

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee February 13, 2024

HALLORAN: Welcome to the fun committee, the Agriculture Committee. I'm Senator Steve Halloran. I'm from Hastings, Nebraska, and represent the 33rd Legislative District. I serve as Chair of this committee. The committee will take up the bills in the order posted on the agenda. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation be-- before us today. The committee members might come and go during the hearing. This is just part of the process, as we have bills to introduce in other committees. I ask that you abide by the following procedures to better facilitate today's proceedings. Please silence or turn off your cell phones. Please move to the reserved chairs when you are ready to testify. These are the first 2 chairs on either side of the first row. Introducers will make initial statements, followed by proponents, opponents, and neutral testimony. Closing remarks are reserved for the introducing senator only. If you are planning to testify, please pick up a green sign-in sheet. This is on the table at the back of the room. Please fill out the green sign-in sheet before you testify. Please print. It is important to complete the form in its entirety. When it is your turn to testify, give the sign-in sheet to the page or the committee clerk. This will help us make a more accurate public record. If you do not wish to testify today but would like to record your name as being present at the hearing, there is a separate white sheet on the tables that you can sign for that purpose. This will be a part of the official record of the hearing. If you have handouts, please make sure you have 12 copies and give them to the page when you come up to testify, and they will distribute those to the committee. If you do not have enough copies, the page will make sufficient copies for you. When you come up to testify, please speak clearly into the microphone. Tell us your name and please spell your first and last name to ensure that we get an accurate record. We will be using the light system for all testifiers. You will have 5 minutes to make your initial remarks to the committee. When you see the yellow light come on, that means you have 1 minute remaining, and the red light indicates you have-- your time has ended. Questions from the committee may follow. So the yellow light is not like a traffic light. It doesn't mean you can speed up and roll through the red light. We will be using the light system for all testifiers. You will have 5 minutes-- I said that. No displays of support or opposition to the bill, vocal or otherwise, are allowed in a public hearing. Committee members will-- with us today will introduce themselves, starting in my far left.

HUGHES: I'm Jana Hughes, District 24, which is Seward, York, Polk, and a little bit of Butler County.

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BREWER: Tom Brewer, District 43, which is 11 counties of central and western Nebraska.

HALLORAN: To my far right.

HOLDCROFT: Rick Holdcroft, District 36, west and south Sarpy County.

RIEPE: Merv Riepe, District 12, which is metropolitan Omaha and the great town of Ralston.

HALLORAN: To my right is the committee research analyst Rick Leonard, and to my left is committee clerk, Payton Coulter. And when she pushes the red light, she means it. Our pages for the committee today-- I'll let you introduce yourself.

MOLLY PENAS: I'm Molly Penas, and I'm a political science major at UNL.

HALLORAN: All right. Thank you, Polly-- Molly. Excuse me. So we will begin with LB1207, Senator Albrecht. Welcome. Good afternoon.

ALBRECHT: Good afternoon. Good afternoon, Chairman Halloran and members of the Agriculture Committee. For the record, my name is Joni Albrecht, J-o-n-i A-l-b-r-e-c-h-t, and I represent District 17 in northeast Nebraska, which includes Wayne, Thurston, Dakota, and a portion of Dixon Counties. As we look to the future, there's an opportunity to build on a long history of agriculture and agri-food processing innovation in Nebraska. In particular, insect agriculture provides an innovative means of upcycling byproducts from our existing businesses into sustainable feed ingredients and fertilizers to meet growing and global demands. Commercial insect agriculture facilities are looking to make a significant investment and contribution to the competitiveness of the agricultural sector. To lead in attracting this new industry. We are seeking to acknowledge the fit of this activity within the border-- broader realm of the agricultural and value-added processing. Testifiers will follow me to provide more details of the potential insect agriculture, and answer any questions that you may have. I thank you for your time and attentiveness. I'll welcome an opportunity to answer any questions. It is a pretty simple bill. I think you'll find, on page 2, line 5, it talks about insect protection. So, if you'll-- like to ask, ask any questions, that's great. If I can answer them, fine. If not, there's someone behind me, or I'll just sit like a little fly on the wall and wait till I'm called back up.

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HALLORAN: Well, just for the record, I have promised Senator Albrecht that I wouldn't bug her about this bill before it came up [INAUDIBLE]. Any questions from the committee? Senator Hughes.

HUGHES: I know. How do you not ask that question on this? Right? A bug bill? How many insect farmers are there in Nebraska?

ALBRECHT: I have no idea. We're going to find out, though, behind us.

HUGHES: I want to know, do you need like, a horse to round them up, and--

ALBRECHT: We're going to find out.

HUGHES: OK. I will save that. Thank you.

ALBRECHT: OK.

HALLORAN: Any further questions? You don't an-- anticipate this will become an issue for Brand-- for the Brand Committee, do you?

ALBRECHT: Unless you want to try to brand them.

HALLORAN: All right. You'll stick around for close?

ALBRECHT: Yes, sir.

HALLORAN: All right. All right. We will start with proponents of LB1207. Welcome.

KEITH DRIVER: Welcome. Thank you. Be happy to answer your question.

HUGHES: Oh, I can't wait.

KEITH DRIVER: My name is Keith Driver, K-e-i-t-h D-r-i-v-e-r. I'm from a company called Protix Biosystems. We're based out of the Netherlands. We have a 150,000-square-foot insect production facility just south of Rotterdam. And we're looking to build an insect farm facility here in the U.S. Midwest. So Protix was founded in 2009, in a mission to bring forward insect production for animal feed production. Commercial insect production consists of 3 species. Primarily in North America, it would be crickets, mealworms, and black soldier flies. And I'll speak a little bit to one of the big mealworm companies that's in Nebraska. We picked the black soldier fly. It grows 1 million times its body weight in 2 weeks, which makes it very efficient at upcycling low-value nutrients into high-value proteins and oils. They don't have mouthparts while they're in their adult phase, and we harvest 99% of

them before-- while they're in their larval stage for protein. So only the 1% are allowed to breed. And they don't have mouthparts, which means they're not a vector for disease, and they have no means or reason to escape. They, they stay contained, so there is no rounding them up. The density for rearing is very high. In a 400,000-square-foot building, which is what we're looking at, there would be 32 billion head under management, which gives new definition to "all hat, no cattle." We are literally the largest livestock producers in the world in that regard. Primary markets for the feed ingredients are pet food. 10% of dogs are allergic to traditional feed products, so we fit into that market. We also fit into aquaculture, poultry production, backyard chicken, wild bird, a few other markets like that. But it's a specialty protein, and the lipids are used in hog production as a palatant, particularly around weaning, and into aquaculture feed as a coating. We have lauric acid in our, in our oil, which makes it a-- it differentiates it from other animal pro-- lipids. And we have chitin as a protein, which has certain values in, in particularly species with exoskeletons or where they need to synthesize that themselves. We are a good fit with the alternative protein space, in that we upcycle wastes and byproducts from those industries. A commercial facility like we're contemplating is 400,000 square feet, 150 jobs, 8 thou-- 800 to 1,000 tons per day of feedstock. So we need large volumes of-- particularly wet feedstocks. We feed at 75% moisture. So we take things that are otherwise going to water treatment plants, or in the case of-- what we're looking at at Dakota City, would be paunch from the Tyson plant, and upcycling those into the high-value proteins. The investment will be in the range of \$130 to \$150 million in land, building and equipment. Feedstocks, we take a wide range of facilities-- of, of materials, everything from ice cream waste through to grain materials. The potential for Nebraska. Nebraska had a famous mealworm startup, started by 3 women, Jord Enterprises. They sold to a, a French company as they planned their expansion. So where you see innovation in agriculture, you find folks working with insects in that regard. Sorry. We're considering siting a facility here in Nebraska, and it won't be a surprise that most regulations didn't contemplate insects when we were thinking about agriculture. We had the same issue historically, with aquaculture, where it was contemplated. And so we're asking for an inclusion so that our facility, which is all aspects of an animal production facility from the feedlot and the feed production through to postprocessing, can be included within the current definition of agriculture here in the state. Thank you.

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HALLORAN: Thank you, Mr. Driver. Please don't mistake my interjection of humor as, as making this not to be a serious subject. It is. We're glad to have you here. Any questions from the committee? Well, Senator Hughes.

HUGHES: I know. Super shocking. So thanks for coming in. I'm not going to lie, I was like, Dakota City? That's not even in Nebraska. I looked it up. It is. I figured it was like in South Dakota. So what is your plans for, like-- when we're going to get this, this helps for advertising stuff for Nebraska. What are-- do you have set plans to build? Like, what's your schedule?

KEITH DRIVER: Sure. So Protix announced a partnership with Tyson, who's a large industrial player here. They have a need to upcycle certain materials from their facility. So they've got a plant in Lexington, Nebraska, and one up in, in Dakota City. Dakota City happens to also have a, a Ingredion facility where they're processing peas, and they get the protein out of the pea, but there's all--

HUGHES: Peas?

KEITH DRIVER: --peas.

HUGHES: OK.

KEITH DRIVER: --but they also have all the starch and fiber.

HUGHES: Right.

KEITH DRIVER: So we can take the starch and fiber, combine it with the corn and other ingredients that are in there-- in the region, to make a feed for our product. So we're looking with Tyson, our deal is 1 plant, up to 3 in the U.S. Midwest. So we're looking to make a significant investment here.

HUGHES: And the one that-- or what you're thinking of building is the black soldier fly one, or?

KEITH DRIVER: Black soldier fly farm. Yes.

HUGHES: So you, you pick 1 insect at the plant. You don't have, like, all 3 or whatever.

KEITH DRIVER: No. Ours is the black soldier fly.

HUGHES: And this is just larvae.

KEITH DRIVER: So 1% are allowed to pupate and turn into flies.

HUGHES: Right. So you have like a fly room and then, a larvae room? I've got to see this place.

KEITH DRIVER: Yeah. So 400,000 square feet, we have a lot of rooms for a lot of things, but about 1% is the lucky few that we allow to hatch out. They last about 2 weeks, maybe, if you're lucky, as a fly. And because they have no mouthparts, the reason they grow so quickly is they take on fat and protein. And then they pupate, and then they live as long as they can. A female lays 600-800 eggs. We incent them to lay their eggs in a honeycomb-type structure. And then we-- the, the circle of life continues, and we, we, we go on from there.

HUGHES: So like you walk in. What does this look like?

KEITH DRIVER: It looks more like what I would think an Amazon warehouse looks like.

HUGHES: Yeah.

KEITH DRIVER: We start-- in our facility in Bergen op Zoom, we start 60,000 pallet size trays--

HUGHES: OK. They're a little bit-- yeah. OK.

KEITH DRIVER: --that are about 6 inches deep, with feed and eggs and, and larvae.

HUGHES: And you stack them up all over.

KEITH DRIVER: Stack them up, put them in. If you can imagine bringing 800 tons of, of feed into a building, we bring a lot of energy in that.

HUGHES: Um-hum.

KEITH DRIVER: So we have to keep them cool, stack them.

HUGHES: Sure.

KEITH DRIVER: So it's a-- it's an HVAC.

HUGHES: Yeah, yeah.

KEITH DRIVER: So it's a very highly automated-- and you can't do it one at a time with 32 billion. You got to do them in batches of

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crates. And we-- it's conveyors and automation and entomology coming together to, to bring value to those products.

HUGHES: And I'm just going to ask 1 more question. The 150 jobs--

KEITH DRIVER: Yes.

HUGHES: --at this one 400,000 facility.

KEITH DRIVER: Yes.

HUGHES: Are they mostly, like, just logistics, like moving these trays around, and do like-- what are they doing?

KEITH DRIVER: So everything from-- in the facility we have in Bergen op Zoom, we've got entomologists, we've got programmers, we've got automation engineers, we've got-- there is some labor.

HUGHES: How about nutrition people [INAUDIBLE]?

KEITH DRIVER: We have nutritionists, we have mechanics. It's relatively high-paying jobs. We don't do a lot because you're literally dealing with 32 billion. At, at their highest weight, they're 150 to 250 milligrams, so they're quite small.

HUGHES: Sure.

KEITH DRIVER: So you have to do it through automation. So it's-- the level of education that we're looking for fits well with, with--

HUGHES: OK. And then, just--

KEITH DRIVER: --the future of agriculture.

HUGHES: --one more question.

KEITH DRIVER: Yeah.

HUGHES: So then, when they're fully-- they're ready to harvest--

KEITH DRIVER: Yes.

HUGHES: --do you like, freeze them, and then they're freeze-dried and send them off to the like pro-- the pet companies or how does that work?

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KEITH DRIVER: Great question. So that would be more like in crickets. They would freeze them and send them--

HUGHES: OK.

KEITH DRIVER: --as frozen, as blocks. We tip the tray, separate the frass, which is the fertilizer component--

HUGHES: Right.

KEITH DRIVER: --the worm cast, as well.

HUGHES: Take the poo out, and then--

KEITH DRIVER: Take the poo out. It's got more value than that, but yeah.

HUGHES: OK.

KEITH DRIVER: --from the larvae. And then we macerate the, the--

HUGHES: You smush them.

KEITH DRIVER: --smush them. [INAUDIBLE].

HUGHES: Good. That's what I wondered. Do you freeze them or like, smash them up?

KEITH DRIVER: No, we smush them and then we--

HUGHES: So you sell like, sludge.

KEITH DRIVER: --try and separate the-- yes. We create a meal, a, a puree, and then we--

HUGHES: A puree.

KEITH DRIVER: --separate the puree into its protein and oil. I-- yes.

HUGHES: I mean, is this-- this is fascin-- this is fascinating to me.

KEITH DRIVER: It's, it's-- I've had, you know, New York investment bankers. I've had all sorts of folks come through, and I just love showing them what agriculture--

HUGHES: It is-- that is just amazing.

KEITH DRIVER: --works like on this scale.

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HUGHES: Awesome.

KEITH DRIVER: It's fascinating.

HUGHES: Thank you.

KEITH DRIVER: No problem.

HUGHES: Thanks for bringing this. This is [INAUDIBLE].

HALLORAN: All right. Thank you, Sen-- Senator Hughes. I will never use the, the word puree again without thinking--

HUGHES: Oh, I know. Right?

HALLORAN: Senator Brewer.

BREWER: Thank you, Mr. Chairman. All right. Well, Senator Hughes took a couple of my questions, but-- well, let's--

KEITH DRIVER: She had 23 of them.

BREWER: Yeah, I know. Well, let's just get back to the basics here. All right, so you have a choice between mealworm and crickets, but here in Nebraska you're going to focus on flies.

KEITH DRIVER: Yes.

BREWER: Well, what's the name of this fly again?

