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Banking, Commerce and Insurance Committee January 30, 2023  
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**SLAMA:** All right. Good afternoon and welcome to the Banking, Commerce and Insurance Committee. My name is Senator Julie Slama. I represent the First Legislative District in far southeast Nebraska, and I serve as Chair of this committee. The committee will take up bills in the order posted. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. The committee member will come and go, committee members will come and go during the hearing today. We have to introduce bills in other committees and are called away for that reason. It is not an indication that we are not interested in the bill being heard in this committee, it's just part of the process. To better facilitate today's proceedings, I ask that you abide by the following procedures. The information is posted on the chart to your left. Please silence or turn off your cell phones. Move to the front row when you are ready to testify. The order of testimony will be as follows: the introducer, proponent testimony, opponent testimony, neutral, and then introducer close should they choose. Testifiers please sign-in, hand your pink sign-in sheet to the committee clerk when you come up to testify. Spell your name for the record before you testify. Be concise. It is my request that you limit your testimony to 5 minutes, preferably less. If you will not be testifying at the microphone, but want to go on the record as having a position on a bill being heard today, there are white tablets at each entrance where you may leave your name and other pertinent information. These sign-in sheets will become exhibits in the permanent record at the end of today's hearing. Written materials may be distributed to committee members as exhibits only while testimony is being offered. Hand them to the page for distribution to the committee and staff when you come up to testify. We need ten copies. And if you have written testimony but do not have ten copies, please raise your hand now so the page can help make copies for you. To my immediate right is, to my immediate left is, no, immediate right, it's Monday, is committee counsel, Joshua Christolear. To my left at the end of the table is committee clerk, Natalie Schunk. The committee members with us today will introduce themselves, beginning at my far left with Senator von Gillern.

**von GILLERN:** Senator Brad von Gillern, District 4.

**AGUILAR:** Ray Aguilar, District 35.

**JACOBSON:** Senator Mike Jacobson, District 42.

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**BALLARD:** Beau Ballard, District 21.

**SLAMA:** Also assisting the committee today are the, our wonderful committee page, Quinn Eilers. The committee will take up bills today in the following order: LB669, LB674, LB67 and LB68. And with that, we'll open the first hearing of the day on LB669. Senator Ballard.

**BALLARD:** Good morning, Chair Slama and members of the Banking, Commerce and Insurance Committee. For the record, my name is Beau Ballard. That's spelled B-e-a-u B-a-l-l-a-r-d, and I represent District 21, which is northwest Lincoln and northern Lancaster County. I'm here to introduce LB669 at the request of the Department of Banking and Finance. As we all know, the department is the sole regulator of Nebraska's state chartered banks, trust companies, building and loan association, savings and loan associations, credit union and digital asset depositories. As part of this responsibility, the department is required to issue a written decision, including orders on many matters. The department often sets conditions in which the applicants are requesting parties must comply before they are allowed to proceed. For example, an order approving a bank or credit union application for a branch office may contain a condition that approval of the institution's primary federal regulator is obtained before opening the office. The department has followed this practice for many decades. However, in 2021 the court interpreted governing statutes to say that the department authority is limited to only approvals and denials. LB669 will provide clear authority for the department to set conditions on listing of final, financial institutions and their holding, and their holding companies. As part of any orders, decisions or determination that the department is required to issue under the statutory governing of those institutions. I'd be happy to answer any questions, but the director is behind me to answer more technical questions, if you have any.

**SLAMA:** Thank you, Senator Ballard. Are there any questions from the committee? Seeing none. We will now take proponent testimony on LB669.

**KELLY LAMMERS:** Good morning.

**SLAMA:** Good morning, Mr. Director.

**KELLY LAMMERS:** Chair Slama and members of the Banking, Commerce and Insurance Committee, my name is Kelly Lammers, K-e-l-l-y L-a-m-m-e-r-s. I am director of the Nebraska Department of Banking and Finance. The Department would like to thank Senator Ballard for

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introducing LB669. The Nebraska Department of Banking Finances Regulatory Agency established by Nebraska law under Section 8-102 of the Nebraska Banking Act, the Department has general supervision and control over banks, trust companies, credit unions, building and loans associations, savings and loan associations and digital asset depositories. This catch-all statute was originally adopted with Nebraska's, with the Legislature's recodification of the banking statutes into the Nebraska Banking Act in 1963. Department statutory obligation to provide full supervision over banks, trust companies, buildings and loans and savings and loans associations date back to the early 1900s with supervision of credit unions added in the 1940s. Digital asset depositories came under our jurisdiction in 2021. Throughout the years, the department has used the mandates of general supervision and control of Nebraska financial institutions to place conditions on licenses and within orders or other documents approving applications and requests and the regular course of fulfilling the department's responsibilities. This practice has allowed the department to serve entities more effectively, more economically, by getting licenses, charters and decisions on matters such as branch office applications to entities more quickly. Without the ability to place conditions and licenses and orders, timeliness for applications would get drawn out until entities can fully pre-comply with necessary measures. Matters that fall under a statute containing a deadline for the department's decision may have to be denied if applicants are unable to be compliant before the deadline. Even though the department has consistently been issuing conditions and written decisions for years, the department recently was involved in a matter where the term general supervision was interpreted by a district court to not include the ability to establish conditions within an order. In short, the decision provided the department two options, approve or deny. Based on advice from the Nebraska Attorney General's Office, the Department is requesting this legislative change to make clear that the department may apply conditions in matters where the statutes require our approval. The department requested and received input from the Nebraska Bankers Association and the Nebraska Credit Union League in drafting the bill. Their assistance was greatly appreciated. The language in LB669 is believed to be the most restrictive language possible in order to give the department the ability to fashion worthwhile conditions and applications for the benefit of the industry. The department believes the proposed amendment to Section 8-102 will allow the department to continue providing its supervised entities prompt and efficient service so that those institutions can more quickly attend to the business and customers needs. Thank you for

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letting me speak on this important bill. Be happy to take any questions the committee may have.

**SLAMA:** Thank you, Director Lammers. Are there any questions from the committee? I've got a brief one just so that we're all on the same page here. Essentially what LB669 does is clarify something the Department has, has been doing for years. It came into question with the 2021 ruling, and now we're just trying to establish in the language the rules that you've already been taking on for the last several years.

**KELLY LAMMERS:** That is correct, yes.

**SLAMA:** Fantastic. That's my kind of bill. All right. Any additional questions? All right. Thank you, Director Lammers.

**KELLY LAMMERS:** Thank you.

**SLAMA:** Additional proponent testimony. Seeing-- oh.

**JACOBSON:** He's small.

**SLAMA:** Should really wave your arms or something.

**ROBERT HALLSTROM:** Moving kind of slow today.

**SLAMA:** Good morning, Mr. Hallstrom.

**ROBERT HALLSTROM:** Thank you. Chairperson Slama, and members of the Banking, Commerce and Insurance Committee, my name is Robert J. Hallstrom, H-a-l-l-s-t-r-o-m, I appear before you today on behalf of the Nebraska Bankers Association to testify in support of LB669. Director Lammers has, I think, completely given you the background on this case. There was a Lancaster County District Court decision involving a credit union that went to the heart of whether or not the department has the ability to place conditions on their orders. They had in that particular instance and the court basically said, you can say yes or no, but you can't put any conditions on the order. We were glad that the department shared with us the original draft of the bill. We felt it was much broader than it needed to be to take care of the issue at hand. And the department has crafted the least restrictive bill that still grants them the authority to do what they always thought they could do, which is to place conditions on these types of orders and we support the bill. Be happy to address any question.

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**SLAMA:** Thank you, Mr. Hallstrom. Are there any questions from the committee? Fantastic.

**ROBERT HALLSTROM:** Thank you.

**SLAMA:** Thank you very much. Good morning, Mr. Schrodt.

**DEXTER SCHRODT:** Good morning, Chairwoman Slama and members of the committee. My name is Dexter Schrodt, D-e-x-t-e-r S-c-h-r-o-d-t. I'm president and CEO of the Nebraska Independent Community Bankers. Just real briefly, we just wanted to get on record of supporting the bill, We thank Senator Ballard for bringing it and the department for bringing it as well. It's not often you have industry that supports a statutory expansion of your regulator's authority, but as Mr. Hallstrom just said, we already kind of recognized that that authority was there. So we do urge the passing given the recent court ruling. So we urge the committee to advance to General File.

**SLAMA:** Thank you, Mr. Schrodt. Are there any questions from the committee? Seeing none, thank you.

**DEXTER SCHRODT:** Thank you.

**SLAMA:** Additional proponent testimony. Seeing none, is there any opposition testimony to LB669? Seeing none, is there any neutral testimony to LB669? I see none. There are no letters for the record on LB669. So, Senator Ballard, you are welcome to close and he waives closing. That concludes the hearing on LB669. We will now open the hearing on Senator Jacobson's LB674. Good morning.

**JACOBSON:** Good morning. Well, thank you, Chairwoman Slama and members of the Banking, Commerce and Insurance Committee. My name is Mike Jacobson, M-i-k-e J-a-c-o-b-s-o-n. I'm here before you today to speak and to introduce LB674 on behalf of the Department of Banking and Finance. The bill is a fairly simple bill in terms, it is your classic cleanup bill, but there are a number of provisions within the bill, and so there'll be a number of pieces. Looking at the people behind me, I'm guessing there's a few of them here to speak on this bill as well. So I'm going to walk you through the high points and, and I'll probably defer most of questions to, to really the group that are here to speak on the specifics of it. This bill, as I said, was introduced at the, or is being introduced at the request of the Nebraska Department of Banking and Finance to amend provisions in Nebraska Financial Innovation Act, as the director just mentioned, which was

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passed in 2021. The act provides for chartering, operation and regulation of digital asset depository institutions and digital asset departments within banks. LB674 proposes revisions to the Act to improve consistency within the Act and with other financial institutions, statutes, and to make technical corrections. These revisions will provide first authorization for digital asset depositories to establish in state branches as out-of-state branches are currently permitted. Updates to the applicable, updates to the application process relating to the filing of business plans and bylaws, the injection of additional capital and charter issuance. A process for the substitution of securities pledged to the department by digital asset depositories in lieu of the bond, authority for the pledger to collect interest or dividends on the securities and assessment of a pledging fee. That endangering the safety and soundness of the depository is an additional cause for removal of digital asset depository insiders by the Department. Clarification of voluntary dissolution and liquidate, liquidation procedures between digital asset depository institutions and digital asset depository departments. And finally, it updates the definition of stablecoin, substitution of numerous references to the term grant of authority and the word charter and textural and grammatical corrections. Because these are changes that we believe need to be done, LB674 does carry the emergency clause for all provisions. I'd answer any questions you might have for me.

**SLAMA:** Thank you, Senator Jacobson. Are there any questions from the committee? Yes, Senator Bostar.

**BOSTAR:** Thank you, Chair Slama. Thank you, Senator Jacobson. You know, we worked on this legislation for a long time, introduced by then, Senator Flood. And, you know, during that, the committee hearing process, there were a number of individuals who were excited about this, excited about maybe creating enterprise opportunities in this, in this space, as well as some current banks were, were also supportive of the idea in expanding into this work, although more quietly. Is there anything that you see in this that would slow Nebraska's progress on this front or prevent us from being a, a national leader in this space?

**JACOBSON:** Well, I think probably the answer to that is there certainly are fees that are associated with it, including the cost of the charter, which is significant at \$10 million. It's when you start looking at that, that can be a barrier. I can tell you that I think the industry and particularly the industry associations worked in

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concert with the department to really help with this language. I think everyone wants to, it's one thing to be a leader. It's another thing to maybe walk before you run. And I think there's concern that although stablecoin is significantly different asset than, than cryptocurrency. OK, and crypto has taken a pretty good beating here recently. This is not crypto itself, but this is a digital asset and there is assets behind these digital assets in these depository institutions. So I think the purpose here is really to recognize the fact that out-of-state banks can come into the state today and open up these facilities. So it makes sense that we have state laws that would also allow for in-state banks to not only offer these products, but also we have regulation that's consistent for all of the players in this space and that we provide safety to the public. I think as you read through the bill, you'll see that there's significant disclosure requirements in terms of making it clear that these are, these assets are not backed by FDIC. I think that's a big concern of a number of community banks across the state and that we don't want to run into a situation where somebody stumbles and the banking industry takes a black eye. So I think that's why there's a significant amount of caution in terms of how this gets rolled out. But there's also a reality by the industry that we need to keep moving forward in getting language and getting, getting this set up to where it will work. And there are players that want to be in this space. The other thing we're making certain is that all players in the state of Nebraska that are community banks today, commercial banks in the state today, and credit unions could play in this space as well.

**BOSTAR:** Thank you.

**SLAMA:** All right. Any additional questions? Seeing none, thank you, Senator Jacobson.

**JACOBSON:** Thank you.

**SLAMA:** Proponent testimony for LB674. Hello again.

**KELLY LAMMERS:** Good morning once again, Chair Slama, members of Banking, Commerce and Insurance Committee. My name is Kelly Lammers, K-e-l-l-y L-a-m-m-e-r-s. I am director of the Nebraska Department of Banking and Finance. I'm appearing today in support of LB674, which was introduced at the request of the Department. LB674 proposes updates to the Nebraska Financial Innovation Act and related statutes. The Act was originally adopted in 2021 by LB649, which allowed for the creation of digital asset depository institutions and digital asset

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depository departments within banks provided for the chartering, operation and regulation of such institutions and departments. The Department is the designated supervisor of digital asset depositories. LB674 proposes a series of clarifications and careful improvements necessary now that the department and regulate, related industry participants have had time to work with and become familiar with the Act. I will highlight some of the specific provisions of the bill. The Nebraska Financial Innovation Act authorizes digital asset depositories to branch into other states, but omits any reference to in-state branches. Under Section 7 of the bill in-state branches will be permitted as well with the approval of the department. The application process is revised to clarify that the submission of a business plan is part of an application, is applicable to applicants for both the institutions and departments, and to establish the authority of the department to require the injunction of additional capital by a bank which is applying for a digital asset depository department. To provide that by-laws and by-law amendments are to be filed with the application and to make clear that a charter will not be issued until all conditions precedent in the director's order have been satisfied. These can, these changes are in Sections 11, 13, 14 and 18 and reflect existing provisions in other Financial Institutions Act. Sections 3, 21 and 26 also contain revisions to support the Act with other institutions' laws. Section 21 amends the law requiring a digital asset depository furnish a surety bond or pledge securities to the department to cover the expected cost of liquidation or conservatorship if such should occur. A process for the substitution of securities patterned on the Trust Company Act, as provided along with the right of the pledger to collect interest or dividends on the securities if the institution is solvent. Under Section 3, depositories would be assessed the same fee as trust companies and money transmitters pledging securities. Section 26 amends 8-3030, which authorizes the removal of digital asset depository insiders by the department to provide that endangering the safety and soundness of the depository is an additional cause for removal. There are a number of provisions in the Act requiring clarification as to whether the particular law applies solely to the digital asset depository institution or to the digital asset department, or to both. For example, Section 21, 25 provides necessary clarification required regarding voluntary dissolution and liquidation procedures between institutions and departments because the fundamental structures of the two differ. LB674 limits the voluntary liquidation or reorganization process of two institutions and adds language to permit financial institutions operating a digital asset depository department to



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surrender the department charter upon compliance with the statute to the extent determined by the department, by rule or order. The many cleanup provisions of LB674 include revising the definition of stablecoin, to provide that it is a controllable electronic record to comport with other defined terms in the Act and Title 12 of the Uniform Commercial Code and replacing language regarding the term grants of authority with the word charter. So that language in 11 sections of the Act and three banking laws reflect the long-established regulatory title for certain financial institutions. LB674 will make the Nebraska Financial Innovation Act consistent with its, within itself more complementary to existing laws, more understandable and textually correct. The department worked with the Nebraska Bankers Association, make all the corrections and clarifications within LB674. We thank them for their assistance and endeavors to make Nebraska possibly the most attractive destination for those pioneering a new path of financial inclusion and technological sophistication with electronic controllable records. I want to thank Senator Jacobson for introducing LB674. Be happy to answer any questions.

**SLAMA:** Thank you, Director Lammers. Are there any questions from the committee? Seeing none, thank you very much. Additional proponent testimony. Good morning again.

**ROBERT HALLSTROM:** Good morning, Chairperson Slama. See me one more time today. Members of the Committee, my name is Robert J. Hallstrom, H-a-l-l-s-t-r-o-m. I appear before you today as a registered lobbyist for the Nebraska Bankers Association in support of LB674 and I'd also like to thank Senator Jacobson for introducing the bill and the Department for working with the Bankers Association in making these what I would suggest are purely technical amendments to the digital asset depository legislation or the Nebraska Financial Innovation Act. Senator Bostar, in response to your question, more, more generally I don't think there's anything in this legislation that would inhibit the continue or the potential growth of this industry in Nebraska, either from the banking industry perspective or those who want to be digital asset depository institutions. The basic premise of the need for amendments is probably predicated on the, on the effect of how cumbersome the bill is in that it differentiates between digital asset depository institutions, which are those that are of the nonbank-related entities and digital asset depository departments, and the fact that the two of them combined, when provisions apply to both of them, are digital asset depositories. Because of the terminology, we discovered a number of provisions when LB649 was originally being

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considered. We had proposed those for consideration by Senator Flood. Those of you who, who went through the LB649 process, probably remember that Senator Flood was done with amendments at some point in the session and perhaps rightfully so. We knew that additional technical amendments would be needed. We actually proposed those to Senator Flood last year and he said he wanted to give it a rest for a year and we complied with that request. We're not bringing the bill just because Senator Flood is not here. I think these are purely technical. Hopefully that's the case. That is the intention and we support the bill for those reasons. Be happy to address any questions.

**SLAMA:** Thank you, Mr. Hallstrom. Are there any questions from the committee? Seeing none, thank you very much.

**ROBERT HALLSTROM:** Thank you, Senator.

**SLAMA:** Additional proponent testimony. At least we're consistent. Good morning again.

**DEXTER SCHRODT:** Good morning. Chairwoman Slama, members of the committee. My name is Dexter Schrod, D-e-x-t-e-r S-c-h-r-o-d-t, president and CEO of the Nebraska Independent Community Bankers. We would agree that this is really a technical cleanup bill. It harmonizes pieces of the statutes so that everything gets along nicely. We would thank Senator Jacobson for bringing the bill and thank you to the Department for working through this. I know some of these issues came up in the regulatory hearing last fall, so we appreciate the recognition, recognizing that some changes were needed to harmonize. And we do have full faith in Director Lammers heading up this operation, Senator Bostar, so that Nebraska can be the destination for this. His diligence is greatly appreciated in this subject area. So with that, we would urge its advancement to General File.

**SLAMA:** Thank you, Mr. Schrod. Are there any questions from the committee? Seeing none, thank you very much. Additional proponent testimony. Good morning. I know, Mr. Quandahl, you're mixing it up.

**MARK QUANDAHL:** Chair Slama, Vice-Chair Jacobson and members of the Banking, Commerce and Insurance Committee, my name is Mark Quandahl. It's Q-u-a-n-d-a-h-l. I'm with Dvorak Law Group with offices in Hastings, North Platte, Columbus, Sutton, and Omaha, Nebraska. Dvorak Law Group represents Telcoin, which is a digital asset company with its headquarters in Norfolk, Nebraska. And I'm here to testify in

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support of LB674. Just a little history. In 2021, I had the honor and the opportunity to work with Senator, now Congressman Flood, on digital asset legislation for Nebraska that became the Nebraska Financial Innovation Act. That Act came out of the Banking, Commerce and Insurance Committee on an 8-0 vote with help from Chair Slama, Senator Bostar, Senator Aguilar that were on the committee at that time. It later passed with, on final reading with 46 votes in 2021. And so the Nebraska Financial Innovation Act, it actually had two components. It enacted the Uniform Commercial Code provisions on control of electronic records. And you saw updates to that last Monday in this committee in Chair Slama's LB94. And then also too, it created the regulatory framework for digital assets in the state of Nebraska. And you saw proposed updates last Monday, LB214, and today with LB674. And the overarching aim that Senator Flood had with the Nebraska Financial Innovation Act was to provide regulatory certainty in the area of digital assets. And as with most industry, regulatory and legal certainty is important, which is why we support this legislation brought forth by Senator Jacobson. At the same time, we're urging caution. We need to be careful about the message that we send with any bill that may impede the good work that's already in place. The Nebraska Financial Innovation Act allows Nebraska companies and Nebraska community banks to take advantage of the nation's emerging digital assets industry. I represent Telcoin, so it's probably best to tell you what Telcoin is not. Telcoin is not a digital asset exchange. It's not a Bitcoin miner, alright? It's not a creator of Dogecoin, Shiba Inu or any other sort of cryptocurrency with a floating value. Telcoin succinctly, it's a digital, it's asset. It's a technology payments company that creates stablecoins, which is a digital asset with a value tied to a physical asset. In the case of Telcoin, one to one with the U.S. dollar. The Telcoin app and Telcoin stablecoins have the potential of greatly reducing the friction and the cost of payment remittances for the consumers. So Telcoin has positioned itself to support a filing of an application with the Nebraska Department of Banking and Finance for authority to operate a digital asset depository. And so I want to thank Director Lammers and the Department of Banking and Finance team for their guidance as we navigate through this process. Because it's new, it's new. So late last year there were hearings on rules to implement the financial innovation, the Nebraska Financial Innovation Act. The application has been finalized and I can tell you, as a certainty, that Telcoin wants to facilitate the filing of an application to kind of operationalize the Nebraska Financial Innovation Act. But the issue before us is bigger than Telcoin. The Financial Innovation Act helped Nebraska became one of the first

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states in the nation to embrace the FinTech world that's everywhere, which was and continues to be Congressman Flood's intent with this. Matter of fact, Congressman Flood called me up last week. He notices, he still watches the Legislature. And so he, he wanted to get my take on this bill and then also to kind of express what he was thinking. And he wants to make sure that Nebraska is at the forefront of this industry. And we must be reminded that the premise behind the original legislation was to retain and attract young talent to Nebraska who are excited about this industry and want to be where the action is. And so with that, I'll end my testimony and answer any questions that you might have.

**SLAMA:** Thank you very much, Mr.. Quandahl. Are there any questions from the committee? Senator Bostar.

**BOSTAR:** Thank you, Chair Slama. Thank you, Mr. Quandahl. It's good to see you. It's been a little while.

**MARK QUANDAHL:** Sure.

**BOSTAR:** Essentially I want to ask you the same question I asked Senator Jacobson. Do you, do you see anything in the legislation that would discourage the development of digital asset depositories in the state of Nebraska?

**MARK QUANDAHL:** Well, the the overarching thing is, is it does authorize them in the state of Nebraska, which is a good thing. There are a few things, you know, the, that I think there was some discussion on \$10 million capital requirement, which is a pretty high capital requirement for starting a business. As a matter of fact, it's a heck of a lot more than the statutory requirement for starting a bank in the state of Nebraska. So that's one. There's a filing fee of \$50,000. That filing fee of \$50,000 is a lot higher than most any other filing fee, right, in the state of Nebraska. And so there are things like that that if that, that may discourage a startup, right, from looking at the state of Nebraska. But overall, it's, overall, the bill is a good thing. Overall, the Financial Innovation Act is a good thing because it operationalizes. It allows digital asset depositories to be created in the state of Nebraska.

**BOSTAR:** Thank you.

**SLAMA:** Thank you, Senator Bostar. Are there any additional questions from the committee? Seeing none, thank you, Mr. Quandahl. Additional

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proponents for LB674. Seeing none, are there any opponents to LB674? Seeing none, any neutral testimony? OK. For the record, there are no letters on LB674 and Senator Jacobson, if you'd like to close

**JACOBSON:** I'll waive closing.

**SLAMA:** Senator Jacobson waives close, closing, and we will close out the hearing on LB674. I will turn over the Chair to Vice Chairman Jacobson for my hearing on LB67.

**JACOBSON:** OK, thank you, Chairwoman Slama. And we'll open the hearing on LB67. Welcome to your committee, Chairman Slama.

