

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 2, 2022

LINEHAN: [RECORDER MALFUNCTION] public hearing. My name is Lou Ann Linehan. I'm from Elkhorn, Nebraska. I represent Legislative District 39, which is Elkhorn and Waterloo. I serve as Chair of this committee. The committee will take up the bills in the order posted outside the hearing room. The list will be updated after each hearing to identify which bill is currently being heard. 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. We do ask that you limit handouts. It's important to note if you are unable to attend a public hearing and you would like your position stated for the record, you must submit your position and any comments using the Legislature's online database by 12:00 p.m. the day prior to the hearing. Letters emailed to a senator or staff member will not be part of the permanent record. You must use the online database in order to become part of the permanent record. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please turn off cell phones and other electronic devices. The order of testimony is introducer, proponents, opponents, neutral, and closing remarks. If you will be testifying, please complete the green form and hand it to the committee clerk when you come up to testify. If you have written materials that you would like to submit to the committee, please hand them to the page to distribute. We will need 11 copies for all committee members and staff. If you need additional copies, please ask a page to make copies for you. When you begin to testify, please state and spell both your first and last name for the record. Please be concise. It will be my request that you limit your testimony to five minutes. We will use the light system so you will have four minutes on green and then a minute on yellow. And when the red light comes on, you need to be done. Please be concise. It is my request that you limit-- oh, excuse me. If there are a lot of people wishing to testify, I don't think that's going to be an issue today. If your remarks were reflected in previous testimony, or if you would like your position to be known but do not wish to testify, please sign a white form at the back of the room and it will be included in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. I'd like to introduce committee staff. To my immediate right is legal counsel, Mary Jane Egr Edson; and to my immediate left is research analyst Kay Bergquist. To my left at the end of the table is committee clerk, Grant Latimer. Now if the senators would introduce themselves, starting with Senator Pahls.

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

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LINDSTROM: Brett Lindstrom, District 18, northwest Omaha.

FLOOD: Mike Flood, District 19, Madison County, southern Pierce County.

BRIESE: Tom Briese, District 41.

ALBRECHT: Joni Albrecht, District 17: Wayne, Thurston, Dakota, and a portion of Dixon County.

LINEHAN: Our pages today, if you could stand up, are Natalie, who's from Norfolk studying at Wesleyan in international business; and Thomas, who is from Omaha and is at UNL studying political science. Please remember that senators may come and go during our hearing as they may have bills to introduce in other committees. Please refrain from applause or other indications of support or opposition. For our audience, the microphones in the room are not for amplification, but for recording purposes only. And lastly, we use electronic devices to distribute information. 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 is critical to state government. And with that, we will open on LB1094. Senator Mike Flood.

FLOOD: Thank you, Chairwoman Linehan, members of the committee. My name is Mike Flood, F-l-o-o-d. I represent District 19, it's paradise, all of Madison County and southern Pierce County, including the city of Norfolk. Today, I'm here to introduce LB1094. This bill is simple and limited in its scope, so I'll keep my remarks equally brief. LB1094 provides for the specific inclusion of remote workers in the Nebraska-- in the Imagine Nebraska Act as it relates to employees providing services as it relates to their Nebraska residence. Since the onset of COVID-19, the entire landscape of the workforce has significantly changed. I think this bill is a positive amendment to this act, learning from any of the experiences and lessons we've all shared the last two years. So I'd take any questions you have and my final opening comment would be this is an opportunity for rural Nebraska and businesses to take advantage of the skilled workforce that's available in rural Nebraska. There's a lot of underemployment. We have a lot of people with really good skills that aren't making enough money, and they can make more money if they can work remotely. So it's a job opportunity.

LINEHAN: Thank you, Senator Flood. Are there questions from the committee? Seeing none, will you be here to close?

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FLOOD: Yes.

LINEHAN: Thank you. Proponents. Are there proponents for LB1094? Good afternoon.

KRISTEN HASSEBROOK: Good afternoon committee. My name is Kristen Hassebrook, K-r-i-s-t-e-n H-a-s-s-e-b-r-o-o-k, and I'm here today on behalf of the Nebraska Chamber, the Nebraska Economic Developers Association, the Lincoln Chamber of Commerce, the Greater Omaha Chamber, and the Nebraska Bankers Association in support of LB1094. I just would give you some background that under Nebraska Advantage, there was a telework provision similar to the language provided in, in this bill. And clearly, as our economy sort of goes through COVID and emerges from COVID in terms of the reality of the workplace, a limited clarification to imagine to make it clear that Nebraska residents, you know, working at both the qualified location physically as well as part time at home is important in terms of making sure that our program is applicable and accessible to the future workforce. For those reasons, we're supportive and I'd be happy to answer any questions.

LINEHAN: Thank you. Are there questions from the committee? Seeing none, thank you very much. Are there other proponents? Are there, are there opponents? Anyone wanting to testify in the neutral position? Senator Flood, would you like to close?

FLOOD: This is exactly how it should work for everyone of my bills.

LINEHAN: The efficiency is amazing.

FLOOD: It's very efficient. If they would just let me make all the laws, everything would run so much smoother. No, I appreciate it and I appreciate the testimony. Thank you.

LINEHAN: Senator Pahls.

PAHLS: Thank you, Chair. All I need to add is your staff did a very good job and stood in your place, the last bill that was brought up.

FLOOD: Oh.

PAHLS: And I was impressed. I didn't tell him at the time, but I'm letting you know now.

FLOOD: Well, he is from Norfolk.

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PAHLS: I figured that.

FLOOD: Like Natalie.

LINEHAN: Other questions from the committee?

FLOOD: Thank you.

LINEHAN: Seeing none, thank you very much. And that closes the--

MARY JANE EGR EDSON: Letters.

LINEHAN: Oh, letters, excuse me.

MARY JANE EGR EDSON: Comments.

GRANT LATIMER: We had none.

LINEHAN: Do we have any?

MARY JANE EGR EDSON: No.

LINEHAN: OK, so that closes the hearing on LB1094 and we'll open the hearing on LB985. Senator Kolterman.

KOLTERMAN: Good afternoon,--

LINEHAN: Good afternoon.

KOLTERMAN: --Chairman Linehan. My name is Mark Kolterman. I represent the 24th District and I'm here to introduce LB985. LB985 is a simple bill. LB985 allows applicants who are applying for the Imagine Nebraska Act to use their 2019 employee census as the base year employment figure if the applicant increased staffing in the years 2020 or 2021 to respond to the COVID-19 pandemic. In 2021, the Legislature was debating the provisions of the Imagine Nebraska Act. We enacted language that a business could not manipulate the system by laying off employees to qualify for incentives at a lower level. This, this bill actually solves the opposite of that issue. Over the interim, my office was contacted by a company primarily in the manufacturing industry who actually ramped up employment during the pandemic to respond to the needs of the state and the nation by producing much needed items in order to protect our citizens from this hopefully once in a lifetime event. Now that the pandemic has subsided and the need for these critical supplies is decreased, these companies have reduced their staffing levels. There are now companies who are looking to expand their traditional operations, and without this

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clarifying language, their inflated pandemic staffing levels are what these companies are required to use in determining their base year employment level. I believe it would then be incumbent on the Department of Economic Development to verify the companies seeking this exception when applying for the programming and increase their employment to respond to the pandemic. To me, without this language we're essentially penalizing companies who responded to the pandemic when the state and nation needed them. While I believe this will only apply to a few companies in the state, I do not believe it is fair for the companies who did the right thing to be penalized. I've, I've distributed a letter to you from 3M in support of this legislation that I asked to be included as an exhibit in the permanent record. Unfortunately, due to the pandemic, the representative from their company, Karen Sisson, is unable to attend to testify in person today. She submitted this letter to the online portal prior to the noon cutoff yesterday, but completed the verification process at 12:02 p.m. since the email asking to confirm the submission was caught within their company's firewall. With that, I ask your support of LB985 and I'm open to any questions you might have.

LINEHAN: Thank you. Are there questions from the committee? He's getting us the letter. Yes, Senator Albrecht. Oh, I think we have a question.