KEITH DRIVER: The black soldier fly. It's, it's native to Nebraska.

BREWER: OK. And the end product, one of them, would be dog food.

KEITH DRIVER: So we create a protein powder. I'm not allowed to show you what it looks like, but I have some I can show you afterwards. It looks like any other protein powder that would go into-- like, the Purina plants would use it. We sell to Mars and all [INAUDIBLE].

BREWER: So you're thinking my German shorthairs are going to switch from Blue Buffalo to this fly stuff, and this is going to be something they're going to eat?

KEITH DRIVER: So it's interesting with, with pets. So if 10% of cats like something, that's an approved cat food. If 90% of dogs like it, then it's an approved dog food. That's the test, because cats are faker. And we, you know, most, most companies have a line of

alternative proteins. Why-- where we compete is with things like kangaroo meat. So for hypoallergenic pets or those that you would buy-- pet food you would buy at the veterinarian, not at the pet mart. That's the pet food that we go into, the one that's sort of engineered for, for a dog that might have some digestive issues or otherwise. So, even if we were to produce all 60,000 tons of protein that we're at, at this plant, we're going to be a, a niche product in, in those. We're also-- think of things like reptiles and otherwise, that-- for which this would be a very natural feed. So we, we, we focus on dogs because it's easy for people to understand the quantity and the scale. Purina plant is a big plant. But we, we focus on the range of specialty and, and unconventional pets.

BREWER: And most people don't keep Gila monsters or anything that might be really excited about eating what you have there, too.

KEITH DRIVER: So, backyard chickens, it's-- you go to Bomgaars in town here, you'll find black soldier flies and mealworms on the shelf, as a backyard chicken treat. It's already for sale here. I should say, I lived in Fort Dodge, and-- which is 3 hours, 4 hours away, and it-- they had it there, so I'm assuming they'll have it here. So it is a ingredient, but it is not conventional or commoditized. It's still a specialty ingredient.

BREWER: Got it. All right. Thank you.

KEITH DRIVER: You're welcome. Thank you.

HALLORAN: Senator Riepe.

RIEPE: Thank you, Chairman. My first question was why Nebraska, but I think you've answered that. We seem to be-- maybe our new mascot is going to be the black silver fly? It's, it's--

KEITH DRIVER: True. I mean--

RIEPE: --unique to Nebraska or just a good number of them here?

KEITH DRIVER: So, when I had the chance to meet the, the Chairman of the committee this morning, I don't know if you noticed, but we were standing on the Rotunda, and underneath our feet was actually-- there was a butterfly and a, and a, and another insect, which I couldn't name, in the floor. So, yes. We're, we're, we're already here. Insects are already included in the, in the architecture of the building. Why we picked Nebraska specifically, the U.S. Midwest is one of 5 regions of the world that's a net exporter of food. And so, if we're looking

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for food and feed byproducts, this is where you come, to get, at the earliest stages of agriculture, before that food becomes harder and more processed further through the line. So, you know, biofuel production, grain milling, pea processing, all of that occurs here. And this is where those primary streams are available for us [INAUDIBLE].

RIEPE: I guess my question was why now? Is it some research that evolved into this product, or.

KEITH DRIVER: Yeah. So the domestication of the species started about 15 years ago. Luckily, our cycles are a month long, so we can do what took-- what would take conventional ruminant agriculture, you know, tens of years to, to, to cycle, we can do in, in a, in a year, from a genetics perspective. But the pressure on proteins has continued-- so since the '80s, there hasn't been much more fishmeal produced. We've just moved into now we have soybean meal, and we have all these other alternative proteins that are trying to fill the protein gap. And this is one, on the feed ingredient side, that, that allows us to take undervalued products and, and upcycle them. But it is at the edges of conventional protein production, although it relies a lot on the same technology.

RIEPE: It's very helpful to me understanding why, when I was a kid on the farm, my dog used to jump into the air to try to get flies.

KEITH DRIVER: Exactly.

RIEPE: So he, he knew more than I did.

KEITH DRIVER: You think about fly fishing, it's the same process.

RIEPE: What is your greatest business risk that you face?

KEITH DRIVER: So, the greatest business risk we face from a production point of view, we don't have diseases like avian flu, touchwood, that, that would affect us as an industry, because our animals grow in, in the wild with growing manures, so they're used to highly biological material. It comes down to the, the prevalence of feedstock. So we become very reliant on our feedstock providers, and-- much like a, a dairyman would be if there's a change in diet that impacts the milk production, we're the same way, except our cycles are 6 days long, so we don't have that luxury. Like the, the commercial feed part of our-- the feedlot part of our operation is 6 days long. So we can't be-- if the feed is better or worse and it shifts us by a day, it can really throw off the production cycle of a facility that large. And then the

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next one is reliability of utilities, because we produce enough heat in the building that they would, if we lose power for extended periods of time, we have to take them off feed. And that, of course, then, trickles through our production cycle, as well. So, those are [INAUDIBLE].

RIEPE: One more question, if I may, sir?

HALLORAN: You got to keep up with Senator Hughes, so go ahead.

RIEPE: I'm a long way from 23.

HUGHES: I'm not at 23.

RIEPE: I, I guess my question, is there any concerns with the community that you would place the-- your facility at? Is that a nonissue? We see it with a-- with livestock, if you will, but I don't think people probably thought about flies.

KEITH DRIVER: No. We-- we're going into industrial-zoned facilities and areas. And we are inviting local stakeholders to see and feel what a facility would look like. We had the mayor of a, a city come visit us, and we had them count the number of flies they saw in the building, and they saw 4. So-- in a facility that had 8 million, so it's a pretty good ratio. You may see more cows on the streets in, in, in Omaha than you would see flies in the building in, in, in, in our facility.

RIEPE: Can we count on that?

KEITH DRIVER: And then we'd manage for odors, as well.

RIEPE: OK. Great. Thank you very much for being here. That's informative.

KEITH DRIVER: Thank you.

HALLORAN: Thank you, Senator Riepe. Senator Hughes.

HUGHES: This is my last one. So the-- does-- is there, like, an ethical way that you get to smush these things, like, does PETA get involved or anything like that?

KEITH DRIVER: So it's actually a very topical discussion point.

HUGHES: Well, other things you have to, like, put in-- I mean, you have that ethically kill [INAUDIBLE]. Right?

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KEITH DRIVER: Yeah, we have, we have, we have an obligation to do that. Our ingredients are FDA-reviewed, so we do have some oversight from that. And as an industry association, the North American Coalition for Insect Agriculture is currently working through standards for euthanasia. They don't have a stress response that we understand yet. And so, we're working with various stakeholders, the usual suspects, to come up with mechanisms. Tyson is a partner in this. We have-- they have experts on, on animal cruelty and, and animal welfare. And we're working with them to ensure that the facility will meet the, sort of, highest standards. We are a mission-oriented organization and so, we-- it's part of our DNA to consider that as, as how we do that.

HUGHES: Do you have, like, a video of like, how this works?

KEITH DRIVER: I would love to-- and I will forward a video--

HUGHES: I so want to see this thing.

KEITH DRIVER: --and a presentation with some pictures of what it looks like.

HUGHES: Cool.

KEITH DRIVER: And if, if the Chairman would be comfortable, I'd like to leave you with some samples for your office, for all the tourists to visit.

HUGHES: I want to see Senator Halloran taste it.

HALLORAN: With spoons and napkins and--

KEITH DRIVER: Absolutely, for all.

HALLORAN: Senator Han-- Senator Hansen.

HANSEN: Thank you. I hate flies.

KEITH DRIVER: OK.

HANSEN: But I think I like this bill.

KEITH DRIVER: OK.

HANSEN: How-- like I-- I think I got a couple questions. Are there other industries this bill might affect, that deal like in productions

such as what you're doing? You know, like, in like other places, maybe, where this has been incorporated, other states?

KEITH DRIVER: So the, the number one industry that we impact in this way would be the pet food space, in terms of the ingredients and the, and the opportunities for them to include this in what their-- their product mix, as they go forward. So as they look towards sort of a vegetarian pet food, this is one of the ways you can get in that regard-- move in that regard.

HANSEN: Yeah. Are, are there other companies that I don't know what you call it, grow insects, or what we're, what we're trying to expand with this bill. Are there other industries, like, for instance, maybe one time you talked about there are certain industries that deal with like, worms or-- like that-- fertilizer?

KEITH DRIVER: Sure, absolutely.

HANSEN: Like, would this affect them, as well, might expand some of their abilities to do certain things?

KEITH DRIVER: It will. So the color red comes from carminic acid or, or-- which, it comes from the gut of the cochineal insect. So there are other industries that are looking at using it for producing biopesticides, biofertilizers, that are looking to use that. BASF has a facility in-- just outside of Cedar Rapids-- no, not Cedar Rapids. I think it's Des Moines, Iowa. They have a facility there that they grow insects for various isolates that they use. And so it, it-- in the-- their insects are very efficient at growing. And therefore, if you're going to take extracts like carminic acid, like the color red from-- the only natural red color that, that you can get it from that, from insects. And you can breed them and stress them to get that response. The, the-- improve the capacity of that. So there are others. It's going to be very high bio nutraceutical, pharmaceutical applications. But yes, there's a number of job [INAUDIBLE] like that.

HANSEN: OK. That's [INAUDIBLE] about that. Thank you very much.

KEITH DRIVER: You're welcome.

HALLORAN: Any additional questions? This may be getting in, in too deep in the woods and maybe proprietary information, but you had mentioned earlier about you-- at some stage, you incent them to lay eggs?

KEITH DRIVER: Yes.

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HALLORAN: Do you play provocative music or something or what's, what's, what's--

KEITH DRIVER: So, you're not far off. So, you have to play with--.

HUGHES: Mood lighting.

KEITH DRIVER: No, I, I-- as someone who's been in an insect cage with a wavelength meter, to get the wavelengths just right to incent the right, I can tell you that there is absolutely a wavelength of light that produces the best quantity and quality of eggs. It's humidity, it's temperature, and wavelength. We haven't tried music yet. I'll take that under advisement, but it's very important to do that. The, the happiest and healthiest larvae will become the female and-- or, or have the highest chance of becoming the female and therefore, lay the best eggs. And that provides the product. So we spend a lot of time ensuring that that lucky 1% is incented to be the, the highest producing progeny.

HALLORAN: OK. All right. Any other questions from the committee? I know-- this is-- you hear all the fly jokes. I get that. You've heard this one, but you are, you are officially now the "lord of the flies."

KEITH DRIVER: Thank you, sir.

HALLORAN: Thank you so much. It was very interesting.

KEITH DRIVER: Thank you.

HALLORAN: Additional proponents for LB1207? Are there opponents for LB1207? Anyone in the neutral capacity to LB1207? Seeing none, Senator Albrecht, fly right on in here.

ALBRECHT: Wow, that was quite an education. I'm excited to hear a little bit more about flies. I have a little bit more respect for them now, on our farm. Even though they're not using those, I wish they would. But we probably wouldn't be able to use it for a, a, a product after it's been where it's been. But, I appreciate all the attentiveness, and that was an education like no other. So I just simply ask that you would send it out and get it to the floor as quick as we can. Maybe we can get it as a senate or a-- maybe a-- Speaker Arch will put it on a-- his, his little list of priorities, if everybody likes flies and likes what they're going to do for the animals and the environment. It's pretty cool.

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HALLORAN: OK. Any closing questions from the committee? All right. Thank you so much, Senator Albrecht.

ALBRECHT: Thank you. Appreciate it.

HALLORAN: For LB1207, for online comments, comments there was 1 proponent, zero opponents, and zero neutral. That officially ends LB1207. Moving on to LB1368, Senator Ibach.

HALLORAN: Welcome, Senator Ibach.

IBACH: Thank you very much. Sprinting from Judiciary to Appropriations to Agriculture.

HALLORAN: Quite a transition.

IBACH: Yes. Ready?

HALLORAN: Whenever you're ready.

IBACH: Thank you. Good afternoon, Chair-- Chairman Halloran and members of the Ag committee. My name is Senator Teresa Ibach, spelled T-e-r-e-s-a I-b-a-c-h, representing District 44. I'm here today before you to introduce my bill, LB1368, which adopts the Nitrogen Reduction Incentive Act. Before I begin, I'd like to thank the co-sponsors of this bill, Senator Eliot Bostar, Senator Conrad, Senator Dorn, Senator Halloran, Senator Hardin, Senator Holdcroft, Senator Jacobson, Senator Kauth, Senator Meyer, Senator Murman, and Senator Sanders. And I'd also like to thank those supporting LB1368, the Ag Leaders Working Group, which consists of Nebraska Cattlemen, Nebraska Corn Growers Association, Nebraska Farm Bureau, Nebraska Pork Producers, Nebraska Sorghum, Nebraska Soybean Association, Nebraska State Dairy Association, Nebraska Wheat Growers and Renewable Fuels, along with the Nebraska Chamber of Commerce and Industry, Nebraska Natural Resources Association, the Aksarben Foundation's full value ag folks, and the League of Women Voters. Great support for this. Governor Pillen often says agriculture is the heartbeat of Nebraska, and I couldn't agree more. LB1368 encourages farmers to adopt efficient and sustainable practices to help Nebraska protect, protect its natural resources. It also positions our farmers to compete globally. It is designed to position Nebraska to win the race to adopt new innovative farming practices, including the proper use of biological nitrogen products. Here's what the bill does, as drafted. The Nebraska Department of Natural Resources, in partnership with the Natural Resources Districts, our NRDs, will develop an incentive program. The program will incentivize farmers to reduce the use of commercial

synthetic fertilizers and incorporate innovative new technologies. The program will provide an annual per acre incentive for farmers who 1) verify commercial fertilizer rates were replaced by the lesser of either 15% or 25 pounds per acre of nitrogen, 2) use a qualifying product in their nutrient plans, and 3) show a historic baseline of fertilizer use to demonstrate nitrogen has been reduced. All of these markers must be qualified through documentation of rates, products used, and history of reductions. In consultation with farmers and industry leaders, a per acre payment rate tied to the commercial rate reduction, one that is not less than \$10 per acre, will be established by the Department of Natural Resources. The department will also be charged with reviewing the rates based on inflation or emerging technology in renewing years. We are asking the Department of Natural Resources to assist in identifying geographical beneficial target areas, while keeping the program open to all farmers across the state. LB1368 is currently drafted to request \$5 million in general funds to carry out this incentive program. I am open to working with stakeholders and the committee to find additional funding opportunities. I would also like to note that the bill includes a sunset of December 31, 2029. LB1368 isn't just about protecting and enhancing our natural resources, which is paramount. It is also about retention to-- retention to ensure our good life remains for the next generation. As I reached out to leaders in agriculture about the concepts of this bill, I became overwhelmingly impressed by all that is happening in sustainable agriculture. You will hear more about this subject from those who follow me, and I want to take this opportunity to thank those who have shown up today to support this bill. I also know that to win, we need to act urgently, which is why I ask that as a committee, we consider making LB1368 a committee priority bill. This message that this bill sends is an important-- is important as the actual details of this bill itself. This is the start of an even bigger and more exciting discussion in the months ahead. I'd just like to point out a couple of the key points. This is not a long-term incentive. This is a short-term model that will help Nebraska be a leader in sustainable ag initiatives. It is why I included a sunset date on the bill. If we can be first and fast, we don't need the incentive long-term, as farmers see the benefits to their bottom line, their land, and our water. Second of all, \$5 million per year is a start. But frankly, based on conversations that I've had this week, it should be more. I recognize it is an off-budget year, and I visited with Senator Clements, but timing is everything. I want to work with this committee and with the Governor on how to best fund this important initiative. We have suggested dollars be used from water sustainability funds, the Resilient Soils and Water Quality Act Fund,

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the cash reserve, corn checkoff, and the Environmental Trust Fund, or a combination of all of those. As I mentioned, I'm open to options, but would stress again that we want to move quickly. This is an investment in agriculture and in Nebraska's future. I believe L-- LB1368 can have a profound impact on not only the quality of our land and the water in Nebraska, but also on its value. Incentivizing the adoption of new, sustainable technologies is key to getting ahead of impending threats to production practices and allowing our farmers to lead the way. By working together and being proactive, our farmers can be in the driver's seat on this important issue. Thank you for your time and consideration of LB1368.

