

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 3, 2022

LINDSTROM: We'll get started here. Welcome to the Revenue Committee public hearing. My name is Brett Lindstrom. I'm from Omaha representing District 18. I serve as Vice 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 the hearing to identify which bill is currently being heard. Our hearing today is your part of the 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 or eliminate handouts. This is an important note. If you're unable to attend the public hearing and would like your position stated for the record, you must submit your position and any comments using the Legislature's online database by 12 p.m. the day prior to the hearing. Letters emailed to a senator or staff member will not be a part of the permanent record. You must use the online database in order to become part of the permanent record. To facilitate today's proceedings, I ask that you abide by the following procedures. Please turn off your cell phones and other electronic devices. The order of 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 committee clerk when you come up to testify. If you have written material that you'd like distributed to the committee, please hand them to the page to distribute. We will need 11 copies for all members and staff. If you need additional copies, please ask a page to make copies for you now. When do you begin to testify, please state and spell your name for the record. Please be concise. It is my request that you limit your testimony to five minutes, which will mean that you have four minutes with the green light, one minute yellow, and with the red light, please wrap up the comments. If-- doesn't look like there's too many people today. If your remarks were reflected in the previous testimony or you would like your position to be known but do not wish to testify, please sign the white form in the back of the room and it will be included in the permanent record. Please speak directly in the microphone so our transcribers are able to hear your testimony. I would like to introduce the committee staff. To my left is Mary Jane Egr Edson, legal counsel, further left is Kay Bergquist, research, research analyst, and Grant Latimer, committee clerk on the end of the table. We'll now have the committee members introduce themselves starting on my far right.

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

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

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 3, 2022

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

BRIESE: Tom Briese, District 41.

LINDSTROM: Our pages today-- it is Thursday-- Kennedy and Ritsa. Kennedy is at UNL studying political science and Ritsa is at UNL studying political science and economics. Please remember that senators may come and go during our hearing as they have introduce-- 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. Lastly, we use electronic devices to distribute information. Therefore, you may see committee members referencing information on their devices. Please be assured that your presence here today and your testimony are important to us and is critical to our state government. And with that, we will open the hearing on LB1039 introduced by Senator McDonnell.

McDONNELL: Thank you, Senator Lindstrom and members of the Revenue Committee. My name is Mike McDonnell, M-i-k-e M-c-D-o-n-n-e-l-l. I represent Legislative District 5, south Omaha. I come before you today regarding LB1039, which would appropriate General Funds to reimburse rural or suburban fire protection districts, airport authorities, cities, villages, and nonprofit corporations which provide and maintain, enhance cancer benefits pursuant to the Firefighter Cancer Benefits Act. When I introduced the legislation to create the act last year, which was amended into LB432 passed and signed by the Governor, I shared with you that it has been showing that cancer among firefighters has increased significantly. In responding to interior fires, there are often carcinogens burning in the fire. The toxic substances come from the burning of everyday products that are engulfed in flames. The fire service has worked very hard in improving firefighter training and making all firefighters aware of their high risk of cancer, yet there is still a high rate of cancer among firefighters. Research, research conducted by the National Institute of Occupational Safety and Health found that firefighters have a 14 percent increased risk of dying from cancer as compared to the general population. In this legislation, I seek to direct the General Funds to, to be used to reimburse the political subdivisions providing cancer insurance benefits for the annual costs of premiums paid for coverage. The reimbursement would flow through the State Fire Marshal's Office. To qualify for reimbursements, the political subdivision would be required to submit information regarding the total annual costs of the premiums in a manner prescribed by the State Fire Marshal. It is estimated that the annual cost of insurance

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 3, 2022

benefits per firefighter is \$175. If 3,000 firefighters are enrolled in the first year, that would be just over \$500,000. Of course, the goal would be to increase the number of firefighters covered, which at even 9,000 firefighters would be an annual appropriations of \$1.6 million. Experience shows that it will take time to build the number of enrollees, but the, but the associations for both the volunteer and the career firefighters are working hard to encourage fire districts, cities, and villages to enroll under the Firefighter Cancer Benefits Act. I'm here to try to answer any of your questions. I do have a number of people that are going to come and testify today and tell you their story and, and the need for this legislation.

