

**JANUARY 29, 2001**

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January 29, 2001 LB 25, 152, 238, 270, 334, 400, 600  
LR 22-25

PRESIDENT MAURSTAD PRESIDING

PRESIDENT MAURSTAD: Good morning. Welcome to the George W. Norris Legislative Chamber for the seventeenth day of the Ninety-Seventh Legislature, First Session. This morning our prayer will be by Senator Cap Dierks. Senator Dierks.

SENATOR DIERKS: (Prayer offered.)

PRESIDENT MAURSTAD: Thank you, Senator Dierks. Members, we will call the Legislature to order. If you would please record your presence. Mr. Clerk, please record.

CLERK: I have a quorum present, Mr. President.

PRESIDENT MAURSTAD: Thank you, Mr. Clerk. Are there any corrections for the Journal?

CLERK: No corrections this morning, Mr. President.

PRESIDENT MAURSTAD: Any messages, reports or announcements?

CLERK: Your Committee on Health and Human Services reports LB 25 to General File; LB 238, General File; LB 152, General File with amendments; likewise with LB 270, LB 334, and LB 400; those reports signed by Senator Jensen as Chair. I have a confirmation hearing report from the Health Committee. Mr. President, priority bill designation. Senator Coordsen has selected LB 600 as his priority bill for this session. A series of appointment letters from the Governor; those will be referred to Reference for confirmation hearing. Mr. President, LR 22, LR 23, LR 24, and LR 25 are ready for your signature. And I have a report from the State Highway Commission, Mr. President. Those are the only items I have this morning. (Legislative Journal pages 429-433.)

PRESIDENT MAURSTAD: Thank you, Mr. Clerk. Members, while the Legislature is in session and capable of transacting business, I propose to sign and do sign LR 22, LR 23, LR 24, and LR 25. Mr. Clerk.

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CLERK: Mr. President, Senator Raikes, as Chair of Education, offers a confirmation report, found on page 398 of the Journal.

PRESIDENT MAURSTAD: Senator Raikes, you're recognized to open on the committee...or the confirmation report of the Education Committee.

SENATOR RAIKES: Thank you, Mr. Lieutenant Governor, and members. The Education Committee brings to you Mr. Charles Ward who is a candidate, nominee for appointment and confirmation, should you so decide, to the Board of Educational Lands and Funds. A little information which I'm sure you'll find interesting, the board has five members, four from Nebraska's congressional districts as they existed on January 1, 1961, and one at-large member. Members are appointed by the Governor and confirmed by the Legislature to rotating five-year terms. Once appointed to the board, members are independent trustees who manage the board's activities and conduct its business operations in a nonpartisan, nonpolitical manner. Mr. Ward would be a new member to the board and he would be serving in the at-large position. He is from Valentine, Nebraska; he is a landowner, a person who's been in that area for a number of years and also is in the business of raising exotic animals, as I understand it. The committee found him qualified, as evidenced by a 7-0-1 vote. So, with that, I...I suggest to you that we should confirm Mr. Charles Ward.

PRESIDENT MAURSTAD: Thank you, Senator Raikes. Senator Jones.

SENATOR JONES: Mr. President, members of the body, I want to stand in strong support of Charles Ward. I've known Charles Ward going on nine years now and so he's been really helpful every time I've been to Valentine, and I think he'd be a good person on that. We needed somebody out that far west because of all the land, there is over 200,000 acres in Cherry County alone, and that's where he's at. So I strongly support Charles Ward, I think he'd be a good addition to the board. Thank you.

PRESIDENT MAURSTAD: Thank you, Senator Jones. Senator Raikes, you're recognized to close. Senator Raikes waives closing. The question is the adoption of the confirmation report of the

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Education Committee. Those in favor vote aye; those opposed vote nay. Mr. Clerk, please record.

CLERK: (Record vote, Legislative Journal page 433.) 31 ayes, 0 nays, Mr. President, on the adoption of the confirmation report.

PRESIDENT MAURSTAD: The confirmation report is agreed to. Mr. Clerk, the next item.

CLERK: Mr. President, Senators Brashear, Wickersham, Brown and Bruning would move to withdraw LB 76.

PRESIDENT MAURSTAD: Thank you, Mr. Clerk. Senator Bruning, I understand you are going to open on this motion to withdraw on behalf of Senator Brashear and the other cointroducers?

SENATOR BRUNING: I am. Mr. President, members of the Legislature, I rise to introduce this motion to withdraw. This bill has been introduced in substantially the same form under another bill number that I don't know off the top of my head. But Senator Brashear has asked me to open on this motion and ask that you support the motion to withdraw LB 76.

PRESIDENT MAURSTAD: Thank you, Senator Bruning. Discussion on the motion to withdraw LB 76? Senator Bruning, you're recognized to close. Senator Bruning waives closing. The question is to adopt the motion to withdraw LB 76, a simple majority vote. Those in favor vote aye; those opposed nay. Mr. Clerk, please record.

CLERK: 28 ayes, 0 nays, Mr. President, to withdraw LB 76.

PRESIDENT MAURSTAD: LB 76 is withdrawn. Mr. Clerk, General File.

CLERK: Mr. President, General File, LB 278A, introduced by the General Affairs Committee. (Read title.)

PRESIDENT MAURSTAD: Thank you, Mr. Clerk. Senator Janssen, you're recognized to open on LB 278A.

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SENATOR JANSSEN: Thank you, Mr. Lieutenant Governor, and members of the Legislature. The Liquor Control Commission estimates the cost of the bill at, let's see it would be at \$10,000, \$7,000 for a computer online system, and another \$3,000 for the batch programs and subprograms to automate the bill. Although it's a relatively small amount, the agency has a relatively small General Fund budget of only seven hundred and some thousand dollars and the agency is unable to absorb this amount. That's the reason for the A bill and hope that you can find it to vote in favor of this. Thank you.

PRESIDENT MAURSTAD: Thank you, Senator Janssen. Debate on the advancement of LB 278A? Senator Janssen, you're recognized to close. Senator Janssen waives closing. The question is the advancement of LB 278A. Those in favor vote aye; those opposed vote nay. Mr. Clerk, please record.

CLERK: 25 ayes, 0 nays, Mr. President, on the motion to advance LB 278A.

PRESIDENT MAURSTAD: The bill is advanced. Mr. Clerk.

CLERK: Mr. President, LB 51, introduced by Senator Landis. (Read title.) The bill was introduced on January 4, referred to the Banking Committee, advanced to General File. I have no amendments to the bill at this time, Mr. President.

PRESIDENT MAURSTAD: Thank you, Mr. Clerk. Senator Landis, you're recognized to open on LB 51.

SENATOR LANDIS: Thank you, Mr. Lieutenant Governor, and members of the Legislature. Insurance is a little different from many of the other areas that the state does business in because, historically, insurance was not originally viewed as interstate commerce and therefore not subject to federal regulation. Later there was a finding that an insurance contract was interstate commerce. However, the federal government chose to forego jurisdiction over insurance by something called the McCarran-Ferguson Act that said, even though it could be interstate commerce, we're going to decide that it isn't, and

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therefore we're going to allow the states to regulate insurance. So we've been living for 50 years or so with state regulation of insurance at the behest or whim of the federal government. Recently, in the last decade, the desire for a shift from the locus of the state to the locus of the federal government as the center of insurance regulation has begun to arise in the industry itself. Originally, it came about from some consumer groups who said we want to have a handle on insurance and we think the federal government can do that, and that was shot down. But parts of the insurance industry are now making the same argument. About a year ago we passed the Gramm-Leach-Bliley Act in Congress; it was a financial services modernization act. It affected all kinds of financial institutions but among them insurance. And that part of the insurance industry that's looking for more federal regulation had a...had the high hand, had the strong cards in Gramm-Leach-Bliley, called GLBA in the business, and it gradually sent out a signal to the states saying, you need to make your regulation more harmonious, more uniform and more easily complied with by nationwide insurance companies that are doing business in 30, 40 or 50 states. What you see before you in LB 51 is the first of what I would predict will be several pieces of legislation that will try to find a new balance between state regulation and federal regulation. And this is a state regulation system but consistent with a general goal of national uniformity. What Congress told us was this, plenty of insurance companies have agents that do business in multiple states; and right now they have to go out and they have to get an individual license in every one of those states that they do business in; they have to pay a fee in every one of those states; they have to take tests in those various states. You've made it so that the ability of the company to create a nationwide network of agents is very difficult and the training that the company gives its own members and employees has to address state-by-state differences, and it's just too much of a hassle. States, you have about 18 months; if you can get essentially similar rules in all, well, thirty-some states, then we won't go forth with our plan, because our plan is to handle the entire insurance agency licensure process by a quasi-private corporation doing business with the federal government. We're going to hand it over to an association of registered agents and

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brokers and they're going to be responsible for insurance agents and brokers' regulation. The NAIC, the National Association of Insurance Commissioners, has come up with a model act for states to use, and this is it, it's the Insurance Producers Licensing Act. Producers means agents or brokers, it means people who produce insurance. The terms are essentially the same as they are in a huge number of other states that will be introducing this, and there is a time line on seeing to it that bills like this are passed around the country to show that states both want to continue to regulate, but can regulate in confluence with other states so that national insurance companies are faced with a surmountable body of regulation, not an insurmountable body. Section 2 tells us that this bill does not apply to surplus lines, agents and brokers. Section 3 are the definitions. Section 4 prohibits the sale, solicitation or negotiation of insurance without a producer's license. This will take place...this will take the place of our current agent's license in this state and that the department can have an injunction against those who do so. There are some exemptions. There is a written examination for producers that emanate from this state; there's an application form, as required in Section 7; it defines the types or lines of insurance that will have a producer status; it allows for the waiver of renewal procedures, as well as laying out the renewal procedures. And then it goes into, in Sections 9, 10, and 11, one of the essential changes in this bill from what we're doing now, and that is to have a much broader reciprocity agreement with other states. This says that if another person is licensed in another state and that home state awards licenses to Nebraska residents on the same basis, meaning this relatively new regime of reciprocity, then we will recognize that producer in this state; we will grandfather producers from other states into Nebraska; we'll need to be notified of name changes; and we will continue to have grounds for the suspension and refusal to license a provider; and, by the way, those grounds include incorrect information, violating insurance law, misrepresentation, mismanaging money, unfair trade or claims practices, forging signatures, cheating on the insurance agency exam, failing to pay state income tax, allowing an entity to...the suspension of a business entity license if that business entity had a knowing violation that was reported and found so by the director; in other words, there's plenty of

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ways to suspend or revoke a license. Commissions can only go to licensed people. And when an insurer terminates an insurance producer, meaning if a company fires or lays off an agent, they are to report that termination to the director of Insurance within 30 days; and then there are limitations on fees to be raised by this method. We'll have a local test; we will put people into the business here in this state; they will then be able to be reciprocally recognized in other states as those states will be reciprocally recognized to operate in this state; and in so doing, we should both maintain state regulation of insurance agents and producers, forestall the federal regulation of insurance, and at the same time leave, in our director of Insurance, the power to regulate and discipline agents that misbehave. I would commend LB 51 to you and ask for its advancement. Thank you.

PRESIDENT MAURSTAD: Thank you. Senator Landis. For debate on LB 51, Senator Beutler.

SENATOR BEUTLER: Mr. President, members of the Legislature, Senator Landis, let me...let me just ask you a little bit about these changes that are going on and what this means.

PRESIDENT MAURSTAD: Senator Landis.

SENATOR BEUTLER: If the federal government is saying to us, look guys, you have a uniform law or else, and when this organization called the NAIC, is that right?

SENATOR LANDIS: Um-hum.

SENATOR BEUTLER: And that's all the Insurance Commissioner, that's our...the bureaucratic head of our Department of Insurance? Okay, who represents us, is that right?

SENATOR LANDIS: Yes.

SENATOR BEUTLER: So they get together and make this quasi-uniform law.

SENATOR LANDIS: Right.

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SENATOR BEUTLER: Now, it's not like a compact. It's not enforceable or anything, in fact, I guess one of my questions would be eventually, when I get to the end of my questions, why not a compact? Why do we go that route sometimes, but not this time? But the deeper question, I guess, is this, if I had an amendment to this bill today, if it's a serious amendment, are you likely to stand there and tell me, well, Chris, it's a great amendment, but the NAIC hasn't approved that amendment, therefore I don't think we could do it, because if we adopted it this law will not be uniform and therefore we just can't do it? And if what we're doing is creating a superagency out of the NAIC, then I guess my next question is, why should I want that as opposed to going to my representatives in the federal government, who are least elected, and relying upon this national group, who's not elected, and who I'm not sure is going to represent the consumer interest in my state, for example, maybe any better than the elected representatives at the federal level. Let me...let me open that series of questions up to you...

SENATOR LANDIS: (Laugh)

SENATOR BEUTLER: ...and tell us...tell us...

SENATOR LANDIS: Sure.

SENATOR BEUTLER: ...why this is a good thing? I'm not...it's...

SENATOR LANDIS: Okay.

SENATOR BEUTLER: ...it's not clear to me that it is.

SENATOR LANDIS: The answer to that will start whether or not you want to regulate insurance at a state level or a federal level. The virtue of operating regulation of insurance at the federal level is it is uniform; one rule will obtain nationwide. The downside of that, I think, are twofold, yeah, are twofold, is twofold, the downside is twofold. (Laugh) First, I find that the availability and responsiveness of state regulators to

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be infinitely greater than federal regulators. I've had truck with both, and the difference of responsiveness is at least an order of a magnitude and maybe more. So, if I want to make a complaint, I do have plenty of experience of making complaints or interacting with a regulatory system that is very responsive, and I have experience in interacting with a bureaucracy that is not at all responsive, and the difference is, if it was a state agency it was, and if it was federal it was not. And that may not always be the case but it is in this area. The second effect is if it's federally regulated, it will be federally taxed. Insurance is the third largest source of income to this state...

PRESIDENT MAURSTAD: One minute.

SENATOR LANDIS: ...after the sales and income tax dollars, and remember that the corporate income tax is part of the income tax. This is the third largest source of income to the state. It pays for a number of things, not the least of which is health insurance for our already sick people who cannot get insurance anywhere else. So, the two things I think are at stake here are responsiveness to consumer complaints and a source of income to the state. There may be more, but those are the two that I would recommend to you, which is why I think maintaining state regulation has value as opposed to the federal regulation. If you don't see it that way, this may be a path you may not want to go down. The answer to the question that you asked before was, look, would I stand up and say you can't do this? And the answer is, no, you could do that; if you have a great amendment, you can make a great amendment. What we have is a system in which people have, in many different states, stood up and made great amendments so that the system has 50 different laws, which makes it then very difficult to comply with.