HALLORAN: All right. Thank you, Senator Ibach. Questions? Senator Hughes.

HUGHES: Thank you. Chairman. Thanks for bringing this, Senator Ibach. I almost said Teresa. Senator Ibach. So when you distribute the funds, it's going to be through the NRDs. Is there going to be-- I mean, because we, you and I have talked about this before, there's kind of 2 issues, right? We've already got the nitrates that are down there, and then we've got the issue of what's heading down there by what's being put on the fields now. Will there be a focus on areas that have the higher nitrate consist-- you know, nitrate levels? Like, will they be first up for the grant programs or-- like how, I guess how or maybe you haven't even gotten there, how will the funds be distributed?

IBACH: They could be. And that's up to the Department of Natural Resources to decide.

HUGHES: So the-- Nebraska-- they'll kind of settle on those

IBACH: My goal really is to leave it open to all farmers because right now, clear across the state, farmers are starting to use biologics and they're proven. And there's no way to take-- I mean, the nitrates that are in our groundwater supply now have taken 30, 40--

HUGHES: I know.

IBACH: --50 years--

HUGHES: To get there.

IBACH: --to get there.

HUGHES: Yep.

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IBACH: And so, this isn't an easy fix. This is a-- this really came out of a Planning Committee meeting we had this summer. Senator DeBoer is the Chair, and she said, one of the Planning Committee meetings we want to dedicate to water, specifically nitrates. And so as a result of that Planning Committee meeting, we talked about how, how we are reactive, how do we test nitrates in the soil, how do we test nitrates in our water supply. What if they test positive? My approach and my kind of a brainchild out of that discussion is how do we be proactive and not put synthetic nitrates in the ground to start with? So this really is an attempt at being proactive, giving our farmers and, and ranchers an opportunity to say we're the best stewards of our land, and this is how we can be proactive and be ahead of the curve when it comes to increasing our yields and, and telling our story, instead of someone else's.

HUGHES: And we've-- I mean, NRDs already do some of these preventative things with-- there's incentives for cover crops and, and you know, things like that.

IBACH: Yes.

HUGHES: So this is in ad-- another tool--

IBACH: Yeah.

HUGHES: --I guess, for NRDs.

IBACH: Yes.

HUGHES: OK. Thank you.

IBACH: Thank you.

HALLORAN: Thank you, Senator Hughes. Additional questions? Senator Riepe.

RIEPE: Thank you. Thank you for being here. Of-- as a healthcare interested person, I'm, I'm a bit concerned about the level of nitrates, and particularly for our citizens with children, as well. I know it's been a problem. My question is, is has this been aggravated, aggravated because in the past, we used to use crop rotate-- rotation. But I think now, we substituted crop rotation with greater fertilization for greater crops, corn crops primarily. Are we looking at any other application techniques or in farming pieces--

IBACH: Well, there--

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RIEPE: --rather than just saying no, we've got to get every piece of land into corn production that we possibly can.

IBACH: I think crop rotation is still a very important part of it. We rotate crops on our, on our operation. I also think that cover crops or how we identify ways to enhance our soil health is a big piece of it, and, and biologics are a big piece of that. Because when you can create a better soil, it creates a better crop, which results in higher yields. And I think if you look at the research over the last few years, we've identified a lot of value in soil health. And so what, what some of these products will do is reduce the amount of synthetic nitrogen that you have to apply, and it increases your soil health by, by substituting in these biologics, which, I mean, I could go into a whole dissertation. But, you know, when you look at biologics and how they work with the root systems, with the soil health, I mean, what we're doing is being good stewards in saying soil health is a start, and, and yields are the beneficiary of it.

RIEPE: Is there any part of this bill dealing with education, which is over to farmers and people who are making the application to, you know, [INAUDIBLE] doesn't have enough to cover it with [INAUDIBLE].

IBACH: That's a really good question. I know companies that, that supply the biologic products do a great job educating and, and trying to educate farmers on the benefits. I can't really speak to like, an overlying program that's out there. The Department of Ag might have something, or Natural Resources would probably have something. NRDs probably have something locally.

RIEPE: You know, farming has become very sophisticated. [INAUDIBLE].

IBACH: Yeah.

RIEPE: OK. Thank you very much for being here.

IBACH: We have to be. Thank you.

HALLORAN: Thank you, Senator Riepe. Further questions? Seeing none, you'll stick around for close?

IBACH: For sure. Thank you.

HALLORAN: All right. We're looking for proponents of LB1368. Good afternoon, and welcome.

HANK ROBINSON: Good afternoon. Thank you, Senator Halloran. And my name is Hank Robinson, H-a-n-k R-o-b-i-n-s-o-n, and I'm here to testify in support of LB1368, and to thank Senator Ibach for bringing this bill forward and this proposal forward in support of producers in the state of Nebraska. I'm here on behalf of the Aksarben Foundation's Full Value Ag Initiative, which was started by business and ag leaders in the state of Nebraska to connect Nebraska's sustainably produced commodities to a growing global market demand for agricultural products that are more sustainably produced. One of the reasons why we're supporting this bill is that while sustainability can mean many things in terms of-- and as far as the commercial markets are concerned, it comes down usually to 3 things: Carbon intensity, nitrogen management, and water management. One of the good things about this bill is that with nearly 10 million acres of corn under cultivation, 1.8 billion bushels last year, anything that farmers and growers can do that can reduce their reliance on artificial fertilizer also reduces the carbon intensity of that corn and increases the inventories by which they would be able to leverage price support in their negotiations with the ethanol industry, and-- along with other processors of those goods. So there's 3 main reasons why we're here in support-- why I'm here in support of the bill. And that's because the benefits flow down to many different people. The first one is we have a number of companies in the state of Nebraska in agribusiness that have many ways in which they're helping farmers not only manage, but reduce their use of chemical fertilizers through biologics, but also through scheduled applications. And so this bill is good for them. It, it gives some of those growers who have been sitting on the fence a reason to start establishing a relationship with these companies that we know are going to be the future of agribusiness. The other part goes back to the more broadly these practices are adopted and the lower we drive the carbon intensity scores of our inventory, of corn in particular, in the state of Nebraska, the sooner our elevators, our co-ops, and our farmers are going to be able to leverage the size of those inventories into productive market negotiations. And finally, we recognize the sunset and are completely fine with that. We believe that eventually, market support will encourage farmers to not only implement these practices, but to maintain them over time and gain even greater reductions in the use of fertilizer. But the good thing about the bill is that it mitigates some of the risk all producers face any time they shift to new practices. Finally, not only do we think LB1368 is a good idea, we think it's a great idea. And we would be open to working with anybody to see if we can extend its reach beyond the 500,000 acres that are currently envisioned in the bill.

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And with that, I want to thank the committee for having me this afternoon. Do you have any questions?

HALLORAN: Thank you, Mr. Robinson. Questions? Senator Holdcroft.

HOLDCROFT: Thank you. Chairman Halloran. Senator, Senator Ibach-- where'd she go?

IBACH: Right here.

HOLDCROFT: Oh. She mentioned synthetic nitrates versus biologics, is that right? Can you give me some examples of each of those, so I have an idea of what we're really talking about the difference is?

HANK ROBINSON: So the, the 2 specific differences that you have there, or if we have synthetic, we're talking about anhydrous ammonia, which everyone's familiar with. Approximately 40% of the production of anhydrous ammonia accounts for the full carbon profile of corn, so it's a big drag against the carbon intensity scores for Nebraska producers. By contrast, the biologics are microbes that are naturally occurring in the soil already, that have been selectively bred and cultivated so that they can be applied at the time seed is. And as a result of those applications, the microbe fixes to the corn root. It feeds off of the sugar that feeds through the corn root on the corn plant. And in exchange, it fixes nitrogen directly from the atmosphere. So it reduces the need of applying synthetic, synthetic fertilizer because much like soybean plants, it's basically drawing nitrogen directly out of the air.

HOLDCROFT: So mic-- microbes is what you--

HANK ROBINSON: Yep. It would be.

HOLDCROFT: --would get? How do we buy those? I mean, is it sprayed? Is it unable to--

HANK ROBINSON: There's--

HOLDCROFT: --live microbes.

HANK ROBINSON: There's a number of different delivery mechanisms available in the market with biologics and with those in particular. Probably the one that Nebraska farmers would be most familiar with would be one where, as they're getting ready to sow their seed, it's applied as a, a seed coating. And so, it just goes into the ground

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with the seed, the seed corn itself, and is there as the plant starts to grow up.

HOLDCROFT: OK. Thank you.

HALLORAN: Thank you, Senator Holdcroft. Additional questions? Senator Hughes.

HUGHES: Thank you, Chair. So I just looked up the makeup of an insect, and it's 10% nitrogen. Can we just use the smush from the-- I'm just kidding. OK. So you said you wished even beyond the 500,000 acres. What, what other options-- like, what other things do you see that would be very beneficial, just in this realm of trying to get off the synthetic nitrogen, things like that.

HANK ROBINSON: Really, what I'm talking about is the reach. I mean, 500,000 acres out of 10 million acres is a good start, but it's, it's not a lot. And so, if there would be a way to structure the incentive program maybe as something other than a direct cash payment, but in some other way that would financially benefit or reduce input costs.

HUGHES: So-- but from what I heard, Senator Ibach mentioned this, too. When farmers do-- because we don't-- this isn't a prop up, right? It's just to kind of try to turn the tide so they start doing this and, and then carry it on their own, because we don't want to incentivize forever. So there must be a cost benefit at some point. Yes?

HANK ROBINSON: Yes.

HUGHES: So how do you-- is it-- because we don't want to have to do all the acres. I, I guess how-- what's the best way, I wonder, to get farmers to kind of get that ball rolling? Because I think it's, it's just like everything else. Good practices happen, and then some jump on board, and then everybody else sees it and then they all start doing it, and then it happens. But you don't even think starting with the 500,000 acres is enough to get that rolling, or--

HANK ROBINSON: I just want more bushels of corn to have-- to be able to be certified as low nitrogen and low carbon intensity, because that's the number 1 barrier standing between our producers being able to negotiate real price supports in their sales contracts, is you have thousands of independent operators that are selling into a consolidated market. And those consolidated markets, I think, are open and sensitive to inventories that are lower carbon and lower nitrogen management like we're talking about.

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HUGHES: So it's easier to sell our goods if--

HANK ROBINSON: Yeah.

HUGHES: --we can say--

HANK ROBINSON: And-- but, but in order to do that, you have to have an inventory that's big enough.

HUGHES: Yeah.

HANK ROBINSON: And so, when I talk about the 500,000 acres, more directly what I'm talking about is can we get a couple hundred million bushels of corn that reflect these reduced nitrogen management procedures?

HUGHES: Do you have suggestions beyond the price per-- an amount, moneywise? Like--

HANK ROBINSON: You know, property taxes come directly out of farmers' pockets. I mean, it's not the same as getting a cash payment, but, you know, they have to pay property taxes with cash. If there would be a way to incentivize this on the back end, by if they meet all the requirements that Senator Ibach has in her bill, but then they could get some sort of a rebate on their property taxes. That might be a way to stretch that funding across more bushels of corn.

HUGHES: OK. Thank you.

HALLORAN: Additional questions from the committee? You, you piqued my interest when you said something about property taxes. That's-- seeing no other questions, thank you for your testimony.

HANK ROBINSON: Thank you.

HALLORAN: Additional proponents to LB1368? Welcome.

CLAUDIA STEVENSON: Hi. Good afternoon, Chairperson Halloran and members of the Agriculture Committee. My name is Claudia Stevenson, C-l-a-u-d-i-a S-t-e-v-e-n-s-o-n. I'm the natural resources and energy director of the League of Women Voters of Nebraska. I'm testifying today in support of LB1368. I want to thank Senator Ibach for bringing this legislation forward. Access to clean drinking water is becoming a huge problem in Nebraska. Too many of our small and rural communities have drinking water contaminated with nitrates. Nebraska has the highest rate of pediatric cancer in the Midwest and ranks number 8 in

the nation. Why so high? Researchers point to nitrates in drinking water as one of the possible links to cancer. That's why I support LB1368, adopt the Nitrogen Reduct-- Reduction Incentive Act. Nebraska has the third highest nitrate levels in the United States. Why? Because too much fertilizer is applied and not used by the intended crop or golf green. Any fertilizer not used by the crop remains in the soil as nitrate, but is easily leached out into waterways and groundwater. So how do we reduce fertilizer use and still maintain productivity? I was a conservationist for the Natural Resources Conservation Service for 34 years. I worked with farmers to create nutrient management plans, monitor and ultimately reduce their nitrogen inputs. In, in-- initially, there was apprehension on the farmers' part, but in the end of the season, we showed positive results. In 100% of my contracts, the farmers spent less on nitrogen fertilizer over a 5-year period and maintained production levels. Reducing the nitrogen inputs was a win-win: A win for the farmer with the reduction in production costs, an increase in overall organic matter, and increased water retention capability. The other win was for the environment. Less nitrogen was wasted and so less infiltrated the sources of our community's drinking water. Less nitrates in drinking water means healthier children and communities. LB1368 is a fantastic addition to LB243, which created the Soil Health Task Force. Currently, the bill proposes a biennial review of fertilizer rates. I strongly believe it should be an annual review of the soil test and crop rotation. I also suggest that golf courses should be included in the program to review their fertilizer inputs. I also gave you a copy of my most recent well test at our rural house in Ogallala, Nebraska. This shows 10.7 parts per million nitrate. We have to use a reverse osmosis system for our drinking water. For these reasons, we ask you to advance LB1368 to the floor for debate. Thank you to the committee for your time, and I'd be happy to answer any questions.