**SLAMA:** Thank you very much. Good morning, Vice Chairman Jacobson, members of the committee. My name is Julie Slama, J-u-l-i-e S-l-a-m-a, and I represent District 1 in southeast Nebraska. Today, I'm here to introduce LB67. This is a simple bill. It would amend Nebraska Revised Statutes 84-602, a law that identifies existing duties of the Nebraska State Treasurer. Specifically, this bill adds an additional requirement for the State Treasurer to ensure that the money deposited by the Treasurer's Office with the financial institutions not be used for social or political causes or objectives. Nebraska's taxpayer dollars should not be used to further political or social agendas. Those dollars must only be used for the limited and specific purposes for which they are collected. LB67 ensures the current State Treasurer who is here to testify today and future State Treasurers to maintain neutrality when handling taxpayer money. Thank you and I am happy to answer any questions you may have.

**JACOBSON:** Questions from the committee? OK, if not, thank you.

**SLAMA:** Thank you very much.

**JACOBSON:** Are there any proponents for LB67? Treasurer Murante, welcome.

**JOHN MURANTE:** Thank you for having me. My name is John Murante, J-o-h-n M-u-r-a-n-t-e, and I am here as your Nebraska State Treasurer. I want to thank Senator Slama for introducing this bill. As she said, I think it's a pretty simple bill. If you'd have asked me two years ago, I would have said this bill is probably unnecessary. I suspect if we brought in Treasurer Stenberg or Osborn, they would say, this bill goes without saying, why would we want the State Treasurer to be politicizing public funds? And I want to also make sure that we have currently 46 banking relationships with the State Treasurer's Office.

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I'm not concerned with the banks we are contracting with, with our banking relationships or any, we're not trying to solve a problem in Nebraska right now today. But there is a, over the last two years there has been a growing trend of trying to use state capital resources for political purposes, going around the Legislature and even going around Congress to try and say, just call the State Treasurer. The Treasurer is the one with all the money. Let's have him make political decision, him or her have, make political decisions and not decisions based on the best financial interests of our constituents. And there are now even candidates who are openly running for state treasurer across the country who are saying that is why they are running is to use the power and influence of the capital they have under management for political causes. So while I don't believe that we have a problem in Nebraska right now, today, it is clear that there is growing pressure on state treasurers across the country to make political decisions and not financial decisions. I want to make clear that this is not intended to limit a financial institution's ability to participate in social or political activities. What they do with, what a bank does with their money is not what I'm attempting to address here today. What we're trying to say is the assets that are under management, both by the State Treasurer and the financial institutions that we contract with, that those public funds cannot be politicized. And the message is really simple. If you want to use taxpayer dollars for a political purpose, the right solution, the officeholders to go to are the Legislature, introduce a bill, get it signed by the Governor, I will be happy to write the check to wherever you tell me to send the check to, that's fine. I'm not, that's not what I'm trying to get at. And I also want to be clear, I'm not trying to give the Treasurer's Office any authority it does not already have. Right now the Treasurer can, can do an analysis of our banking relationships. And if the Treasurer comes to the conclusion that dollars are being politicized, the Treasurer has the authority to end that banking relationship. We just want to make sure that going forward these loose ends are tied where that nothing is being politicized. I understand there's some concern about the language as written that maybe we might be exploring some unintended consequences. And I've been working in good faith already to try to come up with a mutually agreed upon language. I'm happy to, to continue working in good faith to find a compromise, and I think we'll get there. But I think this is good legislation. I think it's important. It's maybe a little belt and suspenders, but I think that it will put the state in a safer and better direction going forward. So thank you for the opportunity.

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**JACOBSON:** Questions from the committee? Senator Bostar.

**BOSTAR:** Thank you, Senator Jacobson. Thank you, Mr. Treasurer. I appreciate you testifying as to trying to address why this is needed. But I, I still, I guess, don't understand. I'm trying to imagine the scenario that we are trying to protect against. Is this scenario that you feel that you are going to get a phone call from someone who says, please put all, all of our money into X,Y,Z and you won't, you're afraid you'll be persuaded by that and you're going to do that and and imperil the, the funds of the state or what are we, what are we worried about?

**JOHN MURANTE:** Well, I'm not concerned about me doing that. I would say I think it needs, it definitely needs to be clear in the law that when we're establishing big banking relationships and how those dollars are being deposited, that we ought to be clear that that can't be done for a political cause or social cause. That's what we're trying to show now.

**BOSTAR:** So if you are Treasurer, which you are and, you aren't even worried about you doing these things, the person that we would be restricting in this case. Shouldn't we wait for a situation where we have a concern? It seems, I mean, I understand that the idea is to be preemptive, but it's sort of hard to imagine we're going to get to a point where, where this is necessary. And then, then I wonder why, why are we doing this?

**JOHN MURANTE:** Sure. So I'm happy to answer the question of why do we think we should wait until there's a problem and then address it and my humble answer to your question is absolutely not. We have a whole litany of laws of how public funds can be handled already. We didn't wait until there was mismanagement of funds by the State Treasurer's Office or wait until there was a problem. We understood that we're talking about taxpayer dollars. We need to be preemptively and aggressively ensuring that those dollars are protected. And when there is already pressure on treasurers across the country to do these sorts of political activities, it seems to me that tying this down, it's, it's not like I came out of nowhere with it, with, with this idea that, that state capital should be politicized. As I said, I didn't see this as a problem two years ago, but it's a growing narrative that's, that's happening today. So, so, yes, I think action is appropriate.

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**BOSTAR:** I think my concern is if we're not solving a current problem that the state is facing, because as you've asserted, you're perfectly capable of resisting any of that kind of pressure that may come your way. And the language here is fairly vague. I would be worried about in an attempt to preemptively solve a problem, to then create the current one. But anyway, I appreciate your time. Thank you very much.

**JOHN MURANTE:** Thank you.

**JACOBSON:** Are there questions by the committee? Senator Ballard.

**BALLARD:** Thank you, Mr. Vice Chairman. Thank you for being here, Mr. Treasurer. I know you said there's pressure around the country. Can you provide an example of hypothetical or something that's actually happening within a, other States Treasurer's Office?

**JOHN MURANTE:** Sure.

**BALLARD:** Thank you.

**JOHN MURANTE:** So I'll preface this by saying Nebraska is unique in the duties and responsibilities given to the State Treasurer. And every state operates public finances very, very differently. So it's a little bit, if it's not a little bit difficult, it's impossible to create an exact apples to apples comparison because offices are so different. But what you'll see is treasurers who will state sort of affirmatively that they will only bank with institutions who are committed to certain political objectives. And that's just the sort of thing that I don't think we should be engaging with at all. That's, that's how we operate right now. I don't know the ideology of the boards of directors of all of our banking relationships. We don't even ask. It doesn't matter. But that does happen and it's-- and it's happening at an increased volume.

**BALLARD:** Thank you.

**JACOBSON:** Other questions from the committee? Senator von Gillern.

**von GILLERN:** Is the issue that the financial institution might potentially have motives other than protecting the value of the deposits that are placed there? Is that what we're trying to avoid, it opens up the challenge we're seeing.

**JOHN MURANTE:** That's, that's, that's part of it, I suppose.



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**von GILLERN:** OK.

**JOHN MURANTE:** I think that the real problem is the, that the concern is a Treasurer using the, the primary concern as a Treasurer using the office to use to, to have the power of public funds used to accomplish some alternative goal. How or whether a financial, as I said previously, if a financial institution wants to engage in political activity, that's not the concern.

**von GILLERN:** Right.

**JOHN MURANTE:** Of course they're--

**von GILLERN:** Right.

**JOHN MURANTE:** --that would not be problematic. But while our funds are there, we, there, it seems to be needs to be a protection that they aren't used in a way that could be perceived as political or so.

**von GILLERN:** So as you know, the financial institution has every right to, to engage in political activities, to support certain causes that they're passionate about. So what you're trying to avoid is, is the Treasurer's Office steering state funds towards institutions that might be leaning in different directions. And again, other, other than, I'm trying to get to drill into the bottom of the risk here. The risk here is that those motivations could potentially harm or deplete the value of our deposits in that institution or further causes that are, that are not in alignment, that are out of alignment.

**JOHN MURANTE:** Mm hmm. So I haven't thought through fully the, the dollars could lose value.

**von GILLERN:** If a, if a private financial institution says that we want to support a cause that is contrary to their, their, their initial motive, their primary motivation, which to be growing the value of their, of their stock and the value of their deposits. We see it all the time. Private institutions that donate to certain causes at the expense of their shareholders. Well, as a depositor, we're not exactly a shareholder, but in a way we're a shareholder. So it would deplete the value of our deposits or potentially put our deposits at risk. Does that, is that a challenge that we're trying to avoid here?

**JOHN MURANTE:** It, it could be. That's not the primary motivation--

**von GILLERN:** Right.

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**JOHN MURANTE:** --of the bill. Most of what we're talking about here are checking accounts. So it's, I'm not sure the value would go down necessarily. I'd need to vet that out a little bit.

**von GILLERN:** OK.

**JOHN MURANTE:** I need to think that through a little bit more before I give you a definitive answer.

**von GILLERN:** OK.

**JOHN MURANTE:** But it's a higher, a higher level of the politicizing of public funds that is happening out there and trying to, even if it's profitable, if that, if that leave it to the side, just go to the Legislature, if that's how you want taxpayer funds to being used.

**von GILLERN:** Thank you.

**JACOBSON:** Other questions from the committee? Yes, Senator Dungan.

**DUNGAN:** Thank you, Senator Jacobsen. And I apologize for coming in in the middle of your testimony. I was introducing a bill elsewhere, so I apologize--

**JOHN MURANTE:** I understand.

**DUNGAN:** --on asking the questions that's already been addressed. Just looking at the language of this, it strikes me as very broad. And so if this requires the treasurer to ensure that money deposited is not used by financial institutions for social or political causes, does that, I guess what I'm trying to get at is does that create a proactive requirement that they then go out and actively dissuade these institutions from doing that? How do you ensure that money deposited is not used for these? Is there some oversight that they have to do with every institution this money goes into? Is there proactive conversations that have to happen to say, hey, don't do this or what does that, how, what does ensure mean? How does one go and ensure that?

**JOHN MURANTE:** And I think that's a reasonable question. I suspect every state treasurer who would be granted this authority would probably handle things a little bit differently. It's obviously not explicit as to, this is how a state treasurer is to ensure that public funds are not politicized, that this copy of the bill just doesn't go into that level of detail. So it does provide some authority to be

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more or less aggressive. I guess you could see in how a Treasurer is ensuring that, that our tax dollars aren't being politicized. So I don't know if that answers your question, but it is, it is true that the, the bill language as, as it exists is not explicit on that front.

**DUNGAN:** And so you also can see, I guess, or agree with Senator von Gillern's point, these financial institutions, these private entities are able to continue to engage in whatever social or political activity they choose to act, correct?

**JOHN MURANTE:** Correct.

**DUNGAN:** And so it's just up to them then to ensure that that money is not used for those.

**JOHN MURANTE:** That the public funds are, yes. That if you're taking a state deposit, you can't use that deposit for political purposes, yes.

**DUNGAN:** I guess I just have concerns about what the word "ensure" means in there and what actions that actually requires. And so could you give me an example of what you would see somebody do to ensure that money deposited is not used for social and political causes?

**JOHN MURANTE:** So in our office, the Treasury Management Division works with our financial institutions every day to see what's going on with, and we, like I said, we have 46 bank accounts, 46 financial banking relationships. So they're monitoring and having discussions with our, the banks that we contract with every day already. So to me, it's not like an expansion of the conversations that aren't already going on, we're already working every single day to make sure that dollars are protected and not mismanaged. This just adds a more specific for usage, for political and social purposes to the mandates that we already have and the protection of public funds.

**DUNGAN:** OK. Thank you.

**JACOBSON:** Senator Bostar.

**BOSTAR:** Thank you, Senator Jacobsen. Thank you, again. Who decides what a social or political cause is under the statute? Whose determination is that?

**JOHN MURANTE:** The State Treasurer.

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**BOSTAR:** So we're implementing the statute to restrict the State Treasurer, but ultimately it would be the State Treasurer that could decide whether or not something was political or social. I mean, I guess that's, that's where I'm confused. We're worried about, not yourself, obviously, but a future state treasurer deciding to use public funds in a political way. But ultimately they would be the ones that would decide what political meant.

**JOHN MURANTE:** No, I don't, I don't know that, I don't think the answer to that question is yes. I, what I think is what would, what's your, the interpretation of state law is delegated to the Attorney General. So if the Attorney General were to say that the state treasurer has a duty and obligation to ensure that public funds are not being used for social or political causes, then to me, that's the answer to your question. It's the, I, the State Treasurer does not, is involved in statutory interpretation. We just follow the law as we see it. And if the Attorney General says ultimately this is how the law is applied, that, that's how we go on his decision. And there have been instances and I can give you a lot of examples of instances where the State Treasurer's Office has been getting, has been given a duty and responsibility, has operated in good faith. I don't think anyone's argued over the years that there's been a bad faith act, or at least not for a very long time, and the Attorney General just disagrees. That's not what this law says and that's how we operate the process.

**BOSTAR:** So this isn't in any way trying to influence what a financial institution would do with their deposits.

**JOHN MURANTE:** With, with the financial institutions deposits?

**BOSTAR:** Well, so if you know, if you deposit state money into a bank, the bank doesn't have to hold all of it. They can take that money and use it to make investments, right? They have to, they have to hold a percent reserve. They have to have their requirements to make sure that they're capitalized and and have liquidity. But they can, they can utilize the deposited capital for investments if they wanted to. So is this putting restrictions on what they could do with that, with the deposited funds?

**JOHN MURANTE:** Would it put restrictions on what they could do with the state's public funds? I think the answer to that is yes. What we're, what I'm currently working through with Senator Slama, staff, Nebraska Bankers Association is making sure that this does not get into an unintended consequences sort of situation that we really are narrowly

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focused to a, a very specific issue. So I, I fully anticipate that there will be an amendment before you at some point. Today is not the day where we've got 100 per cent agreement, but I think we're getting close to making sure that we're really tying this down to a narrowly focused solution.

**BOSTAR:** Well, I appreciate that. So, so I'll for the moment, I'll, I'll ignore the language in front of me and just ask the questions based on the intent that we're trying to achieve. So if the state were to put \$10 million into a bank account in a bank, which would give the bank access to X percent of that for investment purposes, we would want to be able to verify somehow that they're, that they're available pool of money that they could use to invest to make better returns. Then if they put that in to, let's say something that the Attorney General thought was political, we would want to be able to claw that back or we would just close the account. How would we, what does this look like in practice? What, what's the, what we're trying to get to?

**JOHN MURANTE:** So, yes. And is this goes back to the, this bill doesn't really grant the Treasurer's Office an authority that doesn't already exist because right now today, if a bank came out and said, if you deposit money with us, we are going to use it for political causes, the State Treasurer can say, but that's fine, it's a free country, but we're going to close our account with you. So that can happen today. So I don't think this bill really deals with that particular question, just kind of, it requires the Treasurer's Office to ensure that that does not happen.

**BOSTAR:** And why, I thank you again, I look forward to seeing the amendment. Thank you.

**JACOBSON:** Well, like to welcome Senator Cavanaugh, joining the committee, and Senator Dungan, who you've already heard from.

**DUNGAN:** I didn't get a welcome. (LAUGHTER)

**JACOBSON:** Well, there wasn't a break. Other questions from the committee? I just have one, and I think it may be more clarifying listening to the discussion here. First of all, as, as we recognize anyone brings a deposit into a bank, this is in bad news for some people who think we can keep their money segregated. We don't. So it all gets mixed together. OK. And there's a pool of funds. And so I think really what, what the intent of the bill is, from what I, my understanding is, we want to be careful about those firms that might

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be out there that are specifically publicly stating that they're going to be investing only with, say, ESG scored companies that have high ESG scores. I think that's the heart of what this bill goes to. And it's not. And so if there's state money, they're mixed with all the other money, then that money is going to some firm in that regard. It's not talking about highest return necessarily, because there's a lot of factors that go into it. What I think the bill is after, from what I read and what I'm sensing and what I think ultimate amendments will get to is that we don't want to see the state money going in to a firm that's publicly stating that their objective is, here's where we're going to invest a lot of our dollars. And I think that maybe the heart of what it is. I may be wrong, but I think that's what I'm seeing. And I think the fact that you're using caution to make sure that we make sure there are no unintended consequences is, is wise. I think when we go down this path, we want to make sure that we've looked at the collateral damage that could occur, but yet hit the mark on what is a growing problem and I think many across the state are concerned about. And so I applaud Senator Slama for bringing the bill and, and for you working with her on it and I'm looking forward to do the amendments that will likely follow to get us to the point that we want to get to.

**JOHN MURANTE:** Thank you.

**JACOBSON:** Other questions? If not, thank you for your testimony.

**JOHN MURANTE:** Thank you all.

**JACOBSON:** Further proponents? None. Anyone like to speak in opposition to the bill? Mr. Hallstrom.

**ROBERT HALLSTROM:** Vice Chairman Jacobson, members of the Banking, Commerce and Insurance Committee, my name is Robert J. Hallstrom, H-a-l-l-s-t-r-o-m. I appear before you today as registered lobbyist for the Nebraska Bankers Association in opposition to LB67. I am also handing out some amendments to the committee that we've discussed with Senator Murante, or Treasurer Murante, excuse me, had recommended or suggested in his testimony were being considered by his office. While we are here in opposition, quite frankly, I had neutral testimony if we had agreed on the amendments. So hopefully that's how close we are to getting this issue resolved. We have shared the proposed amendment that's being distributed right now with Senator Slama, legal counsel for the Committee and Treasurer Murante. And we believe that the amendments carry out the intent of the bill as Treasurer Murante has

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indicated in his testimony. Again, I think I just want to reiterate for the record, it's our understanding from visiting with Treasurer Murante that the objective is that the State Treasurer not use the bully pulpit of his or her office to influence or direct the use of state money to promote a particular political or social agenda. And the amendments that we have submitted to the committee would match the language of the bill to its intended purpose. State regulators should not be allowed to impose their political will or predilections upon financial institutions based upon their authority to make or withhold the deposit of state money for the purpose of directing or influencing the use of such money to promote social or political causes or objectives. Environmental, social and governance legislation is proliferating across the country. The banking industry has general concerns and objections with these measures, which similar to LB67 as introduced, restrict the freedom of a financial institution to make its own lending, investment and other business decisions in determining the type of businesses they want to serve. We also have a number of specific concerns with the vagueness of LB67 with regard to the banking activities that would be impacted and how its provisions would be enforced. Specifically, the bill would place restrictions on the manner in which state money deposited by the State Treasurer may be used. As Senator Jacobson noted in his question, financial institutions received deposits from a variety of sources, state funds, local political subdivision deposits and deposits of private customers. They are not separated or segregated in any form or fashion, and as a result, under the bill as written, financial institution would not be able to ascertain whether it is using state money for social or political causes or objectives, or for any other specific purpose for that matter, whether it's lending, investing, making a charitable contribution in its committee, community, or making a contribution to a political candidate. We are also concerned with what constitutes a social or political cause or objective under the bill. It's a financial institution holding state money which makes loans to the fossil fuel industry or green energy industry, using state money for a social or political cause or objective. Similarly, if a bank holding state money makes a loan to a political candidate, is it using state money for a social or political cause or objective? Nebraska financial institutions make decisions every day based on their business interest. These business decisions are made with the primary goal of return on investment. Environmental, social and governance risk are not considered separately or exclusively by financial institutions, but rather are embedded in the totality of risks assessed, monitored and mitigated. The proposed amendment would

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require the State Treasurer to neither direct nor influence the use of money deposited by the State Treasurer in a financial institution for social or political causes or objectives. In closing, the fundamental principles that have existed for as long as I have been involved with the banking industry are that financial institutions should be free to lend to, invest in, and generally do business with any entity or activity that is legal without government interference, and that conversely, financial institutions should be free to choose not to lend, invest or otherwise engage as long as they do not violate statutory regulatory, fair lending or anti-discrimination laws. For those reasons, while we are opposed to the legislation with the amendment that we have distributed to the committee adopted, we would remove our opposition from the legislation. Be happy to address any questions that the committee might have.

**JACOBSON:** Senator Bostar.

**BOSTAR:** Thank you, Senator Jacobsen. Thank you, Mr. Hallstrom. Based on, on Senator Jacobson's interpretation of the language in the bill, so I'm trying to work my way around this. It seems as if the objective would be that the state couldn't put its money into a checking account in a bank if that bank says we are going to make an investment into an ESG fund. Is it possible for there to be a profit driven motive for a bank to want to invest in an ESG fund?

**ROBERT HALLSTROM:** Well, there certainly could be, Senator, and I would suggest that we would probably not want that to be the purpose or objective of the bill. Our understanding from some pretty extensive, I'm not sure whether those of us who worked yesterday yet know who won the NFC or AFC championships, but we spent quite a bit of time. Our understanding on the bill is that it's designed so that the Treasurer is not directing or influencing in any manner how a bank is using their funds. So we would not envision that the State Treasurer would be, as Senator Dungan suggested, going out and soliciting information on what banks are or aren't doing, specifically in making decisions on whether to place money with a particular bank, but rather not using the office to direct or influence what the bank should or should not do with with those funds.

**BOSTAR:** Thank you very much.

**JACOBSON:** Further questions from the committee? Senator Dungan.



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**DUNGAN:** Thank you, Senator Jacobson. Thank you, Mr. Hallstrom. So to make sure I understand the difference between the proposed language of the amendment and actually, before I ask that question, let me ask this. Is this language just from, from you or is this from a group of folks that have been working together? Where does this language come from on the amendment?

**ROBERT HALLSTROM:** On the amendment, it comes from listening to what the State Treasurer has indicated, Senator Slama have indicated is their objective underlying the bill. And quite frankly, it almost took their language and the committee counsel had sent us down this path. It's a slight variation from something that Mr. Christolear had suggested that it neither, neither the State Treasurer that is neither direct nor influence the use of state moneys that are placed with these financial institutions.

**DUNGAN:** So is it fair to say that the difference between these two, it's my understanding the language of the current proposed bill, is more of a proactive duty that the State Treasurer must ensure X, Y and Z, whereas the proposed amendment is a prohibition. It's saying, Thou shalt not go do these things. One is a duty and one is a prohibition, is that kind of the difference?

**ROBERT HALLSTROM:** To a certain extent, I think more fundamentally than that, it's the use of the, it's, it's the language in the bill as introduced that says the key is looking at how they are used by the financial institution. So rather than focusing on what the financial institution is, we flip that and say based on the designed intent and objective of the bill, that the State Treasurer shall not influence or direct how those funds are used.

**DUNGAN:** Thank you.

**ROBERT HALLSTROM:** Thank you. And for the Vice Chairman, I might just indicate that Senator von Gillern just to address your question, one of the differences that we have is a deposit or a checking account versus an investment where a bank or an investment manager might have control of state funds and being investing them on behalf of the state in which there are fiduciary duties, there are prudent investor rules, responsibilities and so forth. So they're significantly different in terms of, of the objective of placing a deposit versus having someone manage the investments.

**von GILLERN:** Thank you.

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**JACOBSON:** Other questions? Senator Kauth.

**KAUTH:** Thank you, Senator Jacobson. Thank you, Mr. Hallstrom. Does this amendment allow the Treasurer to select the institutions? Because it says once it's deposited in the financial institution, the Treasurer would not be allowed to influence how it's used, but does it still allow him to be able to select which financial institution he uses?

**ROBERT HALLSTROM:** Yes and no. There are some statutes that obligate the State Treasurer under the Nebraska Capital Expansion Act, for example, to put a certain amount of money in banks that are willing to comply with whatever the statutory or regulatory requirements are. In other statutes, there are indications that the State Treasurer shall place in the state national banks in the state, not in terms of specific amount, but just to, to do so in terms of their, their funds. And obviously, they've got other investment or deposit opportunities beyond banks.

**KAUTH:** Thank you.

**ROBERT HALLSTROM:** Thank you

**JACOBSON:** Further questions? All right. Thank you for your testimony.

**ROBERT HALLSTROM:** Thank you.

**JACOBSON:** Further opponents? Anyone else wishing to speak in opposition? If not, anyone wishing to speak in a neutral capacity? Seeing none, Senator Slama, would you like to close?