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

McDONNELL: Thank you.

LINDSTROM: First proponent.

KENNY KRAUSE: Good afternoon, Mr. Vice President and committee. My name is Kenny Krause, K-e-n-n-y K-r-a-u-s-e. I'm here today representing the Fairbury Rural Fire Department, Nebraska State Volunteer Firefighters Association, of which I serve as District 4 director and past president of the Nebraska Fire Chiefs Association in support of LB1039. First, I want to thank you for advancing and subsequently passing LB299 last year, which created the Firefighter Cancer Benefits Act. Thanks as well to Senator McDonnell for again leading the charge for firefighters in this important battle against cancer. I'm not going to repeat my testimony from last year, but I do want to share a bit. I joined the Fairbury Rural Fire Department in 1994 and found a passion. It's a job I never knew I would love. I have loved the last 28 years of firefighting and will continue, continue to do so. During my DOT physical, a melanoma was discovered on the left side of my neck. My doctor made it very clear that it needed to be taken care of immediately. To our surprise, the biopsy came back stage 3 melanoma. In May of 2015, I was asked to speak at a fire school seminar on the impact of an LODD in our department. The presenter ahead of me was speaking about firefighter cancer and what this firefighter was describing fit my case to a tee. I could hardly believe what I was hearing. What made this melanoma so unique is the way it presented itself on my body. It can be described as an ink pen mark drawn in the crease of my neck. It was not noticeable most of the time, only when I would turn my head would it expose itself. This is what made it unique to firefighting. This is where all the soot and carcinogens find a spot to rest in the body. The pores on your body open up due to the heat and sweat and allow the carcinogens to enter

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 3, 2022

your skin. Again, thanks to early detection, that's where my cancer story ends. For others, it would only be the beginning. Because of this, we have implemented many changes at Fairbury Rural Fire. We have a hood swap out program where firefighters wear only the Nomex hood one time and then they get turned in to be washed with an extractor. We decontaminate personnel and equipment on scene and have purchased an extractor washing machine for our turnout gear. The state of Nebraska has 471 fire departments with approximately 17,218 firefighters, 1,491 are paid, 308 paid per call, and 15,419 are unpaid. Firefighters have from three-- firefighters have from three to more than five times the amount of by-products and hydrocarbons in their urine after a fire when compared to before the fire. Based on the studies of firefighter cancer in 2006, looking at 20 different types of cancer, the risk is 10 times-- the risk for 10 types of cancer were significantly increased and the risk for the other types were increased, although not to the same extent. Only 41 percent of Americans have any type of emergency fund, which means that of the 17,218 firefighters in Nebraska, only 3,961 would be able to survive through six months of cancer treatments. And of those 3,961, 1,265 would not have health insurance to cover themselves. In closing, the Nebraska State Volunteer Firefighters Association and I support LB1039. The NSVFA is working hard to develop and market the benefits of the act passed last year among as many cities and villages and fire districts as possible. But with the passage of this bill, the funding would be reimbursed by the state which would allow greater numbers of cities, villages, and fire districts to obtain coverage for their firefighters. I thank you very much for your time. Are there any questions?

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

MICHEAL DWYER: Good afternoon, Vice Chairman Lindstrom, members of the Revenue Committee. My name is Micheal Dwyer, M-i-c-h-e-a-l D-w-y-e-r, and I'm here today to testify in support of LB1039. I am testifying on behalf of the Nebraska State Volunteer Firefighters Association, and we would like to thank Senator McDonnell for both this bill and the original bill, LB299, of last year. The good news and the bad news is that I am your eye candy for today. I am here to put a face on the debate about the state of Nebraska's support for volunteer fire and EMS providers, particularly in the face of a cancer diagnosis. I was a 37-year veteran of the Arlington Volunteer Fire and Rescue Service. During those years, I responded to 2,300-plus calls and served in every position except chief, all of which I never received a dime. My career ended in 2020, when I was diagnosed with Follicular Lymphoma.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 3, 2022