SENATOR COORDSEN PRESIDING

SENATOR COORDSEN: Time. Senator Beutler, please.

SENATOR BEUTLER: I would give my time to Senator Landis, to continue.

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SENATOR COORDSEN: Senator Landis.

SENATOR LANDIS: What I wouldn't say to you is that we do not have the power to amend this; we do. It would be at some cost. And the cost is that at the point in which the federal government concludes that states are not making the national insurance marketplace sufficiently user-friendly by the companies, they will take this power from us. So, even though this is relatively uniform language, if you wanted to make some amendments to it, there would be a point at which we could do that; there would be a point at which Congress would say, of course you have the power to do this, that's the law in the state of Nebraska, and we're going to...we're going to take that power away from Nebraska and give it to a private corporation, which is the plan right now, not a federal agency at all, but something to be created by the federal government, called, let's see, the National Association of Registered Agents and Brokers, something that does not now exist. So, we are free. You've got amendments. I will say there will be a cost to getting a nationwide system that's so "un-uniform" that Congress takes this away from us and proceeds with its current plans if we don't do this. That doesn't come from the NAIC, that comes from Congress. By the way, I think in the hypothetical you posed, I think you said, well, gosh, wouldn't it be better if we could all run off to Congress, where we have confidence in our elected officials. You may have confidence in those elected officials, I'm not sure I do in the same measure. And it may be that one gets trapped in the job that they've been doing, and I may well be a victim of being trapped in the job that I've been doing. But I will say this, the single most powerful voice for the consumer interest in the insurance field are the...is the Association of Insurance Commissioners. There's nobody who works harder for a consumer interest than they, and that is again, I think, a lot more than what the federal government has done. I don't think Congress has been particularly sensitive to insurance consumers, I think they've been just as or more concerned about the profitability of insurance companies than consumers. If I had to place my faith, my history of 10 or 12 years in the field would put it at the feet of the NAIC and not at Congress. Now there are some people on this floor who have a lot of experience, Patrick Bourne is in this business,

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Pat Engel is in this business, maybe they have something to add. That's my own personal reaction, but they certainly have...they can either contradict or support what I'm saying about the relationship of the NAIC to the consumer, but that's my feelings anyway.

SENATOR COORDSEN: Thank you, Senator Landis. Your light is next; did you want to say anything more?

SENATOR LANDIS: Actually, I want to just give my time to Senator Beutler, so he (laugh) can continue his line of questioning.

SENATOR COORDSEN: We had a little side conversation going on, I do apologize for that. Senator Landis, inadvertently your time was struck, but Senator Beutler's light is next. Senator Beutler.

SENATOR BEUTLER: Senator Coordsen, members of the Legislature, the only question that you didn't address to some extent, which you may want to address eventually here, is the question of why not a...why do we not use the compact mechanism in this case but the National Commissioners Association in this case? You know, one may make the argument in a particular case that if the power is not going to reside in this Legislature, and that's the thing that disturbs me here is that one more area is essentially eluding the power of this Legislature again. Because I think in all fairness, if I'm understanding this correctly, Senator Landis, in the future, in order to get any change in this area of law now, in this whole area, this whole broad area of law to get any change we're going to have to petition the National Association of Insurance Commissioners. And, if they turn us down and say, no, this is not good for the whole nation, then we're not going to be able to change the law, because now we have a new thing being held over our head. And the new thing now, and this is new as far as I know, the new thing being held over our head is you do it our way or we'll just do it ourselves. Now, we're going to come up with the "oh-eight" law here, shortly, and be debating that. And to some extent that's the same thing, but it's a little bit different in the way it's being done, because now we're not just losing the power to the

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federal government, but we're losing the power to a group called the National Insurance Commissioners. Now, I don't know what the rules are there about who's appointed and how much power relative to all the states there are in that particular commission. We have no control over that, as far as I know right now. So, what if they start changing their rules and, you know, we still have to go to them? You know, right now you say, and I understand, Senator Landis, well, going to Congress isn't...isn't very satisfactory in an awful lot of situations. But I guess my question would be, once it becomes obvious that this insurance commissioner group is where the power resides and the lobbying pressure is put on that group, and that group has to represent 50 states as opposed to 1 or 2 states, what makes us think that that group is going to be anymore responsive to us than the Congress? I'm not sure that the satisfaction or the relative responsiveness of that group will, in the long-term, be better. But if now this particular area of law is being taken away from us and Senator Landis is suggesting that a whole number of others are likely to be taken away from us soon, under this same process, then I guess all I'm suggesting is we all ought to be thinking very hard about what this new process is and where power is going. I don't know if all these other areas he's talking about also then resides power in this conference of insurance commissioners, or if there are other new groups being created? Now I don't like much the idea of the federal government creating some private agency,...

SENATOR COORDSEN: One minute.

SENATOR BEUTLER: ...but at least the federal government, I assume, would have control over that agency and the terms under which that agency does business. I'm wondering if our control over the National Commissioners will be as great or greater than that? And I think today that these are the kinds of questions we should be asking ourselves as we...as we look at the precedent that's being established here. And I don't think any of the particular provisions of the bill matter much, compared to those larger questions. So I'm hoping that there is some interest in what's happening. And, Senator Landis, I would give you the rest of my time to talk about the compact question, if you so choose.

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SENATOR COORDSEN: There's eight seconds left, Senator.

SENATOR LANDIS: I've got my next light on, I think I'll just take my own time.

SENATOR COORDSEN: (Doctor of the day introduced.) Senator Engel, please.

SENATOR ENGEL: Mr. President, members of the body, Senator Landis said I am in the business; I was in the business, I retired last June, but I do have quite an interest in the business because I do want my retirement checks to keep coming, albeit they are very small. The thing is with this...with the Gramm-Leach-Bliley financial service modernization act, to me, I agree with Senator Landis that we're turning over too much power to the federal government and taking away from the states. And Senator Beutler has mentioned well perhaps these...using this organization of insurance commissioners, why would we have more influence there? First of all, there would be fewer of them. We would have equal representation in that body, where in the Congress, of course, we don't; we don't have as much control over Congress as I believe we'd have over this. And I believe it does open up, as far as the licensure act itself, I believe it does open it up, the free market board to agents who are doing business. As long as you can pass the test and have a license in your own state you'll be able to do business across the country. At the present time, when I was in the business I was licensed only in three states--South Dakota, Iowa and Nebraska. Well, that actually is in my proximity, so it worked very well for me. And we...the other two states did reciprocate, so that as long as I had my license and I had my credit hours in the state of Nebraska, as long as I paid the license fee in those other two states then I could sell insurance in those states. So they did...they did respect ours, but that wasn't true across the country. Of course, I didn't...you know, and I had clients that I possibly could have written in California and different areas because I knew the people, but I could not do it because I was not licensed to do so. And so therefore, unless you want to do it on a basis where you dated the policy in Nebraska, making it official, but it

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wasn't really legal so I did not do that. So you lose business that way. So I think it's opening up the markets to more...more free market system. And I'm going to listen very closely to the debate because I totally don't understand the bill, but as far as the gist of what I've heard so far I totally agree with it. And I'll turn my time over now to Senator Landis, if you'd like to have more time. Senator Landis, would you like...

SENATOR LANDIS: I'll use this to...

SENATOR COORDSEN: Thank you. Senator Landis.

SENATOR LANDIS: Thank you, Mr. Speaker, members of the Legislature. You could use a compact, entirely possible to use a compact. There's two reasons why I think it wasn't done. Number one, a compact winds up having its own employees and its own structure, separate from state regulation. I think the commission said, look, we can...we already have people in our own offices doing this work. We don't need to create another layer through the compact...through a compact process, I'm going to guess that would be one reason. The second reason is that the compact, which might arise out of our own choices as states, is not the default position that has been given to us by Congress. My own light is on because I want to give a different view from Senator Beutler as to what's going on here. His characterization is that this machination is empowering or giving power to the NAIC, the Association of Insurance Commissioners. I wouldn't characterize it that way; I characterize this as the federal government reversing its longstanding rule against regulating insurance, moving away from the McCarran-Ferguson exemption and making its pleasure known and...and foregoing the restraint that it has historically had. We are not losing power to NAIC, we are...

SENATOR COORDSEN: One minute.

SENATOR LANDIS: ...we have lost power to Congress, because Congress has declared itself a player, when before it had chosen not to. My light is on here next, so I think I'll get to that in a moment. What Congress has said is this, if there aren't 29 states by, I think, it's like July 1 of next year, we're

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going to create this NARAB, this...this association and it will do this function. The NAIC is only one of potential...of many potential sources of people who could have given us a model act to use across states, it's just the most logical. In fact, when we get on my time align...my own light, I'll tell you of at least another organization that's currently doing this, offering model legislation to states if they want to use it. In fact it's from insurance legislators from around the country, it's called NCOIL. But the compact...

SENATOR COORDSEN: Time. Your light is next, Senator Landis.

SENATOR LANDIS: Thank you, I'll try to finish that sentence. The compact isn't what Congress has told us we need to do. Congress has said to us pass essentially a uniform act and we won't use the NARAB option. Congress, not that NAIC, has given this directive to states, and the bill you have before you is a response to that phenomenon. Maybe we shouldn't, maybe we should just not pass this bill, and maybe we should have national regulation of insurance agents by a quasi-private organization empowered by Congress. If you think that will give you greater leverage, greater oversight, more responsive discipline, do it, it's entirely legitimate. But Congress has said to us, essentially have uniform laws on the books or we will do this in at least 29 states, and we're now trying to be one of those 29 states. NAIC wrote this model. In a number of other areas we get models from the Bar Association and we get them from the Conference of Insurance Legislators. There are a couple of reasons why I think the NAIC is superior; number one, they involve people in their deliberations in an open hearing process. They invite groups in, including consumer groups. Yes, there is a rather good deal of lobbying that they do when they write model bills, and a number of them are in fact elected officials in other states. There is no more rabid consumer voice than an elected insurance commissioner from around this country, far more than any member of Congress is to the best of my ability to understand the situation. I'm going to conclude my time with this: we have not lost power to the NAIC, in my estimation. Senator Beutler sees it in a different way. Congress has reclaimed a power it had ever since the Supreme Court ruled insurance under interstate commerce, and Congress

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immediately turned around and said, that's okay, we forebear from regulating states; go ahead on the McCarran-Ferguson exemption says this will be your bailiwick. And ever since that's happened, we have continued to be the chief regulator. Congress is now taking back that authority and this is our response, it could come from a wide variety of places, it happens to come from the NAIC. I find that a legitimate source, I find the terms of this reasonable, and I find the alternative of a congressionally mandated quasi-private association to be infinitely less attractive than this one, which is why I offer LB 51. I see Senator Bourne, who is over there, I would yield the rest of my time for whatever commentary he might make, since he is in the insurance industry.

SENATOR BOURNE: Thank you, Senator Landis. I just wanted to get up and indicate my support for this measure. I don't know what else I can add to what Senator Landis has said, but basically the federal government has indicated that under the Gramm-Leach-Bliley Act that if we or if a number of states don't come up with a uniform way of licensing agents and brokers, then the federal government is going to take it away from the states. So I say the only bad thing about the bill is, once again, the federal government is saying you're going to have to do this. I don't see that this is the insurance commissioners taking power or the Legislature ceding power to them, I just think that is one of many organizations that got together and it was decided that their model language or their model bill was probably the better of any of the others there. So I think it's a good thing. It will create some uniformity when an agent or a person who desires to sell insurance attempts to obtain a license.

SENATOR COORDSEN: One minute.

SENATOR BOURNE: So that when they obtain a license in Nebraska, the criteria for getting that license are similar in other states. So I would urge your support of this bill. I think it's a good idea, I think it will accomplish good things. Thank you.

SENATOR COORDSEN: Thank you, Senator Bourne. Senator Preister, please.

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SENATOR PREISTER: Thank you, Honorable President. I would yield my time to Senator Beutler, if he would like it.

SENATOR COORDSEN: Senator Beutler.

SENATOR BEUTLER: Senator Preister, thank you for the time. Well, it will be interesting to see how all of this develops. And again, if you are going to say...if the federal government is going to say to us, you must have a uniform law, then it seems to me perfectly clear that we in here will not be able to change our law without getting the okay of the National Insurance Commissioners, because otherwise of course our law will not be uniform and we will jeopardize the entire system. So, thinking ahead, and I assume we're going to do this, even though it involves giving into the federal government in yet another way in the sense that it used to be they threatened us with losing money if we didn't do something, now they threaten us with losing whole areas of power if we don't do something. But, in any event, how in the future will we change this law? Well, somebody will come in here with an amendment and you won't be able to put, if it's a significant amendment, you won't be able to put it into law, because that would have the effect of creating nonuniformity. So what are you going to do? Well, maybe the chair of the committee writes a letter to the National Insurance Commissioner and says, hey, I, personally, think, you know, we ought to change the law here. And maybe that's the way you get something going. But when they turn around and say to our Banking Chairman, well, is this what your legislative body thinks? Well, our Banking Chair is going to say, well, I don't really know because we can't really vote on any amendments, because if we pass an amendment that makes it nonuniform then we're in trouble, and I haven't counted any votes, so I don't really know if we want to do this or not, but I think it's a good idea. Is that how our law is going to get changed? Maybe we need to create a new process in the Legislature whereby, by resolution, we recommend changes to the National Insurance Commissioners. How else are we going to ascertain the will of the body with regard to changes that we may want to effectuate on behalf of our people? If there is a different process that I'm missing here, I would certainly like to hear what it is.

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Senator Landis is making a good case today talking about the federal government creating this private organization, and the reaction of all of us is, well, gee, that doesn't sound too good either. But remember the fact that we're starting a new thing here that will be beyond this area of law; it will involve a lot of different areas of law. And how is it that we are going to control the structure of whoever it is that's actually exercising the power? And for this matter now I don't see, in my mind, I don't see anything but that, those commissioners will be the center of power and we will be petitioning them for changes. Now, if that's what's going to happen, not only do we need to think internally about our institutions' processes and how we do that in a clear way, but I think we also have to think about the constitution of that particular entity; is it one commissioner, one state?