**SLAMA:** Sure. Since I'm sitting in this chair anyways for the next hearing.

**JACOBSON:** You're just being efficient?

**SLAMA:** Absolutely. I would just like to know that obviously negotiations are still ongoing. There will be an amendment before you before this is kicked out of committee and we're looking forward to having everybody on board before we kick this out to the floor. So thank you very much.

**JACOBSON:** Thank you, Senator Slama. We'll close the public hearing on LB67 and move on to LB68. And as you mentioned, that's your bill as well, so the floor is yours to open.

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**SLAMA:** All right. Good morning again, Vice Chairman Jacobson and members of the Banking, Commerce and Insurance Committee. My name is Julie Slama, J-u-l-i-e S-l-a-m-a. I represent District 1 in the Nebraska Legislature and I'm before you this morning to introduce LB68. LB68 would increase the amount of liability coverage that must be carried by physicians, registered nurses, nurse anesthetists, CRNA, and hospitals in order to qualify for Excess Liability Fund coverage under the Nebraska Hospital Medical Liability Act. Since 1976, Nebraska has benefited from the Excess Liability Fund through lowered liability premiums for qualified health care providers, improved availability and affordability of health care, and a reliable payout to injured patients when a provider exhausts the limits of their liability insurance. This is how the Excess Liability Fund works. First, only physicians, CRNA, or nurse anesthetists and hospitals may qualify for coverage under the fund. In order to qualify, the provider must file proof of liability coverage with the Department of Insurance. Currently, that coverage must have a liability limit of \$500,000 per occurrence for all providers and an aggregate annual limit of \$1 million for physicians and CRNAs and \$3 million for hospitals. Second, the provider must pay a surcharge into the Excess Liability Fund. This is what funds the Excess Liability Fund. The surcharge is set annually by the Department of Insurance, and it is a percentage of the provider's annual insurance premium. The surcharge is capped by statute at 50 per cent of the provider's annual premium. When a provider is qualified under the fund, their liability is limited to \$500,000 per occurrence, which means it is covered by their policy limits. Any judgments or settlements over that amount are covered by the fund up to the statutory cap of \$2.25 million. So LB68 would increase the amount of coverage required to qualify under the fund to \$1 million per occurrence and \$3 million aggregate for all qualified providers, hospitals, physicians and CRNAs. This is the effect of both bringing additional surcharge into the fund because it will be based on a higher premium as well as reducing risk to the fund because only amounts over \$1 million will be paid out of the fund. We are working on a minor amendment to clarify that the fund is not responsible for paying first dollar or the first \$1 million on a claim in the event a qualified provider exhausts their annual aggregate limit of \$3 million. This really just clarifies current law, but we thought it'd be a good idea to avoid any uncertainty going forward. There are tests of, oh, I'm sorry, there are testifiers behind me who will testify about why we brought this proposal forward and why Nebraska must be vigilant to maintain a healthy Excess Liability Fund. The underlying coverage requirements have been increased since 2004.

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Just a second. I'm sorry. This Excess Liability Fund gets me kind of emotional. (LAUGHTER) And, and one of the indicators that alarms me is that the average actuarially indicated surcharge over the last five years is 67.5 per cent, meaning the fund has been underfunded for a number of years, up against the statutory cap of 50 per cent. I understand there are concerns from some health systems about the costs, and I agree that we have to be sensitive to these concerns. As hospitals and health care providers deal with the pandemic recovery, staffing shortages and inflation, we may have to work more to do, to achieve a little bit more consensus on this bill in reference to that amendment I was speaking about. But I do believe action will be necessary in the near future to maintain the health of our Excess Liability Fund. The fund is a tool to help us recruit and retain health care providers in our state, and it is critical that we be proactive about maintaining it. I'd be happy to answer any questions you may have though there are more qualified experts to speak on this issue behind me.

**JACOBSON:** Questions for Senator Slama? I just have one. I think--

**SLAMA:** Yes, sir.

**JACOBSON:** --if I understand it, the the real crux of this is there is an interest in raising the, the limit at the provider level so that we can actually preserve the fund, actually rebuild the fund, keep the fund solvent and in place, because the alternative would be much, much worse.

**SLAMA:** Yes, I think the key point of this, if you took away nothing from my testimony besides me hacking and coughing, is that the fund is underfunded. It has been for several years. We need to get it back to the point where it is fully funded and this bill would achieve that end.

**JACOBSON:** Perfect. Any other questions? If not, thank you for your testimony--

**SLAMA:** Thank you.

**JACOBSON:** --and for introducing it. And I'll open it up to proponents of the legislation of the bill.

**DANIEL ROSENQUIST:** Good morning, Vice Chair, Chairman Jacobson, and members of the Banking, Commerce and Insurance Committee. My name is Daniel Rosenquist. I'm a family medicine physician in Columbus and the

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current president of the Nebraska Medical Association, which represents nearly 3,000 physician residents and many medical students in the state. I would like to thank Dr. or Senator Slama, sorry, Senator Slama, for introducing LB68, which is incredibly important to the NMA. The NMA has been involved in the Excess Liability Fund since the Hospital Medical Liability Act was initially adopted in 1976. We have long felt the need to be good stewards of the fund, even when it means our own members must pay more to keep the fund sustainable. The impetus behind LB68 began in late 2019, when the NMA engaged in conversations with the Department of Insurance in regards to the health of the fund. At the time, the actuarial analysis completed by the DOI showed that over the previous four years, the fund's assets had decreased by more than \$8.5 million, which is roughly 9.2 percent. For the five years ending in 2019, the operating reserve suffered losses totaling \$26.6 million. To put it simply, there was more money being paid out of the fund for claims than was coming into the fund for in surcharge. The NMA has been actively monitoring the fund since the fund's, monitoring the fund since that time and staying in close contact with the DOI regarding its status. The fund's assets did rebound significantly in 2020 and '21, but much of this is due to the effects of the COVID-19 pandemic, which resulted in delayed procedures and slower, slowed claims payout. At the end of calendar year 2021, the fund's assets did total \$100.9 million, and while this may have bought more, the time, to fund more time is dangerous to see the pandemic-related delay as a trend or an indication of the fund's stability. Despite fewer reported claims in '20 and '21, the five-year loss ratio is still 138 per cent. We recognize that this is not sustainable long term. Throughout the second half of 2022, the NMA has been working with our partners to determine the best, best path forward to ensure the Excess Liability Fund is healthy for years to come. Over the summer and fall, we've had many conversations with stakeholders, including the Department of Insurance, the fund administrator, the medical protective-- protective liability insurance companies and their agents, as well as affected providers, physicians, CRNAs and hospitals. At the end of '22, the Department of Insurance had an analysis completed by an outside actuarial firm that, that showed that the actuarially indicated surcharge has been well over 50 per cent for the last ten years and as high as 84.9 per cent during that time. Yes, Senator Slama indicated the surcharge is capped at statute, by statute at 50 per cent, meaning the fund is currently being funded at a level well below what is indicated by the most recent actuarial analysis. By raising the underlying limit to \$1 billion and qualifying coverage, LB68 would bring additional revenue

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into the fund because the surcharge will be based on the premium for million dollar policy. Additionally, settlements and judgment won't impact the fund until they exhaust the \$1 million policy limit. LB68, would increase revenue and decrease risk, yielding a significant benefit to the fund's bottom line. While according to the fiscal note, the DOI was unable to estimate the amount of additional revenue. It was estimated that approximately \$8.28 million less would be paid out of the fund over the next two years. We don't take it lightly what we're proposing that would result in more fiscal investment on the part of stakeholders. In talking with carriers, we understand that the current difference in premiums between a policy with underlying limits of \$500,000 and that of a \$1 billion policy is roughly estimated to be between 16 to 20 per cent increase for an individual provider. As a family physician in an independent practice, my associates and I will feel this increase in premiums, but I can assure you that I wouldn't be here advocating for this unless I felt it was necessary for the long term solvency of the fund. The underlying coverage requirement was last increased 19 years ago in 2004. Prior to that, it was raised in 1986 and before that when the fund was established in 1976. Health care providers today benefit from the increase shouldered by fund participants in the past and we can't, we cannot neglect our responsibility to do the same for the future of health care in Nebraska. We understand the Nebraska Hospital Association has concerns about the cost and the timing of making this change. We value our partner with the Nebraska Hospital Association and those concerns are understandable. So we want to assure this committee that we will continue to work together to find the best path forward. Thank you. And I'm open to questions.

**JACOBSON:** Questions? Yes, Senator Dungan.

**DUNGAN:** Thank you, Senator Jacobson and thank you, Doctor, for coming in today. Just a couple of questions that maybe you could answer. And if not, I can ask others if those folks might know. According to your testimony, I think you said the fund's assets were at \$1.9 million as of 2021, is that accurate?

**DANIEL ROSENQUIST:** I think that's, that's accurate, yes.

**DUNGAN:** OK. Do you know where they say they're at today?

**DANIEL ROSENQUIST:** I do not.

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**DUNGAN:** OK. Do you know how much of the payouts generally go towards, I'm just going to use broad layman's terms here, injured folks versus attorneys fees?

**DANIEL ROSENQUIST:** I don't think you want me to answer that.

**DUNGAN:** Just curious.

**DANIEL ROSENQUIST:** I would leave that to the--

**DUNGAN:** OK.

**DANIEL ROSENQUIST:** --the attorneys because I couldn't answer that.

**DUNGAN:** OK. Do you know, my questions were all along those lines so I'll wait for another testifier, but thank you for your testimony today.

**DANIEL ROSENQUIST:** Appreciate it.

**JACOBSON:** Other questions? I just have one. I think with regard to this change, assuming this bill would move forward, I'm assuming that we wouldn't see any changes in settlement requests or settlement amounts simply because we're just shifting in this case who, which insurance company or which fund is paying the tab. But there shouldn't be anything, in your opinion, that would, that would shift and cause payouts to be greater because of somehow we've raised what the individual providers come forward.

**DANIEL ROSENQUIST:** No, and I think part of that is obviously there are settlements at trial and settlements through negotiation mediation, and that, would only take the difference between that \$500,000 limit and the \$1 million limit. That would be at the risk of the medical professional liability insurance companies rather than the Excess Liability Fund.

**JACOBSON:** And so the crux of this whole thing really comes back to the beginning. Are we going to increase that limit to protect the fund and have the providers pay higher premiums as a result of that, or is there a middle ground or what do we need to do to protect the fund?

**DANIEL ROSENQUIST:** Yes, I think it's, you know, to me, I feel like we should be good stewards of the fund. The long-term sustainability of the fund is very important to medicine as a whole and whatever we can

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do to try and ensure that for long, as long as we can is, is our interest.

**JACOBSON:** Thank you. Further questions? Thank you for your testimony.

**DANIEL ROSENQUIST:** Thank you.

**JACOBSON:** Further proponents?

**BEVERLY RAZON:** Vice Chairman and members of the committee, my name is Beverly Razon, R-a-z-o-n. I am the head of government affairs for COPIC, a medical liability insurance carrier who has been serving the health care providers of Nebraska since 2002. I was born and raised here in rural Keya Paha County and care personally and professionally about the well-being of health care in rural Nebraska. I am proud to be here before you today to weigh in on a bill that aims to ensure that one of Nebraska's most important tools to recruiting and retaining providers into the state, especially in those rural areas, remains well-intact for years and years to come. I would like to thank Senator Slama for introducing this legislation and thank you for allowing me the opportunity to discuss this bill with you today. COPIC is proudly endorsed by the Nebraska Medical Association, who shares our strong commitment to patient safety and ensuring access to quality care. As I mentioned, COPIC provides medical liability insurance coverage to the physicians and facilities that participate in Nebraska's patient compensation fund. Our ability to carry out our mission of improving medicine in the communities we serve depends in part on the viability of the Excess Liability Fund, which was created by the Nebraska Hospital Medical Liability Act. The bill aims to uphold the purpose of the Act and the sustainability of the fund. The Hospital Medical Liability Act was designed to, one, improve the availability and affordability of medical professional liability insurance, to encourage physicians to locate and practice in Nebraska, and to improve the availability and affordability of medical services in Nebraska. The Act and the Fund have done just that. Nebraska has long benefited from the Act receiving recognition as the number one medical environment as long, excuse me, number one medical environment in the country last year, which factors physicians per capita, hospital safety and tort reform. Nebraska enjoys some of the lowest medical liability rates in the country, and COPIC believes it shares the responsibility to keep these rates, our expense on health care providers low. We share the desire to keep Nebraska an attractive place to practice medicine and not contribute to the costs that get passed on to patients. The Act and the sustainability of the fund are



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critical to the, to that balance, and this bill takes a step to ensure that the fund remains available for future providers. As you've heard, there is a real concern about the financial stability of the fund. Since 2012, the state's actuary has indicated that surcharge, that the surcharge, the percentage of premium that is paid by providers that goes towards the adequately maintaining the fund should exceed the statutory 50 per cent. In 2020 and 2021, those indicated, those indications were 10 per cent and then 20 per cent higher than that limit, meaning the fund was not adequately funded. This is concerning because within that time, the overall cap was raised and we have seen a trend of increasing claims and suits since. Since 2012, Nebraska has experienced an annual average severity of claims that is well above the rest of the country. In fact, in 2021, Nebraska's average severity was nearly twice as high as the rest of the country. Due to this concern, severity of use, concerning severity trends and the limitations to adequately maintain the financial health of the fund, additional revenues into the fund are necessary right now. COPIC believes that increasing the underlying limit requirement will provide a twofold benefit to the fund. The first benefit will come by increasing the underlying limit the increase, that increases the premiums, which the first, excuse me, which the surcharge is based on. Therefore, increasing the revenue into the fund. The second benefit, as the fiscal note points out, it will reduce the volume of matters that hit the fund. Moving the underlying limit up to \$1 million means that the primary layer of insurance will manage more matters. As the carrier for that primary layer of insurance, COPIC will remain committed to its duty to defend providers when the appropriate care is delivered and resolve matters quickly to provide peace of mind for the providers and not incur additional legal expenses. Vice-Chair and members of the committee, it is COPIC's desire to provide the best insurance coverage to health care providers in Nebraska. Maintaining a predictable, stable liability environment is essential for everyone, especially patients and families that, who deserve access to care, caregivers. Recruitment and retention of caregivers in Nebraska is critical to that access. We must ensure the sustainability of the fund to keep Nebraska an attractive place to deliver care. Please support LB68. Thank you.

**JACOBSON:** Thank you. Questions from the committee? Senator von Gillern.

**von GILLERN:** You mentioned Nebraska's severity claims is two times other states. Can you give a little bit of context to that? Did I hear that correctly?

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**BEVERLY RAZON:** Correct. According to TigerRisk, which is an organization that looks at the National Practitioner databank, they assessed Nebraska's to be about 800,000. I believe the average is about 400,000.

**von GILLERN:** Any reason off the top of your head for that or what's the common belief there?

**BEVERLY RAZON:** We, I would say there's, there's the theory of social inflation. And what's happening is we're seeing not maybe not in Nebraska, but in surrounding states, the value of liability claims continuing to increase. That is putting pressure on Nebraska as well. So there's certainly an idea that the value of these claims and suits are higher, or just growing in value. When the cap was increased, I think that also put pressure up on the cost of claims.

**von GILLERN:** Could this, maybe, have tied into the question that Senator Dungan asked earlier about the proportion of claims, how those are paid out to the claimant or to the legal costs.

**BEVERLY RAZON:** There's industry average, and this is an estimate, that about 33 per cent of damages are, consist of legal fees. If they go to trial, that can go to 40 or 50 percent.

**von GILLERN:** Thank you.

**JACOBSON:** Further questions? Senator Dungan.

**DUNGAN:** Thank you, Senator Jacobson.

**JACOBSON:** I'd be shocked if he didn't have a question. (LAUGHTER)  
Sorry.

**DUNGAN:** It's Monday. I'm not tired yet. Just a couple of questions to follow up on some points. So you talked about the increase in the value of these claims spiking in 2021 in particular. Do you know, just generally speaking, was there a spike in these claims after the COVID-19 pandemic? Did we see a raise of those across the entire country, or is Nebraska a standout in regard to those increasing in that time period?

**BEVERLY RAZON:** Well, one thing I also didn't mention earlier is that the cost of health care just increasingly gets more expensive over time. And that has also drew, drawn up the cost of claims. So I wanted to mention that too. As it relates to your question on is there a

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trend? There was certainly a trend in 2020 when COVID, COVID closed down the courts. And so what we're seeing is to meet the statute of limitations. We're seeing a number of those come out and start getting processed through, getting processed period.

**DUNGAN:** So there was at least an increase nationwide in--

**BEVERLY RAZON:** Yeah.

**DUNGAN:** --those numbers, it wasn't just Nebraska.

**BEVERLY RAZON:** Correct. And I think it was just a lot of holdovers as, as well as new claims coming out. And I would not pin them back on the pandemic itself.

**DUNGAN:** Have we seen those numbers come down at all since 2021?

**BEVERLY RAZON:** No.

**DUNGAN:** They continue to increase?

**BEVERLY RAZON:** Correct.

**DUNGAN:** OK. Thank you.

**JACOBSON:** Further questions? Senator Kauth.

**KAUTH:** Thank you, Senator Jacobson. Do other states have this sort of Excess Liability Fund? And how is it, how do we compare?

**BEVERLY RAZON:** There are a, maybe a dozen states that have patient compensation funds. They all act very differently. Some have broad exceptions. Some have, they all act very differently. But I would say across the board, those funds help significantly in those states to keep liability premiums at a very balanced and affordable rate.

**KAUTH:** Thank you.

**JACOBSON:** Further questions?

**BALLARD:** Yes.

**JACOBSON:** Oh, Senator Ballard.

**BALLARD:** Thank you. Hey, Vice Chair. Thank you for being here. You repeatedly mentioned recruitment and retention. Are you, is that

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something you're hearing from young, young professionals, or is this a trend across, across the country?

**BEVERLY RAZON:** Generally in rural areas, the, it is very difficult to recruit providers to rural areas. Nebraska has done an excellent job by keeping the cost to practice care in rural areas at a very low rate due to the fund and the Act. I would say that retention recruitment is constantly a concern and for providers across the country, but particularly I would say it's, in Nebraska, it is a concern we're seeing in rural areas. I come from Keya Paha County, there is no health care provider. You know, we travel to, you know, Boyd County and Cherry County to (INAUDIBLE) get that care, Rock County. So, so I think that recruitment of health care providers is, is a tough issue. And keeping them here is extremely important, especially when you might have a lower premium someplace else or an opportunity to get more, more rates or reimbursement in another city and less, less expense. Because of the fund, we have been able to keep the cost to deliver that care and therefore the opportunity to have a great income in Nebraska. I think it's a great, attractive place to practice.

**BALLARD:** Yeah. And then just looking, looking regionally, do other states around, our neighbor states have a fund, a limit around this?

**BEVERLY RAZON:** Kansas, I believe, has a fund. Wisconsin has a fund. And I can't think of all of the states. I apologize that also have funds.

**BALLARD:** Perfect. Thank you.

**BEVERLY RAZON:** There's about a 10 to 12, I want to.

**BALLARD:** Appreciate it.

**JACOBSON:** Further questions? I guess I just have one. You're in full disclosure. I do sit on the board of Great Plains Health in North Platte, and I'm painfully aware of the challenges in the medical industry today, and particularly hospitals struggling to, to be profitable, particularly in rural Nebraska. And maybe this is a question for the NHA, and I'm guessing they'll be testifying along here, along the road here too, but there has been a big movement for most practitioners now to be employed as opposed to running your own practices for a plethora of reasons, not, not, not limited to liability, but just bureaucracy and all of those things that go with the process today. And they want to provide health care, not be

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administrators. So I'm assuming then in this plan, if they're an employed physician, the hospital's picking up this premium.

**BEVERLY RAZON:** Of the physician and the hospital would pay into the fund.

**JACOBSON:** OK. Even for the employed physicians.

**BEVERLY RAZON:** Correct.

**JACOBSON:** OK. All right.

**BEVERLY RAZON:** I'll let--

**JACOBSON:** I'm guessing Mr. Hale will be up here to speak on that.

**BEVERLY RAZON:** --your next may also, David may also be able to pay, but I am pretty sure that they, they would need to qualify for the fund individually.

**JACOBSON:** Perfect. Thank you. Any other questions? If not, thank you for your testimony. Further proponents. Welcome.

**DAVID BUNTAIN:** Thank you, Senator Jacobson. Members of the committee, my name is David Buntain. It's B-u-n-t-a-i-n. I am a retired attorney as of January 1. But in a previous life I was attorney and lobbyist for the Nebraska Medical Association for 28 years. And I was, in fact, involved in 1986 when we first came back to the Legislature and asked that you raise the underlying requirements similar to what we're doing today. This is part of a, a goal, a commitment that the Medical Association made back in 1976 when this bill was originally passed, and that was to be a good steward of the Excess Liability Fund in order to solve the problems that this law was enacted to solve. In 1976, Nebraska was facing a crisis and Nebraska physicians were facing a crisis because the St. Paul Insurance Company elected not to write medical malpractice insurance in the state. And they at that time were covering more than 50 per cent of the physicians in the state. And it was not just an issue in Nebraska, it was all across the country and so you had this wave of tort reform that has come then and then periodically since then, that's resulted in a, in most states having some form of tort reform. It's, there have been different approaches across the country. There have been several efforts to solve this on the national level that have never, never been accomplished. But Nebraska's solution was hailed as one of the better solutions. And the good news is it continues to serve the state well for the reasons that

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your prior witnesses have testified to. I prepared a handout. Some of the material has already been covered. I did want to point out a couple of things. What, part of that, the basis of the Act is the cap on liability and in order to take advantage or be protected by the cap on liability, you have to participate in the Excess Liability Fund. So what we're talking about here is a provider having a certain level of insurance and then the state charges a surcharge on that to create the Excess Liability Fund. And in the same way that we have worked to keep the fund solvent, we have also come to the Legislature periodically to raise the cap. And it's been the providers that are protected, the Medical Association, the CRNAs, and the hospitals that have advocated for raising the cap. And I've got the history of the cap on the bottom of the page 1. Top of page 2 shows the number of practitioners and hospitals that are currently participating. This number is a somewhat moving number, but I think this gives you a sense of the the number of, of entities and individuals that are involved at this point. The next section is on the state of the fund. As mentioned earlier, there's about a \$100 million. The numbers tend to lag a little bit as far as that reports that we receive. This is the most recent number that we have. So I would expect it's still in that vicinity currently. The next number after the fund balance, I think is kind of gives you an indication of why we're here today. In the last nine years, the estimated liabilities have risen from roughly \$19 million to \$42 million. In other words, that's the amount that's reserved to pay existing claims, and that has dropped the operating reserve from \$74 million to \$59 million. We're not in a crisis now, but we're also concerned about what the long-term effect of this is going to be. And so that's why we're here today. Again, to be a good steward of the fund. The last page shows the history of the increases, starting with what the initial requirements were for the underlying coverage we came in, in 1986, as I said. I was involved in that and again in 2004, it's been raised and then the bottom shows the amount now. So we think that the Hospital Medical Liability Act has served the state well, and I would be happy to answer any questions that you may have about the Act or about LB68.

**JACOBSON:** Thank you. Questions from the committee?

**KAUTH:** I do.

**JACOBSON:** Senator Kauth.

**KAUTH:** Thank you, Senator Jacobson. Hi, there. For the 300, or pardon me, the \$3 million aggregate, why is that number so much greater? If

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you look historically, it looks like your aggregate doubled and then the next time it was raised, it was by about 1.6 times. But now it's tripling the aggregate. Is there a reason that that is going up so much higher than the, the pattern of the occurrence?

**DAVID BUNTAIN:** I'm going to have to say I was not involved in the--

**KAUTH:** Wrong person, OK.

**DAVID BUNTAIN:** --in the draft. Yeah, I have not been representing the Medical Association--

**KAUTH:** OK.

**DAVID BUNTAIN:** --those last years, so you'll have to ask one of the, one of the drafters of that. But obviously you can have a situation where you have more than one occurrence in a year, in a year, and that's why you have an aggregate for that year. You, you're buying your policy for a year at a time so that would covers up to three claims. And I, I think I, I think that may be one of the concerns the Hospital Association has and that's something we, I think can be worked out that this was intended to start the discussion.