HALLORAN: Thank you, Ms. Stevenson. Any questions from the committee? Seeing none, appreciate it. Thank you. Additional proponents, LB1368? Welcome.

KATIE TORPY: Thank you. My name is Katie Torpy, K-a-t-i-e T-o-r-p-y, here today representing the Nature Conservancy and our 5,400-member households. We are in support of LB1368. The Nature Conservancy supports and implements market-based solutions to stimulate conservation activities on private working lands. In Nebraska, we help to de-risk practices on lands both in row crop agriculture and grazing production, co-creating solutions with landowners, NRDs and commodity groups. Through our programs, we help cost-share practices with-- which provide benefits for soil health, water quality, grassland

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condition, and carbon sequestration. Across the state, nitrate concentrations are found in excess of EPA drinking water standards in over a third of groundwater wells. Freshwater ecosystems in the eastern third of the state experienced seasonal toxic algae blooms that shut down beaches and kill freshwater species. And we know that the primary source of this pollution is agricultural. Here, many farmers apply fertilizer at a rate needed to achieve the maximum potential yield, as recommended by their ag-- agronomist, or using coarse nitrogen calculation tool estimates. This typically results in application of fertilizer beyond crop needs, with excess fertilizer running off into our freshwater systems. LB1368 would help mitigate this risk by shifting toward more precise nutrient management practices through offering per-acre compensation tied to reduced application. Many farmers are transitioning away from pure yield optimization and require technical and financial assistance. Because current practices are deeply ingrained in Nebraska farmer culture, such assistance is critical in mitigating the risks associated with this operational change. We need these opportunities, such as LB1368, to support private landowners and help them be good stewards. Abating freshwater nitrogen pollution improves the well-being of human and non-human life alike. Nebraska, like other midwest states, drains into the Mississippi River basin, basin, contributing also to nutrient pollution-driven hypoxic zone-- the nutrient pollution-driven hypoxic zone in the Gulf of Mexico, which is to say that solutions implemented here are a critical piece in addressing this larger, whole systems issue, which-- with implications for seafood production in the United States, as well. We applaud this bipartisan effort to address a pernicious public health concern with no easy solutions, and respectfully ask for support of this bill. And I, I will take a moment to-- with a-- for an aside. If looking towards the Nebraska Environmental Trust for funding, we would ask that the supple-- that it's supplementary funds that are sought there, not the source funds for this. It's important to respect that grant process and not cut in line, ahead of other worthy projects. Thank you.

HALLORAN: All right. Thanks for your testimony. Any questions from the committee? Seeing none, thank you so much.

KATIE TORPY: Thank you.

HALLORAN: Next proponent to LB1368.

AL DAVIS: Good afternoon, Senator Halloran and members of the committee. My name is Al Davis, A-l D-a-v-i-s, and I am the registered lobbyist for the Nebraska chapter of the Sierra Club and the 3,000

members of that organization and the Independent Cattlemen of Nebraska. We want to thank Senator Ibach for bringing LB1368, which incentivizes farm families to manage their fertilizer application and reduce nitrate contamination of the aquifer, which we all depend on for our drinking water. Nitrate contamination of the water table has been building for decades, but it is only recently that people are starting to learn that what once was considered nearly harmless for an adult and only a minor problem for babies, with blue baby syndrome, may not be true, and that there are current connections between nitrates and pediatric cancer, which amplifies the danger associated with nitrates immensely. Farm states like Nebraska use a massive amount of fertilizer to produce bumper crops of corn, soybeans, and other crops, which we have learned-- while we have learned much about fertilizer application and the ramifications of improperly applied fertilizer or too much fertilizer on the state's most precious resource, the ample supply of water which underlies much of the state. LB1368 is a great first step in trying to actually manage the problem of nitrate contamination and lead farmers to better stewardship of the land through educational and financial incentives. As such, we view the bill as a kind of pilot project to see how reduced application of fertilizer, more dependence on already existing nitrate in the groundwater, and financial incentives can play a part in reducing nitrate contamination. The question is, will the incentives produce concrete results? One would assume the goal here is not to incentivize the entire state's farm economy via the program, but to produce concrete results which reduce nitrate contamination, yet leave yield nearly intact. Our NRDs are the perfect entities to administer a program of this type in cooperation with extension. And although it would make sense to target the areas with the highest level of contamination, the program should be implemented on multiple different sites to determine if Senator Ibach's incentive produces greater reductions in certain types of soil or different degrees of water hardness, etcetera. A scientific approach should be implemented so that success can be rapidly adapted to other farms. We urge the Agriculture Committee to prioritize the bill and move it forward to the floor, and we hope you will do that, and that Senator Ibach will have some success. And I wanted to second what Ms. Torpy said about the environmental trust funds, which are a pretty important tool for the environmental community. And so, as she said, we would hate to see somebody step ahead of other folks on the organization. Thank you.

HALLORAN: Thank you, Mr. Davis, for your testimony. Any questions from the committee? Seeing none, thank you, sir.

AL DAVIS: Thank you.

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HALLORAN: Next proponent to LB1368. Welcome.

LYNDON VOGT: Thank you, Senator. Chairman Holland and members of the Ag Committee, my name is Lyndon Vogt, L-y-n-d-o-n V-o-g-t. I'm the general manager of the Central Platte Natural Resource District located in Grand Island, Nebraska. I'm testifying today in support of LB1368 for the Nebraska Association of Natural Resource Districts, as well. Nebraska has more irrigated acres than any other state in the nation. Irrigation allows us to have a very stable crop yield on nearly 9 million acres. Applying extra fertilizer and water has been considered cheap insurance to guard against yield loss. The downside of that thought, thought process is increasing nitrate levels in the soil and waters of the state. Many NRDs have worked with UNL and other professionals to educate producers on proper timing, placement, and amounts of nitrogen applied to improve yields and profitability, while also reducing the risk of, risk of contamination. Central Platte NRD, in conjunction with UNL, has the longest on-farm research project addressing nitrogen rates in the nation. This relationship has lasted over 44 years and is still going strong. And actually, we still have the same employee running that program that started that program 44 years ago with us, in conjunction with UNL. The NRDs need assistance in getting the majority of producers to adopt new practices and products while lowering their actual nitrogen applied. There are 2 options when implementing change, incentives and regulations. In my opinion, regulations are much more expensive than incentives, and once implemented, regulations seldom go away. Financial incentives will be imperative to getting producers to change their current practices and help protect their water quality. There are biological products that, that can assist in reducing nitrate rates, as long as the producers are using, using it correctly and the amount of nitrogen applied is reduced by the suggested, suggested amount. We know they work to help reduce nitrate-- nitrogen rates when applied. There's also a sensor-based imagery via satellite that's become available in the last few years. It recognizes when the crop is lacking nitrogen so the crop can be spoon-fed during the growing season. This reduces over-application of-- and leaching of nitrogen, as well. The Central Platte began cost sharing on sensor-based technology for nutrient applications last year. The majority of producers participating in this program are more profitable, profitable per acre as a result of reduced nitrogen application and stable yields. On average, profitability has increased over \$27 per acre, and nitrogen applied has decreased over 40 pounds per acre. In some cases, nitrogen applications have decreased over 90 pounds per acre with no yield loss. This technology replaces an algorithm that results in a

different amount of recommended nitrogen by every entity selling nitrogen and making recommendations to our producers. Central Platte has required crop reports in our high nitrate areas since 1987. These reports include soil and water samples to account for all nitrogen sources available, and all results are fed into a UNL algorithm and-- to show producers what the UNL recommended amount of nitrogen is to produce the desired yield of their crop. If a producer is profitable, it is very difficult to, to convince them that they can be more profitable by making small changes, even though on-farm research shows that most producers overapply nitrogen. It is time for the state of Nebraska to recognize the high nitrate issues we face in the heavily irrigated areas of the state and begin to assist the NRDs and producers in addressing this issue with the latest technologies and financial assistance to implement these programs. If this bill moves forward, the NRDs will work diligently with the Department of Natural Resources in creating new, incentive-based nitrogen management programs, with a focus on the higher nitrate areas in the state. I would add that the bill has a minimum of \$10 per payment-- or \$10-an-acre payment. I do think that needs to be considered. Maybe there needs to be a percentage instead of a hard dollar amount, because there is a tremendous variation in cost between products and programs that are out there. We know that sensor-based nitrogen management and biologicals can work together. We have producers that are using both right now. Thank you for the opportunity to testify. I'd be happy to answer any questions.

HALLORAN: All right. Thanks for your testimony. Any questions from the committee? Yes, Senator Hughes.

HUGHES: Just one. And I don't know if you know the answer. I could save it for the end. Do you know how much per acre cost the difference is between applying a biologic versus traditional anhydrous? Because we're incenting it at \$10 an acre.

LYNDON VOGT: I do not.

HUGHES: OK. Maybe somebody coming up will. OK. We're good. We'll get it later.

LYNDON VOGT: Thank you.

HUGHES: Thank you.

HALLORAN: All right. Thank you, Senator Hughes. No further questions. Thanks for your testimony.

LYNDON VOGT: Thank you.

HALLORAN: Additional proponents to LB1368. Good afternoon.

KEN WINSTON: Good afternoon, Senator Hall-- Halloran and members of the Agricultural Committee. My name is Ken Winston, K-e-n W-i-n-s-t-o-n, and I'm appearing as an individual. Although I lobby for some organizations, I'm not being paid to appear here this afternoon. So, I'm appearing in support of LB1368, because I've spent many years working on issues related to, to nitrate-- nitrates and nitrate contamination of groundwater. More than 40 years ago, I got a job as a legislative staffer here, and, and one of the first things I worked on was, was nitrate contamination of groundwater. And at that time, there was still debate about what was the cause of nitrate contamination. But there was a scientist at UNL named Roy Spaulding who had done some work in this area. And he isolated the isotopes that connect-- that showed that there was a direct connection between nitrogen fertilizer and nitrate, nitrate contamination. Of course, there's also nitrate contamination from improper siting of feedlots or improper lining of lagoons or what have you, so there's, there's a number of different potential sources. And then, of course, as has been mentioned earlier, one of the reasons we're concerned about this is because of the health impacts. And at that time, the primary health impact that they talked about was, was blue baby syndrome, because of the fact that, that the excess nitrates in the groundwater caused the blood to not be able to, to transport oxygen to the brain or throughout the body. And so, so it results in the child looking blue. And it has detrimental health impacts on, on the child. So over the years, I've continued to follow issues related to nitrates, and, and had a lot of personal and professional interest in the issue. And as the bill states, water is one of our most precious resources. I think it actually states it is our most precious resource. So-- and well, I suppose we could say our people are our most precious resource. But, but in terms of natural resources, our water is definitely one of, one of our most precious resources. And the fact that we have such abundant groundwater is really something that it's a source of pride for the people of the state, and, and, and it's a-- the envy of many other states because we have water and, and lots of other states don't. And so, it's really important that we protect the, the quality of that water. And then-- but contamination of groundwater continues to be a major problem. I mean, hopefully-- I mean 40 years ago when I was looking at it, we were hoping that we would be able to figure out solutions to it. And at that time, I think one of the tools was providing some tools for our NRDs to address it, and they, they worked on it. And I think it's important-- there's important work that's

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being done there, but I think there's more that needs to be done in that area. And particularly, the fact that there's been connections between pediatric cancer and nitrates, I think that that's something that, that, that provides us with more reasons for, for urgency in addressing this. However, although I believe that, that LB1368 represents an important step by providing incentives for reduce-- reducing the use of nitrogen, I would also like to make some recommendations. The first one would be to make sure that we vet the kinds of technologies that we use. I'm certainly a supporter of innovation and technology, but we need to make sure that it's not doing something that's going to cause more harm. And I guess the situation with AltEn and, and making, making ethanol with, with treated seeds, that's an example of, of something that wasn't properly vetted. Make sure that there's property providing additional incentives for people who are stopping the use of, of, of nitrogen for-- of, of commercial nitrogen fertilizer entirely. I'm sorry. I'm stammering because I'm trying to talk fast. Can I-- I've got a couple more sentences. And then finally, supporting educational efforts to help farmers and ranchers learn about the financial benefits of reducing chemical inputs. And then finally, I'd just like to, to ask that LB1368 be advanced for consideration by the entire Legislature. Thank you.

HALLORAN: All right. Thank you, Mr. Winston. Any questions from the committee? Seeing none, thank you.

KEN WINSTON: Thank you.

HALLORAN: Additional proponents of LB1368? Good afternoon. Welcome.

JOHN HANSEN: Good afternoon, Mr. Chairman, members of the committee. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I appear before you today as the president and a lobbyist for Nebraska Farmers Union. We have been highlighting the problems with excess nitrogen application and growing nitrate levels in the water for decades. And it has been a, a long-standing, pernicious problem. And it's-- so we are in support of anything that appears to be a step in the right direction. And my work previously, as a part of the Lower Elkhorn NRD for 14 years, starting in 1974, was to take an honest look at why is it that we have these hotspots? Where are they coming from? Why are they there? And so, all of the drivers that were there then are still there now. And that's the real frustration on our part, is that we're, we're still putting too much nitrogen on in sandy soils that are close to the-- that have high water levels. We're still doing a lot of the same stuff. And so, we're still overapplying fertilizer.