SENATOR COORDSEN: One minute.

SENATOR BEUTLER: How many of you know that? Or is it proportional? Will it always remain that way? How do they vote? How do they get changes back down to us? What alternatives will we have then? Well, it's all very frustrating, as I'm sure it is to everybody. But this is a day you shouldn't forget because something new is happening. Thank you.

SENATOR COORDSEN: Thank you, Senator. Senator Chambers, please.

SENATOR CHAMBERS: Mr. President, members of the Legislature, the demons of the weather delayed my getting here, but the good demons, who are on my side, kept the Legislature operating at a deliberative pace so that I can ask some questions about something that Senator Beutler's discussion has caused me to have questions about. So, Senator Landis, I would like to engage you in a bit of discussion, if I may.

SENATOR COORDSEN: Senator Landis.

SENATOR CHAMBERS: Senator Landis, in order that I can hear from you what this bill does, can you explain to me what Senator

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Beutler was discussing in terms of our...our...as a Legislature perhaps giving away the power to modify this act, if it becomes law?

SENATOR LANDIS: Actually, you'd better ask Senator Beutler, because we disagree as to that characterization.

SENATOR CHAMBERS: Oh, okay.

SENATOR LANDIS: We are free and sovereign to act in any respect to our state law. There are consequences, not of our making, but of federal government making, as it will be in the case of the .8 (sic, .08) or the .10.

SENATOR CHAMBERS: Okay, now you're where I want to be. What would the consequence be should this act not be adopted?

SENATOR LANDIS: It's a little bit less than in other circumstances, because Congress has said that 29 states, as opposed to 50 states, 29 states have to have essentially the same general rules or reciprocal rules for insurance agent licensure or they will exercise their authority to make insurance agency regulation a federal function, which they will then hand to a private corporation or private entity called the National Association of Registered Agents and Brokers, NARAB.

SENATOR CHAMBERS: And what you are arguing is that it would be better for the Legislature to be among the first 29 to prevent Congress from turning the whole thing over to this private agency?

SENATOR LANDIS: That's right. We...

SENATOR CHAMBERS: If Nebr...

SENATOR LANDIS: We have free choice, we can choose not to do this; the consequences are relatively clear. And, in the exercise of our sovereign power, I think we're making a knowing choice as to which side of the sword to leap upon, if this was the old Scottish sword dance, and I choose to put my lot in with being one of the 29 and continuing to have state regulation of

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the field.

SENATOR CHAMBERS: However, 29 plus 21 would make 50?

SENATOR LANDIS: Yes, it would.

SENATOR CHAMBERS: So 21 states don't have to do this. Why could not Nebraska be among the 21? Here's the point that I'm getting to, they say uniformity or reciprocity. So the 21, let's say, would not go along, but they set up some kind of reciprocal arrangement. They still are free to do what they're going to do and Congress is not going to turn this over to that private agency. Would that be correct?

SENATOR LANDIS: To my knowledge, that would be correct.

SENATOR CHAMBERS: Have you any notion of the number of states that are going in the direction that you're asking Nebraska to go in this morning?

SENATOR LANDIS: And here's just a general reading, my general reading is that the large majority of states are proceeding in that way. I assume that we're leaning toward the question of, well why don't we just wait around and be one of the 21 rather than be one of the 29? Which would be an interesting question. If you ask it, I'll do my best to answer it.

SENATOR CHAMBERS: Yes, that's the question I was getting to, Senator Landis. (Laugh)

SENATOR COORDSEN: One minute.

SENATOR CHAMBERS: I don't know...

SENATOR LANDIS: I'll be happy to put the question into your mouth so that you can ask me that question.

SENATOR CHAMBERS: I don't know if my approach was so logical you knew where I was going to or what. But that was what I was leading up to. What is the consequence of Nebraska being outside of the 29?

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SENATOR LANDIS: To my knowledge, I do not know of a consequence from federal law. I think there are two possible risks. Number one, there are a number of states that don't meet every year, like we do, and we may, by choosing to be a laggard, be taking a card out of a deck in which case the whole set of cards comes down and in fact we're faced with state regulation of this field. So, but I think that's one consequence. We're taking a gamble and gambles can go either way and you can lose.

SENATOR CHAMBERS: What is the time frame within which 29 states must act, or is there none that has been established?

SENATOR LANDIS: I think it is...

SENATOR COORDSEN: Time.

SENATOR LANDIS: ...I tell you what, rather than guess, why don't I give you a right answer rather than guess an answer. Okay?

SENATOR COORDSEN: Senator Thompson, please.

SENATOR THOMPSON: Mr. President, I yield my time to Senator Beutler.

SENATOR COORDSEN: Senator Beutler, you have five minutes.

SENATOR BEUTLER: Senator Coordsen, members of the Legislature, the question of 29 states versus 21 states and which group shall we be in is an interesting one, but only temporarily relevant, in my opinion, because as soon as 29 do it by a certain date, why wouldn't the federal government require all 50 by a later date? After all, there's not much point in doing this, unless you have all the states doing it. Uniformity is the rationale. In any event, let me ask Senator Landis, if he would, to just kind of hypothesize about how we would...would you just kind of walk us through the steps by which we would make a substantial change to this law, in your opinion.

SENATOR LANDIS: One of us would make an amendment on the floor

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to this bill, one of us would introduce a bill next year, or any subsequent year, we would pass that law and we would understand that we were potentially running some kind of consequence, but it would be absolutely no different than the passage of any kind of a law that we wanted to make. It would be, for example, rather like the question that we're facing...we're going to be facing later this year when the .8 (sic, .08) issue comes before us. This Legislature can pass a 1.4 law, if it wants to, we have sovereign power to do so. We choose as a matter of consequence not to, but that's a political judgment that is asked and answered inside this body. And in answer to your question, changes to this or any other act in this field would be exactly the same as they are under any other circumstance. However, we would understand we were doing it with potentially some downside consequences.

SENATOR BEUTLER: Thank you, Senator Landis, but I think the practical answer to that is we wouldn't do it, just like we're going to pass the 08 (sic, .08) bill shortly here, we're not going to do it, we can't. We don't really have an option. Yes, we're the sovereign power and we're free, but not really, and this is another way to kind of give credence to state power but not really. And what's most discouraging about this is, I guess, that it doesn't matter anymore whether you're a Democrat or a Republican, I used to think the Democrats were bad about this, but now I see it's just the same. Congress takes away state sovereignty, takes it away, takes it away, takes it away. It's not a question of the principle, it's simply a question of which area of law you're in and whether you're a Democrat and Republican, and how you look upon that particular area of the law. It's pretty discouraging, frankly, because now, one side or another, we've got them taking away our power on almost everything. The low-level nuclear waste situation, very different from this, but in some instances very...what brought...what brought that to my mind, it didn't come to my mind until we had the discussion of should we be one of the 29 states to join it, or should we stay apart? Well, you know with the low-level nuclear waste thing we really jumped in; we were going to do our part. Now that was a compact situation, but it's analogous in some ways. We operated in good faith. We formed our particular interstate group...

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SENATOR COORDSEN: One minute.

SENATOR BEUTLER: ...we got going; we chose a site, it was in Nebraska, we got developing the site. Meanwhile, what was happening around the rest of the nation? Nobody did anything; most of them, hardly any of them even picked a site; some of them didn't even get their compacts formed. And so now, after all this has gone through this long process, where is Nebraska? We're the whipping boy, we're the bad guys because we backed out and slowed down a process that nobody else even started. I mean really the ironies of some of these situations are just too much. And I'm resentful that Nebraska...resentful, first of all I suppose, that we were so naive as to get ourselves into this position, but it has to do with the goodwill of the people in this state and being willing to work together with other people. But, by golly, when push comes to shove, it's not what your attitude was in the beginning, but it is what the law says,...

SENATOR COORDSEN: Time.

SENATOR BEUTLER: ...because the lawyers who are there to enforce the law, by golly, will enforce the law. Thank you.

SENATOR COORDSEN: Thank you, Senator Beutler. Senator Chambers, please.

SENATOR CHAMBERS: Mr. President and members of the Legislature, often I am in opposition to the state doing things simply because the federal government says the state must do these things if these things that I'm talking about are things with which I disagree. If, on the other hand, there is an important matter to be addressed, such as voting rights and states are going to deny citizens those voting rights, I am in favor of the federal government mandating through legislation that these states recognize the rights of citizens to vote, that they cease immediately putting obstacles in the path of citizens' right to vote and, if they fail to do so, there are consequences to be borne. For example, the federal government may say redo the election or whatever the corrective measure is. In this area we're talking about something different. The issue itself is

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one that does not cause me a great amount of heartburn with reference to how these agents are regulated or who requires it, so long as they're not being given the authority, these agents I mean, to gouge, mislead, treat...I meant trick, hoodwink, bamboozle and use outright fraud, which they basically do now with the approval of most people who regulate them. Because the insurance industry is so powerful, it is feared. What I'm looking at is the prerogative of this Legislature to enact laws beneficial to the citizens of this state. In some instances, as I mentioned, where you're talking about the right of a citizen to vote, one size can fit all. The right should be the same for all citizens anywhere in this country. But when we come to a matter like the one we're confronting here, people of good will, people who are intelligent and knowledgeable could have legitimate differences of opinion as to the best way to go about regulating these people and the means used to carry out those regulations. Some people might think, for example, that you write a skeleton of a law, even if it's detailed and has a lot of bones, but you give to the Insurance Commissioner rulemaking authority which would amount to the cosmetic work of putting flesh then skin over those bones. Others may say, I am so distrustful of that industry, I want things put in the law, more regulations in the law itself so that an insurance commissioner, most of whom in Nebraska go on to work for the insurance industry after they leave that position, will not be led or inspired to work against the interests of the people. The issue here is whether or not an action is going to be taken by the Legislature to adopt an act which may not necessarily be in the best interests of the citizens of Nebraska. If the terms of this bill are valid and work for the people of this state, then the other matters are not too consequential because I think a majority of the states are going to knuckle under and do this. Nebraska does not have...

SENATOR COORDSEN: One minute.

SENATOR CHAMBERS: ...to do this. And when those other states knuckle under, then Nebraska can work out reciprocal arrangements with whatever states they choose. I'm still listening to the discussion because I am not convinced that, from the standpoint of the prerogatives of the Legislature, this

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is a wise course to pursue. So, it appearing there will be additional discussion, I'm going to listen.

SENATOR COORDSEN: Thank you, Senator. There are no further lights on. Senator Landis, did you wish to close on the advancement of LB 51?

SENATOR LANDIS: Let me do this, if I can offer Senator Chambers a minute of my time, Senator Beutler a minute of time, then I'll take the last couple of minutes, if I could, so that we hear from both sides. Senator Chambers, if you'd like some time to summarize.

SENATOR COORDSEN: Senator Chambers.

SENATOR CHAMBERS: Mr. President, members of the Legislature, because I got into the discussion late, and thank you, Senator Landis, I will look at the bill and consider the issues between now and Select File. But at this time, I am not knowledgeable and comfortable enough to vote for it.

SENATOR COORDSEN: Thank you. Senator Beutler, please.

SENATOR BEUTLER: Mr. Speaker, Senator Landis, thank you. And I don't want to take any more time. I'm going to vote to advance it right now. I think the bill in and of itself is good, I think it broadens our...broadens our commissioner's powers. If this were just the matter of a bill that Senator Landis had brought forward for ourselves I would be in favor of it. But I do think, and I hope there's further conversation on Select File about the whole process because what we are doing is shoving this substantive matter forward into a process that's unknown to us, totally unknown to us and uncontrolled by us. The insurance commissioners are in no way structured in a way that's within our control. If it were a compact we could just say, okay commissioners, you be the compact group and we'll structure that and we'll have some say about the compact and all of that. But all this that we're beginning now is nebulous. And I suppose you could say, okay, well we'll straighten out the process of how we deal with this, once we've got some material to work on, and I guess that's what we're going to do, but perhaps we can

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have more discussion on Select File. Thank you, Senator.

SENATOR COORDSEN: Now, Senator Landis, to finish your closing.

SENATOR LANDIS: Thank you. Mr. Speaker, members of the Legislature, the terms of the bill are not at issue, I think that's generally agreed upon. It's a legitimate scheme of regulation; it looks very much like what we have now but with greater reciprocity around the country. Senator Beutler is accurate when he says this is the first example of a new regime, and that I agree with him. The federal government has said we are no longer going to give you insurance to regulate without our oversight, we're going to absent ourself from this area, states, take over. We now see that in the politics of the nineties, the federal government has begun to take back that power and this bill is an example, not of the federal government, but as a response to the federal government by the most logical existing choice, which is in fact the insurance commissioners, in my mind a relatively legitimate group. In fact, one of the reasons we know it's legitimate is read the bill and you won't find anything to agree...disagree with; the regulation itself is entirely reasonable and appropriate. I will acknowledge this is the first of what may be a rocky road for the future of regulation of insurance because of federal activity in the field. This measure is legitimate, it's sensible, it's an appropriate thing to do; it sides us with the 29 states that need to act by November of 2002, and I think there's another reason not only do we want to have this regulation close to hand, not only do we want to have these tax dollars, but we also want to have these companies who now domicile in this state stay here, because in fact we are in compliance with the norms around the country. Insurance companies are a major employer in this state. We wouldn't want to create a regime of legislation or state regulation that placed them at disadvantage compared to other states. And it's all the more reason why I think passing this makes sense, not only for us, but also for the statewide...

SENATOR COORDSEN: One minute.

SENATOR LANDIS: ...interests that we have. I would recommend

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it to you and ask that you advance LB 51. Thank you.

SENATOR COORDSEN: Thank you, Senator Landis. You've heard the closing. The question before the body is the advancement to E & R Initial of LB 51. Those in favor please vote aye, those opposed nay. Record, Mr. Clerk.

CLERK: 30 ayes, 0 nays, Mr. President, on the advancement of LB 51.

SENATOR COORDSEN: LB 51 is advanced. Items for the record?