After my first round of chemotherapy was clear, I needed everything I had to fight a different battle and I could no longer effectively serve the cause I had devoted most of my life to. Three weeks ago, I was diagnosed with a basal cell carcinoma on my forehead. So while my days of eye candy may be numbered, the work to encourage and support those that still serve continues. Last year's LB299 was great for three reasons. First, because it encourages the entities that benefit from volunteer fire to support those same people like me that get cancer. Second, because it encourages fire and EMS providers like me to get regular examinations and encourages their doctors to look for cancer and note that while they may be a plumber or a lawyer or, God forbid, a photographer, they do serve in fire and EMS. This year's LB1039 would encourage those entities, local subdivisions, to offer this benefit with the understanding that they would get reimbursed. I understand the state of Nebraska and this committee can't give a blank check to everyone who sits in this chair. I get it. As a conservative and as a taxpayer, I completely support that. However, public safety is one of the few essential functions of government. The framework of voluntary fire and EMS that protects-- excuse me, protects the people, the land, the communities, the highways, and the state parks of 78 percent of Nebraska is precarious. Nothing happens in that system without men and women and those who are willing to risk their lives for others for nothing continues to decline while volunteer outcome-- excuse me, volunteer call volumes continue to increase. LB1039 won't solve that, but it will provide a safety net for one of those-- when one of those pieces of that framework falls. I'm asking you to remember my face and to tell your colleagues to others here today and the over 13,000, I had 11,000, it's over 13,000 men and women who volunteer to protect the state that we appreciate your service. We appreciate that you risk your lives to protect others. We appreciate the hell that you go through. We really appreciate the millions and millions of dollars that you save taxpayers of Nebraska. And if you get cancer that we know is connected to your volunteer service fighting fires, we will have your back. I would appreciate your support for LB1039 and I would be happy to take any questions.

LINDSTROM: Thank you and thank you for your testimony. Any questions from the committee? Seeing none, thank you. Next proponent. Afternoon.

DARREN GARREAN: Good afternoon. My name is Darren Garrean, D-a-r-r-e-n, last name is G-a-r-r-e-a-n. I am president of the Nebraska Professional Fire Fighters Association representing approximately 1,400 career firefighters and paramedics throughout Nebraska. I work full time on the streets as a firefighter paramedic myself, and I have to thank Senator McDonnell for bringing this bill.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 3, 2022

I need to also thank those in the Legislature that have also, whether it's volunteered or worked as a firefighter, I think you yourself have done so, and I, I applaud that. So thank you. Senator McDonnell mentioned that there was a 14 percent higher risk of dying from cancer as a firefighter according to the National Institute of Occupational Safety and Health. What he didn't mention was that there also a 9 percent higher risk of being diagnosed with cancer. As you heard from previous testimony, just, just the diagnosis, whether that's mentally or physically plays a toll on an individual as much as anything else. Cancer is also a top cause of firefighter line-of-duty deaths, and it is-- it has become, it has become obvious that it is changing the landscape of doing any firefighting. We're here to support this bill in any way we can with this committee, with the Legislature, and with Senator McDonnell's help of moving this forward. I'm here to answer any questions.

LINDSTROM: Thank you. Any questions from the committee?

DARREN GARREAN: Thank you.

LINDSTROM: Seeing none, thank you. Next proponent.

LYNN REX: Senator Lindstrom, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. Excuse me. Pardon me. I really appreciate the opportunity to be here today. Really appreciate you advancing today on General File, LB1273 incorporating the provisions of LB1272 to provide benefits for law enforcement officers. We opposed LB432 with the amendments of the Firefighter Cancer Benefits Act because of the unfunded mandate involved. We support this bill and we strongly suggest, as I indicated to Senator McDonnell before the hearing, that the State Fire Marshal's Office control it so that these are state funds. They decide who the provider will be. Just as an aside after LB432 passed, we tried to put together a program and my board's position was the League would not get one dime, not one penny above what it would actually cost to provide it. We went to three major providers nationally. There is at least one provider that has caused some issues. And so the answer is this needs to be done by the State Fire Marshal's Office. They need to select it. They need to go out and select the company that's going to do it in a way to make sure that the state funds are protected and that you don't have cities or others that are purchasing from an entity or some group that doesn't know what they're doing. Because at the end of the line, it's these folks that are-- that put their lives on the line for the rest of us, and I think it's important to do this. And just to underscore the need to do