ALBRECHT: Hi, I just wanted to make a comment. It looks like it's definitely the Nebraska ImagiNE Nebraska Act day. So is this like a moving document? So when things happen we'll be changing things up as we go each year or do you see--

KOLTERMAN: No, it's not.

ALBRECHT: --it's just mostly COVID related?

KOLTERMAN: It's not, Senator Albrecht. This was just a mirror. What happened was in-- the letter explains it, 3M, because of this, what they do in the industry, they provided a lot of protection equipment and things of that nature. So they ramped up during the pandemic. And then after the pandemic, as they didn't-- they weren't-- they didn't need those employees any longer, they, they laid them off.

ALBRECHT: OK.

KOLTERMAN: But the, but the information when, when they filled out the application to actually expand their business and hire a whole bunch of new people, we penalized them.

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ALBRECHT: OK.

KOLTERMAN: And so what we're doing is we're just going back to if, if you qualified as pandemic relief, we don't want that held against them because they're a company. I believe that at the time that this happened, they were in Senator Linehan's district and now they're in Senator Walz's district.

ALBRECHT: Were they essential workers or--

KOLTERMAN: Pardon me?

ALBRECHT: Were they essential?

KOLTERMAN: They were essential workers at the time, and now they're not. But they are wanting to expand and they're good paying jobs and--

ALBRECHT: Very good.

KOLTERMAN: --don't want to penalize them for that.

ALBRECHT: OK.

KOLTERMAN: I know that there are some other things for the Advantage Act-- or the, the Imagine Act. I don't have a problem if there's a one way you can roll all these into one Christmas tree type of a bill, but I, I--

LINEHAN: We won't call it a Christmas tree.

KOLTERMAN: Well, call it what you want. But anyway, I, I--

LINEHAN: A package.

KOLTERMAN: --just wanted to-- I just want it on their behalf, bring this to clarify this. And there might be some others that I, I think this is going to be really remote, but we don't want to penalize them.

ALBRECHT: Great. Thank you.

LINEHAN: Thank you, Senator Albrecht. Questions from the rest of the committee? Anybody else? Seeing none, thank you, Senator Kolterman. Proponents.

JENNIFER CREAGER: Chairman Linehan, members of the committee, my name is Jennifer Creager, J-e-n-n-i-f-e-r C-r-e-a-g-e-r, vice president for Public Policy of Greater Omaha Chamber. I'm also here today on behalf

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of the Lincoln Chamber of Commerce, the Nebraska Chamber of Commerce and Industry, and the Nebraska Economic Developers Association. Senator Albrecht, I sort of feel like Billy Joel singing Piano Man every night for the rest of his life. When I dreamed up the Imagine Nebraska name, I never thought I'd spend every waking day talking about it. But such is life. And I would almost never disagree with Senator Kolterman, but I will say whenever we do these large incentive plans, there seems to always be either new opportunities or tweaks that need to be made. So we don't intend to come in every year with something, but sometimes situations arise. So I won't promise that this will be your last incentive day ever in this committee. We did not ask for the bill to be introduced. We are in support of it. And I've actually not spoken to the company. I just wanted to come up. Senator Kolterman talked about it a little bit, give you a little bit more context for how we sort of got here. So if you recall LB720, when it was introduced and then we were proceeding to get to it, that stopped in March of 2020 because of the pandemic, we all went home. We came back in July 2020, and that's when LB1107 was ultimately put together. In that interim, we had had some conversations, I think, with Senator Friesen and Senator Lathrop about we didn't want to be in a situation where companies would sort of game the system where they would lower, you know, lay people off due to the pandemic, but then use those numbers to set their base year. So we put a provision in LB1107 that said you have to use the number from either 2019 or 2020, whichever was higher to use for your base year. So that was to sort of protect people from not manipulating numbers based on the pandemic. This is the opposite situation where you have a company who their normal level of employment would typically be lower. But because they had to ramp up due to COVID-related production or activity, that they had an artificially high number. So this is not-- for us, this is not a one-size-fits-all solution. This is a one size fits one, one-issue solution. So that's really the context for you. I'm not speaking for the company, particularly today, I just wanted you to kind of understand that we're now seeing the flip side of the issue we tried to address in LB1107. That's all I have.

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

BRIESE: Thank you, Chairwoman Linehan. Thank you for being here today. I don't know. I think Senator Kolterman maybe, maybe spoke to this, are there going to be multiple companies trying to access this provision?

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JENNIFER CREAGER: As far as I know, 3M is the only one that we've particularly heard from. I could see a scenario where another production com-- we've not heard that. I'm thinking, maybe I'm sure another company would not like me to name them, but particularly, yeah, that's who I was thinking of, counsel will share with you who I was thinking of, potentially, but we've not had any other feedback from them.

BRIESE: Seems pretty clear that 3M might qualify as undertaking something, quote, in response to the pandemic, unquote. But how do we determine if a response is due to the pandemic in the event of some other applicant trying to access [INAUDIBLE]?

JENNIFER CREAGER: Yeah, I think that's a fair question, I think that's a fair question. And I think if the language needs to be tightened up in that way, like, we're told that we would be open to that for sure.

BRIESE: Thank you.

JENNIFER CREAGER: Sure.

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

JENNIFER CREAGER: Thank you.

LINEHAN: Are there other proponents? Are there opponents?

CRAIG BECK: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Craig Beck, that's C-r-a-i-g B-e-c-k, and I'm the senior fiscal analyst at OpenSky Policy Institute. I'm going to be brief in my opposition today. You know, I, I appreciate Senator Kolterman's explanation in his opening. We are concerned with this bill as technical in nature, I would say. You know, I think what, what we would say is that we believe that there could be unintended consequences with this bill by resetting companies base years to 2019 as a result of the pandemic. Judging by Senator Kolterman's remarks, I, I don't think that's the, the intent of the bill, and I think Senator Briese's question was kind of getting at that as well. But our concern is that if a company could reset its base year to 2019 as a result, you know, go back a couple of years prior and then capture any employment that resulted in those years as a result of the pandemic and then get incentives for those, we're afraid that the state could potentially be incentivizing activity that occurred as a result of market forces instead of, you know, truly incentivizing the company to come in and create jobs and expand employment. So with that, again,

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we're really just bringing a technical concern that we potentially have with this bill. So I'm happy to answer any questions.

LINEHAN: Thank you, Mr. Beck. Are there questions from the committee? Seeing none, thank you very much. Are there other opponents? Is anyone wanting to testify in a neutral position? Senator Kolterman, would you like to close?

KOLTERMAN: I absolutely would. I appreciate the OpenSky's concerns. I don't necessarily agree with them. I do feel that if there's a way to tighten the bill up so that we don't game the system, that's not our intent here. Our intent behind the incentives is to encourage businesses to grow and employ high-wage earners. This particular company has a, a tremendous track record of paying their employees well on a full-time basis. I don't believe anybody should be penalized because of the circumstances of a pandemic, which is a life-- once in a lifetime type of thing, I hope. And so I would hope that you could if, if we need to tighten it up, I'm willing to do that. But I would hope that we could advance this along with the other fixes that need to happen and move forward. Thank you very much.

LINEHAN: Thank you very much. Are there questions from the committee? I just-- so you'd be willing to work with the Omaha Cham-- Miss Creager and the Omaha Chambers, the chambers, and committee counsel to make sure that we're--

KOLTERMAN: Absolutely. There's nothing--

LINEHAN: --that we're not going to get a surprise.

KOLTERMAN: This brought-- this was brought to me by the new senator in that district--

LINEHAN: OK.

KOLTERMAN: --and she actually worked there at one point in time and said they, they, they are a great employer to work for, and I think it's important that we help them out. I want to continue to see that area grow, and 3M is a tremendous company to work for. I, I would like to see us help them if we can.

LINEHAN: OK. Thank you very much, Senator Kolterman.

KOLTERMAN: Thank you.

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LINEHAN: Letters for the record. We had Kristen Hassebrook, one proponent representing Nebraska Chamber of Commerce and Industry. With that we'll draw the hearing for LB985 to a close and we will begin the hearing for LB50 [SIC--LB1150]. Oh, I was afraid you weren't coming.

MARY JANE EGR EDSON: She's here.

LINEHAN: You're here.

GEIST: I'm here. You rescued me from Judiciary for a little bit. So thank you.