**KAUTH:** OK. Thank you.

**JACOBSON:** Further questions from the committee? All right. If not, thank you for your testimony.

**DAVID BUNTAIN:** Thank you.

**JACOBSON:** Further proponents? I thought we might be hearing from you today. Welcome to the committee.

**ERIC DUNNING:** It's nice to be here. Mr. Vice Chairman, members of the Banking, Commerce and Insurance Committee, my name is Eric Dunning. I'm the director of Insurance. The director, that's spelled E-r-i-c D-u-n-n-i-n-g. It's been 20 years since the private sector's level of coverage last increased. At the end of the day, this bill adjusts that line of responsibility between the private sector and the public sector coverage for professional liability. The Department of Insurance is the administrator of the Access Liability Fund created by the Nebraska Hospital-Medical Liability Act. The department never sees claims payment. Sets the rate for participation in the fund and monitors the size of the fund. The provisions of LB68 raised the underlying insurance requirement, which health care providers must,

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must purchase from private insurers, from half a million dollars per occurrence to \$1 million per occurrence, and increases the aggregate liability amount for health care providers other than hospitals, from \$1 million to \$3 million, but does not change the aggregate liability amount for the, for the hospitals. And it doesn't change the \$2.25 million cap on damages under the Act. These claims that exceed the level of coverage provided by private insurance are paid by the Excess Liability Fund. Our claims payments using the lower threshold have risen in recent years, as you have just heard. And the surcharge rate is currently at the 50 per cent maximum allowed under the Act. It's been an, it's been at this cap for at least the last three years. Our actuaries have told us that this is inadequate to meet the long-term liabilities of the fund. For example, the actuarial analysis shows the. 23 surcharge should have been 61 per cent. In 2019 the surcharge increased to 50 per cent, but it should have been at 68 per cent to cover the expected claims. That's remained true. Since 2020, the indicated surcharges were 64 per cent; in 2021, 76 per cent; 2022, 58 per cent. On the retirement of the department's in-house employee actuary that covered the issue, the department needed to contract with an outside consultant to do this review. And the new actuaries first task was to peer review, past analysis of the fund, and come to an independent judgment. When that was completed, the independent actuary arrived at a similar conclusion. LB68 proposes to decrease the liability of the fund by increasing the amount paid by private insurance. Raising the qualifying threshold to \$1 million will reduce the claims that we must pay and increase the surcharge income. Again, these amounts were last, last changed in 2005. Over time, we anticipate that this will allow a decrease in the level of the surcharge as responsibility for claims shifts back to the private sector. It makes sense for insurers to write this higher coverage and the department should not compete with the private sector. If there's a choice between the public sector or the private sector insurance providing this coverage, obtaining coverage from the private sector, we think remains the better option. It's clear that the amount of coverage provided by the state, when combined with that 50 per cent cap, is not sustainable. It's important for the committee to be aware that while the fund resembles insurance, it isn't. The state has not assumed the risk of claims exceeding surcharges. If the balance of fund, at the fund is insufficient to pay claims when due, Nebraska Revised Statutes Section 44-2831 (1) provides that the state may levy a special surcharge on all providers currently participating in the fund and those who participated in the last 12 months. Over the last 45 years, fund participants have monitored the fund and proposed



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updated as necessary. This responsible approach is essential to ensuring this fund continues to compensate Nebraskans for their injuries. Providers have historically recognized that this is their fund. The Department of Insurance administers the fund and tries to do so responsibly, but it is the provider's money. It's not state money. The department's funded administrator is here to alert the Legislature about current trends so that it can adjust course responsibly. For these reasons, the Department of Insurance supports proposed changes in LB68. And with that, I would be happy to answer any questions. And Mr. Vice Chair, I would like to start with the question that you posed to an earlier speaker related to the issue of how, how these claims interact for employed physicians.

**JACOBSON:** Great. I will turn your light off and we'll, we'll let you answer that question.

**ERIC DUNNING:** Thank you, Mr. Vice Chair, for such an insightful question. (LAUGHTER) The department literally signs up providers and hospitals to participate in the fund. So at the renewal date, we will get very large filings from health and hospital systems around the state. And that will come with a check that's provided by the, by the employer. So it's our understanding that that's largely borne by the employer. If there is another arrangement that happens on the back end, that's not something that we would necessarily be aware of.

**JACOBSON:** Thank you. I appreciate that clarification. Questions for Mr. Dunning. If not, thank you for your testimony.

**ERIC DUNNING:** Thank you, Mr. Vice Chairman.

**JACOBSON:** Further proponents? OK. Seeing none, are there any opponents to the bill, LB68? Seeing none, anyone wishing to speak in a neutral capacity? Mr. Hale.

**ANDY HALE:** Thank you, Vice Chair Jacobson and members of the committee. My name is Andy Hale, A-n-d-y H-a-l-e, and I'm vice president of Advocacy for the Nebraska Hospital Association and I am testifying in the neutral capacity on LB68. Protecting the continued solvency of the fund is something we all support, but to truly understand the impact of this policy change and the effects that it would have on our hospitals, we need to have further study. When we discuss this bill with our members, many shared concerns with increases in premiums. Nebraska's hospitals are facing the worst margins in decades, and it is estimated by some brokers and carriers

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that this proposal would increase premiums by anywhere from 20 to 60 per cent. With historical inflation and our workforce crisis, Nebraska's hospitals are hurting. Without increases in Medicaid reimbursement rates, our hospitals will be forced to make some difficult choices. That could mean reductions in services that they provide, which would impact the communities we serve, and in some cases for our hospitals, they may have to consider closing their doors. Any increases to hospitals' premiums right now would impact their bottom lines. We appreciate the senator bringing this bill and really appreciate the hard work the NMA has done on this issue and we're looking forward to continuing to work together on this, and we welcome an opportunity to collaborate with the state for further study, if so.

**JACOBSON:** Questions for Mr. Hale? Yes, Senator Dungan.

**DUNGAN:** Thank you, Senator Jacobson, And thank you, Mr. Hale. Just to reiterate, I know you've been listening to a lot of this testimony. The question I asked earlier regarding the breakdown of the payout from this fund with regards to how much is actually going to patients or clients and how much are going to attorneys fees, do you know that? Or have any ideas for that at all?

**ANDY HALE:** I don't either, but I can see if we can try to work with our members to get an answer to you.

**DUNGAN:** I'm just curious with how much we're paying out, how much of that is going to actual people versus--

**ANDY HALE:** An interesting question.

**DUNGAN:** --not that lawyers aren't people but the actual patients not whoever. If I could get that information that be--

**ANDY HALE:** Correct.

**DUNGAN:** --great. Thank you.

**ANDY HALE:** We'll see if we can work with the others and get it for you.

**DUNGAN:** Appreciate it.

**JACOBSON:** Senator Kauth.

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**KAUTH:** Thank you, Senator Jacobson. When you talk about the 20 to 60 per cent increases in premiums, are those passed along to the consumers, the patients who are using the services, or is that something that the hospital tends to bear on its own?

**ANDY HALE:** Right now, I think we bear that on our own. But as the times get more and more difficult, Senator, unfortunately we have to pass those somewhere.

**KAUTH:** Thank you.

**JACOBSON:** Further questions? I guess, I just have one. I guess you're speaking in a neutral capacity. Clearly, we've got an issue out there. Are you seeing some room for an amendment that would perhaps split the difference here somehow? Or how do you, what are you seeing in terms of a solution?

**ANDY HALE:** Initially, when we put this out there, we do have a policy development committee. And as we talked about this, we were at an oppose. We worked with our board, and our president, Jeremy Nordquist worked with the NMA to really try to get us to a neutral. And that's where we sit now. We would love to see this continued, studied more. We want to, to the NMA's credit they didn't bring this to the last minute to us. But as we've asked our members, I think they want to reach out to their carriers and do more of an in-depth study and a dive into this to see exactly what the costs are. Again, we're all on the same page. We want the fund solvent. But right now, when we're looking at our bottom lines, we just don't know how much this is going to cost until we break that down and it's something that probably is going to take a little while before we can do it.

**JACOBSON:** OK. Thank you. Any other questions? All right. Seeing none, thank you for your testimony.

**ANDY HALE:** Thank you.

**JACOBSON:** Anyone else who would like to speak in a neutral capacity? Welcome.

**JOHN LINDSAY:** Thank you, Senator Jacobson. I'm going to try not to damage state property. Senator Jacobson, members of the committee, my name is John Lindsay, L-i-n-d-s-a-y, and I'm appearing as a registered lobbyist on behalf of the Nebraska Association of Trial Attorneys in a neutral capacity. I think, as Mr. Hale just said, everybody understands there's a problem and there is a, the, the fund is

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actuarially not sound, and it does need to be addressed. Actuarially, it has to be addressed in a couple of ways, either reduce the long-term output or to increase the revenue. And that does, because the fund is statutorily created, it does need to work statutory language change to somehow bring it up-to-date or bring it up to appropriate strength. We appear primarily with some of the questions and whether this will address it. The first, the dealing with the severity of claims. I think that overlaps Senator von Gillern and Senator Dungan's questions about the attorneys fees. I can tell you on the injured persons side, those attorney fees can vary from 20 to 25 per cent on up to, if it goes up on appeal, maybe 40 per cent of what is paid to the victim. But what we often don't look at is, there's a, there's an old story about a town that was too small to support a lawyer, but it could support two lawyers. (LAUGHTER) You got to have a, you've got to have two sides when, when you are going to court. And so what's often forgotten is the attorney fees that are paid to defend these, the claims as well. And those, I don't think we have a number for that. I mean, I don't think the folks that have been here have a number for that. But when you talk about limits on policy, the first thing that's going to get paid out is that the insurer generally has a duty to defend. They have a, they have the obligation to come in and defend the claim. If you're in a, in an auto accident and you are injured, the first thing that the insurer's going to do for you is to have an adjuster deal with the claim. And if it, if you are suing or getting sued, excuse me, if you are getting sued to provide a lawyer to defend you, those costs are in, are covered within the policy limits of the, of what the insurer has to pay out. So when we talk about severity of claims, for example, we don't know how much of that is paying attorneys and whether those could be adjusted to reduce the severity of claims or, as I believe was Senator Dungan was asking about, was that a peak after the pandemic? And I don't have the the numbers to back it, but if you will recall, the courts shut down. They quit having trials. They stopped in the middle of trials, and, and they had to come back after the pandemic. So you can, you can imagine that all that work that the courts would have been doing during the pandemic wasn't getting done, so it did increase the number of cases that had to be tried or that could be filed and that couldn't get into what the severity of the claim is. And so it's a complicated issue. There's, there's a lot of numbers, a lot of numbers that you have to consider in looking at this issue. Senator, or excuse me, Mr. Hale talked about it, it could use more study and we would agree with that. I should point out or make sure that you understand that the Medical Association reached out to us some time ago to present the problem and

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to, to try to work through to a solution. And we appreciate that. And they, you all should know that they have been trying to, I think, address the problem. There, there's another way to address that when we talk about trying to fill in that actuarial issue or actuarial weakness is that we could change how the money goes into the fund. Obviously, increasing the underlying coverage is going to reduce the amount of claims that are paid out of the fund. Another approach could be and I don't know if it's been considered or if the NMA ran numbers on it, but you could also increase that statutory cap on the surcharge that would increase the amount of dollars coming into the fund and may also be a way to, to correct the issue. We just wanted to get some of those questions out there for you, for you to consider. But we do agree with, I think, everybody who's testified that there is a problem and it does need to be addressed. And we're happy to be part of the, trying to be part of the solution on the issue.

**JACOBSON:** Thank you, Mr. Lindsay. Questions for Mr. Lindsay? I just have a quick one here. I guess thinking about you've got private carriers that are going to be insuring the hospital/the writers.

**JOHN LINDSAY:** Right.

**JACOBSON:** And then you've got the fund. So if there happens to be a claim that's smaller, let's say that we move to, let's say they're worth the \$500,000 and it's going to be a claim that's less than \$500,000, are we, do we have two sets of attorneys for each that are coordinating? Do we just have, how does that work or does if there's a claim filed by the attorneys for the fund and the underlying insurance company collaborate, how does that work?

**JOHN LINDSAY:** I'm not exactly sure, but I do think the fund has its own attorney to, to defend the fund, which is, of course, a different interest than the insurer.

**JACOBSON:** Exactly.

**JOHN LINDSAY:** The insurer has its, its interest is it keeping the claim under \$500,000 under current law. The fund does come in, involved. I don't, what I don't know is at what point, if it's when it reaches, does it, if it, what is it, it's 250 now. When it reaches 200 is when it's, when does it become apparent that the attorney has to come, the attorney for the insurer has to reach out to the fund to get them involved. But there would be both, both interests being defended.

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**JACOBSON:** And clearly if there's a settlement above the \$,500,000 then obviously both have to be involved in it.

**JOHN LINDSAY:** The fund has to approve.

**JACOBSON:** Approve that settlement. Yes. All right. Thank you. Any other questions? If not, thank you for your testimony. Anyone else wishing to speak in a neutral capacity? If not, Senator Slama, would you like to close?

**SLAMA:** Yes, very briefly.

**JACOBSON:** I feel like I've taken over as Chair. I don't know, it just feels weird.

**SLAMA:** You need to watch yourself there, Mr. Vice Chairman. (LAUGHTER) Thank you so much for considering LB68. I think everybody around the table sees that there's a problem. We're working to address it, and I'm happy to work with everyone involved for as long as it takes to get to a reasonable solution that serves both our health care providers and our hospitals as well. Thank you.

**JACOBSON:** Thank you. This will close out the hearing on LB68 and I will turn the Chair back to Senator Slama.

**SLAMA:** So we're at an end of our hearings for today. But just a note for the committee that we will be Execing after afternoon hearings. So just be ready for that. So have a great lunch hour.

**JACOBSON:** [RECORDER MALFUNCTION] and Insurance Committee. My name is Senator Mike Jacobson and I represent the 42nd Legislative District.

[RECORDER MALFUNCTION]

**McDONNELL:** There was going to be a major water reservoir. It was going to have an 880 corridor and it was going to have an international airport. When he was defeated in 1971 by Governor Exon, that international airport went to Kansas City as part of the 435 loop right now. You notice that the development between Lincoln and Omaha has not proceeded like the other team had, had, had visioned. We have an opportunity, I believe, in the state of Nebraska-- we're never going to mountains and we're never going to have a beach. But we do have an opportunity where the location we have in this state. And you look at where we're located-- east, west, north, south in our, our country-- and something that we have that others don't? We have the

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people that want to work. Now, if we put those together-- and you can talk about, in the past, projects that didn't come here, industries that didn't come here, possibly, based on the idea that we weren't ready. Well, we want to be ready. And if we do things differently going forward and you look at possibly the discussion that Toyota had about locating here years ago, and I've talked to people that had-- were involved in that on the education side. If you look at where Metro Community College is today compared to where they were at that moment in time and to be able to train people and having this site-- again, no one has a crystal ball, but having this site in place, we possibly could have that kind of, that kind of company here in our, in our state. I'm going to be here to, to close and I've got a number of other things to, to add, but I do believe we have an opportunity to make a difference long term, as Governor Tiemann was envisioning in 1969. We can do something that can really make a difference for, for our state. And instead of actually looking at our state as what we don't have, let's concentrate on what we do have and let's get the, the landing, landing area ready for those businesses to land here and make a difference for the future of our state.

**SLAMA:** Thank you, Senator McDonnell. Are there any questions from the committee? Seeing none, thank you. We'll now open up LB644 for proponent testimony. Welcome.

**LUCAS FROESCHL:** Hello. Glad to be here. Good afternoon, Senator Slama and the Banking, Commerce and Insurance Committee. I'm Lucas Froeschl, L-u-c-a-s F-r-o-e-s-c-h-l. I'm director of Falls City EDGE, Economic Development and Growth Enterprise. We support LB644 for funding of rural megasites in Nebraska. In the work we've done in our community, Falls City EDGE knows that a key part of economic development has to do with securing and improving physical sites. We have secured options on over a thousand acres along the Union Pacific rail line south of town. And in partnership with OPPD and Olsson, we're close to finalizing a master plan for development. The additional investment into the site and building fund proposed in LB644 will be key for Falls City to acquire land, invest in utility infrastructure, access the site, build rail, rail spurs and begin construction. Last year, I testified on behalf of Senator Slama's priority bill, LB977, for a city of the second class that partners with public power to secure redundant and resilient access to power. Given our location at the end of a transmission line, the need for this was noted to develop the megasite. The bill passed unanimously through committee and then through the legislative floor, floor with zero nay votes, signaling a unified legislative effort to invest in higher paying jobs that

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attract families and workforce to our state. This bill is another key piece to increasing resources for projects like this across the state. Although one focus of this bill is to develop a multi-metro megasite, it's encouraging and respectful that LB644 also includes \$50 million of additional investment into the state's existing site and building fund, which is already being utilized by rural communities across the state. Falls City has continued to lose citizens since the Missouri Pacific Railroad ceased local operations in 1990. The average median income has suffered. And according to the Nebraska Department of Education, 53.1 percent of our kids in the public school district receive free or reduced rate lunches, top one-fifth in the state. Reversing this trend is realistic with access to higher paying jobs and the higher paying jobs are accessible with a rail-serve megasite like we're working to develop in Falls City. Not all the data is discouraging. According to a 2022 workforce job concentration and commuter study, Richardson County has 2,987 jobs, 4,373 laborers. That means 1,386 of our working county residents are commuting elsewhere for employment. We have the workforce, but a percentage of them are likely traveling south into Kansas and east of the Missouri for higher pay. Sabetha, Kansas is the gold standard for rural industry in our region and many of our citizens are commuting there for work. We kindly ask that you support this piece of funding for development both inside and outside the metro corridor? With 4.2 million people living within 100 miles of Falls City, there's no other city in the state with access to a larger population within that radius. With our access to the Kansas City industrial market, progress we've made on development of Nebraska's premier megasite and equidistant location between KC, Omaha and Lincoln, Falls City is poised to be the return on investment Nebraska is looking for.

**SLAMA:** Fantastic. Thank you, Mr. Froeschl. And thank you so-- oh. Oh.

**LUCAS FROESCHL:** Oh, I stay.

**SLAMA:** Please be seated. Yes. Are there any questions? Yes, Senator Kauth.

**KAUTH:** Thank you, Senator Slama. Can you tell me, what does a megasite look like? It sounds very impressive, but what is involved?

**LUCAS FROESCHL:** Yeah, so I suppose so-- so to be defined as a megasite, you've-- Olsson has given us some guidelines. You got to have access to rail, you got to have at least 800 acres of developable, you know, developable land. It's going to take major



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investment to try to get a gas line to the site. Our current sanitary sewer system in Falls City cannot, you know, keep up with the capacity that would be warranted. There's going to be, obviously, roads to build to the site. And we're trying to prepare this site so that when they want to come, we're prepared to say, yes, we can do this within 18 months.

**KAUTH:** When you say they, who is they?

**LUCAS FROESCHL:** So, so Falls City-- we've only got 4,000 people. So we're not going to be able to attract Tesla or Ford, but we think we positioned ourselves as an agriculture and trying to target that industry, so soybean crushing or, you know, maybe some sort of logistical transportation of the corn harvest, you know, down to Texas for feed. A local grain handling facility built there 10 years ago and they're looking to expand because of the, the amount of investment they've been able to capture with our agriculture community.

**KAUTH:** Okay. So-- and is that-- the whole site would be just one company or is-- are there multiple companies that you're trying to put on this site?

**LUCAS FROESCHL:** So there's multiple, buildable sites on the second page of that hand-out there, we've kind of identified, you know, one spot's got 300 acres, one spot's got 70 acres, one spot's got, you know, maybe a couple hundred acres. And so, you know, eventually throughout time, there could be 4 to 5 up to, you know, 10 buildable sites for different companies.

**KAUTH:** And then, so what would the, the eventual return on investment be for a site like this? And over what time period?

**LUCAS FROESCHL:** So I don't know if I can articulate exactly that answer, but I think as far as locally, you know, my job is to try to increase value, tax revenue for the citizens of Falls City. And the immediate return on investment locally, you know, just with the ancillary investments that come from one business and then their raw materials could create another business within the site, then it all feeds into that one unit.

**KAUTH:** Thank you.

**LUCAS FROESCHL:** You're welcome.

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**SLAMA:** Thank you, Senator Kauth. Are there any other questions? Yes. Senator von Gillern.

**von GILLERN:** Yeah. Good afternoon. Thanks for being here. I've driven Highway 75 more times than I'd like to count. It's kind of a-- it's not the most fun drive in the world. How far, how far-- to remind me, how far is Falls City from I-29?

**LUCAS FROESCHL:** So we're about-- it's-- I think it's 23 or 24 miles from I-29.

**von GILLERN:** OK. All right. It seems like location or proximity to an interstate would be pretty critical. Are you not seeing it that way?

**LUCAS FROESCHL:** I, I would-- I mean, I am seeing it that way. You're right. And I would wonder if 23 miles could probably be, could probably be considered close enough to the interstate for logistical convenience.

**von GILLERN:** You got real access, which is a whole different story, but anyway, thank you.

**LUCAS FROESCHL:** Yeah.

**SLAMA:** Just to build on that, Mr. Froeschl, isn't it true that Falls City and this megasite is uniquely positioned between Highway 75 and Highway 73?

**LUCAS FROESCHL:** Yeah. So Falls City's on Highway 73, a good maybe ten miles from-- 5 to 8 miles from Highway 75.

**SLAMA:** Thank you. Senator Jacobson.

**JACOBSON:** I guess maybe just to clarify, you're testifying here because this is a potential megasite for this fund. But maybe to be clear, I think the bill is really dealing with funding to DED to fund sites that would be selected based upon what criteria? Do you know what the criteria would be?

**LUCAS FROESCHL:** So I asked that question this morning in our meeting, and I said-- I asked, is this just specifically for megasites? And I, I think the answer I got was no. Although we qualify as a megasite right now, I think it could be available for anyone that's trying to accomplish what we're trying to accomplish.

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**JACOBSON:** But, but to be clear, the bill itself is really for state wide to really develop megasites. And I happen to know one that's pretty close, right smack in the middle of my district--

**LUCAS FROESCHL:** Yeah. Right.

**JACOBSON:** --there in North Platte, but it's got a rail site and it does have interstate and it has UP rail and, and, and I guess one follow up question: I assume on your megasite-- and this had all come out and on down the line but is this all land that would be voluntarily for sale, would you be looking at doing eminent domain or how would you go about--

**LUCAS FROESCHL:** So--

**JACOBSON:** --acquiring that?

**LUCAS FROESCHL:** --right now, we have two landowners, one is about 800 plus acres, the other one is 148 acres. They both have Falls City ties, they're both-- we've got them secured right now through 2025 and the other one on 2028; had a conversation on Friday to get those extended through 2034. They seem willing to negotiate, but all this site is under option and we have the option to purchase it at \$25,000 an acre.

**JACOBSON:** Perfect. Thank you.

**SLAMA:** Thank you, Mr. Froeschl. I mean thank you, Senator Jacobson. Are there any additional questions? Seeing none, thank you very much for being here, Mr. Froeschl.

**LUCAS FROESCHL:** Thank you.

**SLAMA:** Good afternoon.

**MARY BERLIE:** Hello. Mary Berlie, M-a-r-y B-e-r-l-i-e, and I am representing the Grand Island Area Economic Development Corporation, but I'm handing out a letter of support from North Platte Economic Development and our partners just to the west of us. I'm here in support of LB644 as it relates to increased state investments and community efforts to create large industrial parks, upgrade and extend utilities and partnerships that spur new capital investment into communities. The additional \$50 million to the Sites and Buildings Development Fund currently run by the DED is an important part of LB644 and it's reason I wanted to testify with you today. The

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Cornhusker, Cornhusker Army Ammunition plant in Grand Island was built in 1942. The 19 mile-- square mile campus manufactured heavy ammunitions, bombs and chemical compounds. At the time, this facility was state of the art and arguably provided central Nebraska with the largest economic boom in our history. When the Army decommissioned the ammunition plant in 1989, Grand Island and Hall County went to work remediating the campus. Tens of millions of dollars were spent to correct intense soil and water contamination that spread, spread throughout the five bomb line, bomb lines and two ammunition magazine areas. 645 dilapidated buildings were demolished and millions of pounds of concrete was removed. By the time Cornhusker was considered a suitable brownfield site, funds had simply run out for basic utility expansion and rail upgrades. Today, there's 23 miles of 90-pound rail that still exists at Cornhusker and are sandwiched between Burlington Northern Santa Fe running along the north edge of the campus and Union Pacific Railroad along the southern border. These 1,200 acres have been declared blighted and substandard and on paper are ripe for development. I say on paper because there is a significant financial gap when recruiting businesses to the Cornhusker Industrial area in Grand Island. City water, wastewater and fiber stop three miles short, east of the campus. The financial needs of the projects this large frequently require assistance from the state and often cost are just too prohibitive to make capital improvements that are required to start development. Today, over 600 people are employed at businesses in the Cornhusker Industrial Park area. These industries and employees rely on septic tanks, wells and leach fields to operate their businesses. While these water sources are questionably efficient for today, our future growth in Nebraska is capped. Grand Island has been fortunate to leverage Nebraska Sites and Buildings Development Fund four times. The first was in 2012, and again in '15, '17 and '21. These funds were very much appreciated by Grand Island and on average only accounted for 0.0048 percent of the total project. The Sites and Buildings Development Fund is an incredibly competitive process and currently lacks adequate dollars to make significant impacts in Nebraska's economic base. Additional dollars to the Sites and Buildings Development Fund would help Grand Island, as well as all other communities across the state. Thank you for your time and ask that you support LB644.