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 3, 2022

it as well, which is a little bit redundant from what's already been testified to, but volunteer firefighters, police officers, other public safety, we're protecting state properties, whether it's Lake McConaughy, whether you look at all these other properties that are out there. These are folks on the law enforcement side, the fire side that are doing it. I realize this is just for firefighters, but the state does have a dog in this fight and it is important the state contribute something significant and this isn't as much as probably it could be. But we really appreciate it. And again, our support is here contingent upon the State Fire Marshal's Office controlling the funds, making sure that it is appropriate, and we don't end up with a company that goes bankrupt or something else happens and then nobody has anything. So with that, I'm happy to answer any questions that you might have.

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

LYNN REX: Thank you very much.

LINDSTROM: Any other proponents? Any opponents? Any neutral testifiers? Seeing none, Senator McDonnell.

McDONNELL: Just want to thank everyone who testified. I know it's your last day of hearings and I got to head back to Appropriations so I'll waive my closing.

LINDSTROM: Senator McDonnell waives closing. That will end the hearing on LB1039.

KAY BERGQUIST: How about letters?

LINDSTROM: Oh, hold up, letters. We did have letters for the record: one proponent, zero opponent, zero neutral letters for the record on LB1039. Now we will open up on LB979.

McCOLLISTER: Good afternoon, Mr. Vice Chairman Lindstrom and members of the Revenue Committee. I am John, J-o-h-n, McCollister, M-c-C-o-l-l-i-s-t-e-r, and I represent the 20th Legislative District in Omaha. LB979 would adopt the Remanufacturing Pilot Project Act and would utilize 10 percent of two state funds: the Nebraska Litter Reduction and Recycling Fund and the Waste Reduction and Recycling Incentive Fund to provide tax credits for increased recycling or composting. The 10 percent from each of these two funds would be credited to a new fund called the Recovered Resource Income Tax Credit Fund. Under LB979, a taxpayer or corporate taxpayer could apply for

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 3, 2022

tax credits up to \$25,000 that are refundable and transferable if they can demonstrate a reduction in their waste through recycling or composting. Applicants can demonstrate waste reduction by showing either an increase in their recycling or composting or by demonstrating waste reduction based on the amount of waste deposited during the year before they applied for the tax credit. The amount of the credit would be based on the statewide average of the tipping fee, which means the tax credit is tied to the cost of disposing of waste in a landfill. Unlike other tax credits the state of Nebraska provides taxpayers, LB979 contains a built-in mechanism to ensure that tax credits are accompanying-- accomplishing the intended goal. Under the bill, the applicant would first apply to the Department of Environmental Quality for tax credits providing base-year tonnage information after which DEO [SIC] would certify a tentative tax credit amount. If the applicant failed to meet the amount of waste reduction certified in the application, then the tax credit would be authorized-- then no tax credits would be authorized. Applicants-- applications received by DEO [SIC] can only be approved up to the total dollar amount available in the Recovered Resource Income Tax Credit Fund that particular tax year. LB979 also calls for the Remanufacturing Pilot Project Act to sunset in the year of 2027. It is the current practice with both the Litter Reduction and Recycling Act and the Waste Reduction and Recycling Incentive Act LB979 provides DEQ administrative expense to be paid through cash funds. Also provides language allowing the DEO-- DEQ to accept grants, contributions, or other funds to support the program. For example, this would allow the DEQ to apply for a grant through the Nebraska Environmental Trust or federal funds. LB979 is an innovative, market-based approach to incentivize recycling in our state, represents more efficient use of cash funds than the current grant application processes, and has the significant potential to create public-sector jobs. In addition, in addition to recycling jobs, LB979 would help fuel the ability of recyclable materials for remanufacturing making our state an attractive option for manufacturers who utilize recycled, recycled goods as a part of their business model. Thank you for your time. I'd be happy, happy to answer any questions.