LINEHAN: Good afternoon.

GEIST: Thank you, Chairman Linehan, and good afternoon members of Revenue Committee. For the record, my name is Suzanne Geist, S-u-z-a-n-n-e G-e-i-s-t. I represent the 25th District, which is the southeast corner of Lincoln and Lancaster County. As Chair of the Legislative Performance Audit Committee, I am here to introduce LB1150 to provide the Legislature with additional information necessary for the Legislative Audit Office to improve performance audits of the ImagiNE Act and meet their statutory requirements for auditing business incentive programs. As you may know, the Legislature has been evaluating our Economic Development Tax Incentive Program since 2015. These evaluations, and many of the specific metrics, are measured and are required by statute. Because the ImagiNE Act is a new program that replaced Nebraska's former flagship tax incentive, the Performance Audit Committee took this opportunity to examine whether the data being collected was sufficient to generate high quality reports that meet the expectations of the Legislature. This bill reflects the recommendations from the committee's memo on the ImagiNE Act data that was released last month. The imagiNE Act does collect more data than is relevant-- that is relevant to evaluations then the Advantage Act did. This additional data will allow the Audit Office to better examine metrics related to new employees. However, the Audit Office found that there were several areas where insufficient data is being collected for the office to fully evaluate the program as the Legislature intended, including specifics about investment, workforce development, and the but for question. LB1150 will help fill the remaining data gaps that still exist. Thank you for your time and attention. I will be happy to take any questions. Know that Katelyn Abraham will be able to provide some specific information and she is coming behind me and I'm happy to answer any questions you may have.

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

KATELYN ABRAHAM: Does anyone have any questions for--

LINEHAN: No.

KATELYN ABRAHAM: No.

LINEHAN: Proponents?

CRAIG BECK: Good afternoon, Chairwoman Linehan, members of the Revenue Committee, I'm Craig Beck. That's C-r-a-i-g B-e-c-k and I am the senior fiscal analyst at OpenSky Policy Institute here today to testify in support of LB1150 as the additional information required from participants in the ImagiNE Nebraska Act will help inform the state's tax incentive policy and allow the Legislature to make better informed decisions on policies with immense fiscal implications. Nebraska's tax incentive policy dates back to 1987, though we've only had performance audits of these programs since 2015. In its first performance audit of the Nebraska Advantage Act, the Legislature's Performance Audit Committee issued informations and findings stakeholders had sought for many years but were unable to find because of data availability and confidentiality issues. LB1150 would allow additional information to be collected that isn't currently and thus help better inform the state's decisions. Tax incentives have major fiscal implications for the state. Again since 1987, Nebraska Advantage and LB775 have combined to reduce more than \$4.2 billion in state revenue. This does not include any benefits that may have been paid out under ImagiNE Nebraska, as that information is not yet available. Similarly, the \$4.2 billion-plus does not include the amount of local property tax revenue foregone as a result of incentives. The Performance Audit Committee has tried to estimate the property tax reductions as a result of tax incentives in the past but found it difficult to obtain exact numbers because the specific information needed was not readily available. LB1150 would address this by requiring participants to provide the most recent taxable valuation and levies for qualified locations. Similarly, the bill would require occupation codes for all new employees, asset classes of qualified property, a schedule of job training activities, information on talent recruiting, and information about the participants' decision to locate in Nebraska. All of these points will better inform the Legislature's tax incentive policy, which again has major implications for the state budget. We fully support the increased reporting required under LB1150. Any increased burden for participants, we

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believe, is more than offset by the generous state and local benefits they receive from these programs and by the benefits to the state of having more complete information. And some tax incentives do not occur in a vacuum, they reduce state revenue that could be utilized for other purposes. And so having the best information available upon which the Legislature can make decisions is imperative. We therefore support LB1150, and I'm happy to answer any questions. Thank you.

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

PAHLS: Thank you, Chair. I'm just-- this would help me out because I've listened to you, you've been coming in front of us a lot. And a lot of times you do leave us with some information. Even your notes today, they have some power in them because I look at the notes from both sides and it sometimes it makes me rethink, so I'm going to suggest in the future, because the last time you were here, you handed some information out that actually made me start taking a look at a bill that I had supported. So I'm just telling you, if you really want me to dig into it, you have to provide me with that information.

CRAIG BECK: OK.

PAHLS: Just, just being honest with you.

CRAIG BECK: I appreciate the feedback. We've been trying to limit handouts as a result of the pandemic.

PAHLS: Well, you could at least put one at this end.

CRAIG BECK: OK. All right.

PAHLS: Thank you.

CRAIG BECK: Thanks.

LINEHAN: Thank you, Senator Pahls. Are there other questions from the committee? I'm confused on the property tax. Can you just slowly read that part of your testimony again? It's like three words, four words. You said you couldn't figure out--

CRAIG BECK: Sure. So in looking back at previous performance audits and then also the Performance Audit Committee issued a memo in January and one of the concerns in that memo and then also in previous audits was that the exact valuation and levy information was not available

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for the qualified locations. And so they were trying to estimate how much property.

LINEHAN: Do they have an address for the qualified locations?

CRAIG BECK: I would assume so, but I, I, I think the answer is probably a little more complex than that. I, I think with reporting and then--

LINEHAN: Because you can go to the, the County Treasurer's--

CRAIG BECK: Right.

LINEHAN: --Assessor's Office.

CRAIG BECK: Right. I think--

LINEHAN: Like any property in the state of Nebraska, you can figure that out.

CRAIG BECK: Right. I think the issue potentially lies when you have multiple qualified locations under a business and then they can also, I believe assign like, you know, half of a certain location is qualified. So it's my understanding that that's been the issue and then they, they just haven't been able to compile that exact information on, on exactly how much property tax is actually abated as a result. So--

LINEHAN: And abated through what program?

CRAIG BECK: Imagine and Nebraska Advantage and--

LINEHAN: Nebraska Advantage, I know. But do we abate through Imagine?

MARY JANE EGR EDSON: Yeah, [INAUDIBLE].

LINEHAN: OK. All right. All right. Thank you.

CRAIG BECK: Yep.

LINEHAN: Other questions? I'm sorry. Thank you.

CRAIG BECK: Yep.

LINEHAN: Next proponent, right? Proponent? Opponents? Good afternoon.

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KRISTEN HASSEBROOK: Hello, my name is Kristen Hassebrook, K-r-i-s-t-e-n H-a-s-s-e-b-r-o-o-k, and I'm here today on behalf of the Nebraska Chamber, the Greater Omaha Chamber, the Lincoln Chamber of Commerce, the Nebraska Bankers Association, and the Nebraska Economic Developers Association in opposition to LB1150. We do appreciate Senator Geist and her willingness to work with us to kind of get to the right questions and answers, but did want to let you all know that the ImagiNE Nebraska Act was designed to exceed the transparency and accountability expectations. It was also designed with enhanced performance standards. The additional annual reporting obligations required of companies, the option for upfront certifications, coupled with the use of more detailed annual legislative reports from the departments to this committee should provide a more extensive and fulfilling picture of the program. In the memo I provided to the committee, you will see on page one the long list of annual reporting metrics that will begin to be shared with this committee by industry group and by individual company. The first report came to you all in October of this past year, but at nine months in on the ImagiNE program could not possibly showcase the, the data set that this will truly start to tell. We believe it would be appropriate to let the improved annual reporting process, more detailed business certification process unfold before prejudging or modifying any data points. I'll highlight a couple of other issues. Questions that compare one state to another are not able to accurately convey the complexity that goes into site selection and could actually hurt Nebraska's ability to compete. Think of incentives like your home. The more you build on and renovate it, the longer you are likely to stay. By having an incentive program, we're not only bringing new employers to the state, we're also targeting existing employers so they have the ability to stay competitive, expand, and continue growing here. There's also no doubt Nebraska must do better in recruiting and retaining people to succeed in the future. However, recruiting outstate employees is merely only one aspect by which to judge the effectiveness of a program, and the state is not currently collected as standard practice by employers and could be challenging to accurately track. You should know, ImagiNE requires the creation of net new jobs, a performance-based standard that shouldn't-- that ensures that overall Nebraska's economy keeps growing to maintain Nebraskans quality of life. Nebraskans should also feel very proud and confident that incentive programs we have here are extremely transparent and vetted most judiciously. The Pew Charitable Trusts consistently ranks Nebraska's incentive programs as one of the most transparent. In the memo I provided, I've linked two examples of real data required to be disclosed by each company that receives