CLERK: Thank you, Mr. President. Enrollment and Review reports LB 162, LB 24, LB 173, LB 126, LB 278, LB 295, LB 302, LB 105, LB 362, LB 128A, to Select File, some of those having Enrollment and Review amendments. (Journal also shows LB 168A to Select File.) Enrollment and Review also reports LB 1, LB 2, LB 3, LB 4, LB 5, LB 6, LB 7, LB 8, LB 9, LB 177 and LB 222 as correctly engrossed. Mr. President, I have a series of hearing notices: Banking, Commerce and Insurance Committee, General Affairs, Natural Resources Committee, the Judiciary Committee, and the Appropriations Committee; those reports...hearing notices all signed by the respective chairs. A new A bill, LB 257A, by Senator Wehrbein. (Read by title for the first time.) Reference report regarding the referral of certain gubernatorial appointees to the appropriate Standing Committee for confirmation hearing. And, Mr. President, committee reports: LB...your Committee on Natural Resources reports LB 182 to General File; LB 337, General File; LB 409, General File; LB 133, General File with amendments; those signed by Senator Schrock. Judiciary reports LB 46 to General File; LB 48, General File; LB 84, General File; LB 85, General File; LB 87, General File; LB 299, General File; LB 269, General File with amendments; LB 249 and LB 294, indefinitely postponed; those reports signed by Senator Brashear. That's all that I have, Mr. President. (Legislative Journal pages 434-444.)

SENATOR COORDSEN: Thank you, Mr. President...(laugh), Mr. President, thank you Mr. Clerk. Next item.

CLERK: LB 225, a bill introduced by Senator Landis at the

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request of the Governor. (Read title.) The bill was introduced on January 5 of this year, at that time referred to the Banking, Commerce, and Insurance Committee. The bill was advanced to General File. I do have amendments to the bill, Mr. President.

SENATOR COORDSEN: Thank you, Mr. Clerk. Senator Landis, to open on the bill.

SENATOR LANDIS: Thank you, Mr. Speaker. Members of the Legislature, I join with Senators Aguilar, Bourne, Bruning, Cunningham, Jensen, Kremer, Smith, Tyson in introducing LB 225 on behalf of the Governor. This is the Governor's Venture Capital Forum Act. Essentially, there are three ideas in this bill. It's a...it's a set of functions that will eventually go to a single, private, nonprofit organization. I expect DED to put out an RFP in the a.m. while listening to CNW Music. But that RFP will essentially say, who wants to do these functions? Get back people who can perform those functions, DED will choose from among them and we will do a contract for about 200,000 bucks for the next three years to have these functions carried out by someone we have faith in to do them. And the three functions are these: one, to help train entrepreneurs in this state who have good ideas in how to approach investors, to get investors to share and invest in the entrepreneurial agenda of that individual; secondly, to create networks of local or regional investors, people who are now in the investment field but probably are sending their money to the coasts, putting them in connection with each other to create forums or networks so that we can increase the professionalism and also just the corpus of investment money available for local investment to local entrepreneurs; and, third, to create a space, a forum, a table, if you will, where local entrepreneurs and local investment networks can meet and hopefully foster investment and new opportunity. This last year the Governor sent out some principles to a group of advisors who were gathered for the purpose of identifying economic development opportunities. And the principles he put down were, tell me what the capital needs are, and also tell me opportunities or ways of solving this problem that don't involve state investment, because in fact we have a rather bad history of that. I was here in the Kerrey administration when we passed a Research and Development

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Authority, which leveraged money, which invested money, which did this but essentially with monies that we put together through state government, and we lost money. I think at one time we had 11 million bucks in the fund and we went down to 5 million bucks, because we lost our shirt. The state was not a very good decider of who we should invest in. So, Governor Johanns essentially said, look, we don't want it to be our money, we just want to know what can we do that would help economic development in this state and investment without the state being an equity member. Back comes the advisory group that says there are some things we could do. Number one, we have people with good ideas that don't know how to talk to investors; they can tell everything about how their gizmo works, they'll be happy to demonstrate their software; they just don't know the answer to, what's your business plan? They don't know the answer to, who is going to buy this? They don't have an answer to, how are you going to get this to market in a legitimate time frame and have the patents protected, the kinds of things that investors want to know. Our entrepreneurs don't know how to talk the language of investment companies. So one of the things is we could teach our entrepreneurs how to talk the right language. Number two, we have investors now who have money and they want to invest in venture capital; and what they're doing is they are writing a check and they're sending it to investment funds on either coast. Those investment funds, the smallest investment they make is \$5 million; they don't search here in the Midwest, that we know of, and, when they do, they drop 5, 10, 15, 25, 50 million dollars onto a project. And our entrepreneurs here have smaller capital needs. They don't meet the threshold when they go to meet these companies on the coast, in fact they oftentimes need a million bucks, or even less. And so the investment companies on the coast don't have any interest in our entrepreneurs' ideas; they're not big enough. So we got people locally who have got money to invest, they just send it to the coasts, who then pass it onto other ideas rather than local ideas. Second idea, have these local investors link up and then meet local entrepreneurs and underwrite perhaps smaller scale projects that can't get the interest of the large investment companies on the coasts, but who can get the interest of local investment networks. Put those investment networks together and put them in contact with

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entrepreneurs. That was the second idea. Third idea, we need a place where the entrepreneurs who have been trained to talk to investors and the investors have been linked into networks sit down and do the dog and pony show of here's my software, here's what it can do, here's the business plan, here's the market, and here's my capital investment needs, and on what terms would you lend me money? What we're saying in this bill is DED will go out and find a private nonprofit to do these three functions; we're going to spend about 200,000 bucks or 250,000 bucks for three years; there will be a clearing house of information; there will be a forum that will be created and hopefully we will link Nebraska entrepreneurs to Nebraska investors to grow companies here. As members of the Banking Committee will tell you, we had interesting testimony on this one. One of the pieces of testimony was a guy who said, look, I had a great piece of dental office software; software took off, but there were literally hundreds of very small operations around the country and we started buying them up locally. Then we found ourselves in a race with one of the other companies that was doing this, and we were both pursuing the same strategy--who was going to buy up the competitors sufficient so that they would be the big dog on the block and their software would become the national, most commonly used, most commonly accepted software. I got right up to the place where my product was terrific, and I got to the place where the other company was bigger than we were; we didn't have the capital to grow at the rate they did. They came to us and, as naturally this moment would occur for one or the other, one of us had to buy, one of us had to sell, and I sold. Now he didn't say I'm a rich man today, but my guess is he's a pretty much a rich man today. The difference is he sold his Nebraska company to a company that operates in Atlanta, and the jobs that were here went there. He got rich from his idea, it's true, but he got bought out at exactly the moment that he needed capital so that he could have been the person to buy the other person out, and those jobs would be here now. That moment, that critical moment he wasn't part of the venture capital networks on either coast; there were no opportunities here. He lost the race of who was going to grow fastest. He did very well, but that business is now domiciled in Georgia, not Nebraska. This bill is designed to reverse that scenario and to do better the next time something like that

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happens. I commend it to you. I know Senator Chambers has put on his lower...his...his half glasses, the ones that we wear at a certain age in life to make print seem larger than it otherwise is. And I'm glad he's got his glasses...

SENATOR CUDABACK PRESIDING

SENATOR CUDABACK: One minute.

SENATOR LANDIS: ...on, because he'll find that the print in this bill, once enlarged, will bear that examination and that he'll find it's one and a half times the good idea it was when he didn't have his glasses on by that same magnification that his old man's glasses make it reveal. I think we're in for the first part of the fun for the year here. And I will close now and await debate.

SENATOR CUDABACK: Thank you, Senator Landis. Mr. Clerk.

CLERK: Mr. President, I have amendments to the bill. Senator Chambers had filed two. Senator Landis, as the primary introducer, you have the option to take up yours, Senator. And I have, Senator Landis, your amendment AM0138.

SENATOR CUDABACK: Senator Landis, did you wish to...

SENATOR LANDIS: Mr. Speaker, I think we're going to do it this way, Senator Chambers wants to say some words; he's going to withdraw his. Mine does the same as his; it will come up in that order. I won't exercise my privilege of using my...my amendments now.

SENATOR CUDABACK: So we're open for debate on LB 225. Senator Chambers. Senator Chambers, did you want to introduce your amendment now?

SENATOR CHAMBERS: Yes.

SENATOR CUDABACK: You may open on your amendment. (FA7, Legislative Journal page 425.)

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SENATOR CHAMBERS: Mr. President and members of the Legislature, the amendment that I have is simple. There are two references in the bill to the Internal Revenue Code. I'm not opposed to the references; I think they help pin down what the bill is talking about in terms of criteria to be met. But, in order that this be done legally, I would simply add the words "as it" existed or "exists on the effective date of this act." What it is doing is making proper the reference to and incorporation in a bill of a federal legislation or regulation. I'm going to withdraw those amendments, but I wanted to make a comment first. Senator Landis has talked to me about this bill. I am opposed to what it does, but I wanted to work with Senator Landis, where ever we could, to get the technical disagreements, if that's what they were, out of the way. He did not disagree; he is incorporating this language into his amendment, so I'm going to, when I sit down, I mean prior to sitting down, withdraw my amendment and support his, then we'll battle on the bill. I just want him to remember one thing and keep it in his mind as he progresses on his amendment. Was it wise for Caesar to go to the Forum that day? This bill talks about creating a forum. Sometimes an individual digs a hole for the purpose of laying a foundation, and it turns out to be that person's place of interment. We will proceed on the bill, but at this point I withdraw any amendments that I have up there at this time, Mr. President.

SENATOR CUDABACK: FA7 and FA8 are withdrawn, Senator Chambers. Now we're back to the Landis amendment, AM0138. Senator Landis, to open on your amendment. (Legislative Journal pages 444-445.)

SENATOR LANDIS: Thank you. My guess is you'll find this on your computer. It was prepared by the Bill Drafting staff. Senator Chambers pointed out to the Governor's staff that references to federal law needed to have an effective date, the reason being our Supreme Court has, on occasion, said it is a delegation...an unconstitutional delegation of authority when we give to any other entity lawmaking power for this state. Meaning if we say...if we just said, "according to the Internal Revenue Code", every time they change the Internal Revenue Code in Washington it would have a flow-through change to Nebraska law. Senator Chambers, I think, appropriately pointed out that

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we needed to say the 501(c)(3) of the Internal Revenue Code as effective on, what, the date of...it could be, you know, the date of the act, or the date of...at that time, and we chose "on the effective date of this act." By so doing, I think we solved that constitutional difficulty. And I'm sure that the drafters of the bill extend their thanks to Senator Chambers for catching what might be an inadvertent error that would have created some difficulty. I would ask for the adoption of the amendment. Essentially what it says is in the two references to the Internal Revenue Code that we say "as that code exists on the date of this act", thereby solving a constitutional problem in drafting.

SENATOR CUDABACK: Thank you, Senator Landis. You've heard the opening on AM0138 to LB 225. We're now open for discussion on AM0138. Senator Chambers, you are recognized.

SENATOR CHAMBERS: Mr. President, members of the Legislature, this is the amendment of Senator Landis that I said I agree with, so I'm going to vote for it. And I recommend that we adopt it, then we can move forward. But, first of all, I want to shake my fist at the Governor's office. Why, oh why was the Governor and his advisors wise enough to put a jockey like Senator Landis on this nag? I was in a position where I wanted to cut this nag's legs off at the knees, after euthanizing it, of course, I don't believe in cruelty to living creatures, send it to the glue factory; skin the Governor; with the glue made from that nag, stick his hide to the wall and say, I "gottcha". But then in steps Senator Landis, the master negotiator, the one without peer when it comes to mediation, who knows how to beguile your mind with these soft words that insinuate themselves, first into your unconscious, move slowly up to your subconscious, then into the part of your mind that is actively working. And, by the time your conscience mind takes hold, he has done the work like a termite on the inside, where you didn't see him operating. Senator Landis is like a termite to this extent, Senator Bourne, young Senator Bourne. Speaking as an old man, myself, with those half eyeglasses. I thank Senator Landis for not applying the term "senior" to me, because I hate that word. Old is old is old, and I'm an old man. But if old is as old does, then I'm probably the youngest person in shoe

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leather on this floor. But the point I wanted to make is this, what Senator Landis does in the way of a termite is to go under the surface of the wall. You might have wallpaper, you might have some...this old cheap board that looks like wood but it's not; and you take up residency in the penthouse, Senator Bourne; you think everything is all right. You don't hear anything, you don't sense anything. Then one day, you step out of your bathtub on the floor and wind up in the basement because Senator Landis, in his termite-like way, has removed all of the supports; there is nothing there anymore. There is the appearance of a support, but when you step on it, nothing is there and you're gone. He put me into the basement on this amendment. But I think it was a good move on his part, because it allows us to just discuss the lack of merit of this bill. He thinks it's a good bill; I think that it's not. I think that what is being done, not by Senator Landis but by the Governor's office is to feather his political nest. He's trying to dot something here to a rural area, something there to a rural area, something here to a special interest group by telling the Department of Economic Development, you're not going to have to do what you're created for. If this that is in this bill is not the work of the Department of Economic Development, what is that department supposed to do? Is the only function of that department to sit there and be a conduit through which passes money from the Legislature to private outfits that are going to be contracted with to do that which the department ought to be doing itself. What does this bill do? It teaches a beggar how to say "gimmie".

SENATOR CUDABACK: One minute.

SENATOR CHAMBERS: Go to somebody who's got something that you want and say "gimmie", say it with a smile. Then they're going to try to match you up with somebody, once you learn how to say "gimmie", who's got that which you're going to ask for when you say "gimmie". Then this person that you have been matched up with is going to give you some money, supposedly. I will have the opportunity to ask questions and go into more detail in terms of my opposition, but I hope we will look at the essence of this bill and see that there is no legitimate reason for it to be enacted into law.

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SENATOR CUDABACK: Thank you, Senator Chambers. We're discussing AM0138 to LB 225. Senator Robak, on that amendment.

SENATOR ROBAK: To the bill.

SENATOR CUDABACK: Senator Robak waives. Seeing no further lights on, Senator Landis, did you wish to close on your amendment?

SENATOR LANDIS: (Microphone malfunction)...stadium and you stand outside, there will be somebody who will say, you can't tell the players without a program, holding up a program to sell it to you. And, if I've got it right, I was taking notes, I think I'm a termite, the Governor is a dried hide on a wall, and Ernie is Caesar. So, as the rest of the morning goes on, I believe those are the players, now that you know, and nobody has to spend any money for a program. I would ask for the adoption of AM0138.