**SLAMA:** Thank you very much, Ms. Berlie. Are there any questions from the committee? See-- oh, yes. Senator Ballard.

**BALLARD:** Thank you, Chair Slama. When you're-- thank you for being here. When you're making your marketing pitch to these companies, what

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are-- just highlight what are their major concerns and their major pros of coming to, to Hall County and Grand Island?

**MARY BERLIE:** So certainly, industries are looking for population density. They're looking for those population centers. And we're able to pull that lever shed because Nebraska is a very commutable state. So we're able to pull those lever shed dollars. But utilities is a huge obstacle that we face, specifically at the Cornhusker campus. Like I said, those utilities stop three miles short, east at city limits to that park. And it's arguably-- it used to be \$1,000,000 a mile and it's just much, much more than that now.

**BALLARD:** Perfect. Thank you.

**SLAMA:** Senator Jacobson.

**JACOBSON:** Well, first of all, thank you for your testimony today. And, and, and also, congratulations to Grand Island being, you know, you're the third metro area in the state of Nebraska and so it's great to see that growth of our state moving west. And Grand Island has really been a shining example of really developing not only all your air service, but really what you're doing to really grow that population base in, in what really is central Nebraska. So I guess one question I'm just curious about-- your site-- and I'm just looking at terms of funding, what it could all be used for. Where are you at contamination wise with your site? Are you good to go there or is that--

**MARY BERLIE:** That is all been remediated today.

**JACOBSON:** Okay.

**MARY BERLIE:** Yep.

**JACOBSON:** So really, the only impediment now is, really, to get water and fiber, really, to your site and you should be--

**MARY BERLIE:** City water, city sewer, fiber optics and natural gas.

**JACOBSON:** Got you. All right. Thank you.

**MARY BERLIE:** Yeah. Thank you.

**SLAMA:** Thank you, Senator Jacobson. Senator von Gillern.

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**von GILLERN:** [INAUDIBLE] to just add on to that, the city water, your current infrastructure in the city has the capacity to handle that then?

**MARY BERLIE:** They do.

**von GILLERN:** Additional loads?

**MARY BERLIE:** Yes, they would-- they do. The city of Grand Island has overbuilt for capacity for some time. Of course, there's some logistics associated with maybe a lift station, depending on what industries are located out there.

**von GILLERN:** Thank you.

**SLAMA:** Thank you, Senator von Gillern. Any other questions? Seeing none, thank you so much.

**JOHN MUELLER:** Good afternoon, Chairman Slama and--

**SLAMA:** Good afternoon.

**JOHN MUELLER:** --the Banking Committee. My name is John Mueller, J-o-h-n M-u-e-l-l-e-r. I'm here to represent Cass County, County Development, currently serve on the executive board there and I'm happy to have the opportunity to be in favor of LB644 and thank Senator McDonnell for introducing it. I've served in various leadership roles. I was mayor for eight years, of Lewisville. I served on the City Council for 12 years and I currently serve on the Cass County planning and zoning as the chairperson. Through this, in my role in economic development, I see major opportunities to attract new businesses, new industries to our county. This transformational type of projects that can benefit an entire state, region, Cass County and surrounding communities. We're, we're positioned in a great area between two metro areas and I think we can move-- significantly needs to move this thinking forward. We need to prepare the plan for strategic growth, key technology-related industries. We're close with partnerships and chambers-- with the chamber, the state and municipalities to take advantage of the major, the major district-- direction and indirect economic benefits this legislation can have. Our economic development organization has been actively involved in other projects. Most of the time we run into-- these are high paying jobs with billion dollar investments, but we don't have the quick turnaround that you mentioned, to have the land available. This would kind of work together to mend those fences and bring everybody

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together on one page and be able to offer these. That we lost out on a Panasonic project for some battery components down in Kansas City-- just an example. They were ahead of us. They were ready. So we need to have this, this site fund-- development fund to compete with those. I also am President of Pinnacle Bank in Lewisville. I fully understand the fiscal responsibility that LB644 has, but I feel it's an important investment in the state. You know, you look back at how the government has affected population growth. We were a million people in 1890 in Nebraska. Part of that's just due to the Homestead Exemption Act. People were able to come out and get 80 acres. The other part of it was Union Pacific Railroad and their investment in the Omaha area and the state and how that's grown. I think these are just two additional investments that our state provides. This bill will generate an investment to allow the state to retain its talent, keep our young people in the state. And I think it will provide both economic and population growth to our state. The time is now for Nebraska to invest in preparation of planning, ultimately see the substantial return on investment this will bring in the years to come, generations to come. Thank you.

**SLAMA:** Thank you, Mr. Mueller. Are there any questions from the committee? Seeing none, thank you so much for coming to testify today. I'd invite any proponents or any opponents to come along the front row just to get lined up because we do have, I think, a lot of people to come here and testify today. So thank you. Good afternoon.

**TIM O'BRIEN:** Good afternoon. Chair Slama and members of the Banking, Commerce and Insurance Committee. My name is Tim O'Brien, T-i-m O-'-B-r-i-e-n. I'm the director of Economic Development and External Relations for the Omaha Public Power District and I'm also here representing the Nebraska Economic Developers Association. I really thank you for the opportunity to provide testimony in support of LB644. I started my career in economic development at the Nebraska Department of Economic Development, or DED. I had the privilege of being part of several program and policy areas, including the Site and Building Development Fund, which this bill is focused around. The program was created by a recommendation from a statewide strategic development assessment in 2011. The original recommendation was to include \$ 10 to \$ 20 million per year in the Site and Building Development Fund. Today, the fund operates with significant-- significantly less than that amount. I believe it's a little over \$2 million a year. My comments today will be more focused in two areas: opportunity and lessons learned. First, on opportunities. Economic developers are fielding a significant amount of activity, as other

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testifiers have mentioned or will mention shortly. I asked my friends at the Department of Economic Development to quantify this more, preparing my testimony. They stated that there's more than \$15 billion in projects in the pipeline they've been having discussions with. These projects are diverse: from battery manufacturing, technology, biotech, projects related to ag processing, I.T., energy-related items from hydrogen to renewables to biofuels. This may be the largest pipeline of activity in terms of capital investment they've seen and certainly in my 15-plus years in economic development. It's important to note we're fielding smaller projects as well than previous years. While the size of projects is on a larger scale, with capital investment well over \$200 million each, that's doubled since the pandemic when things were under \$100 million. So there's been a clear uptick in large mega projects that are capital intensive and yield numbers of jobs and huge investment into our state. So what all does that mean? We've learned some lessons. The Site and Building Development Fund and associated programs are critical for continued strategic investments in our state. The Legislature has acknowledged the site and building fund is a good fund and trustworthy to allocate dollars. Businesses want site and utility certainty and collaboration with local-- state and local officials. I'll give you two examples in that regard. One, in Sarpy County, there are many businesses lost and as sites-- due to sites not being planed or ready. We learned quickly a full collaborative effort between economic development, cities, counties, utilities has yielded billions in investment and hundreds of new jobs and in a tech-advanced sector. Another example is in Blair in Washington County, where we continue to experience cluster growth in agriculture and biotechnology. Site development, planning, utilities have all been pivotal to this growth. I've learned that continued strategic investments, planning and infrastructure will help business growth in Nebraska as we compete on a global scale. LB644 has the opportunity to transform the state. We need to invest the resources now, as the preparation and planning involves-- takes a significant amount of time. I look forward to the impacts, the-- excuse me-- the impactful benefits and opportunities this will bring to my three children. Two are currently in the elementary school in Ashland and one will be joining next year and future generations to come. Thanks for considering my testimony. I'm happy to answer any questions you may have.

**SLAMA:** Thank you, Mr. O'Brien. Are there any questions from the committee? Seeing none, thank you very much for being here today.

**JASON BALL:** Thank you.



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**SLAMA:** All right. Good afternoon.

**JASON BALL:** Good afternoon, Chairman Slama and members of the Banking, Commerce and Insurance Committee, I'm Jason Ball, president and CEO of the Lincoln Chamber of Commerce and Lincoln Partnership for Economic Development. And that is J-a-s-o-n B-a-l-l. I also appear today on behalf of the Greater Omaha Chamber and Nebraska State Chamber, all of whom are in support of LB644. The size and capital investment of large economic development projects has increased massively in the past decade. Such projects bring high wage jobs with benefits, create inflows of talent, invest significantly within the communities that are selected both through their facilities and in the civic institutions of those communities. So competition between states for these projects is greater now than it's ever been. Site selection is not just a consideration of tax environment, although that is important. Speed and cost of site access is often the determinative factor for business. States that have invested in megasite preparation will be much more competitive than those that have not. We have a unique opportunity to establish a megasite on the I-80 corridor in between Lincoln and Omaha through this bill and doing so will leverage access to our national transportation infrastructure, telecommunications fiber, world class postsecondary education programs and the largest unified talent pool within the state with more than 1.3 million in population within a 60-minute, 60-minute driving distance. The Lincoln and Omaha Chambers have executed an MOU to formalize our intentions to collaboratively pursue such a development. I practiced economic development at four states and have seen what assets like this can do. Just two examples of note: The 800-acre Foundation Park in Sioux Falls, South Dakota, has become a hub for modern logistics suppliers, including Nordica Warehouses, CJ Foods/Schwan's and Dakota Carriers among many others, employing hundreds in that community. The city of Taylor, Texas, which assembled a more than 1000-acre site, is going to become home to a \$17 billion phase one investment by Samsung Semiconductor and they have already added another 800-acre site for the Taylor Rail Park right adjacent to it. Economic development consultant Jay Garner often says no product, no project. And it is just that simple. We know there are projects that Nebraska cannot compete for with the sites and access to talent that we provide as a state currently. Through an investment like LB644, you have the opportunity to choose to make an investment that will make Nebraska an option for new business and compete with other states. There is no reason that Nebraska can't be in consideration for projects that other states are bringing to their communities. LB644

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gives Nebraska the financial ability to complete proactive investments in site readiness that are now a requirement to compete for major projects. This bill enables the necessary funding mechanisms to provide a real opportunity for transformational economic development in Nebraska. The Lincoln, Omaha and state Chambers respectfully request your support and I would be thrilled to answer any questions you may have for me today. Thank you.

**SLAMA:** Thank you. Mr. Ball. Are there any questions from the committee? Yes, Senator Kauth.

**KAUTH:** Thank you, Senator Slama. So what would the time frame be from bill passing to companies there and hiring? I mean, I'm guessing it's a decade at least, but [INAUDIBLE]?

**JASON BALL:** Senator, thank you for your question. I would, I would suggest that we could get there sooner than that. While I want to acknowledge my colleagues who have testified before me today, their communities are a little bit further down the road. They have acquired site access and have done some initial site preparation work. This is a comparatively new effort between the Lincoln and Omaha communities. We're in active assessment right now of potential sites and have narrowed it down actually past our first round into a more final round of sites under consideration. We would then need to go through the site acquisition process. And so we do have a longer way to go. I do hope from bill passage we could get there much, much sooner than 10 years.

**KAUTH:** Thank you.

**SLAMA:** Thank you, Senator Kauth. Are there any other questions from the committee? Seeing none--oh.

**BALLARD:** Oh, I do have a question.

**SLAMA:** Senator Ballard.

**BALLARD:** I'm sorry. I'm sorry. So thank you for, for being here. Mr. Ball. And then from your testimony, you said you highlighted a few other neighboring states that have, have done something similar. Are there other states that have used especially this new, new round of funding to create megasites?

**JASON BALL:** Senator, that's a great question. And while I, I don't know if I can point to specific examples under the new round of

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funding, I can tell you it's been common practice in economic development for several years to gain control of site access and then proactively put in infrastructure development. I used one example from Texas when I was there. The Dallas/Fort Worth Corridor is another great example where cities and municipalities have been doing that, not just for years, but decades in that area. I would be shocked to find out if, if under this new ARPA funding, that other communities had not chosen to use those resources in that way. Does that answer your question?

**BALLARD:** That does. Thank you. Thank you.

**SLAMA:** Thank you, Senator Ballard. Are there any additional questions? Seeing none, thank you, Mr. Ball.

**JASON BALL:** Thank you, Julie.

**SLAMA:** Is there any additional proponent testimony for LB644? Any opposition testimony for LB644? Seeing none, any neutral testimony? Seeing none, Senator McDonnell, you're welcome to close. For the record, there are no letters for the record on this bill.

**McDONNELL:** Thank you. Trying to clarify a couple of things during the, the discussion we had on this. And you're talking about a megasite-- to about \$100 million for a mega site, 50 for the-- \$50 million for the site-- current site development program. We're having discussions and we're talking about the idea of--OK. What are other states doing? And you start looking at-- we always like to talk about the six states around us. And I go, no, I want to know what the other 49 states are doing. I want to know what kind of sites they're putting together, who we're competing against. And at one point, one of the subject matter experts in the room said, well, you're hearing different states-- some are saying they want-- they're setting aside 2,500 acres. I go, then we should be 2,500 acres plus one. That should, that should be our, our approach. And you talk about us as a state and everything we have to offer. Well, if we were, if we were running the Nebraska football team and we said, you know what? Next year, I think we could be in the top 30, maybe, maybe 28th. And then, we would right away fire that coach. But the idea that also then a new coach comes in and says, okay, I think we can get you in the top ten and possibly compete in X, X number of years for being number one. But when I bring recruits in here, you guys don't have a, a-- the stadium we need. You guys don't have the training program. There's things you can do to recruit people. That's the same thing we can do with business. We just don't

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approach it that way. We don't want to-- I'm not asking you to spend money. I'm asking you to invest money. And the odds are we are going to have a great return on the money. It's not guaranteed. There's nothing, there's nothing guaranteed in life, but if we do certain things and put things in place, we can be competitive. But if we continue to approach our state the way we have, we basically have a population shift coming from the west to the east. We're like a lifeboat. We're not growing, we're maintaining our, our population and we're all going to shift to the one side of the lifeboat, we're going to tip and we're all going to drown. We're not making the improvements. We're not looking forward and having that approach, as we do with building a football team, which is a, is a game. This is going to make a difference in people's lives if we're looking at investing that money from the cash reserve and not only for the current program, but for that megasite, for that idea to say, yeah, we want somebody to come in and match capital with \$250 million, we want 250-plus employees. We want to be competitive. We, we want to have the-- we know we have the people. We have to get them trained and we have to have the site ready for that business to land here. But right now, we can't even recruit because we're like the, the-- telling the kid that there's not even a football stadium or a training program for them to be able to at least be competitive with wanting to come here to our state right now. And we know that it's gone on for years and we've never addressed it and we have an opportunity, financially, to address it right now.

**SLAMA:** Thank you, Senator McDonnell. For the record, I would say the Nebraska program would wait five years before firing that coach. Any questions for Senator McDonnell? Seeing none, thank you very much.

**McDONNELL:** Thank you.

**SLAMA:** It's--oh, absolutely. All right. That closes out the hearing for LB644. We'll now open the hearing for LB621. Long time, no see, Senator McDonnell.

**McDONNELL:** Thank you.

**SLAMA:** And if you are planning to be a proponent on this bill, I do appreciate those who have come to the front row to testify. Please make your way up to the front row, as well, just to expedite things.

**McDONNELL:** Thank you, Chairperson Slama, Thank you for-- two members of the committee for being here. My name is Mike McDonnell, M-i-k-e

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M-c-D-o-n-n-e-l-l. I represent Legislative District 5, south Omaha. I'm introducing LB621. The bill seeks to amend the Site and Building Development Act, which directs the Department of Economic Development to finance loans, grants, subsidies, credit enhancements and other financial assistance for industrial site and building development. LB621 adds a section to the Site and Building Development Act that would include grants to governmental subdivisions and Nebraska nonprofit organizations to improve building and infrastructure and construct an outdoor soccer stadium with a capacity of no more than 10,000 seats within the boundaries of a metropolitan class city to, to qualified grants under the Site and Development-- Building Development Act in the area with immediately adjacent to the federally qualified Census tract. Governmental subdivisions and Nebraska nonprofit organizations are eligible to receive assistance under this new provisions of the Site and Building Development Act. Applicants, applicants for a grant for development of a stadium shall provide the director of economic development with a letter of support from the mayor of the metropolitan class city in which the stadium is to be located, a letter of support from the team that is to be the primary tenant of the stadium and proof of the availability of \$25 million in private or other funds for the facility. A grant issued under this subsection shall not exceed \$50 million. This bill is a, is a part of two bills that I have brought at the request of Union Omaha, Omaha and, and, and Nebraska's only professional soccer team. The second bill, LB622 is in the Revenue Committee and it would amend the Sports Arena Facilities Financing Act to allow other projects like this to receive turnback financing. I will be followed in testimony today by Martie Cordaro, the president of Union Omaha, and Steve Swanstrom, president and CEO of Centris Federal Credit Union, but a couple of points that I want to make are the following: first, that Union Omaha has been examining a host of sites in and around the Omaha area for the last two years for the potential construction of a home stadium for their team. They currently play at Werner Park, and while that has worked, it is difficult for them to play professional soccer games while trying to simultaneously host professional baseball in the same stadium. Second, this request was part of the significant number of requests that were made as part of LB1024 process. I found this project intriguing and one that would have a significant economic impact on the city of Omaha and the area in and around the Millwork Commons/Gallup area north of the CHI center. Furthermore, I view this as a standard of living bill. What I mean by that is when folks are talking or looking at moving to Nebraska, a professional sports team, particularly soccer, is something that many young people are attracted

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to. It is something to enjoy and be proud of in our state. Third, the economic impact that a \$100 million project will transform the area of north Omaha. In two 2021, Union Omaha commissioned an economic impact study, from the best in class, Convention, Sports and Leisure. This report projected \$99 million in economic impact for the state of Nebraska. In addition to the projected impact to the city of \$168 million, the report also projected 225 net new construction jobs and 195, 195 net new jobs from stadium operations. At Union Omaha's request, CSL also measured the economic impacts for the ancillary development surrounding the stadium. The first phase of private development is expected to create over 450 net new jobs, with just under \$200 million in projected economic impact. As I mentioned in the, in the opening that we had 367 projects come to the north and south Omaha Economic Recovery Act, and this was one of them that, that did stand out. And as you see going forward, it is not being recommended at this time, at least right now with what we've had discussions with, with Olsson and our committee. But knowing the importance of it-- and I'm not a soccer fan. I never--I played soccer. I attended soccer games because of my son, when he was young, played soccer. I don't care if it's soccer. I don't care if it's hockey. I don't care if it's football. I don't care what it is. The point is, it's about the economic impact. It's about what people want and it's about trying to get people to retain and recruit younger people for our state. And again, it's an investment. If we're looking at the return on that investment and where we are in Omaha-- and there's already been some discussions with people on this, this committee about this bill that I've had and looking at, okay, can we partner, possibly, with, with someone else? Can we look at, you know, multi-use for that stadium? Yes. I'm, I'm open to anything, any, all ideas based on the idea of trying to improve this legislation. But I do think it's important and it, and it did stand out during that process we went through with LB1024. And the people behind me here that are there to testify are very passionate about this, this development. And I, I agree with them that it can make a difference to our state and especially in the Omaha/north Omaha area.

**SLAMA:** Thank you, Senator McDonnell.

**McDONNELL:** I'll be here to close. Thank you.

**SLAMA:** Are there any questions from the-- yes, Senator Kauth.

**KAUTH:** Can you tell me-- so this came up as part of the north Omaha project?

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**McDONNELL:** 367 project, came at the-- up to the north and south Omaha projects at approximately \$2.2 billion.

**KAUTH:** So this one was not something that they chose for that partic-- for the ARPA funds for that. Correct?

**McDONNELL:** Put it this way, There's things that have been ranked and there's, there's ways trying to spend that money as effectively and efficiently as possible, making the biggest input-- impact. And, and right now, is it, is it part of it? Yes. But is it to the point where I believe it's going to be funded through the LB1024? No, I don't. But also, then there's-- I'm looking at LB1024 as a, as a 10-year master plan, looking at all of the projects potentially. And we'll see how-- what we do as a committee, we have a shell bill right now and when you all have a chance to to, consider it and, and look at it on the floor, I think there's a way to do this where other projects, potentially, could be included in the future. But right now, I felt this one was important enough to where we should look at having it stand on its own and, and move forward quickly.

**KAUTH:** Thank you.

**SLAMA:** Thank you, Senator Kauth. Are there any additional questions? Seeing none, thank you, Senator McDonnell.

**McDONNELL:** I'll be here to close. Thank you.

**SLAMA:** Sounds great. Good afternoon.

**MARTIE CORDARO:** Good afternoon, Chairwoman Slama and members of the Banking, Commerce and Insurance Committee. I'm Martie Cordaro, M-a-r-t-i-e C-o-r-d-a-r-o, and I'm president of Union Omaha. We appreciate your time today and thank Senator McDonnell for introducing LB621 at our request. LB621 was introduced as one of two bills to assist the development of a multi-use stadium project that's being promoted by Union Omaha, which is Nebraska's only professional soccer club. Union Omaha is a member of USL League One. We won the championship in '21 and we led the league in attendance two out of the three years. Starting in 2020, COVID year, it's been an interesting three years for our franchise. Of note: LB622 is the other bill and it's awaiting a hearing in the Revenue Committee. Over the course of the last year, Union Omaha has been examining the potential of operating its own stadium to meet the needs of this growing sport. Soccer is now the fourth most popular sport in North America,

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surpassing hockey over the last 13 months, right behind football, baseball and basketball. In Nebraska, more youth now play soccer than any other sport in our great state. And finally, the world's game is coming to North America in 2026 when the FIFA World Cup is played right here on American soil. This will give even more importance to the game and this new soccer facility. Union Omaha has identified four primary reasons for construction of the stadium. One, to provide an anchor and asset to retain and recruit young professionals. Second, to bring professional sports to downtown Omaha. Third, to generate positive local, national and international exposure for Nebraska. And fourth, to enhance community pride, image, reputation and brand. While this is viewed as a stadium, it's more than about soccer. It's about meeting three pillars: Union Omaha locating in north downtown. Second, to develop a women's team whether it's amateur or professional, we haven't landed on that yet. Third, to develop a youth academy that keeps youth from throughout Nebraska here. Many of Nebraska's top players are going to Denver, Minneapolis, Saint Louis, Kansas City. Some of them even relocate-- are relocating their families so their top soccer players get better training. It's a goal of Union to develop a top notch program that competes with those cities and keeps those families in our state. And finally, an overarching pillar is our community commitment. The facility will be a community one that's first, about community and second, about soccer. The facility will be available for all types of community groups, with the focus on the North Omaha area. Community celebrations, walks, fundraisers, youth and high school sporting games are just some of the events that will take place. Union Omaha has committed to being a good community partner, much like other teams who are in urban cores, we're creating a community benefits agreement that, once implemented, would enshrine Union Omaha's commitment to the area we will serve in and around the stadium. This includes focuses on internships, community engagement and other tangible benefits to our neighborhood and the area we are seeking to join. As noted by Senator McDonnell, the project is being looked at-- is \$100 million-- is a \$100 million plan. Union Omaha did retain CSL, the same firm that completed the studies on Schwab Field and CHI Health Arena. Once completed, CSL indicates there will likely be 195 new net jobs, \$7.1 million operations jobs earnings, \$17 million in operations economic impact, ancillary economic impact with the developer would be 130,000 square foot of multifamily residential, 150 more hotel rooms, \$200 million in total economic impact, \$22 million total fiscal impact, 450 new net jobs. We are happy to provide a copy of that report at the request of the committee. To be clear, we do have some outstanding items. We continue to work with the owners of



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the property where the stadium would be located. And also, we're close on securing a lead develop-- project developer after our previous developer can no longer assist us. Once those steps are complete, this project has the potential to move very quickly. It's our hope this committee and the Legislature will look favorably at commitment to this project when it's ready to go. This is why we believe placing funds in the Building and Site Development Program is the best way to do this. It will remain there until we can demonstrate the commitments of \$25 million by individuals, nonprofits or the city before we could draw down any of these resources. This, Madame Chair, is a reasonable approach in our estimation. Thank you for your time today and I'll be glad to answer any questions.