LINDSTROM: Thank you, Senator. Any questions from the committee? Seeing none, thank you. First proponent on LB979. Any proponents? Any opponents to LB979? Any neutral testifiers? Senator McCollister waives closing, and that'll end the hearing on LB979. Oh, I did have-- I keep forgetting the letters here. Apologize. Letters for the record: zero proponents, one opponent, and zero neutral letters for the record.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 3, 2022

That'll end the hearing on LB979. We'll now open on LB982 introduced by Senator Hilkemann.

HILKEMANN: Good afternoon, Vice Chair Lindstrom. This is my final introduction of a bill in the Nebraska Legislature. I'm Robert Hilkemann, that's R-o-b-e-r-t H-i-l-k-e-m-a-n-n. I appear before you today for the final bill introduction in my tenure as a representative of District 4. LB982 would adopt the Education Savings Account Act, also referred to as ESAA. This is my second run at this bill. I previously introduced it in 2017 after hearing about ESAAs at NCSL. I see LB982 as an opportunity to help parents and guardians defray some of the costs associated with educating their children, regardless of whether their children attend public schools, parochial schools, private schools, or are homeschooled. The ESAA Act would function similar to the college savings plans we have had for several years here in our state. College savings accounts are excellent planning and saving tools to help make postsecondary education possible for many students. But we need to also consider and acknowledge the increasing additional cost to families educating children in K-12 as well. Overall, the ESAA Act interests me because it would provide tax incentive, provide savings for educational expenses, and the accounts are funded with private dollars, not public dollars as in other states. Most importantly, it is open to all people. My three children are all graduates of Millard Public Schools. I feel strongly about our public education system in Nebraska, and I feel it's one of the best in the country. I also respect families who choose to educate their children at home or in a parochial setting. This bill has grabbed the attention of individuals and groups who care deeply about children and our education system. Some of them may disagree on this bill but I believe that we all share a common bond of wanting to do the best for Nebraska families, whether it's a little bit of tax relief or making the extra cost of educating children a little easier. With all due respect to college choice-- or school-choice advocates, I want to be on record that I do not support a voucher system. You may hear today that this bill is just that. I respectfully disagree, and I want to reiterate that my intention is to provide a vehicle to help families defray some of the costs associated with educating their children. I want it to be fair for all, whether it's to help pay the tuition at St. Wenceslaus Catholic School or uniforms at Millard North High School show choir. I feel strongly that families deserve just a little bit of help, and that's what the ESAA does. The technical aspects of the bill allow for a tax deductible contribution of up to \$2,000 per year to deposit-- to be deposited into an ESAA in order to provide for the qualified education expenses for the named beneficiary of the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 3, 2022

account. The bill states that the balance in the account must be fully distributed before the designated beneficiary graduates from high school. But it also provides that an account owner may change the designated beneficiary of an account at any time by notifying the department. Considering the workload and the limited time that we have in this legislative session, along with the fact that while this bill is a priority to me, it is not prioritized. It is my wish that LB982 provide an opportunity for discussion on the realities facing families and the cost of educating our children in the 21st century. I appreciate your time and be happy to answer any questions you may have.

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

HILKEMANN: OK.

LINDSTROM: Proponents. Any proponents?

JEREMY EKELER: Afternoon. My name is Jeremy Ekeler, J-e-r-e-m-y, Ekeler spelled, E-k-e-l-e-r. Vice Chair Lindstrom and members of the Revenue Committee, the Nebraska Catholic Conference advocates for the public policy interests of the Catholic Church by engaging, educating, and empowering public officials, Catholic laity, and the general public. I am here today to express support for LB982 on behalf of the Conference. Thank you, Senator Hilkemann, for proposing a bill that would incentivize donations to savings accounts for educational purposes. Specifically under LB982, accounts would be created so that donor deposits of up to \$2,000 could be made annually. There's a tax incentive for donors to fund the account, their federal taxable income is reduced by their contribution and the income earned in the account. Beneficiaries can choose from a wide menu of educational options, as you see in the bill, including nonpublic school tuition. This array of choices gives parents options for their child's education. That's critical because Catholic teaching clearly states that parents are the primary educators of their children, and that the government should provide educational opportunities so they can find the best fit for their child. It's also notable that 26,500 students in Catholic schools make up 70 percent of the nonpublic population in Nebraska. That's a bit of an outlier compared to most states. It stands to reason that the tuition allowance in LB982 benefits our families. Senator Hilkemann's bill is a small but important step in the right direction for families to choose the education that's best for their child. We appreciate him bringing forth this conversation, especially

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 3, 2022

as it was your last bill presented as a Legislature. So with that, I'll close and take any questions you might have.