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incentives. There are 30-plus columns of investment data, 60-plus columns of employment data, and those columns of data must be supported with invoice copies to support that. Asset disclosures have to be tied to a company's depreciation schedule, which does get at the question of tying to a specific IRS category, several IRS employment forms, E-verify and payroll reports are also provided by each company. While the Department of Revenue and DED have access to this data and engage in extensive annual review and company-- of this for the companies, it's generally not available to the public. Much of the investment in employment data that's required to be disclosed, if made public, would invite a variety of intrusions into a business's privacy and most certainly allows competitors to use that information to their economic advantage. Think of it like this, if I know your specific assets, the specific spends, the specific year they were put into place, how much, you know, how long we've had them, as well as the specific employment data, that would be unbelievably valuable to a competitor. The two year by industry data-- the two year and/or by industry data available to you all that's made available to the public was designed specifically to give as much detail as possible, but not place companies in a position where they would have competitive data exposed. Incentives help our state direct funds toward our priorities, toward certain industries or higher wage jobs, all of which are included in Imagine and Nebraska awards incentives with as much equity as possible with a pay-for-performance-based system. Pay for performance creates attainment requirements, targets for actual investments, actual jobs, wages pay that companies must hit to ensure that no matter what, when, when incentives are paid out, they have done what they were intended to do. Pay for performance also means our incentives are not cash grants. A company earns credits and cashes them out after they've shown they've contributed to the tax base due to that investment in employment. In terms of socioeconomic progress, Nebraskans can feel confident that Imagine supports high-quality, high-wage jobs. Using our housing scenario again, think about the employment qualification aspects as the front door of the program. No one gets through the door unless they're creating a quality high-wage job. Imagine increases the wage requirements for the program over Advantage by 60 percent. Not only does that, but they have-- they only incent full-time positions, and those positions must be offered not only health insurance, but a sufficient package of benefits. Imagine also allows businesses to utilize tax credits to pay for job training and talent recruitment. Uses that go directly to people. While some of these aspects are new to Nebraska, like the revolving loan component, we would expect that DED will be actually requiring detailed reporting on the types of activities and costs incurred prior to, prior to

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approving any tax credits. We look forward to working with the committee and Senator Geist to figure out-- to, like I said, get to those right questions and right answers on these issues. I'd be happy to answer any questions.

LINEHAN: Thank you very much. Are there questions from the committee? Senator Friesen and then Senator Pahls.

FRIESEN: Thank you, Chairwoman Linehan. So I mean, I guess from my standpoint, the argument has always been is our incentive is doing what we want them to do and how do we, how do we quantify it? And so being on the Performance Audit, the questions always come up that we, we are not privy to all the data and, and it is kind of compartmentalized, so we can't cherry pick. But how do we-- to me, the more transparency we have, the better off we are. So how do we measure sometimes? Because there's, there's always the argument, you know, the incentives don't do what they're supposed to do and some say they do. And so we always talk about what the cost per job is. And so somehow we need to quantify it. And the more data we have, don't we do a better job or is that not what we're supposed to do, I guess? It's a lot of money we're talking about.

KRISTEN HASSEBROOK: So we spent two years working with this committee with feedback from Performance Audit, with the business community, with others to design what I am really proud to have worked on as a high quality program. Again, it is a program with significantly higher attainment targets and performance standards. So again, nobody's getting through that door to this program unless the jobs they're creating are high-quality, higher-wage positions with quality benefits attached. So we've really sort of set the bar high in terms of designing a program that we want, sort of setting our priorities, designing the program around that, around that and then sort of staying focused and not sort of getting distracted with sort of, you know, the what ifs or the what might's, knowing that we've designed a really strong program. Like I said, we also built some extensive annual reporting metrics for you all to review on an annual basis. And while it's not easy to show you all other than give you links and I'll can follow up with you, like the electronic version, you can just click on it. That data is being disclosed. It's being tracked by the Department of Revenue and DED. So, you know, the right folks are reviewing and making sure that prior to any tax credits being approved, that it's going toward actual investments, actual jobs, actual wages, and it's all tied to true investment so that we can know that they are doing what they're supposed to do.

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FRIESEN: I mean, I'll agree with you. I think it's been tightened up, but the argument will be, well, some of these companies would have come here regardless. And that's what we're always trying to dig into. That was some of the questions I think were led into that. It looked like, you know, did you look somewhere else? Did-- what attracted you here in the end? Those are the kind of questions, I think, the Performance Audit, when we're giving away taxpayer revenue, so to speak, those are questions, I think, I think sometimes we need to ask to make sure that what we're doing is, is what was intended. So I'm-- again, I, I look forward to seeing kind of what you want to-- for you to work together to come up with which questions we need to answer and how we get to those, but.

KRISTEN HASSEBROOK: My only thought on, on that would be that, again, that's sort of only one component and sort of what other states you considered and why or what you were potentially offered. I mean, that's only one component. It's also very in terms of the packages of incentives or how they figure into companies decisions, again, you get into some potentially competitive information in comparing and contrasting. I also share it because in my testimony around think of our home, some of our best homegrown companies, I mean, we could actually hurt ourselves by encouraging them to, you know, basically seek elsewhere in terms of rather than-- because our program is not only about attracting outstate business, it's about making sure that our folks can remain here, expand here, do well here, and making sure that they want to stay here in Nebraska and grow jobs here.

FRIESEN: And I think as overall, we've been OK with that. We would rather have our own companies expand, and, and I don't think we're encouraging to look elsewhere. And if they don't look elsewhere, I mean, what encourages them to grow? Was it the tax incentive or was it business opportunities or to be competitive do they have to do this? So I mean, those are the answers-- I've always thought, you know, is the incentive program needed and why is it needed? Are our taxes too high or what, what's all involved and how can we make our state more competitive without jumping through all the hoops? Because the complaints we have from companies, there's too much reporting, there's too much time spent accounting. How can we work around this to do a better job? So I, I look forward to the discussion later. So I appreciate it. Thank you.

LINEHAN: Thank you, Senator Friesen. Senator Pahls.

PAHLS: Thank you, Chair. I understand where Senator Friesen is coming from. I-- what you're telling me, to see if they're-- if we're

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following the rules, that's what I'm looking at, I need to depend on the Department of Revenue and Department of Economic Development because you guys got to get past them.

KRISTEN HASSEBROOK: Yes.

PAHLS: So that's how government is interfacing with the outside world.

KRISTEN HASSEBROOK: Yes. And the businesses prior to being able to receive their tax credits are required to disclose an extensive amount of information supported with invoiced copies to prove that it's not even just filled-out columns. You know, it's not like they're just sort of self-attesting, you know, sort of certifying this. It's backed up by invoiced data. But again, a lot of that information, if more broadly available, would get into sort of a confidential and competitive issue in terms of if I know exactly what your assets are, you know, asset amounts when they're placed into service. Those sorts of questions, I can figure out, as a competitor, probably what type of machinery you might have, how long until it, you know, might run its course. And I can sort of lean in and, you know, and compete. I mean, it just opens it up to some significant competence on competitive issues.

PAHLS: But if I work for the Department of Revenue, I would know some of that information--

KRISTEN HASSEBROOK: Yes.

PAHLS: --or, or DED.

KRISTEN HASSEBROOK: Yes.

PAHLS: So, I mean, somebody knows what's happening.

KRISTEN HASSEBROOK: Yes, someone. Yes.

PAHLS: OK, thank you.

LINEHAN: Thank you, Senator Pahls. Are there other questions from the committee? So I have one on this analysis that you handed out--

KRISTEN HASSEBROOK: Um-hum.

LINEHAN: --it's the fourth paragraph. So it's not real property?

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KRISTEN HASSEBROOK: Yeah, so in terms of Advantage, there was some real property abatement opportunities in the credits. That was removed--

LINEHAN: That's what I thought.