SENATOR CUDABACK: You've heard the closing on AM0138. All in favor vote aye, opposed nay. We are voting on AM0138 to LB 225. Have you all voted who care to? Record, please, Mr. Clerk.

CLERK: 32 ayes, 0 nays, Mr. President, on the adoption of the amendment.

SENATOR CUDABACK: The amendment is adopted. We're open for discussion on LB 225 to advance to E & R Initial. Senator Robak.

SENATOR ROBAK: Thank you, Senator Cudaback. I have a question for Senator Landis, if I could, please.

SENATOR CUDABACK: Senator Landis, will you yield to a question, please?

SENATOR ROBAK: Senator Landis, I would like to know, you talk about individuals that are...have a small business. How small of a business does this have to be, or how large, or small? What's in between there?

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SENATOR LANDIS: Yeah. There isn't a limitation in the bill.

SENATOR ROBAK: Okay. Is this technology, or anything in the business? Is this a new business with startup, like technology? Is it limited to...what is it...

SENATOR LANDIS: It's not limited to high tech companies.

SENATOR ROBAK: It could be any sort of new business?

SENATOR LANDIS: It could be any sort of new business.

SENATOR ROBAK: Okay. And, you state that the, or it says on your Statement of Intent that we are losing young people who are willing to take a...undertake the risk of a new business but unable to find sufficient resources here. Well, I have a business. I want to know how this could help me as a...if this bill comes to fruition? Now, how could this help me?

SENATOR LANDIS: Okay. Let's assume that you are like any other entrepreneur and you've got a good idea.

SENATOR ROBAK: Um-hum, right, correct.

SENATOR LANDIS: You want to grow and you may or may not be able to find financing in your own area. Often times, if you go to your local bank, that bank has a relatively intolerant attitude towards risk, which is why you probably want to be linked up to an investment banker or an investment...

SENATOR ROBAK: Okay, but seriously now, how many new, startup businesses would any investor be interested in? Investors from the east coast, west coast, or what you said, how many of those investors out there are going to be interested in such as my new business?

SENATOR LANDIS: Ah, I don't know a number to give you here, Senator Robak.

SENATOR ROBAK: Okay, so this is vague, at the most, right?

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SENATOR LANDIS: If you would like to argue this vague, I would understand why you'd make that argument.

SENATOR ROBAK: Okay. And it also states that it would provide information to investors about venture capital investment, potential investment opportunities, and organized meetings, fairs and other methods for investors and entrepreneurs to meet. Do you know at the University of Nebraska, here in Lincoln, we have an entrepreneurship enterprise program here that does exactly that same thing? You pay a minute amount, but you get a very good program that helps new businesses start up in almost any area. It's the envy of our surrounding states; Nebraska is one of the very few that does have this, and they do serve surrounding states also. Is this sort of in competition with that, or what do you do about that? Ignore that? We don't want to go to this University of Nebraska at Lincoln and start up a new business this way?

SENATOR CUDABACK: Was that a question, Senator Robak?

SENATOR ROBAK: Yes.

SENATOR CUDABACK: Senator Landis, I think she's asking you a question. Will you yield?

SENATOR LANDIS: Well, actually, I think, Senator Robak, this is a disguised argument and I just...I think you might make a very good argument. I don't think you need me to make your arguments...

SENATOR ROBAK: Okay.

SENATOR LANDIS: ...in that case. So, that...

SENATOR ROBAK: Right, I was just curious why...and also it's \$200,000 a year, for the next three years. And I noticed the Governor vetoed the meat inspection program, last year, that had a much lower fiscal note on it; it was designed to help new businesses in certain areas. That was just a point I wanted to make. I really don't think this bill is necessary. I don't

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think it's going to help any small businesses, any new businesses that are starting up; I don't know who it will help, frankly. I just imagine it's another one of those give away programs, that's my opinion only. Thank you, Mr. Speaker.

SENATOR CUDABACK: Thank you, Senator Robak. We are discussing the advancement of LB 225. Those wishing to speak are Senators Wehrbein, Chambers and Beutler. Senator Wehrbein, you are recognized.

SENATOR WEHRBEIN: Yes, thank you, Mr. Speaker, and members of the body. I'd like to ask Senator Landis some questions.

SENATOR CUDABACK: Senator Landis, would you yield to a question, please.

SENATOR WEHRBEIN: As I understand, this is not to be taking an equity position, it's simply...it would be a loan. Is that accurate?

SENATOR LANDIS: This \$200,000 is to perform the three functions I said--to train the entrepreneurs, to create the space for them to meet, and to hopefully link investors. If there is to be a loan, it will be between two private entities; the state will have no role in the...the terms, conditions of the loan itself. It would be like saying, in a sense, the state saying, person wants to be a farmer, banks who want to invest in new farms, I want you to come to this place, meet each other, do whatever you're going to do, talk whatever talk you're going to talk. And if you decide to make a mortgage here or a loan, great. The state has no function to play in the issuance of a loan. That would be a private transaction between the investor and the entrepreneur.

SENATOR WEHRBEIN: Okay. So, there is really no risk, there's no risk to the state, in this case, in terms of startup companies, other than getting involved in the process as listed, I guess, mostly under Section 10?

SENATOR LANDIS: We don't start up businesses and we don't invest in startup businesses. No money of ours is at risk.

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SENATOR WEHRBEIN: So the idea is to put \$200,000 a year for three years away, and that would be the end of it, to...it's...I believe it's a little bit...there are some similarities to LB 1348 we had a year ago for the agriculture enterprises, if I'm...

SENATOR LANDIS: Perhaps.

SENATOR WEHRBEIN: ...or is that fair? I don't know. I'm just really trying to grasp what it is, because I'd like to go back to the...the example you gave of a person that came in and said he got right here to this one spot and then was not able to go forward. He would be able to tap into this source of...would he be able to use that? I'm not clear on that?

SENATOR LANDIS: Okay. Understand who is being put together here. The state...think of it this way, the state's role is a convener.

SENATOR WEHRBEIN: Okay.

SENATOR LANDIS: Actually, it's a little bit...it's a little...let me describe it this way, the state's role is to hire a convener, somebody who is very expert in this field. That person will do a couple of different things, they'll talk to entrepreneurs and say, when you talk to investors be ready to talk about these things.

SENATOR WEHRBEIN: Okay.

SENATOR LANDIS: It will talk to investors in this state and saying, do you know there are other people like you who seem to have the same care that you do and who apparently want to invest in Nebraska ideas? Why don't we all have a meeting together and see if you want to do something cooperatively.

SENATOR WEHRBEIN: Okay.

SENATOR LANDIS: Then, having those two parties sit down together and be the convener of their conversation so that a

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private investor meets a private entrepreneur and does a private transaction of a loan, but the pieces of which, which require expertise, knowledge, opportunity, are all assisted by this convening function that we will have hired somebody to do.

SENATOR WEHRBEIN: You could use the word descriptive perhaps "catalyst".

SENATOR LANDIS: Yes, that would be a fair...

SENATOR WEHRBEIN: ...a convener catalyst, catalyst convener, whatever,...

SENATOR LANDIS: ...that would be even a better word.

SENATOR WEHRBEIN: ...to...

SENATOR LANDIS: Right. And I can't tell you whether this is like LB 1348 or not,...

SENATOR WEHRBEIN: Well, I...

SENATOR LANDIS: ...because I don't remember LB 1348 that well.

SENATOR WEHRBEIN: It was...I considered it an entrepreneurial bill, too. It doesn't have a...didn't have the...

SENATOR CUDABACK: One minute.

SENATOR WEHRBEIN: Is there any restrictions on the amount of money per...per convener, if I might, or per...

SENATOR LANDIS: Understand what we're doing with our money. Our money is to hire that catalyst convener function, that nonprofit corporation for three years at 200,000 bucks a head. Any loans that are made are private transactions and can be of any size, duration, terms, conditions that the marketplace will bear, because they're not our loans.

SENATOR WEHRBEIN: Okay.

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SENATOR LANDIS: They're investors looking to make money probably in high-growth, but therefore high-risk propositions, new ideas.

SENATOR WEHRBEIN: Okay. I think I understand. I'm going to keep listening to the debate. I think I can be for this, because I believe there is a place for this. But I'm trying to grasp the mechanics of it as much as anything, and so I will continue to listen to the debate. Thank you.

SENATOR CUDABACK: Thank you, Senator Wehrbein. We're discussing the advancement of LB 225. Senator Chambers.

SENATOR CHAMBERS: Mr. President, members of the Legislature, unlike Senator Wehrbein, I'm not for this. Senator Wehrbein used the word catalyst to describe what is happening here. But, Senator Wehrbein, it's more like a dating service, where...and on the street, just being frank, they call it pimping or being a panderer. What you do is bring two people together and you're paid to match these people up. I want to make us understand just what's happening here. The pimp does not get involved in the action between the two people; he brings them together, then gets a cut. Well, the state doesn't exactly get a cut from this, but the Governor benefits by making it appear that he has done something for economic development. I'd like to ask Senator Landis one question which doesn't require much in the way of an answer in terms of time. Senator Landis,...

SENATOR CUDABACK: Senator Landis, would you yield?

SENATOR LANDIS: Yes.

SENATOR CHAMBERS: ...why cannot the Department of Economic Development do this?

SENATOR LANDIS: I think, in answer to the question the way you frame it, the answer is they could. But let me give you, I think, a genuine answer, and that is the body of expertise for dealing with investment, high risk or venture capital investment does not now currently reside in the DED.

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SENATOR CHAMBERS: Wouldn't it be better to equip this department, whose name indicates it handles economic development, with the staff necessary to carry out its function rather than to continue to create new problems such as this which I would call "tack-ons"?

SENATOR LANDIS: I'm not sure why the state would pay. And, by the way, the amount would be very high, I mean investment capitalists are...

SENATOR CHAMBERS: But don't take all my time.

SENATOR LANDIS: ...very, okay, are very, very expensive. But I don't see why you'd have an investment capitalist on staff when we don't lend money.

SENATOR CHAMBERS: Thank you.

SENATOR LANDIS: Okay.

SENATOR CHAMBERS: Members of the Legislature, Senator Landis gave an answer, but it's not satisfactory as far as overcoming my opposition. If you watch television, you'll see a commercial, I don't know what company puts it on, but these two fresh-faced, very energetic young men are sitting across the table from an old moss-back. And apparently they have really made their case, because old moss-back, the light goes on in his head, and he says, do it! And they say, oh, no, we don't do anything, we just recommend. And then the old guy, he's kind of nonplussed. So, you see the two young guys walking out of the building, and one says to the other, can you believe that guy? In other words, he thought we were here to do something. Some people get the idea that the purpose of this bill is to do something. The only purpose of this bill, Senator Wehrbein, is to hire a person, for \$200,000, to tell people, when you go to ask for some money here's how you do it. These various lending institutions are the ones that lend money in the area that you're talking about. That's as much as they can do. If the person doesn't have good credit, the loan is not going to be obtained. This bill has no impact whatsoever in the area where actual impact is needed--getting some money in your hands. When

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you look at the definition of high risk, I marked down in my...well, venture capital, I marked in the margin next to it gambling. This is the definition of gambling, on page 3, line 18, venture capital means equity financing provided by accredited or professional investors to new or other business enterprises that have the potential for high growth...

SENATOR CUDABACK: One minute.

SENATOR CHAMBERS: ...and in which the risk for loss and the potential for profit may be considerable. That's what happens when you bet on the horses, when you bet on sporting events, when you play the lottery. But there is nothing of substance that I've heard yet that justifies this bill. To state simply in the few seconds that I have left, the only thing this bill would do is create a grant program by which money is appropriated by the Legislature to DED, and then they give it to some private person to talk to people.

SENATOR CUDABACK: Thank you, Senator Chambers. Senator Beutler, on the advancement of LB 225.

SENATOR BEUTLER: Senator Landis, could I just get more information from you, so I can be sure I understand the bill also?

SENATOR CUDABACK: Senator Landis.

SENATOR BEUTLER: I have to be honest with you and say I...I approach these kinds of bills with a degree of skepticism. It seems to me that probably nothing is more basic to our free enterprise system than capital...those who have capital finding those who need capital and vice versa, it's such a fundamental part of the system. I suspect it basically gets done without putting resources into...a large amount of resources into programs that are apparently designed to facilitate that. It's almost like two magnets attracting each other. But let me, let me, let me ask you this, back in the 1980s, and if this is...if I've missed part of this conversation on the floor, then we can skip it. But back in the 1980s there was a program designed by Governor Kerrey, at the time, that did some of these same

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things, and in addition allowed the direct investment of funds by the state taking an equity interest. That program went on for a few miserable years, and then it died a miserable death, and we repealed it, and that was that for venture capital in the 1980s. They couldn't find people to take the money that qualified with any sort of credentials that would cause them to believe that giving the money would be anything other than an immediate and direct and total loss, and they had the money right here in Nebraska to offer. What makes us think that this kind of facilitation will work better in the nineties than it did in the eighties and that, not only that, but it will work without the state offering any investment money of any sort but simply offering advice or trying to be helpful in getting people together? That would be my first question. And my second question is, why is this so complicated? You know, it seems to me like a simple web site, like something the university probably already has where everybody who's an investor says, hey, I'm looking for someone to give my money to; and everybody that wants money comes in and says, hey, I'm looking for money; and they just get together on this web site and let them pick and choose. Now, maybe some investors are...or maybe some people who want money out there don't know quite what to ask or what they need to give these investors, but they find out fairly quick. They call one and say, what do I need to show you? And they say, well, we need a business plan, and here are the elements of the business plan, and you give us that and we'll...we'll decide whether we're going to give you money. Instead of creating this massive administrative structure, I guess I need yet to be convinced as to how this is going to be superior to some simple system, especially in light of the total failure of a similar system in the 1980s? And with that, I know I'm not giving you very much time, but if you would like to take the rest of my time, please begin.

SENATOR CUDABACK: Senator Landis, you have one minute.

SENATOR LANDIS: What I'll do is this, I'll turn my light on here in a minute. It seems as if we're using the questioning format, some of which I think is very good, some of which I think are just arguments or whatever. I, rather than respond to these questions now, I'll do my light; I'll listen to questions

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that I hear people have, I'll mark them down; I'll do my best to answer them. And I also would like a moment to think about things. If you have questions, that's fine; but saying stand up and answer immediately gives us the least most valuable debate. I think a chance to reflect is appropriate. If you have questions, identify them for me, I'll write them down; I'll think about it and I'll stand back up and I'll give you an answer.