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I'm a recovering fertilizer dealer. We do all these soil samples, we do all this stuff, and then we had a good third to a half of our customers would overapply the nitrogen based on the soil samples. And you keep telling them you don't need to put that much on. You're not getting the most bang for your buck, all that stuff, yet we continue to do it. And so, we look at this as a, a, a pilot project. And so, based on, on how it is that you modify agriculture behavior, is you educate and you incent. That's how you get conservation on the land. So this is an incentive. We have a lot of other programs right now. We have unprecedented amount of additional programs coming in from the federal level, in conservation programs. So this is a, a good time to sort of augment those, piggyback on some of those. But agriculture, it seems to continue to respond to the higher speed of the economic treadmill that we're on, and so we continue to swing for the fences. We continue to go for maximum yields. A lot of cases, in order to pay all our bills, instead of looking at the most efficient yields and where we make the highest break-even point and we make the most money, but we're still looking at, at higher and higher yields. And so, you look at all the ag inputs. And so, I was-- I've helped do some-- I would say, going back to the early 70s when I was looking at my cash flows, and I'm looking at the cash flows that I helped put together the last two years, it's breathtaking the amount of additional expense across the board, for every input, from seed to fertilizer to you name it. And so, we just keep speeding up that economic treadmill, trying to produce more corn in order to try to, you know, pay all of the bills. And when you know if you don't have production, you know, you're in trouble. Well, so when you get to the point where you can't drink your own water, you're in trouble. And that's really where we're at. So we're-- we've gotten from an economic standpoint to now, a health standpoint. And our aquifer is a lot like a sponge. And once you fill it up, it takes a really long time to clean it out. And so we've got, we've got to be looking at the amount of nitrate in our water as we do pumping. That needs to be a part of the equation. All the new technologies that you've heard today are encouraging signs, but the state of Nebraska, for the most part, has used hope as a plan for being able to deal with this issue during my professional lifetime. And as we all know, hope is not a good plan. So I salute the Senator for bringing this bill forward. We are in support. I'd be glad to answer any questions if I could.

HALLORAN: Senator Riepe.

RIEPE: Thank you, Chairman Hansen [SIC], and thank you for being here, Mr. Hansen. And I quote, we've highlighted nitrate levels for decades. My question would be, is what evidence do we have that we've mitigated

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the problem or made it even any progress? I can remember years ago, the Med Center, maybe 10 years ago, did a study on pediatric cancer because of nitrates. And it doesn't-- it seems to be getting worse, not better. So I don't know whether we're spinning our wheels-- I'm just interested. As the president of IBM used to say, I'm tired of activity. I want to see results.

JOHN HANSEN: Well, thanks for the question. We had-- yeah-- my-- I come from a family with strong conservation ethics. You have a moral responsibility to leave things better than you found them. And so, my dad was in the soil and water conservation district supervisor for years and years. So he was very-- when I start-- came back to the farm, he said, look, kid, if you're going to farm, you, you gotta, you have to step up. And it's your job, next, to take care of the soil and water. So, so I've been working on this issue myself, as a public official or the head of a farm organization, for oh, about 50 years. And so, in 2022, at our state convention, we highlighted this issue. We brought in the experts from Nebraska, from the University of Nebraska Med Center. And when, when you got done with those panels of experts that brought all of their charts and all of their data, and they put all of it up in PowerPoints, and you can get them at the Nebraska Farmers Union website if you like, and, and, and click on them, it was one of the most disappointing things I've ever seen. Is that, to your point, I, I was hoping for, you know, a lot more improvement. And based on my history and having gone back to the mid-'70s on this issue, I just wasn't seeing it. In fact, I was seeing more nitrate levels. We were making some progress on groundwater withdrawals and water levels. But in terms of the, the, the content of the water and the nitrates, it was, it was very distressing and very frustrating.

RIEPE: Do we have to look for other alternatives, like guaranteeing children that live in high nitrate areas get free bottled water?

JOHN HANSEN: It-- to me, that's the worst case, after the fact, you know, solution. But it's better than nothing. But I hope we don't get to the point where we just get good with the business of accepting water levels that are not healthy to drink. We shouldn't, we shouldn't get that comfortable with a long-standing problem.

RIEPE: I appreciate your response. Thank you. Thank you, Chairman.

HALLORAN: Thank you Senator Riepe. Any other questions from the committee? I have a-- hesitate to ask Mr. Hansen the question, because we could be here for quite a while. But nevertheless, I'm not sure

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there's any NRD testifiers following you. I should have asked this prior, but we have kind of a conflict in policies, I believe, with some NRDs, and that is in dealing with water levels, right, level of the aquifer, restricting pumping of water and--

JOHN HANSEN: Yep.

HALLORAN: --with, with the-- with all good intention of saving our aquifers, which seems to be relatively static in most cases, but nevertheless, we restrict the amount of water being pumped. And the reason I point that out is, it's kind of a conflict in policy, I believe, because one of the best ways to get rid of nitrate is to bring it back up to the crop and let the crop use it. And so we're restricting the amount of pumping, thus restricting the opportunity for crops to use that nitrates. Any comments on that?

JOHN HANSEN: Well, I'm a, I'm a long-time supporter of, of NRDs gathering good water down, in terms of if we're going to be in charge of managing groundwater, you know, for goodness sakes, let's do it based on facts and information rather than, you know, the emotion of the day when the river goes dry. And so, you know, we have to gather that information. And so more of the emphasis has been on protecting the groundwater levels as a part of that than there has been, I think, in, in preserving the, the quality of the water itself. So we've-- it's taken us some time to get to where we're at right now, and it's going to take us some time to get back to a better place. But the, the example that, that you asked, Mr. Chairman, is one that I raised myself many times, which is that you're-- if you're going to try to clean out the aquifer, you really have to take into account the amount of nitrogen that's already in there. And that has to be a part of your, your calculations, how much you need to grow a crop. Because we're, we're not going to, clean up the aquifer by not running cleaner water through it, or hopefully rainwater, and using that, that-- you're continuing to pump out of that aquifer and use up the nitrogen that's already in there. And so, you know, it's, it is a kind of a trade-off. And so, that our friends at the NRD have, have multiple responsibilities, I think. But I also think that sometimes, we need to give higher priority to groundwater quality.

HALLORAN: What I'm saying is they're, they're, they're linked at the hip, right?

JOHN HANSEN: Yes.

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HALLORAN: And if we can pump the water, not, not overuse the water and waste the water, I'm not suggesting that, but, but pumping the water and feeding it to the crops is going to help cycle that water through the aquifer and get the nitrates up and used productively. It's one of the best recycling programs we have. But we have some NRD programs that limit the amount of water that can be pumped. So anyway, I appreciate your testimony.

JOHN HANSEN: Right. And, and their, their groundwater management responsibilities would indicate that they need to manage those areas where they're having significant declines.

HALLORAN: We can talk out in the hall about it.

JOHN HANSEN: Yes.

HALLORAN: OK. All right. Any questions? Any further questions? Seeing none, thank you.

JOHN HANSEN: Thank you very much.

HALLORAN: Next proponent to LB1368. Welcome.

CRAIG DERICKSON: Welcome. Thank you. Good afternoon. My name is Craig Derickson, C-r-a-i-g D-e-r-i-c-k-s-o-n. Thank you, Chairperson Halloran, Senator Ibach and members of the Ag Committee for allowing me to provide testimony in support of LB1368. I'm a retired federal employee, and I worked for the USDA Natural Resources Conservation Service for more than 35 years. During my career, I provided assistance to farmers, ranchers, the NRDs, and communities to protect our natural resources. Nebraska citizens are fortunate to live in a state with a strong agricultural industry and an abundance of essential natural resources. Our soils are derived from native prairie grasses and are of high natural fertil-- fertility, and many are well suited to crop production. Nebraska is also blessed with an abundant groundwater that is generally of good quality. Two-thirds of the Ogallala Aquifer's water storage lies under Nebraska, and the aquifer touches 8 states. Approximately 88% of Nebraskans depend on groundwater for their drinking water source. However, our use of land and water for food production has not yet peaked, and the demand for increased food production to feed the planet will continue. There is plenty of evidence and science to show that a more sustainable approach to managing our soils and water supplies is needed. The main goal of sustainable and regenerative agriculture is to allow us to meet our needs for food and fiber in the present, without compromising

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the ability of future generations to meet their own needs. I am in support of the proposed Nitrogen Reduction Incentive Act, described in LB1368, to place emphasis on protecting our soil and water resources. There's growing interest in cost-effective farming practices that can improve soil health and water quality. For example, no till and cover crops are primary practices farmers use to enhance soil quality, and additional practices such as crop rotation, nutrient management, and rotational grazing can be effective in protecting and enhancing water quality. Additionally, there are serious health concerns associated with reports showing that nearly 1 in 5 public water supplies and private wells in Nebraska consistently test high for nitrate-nitrogen, and the number is growing. I support the use of incentive payments to farmers to protect water quality in LB1368, and efforts to reduce the use of commercial fertilizers and to explore innovative technologies and sustainable farming and ranching practices. Thank you, and I'd be happy to answer any questions.

HALLORAN: OK. Thank you, Mr. Derickson. Questions from the committee? Senator Riepe.

RIEPE: Chairman, thank you. Thank you for being here. I guess, are you aware of any incentives that are available for crop rotation and tilling and the other [INAUDIBLE] that you talked about?

CRAIG DERICKSON: Yes. My former agency, the Natural Resources Conservation, has a number of conservation programs administered through the Farm Bill. And practices like those that I mentioned are available in different settings, you know, depending upon what the producer is looking for.

RIEPE: But is the incentive so strong for corn production that it overwhelms the incentives?

CRAIG DERICKSON: Well, the number of peoples applying for assistance generally exceeds the money that they have available on an annual basis by 3 or 4 times. And the cost share payments that they make are tied to ways to, you know, monitor the market. So I think they're competitive, but it's one of those individual decisions that a person needs to make, of whether the, the carrot is attractive enough for them to want to participate in those programs.

RIEPE: OK. Fair enough. Thank you. Thank you for being here. Thank you, Mr. Chairman.

HALLORAN: Thank you, Senator Riepe. Any further questions? Seeing none, thanks for your testimony. Additional proponents, LB1313? Oh. Excuse me. LB1368. We have a fly away sign here in the middle. Additional proponents, LB1368. Seeing none, opponents, opponents for LB1368? Neutral capacity? Welcome. Neutral?

EDISON McDONALD: Yep.

HALLORAN: OK. [INAUDIBLE].

EDISON McDONALD: Hello. My name is Edison McDonald, E-d-i-s-o-n M-c-D-o-n-a-l-d. I'm here representing GC Resolve. We're a company committed to assisting farmers in transitioning to regenerative agricultural practices. I'm here to provide neutral testimony on LB1368, the Nitrogen Reduction, Reduction Incentive Act. We are thankful to Senator Ibach for her leadership to deal with our nitrogen issues and a forward-thinking mentality, but think there are some improvements that could ensure we address this properly and don't create a future similar issue. We know the problem with overuse of nitrates has created a situation where analysis from NDEQ, NRDs, USGAS, UNMC, UNL and others show Nebraska's waterways are under threat from rising levels of contaminants, including nitrates. These waterways are being identified as having a significant tide at increased pediatric cancer in the area, and, and paints a scary picture that we need to utilize all potential tools to mitigate. We share the belief from the lat-- latest NDEE task force that family farmers are the answer. By leveraging the basic concepts of regenerative agriculture, we know that we can help to address these problems. By adding incentives for cover crops, buffer strips, and other practices, we can deal with these issues. This bill would be significantly improved by adding those practices focusing on high nitrate waterways. And I'm sorry, it's a 4-bill day and I missed my print-outs, but I'll be sending y'all a map with our recommendations of target areas. Better coordinating with NRCS, NDEE, and the USDA to obtain matching funds so we can make this bill have a much larger impact, and do something that could really help to impact our current nitrogen issue. While we appreciate the intent behind LB1368 to encourage farmers to adopt efficient and sustainable practices, we do have some concerns regarding the inclusion of biologics. While these products have the potential to enhance soil health and reduce the reliance on synthetic fertilizers, there are some concerns about future impact. We don't want to rush into this and realize down-- 20 years down the road that we've created a bigger problem than our current nitrogen problem. We have little information on these products and the investments of several large-scale billionaires, like Bill

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Gates and Mark Zuckerberg that have backed these products, give us pause. This could be part of a positive formula to address our nitrate issue. We just want to make sure that we are proceeding cautiously in utilizing the dollars in the most central manner, by targeting those problematic areas and adding traditional regenerative practices that we know work and are safe. Thank you.

HALLORAN: OK. Thank you for your testimony. Questions from the committee? Seeing none, thank you. Additional neutral testimony? Seeing none, we will welcome back Senator Ibach, if you'd like to close.

IBACH: Thank you very much. And thank you to everyone who helped testify today. I want to start by saying thank you to the co-sponsors of this bill and to everyone that showed up today to testify, and especially to this committee. I think we as a committee can come together and figure out a way to move this issue forward, especially with all the positive support we had today. And I would just reiterate that this is the start of a very, very important conversation, and I think it will impact Nebraska for many years. Senator Hughes, to your point on the how much does it cost? Right now, anhydrous went way up during pandemic, but those costs have come down right now. I have in my notes it's about \$325 to \$340 a ton right now. It's really hard to compare apples to apples, because anhydrous is sold by the ton and biologics are sold by the acre, so it's really hard to compare those apples. Many farms, including ours, use both. And so, it's just a strategy of inputs versus yield. Biologics run, for our operation and for some of those that I've visited with during seminars, between \$15 and \$27. So maybe like a \$22 per acre approximate cost. So that kind of satisfies your piece. And for those who don't like incentives, I would just like to point to the ethanol industry in our state, and we would probably have no ethanol industry if it weren't for those initial incentives. Further, I don't want to see what's happening in Minnesota happen here. If we don't step up and, and start the conversation, I don't know who will. And I think bills like this really ensure that our farmers are positioned to be proactive in-- across the state. I would also say, to John Hansen's point, and he is a champion in testifying for everything agriculture, we do have the technologies to make a difference. I think his comment was we have to find these technologies. And solutions like this speak to his, his point. I also would be remiss if I didn't mention UNL, in their research efforts. I know they're doing incredible research on biologics and other sustainable ag processes. And the NRDs, I visited with several of them around the-- around my district, and they do an incredible job of monitoring and knowing exactly what our ground--

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what our groundwater looks like and how we can impact it. So I appreciate that, as well. Finally, I would just mention that I think everyone would agree that sustainable ag is, is a real game changer for our state. It has been the last several years. And I know that there's so much more innovation coming out every day, excuse me, and I think we need to really position ourselves to be in the driver's seat. And I think efforts like LB1368 do exactly that. So I would thank you for your time. I would thank you for processing all the information you got-- you received today. I would also, again, thank everyone who came and testified in favor of it. I think they provided a lot of information for us to process and, and use going forward. So thank you again.

HALLORAN: Thank you, Senator Ibach. Any closing questions from the committee? Yes, Senator Hansen.

HANSEN: Thank you, Chairman. OK.

IBACH: Stump the senator.

HANSEN: No. I just have some more maybe philosophical questions.

IBACH: OK.

HANSEN: So I appreciate the intent of this bill, right, and what you're trying to accomplish. Is the end goal or what you're trying to accomplish with this, reduction in nitrogen in groundwater, drinking water? Is that kind of a goal of this?