KRISTEN HASSEBROOK: --in its entirety from Imagine. There is-- and the personal property exemptions that still exist in our Imagine were extremely limited back to only just two specific industries; ag manufacturing and data centers. And so that was only personal property, the real property abatements have been removed entirely. So--

LINEHAN: That's what I thought. OK. OK. Thank you very much. Are there any other questions from the committee? Seeing none, thank you very much. Other opponents? Is there anyone wishing to testify neutral position? Do we have anyone wanting to testify in the neutral position?

KATELYN ABRAHAM: I do have some clarifications I'd like to make in the neutral. It's my first time coming up here so I'm a little--

LINEHAN: That's OK.

KATELYN ABRAHAM: --unsure of the process. So I am Katelyn Abraham, K-a-t-e-l-y-n A-b-r-a-h-a-m, and I am on the legislative-- or in the Legislative Audit Office, and I just wanted to clarify that we do not disclose any of the information that Revenue collects. We actually have to go through the same confidentiality process as anyone in Revenue. And when we leave, none of that personalized information leaves with us. We can only access that within the Revenue Office and then someone with Revenue checks over anything that we do bring out so that we are not disclosing any confidential information. And then the other thing I wanted to address was the issue with analyzing property tax. Yes, we can go to the county assessor's and find that information. But the problem is that some of these agreements can last up to 15 years and that information not-- may not be readily accessible in 15 years. Some of the counties only have two years of property valuations available online. And if we have a large number of agreements under Imagine, it would not be cost effective or time effective to contact each county assessor to get historical records. So all we're asking is that they turn it in when they apply so it's just readily available when we go to assess.

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LINEHAN: OK, are there questions from the committee? But real property isn't included in ImagiNE, abate.

KATELYN ABRAHAM: Correct. I will-- I'm going to double check, but there are--

LINEHAN: This was a pretty hot, debated issue.

KATELYN ABRAHAM: Yeah, and I'm like, that, that was not one of the specific things that we reviewed as far as the, the data collection because we know that Revenue is collecting everything that they need to. And so we were not looking at whether or not--

LINEHAN: If somebody else has a question, I don't want to-- so when you say you-- but you have the information, so if you go to the Department of Revenue, then you get the personal confidential information.

KATELYN ABRAHAM: Yeah, the inventory, we can get that. And the reason why we included the language that we did here in this bill is that we've seen the forms and they just ask-- they ask for that information so that they can verify that the property exists. So--

LINEHAN: Well, when you bring it back and show it to senators?

KATELYN ABRAHAM: We do not show an itemized list. We break things into categories so that we say, like if they purchased software, it's just software. It's not the specific software that they purchased.

LINEHAN: OK, so, so what are your-- you're saying is, it's OK to share the information with you, but not senators?

KATELYN ABRAHAM: The individualized, correct. You have to have a-- like sign with a confidentiality agreement so that any of the very private information-- we do recognize that ImagiNE currently asks us to look at the categories and what LB1150 does is makes a standardized reporting so that we can actually see what it is. Anthony gave me some examples.

LINEHAN: OK, but just-- this is, I think an important question.

KATELYN ABRAHAM: OK.

LINEHAN: So you and the rest of the staff on the audit side, but you still couldn't give how you got to that decision. You couldn't show

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the senators how you got to that decision. You couldn't show them the information.

KATELYN ABRAHAM: We cannot show the exact work.

LINEHAN: OK.

KATELYN ABRAHAM: Correct.

LINEHAN: All right. Thank you. Are there other questions from the committee? Thank you for being here. Anyone else wanting to testify in the neutral position? OK, Senator Geist, would you like to close?

GEIST: Well, thank you for your time. And I just wanted to let you know the Chamber and I have been in contact, so we will be sitting down and figuring out what we can do together. So with that, I will take any additional questions.

LINEHAN: Thank you. Are there any questions for Senator Geist? Seeing none,--

GEIST: All right.

LINEHAN: --thank you very much.

GEIST: Thank you.

LINEHAN: Do we have letters for this one? OK, I'm going to close-- that closes our hearing on LB1150 and Senator Hughes is detained so I'm going-- we're going to skip over his bill and go to LB817. Senator Lindstrom, want to--

LINDSTROM: OK, we'll now open the hearing on LB817 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 LB817. This bill was brought to me by the Department of Revenue. It makes several technical changes to Nebraska Imagine Act to clarify issues for taxpayers and the department as far as recording and compliance. One of the major changes is to synch--

ALBRECHT: Synchronize.

LINEHAN: Yes-- [LAUGHTER]-- my mind stopped-- synchronize-- thank you-- synchronize all incentive program reports issued by the

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department to a uniform date of October 31. A second major change is to convert all reporting by the department to a fiscal year rather than a calendar year basis to comply with the Governmental Accounting Standards Board's requirements. The bill also clarifies the calculation of the withholding credit when a taxpayer is using an employee leasing company. It clarifies that the application year and the base year for applications that may be wait-listed are treated as if they had been approved within the deadline under the act. LB817 would allow the department to obtain Social Security numbers of employees in order to confirm the number of new employees at a qualified location, and it clarifies that the time of investment for improvements to real estate is recognized on a percentage of completion basis. Finally, it corrects a reference to the recapture of sales tax exemptions, which will be done through the sales tax form, not an income tax form. If you want more details, you can read the bill summary in your books. There's also an amendment I should pass out. I brought AM1727, this changes the annual joint hearing of the Revenue and Appropriations Committees to a biennial basis. The report for all tax incentive programs under LB817 would be presented to a joint hearing in even-numbered years only and LB434, which is on General File and hopefully on the first consent calendar, changes the annual joint hearings on the tax expenditure report to every odd-numbered year. Therefore, with an amendment, we'll only have one joint hearing per year rather than two. I would be happy to answer questions, but the department who could who can answer them better is here to testify on the bill and could answer the questions more clearly than I.

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

LINEHAN: Thank you.

LINDSTROM: First proponent. Good afternoon.

TONY FULTON: Are you the Vice Chairman? Thank you, Mr. Vice Chairman and members of the Revenue Committee. For the record, my name is Tony Fulton, T-o-n-y F-u-l-t-o-n, and I'm the Tax Commissioner for Nebraska testifying here in support of LB817. This is the Department of Revenue's administrative bill and contains a number of modifications and clarifications to the statute. It clarifies that the Department of Revenue may obtain employee Social Security numbers under Nebraska Revised Statute 77-376. It amends Nebraska Revised Statute 77-6837(5) to change a reporting requirement to match the fiscal year reporting period in 77-6837(1) It correlates time of investment to the

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percentage of completion in 77-6811, and this is how the Nebraska Advantage Act is administered, currently. It amends 77-6831 subsection (3) (b) to strike the word "income" in the last line, as recapture of sales tax exemptions will be reported on the sales tax form rather than an income tax form. It clarifies that with an employee leasing company, the denominator of the withholding ratio is only that client in 77-6832 subsection (1) (b). By way of-- this is interesting, so I'll go ahead and share it. By way of explanation when incentive companies use credits against withholding, the statute limits the use of the number of new employees, which is obviously less than the entire workforce would be. What companies do is they'll calculate ratio, the numerator of which is the average compensation of employees times the number of new employees for incentive purposes and the denominator of which is all the compensation paid by the company. LB817 clarifies that when companies use an employee leasing company to do their payroll, the denominator is not the total compensation paid by the employee leasing company, but is only the total paid on behalf of the incentive company. The bill clarifies that those whose applications are placed on the wait-list because the base authority has been exceeded maintain their base year even if they are not approved until the following year. And lastly, I'll just say that the bill harmonizes reporting years and requires the fiscal year on an accrual basis, and the hearing would be in December. I understand the amendment, which I haven't seen yet, but I'll tell you that amendment sounds pretty good to me. So I should point out also, the bill has no impact on General Fund revenues and will not cost us to implement. And I imagine you might have some questions. So I'll take a swing and I brought some experts with me in the event that I get in over my head.

LINDSTROM: All right. Thank you, Commissioner. It's not that we don't like seeing you, it's just, you know. Any questions from the committee?

TONY FULTON: Not one? Can I preemptively--

LINDSTROM: Sure.

