the Legislature and the Game and Parks Committee.

TIMOTHY McCOY: OK.

LINDSTROM: Senator Friesen.

FRIESEN: Thank you, Vice Chair Lindstrom. I know kind of a user fee model and-- and the reason you've asked for the sales tax for the boats, personal watercraft, all-terrain vehicles, and utility-type vehicles. But how many miles of trails do you have for those vehicles to drive on?

TIMOTHY McCOY: In terms of ATVs? We do not-- we do not have a lot of trails. We've tried to develop some new. Trying to develop ATV trail locations is interesting. There's a lot of pushback from doing those [INAUDIBLE].

FRIESEN: And yet you've, I mean, you've taken the revenue from them to-- in order to provide those trails. Wasn't that the idea kind of? You were going to be building trails and--

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TIMOTHY McCOY: There was talk. There was a little bit of suggestion from people that we were building trails, but part of it was really to try and look at mechanisms to-- to actually address the issues in the park system.

FRIESEN: Because it doesn't-- right now, the two don't tie together if I'm paying a sales tax that goes to recreation, but yet I can't bring my four-wheeler. It doesn't kind of mesh.

TIMOTHY McCOY: No, no, it doesn't. And-- and I will share with you and-- and-- and in jest that we originally looked at RVs and RV trailers. But those dollars already go to road construction.

FRIESEN: A step too far?

TIMOTHY McCOY: Yeah. Yeah. No, it was where we originally looked and it was quickly, quickly became apparent, well, eh, no, not go.

FRIESEN: OK. Thank you.

LINDSTROM: Any other questions? Seeing none, thank you.

TIMOTHY McCOY: Thank you.

LINDSTROM: Next proponent. Good afternoon.

JIM SWENSON: Good afternoon. Vice Chairman Lindstrom, committee members, I'm Jim Swensson, J-i-m S-w-e-n-s-o-n. I have the privilege of serving as a parks division administrator for the Nebraska Game and Parks Commission, 2200 North 33rd Street, Lincoln, Nebraska. My testimony is offered in support of LB350. This year marks the Centennial Nebraska State Park system, a diverse and vibrant park system spanning the state. The park system belongs to each Nebraskan. The first 100 years is a milestone attained because of the passion and investments of many players collaborating to build-- collaborating to build a park system that's among the best in the nation. It is incumbent upon us at this moment to preserve the many foundations established and facilitate future opportunity for citizens to enjoy safe and functional state park environments. Our state park lands are gateways to the outdoors. As managers of the public parks, we consider ourselves the gatekeepers, the stewards of your parks. Success requires an array of talents and tools. The Capital Maintenance Fund

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serves as a critical tool for the commission to continue our vigorous maintenance plan for park system infrastructure. We are committed to maintaining the public's parks. We need the tools and financial resources to do so. Nebraskans love their state parks and the parks are critical to our state tourism industry. On a local scale, state parks are appreciable-- add appreciably to the quality of life, support, economic vitality, and provide employment opportunities. And I can name several communities that might agree with that. Healthy parks require constant attention. If you're a homeowner, you can understand the time and expense of maintaining a property in a safe, attractive, livable condition. Parks division has that same obligation for 78 parks and trails spanning over 105,000 acres. Park venues serve hundreds of thousands of visitors annually. There's always something in need of repair. When I assumed this leadership role, the two primary complaints from the public were the condition of park facilities and the need for additional or updated campgrounds. Thanks to support from the Legislature, we've been able to begin turning those complaints into compliments. But much work remains. This legislation enhances our ability to improve parks statewide. Perhaps in the future, we look back upon this extension of the Capital Maintenance Fund as one of the most important decisions made for preservation of your memories, your adventures, your Nebraska state parks. The challenges are real. Deputy Director McCoy described those quite well. Visitor safety, environmental protection, sanitation, clean water, all those things exist for us. And we have to address those across the state. Enhancing CMF fund, extending it ensures our ability to make our environment safe for not only staff, but also the visitor to come there. It reduces the risk of litigation that we might have to face, gives us greater ability to match other funds, such as federal Land and Water Conservation Fund. It assists us in making sound investments with infrastructure such as replacing wood frame, cinder block restrooms with solid concrete structures that have extended lifespans and can serve as storm shelters in our public park venues; helps us to maintain facilities that are critical revenue producers. When we look at sustainability of our agency and reinvesting, campgrounds are a prime example of that. Many need electrical upgrades and expansion of the sites that Deputy Director McCoy spoke about. Those are sound business decisions for us because the opportunity exists. Opportunity exists because the recreational vehicle industry has grown tremendously over the last decade, 6

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percent again just in the last year. How large is the demand? There are approximately 48,000 registered RV-type vehicles in Nebraska. State park lands presently have an inventory that serves with electrical hookups 3,500. We serve less than 10 percent of the available market. Not extending the CMF fund will have some unacceptable consequences, in my opinion, as park director. I hear from the public all the time. The feedback I get is improve the facilities, but the folks don't necessarily want to see their user fees increase dramatically. We did make some adjustments to user fees to help accommodate CMF and carry this mission forward with deferred or with our capital maintenance. We hope that you'll continue to support capital maintenance and extend this. It's of great benefit to us and can have a huge impact in our state park system, which is one of the best in the nation. Thanks. And I'll take any questions.