SENATOR CUDABACK: Thank you, Senator Landis and Senator Beutler. Senator Robak, on the advancement of LB 225.

SENATOR ROBAK: Thank you, Senator Cudaback. Again, I oppose this bill because I think it's just a foolish bill, sort of a get reelected type bill for the Governor. This is just exactly what we did last year on pumping, I don't know how many millions of dollars we pumped in to help early economic development or rural Nebraska. And what has happened out there is that rural economy is getting worse, it is not getting any better. Also, we are in a recession now. And it seems like a lot of money to be spending when we've clearly been told that we can't spend any money; we have a red veto pen out there. And I do think that in correlation to Senator Beutler's remarks, I do think that...I'm not really exactly sure about how the university operates, but I do know they do have this entrepreneurship enterprise program, and they do have a building somewhere; I don't know if it's connected to this or not. Senator Kremer and I were talking about this. They do help get financing and they have a big...they have some new buildings with rooms, you can rent spaces there, and they even make...you can make signs, you can rent these spaces and supposedly connect up with investors. But you don't even have to do that. If you are a new business, if it is up and running, an investor will find you, that's what they are. They have salesmen, they have people to do this thing. Also, you can go on your web page yourself. If you have food, if you have clothing, if you have, whatever you have, you can go to any web page and it takes hours and hours and hours, and you will find an investor. You can find it all by yourself. We don't have to spend this kind of money. This is not...this is not a bill that's necessary; we simply don't need this bill. I oppose this bill, I don't think it's going to help any new

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business. I don't know who it's going to help, personally; it might be the investors, I'm not sure. I think it's nonsense; I think we should not vote this bill to the next stage of debate. Thank you, Mr. Speaker.

SENATOR CUDABACK: Thank you, Senator Robak. Senator Chambers, on the advancement. Mr. Clerk, did you have something first? Senator Chambers, you are recognized.

SENATOR CHAMBERS: Mr. President, members of the Legislature, Senator Landis has injected something new into the way we conduct business on the floor. He doesn't want to answer questions; he's got a bad bill. I remember he didn't show that same restraint in questioning Senator Jensen when he had some bill on how marriage was to be defined. I think he may have asked some questions on various abortion bills. But now, because he's got a bad bill, he's not going to answer questions. He wants to have time to write it down, to think about it, then he might or might not answer. Well, I guess, on this floor we can choose to answer questions or not. But I just want to call attention to it. Things happen on this floor and many of my colleagues will sit and know something is not quite right, but they dare not speak. I will speak because I will ask questions. And if I have a question to ask of Senator Landis, I'm going to ask him and he has the opportunity to say I don't want to answer the question. Then I know that he's not going to answer questions on his bill, and I won't waste your time, his time, or my time, because I'm not a child and I'm not here playing. And if I choose to ask questions, he should say I don't want to answer them because I might get tripped up. I think you're making an argument instead of asking a question. He's the man who's got the information; it's his bill. If I bring a bill, you all have never heard me say I'm not going to answer the question. And there was a lady who used to be a member of this Legislature and she could ask some lollapaloozas, but I would answer them, I'd answer them and I would give commentary, if I thought the question wasn't going anywhere, but I would answer. So, Senator Landis doesn't want to answer questions. On this bill I don't need to ask him, because it's self-evident that it's a piece of nothing legislation. I am shocked that he would bring something like this. The Governor's office objected to a

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provision that I had in a bill related to the medical treatment of inmates. The objection was that an authority, a medical authority was to be created that had some degree of oversight. The administration's objection was that it creates another bureaucracy, another layer of government. There already is somebody working with HHS who can provide this oversight. I listened, I accepted it, I struck it. Then here comes a bill that's creating an opportunity for somebody to get some money for doing nothing. Where is the accountability in this bill? Does one, single entrepreneur have to obtain financing? No. Does there have to be proof that two people were brought together? No. Well, what is there in this bill? The granting of \$200,000 to the Department of Economic Development which will select some private entity, individual, or business and give them that money. I'll do the same thing for far less. If they would give me \$50,000, I would give Senator Beutler half of it, that means he's got 25, and I've got 25. Then I would give Senator Robak \$15,000 of it and let them work on the computer to gather this information. Then because I am something like the gatekeeper, I will keep \$10,000 and I will then farm out this information.

SENATOR CUDABACK: One minute.

SENATOR CHAMBERS: Should there...how much did you say I have, how much time?

SENATOR CUDABACK: One minute, Senator Chambers.

SENATOR CHAMBERS: I've had ten minutes all...oh, that's right, this is just speaking on the bill.

SENATOR CUDABACK: This is on the bill, five minutes.

SENATOR CHAMBERS: Okay, thank you. I'm going to do what I can to dismantle this bill. I think it is a foolish bill. I won't apply the word silly, because somebody did already. I'm talking about the bill. There is no substance to it, there is nothing here, not even smoke and mirrors. And I think, if we discuss this matter, enough may realize that it is not a good bill and we will use some judgment and not waste \$200,000 for this year

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and the next two years.

SENATOR CUDABACK: Thank you, Senator Chambers. Mr. Clerk, item?

CLERK: Senator Chambers would move to amend the bill, Mr. President. (FA9, Legislative Journal page 445.)

SENATOR CUDABACK: Senator Chambers, you are recognized to open on your amendment, FA9.

SENATOR CHAMBERS: Mr. President, members of the Legislature, what I want to do is start paring away some of the surplusage in this bill. All that Section 2 does is to lay out a large number of generalizations, none of which have any substance. The only thing of value that I see in this list will be found at page 2, line 7. It says the following, "Nebraska is a net exporter of venture capital". Why do I say there's value in that? Because it reminds me of something your president said. The problem with America's imports is that most of our imports are coming from foreign countries; he said that's the problem. That's where all imports come from; that's what he said, the problem is that most of America's imports are coming from foreign countries. I pick that stuff up right away, I have to explain it. And there are other things he said which I shall, from time to time, share with my colleagues. There is no person, including Senator Landis, who, in my opinion, can stand on this floor and show that there is not already in existence a means of achieving what this bill sets out to do. Discussion was had of a program with the university. Discussion was had relative to what is available on the Internet. Brothers and sisters, what good does it do to talk about the material available on the Internet, the advantages of high tech improvements, one manifestation is the gadget on our desk, if there is to be no practical use made of these things? The Department of Economic Development does nothing, as far as I can perceive. Maybe they do a great deal. The department does not have to know about venture capital, does not have to understand a lot of statistical data or anything else. All that the person who's going to do this stuff has to do is tell people, those who want some money come here; those who have some money to give come

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here; and let's get together, yeah, yeah, yeah, and sit back and has made \$200,000. You all are too quick, brothers and sisters, to give to these "Repelicans" everything they want. Now we've got people who sit on this floor and be so concerned about the constitution and other things, they say, I don't want to spend this extra money, because it's good for their political party. Then when the head of their political party, at least the titular head of their party, comes in with a piece of trash legislation, they'll support it. I can give you the names of those who support this bill right now, and then I can go back and find bills that were less worthless than this one that they opposed, because it creates another layer of government, it's duplicative; that service is already being performed. Why do we need another piece of legislation because a member of their party did not offer it. We need this one because the head of their party is offering it, that's the only reason. What I'd like to hear somebody say, even if it's Senator Landis, that what was said about information being on the Internet is not true, that the only way you can get this information is through some entity given this \$200,000 by the Department of Economic Development. We are going to have a number of issues come before us and they will have to be funded. And, oh, I'm going to hear people screeching and crying out about the need to wisely spend the taxpayers money. I bet if you let the public know what this is, they would laugh you to scorn first and, if it weren't for the Eighth Amendment and a sheriff, they'd stone you on the spot. Here is what the person on the street would say, let me get this straight, that's how they always start, because they've been taught these cliches, you are going to take \$200,000 in tax money...is that right, that's the amount of money we're dealing with? Yes, that's the amount of money we're dealing with. You're not going to lend this money to anybody? No. If I understood you correctly, you're going to give this money, not as a loan, but you're going to give it to somebody who's going to go out and tell people who want money that somebody else over there lends money and you ought to go talk to them? That's what's going to happen? And you say, yes. And you say, well, are you telling me that kind of information is not available now? No, I'm not going to tell you that. Then why are the taxpayers being asked to give some person \$200,000, which is more than I will make working eight hours a day, more

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than me and my wife and two children, who are working at McDonald's, will make? Why should our taxes go to give that money to somebody who's going to do something so foolish? Well, the Governor wants it, and that's the argument you make. So then, I'm a "Repelican", too. So now my loyalty comes into play. How many people are going to get loans, probably, as a result of this activity? Well, I have no way of knowing. Well, tell me this, why have not the people who need this money been able to get loans so far? I really don't know. Is it because they have bad credit? I can't tell. Well, let's create a hypothetical, let's say the person does have bad credit and the person is sent to a lender. Is the lender going to be more inclined to make a loan to that person because he or she was sent by this person who was given \$200,000 by DED? Well, I don't think so, because before a bank or any lender can give a loan it has to be a sound loan; it cannot be classified at the time it's given. There will have to be a likelihood, in other words, that the person can pay it back. So then this is not to help people with bad credit? No. Is it to create a situation where they get a loan below market rates? No. Are there a pool of people who have notified the state that they can't find people with whom to invest, so they're asking the state to help them? No. Well, who came up with this idea? I have no idea, it's just here and the Legislature is going to do it. You mean that same Legislature that has these conservatives, as they're called, who don't want to throw money away, who don't want to waste it, who does not want to make government bigger, does not want to create new entities doing what's already being done? Are those people going to vote for it? Well, yes, they are. Why? Because most of them are "Repelicans". Will old Senator Jensen vote for it? He certainly will. I can call on Senator Jensen, because he's strong, he's got big shoulders, like Chicago, the city of big shoulders. But I have other colleagues who tip-toe on little cats' feet, like the fog, and I will not call them by name, but they know who they are. And when the vote comes we all are going to know who they are, these spendthrifts, these wastrels, these prodigals who at another time are going to be lecturing everybody for the sake and consumption of the public about wisely spending money; don't waste it; I'm not for spending more money. Senator Redfield is looking at me; she's probably going to vote for it. She usually

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gives me some kind of sign when I comment. (Laugh) I don't get a sign today.

SENATOR CUDABACK: One minute.

SENATOR CHAMBERS: So, I will make a wager, because this bill allows for those activities where the risk of loss is great and the potential for profit may be considerable. I'll bet somebody a penny that Senator Redfield is going to vote for this bill. Now, anybody can come up with a penny. But in case she doesn't, then I'm not going to lose a considerable amount. I still want to listen to the debate. But what you ought to do, if you're going to pass this bill, is trim away a lot of this excess and simply give some definitions, if that's what you're going to put into the bill, declare what you are creating, which is this framework, another layer of government, then the fact that you're going to let this money pass through from the state, through DED to this private entity who is going to be given a \$200,000 gift, I mean grant.

SENATOR CUDABACK: Thank you, Senator Chambers. You've heard the opening on the Chambers amendment to LB 225. Open for discussion on that amendment. Senator Landis.

SENATOR LANDIS: Thank you. Amendments like this allow us to continue to talk about the bill itself, and I'll just say, as with most sections on findings, they're not essential. I'll vote against the Chambers amendment. If he was successful, I don't think it would disturb the outcome of the bill, so it's not one upon which I think a great deal rests. It does give us a chance to continue to talk about the issues. I was asked a couple of...a couple of points were raised that I think were...that deserve some attention. The question was, why are we in a different situation now than we were in the eighties when we did something similar. And the answer to that question is twofold. First, we didn't do something similar; we did something different, and it was something we weren't very good at. In part, it was because we became the evaluator of ideas, we did the function of the investment fund, or the investment banker, or the investment capitalist by evaluating ideas and putting the state into an equity position, and we were (laugh)

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bad at it. It's not easy to do. We picked some ponies and most of those ponies died before they ever made their first furlough (sic-furlong), and they certainly didn't cross the finish line, and they didn't make any money, and we, (laugh) we bet on a lot of sick horses, in part because it's difficult to know what the right answer is, what the good ideas are, what are the most profitable ideas, and the state of Nebraska wasn't very good at it. It's not what we do. We do other things well, but this is not what we do well. And I know Senator Chambers' argument is let DED do this. And, in fact, they might serve as the catalyst, I think there's a good argument in that. But what we have already proven to ourselves, it seems to me, is we cannot take the position of the venture capitalist, because we're lousy at being venture capitalists ourselves; we've already run that one into the ground. So, I said why is this different than the eighties when they're similar? My first answer was they're not similar, we're doing something differently. Why else...why...why is it different now than in the eighties? Actually, I don't have a...I know I said two reasons, but in fact that's the essential reason, it's not similar. And I don't have the confidence in our ability to learn and retain the kind of person who can do this work on a continuing basis at an amount of money that we would pay. The salary we would pay somebody to do this function for us, if we were the permanent full-time person, would be astronomical because those people are now running investment funds on the coasts at huge sums of money. The best we're going to do is be able to get them to come in and assist us rather than to be our employee, because they are running investment funds now. So, you get...you take yourself the high risk venture capital of where we are now with the fast-moving marketplace and the technology, and this skill which has already alluded us, I just...I think we're different. If you don't think we're different, vote against the bill. Secondly, why is it so complicated? Good question. These deals aren't on the Internet; they're not there. In a sense, you have to go out and find these deals. There's an interesting piece of information that came to the Banking Committee, and that was how much venture capital flowed into this state in 1999? And the site was...

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SENATOR CUDABACK: One minute.

SENATOR LANDIS: ...the CyberNation American Electronics Association 2000. They identified \$6 million of venture capital coming into the state. Kansas, \$26 million came into the state; Colorado, \$1.3 billion of venture capital. Doesn't mean the deals aren't here. I think the belief of the people who are behind this bill, the administration and the group this summer that met at the Governor's behest is that the deals may exist, they should be out there, but we have to go find them, that it's not self-evident that these people are on the Internet; that while you can maybe do a credit card by the Internet, and certainly people do, you probably can't do a venture capitalist loan interview,...

SENATOR CUDABACK: Time.

SENATOR LANDIS: ...economic analysis by the Internet; the deals aren't on the Internet now.