TONY FULTON: --say that this part about the Social Security number, it may elicit some testimony to follow. It's not a hill we need to die on. We believe we have the authority to request Social Security numbers already, which we've been doing since 1969, I believe. There was a request to accommodate a taxpayer in one of our incentive programs, where they have a special situation where they were not able to provide Social Security numbers, so we accommodated them. But in reviewing that, our attorney said, you know, it would be better to

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clarify that indeed the department has this authority, if for nothing else, than to give some cover to companies out there who are worried about their liability. So we think we have the authority already. This is a clarifying portion of the bill. If there are those who have concerns afterward, I'm just telling you it's not a hill need to die on.

LINDSTROM: Senator Pahls.

PAHLS: That just may me reread that section. It says "may" obtain, it didn't say "shall." So it's pretty open-ended.

TONY FULTON: Right.

PAHLS: "Shall" means you can, "may" meaning you might.

TONY FULTON: Yeah.

PAHLS: So are you "shalling" or you "mighting?"

TONY FULTON: Well, it's-- it-- that's not changed since 1969. The "may" is not changing.

PAHLS: OK.

TONY FULTON: And that is the way-- so Nebraska's income tax begins at adjusted gross income, that is a federal designation. And so we're going to have-- that's how the feds do it. They use Social Security numbers. So I hate it as much as the next guy, but that's the way the system is, so.

PAHLS: OK, thank you.

LINDSTROM: Senator Bostar.

BOSTAR: Thank you, Vice Chair Lindstrom. Thank you, Mr. Commissioner. With this bill and the previous one, you're sort of talking about sensitive information. Can you briefly talk about how the Department of Revenue ensures the security of information that isn't for public distribution?

TONY FULTON: Yeah. So there's-- there are different types of confidential information. There's federal tax information. There's confidential information. There's personal-- let's see what's it called, private-- PPI, private personal information. I think it's called. So we have different monikers. There are publications that we

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have to abide by in order to be able to interface with the feds. And this is encapsulated in Pub 1075. I think it is. They got a lot of-- so it's Pub 1075. So some examples, we were just talking about this before I came over, we have different colored folders to identify which information we are storing falls under the category of FTI. And so those folders are treated differently. Certain things that we have on our software that if you try to email out, for instance, a Social Security number, the software will intercept it. I learned that about a week into my tenure as Tax Commissioner. So there, there are-- there are these things. Then of course, the sanctions, that's probably the biggest deal we in the department and those who agree to it so Performance Audit. We-- we're held liable in some cases as a felonious offense, I think we have a felony. Am I right? Yeah. So certain disclosures are felonious offenses. We, as individuals, folks can come after us personally for the release of such information. So when I-- people ask, well, can I know about reporters, particularly, I want to know about such and such and what kind of, you know, deal they got. And I'd love to tell you, but I don't want to go to jail. And I don't-- so those sanctions are-- that's probably the most direct way of explaining the safeguards we have in place. So we have lots more safeguards, but that gives you a sense of very serious. We take it very seriously and we should. This is a volition. This is something that's done by volition. People pay their income taxes. We don't send them a bill and we have great cooperation in Nebraska. Well, you lose that cooperation when you lose the trust of the people, so.

BOSTAR: Thank you, Commissioner.

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

JENNIFER CREAGER: Vice Chair Lindstrom, members of the committee, I'm Jennifer Creager, J-e-n-n-i-f-e-r C-r-e-a-g-e-r, with the Greater Omaha Chamber. I'm also here on behalf of the Lincoln Chamber of Commerce, the Nebraska Chamber of Commerce and Industry, and the Nebraska Economic Developers Association in support of LB817. We've had several members review the bill and are supportive of the changes. As the Tax Commissioner said, we did have some members raise some concerns about the Social Security number provision, probably also not our hill to die on. I think our preference would be to keep the unique employee, unique employee identification number if possible and then a Social Security number could be required if a unique identifier doesn't exist. But I think that's current practice. If there's a need for clarification, we're happy to try to work out that language that this is not a make or break for us, but just did want to raise that we

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had some members, not all members, concerned about that particular issue, and that's it.

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

JENNIFER CREAGER: Thank you.

LINDSTROM: Next proponent.

CRAIG BECK: Good afternoon, Vice Chairman Lindstrom and members of the Revenue Committee, I'm Craig Beck, that's C-r-a-i-g B-e-e-ck, and I'm the senior fiscal analyst at OpenSky Policy Institute. We are here today to testify in support of LB17-- LB817, excuse me, and thank Senator Linehan for bringing this bill. We support moving tax incentive reports to a fiscal year basis and conforming them to the same reporting timeframe under the Governmental Accounting Standards Board, or GASB. Tax incentive reports currently compiled by the Department of Revenue are on a calendar year basis which doesn't align with the state's fiscal year or state reporting and its Comprehensive Annual Financial Reports. The GASB introduced a new framework for reporting tax incentives in a comprehensible and clear way in 2015 through its issuance of Statement 77. The state adheres to Statement 77 reporting in its CAFR, which again are compiled on a fiscal, fiscal year basis. Switching the state's own statutory reporting and tax incentives to fiscal year would better align with the CAFR and make it easier for the public to understand. It would also help in determining whether these programs are in fact accomplishing the Legislature's goals, and so we'd urge the committee to advance it to the floor. For these reasons, we support LB817. Thank you for your time, and I'm happy to answer any questions.

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

CRAIG BECK: Thank you.

LINDSTROM: Any other proponents? Any opponents? Any neutral testifiers? Seeing none, Senator Linehan, if you'd like to close. Senator Linehan waives closing and that will end the hearing on LB817.

LINEHAN: I think-- oh, he's here.

LINDSTROM: He's here.

LINEHAN: So we will open the hearing on LB--

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MARY JANE EGR EDSON: LB801.

LINEHAN: LB801. Senator Hughes.

HUGHES: Good afternoon, Chairman Linehan and members of the Revenue Committee. And I appreciate your flexibility in trying to do multitask. I had another bill in Natural Resources that took maybe a little bit longer than I anticipated. So thank you very much. For the record, my name is Dan Hughes, D-a-n H-u-g-h-e-s, and I represent the 44th Legislative District. I'm here today to introduce LB801. Last year, Senator Flood introduced LB650, which created the Nebraska Geologic Storage of Carbon Dioxide Act. This is a bill that I was strongly in support of so I made it my personal priority in 2021. LB801 would add the collecting and the geologic storing of carbon dioxide to the list of qualified locations under the Nebraska Imagine Act. Carbon sequestration projects were intended to be eligible for the Nebraska Imagine Act. To make things clear, we decided it was easiest-- the easiest route would be to add it under qualified locations. Last year during LB650, one of the ethanol companies came in and testified in support of that bill. It was the thinking at that time that they would look to sequester carbon from their current facility to a location close by and would not be any part of an interstate pipeline. This bill just wants to make sure that if there was an ethanol company that wanted to go that route, they would be able to qualify if they met the investment and employment requirements should they want to continue with that investment as a stand-alone project on their own company. I have several individuals coming behind me that may be able to answer a little more technical questions about how the Nebraska Imagine Act is interpreted, but I'd be happy to try and answer any questions that I can right now.

LINEHAN: Thank you, Senator Hughes. Are there any questions from the committee? Seeing none, are you able to stay to close or are you going to--

HUGHES: If I can. I intend to.

LINEHAN: OK. Proponents? Do we have proponents for LB801? Good afternoon.