**SLAMA:** Thank you very much. Mr. Cordero. Are there any questions? Yes, Senator Jacobson.

**JACOBSON:** I guess I have a couple of questions. First of all, the-- I think, as Senator Kauth expressed earlier, the OK, we've got a massive amount of money that went in ARPA funds to north Omaha. And this is a now-- a fairly significant request for additional funding in Omaha. As I understand it, there'd be a \$25 million match of the \$100 million and then you're also looking for a turnback tax, as well as-- for the ongoing funding. So will this thing break even? Is it going to always need to be fed? How do you, how do you see these numbers working?

**MARTIE CORDARO:** Well, there's three scenarios. We're working on scenario three would-- where LB621 would pass, LB622 does not. But I can answer the other two. If LB622 passes but LB621 does not, the \$50 million is recouped in 19 years. If both LB622 and LB621 pass, the \$50 million would be recouped in 21 years. I know that's been a question we've had from, from some on this committee. Don't yet have the scenario where this bill passes and LB622 does not.

**JACOBSON:** Thank you.

**SLAMA:** All right. Thank you, Senator Jacobson. Senator Dungan.

**DUNGAN:** Thank you, Chair Slama. And thank you for being here today. Just a couple of questions for those of us who might not be as familiar with-- myself included, with your team and the league. Can you explain a little bit as to what league you're in, what division you're in? I'm just curious. We're familiar with the NFL's amateur leagues like that. Where does your team fall in the spectrum of the leagues nationally and what's the viability of that moving forward? My

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understanding is it's a relatively new team. If we're investing this much money into a project moving forward, what's the viability of the team and of the league as a whole?

**MARTIE CORDARO:** First off, our commitment would be somewhere between 25 and 30 years to whoever the stadium owner ultimately going to end up being. So from a viability perspective, that would be our commitment. The league is the United Soccer League. It is a complementary league to the Major League Soccer. Major League Soccer would be like Major League Baseball, if you will. The USL would be similar to minor league baseball, Omaha Storm Chasers being triple-A. League One is similar to double-A baseball. Championship level would be the league that we would move into should the stadium project come to fruition. So it'll be ultimately, the second tier of professional soccer in the country. It would put us in class with Louisville, Sacramento, Phoenix, Detroit; those, those are some of the cities that Omaha would be partnering with throughout, throughout the country. And if you look at-- and this is another question we got. The average attendance at USL championship games over this past year was about 5,700. But if you boil that down into the nine most recent new stadiums or renovated stadiums that are soccer specific, that average was 7,500 fans per game at the USL Championship level.

**DUNGAN:** Thank you. And then one other question I had or one thing I'd ask you to expand upon, you talked in your testimony about some of the youth soccer academies being pulled away elsewhere. What do those look like and how could those benefit keeping folks here in Nebraska and also drawing in other youth for those academies? What would that program look like if you were to develop one here?

**MARTIE CORDARO:** Well, not all, but most USL and MLS-- all MLS clubs have an academy. It starts young. It starts at seven-, eight-, nine-years old, identifying players at a young age. Ozzie Cisneros is the one that's most recently from South Omaha. He moved to Kansas City and he was playing before he would have graduated high school. He was playing on the first club down at Sporting KC, most recently within the last year. That's an example of keeping players and families here, giving them opportunities here for top level of training. That would be both on the men's and women's side once we would start a women's program.

**DUNGAN:** Thank you.

**SLAMA:** Thank you, Senator Dungan. Senator von Gillern.

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**von GILLERN:** Thank you, Chairwoman Slama. Martie, we had a conversation, and I just want to rehash a couple of things and maybe share with, with the whole group. First of all, where's the team playing now?

**MARTIE CORDARO:** Playing at Werner Park, right now.

**von GILLERN:** OK. All right. Thank you. And that's, and that's-- you've been averaging 5,700?

**MARTIE CORDARO:** No. Right now--

**von GILLERN:** Is that what you said?

**MARTIE CORDARO:** --our average in League One right now is right around 3,700.

**von GILLERN:** Oh, got it. OK. All right.

**MARTIE CORDARO:** 5,700 is a league average for the league above us, Championship.

**von GILLERN:** OK. All right. Thanks for clarifying that. And then we had a conversation. It seemed-- it's really-- I don't know what the adjective to use-- is ironic maybe, I don't know, to think about building a \$100 million stadium so close to Morrison Stadium at Creighton. Could you share a little bit about our conversation, maybe add any more context to that that you might be able to about why Morrison isn't, isn't a viable place to play, already a fine existing stadium?

**MARTIE CORDARO:** Great question. Yeah. At our core, what we do in the minor league sports world, if you will, the lower levels of professional sports, is community. This facility is going to be used 100, 150 times for walks, for fundraisers, for community events, a variety of those things-- then would be Union Omaha Soccer, then would be the women's program and the academies. What Creighton would be-- and we've had conversations with them-- if we could schedule their building and manage it for 365 days, we're interested in having a conversation about playing with them. It goes back to the same reason why Werner Park exists. We had 301 events at Werner Park last year, plus 75 Storm Chasers games, plus 20 Union Omaha soccer matches. Almost 400 events from March 15 until November 1; dramatically different than Schwab Field that's used about four weeks a year. So

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that's probably the best example and that happened in this community, in this state. And it can happen again with soccer.

**von GILLERN:** Good. Thank you. One other final question: Is, is the team viable without the stadium? What happens if the stadium-- this doesn't pass? What, what's the future of the team?

**MARTIE CORDARO:** Great question. You know, we, we spent an exorbitant amount of money flipping the field from baseball to soccer and back. We do that anywhere from 8 to 12 times a year. It's pretty taxing from a schedule perspective. Our first two regular season matches this year are actually going to be playing at UNO because we didn't have dates at Werner Park. So it's physically impossible to start the women's program until we have a soccer-specific stadium. Same with the youth academy. So Werner Park is simply a Band-Aid right now for pro soccer. Will it be long-term viable at Werner Park if we don't have a new stadium? That's a difficult question to answer yes or no, but I will say probably not.

**von GILLERN:** OK. Thank you.

**SLAMA:** Thank you, Senator von Gillern. Any additional questions? Seeing none, thank you very much, Mr. Cordaro.

**MARTIE CORDARO:** Thank you.

**STEVE SWANSTROM:** Hello.

**SLAMA:** Hello. Good afternoon.

**STEVE SWANSTROM:** Good afternoon. Thank you, Chair Slama and committee members. My name is Steve Swanstrom, S-t-e-v-e S-w-a-n-s-t-r-o-m, and this is my first time testifying before a committee, so I appreciate your patience today. I'm here on behalf of-- I'm the president and CEO of Centris Federal Credit Union and our 300 employees and 130,000 members across the state. We have branch locations in the greater Omaha area, Grand Island and North Platte. I'm also here as a member of the Omaha Chamber of Commerce and will speak to that in a minute. We've been partnered with the ownership group and Martie of the Union Omaha soccer team, who also overlaps with the Storm Chasers baseball team for over a decade. And so Martie mentioned that the union Omaha soccer team has been in operation for four years, but we were involved in a lot of the early conversations to get the soccer team to Omaha and get it off the ground and begin playing games. Our 300 employees and 130,000 members are always looking for affordable entertainment.

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That's one of the things that is critically important. I believe, as I hear about the state wanting to attract and retain younger folks into the state. And so being able to have those affordable opportunities, we at Centris provide those opportunities through free events that we offer today for both the soccer team as well as the Storm Chaser baseball team. Examples are we do a free night at the baseball stadium once a year for any of our members that want to sign up. We usually get between 1,000 and 1,200 individuals that-- free of charge. We pay for the game, they can bring their families, whatever they want to do, so we try to make that affordable. With a soccer only stadium, we feel that we can expand that reach and provide, as Martie said, additional dates that we can provide that free entertainment. The other thing that we do today is we do a free movie night at the end of the baseball season at Werner Park. And again, that's open to the community at large. That's not just for our members, that's for anybody in the community and we usually attract about 3,000 people and their children and families to come out to the ballpark. The kids get to get out on the field, run around, play catch, do things that normally during the season you can't do. And again, that's free of charge, sponsored and hosted by Centris Federal Credit Union for the community. Martie talked about how this new soccer stadium is intended to be a give back to the community and involve the community and we've been, again, a corporate partner of theirs for over a decade. And I can speak to the commitment of the ownership group, the commitment of Martie as the president and what they're trying to accomplish for the state of Nebraska as a whole and-- as well as providing that affordable entertainment that so many families are looking for. It's a big project. You all heard that. Martie gave you the numbers. It needs help. And we, as a corporate sponsor, as a corporate citizen, are happy to provide what we can do as a corporate sponsor to help, but it really is going to require the entire state, the entire village, to try to make this a reality. And so we greatly appreciate your consideration of this project. On behalf of the greater Omaha Chamber of Commerce, at the groundbreaking ceremony last week for the Mutual of Omaha Tower, the Chamber mentioned that they have a goal over the next 20 years of bringing 30,000 additional citizens or residents into the urban core of Omaha, which is not just going to benefit Omaha, it'll benefit the entire state of Nebraska with the additional tax revenues and the additional jobs that can come from that. I think that is a, a significant goal to have. As a member of the Chamber of Commerce, I'm happy to help support that goal. And as an employer, I'm happy to do our part to try to, again, provide affordable entertainment that helps bring those individuals, those 30,000 folks

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to this state. And again, with Union Omaha soccer being in that urban core area, trying to provide a younger generation affordable and viable sports entertainment, that, as we heard, a lot of kids nowadays are soccer nuts and soccer junkies. And as Martie said, soccer is now the fourth most popular sport in America. And so we're excited about being a partner on this project. We appreciate your consideration of the project and I'm happy to field any questions at this time on my part.

**SLAMA:** All right. Thank you. Mr. Swanstrom. Are there any questions? Seeing none, thank you very much.

**STEVE SWANSTROM:** Thank you all. Appreciate it.

**SLAMA:** Good afternoon.

**SCOTT SULLIVAN:** Good afternoon, Chairman Slama, Vice Chairman Jacobson, members of the Banking, Commerce. And Insurance Committee, thank you for the opportunity to testify on this important issue. My name is Scott Sullivan, spelled S-c-o-t-t S-u-l-l-i-v-a-n and I'm president and CEO of the Nebraska Credit Union League. I'm here today in support of LB621. Credit unions, in general, support a well in-- all well-intended efforts aimed at driving economic development and growth. Specifically, this measure would create additional incentives for funding and investment while making public and private procurement channels more inclusive. Several Nebraska credit unions always-- already play a vital role in the state's economy by acting as an affordable source of capital, capital and a reliable lending partner to community-based businesses. If LB621 passes, it would create new job opportunities and further facilitate an improved quality of life that includes increased access to additional opportunities for existing and future citizens. On behalf of Nebraska credit unions and their one-- and their 555,000 members, I thank you for your consideration of this testimony and for holding this important hearing. And we respectfully request that you advance LB621 out of committee.

**SLAMA:** Thank you, Mr. Sullivan. Are there any questions from the committee? Seeing none, thank you very much for testifying. Is there any additional proponent testimony for LB621? Is there any open testimony to LB621? Seeing none, any neutral testimony? And Senator McDonnell, we'll bring you up to close. And for the record, there are no letters for the record for LB621.

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**McDONNELL:** Thank you. I don't know if some of you had a chance to watch any football yesterday, but the Kansas City Chiefs did pretty well and they had a hell of a party afterwards. You know, I think about Kansas City and I think about some of the decisions they've made and, and you look at where we are, 190 miles away, pretty much from, from that stadium and-- you know, the zoo. We've got one of the top three zoos in the country, our top tourist attraction in the state of Nebraska. And thinking about investing in this versus possibly, some other options and looking at the money that this body has set aside for north and south Omaha and trying to make a change there that's going to, possibly, make a-- the next generation, a whole different world for them. And looking at, competing against our neighbors and, and having different kind of attractions, this is really kind of a, a small, small step. And I'm not saying that every dollar that belongs to the taxpayers isn't important, but if you look at what other communities are doing around us and for us to have this kind of opportunity and again, whatever that sport might be in, this happens to be soccer. And it's the, the sport of the, of the next generation and it's the world sport. And for us to be able to make this kind of investment and have, have an opportunity to possibly look at how we can grow that sport within the state of Nebraska and have that kind of future. Of course, maybe never like Kansas City had last night, but on a smaller scale where we could, we could be that for this area, the, the place where you travel to watch championship soccer. And I think that's the way we should look at it. But it's also-- it's economic development and it's an opportunity for us to do something like Kansas City did years ago, I believe in 1973 with that new stadium. And they said they're going to take the next, next step and they're going to have world championship football someday and they're doing it. And so I think we have an opportunity here. And again, it's an investment. It's, it's-- but it's-- I think it's a sound investment. And we really do have a chance to do something for the future. I'm here to answer your questions.

**SLAMA:** Thank you, Senator McDonnell. Are there any committee questions? Seeing none, thank you very much.

**McDONNELL:** Thank you.

**SLAMA:** This closes out the hearing for LB621. We'll reset now for the hearing for LB278 with Senator Walz.

**WALZ:** All right. Thank you.

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**SLAMA:** Good afternoon.

**WALZ:** Good afternoon, Chairwoman Slama and members of the Banking-- sorry, Commerce and Insurance Committee. My name is Lynne Walz, L-y-n-n-e W-a-l-z, and I represent District 15, which is made up of Dodge County and Valley. I'm here today to introduce LB278, LB278, a bill that would guide the Department of Economic Development and the Nebraska Investment Finance Authority to obtain state and federal grants to create safe, accessible, affordable housing to help fulfill the goals of the Olmstead plan. So, just so we're all on the same page, I want to give you just a brief background on the Olmstead plan. In 1999, the Supreme Court made the Olmstead decision and urged every state to develop an Olmstead plan. The case settled that, requiring people to receive services in a setting isolated or separated from the community was discrimination against persons with, with disabilities. Here in Nebraska, we did not have a formal Olmstead plan until 2016, when Senator Kathy Campbell introduced and success-- successfully passed LB1033, which required the Department of Health and Human Services to develop an Olmstead plan. That brought us now to-- or it brings us then to 2019 when I introduced LB570, which required DHHS to hire an independent consultant to assist with the analysis and implementation of the Olmsted plan. In December of 2021, we received that report back. The review found that there has been little progress made in increasing access to safe, affordable, accessible housing for individuals with disabilities. It also noted, the increase in the supply of affordable, accessible housing units for individuals with disabilities must become a priority for Nebraska. The report also noted that the Department of Economic Development and NIFA should take more of a leadership role in prioritizing state and federal resources to provide housing for people with disabilities, which brings us now to LB278, LB278 that I'm introducing today. One of the most important factors for individuals with disabilities to live or to continue to live independently, is certainly having safe, accessible, affordable housing. There is a severe shortage of housing like this in our state and we actually lost quite a bit during the flooding in 2019 in Sarpy County. This bill helps guide more funding and attention to fill the gap in our housing market. The bill is pretty straightforward. Section 2 addresses NIFA's role in fulfilling the housing goals set forth in the Olmstead plan, making clear that they should use their best efforts to obtain state and federal grants for the purpose of building safe, affordable, accessible housing. We are also asking that NIFA works with DHS-- DHHS in obtaining these grants. Section 3 reflects the exact same language, but for DED. Additionally, I handed out-- oh,



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I did not hand out an amendment. I will hand out an amendment that I've been working with, with NIFA. They pointed out that we should be clear in our language that, in reality, all three entities need to be working with each other, not just NIFA working with DHHS and DED working with DHHS. For that reason, in subsection 3 of both sections, we are adding DED to NIFA's section and NIFA to DED's section. There was concern that it may seem like no singular entity is in charge of obtaining these grants, so we added a simple line requesting that DED will use its best efforts to coordinate and contract with NIFA to develop and administer grants to fulfill the goals of the Olmstead plan. As we all know, housing is, housing is a massive issue in this state and it's one that all Nebraskans are dealing with. I can't even imagine the struggle that individuals with accessibility issues are having in finding appropriate homes. Additionally, with the current work that Senator Briese and Vargas are doing with the housing, this seems like a perfect time, as we need to bring this bill forward. If we are looking at working on housing issues, we must also include individuals with disabilities to assure that they have appropriate, safe housing that takes them to-- that's taken into account for many individuals, many individuals with limited income. And with that, I'm happy to take any questions.

**SLAMA:** Thank you, Senator Walz. Are there any questions from the committee? Yes, Senator Kauth.

**KAUTH:** Senator Walz, does this include housing that is supported housing like through Duet or through any of the agencies?

**WALZ:** It certainly could. Yes.

**KAUTH:** Okay.

**SLAMA:** Thank you, Senator Kauth. Any additional questions? Senator Bostar.

**BOSTAR:** Thank you, Chair Slama. Thank you, Senator Walz. Your fiscal note-- looks like DED says that the bill, which would require them to use its best efforts to obtain state and federal grants, would require an additional quarter FTE. And that comes out to about 26, almost 27,000 number in the almost 28,000 number that's represented on the front of your fiscal note package?

**WALZ:** Yeah.

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**BOSTAR:** But then NIFA says that they would have to hire a consultant grant writer, which would cost \$20,000 per fiscal year, but that isn't also represented on the front. So that-- those aren't added together.

**WALZ:** Right.

**BOSTAR:** Do they both need to--

**WALZ:** That's--

**BOSTAR:** --add people to do this?

**WALZ:** I mean, I-- that's kind of what my understanding is. And I apologize. I haven't been able to read through the fiscal notes--

**BOSTAR:** I'm sure. Yeah. Just--

**WALZ:** --as well as I should have, yet. But I will and I'll try to get some clarification on that for you--

**BOSTAR:** Yeah. Thank you very much.

**SLAMA:** All right. Great. Thank you, Senator.

**WALZ:** --and myself.

**SLAMA:** Thank you, Senator Bostar. Yes, Senator Dungan.

**DUNGAN:** Thank you, Chair Slama, and thank you, Senator Walz, for bringing this. I think this is an incredibly important area that people don't always pay attention to and that's folks in the disabilities community having access to things like this. I won't go on too much about the importance of it to me, personally, with folks that I know, but I think that autonomy and community-based resources are incredibly important in this circumstance. To clarify, just for myself, you talk a lot about accessibility and disability in the language of this. This is pertaining to folks both in the physical disabilities and the developmental disabilities community, or is it just one or the other?

**WALZ:** I would say both. Yeah.

**DUNGAN:** Thank you.

**WALZ:** Yeah.

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**SLAMA:** Thank you, Senator Dungan. Any additional questions from the committee? Seeing none, thank you, Senator Walz.

**WALZ:** Thank you.

**SLAMA:** Thank you. We'll now take proponent testimony for LB278. Good afternoon.

**JOSEPHINE LITWINOWICZ:** Chairwoman Slama and members of the committee, I think I can answer-- I can-- I think I can answer any fiscal note problems. Because you'll probably say that about 15, 20 minutes when institutionalized care costs maybe twice, maybe-- I don't know. It's ridiculous. And so we can just put that aside, any fiscal note issues. And, and so it would be nice to have this cooperation and to force DHHS to cooperate because of-- I mean, I tried to get a hold of DHHS just to see if I could, you know, have a-- if I could use a medicare ride, Medicaid rides to mentor.

**SLAMA:** I'm sorry. Just for the record, could you say and spell your name, please?

**JOSEPHINE LITWINOWICZ:** Oh, yeah.

**SLAMA:** No worries.

**JOSEPHINE LITWINOWICZ:** My name is Josephine Litwinowicz, J-o-s-e-p-h-i-n-e L-i-t-w-i-n-o-w-i-c-z. I'll probably push my way to the front of the line as many cases as possible because of my-- the pain I-- has gotten much worse. But, yeah. The-- and so now, I had to go to an awards ceremony just to speak to the CEO because-- you know-- and so-- and within 5 minutes, her communications director, her handler-- [INAUDIBLE] me your card. And so it's impossible-- I've dealt with them and I think they have to be made to do it. And, and I wasn't-- I just got off the bus. I tell you, I can't drive anymore. I had a couple more things, but-- a couple of good things. Yeah, I was homeless once, and-- you know, in 2015, thereabouts is good enough. And I couldn't find a place to live. And so anything with a waiting list was impossible. And, and, and so I had a dedicated soul from Lutheran Family Services to help me out. And she called every day. And so, she called places that didn't have a waiting list and, and so I got one. You know, and it was just a miracle, really. I don't know what they would have done because I wasn't going to go to any long-term care facility. So I don't-- you know, whatever would have had to been done. But-- and so those long-term care facilities and

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nursing homes that are actually pretty disgusting. I know people, out west in particular, and, and everywhere. And, you know, the staffing shortages are so bad that I'm not going to one of those. If I have to take the rest of my blood thinners and do something because it's just not going to happen. And so we, we need housing and, and we need [INAUDIBLE] of housing, I guess, as it were, because, because one affects the other. It's an interesting relationship they have with each other. And so-- but we definitely need disability, disability-accessible housing. And, you know, I, I know people that-- well, anyway. I actually met-- this is back then, too, I met a, I met a person with MS who's living at the mission. Well, I was actually homeless, but I, I couldn't do it because I had a little more disability and he was waiting to find a place. And, you know, so that goes all the way, forever. You know. And so I really do think-- they really have to be-- put their nose to the grindstone for themselves. And that's just my dealings with the agency. And with that, thank you very much.

**SLAMA:** Thank you very much for your testimony. Are there any questions from the committee? Seeing none, thank you for being here today.

**JOSEPHINE LITWINOWICZ:** Thank you. We're saving a bunch of money from the-- oh, well, I'll, I'll just leave that to myself. Thank you. Have a good day.

**SLAMA:** Thank you. All right. Good afternoon.

**SHANNON HARNER:** Good afternoon. My name is Shannon Harner, S-h-a-n-n-o-n H-a-r-n-e-r. I'm the executive director of the Nebraska Investment Finance Authority and I'm pleased to be here today. As Senator Walz indicated, NIFA's been working with her on the amendment to this bill. We do firmly believe that Olmstead is a critical piece of housing for the state of Nebraska. I serve on the Olmstead steering committee. Other members of my staff serve on the Olmstead work groups. And NIFA takes many actions that do support the creation of housing for persons with disabilities, including things such as adding Olmstead plan updates to the quarterly agenda of the Nebraska Commission on Housing and Homelessness, encouragement of public input from disability advocates through the Low Income Housing Tax Credit Qualified Allocation Plan Process and the Department of Economic Development's Consolidation Plan Public Input Process. Review-- reviewing ways to increase accessible units in HUD-funded housing developments from the minimum Section 502 requirement, which requires 5 percent minimum of accessible units per development. We, we think

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that that could be increased on a voluntary basis with additional funding and making informational resources available, including online listings for our low-income housing tax credit accessible units. Accessible housing is one of the focuses of the recently released statewide Strategic Housing Framework and thus, NIFA and other Housing Council members and other organizations across the state will continue to research sources of available funding, including federal, state and private funds. NIFA continues to monitor the availability of HUD Section 811 Supportive Housing for Persons with Disabilities Program. However, this funding hasn't recently been available and the Olmstead housing workshop group also works to monitor this as a potential funding resource. Traditionally, NIFA has not focused on application of grants to support its efforts. However, we agree it's an opportunity for us to do more and we have no objection to being directed to do this work. NIFA understands the need for and supports the creation of accessible housing for persons with disabilities. One of the keys to the amendment that is proposed to you is putting together NIFA, DED and DHHS as a triumvirate to continue to talk to one another, so we're not creating silos with regard to who's doing what and, and also taking those programs when funds are available and consolidating them at NIFA so that we're running all of those funds together through a program that's consistent. I would be happy to take any questions.