IBACH: I think that has to be the goal, just because of the information and, and the, the way that some organizations present nitrates in our groundwater supply are the result of cancer and pediatric, pediatric cancer. We always seem to be reactive in how we control that narrative. This is a way to be proactive. I don't think it's an overnight solution. I think it's taken us several years to get the nitrates in the ground. It's going to take us several years to reverse that process, but this is 1 step that we can take in doing that.

HANSEN: OK. And I agree with pretty much everything you just said. So, say we find out with this program, the incentive program, that we do find a reduction in nitrate levels. And then even with growing concern or mounting evidence about the nitrate levels in childhood cancers like you mentioned, we start to see, actually, a decrease in childhood cancers. Would you then be in favor of then regulating the use of nitrogen on water or on land?

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IBACH: Well, first of all, that would be a win-win, if we reduced it and then reduced the number of pediatric cancer patients as well. I don't ever want to have to monitor how producers, how farmers and ranchers do-- manage their operations, because I think that's, that's a big piece in how we become successful, is by giving farmers and ranchers the freedom to manage their operations with best practices. And I think, as I mentioned before, I think they are-- they're very responsible in how they do that already. I think what this does is identify ways, ways for them to be better producers.

HANSEN: I agree.

IBACH: Does that answer your question?

HANSEN: I agree. Yes. The concern I have is once you stop incentivizing. How much, how much do you incentivize something? Right. So say we start, we're seeing a reduction, we're seeing the, the goals that are happening. Then do we spend 20, 30, 50, \$100 million incentivizing this?

IBACH: No.

HANSEN: Or do we trust them to do to stop that if, if, if there's a concern that this actually causes childhood cancers? I think-- would there ever be a-- room or the idea of possibly regulating it instead of incentivizing it? Or are you against that?

IBACH: I would be against regulating it because I trust farmers and ranchers to know best practices. They are the best stewards of the land now. I think, I think, futuristically, products and innovations in sustainable ag practices will become such the norm that we won't have to regulate it. Farmers and ranchers will use the best practices that are already in place. This is a piece of that.

HANSEN: Sure. Thank you very much. I do like the bill. Thank you.

IBACH: Thanks.

HALLORAN: Thank you, Senator Hansen. Thank you-- any further questions? OK. Thank you, Senator Ibach, for the bill.

IBACH: Thank you, again.

HALLORAN: For the record, for the record, the online comments were 10 proponents, 2 opponents and zero neutral, for LB16-- LB1368. We'll

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move on to-- that closes this bill. We'll move on to LB1313. Welcome, Senator Dover. Good to have you here.

DOVER: Thank you.

HALLORAN: Welcome to the fun committee.

DOVER: You have, you have sunlight in this room.

HALLORAN: And the sun committee.

DOVER: [INAUDIBLE] Ag Committee.

HUGHES: Don't have curtains, that's right. Happy room.

HALLORAN: Ready when you are, sir.

DOVER: Thank you. Thank you, Chairman Halloran. And good after-- afternoon, committee members. For the record, my name is Robert Dover, R-o-b-e-r-t D-o-v-e-r. I represent District 19, which consists of Madison County and the south half of Pierce County. I've introduced LB1313 on behalf of the Nebraska Farm Bureau. Others who testify me will speak to some of the specifics on how the plan will function. I want to speak to the intent. LB1313 is about providing an affordable healthcare benefit plan. It allows nonprofit agricultural membership organizations to offer noninsurance, high-quality, affordable healthcare benefit plans to their members. I want to highlight 2 key points: noninsurance and affordability. The plans will be offered are not insurance plans. However, similar to insurance, they would-- they offer coverage that would include office visits, hospitalization, preventive care, emergency room services, maternity care, as well as coverage for mental health and substance abuse. The plans would be fully underwritten and individually rated. These plans would also be affordable. Plans similar to what we would be offered through this bill are already available through several faith-based organizations. We will be doing, through LB1313, is offering another option. I have a son-in-law who farms at-- by Pierce, Nebraska. My daughter works in our company, and they have a 2 and a 3-year-old. They are challenged to find affordable healthcare coverage for their farming family of 4. This plan will provide them and many families like them with family-friendly healthcare alternative. There is another benefit to families. In many cases across Nebraska, 1 spouse has to work for an employer who provides health insurance so their entire family has coverage. In some cases, this is the sole reason for the employment. This affordable healthcare option frees the spouse to choose to be home or to work, to raise a family or to follow their dreams in a job

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of their own choosing. Simply put, it provides them the freedom to choose. The goal of LB1313 is simple: A high-quality, affordable healthcare option for those who want it. I am excited about what this bill has to offer. I look forward to providing this as an option to Nebraskans. Thank you for your time.

HALLORAN: OK. Thank you, Senator Dover. Questions? Senator Riepe.

RIEPE: Thank you. Thank you for being here. My first one, to note it's a bummer of a bill number, LB313.

DOVER: It's a lucky-- that's, that's the apostles and the Holy Ghost.

RIEPE: Oh, OK. My next question, if I may, sir, is, I noticed that you had 44 co-sponsors. I want to know why you failed to get the last 5.

DOVER: There was-- I, I guess, time, and my, my impatience, Senator Riepe. There was one, Senator Cavanaugh, who wanted some additional answers and was very analytical in his, I guess-- I'm sorry-- an-- an-- analysis of, of the bill.

RIEPE: OK. Now, answer me this question. Is this product limited to farmers and ranchers?

DOVER: No.

RIEPE: Thank you.

DOVER: It's limited, it's limited by membership, which I believe is, and don't hold me to it, but somewhere around \$50 to \$55 annual fee.

RIEPE: Yes. As a comment, it's not an insurance plan?

DOVER: No.

RIEPE: It's independent of that. And I think it's a, a great plan in a lot of other states. And I think it's good for competition, particularly out where options are limited, particularly outside of the urban areas. So I commend you for it, and I hope it's a, a breeze through this Legislature.

DOVER: Thank you, Senator Riepe.

HALLORAN: Thank you, Senator Riepe. Questions? Senator Brewer.

BREWER: Thank you, Mr. Chairman. Senator Dover, what is the fiscal note on this?

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DOVER: There is no fiscal note.

HALLORAN: That it? Senator Hughes.

HUGHES: Do you know about how many people would qualify for this plan?

DOVER: No, I-- no, I don't. Perhaps someone that will follow me can answer, but basically, it kind of fills a gap to where, I believe, that if you're somewhere around 300% of poverty where it starts to really benefit the, the per-- the individual.

HUGHES: Thank you.

DOVER: And I guess one point I'm, I'm just kind of where you're at on that is to say that once you enter the plan, your rated and you join a group, so never is your insurance, if you would say, come down with cancer or something catastrophic, your insurance is not going to go up and you will not be kicked off of the plan because you're in a group.

HUGHES: Thank you.

DOVER: All right. Thank you.

HALLORAN: OK. Thank you, Senator Hughes. Additional questions? Seeing none, thank you for the open. You'll stick around for close?

DOVER: All right. Thank you, Senator Halloran--

HALLORAN: Thank you.

DOVER: --Chairman Halloran.

HALLORAN: You're fine. Proponents of LB1313? Good afternoon and welcome.

MARK MCHARGUE: Thank you, Chairman Halloran, Ag Committee. My name is Mark McHargue, M-a-r-k M-c-H-a-r-g-u-e. I'm currently the president of Nebraska Farm Bureau and a farmer in Merrick County, Nebraska. On behalf of Nebraska Farm Bureau, Ag Leaders Working Group, as well, we offer support to LB1313. For your reference, the Ag Leaders Working Group consists of the following: Nebraska Cattlemen, Corn Growers, Farm Bureau, Pork Producers, Sorghum, Soybean, Dairy, Wheat, and the Renewable Fuels of Nebraska. We are excited to offer our support for the proposal to allow agricultural nonprofit organizations to offer private, non-ACA compliant health plans to lessen the cost of healthcare to farmers and ranchers, as well as many independent and

self-employed individuals or independent small businesses that are concentrated in rural areas of the state. The costs of healthcare and health insurance has been on-- has been one of the top issues facing farm and ranch family members for decades. In visiting with our members across the state, it's not uncommon to hear stories that they're paying upwards of \$30-40,000 in annual premiums if they were-- if they weren't able to be subsidized by the federal marketplace. We had a survey in 2023, and that survey told us that 81% of the farm or ranch members identified the costs of insurance as one of the main concerns when they started thinking about health care for their families. Membership surveys in recent years continue to constantly show the cost of health insurance as one of the top 3 issues of concerns for our members. And, you know, in agriculture, there's lots of things we can think about. But for insurance to be-- the cost of healthcare to be on top 3 is pretty significant. Since ACA premiums are unaffordable for many farmers and ranchers, either they don't purchase health insurance, insurance, or they have to have a spouse, as mentioned by Senator Dover, that works off the farm to provide those benefits. Our surveys over the years consistently show that almost 25% of farm or ranch families' spouses work off the farm solely for health benefit reasons. Getting health insurance coverage for farm and ranch families has not only been costly, but it's also been a major disrupter with the farm-- family farm/ranch operations when the spouse is forced to work at an off-farm job just to get health insurance. Senator Dover mentioned, you know, when you start thinking about raising a family-- we work a lot with young farmers and ranchers that are trying to enter into the industry. And many times there is a choice that one of the spouses, if they had the choice, would rather stay home and be a part of the operation and maybe help raise the kids versus put them into childcare or something like that. So there's a-- there's, there's significant things other than healthcare that surround this topic. NEFB and Ag Leaders Working Group strongly believe there's significant need for more affordable, affordable health plans that will meet the needs of our members and potentially, members who are not eligible for the federal health insurance subsidies. There's a lot of reasons to look at why nonprofit agriculture organizations that primarily serve rural areas to provide health benefits are, are important. These organizations exist out in rural areas. Our research show that 53% of the individual health insurance plans in the marketplace were actually sold in Nebraska, in rural areas, even though there's a lot less population in rural areas. Independent small businesses and self-employed businesses are a mainstay for not only Nebraska agriculture, but provide the foundation for rural communities across the state. These are businesses that are

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maybe welders and plumbers that also maybe have-- not access to the federal exchange, or maybe the premiums are too high, but they support the ag industry and they are in the rural areas that support agriculture. We appreciate your consideration of these comments, and we urge you in advance to advance LB1330-- LB1313, the right number, to General File. I'll be happy to answer any questions.

HALLORAN: OK. Thanks for your testimony. Questions from the committee? So this is not technically insurance, or is it?

MARK MCHARGUE: No, it is not. It's not insurance. It's a shared plan, but it is underwritten by a third party. And we will have some testifiers later that are the-- would be the organization that would provide the support and the, the insurance package.

HALLORAN: Senator Hughes.

HUGHES: Thank you, Chairman. How come this is just happening now? Like, I would-- my-- I mean, farm family-- my sister-in-law is-- works solely for insurance. I know so many people that do. I think these group plans have been around for a very, very long time. I-- I'm just kind of confused why this hasn't happened earlier.

MARK MCHARGUE: Yeah, I mean, it's it's, it's-- again, it's not insurance. So I think, you know, I think until-- the industry, really, to some degree, has gotten so out of hand that I think alternatives have started to come into the market. And so--

HUGHES: OK.

MARK MCHARGUE: --when we start looking at group plans, that's very different. But many times in agriculture, we, we can't be a part of a group plan, so these shared plans have popped up. And I think it was mentioned that there are some religious organizations that will do a similar type of plan that's underwritten. But, you know, part of the problem is, even our young producers, I mean, they're going without insurance, some of them, because of the cost. And you can say, well, that's a risk/reward. But in our case, when insurance wasn't as, as expensive but still was significant when we were young, start-- starting farming, we felt like we were healthy. But our fourth child had a severe disability. And quite frankly, if we did not have insurance, we would have lost on the farm. And we don't want that to happen. And so, I think this, this type of plan, that many of our neighbor states do have, but it's pretty new, have been highly successful.

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HUGHES: Yeah. No, I think it's a fantastic idea.

MARK MCHARGUE: So we're kind of following, following suit there.

HUGHES: Yeah. Good. Thanks.

HALLORAN: OK. Further questions? Senator Riepe.

RIEPE: One quick one. It's my understanding, if approved, you are tentatively planning on having it administered through a very successful Farm Bureau plan out of Tennessee.

MARK MCHARGUE: Yes, that is correct. And, and Tennessee is here to talk about some of the more details, if you have questions on how they would actually administrate that, and kind of their--

RIEPE: But there's a proven model there.

MARK MCHARGUE: Right.

RIEPE: Thank you.

HALLORAN: OK. Thank you, Senator Riepe. Any further questions? Thank you, Mark, so much. OK. Additional proponents to LB1313. Welcome.

DAWN KUCERA: Good afternoon. Chairman Halloran and members of the Agriculture Committee, my name is Dawn Kucera, D-a-w-n K-u-c-e-r-a. My husband and I are fifth-generation farmers raising corn and soybeans, along with operating an agronomy business called Sandramere Seed and Supply near Madison. I am also a member of the Nebraska Farm Bureau Federation board of directors, and I am here today on its behalf to offer strong support for LB1313, which would allow nonprofit agricultural membership organizations to offer a noninsurance, high-quality, and more affordable health benefits to its members. As you probably know, the average costs of Affordable Care Act individual health insurance plans from the federal marketplace have skyrocketed in the last 10 years. As an example, my husband and I currently have an ACA health insurance plan that costs us \$1,315 per month at a subsidized rate, which amounts to an annual cost of \$15,838. Combining that with our high deductible and co-pays, our annual cost for health insurance and care has averaged about \$20-40,000 per year, out-of-pocket, over the last 8 years. For many farmers and ranchers who elect family plans, their annual premiums could amount to \$25-35,000 per year in unsubsidized premiums, not even counting the out-of-pocket costs of high deductibles and co-pays. To say the least, these high health insurance premiums and out-of-pocket costs for

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healthcare make a significant dent in our bottom line, and even put our farm and agronomy business on very thin ice during years of drought or low-commodity prices. I have talked with many younger farmer and ranch families in my area who have kids at home that are covered under their family health plan. I would estimate that over half of these farm and ranch families have a spouse working outside the home and operation, because of the need of an employer-based, health insurance benefit. Under the noninsurance health plans authorized by LB1313, the offering could be priced using preexisting conditions and individual medical underwriting to decide coverage and pricing for risk factors. These cost containment measures allow the plans to be priced 40-60% less than the unsubsidized rates offered by the ACA. Even in our case of receiving a subsidy on the ACA premium, we would potentially see a \$6,500 per year savings on similar health coverage with similarly low-- lower out-of-pocket health costs due to much lower deductibles and co-pays. In many ways, the self-employed and the independent small businesses are discriminated against in the current health insurance markets because they do not receive the benefits received by employer-employee large group discounted rates, where the employers typically pick up the lion's share of the health premium for the employee. In conclusion, we urge the committee to favor-- favorably consider LB1313 and advance it to the General File. Passage of this bill would provide a great service and cut significant costs for many farmers, ranchers, and other rural Nebraskans that participate in the annual health insurance market. Thank you for your time and consideration. Are there any questions?