SENATOR CUDABACK: Thank you, Senator Landis. Senator Beutler, on the Chambers amendment to LB 225. Senator Beutler.

SENATOR BEUTLER: Senator Landis, I just again wanted to ask you to respond to a few questions. And you can respond the next time you speak, you don't need to respond right now. But it seems to me the way the bill is structured that with respect to the entity or persons who are going to run this system that probably somebody has some idea about what kind of people these are or who they are? And, I guess, in conjunction with that, did you say or did I miss any kind of information you gave us with regard to the use of this model elsewhere, the successful use of this model elsewhere, or is this something that we're...we're...we're formulating on our own and trying anew here, which is not necessarily bad. But I would be interested if there was some model for success. And the bill seems to envision that whoever it is that's going to do this for us, for \$200,000, is also putting in \$200,000 themselves. Is that \$200,000 an additional...additional money that's going to go into constructing some sort of system, or is that money that can be invested? And how do we know that there are people out there

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that are willing to put...match \$200,000 in order to give us that system? And what is it that they get out of it? If they're putting in \$200,000 and they get our \$200,000, what do...what is it they get out of it? Those would be the questions I would ask for your next time around. Thank you.

SENATOR CUDABACK: Senator Beutler, are you asking for a response from Senator Landis?

SENATOR BEUTLER: No.

SENATOR CUDABACK: No response? Senator Chambers, on your amendment.

SENATOR CHAMBERS: Mr. President, members of the Legislature, on occasion, findings assist in a piece of legislation being understood. This that are called findings is really nothing more than propaganda. There is a mention of venture capital. The bill deals with what venture capital is, so why do you have to do all this fluff? One of these high-growth businesses; that is defined in the bill. Why all the fluff of Section 2? Because it is a political propaganda piece; it can befuddle, make the bill look longer than it is, discourage people from analyzing the terms of the legislation. I'm looking on page 3, which is not a part of the findings which I think ought to be stricken. Starting in line 12, defining high-growth business, high-growth business enterprise means a business enterprise which experiences a 20 percent or more compounded annual rate of growth in gross sales. Now, what is the period that is to be looked at in determining whether or not this criterion is met? One year? Two years? Do you take several years and arrive at an average? That's not made clear, but there is nobody you can ask those questions to and get an answer. But if the only businesses that are available, I meant to whom this service is available, are those that meet this criterion, how many of those businesses are there in Nebraska? Does the person have to be in business, or somebody who wants to start a business, and that person is going to project that, if my business starts, this is the amount of money I make. Well it doesn't matter what the person tells this business that's going to get this \$200,000, because that is not the entity granting the loan, that is not

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the entity determining whether this business is likely to take off. All that the \$200,000 beneficiary is going to do is tell this person, here is a list of lenders who are interested in looking at these high risk ventures provided there is the possibility of a high return; now you go to them and present your idea and see if they agree with you and, if they don't, you're not going to get a loan. But for purposes of making that report to the Legislature and the Governor that the bill calls for, that person's name can be listed and that constitutes a contact. Every time you send one of these people on a wild goose chase, it constitutes a contact. This bill does require that a report be made to the Legislature and the Governor, but it doesn't say what it has to consist of. Well, the Economic Development Department will make it. On page 5, Section 12, starting in line 20, "the Department of Economic Development shall submit an annual report on the activities of the Nebraska Venture Capital Forum Program to the Governor and the Clerk of the Legislature"...

SENATOR CUDABACK: One minute.

SENATOR CHAMBERS: ... "on or before January 1st of each year." The report might say, no loans were obtained by any of these people. We don't know what the report is to say. There is no accountability here. There are no standards laid out, and the only thing that this outfit has to do is carry out the purposes of the Nebraska Venture Capital Forum Act. What does that mean? You don't have to be successful. I'm putting my light on again, if I can. Can I, Mr. President, or have I spoken all I can?

SENATOR CUDABACK: Yes, you can, Senator Chambers.

SENATOR CHAMBERS: Okay.

SENATOR CUDABACK: Senator Hudkins, on the Chambers amendment to LB 225.

SENATOR HUDKINS: Thank you, Mr. President, and members of the body. In listening to the discussion this morning, I'm inclined to agree with Senator Chambers and Senator Robak, that this bill really is not needed. But we see that it came out of the

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committee, I believe all of the committee members voted for the bill. I would like to ask some of the other members of the committee, who are sitting very, very quietly this morning, what their take was on the bill and why they decided that it should come out of committee? Senator Bourne, I think you voted for it, Senator Aguilar, Senator Jensen. Senator Bourne, you're standing up, why don't you tell me.

SENATOR CUDABACK: Senator Bourne, would you yield to a question, please?

SENATOR BOURNE: I will.

SENATOR HUDKINS: Can you give us what you heard at the committee hearing that decided that you had to vote this out of committee to the full floor?

SENATOR BOURNE: Well, actually, I signed onto the bill prior to the session starting. The one good piece of testimony that we had during the hearing was we had, as Senator Landis mentioned, a gentleman who had developed a software program for dental offices. And he had indicated that he was kind of in a...there were a certain number of people who had sold similar software, and he had indicated that he and other companies were kind of in a race to kind of corner the market on this type of software. And this other individual that he was in competition with was from a state that had a similar program to this. And he felt that if that program had been, or if this program had been in effect, in Nebraska, he would have had more opportunities to obtain the capital that he needed to finance the expansion of his business.

SENATOR HUDKINS: Thank you. Senator Aguilar, can you add something new to that?

SENATOR AGUILAR: Only that that program would have stayed in Nebraska and that, I think, was the most important part. That man...the software program company would have existed in Nebraska instead of going to Georgia.

SENATOR HUDKINS: Thank you. Senator Jensen.

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SENATOR CUDABACK: Senator Jensen, will you yield?

SENATOR JENSEN: Thank you, yes. I did support this bill and this program. I think it is a good economic tool. There are so many small businesses that start up, and sometimes they're successful, many times they are not. And I think this is an opportunity for them to get some help, number one, and then also to retain this business. Boy, I'm very concerned about the number of businesses that lack capital to start with. Now, we look at our friends around us--Iowa, Kansas. Kansas has a program where they are promoting this particular issue of economic development and it's working for them and they are able to hold more of those. We've got to do whatever we can to attract business, but more than anything to grow business here in Nebraska; that's what it's all about. And we look at the growth that we have had, it's all been from small businesses, somebody who's got a good idea and then can develop that and work with it and, if they do...can get the capital, why then to go ahead and to expand and hire more employees, and more employees also pay more taxes and help the state run. So I think it's a good bill; I'm in favor of it and will support it all the way through.

SENATOR HUDKINS: Thank you. In hearing what those senators have said, you know they have good reasons for voting the way that they did, but I still agree with what has been said previously, that we have programs like this already in place and I really don't see the need to add further programs. Senator Chambers, if there's any time left of mine, you're entitled to it; you may have it, if you need it.

SENATOR CUDABACK: One minute, Senator Hudkins. Thank you, Senator Hudkins. Senator Chambers, one minute remaining.

SENATOR CHAMBERS: Thank you. Thank you, Senator Hudkins. Thank you, Mr. President. Despite what those on the committee have said, it was tentative, not a ringing endorsement of the bill, because they know that I'm listening and I'm going to bring their words back to haunt them on other propositions that come before us. But that's not the main thing to think about.

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You cannot see merit in the bill itself that justifies its existence. Senator Jensen is of the political party that always talks about accountability, establishing a need and a proof that the program being funded by the taxpayers is going to meet that need. There is not even a mechanism of control and accountability in this bill. I won't go beyond the one minute, but I do have more that I'll say on this bill.

SENATOR CUDABACK: Thank you, Senator Chambers and Senator Hudkins. Senator Landis, on the Chambers amendment.

SENATOR LANDIS: Thank you, Mr. Speaker. Members of the Legislature, there were some questions asked before that I thought I'd try to get a chance to respond to. What kind of people would do this function, I think was asked by Senator Beutler, and what kind of people do you want to do this function? And the most essential piece that we need to access are experienced venture capitalists, people who have done deals, people who know what this mechanism of getting ideas and money together. It's different than the function of holding a conference or a seminar, lots of which we have plenty of experience about. And in fact, you know, there are any number of organizations out there that could do many of those functions. The very unique function is what it is that an experienced venture capitalist could bring to tell us how to make deals and encourage deals and get deals to be done. Is there a model elsewhere? No, this is a relatively fresh idea, although there is a similar model, and that's in Minnesota, it's called the Regional Angel Networks, up there. There is a significant difference and that is that the state up there has authorized state investment, which we don't here. But the idea of regional networks for local investment accessed by a state program is similar. Is there a model that shows success? I don't know of a success to be able to show you with respect to that. Does the nonprofit have to put money in? Yes, they have to match 200,000 bucks, it can be in-kind. Do we know...how do we know that there are such people? Well, we won't until we put the RFP out, although we have been asked, our DED office has been asked about the program by essentially seed investment companies. But we won't know if there's anybody until we put the RFP out and we get somebody in to see if they'll say yes.

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And what do they get out of the deal? Well, they certainly get a certain amount of legitimacy. But eventually understand this program lasts for three years and comes to an end. Seems to me one could, if one was very good at that and became the forum for these things, at the end of three years could be spun off as a fee for service and you would have the legitimacy of having done this, only that that is a possibility. But the answer that we have now, what do they get for this, they get local investment and entrepreneurs that stay here. Who cares about this and who would help us put up the money? Local and regional economic development organizations have already asked to be helpful, as have utilities which invest in local companies, as well, or try...I'm sorry, they don't necessarily invest, but they try to get local investment; they try to get local development so that they can build their own utilities networks and also make the whole system stronger. So we have people out there who do care about development and they are prepared to assist both monetarily and with their work, and they include local and regional economic development councils and utilities. There was another story told before the committee which was very interesting. Steve Alsbury said, look, I've got...I've got a...a web site, it's called Go To The Business, I've got 250 businesses in Nebraska in which we can...we do a little video, we do a little comment and, if you want to see that place for the purpose of selling to that business, you could go through our web site; we're growing now, and I'm just at the place where I either have to move and grow or stay here, and I need \$1 million, and I can't get the attention of any of the venture capitalists on the coasts because the maximum...or, I'm sorry, the minimum amount of money that they do is 5 million bucks. I've got an idea, I've already got an archetype that's working, I've got some...I've got 250 businesses...

SENATOR CUDABACK: One minute.

SENATOR LANDIS: ...I'm doing, you know, work with and I need a good loan. Might he be able to get that loan without this bill? Yes. If he...if we don't pass this bill, Steve Alsbury might be able to get a loan. We're going to make it easier for the Steve Alsburys of the world, that may not be something that this Legislature wants to invest in. Apparently Senator Chambers

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doesn't want to; I understand. Steve Alsbury is saying, I got a good idea, I got 250 clients, I'm ready to grow big, and I have not been, I have not been able to find somebody who is going to be a venture capitalist for me for a million bucks, and going to the coast doesn't help because they don't want somebody as small as I am. A million, no, I'm sorry, a billion three in Colorado in venture capitalist investment in 1999, 26 million of investment in Kansas in 1999, 6 million in Nebraska. You may be satisfied with that record, I'm not. I think that some of the people that just were asked...

SENATOR CUDABACK: Time.

SENATOR LANDIS: ...to stand up and testify as to their feelings probably aren't satisfied with that record. And that's at least part of what's at stake in LB 225. If I have any additional time, I yield it to Senator Chambers,...

SENATOR CUDABACK: Your time is up, Senator Landis.

SENATOR LANDIS: ...I know he wants to use it.

SENATOR CUDABACK: Thank you, Senator Landis. Senator Chambers, I failed to answer your question a while ago. You have two...spoken twice on the bill and this will be your third time on the amendment. You're recognized now.

SENATOR CHAMBERS: Thank you, Mr. President. Members of the Legislature, before coming here this morning, I spent a lot of time on this bill. I might be more familiar with it than anybody on this floor in terms of pointing to a section and telling you what it says. So I'm not up here just taking time, but I will take all the time necessary, because I think this is a bad bill. I think we are starting a bad precedent for this session. Now it shouldn't be for me to talk about how we spend money and the tone we're setting by taking inconsequential notions, such as this, and putting \$200,000 into them, when I know and we all know, and the Chairman of the Appropriations Committee certainly knows, as do all of the members on that committee, the substantive programs that are going to come before us seeking money, the bills carrying A bills that will

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require money. So I feel the time I'm spending this morning is well spent because I'm going to save the state, if I can, \$200,000, and I only make \$12,000 a year. So, if I take all 90 days on this bill, I can't because some of them are gone anyway, I'm still expending only \$12,000 of my salary; and I'm paid to work, and I'm going to work every bad bill that I see which is harmful. Some people may say what's \$200,000? Well, I have seen us fight against expending \$200,000 for certain commissions or entities that would deal with the healthcare needs of women, too much money. These certain things can be done by HHS and other divisions because the administration didn't like it. Now the administration brings us a piece of nothing, and the only one really speaking for it is Senator Landis, because he's the one carrying it, he's the point person. Others reluctantly stood up and said something, and they're gone, well Senator Jensen is gone (laugh) anyway. Senator Aguilar's got to stay there because we'll all see him take a powder, and Senator Bourne has already given his mea culpa--I signed on the bill before the session. And if Senator Bourne had analyzed this bill, I believe he would not have signed onto it. So, who is the garbage man? Who must do the dirty work? I, and I'll do it. There are people on this floor who know this is a bad bill. Senator Hudkins acknowledged what she was beginning to see as she looked at the bill itself and what it supposedly does. If it accomplishes the best that can be expected, it's not accomplishing anything. Now Senator Landis pointed out that this donee, the one getting the \$200,000 grant, can match the \$200,000 with in-kind service. We don't have a definition of in-kind, so the work being done for the \$200,000 can be labeled in-kind service, so they are paid twice. They get a credit of \$200,000 for the work they're doing and it's a credit because it stands for the \$200,000 match. Then they get \$200,000 actual dollars from the taxpayers for doing nothing. The person who gets this contract could do just what Senator Vrtiska is doing now, reared back in his chair, scratching the top of his head. And they don't have to do anymore than that, Senator Vrtiska, and they get the money. They don't have to do anything. But, if you look at this bill as I have looked at it, on the bottom of page 3, at the bottom, it starts,...

SENATOR CUDABACK: One minute.