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

JEREMY EKELER: Thank you.

LINDSTROM: Any other proponents? Any opponents?

TIFFANY FRIESEN MILONE: Good afternoon, Vice Chair Lindstrom and members of the Revenue Committee. My name is Tiffany Friesen Milone, T-i-f-f-a-n-y F-r-i-e-s-e-n M-i-l-o-n-e. I'm the editorial director at OpenSky Policy Institute. We're here because while we appreciate Senator Hilkemann's interest in helping families afford to educate their children, we oppose the creation of a new tax deduction, particularly without an accompanying revenue raising mechanism to offset its impact to the General Fund. Because tax expenditures don't occur in a vacuum, substantially reducing state revenue will bring a corresponding reduction in state services. For example, tax changes made between 2006 and 2019 are already costing the state more than \$900 million each year, and that number does not include the expenditures of LB1107, which is slated to cost over a billion dollars in the current biennium. That number also doesn't include the cost of LB153 passed in 2020, which exempted 50 percent of military retirement pay, or the cost of LB64 passed last year, which exempted 50 percent of all Social Security income. With minimal revenue raisers passed to offset these tax expenditures, Nebraska will be reliant on consistent and exorbitant economic growth to avoid budget shortfalls. Tax deductions, a type of tax expenditure, are funded by reducing the tax revenue the state collects, meaning they sidestep the appropriations process. Many tax deductions, including the one LB982 would create do not sunset. Instead, they continue until the Legislature takes further action on them, which could take years if it happens at all. This means tax deductions can run on autopilot with having-- with many having no formal review mechanism to ensure they're still working toward their stated policy goals. If they are proposed as appropriations instead of deductions, they'd be reviewed biennially and adjusted as needed. Because we oppose the creation of a new tax deduction, we oppose LB982. Thank you for your time and I'm happy to answer any questions.

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

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 3, 2022

DANIEL RUSSELL: Afternoon, Vice Chair Lindstrom and members of the Revenue Committee. My name is Daniel Russell, D-a-n-i-e-l R-u-s-s-e-l-l, and I'm the interim executive director at Stand for Schools. Stand for Schools is a nonprofit organization dedicated to advancing public education in Nebraska. LB982 creates the Education Savings Account Act, which would provide annual tax deductible contributions of up to \$2,000 per account to provide for certain education expenses, including tuition, books, computers, entrance exams, etcetera. While we very much appreciate Senator Hilkemann introducing this bill and his continued support of education in Nebraska, we oppose this bill for a couple of reasons. The purpose of college savings accounts is generally to provide families a tax deduction on deposits to incentivize saving for college over time. We have concerns that LB982 would turn these accounts into a simple pass-through where family members could deposit money for as little as a few days, use the account to pay K-12 tuition, and still receive a tax benefit. Combine this with the fact that one needs to have money to deposit money into a savings account, we are concerned that this change would primarily benefit the wealthiest Nebraskans. I'd like to walk through some of our technical concerns with the bill as well. The proposed Education Savings Accounts, which are similar in many ways to the federal Coverdell Savings Accounts, offer reductions to federal adjusted gross income for, one, interest earned on the account to the extent included, and, two, contributions to the account. These provisions make the account outlined in LB982 more generous than the federal program, which does not include adjusted gross income deductions for contributions. Further, the federal program includes some income limits on who may contribute to Coverdell accounts with annual contributions capped at \$2,000 for joint filers with a modified adjusted gross income, or MAGI, of up to \$190,000 and gradually reduced for income between \$190,000 and \$220,000. LB982 does not include these income limits on contributions, increasing the likelihood that these programs are used as pass-through tax deductions for high-income earners. This is further consistent with the use of tax preferred savings accounts in Nebraska that can be used for college savings, which indicate that of the 18,940 filers taking advantage of the tax benefit in 2019, 14,000, or about 77 percent, had income over \$100,000 per year, and they received adjusted gross income of approximately \$67 million statewide, receiving about 86 percent of the total benefit. We agree with the Department of Revenue's reasoning in the fiscal note that most of the revenue impacted-- impact proposed in LB982 would result from beneficiaries attending private, parochial, or dominational-- denominational schools. Excuse me. Coupled with the likelihood that these types of accounts will be mostly used by