**SLAMA:** Thank you, Ms. Harner. Are there any questions from the committee? Senator Dungan.

**DUNGAN:** Thank you, Chair Slama, and thank you for being here. I appreciate that. Off the top of your head, do you have any idea how much money we're looking at in terms of these grants? What's out there right now that we're not getting? And, and what would this bring in, I guess, is my question.

**SHANNON HARNER:** I do not have a good sense of what the, the monetary amount for these grants would be. So I'm, I'm sorry that I don't have that information.

**DUNGAN:** But you estimate that it would be-- I mean, we're talking about some significant amount of funding here, right?

**SHANNON HARNER:** Yes. We're talking about a significant amount of, of funding.

**DUNGAN:** Thank you.

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**SLAMA:** Thank you. Senator Dungan. Are there any additional committee questions? Seeing none, thank you very much for your testimony.

**SHANNON HARNER:** Thank you.

**SLAMA:** Good afternoon.

**BRAD MEURRENS:** Good afternoon. Good afternoon, Senator Slama and members of the committee. For the record, my name is Brad, B-r-a-d, Meurrens, M-e-u-r-r-e-n-s, and I am the public policy director at Disability Rights Nebraska. Disability Rights Nebraska is the designated protection and advocacy organization for persons with disabilities in Nebraska and I'm here in strong support of LB278. Cornell University's 2019 Disability Status Report estimates that about 10 percent of our state's population identify as a person with a disability, which is around 228,300 individuals of all ages. And there are Nebraskans with disabilities in every single county. That was-- my handout will demonstrate a county breakdown by demographics by county. The report also shows that the living experiences of persons with disabilities and those without disabilities are sharply contrasted. For example, the poverty rate of working-age people with disabilities in Nebraska was 22 percent. For each group without disabilities, it was eight. People with disabilities are more likely to live in poverty, and poverty compromises the ability to obtain safe and affordable housing and disability limits those options even further. I'll get to the point: a significant need exists for more safe, affordable and accessible housing for Nebraskans with disabilities. We are pleased to see the inclusion of the word accessibility in this bill. While building more affordable housing is needed and laudable, especially for those Nebraskans with disabilities who live on the margins, the goal is defeated if the housing is not accessible. For example, if there are steps to the front door, how is a person who uses a wheelchair going to get to the front door? It needs to be accessible. If safe and affordable housing were built accessible from the get go, there would be less need to modify or retrofit, decreasing future costs for all parties involved and increasing housing opportunities for Nebraskans with disabilities and allowing them to live independently so that they may live, remain and thrive in their communities. And for that, we recommend that the Legislature advance LB278. I'd be happy to answer any questions you may have.

**SLAMA:** Thank you, Mr. Meurrens. Are there any questions from the committee? Yes, Senator Kauth.

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**KAUTH:** Thank you, Senator Slama. What is the definition of affordable? I mean, as far as when you're, you're talking about this type of housing, is it a percentage of income or is it a specific number? How do you define that?

**BRAD MEURENS:** Well, I-- that would be a good question. I wouldn't have a, a good answer for the definition of affordable. I would defer to the housing folks for that.

**SLAMA:** Thank you, Senator Kauth. Senator Jacobson.

**JACOBSON:** I guess I'd just like to clarify one statement you just made. When you're suggesting that all houses be built with the accessibility, are you talking really everything that NIFA would do would be accessible at the get-go?

**BRAD MEURENS:** Well, I would, I would say that following the bill, if there would be-- if there were grants or opportunities for funding to make more affordable, accessible housing, then that would be done. I don't think it would say that every single, you know, from here on out, ad infinitum, has to be-- has to meet some sort of criteria. But I think that we do need to build more accessible housing stock for persons with disabilities and I think this would be an opportunity to do that.

**JACOBSON:** Right. Yeah. And, and I just wanted to make clear that, that we'd be looking really at providing additional grant dollars to be able to add to the affordment [SIC] so that those that were built accessible would have some grant dollars to help cover the additional cost to be able to make a home accessible, is, is what I'm understanding we're trying to achieve here.

**BRAD MEURENS:** Yes. I think that's correct.

**JACOBSON:** I guess my concern is obviously, it gets back to Senator Kauth's question. You know, affordable is a really good question right now, because, frankly, no new housing is affordable right now.

**BRAD MEURENS:** Sure.

**JACOBSON:** And when we really start looking at low to moderate income people and that's one of the big challenges we have, is how do we drive that cost down? And the only way we can drive it down is A, not add additional costs without having an offsetting grant or some kind of way to pay for that. But I completely agree that yeah, we've got to

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increase the accessibility and it's certainly more expensive if we come in after the fact. So--

**BRAD MEURENS:** Sure.

**JACOBSON:** --I hear what you're saying there. I just wanted to make sure I clarified that NIFA's not going to come out and say everything's got to be affordable going forward because-- or, or built assessable going forward because now our affordability really is going to go away.

**BRAD MEURENS:** Sure.

**JACOBSON:** Thank you.

**SLAMA:** Thank you, Senator Jacobson. Any additional committee questions? Seeing none, thank you very much, Mr. Meurrens.

**BRAD MEURENS:** Thank you.

**SLAMA:** Good afternoon.

**ALICIA CHRISTENSEN:** Good afternoon. Thank you, Chairperson Slama and the rest of the committee, my name is Alicia Christensen. I'm the director of policy and advocacy at Together, a nonprofit organization committed to preventing and ending hunger and homelessness in Omaha. Our day-to-day operations focus on assisting participants who face food and housing insecurity.

**SLAMA:** Sorry, Ms. Christensen?

**ALICIA CHRISTENSEN:** Yes.

**SLAMA:** Could you please spell your name for the record?

**ALICIA CHRISTENSEN:** You're right. I forgot about that part. I always try and mark it on here and then I feel silly about doing that, but obviously time well spent. A-l-i-c-i-a C-h-r-i-s-t-e-n-s-e-n, and most of my points I have down here anyway are reiterative of what has already been said. I would clarify that typically, for HUD definition purposes, affordable housing is something that costs less than 30 percent of an individual's or the household's monthly income. So they're spending less than 30 percent on their monthly income on housing costs, which typically include utilities for that purpose. But our case managers, in looking at affordable housing for our



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participants who are often exiting or at risk of entering homelessness, we have firsthand experience about how it's difficult to secure affordable housing in general. And then if you add a participant with a disability, it can be difficult, if not impossible, for our, our case managers to do their jobs. And this takes an enormous toll on, on them, but also-- particularly, our most vulnerable community members. So the economic realities mean that developers are unlikely to take on affordable housing projects without government support. So we're talking about low-income housing tax credits and the Nebraska Affordable Trust Fund. And NIFA and the Department of Economic Development and DHHS do a absolutely wonderful job of administering these funds and getting them to people who have ways they've leveraged private financing to create opportunities for affordable households-- or to be affordable for households that are low income. And so we appreciate the agency's efforts that provide these opportunities, but a lot of these inefficient-- or insufficient-- insufficiently incentivize the development of affordable housing that is accessible to those with a disability. So for instance, recently I submitted a comment for the-- during the public comment period on the qualified action plan for the Department of Economic Development's plan for the housing. These are-- there's a lot of acronyms that I typically use, so it's hard to say these-- the Nebraska Affordable Housing Trust Fund. And so this plan was outlined-- outlining the project evaluation process and it provided a matrix for scoring, showing how the affordability period would receive extra points-- if it was longer, for example. Other important considerations for giving additional points. However, the propose-- proposed scoring did not award additional points to projects that increased-- that featured accessible features like wheel-in showers or widened doorways and lowered kitchen counters and sinks, for example. So that said, this legislation aims to reduce the instances where all these worthy housing projects are competing for the same scarce resources. It's adding to that pool of projects that need to get done anyway and allows the case workers at Together to do their job. And they're really good at it and they can't place a person exiting homelessness in housing if there is no housing available for them. And we really want to help those people find safe and sustainable housing. And so we ask you to support this legislation that will prioritize the important efforts to fund development and meeting this basic human need, which is shelter. So thank you, but I'm sorry for the scattered nature, but [INAUDIBLE] I was trying to avoid all the stuff so you wouldn't have to hear the repetition. But I'm happy to field any questions.

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**SLAMA:** No worries. And thank you, Ms. Christensen. Are there any questions from the committee? Senator Kauth.

**KAUTH:** Thank you. Is-- does this also include seniors or is it-- would it be seniors who have disabilities who qualify for this? So we're not talking about housing for seniors.

**ALICIA CHRISTENSEN:** I would imagine that I-- my, my reading of the bill is that it would include as long as there's an accessibility component, that it's not confined to disability accessibility, that a lot of that accessibility would be for anyone that needs-- I think that that would all be categorized under disability. I don't know how official-- that would be a question for Senator Walz.

**KAUTH:** It just-- it makes it a much bigger group. But-- and to clarify, this bill is really just saying that you need a grant writer to seek these grants, not that the state will be funding these things, but that will be funding someone to go out and actively look at a federal and state level for the grants to do this work.

**ALICIA CHRISTENSEN:** That's my understanding. Yes. I, I think that it is-- like, yes. I don't want to-- sitting right there. No, I think that it-- similar to-- well, I mean, the state funds some of the programs that are administered by, say, NIFA or DED but for instance, for instance, the low-income housing tax credit. But some of that funding is federal and some of it is matched by the state.

**KAUTH:** OK.

**ALICIA CHRISTENSEN:** But the goal with that is to provide tax credits for private financing to give to the developers. So it's an incentive program. And it's so-- it's not a-- you're not giving out-- here's the whole cost. Right?

**KAUTH:** Right. Right. This is for someone to help find those, put those together and make those things happen.

**ALICIA CHRISTENSEN:** Yes. It's just--

**KAUTH:** In compliance [INAUDIBLE].

**ALICIA CHRISTENSEN:** Making a bigger tool kit, I guess.

**KAUTH:** Thank you very much.

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**ALICIA CHRISTENSEN:** Yeah.

**SLAMA:** Thank you, Senator Kauth. Senator Ballard.

**BALLARD:** Oh, I'm sorry. No, you're okay. Thank you. Thank you for being here. You may not know the answer to this question, but do you know, off the top of your head, how many units does Omaha have of affordable housing?

**ALICIA CHRISTENSEN:** I don't--

**BALLARD:** And then to dovetail, how much does that satisfy demand? Like 70 percent? I don't know if you would know any of those.

**ALICIA CHRISTENSEN:** I-- so in providing comments on Omaha's Housing Affordability Action Plan, I spoke with one of our case managers, manager/case managers about-- just to ask, if you could wake up tomorrow and have sufficient permanent supportive housing, which is typically for our chronic homelessness participants exiting homelessness, how many would you need? Like, what's your dream number? And he said, 300, easy. And so the-- I don't know how many there is available, but I think, obviously, we cater to a particular demographic, but often when there's a shortage, that all compresses downward. So it creates more and more instability and crisis at the most vulnerable levels because those are the people least able to go further outside their transportation network or support network or be able to afford just a little bit more per month or find someone that accepts their Section 8 or SSDI funds. So I think that they have far more constraints. And so that's the picture I can give you because that's our realm of expertise, but that is just one perspective.

**BALLARD:** OK. Thank you.

**ALICIA CHRISTENSEN:** Of course.

**SLAMA:** Thank you, Senator Ballard. Additional committee questions? Seeing none, thank you, Ms. Christensen.

**ALICIA CHRISTENSEN:** Thank you.

**SLAMA:** All right. Additional proponent testimony for LB278? Seeing none, is there any opposition testimony? Seeing none, is there any neutral testimony for LB278? Seeing none, Senator Walz, you're welcome to close and as you're doing that, just for the record, there is one proponent letter that we've received in support of your bill.

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**WALZ:** All right. Well, very quickly, thank you, guys. And thanks to everybody who came to testify today on this very important issue. So just, again, to reiterate, LB278, essentially pushes our state toward housing goals laid out by the Olmstead plan. We are just directing NIFA and the Department of Economic Development to work alongside with DHHS in ensuring that Nebraskans with disabilities have safe and accessible housing. And so she already answered the "what is affordable housing" question, which is great, but I'd be happy to take any other questions that you might have.

**SLAMA:** Thank you, Senator Walz.

**WALZ:** Yeah.

**SLAMA:** Are there any additional-- yes, Senator von Gillern.

**von GILLERN:** Yeah. Senator Walz, thank you. Just real quick there's-- we were looking over the fiscal notes. There's even a little bit more confusion because the, the DHHS fiscal note, it shows a zero expenditure but down below in the verbiage, it says that two additional FTEs would be required?

**WALZ:** Oh. Get used to that.

**von GILLERN:** OK.

**WALZ:** I'll check, I'll check it out.

**von GILLERN:** Senator Bostar has it figured out, so I'll yield the remainder of my time [LAUGHTER].

**SLAMA:** You get no time in this committee, Senator von Gillern. Senator Bostar.

**BOSTAR:** Thank you, Chair Slama. Thank you, Senator Walz. Thank you, Senator von Gillern. So my understanding is that it pertains to the cost for the FTEs if they were to write the grants. However, under the bill they aren't the ones writing the grants, so it's just outlining what it would cost them. It is interesting that, presumably, for the same grants that DED would be writing, there's a-- between what D-- DED quoted at around \$25,000 and DHHS quoted at like \$180,000. But that's why it's in the notes and not in the box.

**von GILLERN:** Thank you.

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**SLAMA:** Fantastic. Thank you, Senator Bostar. Any additional questions, comments from the committee? Seeing none, thank you very much, Senator Walz.

**WALZ:** Thank you.

**SLAMA:** All right. That closes out our hearing on LB278. We'll turn around and have our last hearing of the day, LB633, with Senator McKinney. Good afternoon, Senator McKinney.

**McKINNEY:** Good afternoon. Thank you, Chairwoman Slama and members of the Banking, Commerce and Insurance Committee. My name is Terrell McKinney, T-e-r-r-e-l-l M-c-K-i-n-n-e-y, and I represent the legis-- the 11th Legislative District in north Omaha. And I'm here to discuss LB633, establishing a Husker Fund. The intent of the Husker Fund, Fund is to make Nebraska the innovation capital of the Midwest by focusing on investing in the latest startups in the state's key industries. This will allow, this will also allow an opportunity for the business community to invest in this space in a way that continues to grow our state. Currently, our biggest strength in Nebraska is our diverse economy, which allowed our state to come out of the, come out of the, come out of the pandemic economically sound. We're highly competitive in the finance and banking industry, the insurance industry, the Department of Defense, manufacturing industry, agribusiness industry and even emerging industries like sports tech. Sadly, it is widely known in the startup community that building startups in Nebraska is tough because of our lack of infrastructure at certain stages of business ventures. I am hopeful the creation of a Husker Fund will begin the process of solving this problem. Two-thirds of our growth in, in our GDP has come from high growth technology. Nebraska has an opportunity to take advantage of these available funds. In doing so, we can make Nebraska the place that every innovative startup considers starting a business or, or relocating to in the Midwest. It is important to understand that a healthy, economic ecosystem-- that healthy, economic ecosystems in other states have been one of the reasons for some of our top talent to move. Nebraska can be the go-to state for every top Midwest startup in these core industries through the Husker Fund. My goal is to make Nebraska, as I said, the epicenter of venture capital and startups for our key industries. Using the Husker Fund, we can attract top talent to solve high level problems. For instance, growing the whole state economically from Scottsbluff to Omaha. There have been similar successes across the country. Illinois has it's Illinois Growth and Innovation Fund, which started in 2002 with \$74 million and has grown to \$1 billion plus-- a strong

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indication for success, which requires a 2 to 1 match. Indiana has the Indiana Next Level Fund, which started with \$500 million and it's split into two tranches. The first tranche of \$250 million is currently being deployed. It requires a 1 to 1 match. For example, if it commits \$5 million to a fund, the recipient must invest at least \$5 million into Indiana companies over the life of the fund. Another state is North Dakota, which has the North Dakota Growth Fund. It started with \$100 million from the state of North Dakota, which is currently being deployed and it requires a 1 to 1 match. I hope that we can move LB633 forward to put our state in a position to compete with neighboring states and eventually be a leader by creating a Husker Fund to partner with the-- our businesses in our state to grow our state as a whole. And I think it would help with attracting talent, retaining talent and, you know, taking Nebraska into the future. And with that, I'll answer any questions.

**SLAMA:** Thank you, Senator McKinney. Are there any questions from the committee on LB633? Seeing none, oh. Senator Kauth.

**KAUTH:** Sorry. How does this interact with the site-- McDonnell's LB644, the site development plan bill? Is it similar or is it complementary or--

**McKINNEY:** I don't know the particulars of that bill.

**KAUTH:** OK. Basically, developing megasites for industry and, and development. I don't know if it, if it's totally different or if it would-- everybody behind yours like-- be incredibly high.

**McKINNEY:** Yeah. It, it's different. That would be to try to, you know, develop some land--

**KAUTH:** OK.

**McKINNEY:** --across the state so we could attract businesses like Amazon and, and but those other ones. This would be more pertaining to a system with growing businesses in the state from, from start-ups and things like that.

**KAUTH:** So an incubator type or no?

**McKINNEY:** It could probably-- it most likely it could work with incubators and things like that, but it'd be more so, you know, finding-- it would be capital to assist with growing businesses and helping startups as they grow and scale up.

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**KAUTH:** OK. Thank you.

**SLAMA:** Thank you, Senator Kauth. Senator Ballard.

**BALLARD:** Thank you for being here, Senator McKinney. How did you come up with this \$62 million ask?

**McKINNEY:** It was just a number.

**BALLARD:** Just a number? That's, that's perfectly fine. That's perfectly fine. Thank you.

**McKINNEY:** No problem.

**SLAMA:** All right. Additional committee questions? Seeing none, thank you very much, Senator McKinney.

**McKINNEY:** All right. No problem.

**SLAMA:** We'll now open up proponent testimony for L633.

**MANNY QUEVEDO:** Apologize for the laptop, but if you invite a nerd to a party...

**SLAMA:** No worries. Good afternoon.

**MANNY QUEVEDO:** Thank you, Chairman Slama, committee folks. I, I appreciate the opportunity today. My name is Manny Quevedo, M-a-n-n-y Q-u-e-v-e-d-o. I'm going to use my notes a bit here. I believe that my testimony today is more to provide some background and color and understanding of what's really going out there, going on out there in the, in the industry. So with your indulgence, I'm the associate director of education for the Nebraska Startup Academy. The Nebraska Startup Academy is a new nonprofit. We're located on 24th and Lake. We also spend time at Millbrooks Common, south Omaha and Bellevue. We consider that part of the east Omaha complex that really needs our time and attention. We started out as a SEDI nonprofit academy to identify, promote, develop and really help startups come along. What we've discovered in a very short period of time is a -- the g factor, and that's a geographic disadvantage that many folks in our states have. So today, we've eliminated the barriers. We may be headquartered in north Omaha, but we will be addressing startup opportunities throughout the state of Nebraska in affiliation with a number of folks. We're currently funded by philanthropy and corporate funds. We'll remain nonprofit. Our sole-- again, our sole mission is to

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identify those startups, help them get to that first level. Many people don't understand that here in Nebraska, we've-- we have great investors, We have some wonderful folks. We're personally a big fan of what's going on with Invest Nebraska, the Nebraska Angels, a number of the other private firms. But to a large extent, those are growth investments. And there-- prior to that there are seed and pre-seeds that need to be acknowledged, built, grown and they need a lot of support. Talk a little bit about my personal background. I've, I've been in technology for 40 years. I spent 20 years of that working for multinationals. I've worked in 20 countries. I've lived in 12 states. I'm a real tech guy, right? So I've, I've really been around. Came to Nebraska for personal reasons 20 years ago, fell in love, decided to raise my children here. My grandchildren are here now, so I'm here. And as part of the tech community here, I've had the pleasure-- 20 years of that in corporate and 20 years doing startups. Three of those four were done here in Nebraska. It-- extremely painful in the end when we got to the growth stage, we really didn't have the capital here or access to investment here, so all of those investments were, were provided growth capital from out of state firms. And unfortunately, in all cases, they have left the state. And it's really been a sore spot for me as we go along. We decided to start the Startup Academy because we saw the need and we've been very fortunate. January 1 we recruited onto our team one of the top startup developers in the country. His name is Charlie Cuddy. Charlie, last year, was involved with 800 startups working for the Calacanis group out of San Francisco. We decided to launch January 1 regardless of funding because there was such a need that that really needs to happen here. In the month of January alone, we've had 28 new founders come forward that we're working with. There's a high failure rate and you have, you have to have the kind of tolerant capital that understands. There are fabulous returns, but there are risk, usually about a 70 percent failure rate until you work through that, then you work through other programs. Again, I mentioned NMotion and Accelerator. I know Scott's here today. We love those guys. We're the feeder, right? We're going to make sure that there's enough people coming at them that we can make good investments in Invest Nebraska, we make good investments through the NMotion and the accelerator programs. We work with the Nebraska Business Development Corporation, we worked with UNMC. We believe we'll kick off a startup academy with the Raikes School by April. There's just a significant need to do it. And part of the issue for us as a community, is we need to become a "yes" state when it comes to business, development and startup. It's not, it's not our reputation. In fact, we're seen as a place to come and poach easy



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business at that startup realm. And it's, it's disruptive, but what happens more than anything else, is it affects your general workforce and what happens when you're not a yes community, especially young people, see their future elsewhere-- and maybe I'll come back at a later date. What's happened now is we've exported over 500 tech jobs that we really needed, and those were Nebraska companies with Nebraska projects that couldn't find Nebraska citizens to operate those things. We're losing our tech leadership in the startup community because they're going elsewhere, very high friendlys, programs like you heard today, Illinois, Indiana. We're not losing them to California and Texas. We're losing them to neighboring states. And I know I'm going to come up on my time, so I apologize. I would just ask that we consider, as we move forward, that these funds have a vital role going forward.

**SLAMA:** Thank you very much, Mr. Quevedo. Are there any questions from the committee? Senator Ballard.

**BALLARD:** Thank you, Chair Slama. So when entrepreneurs come to your academy, what are their major needs? So is it, is it-- I need to figure out how to apply for an LLC? Do I-- I'll let you--

**MANNY QUEVEDO:** Yeah. We start at the very basics. Is this a concept that will work? Is this-- are there people-- are there going to be consumers to pay for this? But they need everything. They need-- we break it down into the business concept itself and qualifying it, making sure there's a available marketplace. When it comes to, we call technical services, banking, accounting, etcetera, most of them are very naive, especially folks in the communities we're currently working in. There is no-- of the family and friends to support them, either in matching funds or, frankly, technical services, basic legal and accounting capabilities. So we give them all the basics. When they're ready to move on to more mature programs-- there are more mature programs available here in Nebraska and I'm sure Scott will talk about some of those in a moment. But for the most part, we see it across the board. I have a concept. What should I do? We'll take them that early, but we'll mature them through. And we're seeing quite a bit right now, especially in artificial intelligence, robotics, the biosciences, cloud technologies, cyber ranges, those kinds of things. We're seeing everything across the industry. Tech is one of those things that-- tech touches everything. So it's easy to talk tech, but at the end of the day, it belongs to some vertical industry and has to be meaningful there. So to answer your question, there is actually a

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curriculum and I'll be happy to send along a copy of the whole curriculum to you.

**BALLARD:** Yeah, that'd be great.

**MANNY QUEVEDO:** Yeah.

**BALLARD:** Thank you.

**MANNY QUEVEDO:** I'd be happy to do that.

**SLAMA:** Thank you, Senator Ballard. Additional committee questions?  
Senator von Gillern.

**von GILLERN:** Yeah. Thank you for being here, Mr. Quevedo. I appreciate what you're, what you're doing here. One of the interesting things about being old is I've seen a lot of things tried before.