TONY GOINS: Good afternoon, Chairman Linehan and members of the Revenue Committee. For the record, my name is Tony Goins, spelled T-o-n-y G-o-i-n-s. I'm the director of the Nebraska Department of Economic Development. I appear before you today in support of LB801, which qualifies the carbon sequestration activities for Imagine

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Nebraska tax incentive credits. Since LB650 passed in the 2021 legislative session, DED has been contacted by businesses regarding the qualification of their carbon storage projects for tax incentives under the Imagine Act. The issue is that businesses have different technology approaches to carbon sequestration. One would connect some with a number of ethanol plants via pipeline, and the other would move the CO2 to an out-of-state storage facility. The other technology would store CO2 near the collection site. As the administrator, it is unclear whether carbon sequestration would qualify for incentives. It is not an approved activity, nor exempted. However, Imagine has a 75 percent export exception, meaning that if activity at a location is not related to the one of the exempted activities under Imagine and 75 percent of the revenue derived from the location is from sales to the customers outside of Nebraska, the business can qualify for incentives under the act. The result-- this results in a situation where carbon storage where CO2 is captured, pressurized, and moved through a pipeline outside of Nebraska could qualify. However, the same activity using on-site storage would not qualify because the product doesn't leave the state. In general, it is good practice for incentives to be neutral as far as choices of economic activities are concerned. In this case, the current law results in an incentive program that subsidizes one technology over another, leading to an inefficient result. LB801 amends Imagine to clarify that carbon sequestration is a qualified activity under Imagine. This would harmonize the policy enacted in the Imagine Act and would be a boost to the ethanol industry, which is critical to the Nebraska economy. Thank you, and I would be happy to answer any questions.

LINEHAN: Thank you. Are there any questions from the committee? Seeing none-- oh, wait a minute, I'm sorry.

BOSTAR: Sorry.

LINEHAN: Senator Bostar, I didn't see you.

BOSTAR: Thank you, Chair Linehan. Thank you, Director, for your testimony.

TONY GOINS: Yes, sir.

BOSTAR: So I just-- and I think you were clear, but I just want to clarify. So if the carbon was captured and then transported out of state for storage elsewhere, not in Nebraska, they basically have a clear path for being covered in the incentives currently. But if they store on-site, they do not?

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TONY GOINS: That's correct.

BOSTAR: OK.

TONY GOINS: That's the current situation.

BOSTAR: Thank you very much.

TONY GOINS: And this harmonizes it.

BOSTAR: Thank you.

TONY GOINS: OK.

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

TONY GOINS: Thank you. You all have a good day.

LINEHAN: Thank you. Are there other proponents?

MICK MINES: Madam Chair, members of the committee, my name is Mick Mines, M-i-c-k M-i-n-e-s. I'm a registered lobbyist here today supporting LB801 on behalf of the Nebraska Corn Growers Association, Farm Bureau, and the Nebraska Soybean Association. We appreciate Senator Hughes's introducing this bill to ensure that CO2 capture, transport, and storage are qualified to receive credits within the Imagine Act. In your last session, you passed LB650 establishing the regulatory and legal framework for CO2 capture and sequestration. And as a result, several ethanol plants and private companies have publicly announced plans to build new or repurposed existing pipelines that reduce ethanol's carbon intensity so crucial to the advancement of Nebraska's ethanol business. LB801 provides, LB801 provides clarity and consistency for those qualified businesses that apply for our business incentives. They make significant investments in our state and CO2 capture, transport, and storage shouldn't be in question. Thank you, Senator Hughes, for clarifying these qualifying investments in the Imagine Act. And thank you, Madam Chair. I'd be happy to answer any questions.

LINEHAN: Thank you, Mr. Mines. Are there questions from the committee? Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, sir, for your testimony. So if the idea is to ensure that instate production and storage is covered under Imagine, why does the language include transport?

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MICK MINES: Well, as you, as you heard the director say, trans--transport is currently allowed under the ImagiNE Act and on-site storage is not. We chose to identify the existing statute, the transportation of, of carbon. But certainly we support the on-site storage as well.

BOSTAR: I-- so that the goal-- and I'm sorry, I'm just trying to understand. So the goal is to have the on-site sequestration and storage of carbon fall under ImagiNE--

MICK MINES: Right.

BOSTAR: --because the transport is already covered.

MICK MINES: Right.

BOSTAR: So in the, in the additional language in the bill, why are we adding transport if it's already?

MICK MINES: I can't answer that, Senator. I'm sorry. But our intention is that both methods are-- would be allowed under ImagiNE.

BOSTAR: Thank you very much.

MICK MINES: Sure.

LINEHAN: Thank you, Senator Bostar. Are there other questions from the committee? Seeing none, thank you--

MICK MINES: Thank you.

LINEHAN: --very much. Are there other proponents? Good afternoon.

DAWN CALDWELL: Good afternoon, Chairwoman Linehan and committee members. I'm Dawn Caldwell, D-a-w-n C-a-l-d-w-e-l-l, and I'm the executive director at Renewable Fuels Nebraska, the statewide trade organization for the ethanol industry. We are a resource to encourage public policy that ensures the growth and expansion of the renewable fuels industry in our state. Our 24 ethanol plants can produce 2.6 billion gallons of ethanol annually. Second, in production only to Iowa. I will keep telling you guys that every time I testify because I hate being second, I want us to get to first. We are proud that Nebraska's ethanol industry contributes some \$5 billion annually to the state economy. Renewable Fuels Nebraska membership appreciates the Nebraska Department of Economic Development and Senator Hughes for bringing LB801 to the Revenue Committee. The ImagiNE Nebraska Act was

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thoughtfully constructed and will undoubtedly contribute to the recruitment and expansion of successful businesses in our great state. The ethanol industry language in LB801 must be included in the Imagine Nebraska Act. The ability to sequester carbon dioxide will further contribute to the selling of ethanol into states such as California and Oregon, who have already implemented low-carbon fuel standards, thus leading to greater potential profitability for those participating ethanol plants. To be included in the state's cornerstone business development program demonstrates not only acknowledgment but respect for our industry, which ties directly to agriculture, fuel retail, cleaner air, and ultimately high-quality protein for human consumption via coproducts utilized in livestock feed. Our membership believes strongly in value-added opportunities that directly benefit the economic well-being of Nebraska. Therefore, Renewable Fuels Nebraska respectfully request the committee's positive vote to amend the Imagine Nebraska Act, make it clear that the capture, transport, transport or geologic storage of carbon dioxide from anthropogenic sources is listed as a qualified location. Thank you.

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

DAWN CALDWELL: Thanks.

LINEHAN: Are there other proponents? Good afternoon.

REID WAGNER: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Reid Wagner and I'm here representing the Nebraska Ethanol Board in support of a LB801.

LINEHAN: I need you to--

REID WAGNER: And I'd like to spell my name. Thank you for the reminder. It's R-e-i-d W-a-g-n-e-r. As my colleagues and predecessors have conveyed before numerous times, and as we know they will continue to do so, our 24 producers in the state do produce 2.6 billion, with a B, gallons of ethanol annually, making us a nationwide powerhouse in the ethanol industry. The ethanol industry also contributes about \$5 billion annually to our economy. But as we've seen in the last couple of years, there are plenty of opportunities to grow both of those numbers and that one area of interest in particular is actually the emergence and continued development of low-carbon fuel markets and clean fuel policy across various states and regions in the U.S. Previously remarked, was Oregon and California's low-carbon fuel

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standards. These markets provide incentive structures to industries that are able to produce fuels with lower carbon intensity, which is the amount of carbon emitted through the full lifecycle of the product, basically from wells to wheels, as they say. Carbon intensity is typically quantified as grams of CO2 equivalent per mega jewel of energy. Carbon capture and sequestration presents an opportunity for Nebraska ethanol producers to see reductions in their carbon intensity to the tune of 30 grams of CO2 equivalent per mega jewel. Recognizing that a vast majority of that ethanol is sent to LCFS markets today, this translates into a better layman's term dollars and cents of actually about a billion dollars in added revenue to the state's economy. So it's a wonderful opportunity, and this return is actually on top of the capital investment required to install that necessary processing equipment and, and wells, in addition to the federal 45Q tax credits that those producers can actually apply for when sequestering their own carbon at their sites. And it should be noted that Nebraska also has a unique advantage in our geology in the western two-thirds of our state where ethanol producers could sequester and store the carbon captured on-site instead of sending it across state lines as we've previously discussed. The Nebraska Department of Economic Development and Senator Hughes's proposal to revise the, the definition of qualified location in the Imagine Nebraska Act to include the capture, transport, and geologic storage of CO2 from anthropogenic sources is one that could greatly benefit Nebraska's ethanol industry and economy at large. And really, it just further enables Nebraska to take advantage of its uniquely well-suited geology to further its competitive position in low-carbon markets. And thank you. I would happily answer your questions at this time.

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

REID WAGNER: Thank you.