LINDSTROM: Thank you. Any questions from the committee? Seeing none, thank you. Next proponent.

JIM CRAIG: Well, good afternoon, Revenue Committee. And you don't have to say it, but I'm your favorite testifier of the afternoon since I'm the last. So my name is Jim Craig, J-i-m C-r-a-i-g, and I'm here to speak in support of LB350 for the Nebraska Game and Parks. I've been around the Game and Parks for many, many, many years. I own a small business out of Panama, Nebraska, and I do outdoor events called Angry Cow Adventures. That's another story sometime after hours. But I put on like trail runs, kayaking, all sorts of outdoor events. So I go across the state, in communities, and in the parks throughout the year. And so I've been around these guys and their facilities for many, many years and have helped with a number of things. I do a lot of activities that they ask help for. They need help. I coach cross country out at Norris High School and so I get our kids involved with stuff. So they hopefully in the future, they enjoy the parks, go to the parks. We do park cleanups. We do all kinds of things like that. So I help them with things like that. In the years that I've been around these guys, we've created good friendships. I've seen what they've done with what they have. This bill will be a great bill to extend the things they're doing. I know that sometimes aging infrastructure is a huge stress to them and try to keep it up. They've done a very fantastic job every year with what they have and the means that they have. And so this would be a great added bonus to keep what they're doing, like, you know, like the trails for ATVs down the road,

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keeping up for RVs and campgrounds and things like that. They've just done some stuff at Chadron with the cabins and things. This is a-- this is their centennial year. And being their centennial year, they've been getting after it pretty good to try to promote and get activities going and get their infrastructure up as best they can. And with my events bringing people in from out of state and across Nebraska the last few years, I always get a lot of good compliments about how nice our parks is. And I also go, even at my age, I'm only 35, but I go to other states, surrounding states and do a lot of activities. And we're very fortunate to have what we have here in Nebraska. So I understand, you know, some of your feelings or reservations about stuff, but I applaud what you do. In closing, I have been a village of Panama board member for years. I've been on the Norris School Board. This is my 31st year. Don't ask me why, but we're not always appreciated. So thank you for what you do. I hope you continue to support this bill. And thank you to the Game and Parks and have a great weekend, guys.

LINDSTROM: Thank you. Any questions from the committee? Seeing none, thank you.

JIM CRAIG: OK.

LINDSTROM: Any other proponents? Any opponents? Excuse me, there was a written testimony as a proponent: Scott Smathers with Nebraska Sportsmen's Foundation. Opponents? Neutral testifiers? Seeing none, Senator Linehan, if you'd like to close. We did have letters for the record: nine proponents, no opponents, and no neutral testifiers, letters for the record.

LINEHAN: So to be like completely whatever that is, transparent here, where I live is like I can walk to the Elkhorn River and it's maybe 15 minutes to Schramm Park and maybe 17 to Mahoney Park. And then there's another park on the other side of Schramm Park and then you get to Louisville. And ever since I've moved back in 2012, my family likes to cycle and they like to walk and they like to hike. And I think we are greatly underutilizing, I mean, I know Senator McDonnell talks about a great big lake, but there is young people, all people. They like to walk. They like to kayak. They like to hike. We've got a Highway 31 that goes down past the Cloisters on the Platte. And then there's like some places you can get in a canoe and then you have the Schramm park

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there. And it's we have an asset in that whole area, in my opinion, that is, say horribly, but it is very much underutilized. It could be a much bigger draw, I think, if people like reimagined. So that's actually why I went out to Game and Parks, because I made him get out of a big map. But I'm saying, like, you need to look like big picture here, which they have, but they're-- they're limited in their funding so much that they can't think, like, really big. So, of course, I went out and asked them for something. And they said, would you do this, bill? And I said, sure, it's the least I can do because I do think we need to help them. And they're working on it. It's helped them. And I love Fort Atkinson. I mean, I think we have some huge assets in Nebraska that we do not maybe utilize to its fullest. And I think if we want to grow as a state, you know, one of my children went to buy a car because they're stuck in Nebraska because of COVID and they ask her for what she was going to trade in. And she goes, well, I don't have a trade-in. And the guy goes, why, you've been riding a bike? And she's like, actually, yes, for like five years. So anything I think there's some opportunities. So thanks.

LINDSTROM: Any final questions? Seeing none, thank you. That'll close the hearing on LB350.