HALLORAN: Thank you for your testimony. Questions from the committee? Seeing none, thank you. Additional, additional proponents to LB1313. Good afternoon.

ERIN PETERSILIE: Good afternoon. So thank you for this opportunity to speak on behalf of LB1313. I am Erin Petersilie, E-r-i-n P-e-t-e-r-s-i-l-i-e. I'm the director of the Kansas Farm Bureau health plans. When you hear Farm Bureau, most don't think healthcare. We think insurance, education, advocacy, and service to our members. And today, I'm going to tell you our story and of course answer any questions that you may have. The first question we get is why would Farm Bureau think about offering health coverage? We are a grassroots organization, meaning we operate-- and how we operate is directly based on the needs of our membership. Kansas has a membership of over 105,000 members, and like you, those involved in agriculture make up the backbone of our economy. Prior to 2019, when we did our legislative session to pass this, rising healthcare costs was the number one issue being raised by our members. Health insurance was the

biggest monthly expense our members were facing. Then we must ask the question, how do we make health insurance work for our families so that they can continue farming? So we started researching. And 8% of our membership was purchasing their own coverage through private entities. These were people that were either not taking advantage of tax credits or were not eligible for them. Another 8% of our membership was choosing to go uninsured. And you can imagine what that does, when we talk about a very dangerous industry and choosing not to go insured. So we chose to partner with Tennessee Farm Bureau to be our administrator of our plan and the UMR to provide our network. UMR's network would provide us with nationwide coverage of-- network of doctors and hospitals, where our members could then choose providers that made sense for them. So why would we go this route? For many people, purchasing health insurance through the federally facilitated marketplace makes sense for them and their families. And that's great. Coming to us from the ACA has only made sense if you were at that 300%-plus of the poverty level. So who do we cover? We know that family farms really work when the family is on the farm, making them work, and that every farm dreams of bringing home the next generation or getting to expand their operation. Our plan has allowed for people to leave the job in town, come home, and thus grow or transition the operation. Our next group of people that come to us, similar to farmers, are those small business people that may or may not employ 1 to 2 people. I want you to think plumbers, electricians, chiropractors, childcare providers and dentists. And then our third set has been children. For example, we have a couple in our town who both teach. The school provides that insurance for them, and they had a baby. For them to add that child to their policy would cost them \$700 a month. We can cover that baby for around \$250 a month, and have the same deductible and out-of-pocket maximum as they would have on the school policy. In short, we're saving people money. So let's talk through how this works. Any person is welcome to actually go onto our website, walk into their local Farm Bureau financial service office, or call the toll free number and talk to somebody and get a quote. They can see the prices, the schedule of benefits for our products. We offer plans for those that are under the age of 65, short-term care plans, dental, and vision. Those are all considered unregulated products. And then we also offer Medicare supplement plans, which do have to meet the state and federal guidelines. Once somebody gets a quote, they can choose if they want to apply. For somebody to apply, they must have a paid Farm Bureau membership. We offer 4 different types of plans that they can choose for under the under 65 products. These plans have a variety of deductibles and out-of-pocket maximums. And then all of the plans would go through an underwriting process,

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where medical questions will be asked and medical records may need to be provided. There is a maximum lookback period of 7 years. After a member has submitted all of the records needed, the application will proceed through underwriting. Oops. Sorry. That went really quick.

HALLORAN: OK. Well, we may have questions to help you.

ERIN PETERSILIE: That's OK.

HALLORAN: Senator Holdcroft.

HOLDCROFT: Yeah. Can you continue to finish your story, please?

ERIN PETERSILIE: OK, I will do that. So once they go through that underwriting, then they would get a letter that would notify them of their amount. They would pay the premium. The biggest thing to know is they're never going to go through underwriting again. Once they're in, they're in. There are no limits, and members cannot receive a rate increase because of usage of the plan. So what are our successes? Today, 16,896 members are covered with plans that work for them. Members have reported back to us of saving up to 60% on premiums that were as good or better than what they came from. Because we can enroll members year round, we get people covered without having to wait for a special enrollment period. We don't charge per dependent, so no matter if you have 2 or 10 people on the plan, the rate is the same. This is how we're going to repop- [RECORDER MALFUNCTION] We have a family with 10 kids on the plan. They saved almost \$30,000 a year by coming to us, and I think we can all think of ways that that kind of savings would help our households. Our small, rural hospitals have seen an increase in covered people that walk through the doors. And we know that the more people that we treat that have coverage, it is better for our bottom line. Our members also enjoy not having to sign up for coverage every year and their premium not being tied to their income. I'm sure there's more success stories. But with that, let's answer some questions.

HALLORAN: Senator Riepe.

RIEPE: One of the questions-- and thank you, I'm very impressed. One of my original questions, how many you had enrolled and you answered that with 16,900. Is this guaranteed renewal?

ERIN PETERSILIE: Yes, as long as--

RIEPE: As long--

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ERIN PETERSILIE: --as long as they pay their premiums and they still have to continue their Farm Bureau membership.

RIEPE: OK. Thank you very much. Thank you, Chairman. I do have to leave temporarily.

HALLORAN: Senator Holdcroft.

HOLDCROFT: Thank you, Chairman Halloran. So it sounds like insurance to me. What's the difference between what you're doing here and, and insurance?

ERIN PETERSILIE: OK, so it comes down to terminology, and that's the Affordable Care Act says that insurance cannot ask health questions. We cannot rate people. We cannot deny people. Every 30-year-old is going to pay the same in the ACA. The only two things we can really rate on are tobacco and their zip code. Where a health plan, we can ask those health questions, we can rate and/or deny people.

HOLDCROFT: OK. So you can deny people?

ERIN PETERSILIE: We can deny people. Absolutely. Yes.

HOLDCROFT: So how do you make up-- I mean, typically premiums don't cover any-- you know-- I mean, you buy insurance and healthcare because if you really get seriously ill, you can't afford it. And, and, typically, your past premiums probably wouldn't cover [INAUDIBLE]. How do you-- how do you cover anybody, I mean, for serious injuries? I mean, how do you raise money, I guess?

ERIN PETERSILIE: OK. Well, there are-- I mean, so we went through-- and Ben may be able to speak a little bit more to this. He's going to follow me and go through the actual administration of the plan. You know, we went through and really looked at-- I guess, how do I want to say it, really making sure that we had rates that would cover. At the same time, you're picking in a lot of ways the healthiest people. So not that you aren't ever going to have things. I mean, we, we had-- this, this last year we've had a lot of NICU babies. That just is. But at the same time, we have a lot of really healthy people that help offset that and make it a good risk.

HOLDCROFT: OK. Thank you.

HALLORAN: Senator Hughes.

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HUGHES: Thank you, Chairman. Interesting how you guys [INAUDIBLE] and I just-- I'm going to clarify. So anybody that's a Farm Bureau member can have access to this. So I own a gas station. I have a couple employees. As long as I pay my Farm Bureau dues, I can access into this if I would like.

ERIN PETERSILIE: That is correct.

HUGHES: OK. And then second-- and I guess this is not really a question but I-- don't say that if people are enrolling in this, then they're not going to work anymore because we have a workforce shortage and, like, that will stop everybody for going. I mean, right? So, like, there's still going to work--

ERIN PETERSILIE: They're still going to work.

HUGHES: --but they just have better coverage here.

ERIN PETERSILIE: Well, yes. OK. No, you're OK. So I see what you're saying there. At the same time, when we talk about bringing people home to expand those farming operations, we also talk about we have a childcare shortage. I mean, I can't imagine that you guys have a plethora of childcare for--

HUGHES: We're in the same boat.

ERIN PETERSILIE: --in the same boat that we are. And, you know, we bring people home and we want to expand these farming operations and we want to do all these things. And it's for some people, like, they need to stay home because childcare isn't either-- isn't an option or it's so expensive. So how do we help them? And this for some has been a good way.

HUGHES: That's right.

HALLORAN: Additional questions? Senator Hansen.

HANSEN: Thank you. I think I like anything that gets people off of government funded healthcare.

ERIN PETERSILIE: OK. Great.

HANSEN: So I appreciate the approach here. How is this similar or different than like Medi-Share or Good Samaritan health? I think those are the ones that-- those are probably the similar, I'll say insurance

options that people would have that was maybe referenced earlier. Is this very similar to something like that with the same concept?

ERIN PETERSILIE: There, there would be some pieces that are the same concept. This is going to look and feel very much like insurance. And our next presenter is going to talk about that in some ways, is you're going to have an actual card, you're going to have a network, you're going to have claims that are submitted on behalf of you. You are not having to negotiate what the cost of your procedure is. So you have some contracts when you do have a contract and it's going to-- here's your coinsurance, here's your, you know, maximum out of pocket, etcetera, so that-- in those ways it'd be different.

HANSEN: All right. Thank you.

HALLORAN: Any additional questions? It's magic.

ERIN PETERSILIE: There we go. That's-- I'm going to have to use [INAUDIBLE].

HALLORAN: So, again, you-- with the health benefit plan, you can or cannot ask health questions of the potential client?

ERIN PETERSILIE: We can ask health questions.

HALLORAN: So you're, you're cultivating a group of people that are typically very healthy and that's why it's lower rates. Right?

ERIN PETERSILIE: Correct. At the same time, I'm also going to tell you you do not need to be in perfect health. So there-- so-- and I'm just going to say that-- expanding on that just a little bit because people look at they're like, well, I take high blood pressure medicine, Erin, are you going to kick me off or am I not going to be allowed? No.

HALLORAN: But your rate will be higher.

ERIN PETERSILIE: Potentially.

HALLORAN: It's magic.

ERIN PETERSILIE: Magic.

HALLORAN: OK. No further questions.

ERIN PETERSILIE: OK.

HALLORAN: Thank you.

ERIN PETERSILIE: Thank you, guys. Appreciate it.

HALLORAN: Additional proponents for LB1313? Welcome.

BEN SANDERS: Thank you, Mr. Chairman. I'm Ben Sanders, B-e-n S-a-n-d-e-r-s. I'm with the Tennessee Farm Bureau representing Tennessee Farm Bureau health plans today. You've heard a substantial amount about the need of these programs. I can't speak any better to the need in Nebraska. I can speak to our operation in Tennessee and how it helps our members and how it operates and then I'm happy to answer any questions that you may have. In Tennessee, we have been operating a Farm Bureau health plan since 1947. We've been at this for a long time. What I'm very proud of is that during that whole time, 76 years, 77, whatever the math is, we average a 98% retention ratio. By contract, which are evergreen contracts to answer a question earlier, we can't drop members off a plan for health status. Our members, however, can leave us at any time with 10 day's notice. So our members choose every month if this plan is best for their families or not. And I'm very proud of our retention ratio. I'm proud of the coverage we offer, some of that has been addressed. We offer comprehensive coverage, a broad range of different plans to meet the needs of individuals or families. I'm proud of the networks that we offer as well. Networks are very important to Farm Bureau members so we work hard to have broad statewide networks for our Farm Bureau members. And, more importantly, I am proud of the financial security and the peace of mind that it offers for most of us, and I'm putting myself in that category, to go to bed at night wondering if a medical catastrophe is going to make you lose the farm or lose the house or fill in the blank is a terrible feeling, and I'm very proud of the financial peace of mind that we offer our members. Along with that, I'm proud of our financial stability. We operate in a very conservative manner, but a conservative manner, both from an economy of operational cost but also a conservative manner of planning for the future. We forecast all of our costs and our risk. Long story short, it's important for us to have enough money in our reserve accounts to pay future claims so our members never worry about whether their claims are going to be paid. I'm proud of the other Farm Bureau states that we work with. This was referenced earlier as well. Currently, we're working with Kansas, Indiana, South Dakota, and Texas Farm Bureaus and their health plans. Two other states, Iowa and Arkansas, also have a health plan. They have partnered with other administrators, because that was the best choice for their members. But I'm proud of so many farm bureaus that are looking at these-- at these plans. Farm Bureau populations are strikingly similar from state to state. And so it's no surprise that Farm Bureaus as they are

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looking for a solution for their healthcare needs, they're looking at us. And the last thing I'll say, Mr. Chairman, is that I can speak to the importance of these plans. My family is in the farming business in Tennessee. I grew up with one of these plans. I've seen it firsthand. I've experienced it firsthand. I'm proud of what we offer and how we serve the Tennessee Farm Bureau. Thank you for the opportunity to be here and I'm happy to answer any questions.

HALLORAN: Thank you, Mr. Sanders. Senator Holdcroft.

HOLDCROFT: So you have a network of doctors that you wind up. Is it like Medicaid where the doctor says this is how much it costs and this is how much you're going to pay? I mean, is that the same way or do you have agreements with the doctors for, like, procedures [INAUDIBLE]?

BEN SANDERS: It, it would look very similar to traditional insurance plans, sir. We use UnitedHealthcare for our network. They're in the business of putting together networks. So we rent a network from United. We did that in Tennessee. We partnered with them in Tennessee. As other state Farm Bureaus have implemented these plans, we actually bring United with us and we utilize their, their network in other states. When we go into a state on behalf, of course, of that state's Farm Bureau, we do a network analysis to make sure that their-- that the United network is broad enough. And if it's not, then we ask that they broaden it to make sure that that network has what they need. As far as the reimbursements that you referenced, it's hard to make comparisons on reimbursements between health, health coverage or health insurance companies and providers, but it would not look like Medicaid or Medicare reimbursements if that helps.

HOLDCROFT: Thank you.

BEN SANDERS: Yes, sir.

HALLORAN: OK. Additional questions? So I'm trying to wrap my arms around this. So you-- to create-- to cultivate this group of, of relatively healthy people, which helps obviously lower the rates, you have to deny some people coverage. Right? What's your percentage of denial?

BEN SANDERS: Sure. On average, we accept 9 out of 10 applicants for coverage and that is-- that was the average in Tennessee, and that has become the average in other states as well. That's our acceptance

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average rate. So 9 out of 10 members that apply for coverage are offered coverage through us.

HALLORAN: OK. All right. Thank you so much. Appreciate it. Additional proponents of LB1313? Are there opponents to LB1313? Is there anyone in the neutral for LB1313? Is it neutral?