LINEHAN: Are there other proponents? Are there any opponents? Anyone wanting to test-- oh, welcome, sir. Good afternoon.

KENNETH WINSTON: Good afternoon, Chairwoman Linehan. My name is Kenneth Winston, K-e-n-n-e-t-h W-i-n-s-t-o-n, and I'm appearing this afternoon on behalf of the Bold Alliance in opposition to LB801. Specifically, the aspect dealing with transportation because of the Bold Alliance's concerns about carbon pipelines and the Bold Alliance is an organization that works to protect land, air, and water from pollution, as well as supporting the fundamental rights of, of people to own property. So here are the reasons that we're, that we're

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concerned about LB801. Well, first of all, the Imagine Nebraska provisions are intended to, to attract businesses to the state. It appears that these companies are already planning to do business in the state so I don't know how you're attracting a business that is already indicating they have contractual obligations to operate in the state and is sending letters to people indicating they're planning to take their land from them. Then secondly, we're also concerned about the risks related to carbon pipelines and would like to call folks attention to the fact that last year there was a carbon dioxide pipeline that leaked in Mississippi and-- or, well, it burst and, and the, the people in that community were-- there, there were a number of things that happened. People were rendered unconscious. People were staggering around the streets as if they were drunk and cars wouldn't start for, for a number of things that were happening. And fortunately no one died, but, but carbon dioxide pipeline has the potential of being dangerous if it, if it does leak. The next thing is we're concerned about the, the nature of the pipelines because of the fact that unlike a lot of other pipelines, there isn't a lot of experience in this area. And then the, the next thing that we're concerned about is the fact that currently there's no, no state agency that regulates CO2 pipelines and so, so they could be put anywhere that the pipeline operator wanted to locate it, and that could be a result in, in a dangerous outcome. So, so those are our primary concerns. There's some other additional concerns that we have in that we're concerned about the long-term viability of, of such pipelines. And certainly, I respect-- I've lived in this state my entire life and so I understand the benefits that ethanol, the economic benefits that the ethanol industry provides the state, and certainly would not stand in the way of, of that. But concerned about whether these pipelines are going to be operating in ten years from now or with all of the attention that's being given to electric vehicles. When I read that General Motors and, and Ford are planning to phase out internal combustion engines for their vehicles within by 2035, I wonder how much market we're going to have for these kinds of things in ten years. So we want to make sure that we have provisions in place that regulate the operation and siting pipelines and also provide for reclamation in the event that the pipeline is, is abandoned. And to that end, I would call your attention to LB1106-- LB1186, which has been introduced and will be heard by the Natural Resources Committee. And that bill would provide for reclamation of pipelines that are, that are abandoned. It would also provide that, that other kinds of, of hazardous liquids, not just oil pipelines, would be subject to the act, and it would also provide a fund so that, so that the reclamation activities could take place. So for all of these reasons, we would request that LB801 that be

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either not advanced from the committee or that the provisions related transport to-- related to transportation be removed from the bill.
Thank you.

LINEHAN: Thank you very much. Are there questions from the committee? Senator Friesen and Senator Flood.

FRIESEN: Thank you, Chairwoman Linehan. So have you read about the opportunity of ethanol being turned into what they call renewable jet fuel?

KENNETH WINSTON: I've heard about that, but, but I, I wouldn't-- I would, I would not have any expertise in, in it.

FRIESEN: So I mean the opportunities for ethanol, I guess, are numerous down the road, and we're all concerned about that, I think. But don't-- shouldn't we be looking for those new opportunities of having a renewable fuel because I'm a little reluctant to fly on an airplane that uses batteries?

KENNETH WINSTON: Well, if--

FRIESEN: You know. Again, we shouldn't limit ourselves because of what today's technology uses, so to me, I mean, we are incentivizing companies to grow here. We don't have to attract them. We can get them to grow here if they have new markets.

KENNETH WINSTON: Well, it was-- it's my understanding and, and you, you probably have more expertise in this than I do, Senator, but that the primary intention of the, the Imagine Act is to attract new businesses.

FRIESEN: It was also to incentivize our, our current businesses to grow because we just went through that in the previous hearing.

KENNETH WINSTON: Sure. But I don't see how this would cause the pipeline companies to grow if they're already planning to build--

FRIESEN: Well, it might cause ethanol companies to grow.

KENNETH WINSTON: Well, that-- and

FRIESEN: Thank you.

KENNETH WINSTON: --that's not what we're-- what I was arguing against, Senator.

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FRIESEN: Thank you, Mr.-- thank you, Mr. Winston.

KENNETH WINSTON: Thank you, Senator.

LINEHAN: Thank you, Senator Friesen. Senator Flood.

FLOOD: Thank you, Chairman Linehan. Mr. Winston, thank you for your testimony today. I think there's two issues at play here. I note your objection on the record for the transportation of CO2. If I understand the bill correctly, we're actually talking here, and I think the impetus for the bill is that this is for-- say an ethanol, ethanol plant wants to sequester CO2 underneath ground that it owns. You don't object to that. You don't object to that versus-- your, your focus is on the pipeline. Is that correct?

KENNETH WINSTON: That is correct, Senator.

FLOOD: OK. So if this were to apply to the, the sequestering party, you know, let's say you are doing it on land you own, you have an ethanol plant and you have a section of ground or whatever, and you are sequestering it under that section of ground, you don't object to the use of incentives for that investment?

KENNETH WINSTON: No, that, that-- it's not-- that's not the objection that we're are raising today.

FLOOD: So if we were to partial this out, if you object to using state tax incentives for CO2 that's transported out of the state or from one piece of real estate to another part of Nebraska like an instate pipeline or interstate pipeline, do you have a difference there?

KENNETH WINSTON: Well,--

FLOOD: Or do have a distinction between instate or interstate or is it all the same just the ones that get transported?

KENNETH WINSTON: We're concerned about pipeline safety and pipeline and, and the use of pipelines that don't have-- without having the, the kinds of regulation that we think is necessary. So that would, that would be--so we're-- and, and where the pipeline goes. Well, I suppose we could draw some distinctions, but the primary issue is the pipeline safety aspect and the pipeline having a standard for, for their siting and, and routing.

FLOOD: OK. One-- second question here. And it's not a trick question. Last year, LB650 was my bill, and we talked about how this has been a

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priority of lawmakers in Washington when it comes to CO2 sequestration. You have a long history of being very-- a very big advocate for the environment in Nebraska. Tell me what your concerns are with CO2, is it you don't oppose the sequestration, but it's the transportation of it or do you have a bigger-- you take issue with the idea of CO2 sequestration as an environmental protection measure?

KENNETH WINSTON: Well, I think there are some legitimate concerns about sequestration. I mean, if you're going to, going to do it, you want to make sure that you're actually reducing the amount of CO2 that goes into the atmosphere. So, so I would say, yes, we do have some concerns there, but the concerns that we're addressing today are related to the pipeline issue. So, so--

FLOOD: No, I get it. I get it.

KENNETH WINSTON: And I'd be glad to--

FLOOD: No, it--

KENNETH WINSTON: --to elaborate further if you'd like.

FLOOD: No, you're fine. The last thing I'd say is, I think you, I think you were when you said there's no agency that regulates this. I think that made it-- that's probably a true statement as it relates to pipelines. I think that the sequestration is actually under the Oil and Gas Commission, so.

KENNETH WINSTON: You are correct, Senator.

FLOOD: OK. Thank you very much.

KENNETH WINSTON: So, so yes, I, I, yes, I was, just to clarify, I was intending to refer only to the pipeline aspect.

FLOOD: Right. And I think there's two big issues there. One is the sequestration, one is the pipeline and so I, I think that helps the parceled amount.

KENNETH WINSTON: Certainly, and I'd be glad to visit with you--

FLOOD: [INAUDIBLE]

KENNETH WINSTON: --at, at, at another time off the record if you'd like.

FLOOD: Sure.

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

KENNETH WINSTON: Thank you.

LINEHAN: Are there other opponents? Is there anyone wanting to testify in a neutral position? We did have letters for the record: two proponents, one opponent, and zero neutral. Senator Hughes, would you like to close? Senator Hughes waives closing, so that brings our hearing on LB801 to a close. Thank you all for being here.