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 3, 2022

high-income earners, we question whether these uncollected dollars would be better spent improving after-school programming, childcare availability, summer school availability, etcetera. So for these reasons, we oppose LB982, and I would be happy to answer any questions.

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

DANIEL RUSSELL: Thank you.

LINDSTROM: Any other opponents? Any neutral testifiers? Senator Hilkemann, would you like to close for one last time?

HILKEMANN: One last time to close. Well, I was having lunch over at Billy's and Senator Flood asked me if I were going to have a lot of proponents, so I canceled the bus from St. Wenceslaus. [LAUGHTER] Thank you very much for listening.

LINDSTROM: Thank you for spending your last bill with us. And that'll-- we do have some letters here. We had one proponent, two opponents, zero neutral on the letters for the record. And that'll close the hearing on LB982 and we will wait a second for the next bill. OK. Welcome, Senator Murman. We will now open the hearing on LB1261. Take your time.

MURMAN: OK, sorry about that.

LINDSTROM: It's all good.

MURMAN: Good afternoon, Chairman Lindstrom or Vice Chairman Lindstrom, members of the Revenue Committee. For my-- for the record, my name is Dave-- Senator Dave Murman, D-a-v-e M-u-r-m-a-n. I represent District 38, which includes the counties of Clay, Nuckolls, Webster, Franklin, Harlan, Furnas, Red Willow, and part of Phelps County. I come before you today to introduce LB1261 with the goal of promoting investment in Nebraska agriculture, livestock modernization or expansion, and encourage businesses to locate in rural Nebraska. LB1261 amends the Nebraska Advantage Rural Development Act in two ways. First, the ceiling of expected credits from approval projects from the Tax Commissioner to accept applicants will rise from the current \$1 million to \$25 million each year. Second, the refundable credit against taxes allowed a taxpayer with an approved application under the Nebraska Advantage Rural Development Act would increase from the current 10 percent of the investment not to exceed \$150,000 to 10 percent of the investment not to exceed \$500,000 per application. I

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 3, 2022

recently noticed after seeing the fiscal note that the original provisions of this act stated that no new applications could be, could be filed after the end of this year. Since the intent of this bill was for the program to continue, I'm offering an amendment, AM2160, to allow the program to continue. This, of course, will notify-- will modify the fiscal note. The program exists because the livestock industry cannot qualify for the traditional business incentives that are given out under the Nebraska Advantage Act or Imagine Act. The Nebraska Advantage Rural Development Act incentives investments in livestock-- incent-- incentives investments in livestock production and facilities. The amounts allocated to this program annually have not been adjusted up since at least 2017, and the cost of livestock production investments have increased dramatically since that time. There is far more demand for these incentives in terms of applications than the program currently provides. So this would help address the unmet demand. With agriculture being the largest industry in Nebraska, we need to do all that we can to incentivize investment in projects that would benefit rural Nebraska and the state as a whole. These types of investments not only benefit the businesses in question, but also the shops, restaurants, banks, and ultimately the taxpayers. Vice Chairman Lindstrom and committee members, thank you for your consideration of LB1261, and I'd be happy to take any questions.

LINDSTROM: Thank you, Senator Murman. Any questions from the committee? Seeing none, thank you. First proponent. Good afternoon.

KRIS BOUSQUET: How we doing?

LINDSTROM: Good.