ERIC DUNNING: Neutral, sir.

HALLORAN: OK.

ERIC DUNNING: Mr. Chairman and members of the Agriculture Committee, my name is Eric Dunning, E-r-i-c D-u-n-n-i-n-g. I'm the Director of Insurance, and I'm here today to testify in the neutral capacity on LB1313. In all of my years testifying in front of legislative committees, I am quite certain that this is my first time in front of the Agriculture Committee.

HALLORAN: God bless you.

ERIC DUNNING: So, Mr. Chairman, LB1313 creates a type of insurance contract that's outside of the jurisdiction of the Department of Insurance if it mean-- if it meets a number of very tightly defined standards. In particular, it's going to allow certain nonprofit agricultural organizations to offer health plans outside of the jurisdiction of the department. I'm here today as a-- to be a resource to answer any questions that the committee may have on a topic that's a bit uncommon for the committee. By way of background, the department has had a long history of trying to work with stakeholders to develop solutions to the problems that agriculture, in particular, faces as a result of the Affordable Care Act. The department has traveled the state on our annual listening tours and heard the concerns of farmers and ranchers. And through that experience, we tried to explain to the federal government through the public and notice-- public notice and comment period some of the challenges that the federal government has created through regulatory flip-flopping, as well as trying to work with them to develop sensible solutions to these issues. But we didn't have any success. We have continued to work with the Farm Bureau and local insurers to creatively bring solutions to Nebraska's agriculture under existing law. I also want to say that it's too bad that this bill is necessary to meet the needs of Nebraska. We've seen an ever expanding scope of requirements placed on all health insurers at both the state and federal level, which has made it very difficult to offer health insurance to people at a price that they can afford to pay unless they're given government subsidies. The subsidies available

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under the Affordable Care Act marketplace, while very generous, do not necessarily work well for people in agriculture due to significant year-to-year variations in income, and those may not be extended. The federal government has increased those subsidies to offset the increase-- the cost of increased government mandates, but those subsidies under the ARPA are due to be phased out in 2025, and I don't know what their status will be in Washington. The bill in front of you today seeks to overcome the cost of federal regulation by exempting the health plans from that definition of insurance and, therefore, places those outside of state and federal mandates and the jurisdiction of the department. I will tell you that I have checked in with folks in other states with similar plans on the books and I've not heard concerns or complaints from policyholders in those states. So now that I've given you some brief background on the regulatory status of those plans, I'm happy to answer any questions that you may have, particularly with regard to, say, the, the cost-sharing ministries or some of the other questions that I heard from Senator Halloran.

HALLORAN: OK. Thank you, Mr. Dunning. Questions from the committee? Senator Hansen.

HANSEN: Thank you. Yeah, could you expand on that a little bit about my question is just, like, how similar or how different is this from similar cost sharing of companies like Medi-Share and Good Samaritan?

ERIC DUNNING: So they're similar in an important way in that under Nebraska law, should LB1313 pass, it's not insurance, which I think a lawyer would describe as a legal fiction. Right? I mean, it, it behaves like insurance. But under Nebraska law it's, quote unquote, not insurance. So it exempts it from all of those requirements that we've talked about and allows the, the entity to underwrite and do some of the other things that they need to do to control costs. That's-- that is the status that the cost-sharing ministries currently enjoy under Nebraska law. However, in terms of how it-- how it feels to be in-- to be-- to have a contract with these enterprises-- I'm trying very hard to avoid magic words like insurance-- I, I think it's a little more-- from how I understand these plans to work in Iowa or Kansas or some of the other states that we've heard about, it's going to feel a little bit more like major medical coverage. You're going to have-- you're going to have networks, etcetera, etcetera, etcetera, and you're going to know in advance what they're going to pay for and what they won't pay for. There have been some challenges on some of the Medi-Share programs in terms of, of, of how that's, that's worked for policyholders.

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HANSEN: Can I ask another one, please?

HALLORAN: Pardon?

HANSEN: Can I ask another question?

HALLORAN: Please.

HANSEN: So why do we-- I'm, I'm curious, is it just solely for regulatory issues that we have to even put this in statute for them to even do this?

ERIC DUNNING: If you describe it as regulatory issues, I think you'd be understating what's the, the situation, right? I mean, in particular, I think what you've heard today is a description of how important, how powerful underwriting is in terms of getting coverage available to people at an effective price. And by not being, quote unquote, insurance under state and, therefore, federal law they're allowed to, to underwrite in a way that makes more sense for the people that they serve.

HANSEN: OK. It's ironic because I'm actually going to Insurance here in a little bit to test-- or to do a hearing on a bill. I've never been to Insurance in 6 years. I'm going to have a bill there for the first time talking about insurance, so.

ERIC DUNNING: I-- look, I feel your pain.

HANSEN: Thank you very much.

HALLORAN: And thank you, Senator Hansen. Other questions? Yes, Senator Hughes.

HUGHES: Thank you, Chairman. So I'm just-- so, like, because we're not calling it insurance, I think, like, there's a bill out, like, say-- let's say the bill out right now passes that if you do, while you're in there, clean it out, write the [INAUDIBLE], whatever, if you do a colonoscopy and they take the policy, they have to cover it or whatever or something like that,--

ERIC DUNNING: Yes.

HUGHES: --this group wouldn't be required to do that.

ERIC DUNNING: It, it wouldn't be.

HUGHES: Yeah.

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ERIC DUNNING: But, but just because they're not required to under statute doesn't mean--

HUGHES: Doesn't mean they might not.

ERIC DUNNING: --that they-- that they wouldn't make that decision anyway. It's just that this mandate would not specifically apply to them.

HUGHES: Because when we have it as a bill and are mandating it, we're saying insurance companies have to do this and it would be--

ERIC DUNNING: Correct.

HUGHES: --outside that scope.

ERIC DUNNING: Correct.

HUGHES: So, so that's kind of how you get away from the-- sometimes as legislators, we have mandates that cost more money on all the entities that were doing this and these guys would be a little bit exempt of that.

ERIC DUNNING: They would-- they would be exempt, but I don't know that that's what I'm hearing is driving the difference in price.

HUGHES: Oh, OK.

ERIC DUNNING: I mean, I, I think it's that-- going back to the underwriting.

HUGHES: [INAUDIBLE]. OK. Thank you.

ERIC DUNNING: You bet.

HALLORAN: OK. Thank you, Senator. So you probably addressed this in your testimony, but just for my own clarification, could the Farm Bureau have a health benefit plan like they're proposing here offered in Nebraska without this bill?

ERIC DUNNING: I, I, I don't think they could because you wouldn't be able to avoid things like underwriting. You wouldn't be able to avoid all of the requirements that have been imposed on the insurers by state and federal government. It's by creating this concept of not insurance or using that same not insurance concept that we got out of the, the Medi-Share plans that they can get this regulatory treatment.

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HALLORAN: OK. All right. Let's see, no other questions. Thanks for your testimony.

ERIC DUNNING: Thank you, sir.

HALLORAN: All right. Additional proponents to LB1313?

HOLDCROFT: Neutral. We're on neutral.

HALLORAN: Oh, we are on neutral. Excuse me. Neutral for LB1313? Seeing none, Senator Dover, would you like to close?

DOVER: I can just answer maybe a couple of questions. One was, Sarah Hughes asked, why is this happening now? I think basically when this federal legislation comes down, it's so complicated and it-- and it adjusts, and then there's opinions given as to what does this mean? How is this handled by the agencies and stuff? So I think the industry is trying to figure out, first of all, what are the new rules of the game and try to find solutions. And, obviously, through the Affordable Care Act, they were carve outs and one is, obviously, religious carve out so Medi-Share is one of them, another one was memberships. And I do believe that they tried one here in Nebraska, but the problem they ran into was-- I think it was-- I think it was for farmers, but was the question of what an employer was because you could have a group thing with an employer. But the problem was you couldn't be considered an employer if you were a farmer, at least that's my limited understanding. So they have been trying things. That was [INAUDIBLE], I believe, well, not workable and so that failed so kind of this is another approach. And, again, I think it's because of just the-- trying to solve the affordability issue for families and everyone, right, everyone. And then while Senator Hansen is not here, I'd just like to talk about really briefly what the main difference is. I was-- I tried-- I had a Farm Bureau agent and I said, hey, I'm paying \$35,000 a year for my family and my kids and everything with deductibles and stuff. And I said, what do you do? And he said, well, actually, I have Medi-Share. So I actually enrolled in Medi-Share. And, I mean, it's a good option, I think. But the frustrating thing that I had was that they give you a website to go to and say these are your providers, right, so here's the list of different, different doctors and stuff in my community. What I found calling them, there must have been some different other group, too, because I didn't necessarily was able to work with all the list that was on their website. And so I really believe, believe what, what this legislation will allow to have happen is through United Health, I think that we're going to have a, a much more-- a wider, broader provider network that

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was offered at least through Medi-Share and that's the only one I can speak to. So I wanted to really bring that up what Senator Hansen had asked. Is there any other questions that anyone might have?

HALLORAN: Any other questions from the committee? No.

DOVER: OK. I introduced LB1313 because it's a good bill, it enacts positive change. It brings affordability to healthcare and it helps families. I believe it makes Nebraska a better place for everyone. Because I believe in what LB1313 does, I'm making it my priority bill. Based on the number of cosponsors we have, the testimony you've heard today, and all the support this bill has, I'm asking the committee's support so this bill can move onto the floor and be advanced. I thank you for your time today, and I thank you for supporting the bill. Thank you, Chairman Halloran.

HALLORAN: Thank you, Senator Dover. There's no questions so we'll finish that. So for the record, you'll love this, there was zero proponents, zero opponents, and zero in the neutral. Good job.

DOVER: Thank you.

HALLORAN: All right. All right, that concludes LB1313. We will move onto LB1396. Senator Murman.

HOLDCROFT: Bugs and worms and--

HUGHES: More bugs.

HALLORAN: You know how to clear out a room, Senator.

HOLDCROFT: I guess there isn't going to be a lot of proponents and opponents.

_____ : It's not here.

HUGHES: It's bug day.

HALLORAN: Welcome, Senator Murman.

HOLDCROFT: This is our last bill.

HUGHES: I know.

MURMAN: Well, good afternoon, Chairman Halloran and members of the Agriculture Committee. My name is Senator Dave Murman, and I represent 8 counties, mostly along the southern tier in the middle part of the

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state. I'm here to bug you about LB1396, a bill to ensure insects, worms, or bugs products in human foods are clearly labeled as such. Before I begin, I'd like to address a possible concern on this bill. Some might say this is not a major problem. It is true that we're not seeing insects used as an ingredient in food regularly today. That being said, we can look at articles and reports that are coming out today and then prepare to have basic guardrails put in place through a proactive piece of legislation. In a 2019 article, Food Safety Magazine writes: In Western countries, the use of insects as food and feed is gaining attention as consumers learn of the nutritional and environmental benefits associated with them. A 2020 article by the Food and Agriculture Organization of the United States or United Nations argues that insects are a potentially valuable protein source to feed a growing global population. These examples do certainly show a market and government desire to start to normalize insect-based foods. However, this is not an attack on any product. In my opinion, if people want to eat bugs, it's a free country and they can do that. But what we should have in place is some kind of labeling process so consumers are not accidentally or even being tricked into buying insect-based foods that they would not normally desire to purchase or consume. LB1396 offers a simple solution. It demands the Nebraska Pure Food Act, which already ensures food is sold with proper labeling and adds a provision that any food that contains more than 5% insect, worm, or bug product that does not clearly have that labeled would be deemed misbranded. Thank you and you're welcome to bug me with any questions.

HALLORAN: OK. Thank you, Senator Murman. Senator Hughes.

HUGHES: Thank you, Chairman. Do we know how many products contain over 5% bug parts? Like, how many does it affect?

MURMAN: I don't think so. Right now, as far as I know, there aren't any bugs-- or any-- not bugs, but any products sold in Nebraska that contain even close to 5%.

HUGHES: OK. Can I ask one follow-up?

HUGHES: Sure.

HUGHES: Did-- what brought you-- I guess, what made you bring this bill?

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MURMAN: Well, I've read articles about food companies, and even food companies coming into Nebraska that have bugs in their food-- in their food product.

HUGHES: OK. Thank you.

MURMAN: Yeah.

HALLORAN: OK. Additional questions from the committee? We got to do better than this. All right. Thank you, Senator Murman. Proponents for LB1396? Welcome.

JOHN HANSEN: Mr. Chairman, good afternoon again. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n, still president of Nebraska Farmers Union, still our lobbyist. We do not have a clear set of policies in Nebraska Farmers Union relative to eating bugs, but we do have a fairly clear policy relative to labeling. And labeling is the bargain between food producers, food processors, food retailers, and food consumers. And food consumers ought to have the ability to be able to know what it is that they're purchasing, and that they can make an informed decision about what it is that they want to consume, and that's for these kinds of products, all kinds of food products in our view. And also, as you well know, we have spent a lot of our time and efforts to try to make sure that folks know where their food comes from, what country it comes from, and that-- and by doing that food consumers can make informed decisions about where it is that want to buy their food and what they have in their food. And I thought-- I thought Senator Murman captured the, the, the philosophy of Farmers Union fairly well when he said, you know, if people want to eat bugs, that's America, it's their business. And so that's kind of our view on, on, on these things, but it certainly ought to be labeled. And we're, we're open to any kind of discussion whether or not 5% is the right threshold or whatever it should be. So with that, I'll be glad to answer any questions if you have any.

HALLORAN: All right. Thank you, Mr. Hansen. Questions?

HOLDCROFT: No, sir.

HALLORAN: None? Seeing none, OK. Thank you for your testimony.

HANSEN: Thank you, Mr. Chairman. Again, thanks to Senator Murman for bringing the bill.

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HALLORAN: Are there additional proponents? Seeing none, are there opponents to LB1396? Seeing none, neutral? Seeing none, Senator Murman, would you like to close?

MURMAN: Looks like it might be consent calendar. I think there could possibly-- this might not totally be a preemptive bill. It could possibly be protein powders that are already sold that contain more than 5% bugs-- bug product. They call it bug powder, I'm assume it's bugs. I'm open to questions.

HALLORAN: OK. Questions for Senator Murman?

MURMAN: If not, thank you very much.

HALLORAN: Seeing none, thank you, Senator Murman. Appreciate it.

MURMAN: Thank you.

HALLORAN: Online comments for LB1396, 4 proponents, 1 Jiminy Cricket opponent, and zero neutral. So [INAUDIBLE]. Thank you. That concludes our Agriculture Committee for the day.