**MANNY QUEVEDO:** Sure.

**von GILLERN:** Some have succeeded, some have not. In fact, you've mentioned 24th and Lake and at one point there was an incubator-- the program there was in an old Hinky Dinky store. And that, since, has been torn down. The, the, the program was not successful. I've worked with the, the Chamber on their REACH program with Winsley Durand and others and, and so I've, I've seen many of these things tried. I'm not, I'm not speaking negatively over this program--

**MANNY QUEVEDO:** That's OK.

**von GILLERN:** --by any means, but I've seen a lot of things kind of come and go and very few have been successful. What the challenges always seem to be in business acumen, in capital. And, and capital is usually-- you know, there's an old saying that businesses don't lie for lack-- die for lack of business, they die for lack of capital.

**MANNY QUEVEDO:** Sure.

**von GILLERN:** So if you could just give me a little bit more structure on that, like the, the REACH program at the Chamber has a lot of structure and a lot of momentum and finance and history behind it and it struggles to be successful. What do you-- what are you going to do that's different than, than what's already been done and already been tried?

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**MANNY QUEVEDO:** Well, first of all, I think the expertise has been a big component of that. One of the, one of the most valuable things we're doing is soliciting area corporate executives to be involved right up front. So those-- and I'll use the example if you're familiar with Mike Lichtenberger at Nebraska--

**von GILLERN:** I know Mike real well.

**MANNY QUEVEDO:** --Tech Collaborative. He's a wonderful proponent, sits on our advisory committee, knows what he's doing, understands, you know, the difference between a tech leader and a, and a, and a business leader. Mike Cassling has been very supportive of us in, in some of the areas that we've talked about. The CIO Forum or CIO Committee of Nebraska Tech Collaborative been very active. By the way, when I say active alongside this, we're not waiting. We're going. January 1, we left the gates. We're also raising a \$10 million private equity fund to do exactly this. That's not a lot of money. It's not, it's not going to go a long way, but it's something-- what I love is all those folks I'm talking about wrote checks personally to get this thing going. So it's about buy in at the right level and getting the community involved. You know, there's so many resources, for example, in Nebraska Business Development Corp, we need to utilize those. We need to assure those. And to be very honest with you, when it's not working, you got to be tough enough to call it. And I think that when you talk about a 70 percent failure rate, I also say that 100 percent of our entrepreneurs that make it, were part of that failure rate at one time before. It's, it's understanding how to pivot, make a change, get things going in the right direction. And so we're very excited about it. But to answer your question point blank, you get senior executives from the business community involved and you get their money involved, you'll get attention and time and focus. And again, it's also-- we like to call it "not Nebraska nice". And in the tech community, when someone says "Nebraska nice", it's not meant as a, as a negative. It means we're going to talk about it and talk about it and talk about it and maybe we'll do something. This is about not being Nebraska nice. You're in, you're out, you make the changes or you're out of the academy. Those are the sort of things that we're talking about. The Academy is completely separate from the funding we're talking about here, but we need sources. And I'll use Invest Nebraska as an example. They've been fantastic, but you've got to get up to a certain level of viability and that's fair and reasonable. That's their charter. That's what they do. We just need to get to that point in the, in the game. So.

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**von GILLERN:** All right. Thank you. Appreciate it.

**MANNY QUEVEDO:** Long answer. I apologize.

**von GILLERN:** No, that's great. [INAUDIBLE].

**MANNY QUEVEDO:** But it's really about getting the leaders involved.

**von GILLERN:** Thank you.

**SLAMA:** All right. Thank you, Senator von Gillern. Any additional committee questions? Seeing none, thank you very much for being here today.

**MANNY QUEVEDO:** Anybody need a prospectus or a curriculum, I'll make sure it gets sent over.

**SLAMA:** Thank you. Good afternoon.

**ALEXI WELLMAN:** Good afternoon. How are you?

**SLAMA:** I'm loving life. How are you?

**ALEXI WELLMAN:** Great. You guys are about ready done. My name is Alexi Wellman. It's A-l-e-x-i, last name's W-e-l-l-m-a-n. My current position is CEO of Altaba, which was formerly Yahoo! I also serve on a couple of public company boards, and I also am part of SpringTide Capital, which is a venture capital fund that invests solely in healthcare, AI and data type companies, which does not tell you at all why I'm here today. I am here because about seven years ago when I was at-- when Yahoo! was still Yahoo! before Verizon bought it, I got very interested in the startup ecosystem here in Nebraska. Started with my iPad to try to sketch out what the ecosystem was here and very quickly found out there was large, large gaps across various avenues of that. Then started working with some founders and realized it was almost impossible for them to get capital here in Nebraska. So I began to use my resources outside the state because I could not find capital here. Outside of myself and my husband, we started angel investing in a few of those because that's the only source of capital they could find. So when it came to my attention that we were finally looking at something at a state level to put capital into this ecosystem, I'm here because I'm a believer in that. I don't have any ponies in the game other than some startups that are already going, but I am here because the gaps we have are, are several. But I have seen tremendous momentum in the last three years in the startup community. Manny is very humble. He

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was very humble why they're going to succeed. They're going to succeed because the people driving that are founders that have, have scaled businesses multiple times and know exactly what they're doing. He probably wouldn't say that, so I'm going to say that for him. Because that's why I see the difference there. But when we get to the capital side, there are huge gaps. So I know a great question of some of the previous bills I got to sit through and hear, that those are great moneys going to infrastructure and buildings and those type of things. This money is very different. In the startup world, you have various levels where you need that capital. You need that first angel round coming in, then you need your pre-seed and then your seed and your series A, series B, series C. When I started this, looking around five, seven years ago, we didn't really have any. Period. We're slowly starting to put together capital. We had the proven fund, Invest Nebraska's-- you know, outside of that has been there, but there hasn't been much else. We now have the Agtech fund, which is, I think, called Grit Road now. We also have a capital that's starting, as Manny mentioned, that's going to be at the very early stage. We still have gaps in all of those, even with those coming so this \$60 million is important. I would say it probably needs to be higher as we go down the road, but it's huge piece to the puzzle in the startup ecosystem that we need today.

**SLAMA:** Thank you, Ms. Wellman. Are there any questions from the committee? Seeing none, thank you very much for being here today. Good afternoon.

**BRIAN ARDINGER:** Good afternoon. My name is Brian Ardinger, B-r-i-a-n A-r-d-i-n-g-e-r. I come here as a startup community builder, an angel investor, and as director of innovation at Nelnet, where I serve on a team that invests in early-stage startups as part of our corporate venture fund. We at Nelnet support LB633 for a number of different reasons. One, we believe strongly that a strong, robust startup and entrepreneurial ecosystem helps not only the, the startups and the new companies that are being created, but larger corporations as well. First, I'll give you a little bit of background. So about 10 years ago, I started the NMotion accelerator as a way to, kind of, accelerate this idea of how do we create new companies here in Nebraska? When I started about 10 years ago, I think we, Nebraska, ranked maybe last or near the bottom of venture capital, right, maybe, above Puerto Rico and, and Mississippi. Now, we've gone quite a ways, but we're still probably middle of the pack, so there's still a long way to go and the competition has, has gone faster as well. So companies or states like Indiana and Wisconsin and Ohio and that have

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pped the game as well. Now, through that particular process of creating NMotion, you know, we were able to accelerate and fund early-stage startup companies. The first fund we had, companies like Quantified Ag and LiveBy, Noble, Breeze, RealmFive, that were created from that and have since gone on, either exited and/or created more jobs for the community. In fact, over the last 10 years of NMotion-- I don't run it anymore. Scott Henderson does and he can talk more about it. But over that 10 years, we've had, I believe, 77 companies that have come through that program. Twenty-three of those have gone on to raise an additional \$22 million in capital. So we know that we can do it in Nebraska, we just need to emphasize and get more people involved in this process. The benefits, obviously, to this particular bill is-- we think, from a corporate perspective, is having an-- a robust entrepreneur ecosystem-- it attracts talent to that ecosystem system. People want to work on big, new, bold ideas and we think that having companies where-- that can be started and where young talent can come and work, helps increase that as well. We think this particular program, also, will help us develop and double down on a couple of different industry clusters. Well right now, if you are trying as a startup to get funded, there's only a few sources. You know, if you go to the Nebraska Angels and you're not in the right sector or there's, there's nothing directly relatable, you may not get funded and you may have to go to another state or some other place to find that funding, where this will allow more funds to be created, specifically focused with more specialized networks, more capital focus on a particular segment, whether it's sports tech or agtech or construction, DOD manufacturing, etcetera. And then finally, I think this particular program will also enable ways for corporations to get more involved. So at Nelnet, we invest in individual startups. A lot of companies won't do that. If we have a fund of funds where corporations can get involved in investing in a fund where they're diversifying their, their investment across different startups and then also being more involved in just growing the ecosystem, serving on boards, mentoring, things like that, we think that's a very powerful statement. So we support LB633 and I'm open for any questions.

**SLAMA:** Thank you very much, Mr. Arding-- Ardinger or Ardinger?

**BRIAN ARDINGER:** Ardinger.

**SLAMA:** Ardinger. Got it. Any questions from the committee? Senator Ballard.

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**BALLARD:** Thank you for being here. So when an entrepreneur comes, can you just kind of lay out what you're looking for? Are you looking for just a business plan? Are you looking for an investment, an investment portfolio? What are you--

**BRIAN ARDINGER:** Yeah. So each in-- investor will look at it differently and it depends on where they are seeking that capital. So at the very earliest stages, you're looking for, you know, what does that individual have or that team have as far as the skill sets, background, what have they done in the past? A lot of times the particular idea, you know, is going to change and pivot because they have to figure that out in the marketplace. You know, as that company grows and moves along and they're trying to raise additional capital, maybe for a Series A or Series B, they figured out some customers are working on some things and the metrics get a little bit more, more specific to what you would think of as normal business metrics versus early stage investing, where you're really looking at, do we think this team can execute on the idea and do we think this is a possibility this-- that this company and this market could turn into something very big.

**BALLARD:** OK. Thank you.

**SLAMA:** Thank you, Senator Ballard, any additional committee questions? Seeing none, thank you very much for being here.

**BRIAN ARDINGER:** Thank you.

**SLAMA:** Good afternoon.

**SCOTT HENDERSON:** Hello. My name's Scott Henderson, S-c-o-t-t H-e-n-d-e-r-s-o-n. Thank you, Senator Slama for-- and senators on the Banking Committee. It's my first time on your committee, but last year was pretty active helping advocate for other bills like this. I'm excited to testify in support of LB633. As a-- as the managing principal of NMotion startup accelerator, which is powered by gener8tor, you heard the story from Brian about NMotion, 10 years here in the state of Nebraska. And I can tell you this, that it's because of previous Legislatures and, and Governors working together to pass the Business Innovation Act. We have 10 years of a flywheel that's turning and takes turn-- time to turn a flywheel. It's creaky and all. But if you looked at last year's Invest Nebraska report, over the last 10 years, we have been able to help Nebraska companies, collectively, because of the Business, Business Innovation Act, generate \$1 billion

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in outside investments and that was \$300 million just in the last year alone. So we are on a geometric curve of growth because of, of the years and years it takes to get this flywheel turning. I'm a native Nebraskan and I spent 20 years abroad, spending time in Atlanta, Boston, Indiana, working on national startup programs. And it takes decades. It's decades of investments. Silicon Valley is 75 years in the making and it takes trillions of dollars of money because of federal programs to go through those things to make that happen. But in addition to the succ-- the success that we've had, Brian had mentioned the 77 companies that the NMotion accelerator-- if you want some glossary terms, I'm happy to answer you in Q&A, of a little bit more about what is the-- all these terms we throw at you here in the startup world. But basically, it's a short amount of time. We put money into the company and we help connect these, these founders into-- with mentors and investors. Of the 77, 23 did raise additional funds of \$22 million and that created a lot of jobs, a lot of tax revenues due to support programs and a lot of wealth for the individuals involved with that. I'm part of gener8tor, which for the last three years has been operating NMotion. We were started about a year earlier than NMotion up in Madison, in Milwaukee, in Wisconsin, and since then have grown to 41 communities. We've, we've helped over a thousand startups either get started or accelerated and helped raise an additional billion dollars of funding from private investors for those startups. We work in the states that have been mentioned, including state of Nebraska, the state of North Dakota and state of Illinois and state of Indiana, working with those funds of funds. The Husker Fund in concept, in the parlance of investors, is a fund of funds where basically you're going to take money, put it in a big bucket and then-- and hire and basically chunk out parts of it to different people taking different approaches. So you're going to diversify your approaches, diversify your strategies. And the why \$62.56 million? Why not? Because actually, it's because it gets matched one for one, if I understand correctly. The private sector will come forward just like it has with the Business Innovation Act, de-risking it by having the state help put the first half in. I know that corporations are looking to help because they understand great trees never grow alone and big oak trees know that they need a strong, vibrant forest to continue to grow and succeed. And part of that great strong, strong forest is, is the startup community. You can tell the importance of this bill by seeing how many suit coats us startup people showed up wearing. [LAUGHTER]. But it is, it is an exciting opportunity. Other states-- this is table stakes now. A lot of what you're considering today on-- in your committee meeting, there's table



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stakes. Other states are doing these things and they're the ones that will stand out and will win the, you know, these, these battles for talent. We lost two great entrepreneurs in the last year because there was a gap in the funds, the later stage funds, the, the people that wrote the in-- the investment, that actually offered the investment, were out of state funds and attracted the talent that we developed here in Nebraska with the early stage funding that we have. There was a gap post and they-- the requirement of their investment was that they had to move to Chicago. So we lost two individuals, Keith Fix and Taylor Monks. They were the CEOs of two great growing companies that Nebraska incubated and we lost. Husker Fund would help solve that. It would give us money at the later stage and to what Manny was talking about in the earlier stage, because that's really the gap, the funding that we have here, a person with a great idea can get \$250,000 of investment right off the bat, thanks to the Business Innovation Act and the Nebraska prototype grant. What we need is earlier money and we need later money. And the Husker Fund will do that. Happy to answer any and all questions for you. But the last thing I leave with you is, if you ever had to do community service for high school or whatnot and you had to go help put a fish habitat in a, in a reservoir, you know, this is the basic idea. You know, why-- I was thinking, why was I putting all these cinder blocks in this big empty field that is now Zorinsky Lake is because you need substrate for that habitat. And that's what the Husker Fund is. It's a substrate that allows for a very vibrant habitat to, to, to grow and thrive. So.

**SLAMA:** Thank you very much, Mr. Henderson. Senator Jacobson.

**JACOBSON:** Thank you, Mr. Henderson. I guess, I guess I have one question with regard to-- through these-- this funding, is there any component of this that would be revolving in nature? In other words, you've talked about, we put early seed money out there and then we lose somebody to Chicago or-- and we also talk about we have a lot of failures, but then we have those people that are successful, become very wealthy as a result of it. Do we get any of that money back in terms that-- to help? I mean, it seems to me we, we keep dumping money into programs and, and, and I'm not saying it's a bad thing. It's just that you would hope that some of these that are successful that would not have been had they not gotten this seed money, are bringing-- either we get some piece of equity or something that allows us to get paid back and become self-funding, as opposed to the Legislature constantly re-- recapitalizing.

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**SCOTT HENDERSON:** Oh, yeah. Great question And it's good, good chance to, to-- for some clarification. So for example, in the Business Innovation Act, allocations that the Legislature gives that Invest Nebraska does then go invest any of the, the, the returns on investment that gets brought back to Invest Nebraska, it then is allowed, you know, allows them to invest in other companies as well. I'll give you a good example. Quantified Ag, which Brian had mentioned, which came through NMotion, which was a Business Innovation Act recipient of some seed funds, even-- while the exit is undisclosed because of the terms of agreement-- Merck Animal Health Science bought it-- single largest return on investment in any NMotion company investment. The money that Invest Nebraska made off of that are-- the return on investment-- they were able to then turn around and invest in 10 new companies that came through the NMotion Venture Studio. So there is an [INAUDIBLE] component to this that it happens. And certainly, as, as the manager of the fund-- manager of the Husker Fund would allocate to the different groups, could put that in the stipulation of how they're doing it. You know, I think it's great. I, I think we would love to have Husker Fund better than no Husker Fund. The only tweak I would say is loosen the language of requiring this to be a company that manages this fund be a Nebraska headquarters, because there's tremendous amount of funds of funds out there, other companies across the country. I'd open it up for, for bids and get the best and brightest people to move-- to manage the fund itself, to make sure things like that happen, that there is a accretive effect, that the wins that are-- happen-- the windfall comes back into the ecosystem.

**JACOBSON:** Thank you.

**SLAMA:** Thank you, Senator Jacobson, Senator Kauth.

**KAUTH:** Thank you, Senator Slama. So is there a mechanism when these grants or investments are given to keep people in the state? Once they do become successful and they say, gosh, it's a lot warmer in Florida [INAUDIBLE]. Is there a mechanism for either a certain time period or a certain amount of payback that they do actually stay in the state?

**SCOTT HENDERSON:** Now, as to the Husker Fund, how it would be operated, I'm, I'm not certain exactly what the plan would be, but I do know, currently, right now, the funds at Invest Nebraska through the Business Innovation Act-- it does have a requirement for a certain time period. But really, when these-- don't see these as-- I mean, I look at the investment side of things. And the investment side of

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things is you want the best return on that capital. And we want to have these companies stay here. But at the same time, if we've invested in them and we forced them to do something that they can't-- you know, that, that will lead to their failure in the marketplace, it means that we will never see a return on investment. The way venture capital works is you only see profits. I mean, you only see a return on your investment if you write the check when that company gets sold or merged into another company like, like Quantified Ag. And that moment, then that money gets pushed back to the folks who had ownership stakes in it and most of those folks here in Nebraska. And so, it-- you see that the people will start to bed back and put that money and put it back into the ecosystem. But--

**KAUTH:** Thank you.

**SCOTT HENDERSON:** --you could, but I think it-- also, you want to make sure return on investment happens.

**SLAMA:** Thank you, Senator Kauth.

**BALLARD:** I do.

**SLAMA:** Senator Ballard, I could see it on--

**BALLARD:** You'll like this question.

**SLAMA:** --your face.

**BALLARD:** You'll like this question, I think.

**SLAMA:** Oh, I bet I will.

**BALLARD:** Can, can you talk about some of the possibilities outside of Lincoln and Omaha for this program?

**SCOTT HENDERSON:** Oh, absolutely. So the pandemic allowed us to experiment through the programs that we do. In NMotion, historically, an accelerator would require people to locate physically and all work in the same classroom and for 12 weeks you're, you're doing work in the, in the morning around concepts. In the afternoon, you're, you're-- you know, building your company by talking to customers. Well, now that we have Zoom and other video-based chat, we pushed most-- almost all of our programming is done via Zoom with our, our cohort members. And we've actually, in the last two years, have helped build companies in Grand Island and Kearney, specifically. And one of

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our shining stars is a guy named Dusty Birge, who's a Kearney, a Kearney kid. But Benkelman-- grew up in Benkelman but went to Kearney. And he came through our program last year and raised \$1,000,000, in less than six months, of additional capital. He, he set our high score, so far, in terms of the venture studio and just is in the midst of raising another \$2 million and is located in Kearney, Nebraska and he's building the company in Kearney, Nebraska. So yes, there's, there's stuff just by population, because, you know, I kind of, equate startups to kind of, yeast. You know, the yeast, you don't want to, you don't want to eat a loaf of yeast. You want a little yeast here and there, it makes the bread. And there's-- you just find more of the crazy startups in higher population centers. But there are great programs in Grand Island, great in Hastings, in Kearney, North Platte, in Sydney, Norfolk-- there are pockets of people out there and our programs do reach those people.

**BALLARD:** Thank you.

**SLAMA:** All right. Thank you, Senator Ballard, Any additional committee questions? Seeing none, thank you very much, Mr. Henderson.

**SCOTT HENDERSON:** Thank you, Senator.

**SLAMA:** All righty. Any additional proponent testimony? Do we have any opposition testimony for LB633? Seeing none, any neutral testimony for LB633? All right.

**LAUREL OETKEN:** Senator Slama, members of the Banking, Commerce and Insurance Committee, my name is Laurel Oetken, spelled L-a-u-r-e-l O-e-t-k-e-n, and I serve as the director of entrepreneurship and innovation for the Greater Omaha Chamber. I'm here today to offer a neutral testimony for LB633, and I know I'm the last one keeping you between the rest of your day, so I'll try to make this as brief as possible. We wanted to inform the committee of a few efforts that are happening in the innovation space, some of which are supported by the Nebraska Department of Economic Development and that really complement what has been introduced by this bill. Our organization is leading efforts to have stakeholders and representatives from Omaha and Lincoln within the government, corporate, university and risk capital sectors, along with a number of startup founders and entrepreneurial support organizations to participate in a program in partnership with the Massachusetts Institute of Technology, MIT as you more likely know it. It's called their Regional Entrepreneurship Acceleration Program, REAP for short. The program kicked off earlier this year in the summer

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and we will formally conclude this program in November of this year. A small group of stakeholders within the innovation and entrepreneurship ecosystems will travel for a series of four workshops that take place on MIT's campus in Boston and one international location, which will actually be western Australia this summer. The overarching goal of this program and its intended output is to produce a well-designed, thoughtful, action-oriented roadmap that includes if you, quote, unquote, must win battles or key initiatives, as you may well know it, the best support innovation in our respective communities and answer the challenges that founders of high growth, highly innovative companies are facing right now. Our participation also has the financial backing of the Kauffman Foundation, based in Kansas City, Missouri, and is one of the largest grants that the state of Nebraska has received to date from this foundation. We're also joined by competitor cities in the heartland, such as Des Moines, Saint Louis and Kansas City. Additionally, this program and our participation is gaining Nebraska's innovation and entrepreneurship ecosystems, global recognition and awareness. There are few other global counterparts that are participating in this with us. Our efforts have been supported by any Nebraska Department of Economic Development. And in November, Senator Justin Wayne actually joined us in one of our rotating positions to have a member of the Legislature participate in the program. We would like to thank Senator McKinney for bringing forth this bill and for his efforts thus far in supporting innovation and the advancement of entrepreneurs across the state. As mentioned earlier, efforts in LB633 are very complementary to the work that we're trying to accomplish through the MIT REAP program. We'd also like to offer that across the state and across the board, access to more venture capital is always valuable to found- founders, excuse me, when managed responsibly, especially when not only in Nebraska but across the country, there's not enough dollars going to support women-owned and minority-owned enterprises. As Scott mentioned and something that I'd just like to highlight again, in 2021 alone, we saw 40 executed deals for startups in Nebraska, totaling to over \$300 million in venture capital that was deployed across our state. This truly set the bar high in our state of Nebraska for what we can do as it relates to supporting startups at these high rates. We would love to see more funding and a great framework and structure to partnered with that, whether that be through the Husker Fund or other funding mechanisms supported by the state. Lastly, we look forward to working more with Senator McKinney as this bill advances and want to make sure that with, with-- when and if approved, this can be as successful as

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possible. I'm happy to take any questions if there's time permitted for that. Thank you.

**SLAMA:** Thank you, Ms. Oetken. Are there any questions from the committee? All right. Seeing none, thank you very much for being here this afternoon. All right. Any additional neutral testimony for LB633? Seeing none, Senator McKinney, would you like to close? And as you approach, for the record, we have no letters for the record for LB633.

**McKINNEY:** Thank you. And thank you to everyone that came out today to testify. I think LB633 is a needed, much needed idea and concept for the state of Nebraska to grow our state in that startup and entrepreneurship space, not only in Omaha, but like in Scottsbluff, Kearney, wherever. My goal is to try to grow the state. I know I represent north Omaha, but I'm a Nebraskan and I'll try to do whatever I can to try to grow the state. You mentioned OSBN. I, I think it, it wasn't successful [INAUDIBLE] one capital, but two, I think. They set up an incubator but they didn't have supports behind it. Last year, my priority bill, the Innovation Hub Act, was passed and we're hoping eventually, once we get through all this process, that we could have an innovation hub in north Omaha to help small businesses and entrepreneurs with growing and being innovative. And I'm open to any questions you might have.

**SLAMA:** Thank you, Senator McKinney. Are there any additional committee questions? Seeing none, thank you very much.

**McKINNEY:** All right. Thank you.

**SLAMA:** This closes out LB633 and our hearings for today. Members, please stick around. We'll have a short--