KRIS BOUSQUET: Good afternoon, members of the Revenue Committee. My name is Kris Bousquet, K-r-i-s B-o-u-s-q-u-e-t. I'm the executive director of the Nebraska State Dairy Association, and I'm here to testify in support of LB1261 and Senator Murman's proposed amendment. I'm also testifying on behalf of the Ag Leaders Working Group, which is a coalition of, of ag groups consisting of the Nebraska Cattlemen, Nebraska State Dairy Association, Nebraska Corn Growers, Nebraska Farm Bureau, Nebraska Pork Producers, Nebraska Soybean Association, and the Nebraska Wheat Growers. Agriculture is Nebraska's largest economic driver and livestock production contributing the largest percentage of that stimulus. A, a, a great way to grow our economy in Nebraska is to support livestock development in, in rural Nebraska, which will have various positive impacts on rural communities. Increasing the funding of the livestock modernization component of the Nebraska Rural Development Act from \$1 million to \$25 million, while also increasing

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 3, 2022

the per, per person funding limitation from \$150,000 to \$500,000 is key to encouraging livestock development and economic growth. And I'll give you a, a quick example of, of how this program will have an impact on livestock producers. So if you had a, a business located in Gothenburg, Nebraska, and that business invested \$100 million into that facility and had 100 jobs and paid \$1.5 million worth of taxes every year, we would use the ImagiNE Act or-- the ImagiNE Act to subsidize and support that business to grow within that community. Right now, if a-- if we change that business to a dairy farm and a majority of the large dairies that are built today costs about \$12,000 per head to build. So you're looking at-- a 10,000 cow dairy would cost about \$120 million to build. That would also take about 100-- 100-plus employees. We give that dairy farm roughly \$150,000 right now refundable tax credits. So we have a really good opportunity to incentivize rural Nebraska growth with this program, and that's exactly what it would do. This past year, Nebraska State Dairy Association did a-- an economic impact analysis on potential growth in the dairy sector and what bringing a new dairy processor to Nebraska would, would do to our economy. And at the time that we did the, the analysis, annual economic impact back to the state of Nebraska would be \$1.7 billion annually. That's not even including the initial investment that it would take to build the facilities, but \$1.7 billion worth of annual economic impact, \$200 million worth of employee compensation, and over 4,100 jobs. And since then, obviously, inflation has changed those numbers significantly. But it's-- I think it drives home the fact that developing the livestock sector, specifically the dairy sector, would have an incredible impact on Nebraska's economy. A limiting factor with the program, as it operates today, is that it's only funded at \$1 million. And that's a barrier because, you know, we have-- the million dollars is basically gone in a blink of an eye. So the application period starts in November and January 1, you know, the funds are pretty much spoken for. So it's a really utilized program by the agriculture sector. But the funding mechanism, it's not funded well enough at this point to, to really give a-- to have a more significant impact. And just to wrap up real quick, I want to thank, you know, Senator Murman as well as Senator Dorn for prioritizing the bill. We think as Ag Leaders Working Group and the Nebraska State Dairy Association that this will go a long way to help grow and develop the dairy industry and the agriculture sector in Nebraska. So with that, I'll, I'll close and ask for any questions.

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

KRIS BOUSQUET: Yep.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 3, 2022

LINDSTROM: Next proponent. Any opponents? Any neutral testifiers? We do you have a couple of letters here. We have two proponents, zero opponents, and zero neutral letters for the record. And with that, Senator Murman, if you'd like to close.

MURMAN: Well, we always talk about how we can grow Nebraska and how we can grow agriculture. And this program when it was funded at only \$1 million was well received and, you know, did get a lot of usage. And now, you know, we have the potential maybe for expanding dairy processing in the state or, you know, possibly poultry processing also. And with that, we need to grow our livestock industry to meet those plant needs and meet the needs to continue to feed the world. So this bill is good for Nebraska and the agriculture sector and I ask your support of LB1261 and I ask you to give it timely consideration, move it out of committee. And I'll take any questions you might have.

LINDSTROM: Thank you. And did I see that there is a priority? Senator Dorn has prioritized.

MURMAN: Yes, Senator Dorn has prioritized it, and I much appreciate that.

LINDSTROM: Sounds good. Any final questions? Seeing none, thank you.

MURMAN: Thank you very much.

LINDSTROM: That'll end the hearing on LB1261, and that'll end the hearings for the day.