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SENATOR CHAMBERS: ..."the Department of Economic Development shall establish this program". Then the department shall, and you turn to page 4, and after the department does everything it's required to do, what's left for the donee to do? The organization of the statewide system is done by the department; you identify and provide information to investors, you provide information to the entrepreneurs, you provide regional meetings, forums and so forth, you cooperate with other entities, this is what the bill says the department shall do. And it's only after all that is done do you get to page 5 where you give a grant of \$200,000 to this other entity that may or may not do anything. My time is up, so I will not speak again until I close.

SENATOR CUDABACK: Thank you, Senator Chambers. Senator Hartnett, on the Chambers amendment to LB 225, followed by Senators Robak and Tyson. Senator Hartnett.

SENATOR HARTNETT: Mr. President, members of the body, Senator Landis answered some of my questions, because I think the heart of the bill is in...is in Section 11, dealing with this nonprofit organization that sets up this Nebraska Venture Capital Forum Act. And I think he answered earlier that there is not such an organization in existence right now that there would be something that the Department of Economic Development would ask for, for proposals dealing with that. And, I guess, as I see it and maybe Senator Landis could answer it, that I see this...this organization providing the kind of a conduit between a new business, a new person trying to start a new business with the venture capital money. And, if that's the purpose, and, I guess, I just...it's ironic that last Saturday I met, because the develop...the director of Economic Development is...lives, not in my district, lives in Senator Bruning's, but he lives in the Bellevue area. And we met with the young man, he's younger than I am, that has interest in doing something. His business is expanding; he wants to hire 120 people into the...into the area. And I thought the director of Economic Development was very, very helpful in helping him maybe identify, you know, some places where he could maybe go for...to get some funds, because he's looking for in the neighborhood of 8 to 10 million dollars. And my question is, is this the purpose of this forum, I guess?

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And, you know, or do they have the expertise in the department now, or maybe there's more that this...is going to happen with this...this...this thing that we're going to set up with \$200,000? So these are my questions, Senator Landis. And I...Senator Chambers, would you like some more time?

SENATOR CUDABACK: Senator...Senator Chambers.

SENATOR CHAMBERS: Thank you. And I'll accept any time that I can get this morning.

SENATOR CUDABACK: About two and a half minutes.

SENATOR CHAMBERS: Thank you. And I think, if you pay attention, you'll see that I'm not just talking, I'm dealing with what the bill says. Senator Landis, when he spoke, had mentioned that some businesses and other entities, including utilities, have expressed an interest already. If they have that interest, why do they need to wait for this bill? Why cannot they go to DED right now and express that interest and we use the existing structure which is there? You have a department that was created for the purpose of working for economic development. Senator Landis feels that a problem has been identified and that department is incapable of addressing it without hiring somebody. Now I have to run the risk of Senator Landis not answering but, Senator Landis, I'd like to ask you a question about something on your committee report. When it...

SENATOR CUDABACK: Senator Landis.

SENATOR CHAMBERS: When it mentions the proponents, the question will be for each of them, it will be whether it is a private, nonprofit group and were they addressing the committee in that respect--the Nebraska Enterprise Forum?

SENATOR CUDABACK: Would you respond, Senator Landis?

SENATOR LANDIS: Um...

SENATOR CHAMBERS: And, if you don't know, I'm not going to

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grill you.

SENATOR LANDIS: Yeah. I'm going to give you my best guess on that one, Ernie, because I'm not sure. The Enterprise Forum, I think, was the group called together by the Governor asking for advice on how to improve economic development. So,...

SENATOR CHAMBERS: Okay.

SENATOR LANDIS: ...largely private,...

SENATOR CUDABACK: One minute.

SENATOR LANDIS: ...kind of a temporary situation there.

SENATOR CHAMBERS: Now I really...maybe I should know this. Is the Chamber of Commerce and Industry a private, nonprofit organization?

SENATOR LANDIS: I bet it's a non...I would bet it's a private, nonprofit corporation.

SENATOR CHAMBERS: And these last two, the Practice Works, Inc. and Del-Rene, I guess,...

SENATOR LANDIS: Right.

SENATOR CHAMBERS: ...R-e-n-e Company,...

SENATOR LANDIS: Those are private, for-profit organizations, to my knowledge.

SENATOR CHAMBERS: Do they lend money of this kind or they were seeking it, if you know?

SENATOR LANDIS: Seeking.

SENATOR CHAMBERS: Okay.

SENATOR LANDIS: Both of those are examples of people seeking money.

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SENATOR CHAMBERS: And I think the time is up. Thank you, Mr. President. Thank you, Senator Landis.

SENATOR CUDABACK: You have thirty seconds, Senator Chambers, if you wish. Thank you, Senator Hartnett and Senator Chambers. Senator Robak.

SENATOR ROBAK: Thank you, Senator Cudaback. This sort of reminds me of a "yes, Virginia, there is a Santa Claus" and we'll take care of all your wants. But there is no Santa Claus here, this is just a fairy tale. If anybody reads the newspapers, don't you read about all the people that are laid off every day? They're in the thousands, 12,000, 16,000, 600...they're not only in Nebraska, they are all over the United States. People are laying off on the big firms, so why would they come to Nebraska for some place they never heard of? Investors aren't doing this now. If you watch the stock markets, people are not as rich as they were ten months ago. Technology is taking a big, big hit. I don't understand why we are doing this at all? I support the Chambers amendment; I think we ought to strike the other sections of law, too, of the...the other sections of this bill also. I think at best this bill should be a three-year feasibility study, and that probably might help the Governor a little bit, but I don't know how good, but it might be just a little bit of help to have a feasibility study on this. I frankly think this bill should be voted down. Thank you, Mr. Speaker.

SENATOR CUDABACK: Thank you, Senator Robak. Senator Tyson, on the Chambers amendment to LB 225.

SENATOR TYSON: Thank you, Senator Cudaback. Members of the body, I rise just to comment briefly on this. I'm a member of the committee that heard it; I am a cosponsor of the bill; I think I have a basic understanding of the bill, perhaps not all the fine shadings and nuances, but I do have a little experience in business and for one part of my checkered, shady past I was a loan officer. I will tell you that a good many people come into a bank seeking loans and don't know "sickem" about how to go about it. A business loan is a serious piece of financial

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legerdemain, I'd call it. When you go to a bank and say I want X-number of dollars, they're going to start asking you some questions. Even if you are an existing business that has been operating profitably and you want to expand, they've got a lot of questions that they have to have the answers to. And, if you don't have the answers now, they're not going to be as receptive when you come back later. If you do have the answers now, if you've got the thing worked out on the tax basis, on labor laws, on supply, how you're going to market it, and a marketing program, I will tell you because I've built them, is a very, very complicated document because it identifies the profit, it identifies manufacturing processes, it identifies who is already doing this, the competition in the field, it identifies who you are going to sell to, and if you think that \$400,000, part of which can be in-kind, is a great sum of money for even one loan application of sufficient size, we're not talking about an awful lot of money here as money is spent in developing businesses. I foresee this to go to the very small business, because those are the ones who don't understand in every instance exactly what they've got to do. But, I'll tell you one thing, if you walk in looking for money, a lot of times a bank has other considerations besides whether or not yours is a credit-worthy loan. We're not talking about your credit. You could pay every bill in your life on time and not be credit-worthy for a loan. The only part that I don't like about this is one of the definitions, and that definition is in Section 6--a high-growth business is defined as one that experiences a 20 percent or more compounded rate of growth in gross sales. If you think that's easy, you should go into business and try it because it's not easy. You have to have people who understand the process of getting loans, and the process of growing a business, and you've got to know that before you go looking for the money. There are people who are looking for good rates of return, they are called venture capitalists; they are not philanthropic organizations, they want hard, fast, firm answers. And, if you've been out in the middle of nowhere Nebraska building feed bunks and think that you can expand your business, all they have to do is say one thing--prove it, prove it ahead of time,...

SENATOR CUDABACK: One minute.

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SENATOR TYSON: ...prove it by telling us everything that you're going to do, show us your customer list, show us how you're going to prospect. People think that prospecting is going door-to-door with a market basket under your arm saying, you don't want to buy any tomatoes, do you, lady? That's not it. If you can get a half of one percent return on your prospect list, you've got a pretty decent prospect list in some businesses. If you don't understand that, and you don't understand where to grow those lists, and how to use them, and how to price your product, and what your source of materials are, you don't deserve a loan from anyone because you haven't done your homework. You take someone who might be very, very competent in his business and ask him these questions and he doesn't know, it's not his business to know, it's the people who put up the money in-kind to know, it is the state,...

SENATOR CUDABACK: Time.

SENATOR TYSON: ...in this parti...thank you, Mr. President.

SENATOR CUDABACK: Thank you, Senator Tyson. There are no further lights. Senator Chambers, did you wish to close on your amendment to LB 225?

SENATOR CHAMBERS: Yes, I do, Mr. President. Members of the Legislature, Senator Tyson, if he had been paying attention, would have known that one of the definitions that I addressed just a few minutes before he spoke was this one dealing with high-growth business enterprise. And, not only was I looking at the definition, Senator Tyson, I wanted to know what is the period of time during which this determination would be made that there would be a 20 percent or more compounded annual rate of growth in gross sales. If you don't have to be there for a full year, maybe a person is going to sell tomatoes and, instead of selling a market basket, sold a flatbed truckload and, based on what was expended to get those tomatoes, if sales could be made at that rate forever there might be a higher than 20 percent or more rate of growth in gross sales. So there should be something in this bill, if you're going to pass it, to tie these definitions down. But the fact that that care was not taken makes it clear that the bill is not designed to really do

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anything of substance, it's to make possible the giving of a gift, then later on political use can be made of it by showing how much was done for economic development. The Governor vetoed some bill on education a year or so ago, then took credit for it after the Legislature overrode the veto and the program did some worthwhile things. He took that as a centerpiece of what he had done without pointing out that he had vetoed the bill. So you all don't want to see the Governor as a politician. I respect the prerogatives of the Legislature, I respect the Legislature as an institution. As a member of this institution I'm going to fight against anything that will make us look like nincompoops, and this bill does that more than any we've had this session so far. It has not really been analyzed, it doesn't have to produce anything. Everybody who has spoken for the bill talked about how difficult it is to understand the world or the universe of venture capital, how hard it is to get somebody to put in this money when the enterprise offers a good chance of failure. Well it doesn't take a long time for anybody to realize that. That's why some of these people can't get loans now in addition to having bad credit or, as Senator Tyson pointed out, a lack of understanding of what it even takes to operate a business. But there are entities from which people can get that basic information. There is a group of retired business people who call themselves something with volunteers on the end of it who will mentor and help people through these pitfalls and to navigate around these shoals. This bill has not been demonstrated to be of value. What my amendment does, if you adopt it, is to strike all of these findings. Then we get down to the meat of the bill. We could argue whether these findings are even valid. But I haven't spent a lot of time on them, because I focused on the substantive portions of the bill. What is in the substantive portion of the bill need not be fluffed up and prettified in these findings, as is the case now. So my motion that is before us now would strike all of Section 2 which consists of these findings. And if you don't adopt the amendment then my heart will not be broken, just as Senator Landis' will not be broken if you do. But in the interest of trying to begin to massage this bill and make it at least have the technical appearance of a well thought-out piece of legislation,...

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SENATOR CUDABACK: One minute.

SENATOR CHAMBERS: ...we ought to jettison this language. Now, if you wanted to preserve something, maybe paragraph 9 would be what you would keep. Entrepreneur...this is a quote, "entrepreneurs and high-growth business enterprises need technical assistance in understanding equity markets and how to position themselves to receive equity funding". What more do you need than that if the findings are to have any significant relationship to what the bill purports to do? They've talked about the need for information, the lack of knowledge of some of the people trying to get these loans. That sentence that I read embraces all of that. But I would hope that you will strike this entire list of findings. Mr. President, I will ask for a call of the house.

SENATOR CUDABACK: There's been a request for a call of the house. All in favor of the house going under call vote aye, opposed nay. Record, please, Mr. Clerk.

CLERK: 27 ayes, 0 nays, Mr. President, to place the house under call.

SENATOR CUDABACK: The house is under call. All unexcused senators please report to the Chamber; all unauthorized personnel please leave the floor. The house is under call. Senator Baker, Senator Brown, Senator Bruning, would you please check in. Senator Burling, Senator Raikes, Senator Robak, Senator Schrock, Senator Thompson, and Senator Jones, please check in. The house is under call. The house is under call. The house is under call. Senators, please check in. We're trying to locate Senator Jones. Senator Jones, please check in, the house is under call. Senator Chambers, we are unable at this time to locate Senator Jones. Do you wish to wait or...sorry?

SENATOR CHAMBERS: (Inaudible.)

SENATOR CUDABACK: Okay. Senator Jones, I've been informed that he is on his way. All present or accounted for. The question before the body is the Chambers amendment to LB 225. All in

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favor vote aye, opposed nay. We're voting on the Chambers amendment to LB 225. Have you all voted who care to? Request for a record vote. Record, please, Mr. Clerk.

CLERK: (Record vote read, Legislative Journal pages 445-446.)  
16 ayes, 18 nays, Mr. President, on the amendment.

SENATOR CUDABACK: The amendment is not adopted. Mr. Clerk, next item. I do raise the call.

CLERK: Senator Chambers would move to amend.

SENATOR CUDABACK: Senator Chambers, to open.

SENATOR CHAMBERS: Mr...oh, excuse me a moment.

SENATOR CUDABACK: Mr. Speaker, you're recognized.

SPEAKER KRISTENSEN: Mr. President, after the Clerk has had an opportunity to read any items into the record, I'd move that we adjourn until tomorrow morning at 9:00 a.m.

SENATOR CUDABACK: Mr. Clerk, did you wish to read in items for the record, or did you?

CLERK: Mr. President, Transportation Committee offers hearing notice; that's signed by Senator Bromm. Health and Human Services reports LB 346 to General File with amendments; Government Committee reports LB 226 to General File; LB 253, General File; LB 250, General File with amendments. And Retirement Systems reports LB 186 to General File with amendments. Those all signed by the respective chairs. Senator Kremer would like to add his name to LB 404; Senator Foley, withdraw his name from LB 500; Senator Dwite Pedersen, (add to) LB 29. That's all that I have, Mr. President. (Legislative Journal pages 446-448.)

SENATOR CUDABACK: Thank you, Mr. Clerk. The motion is to adjourn until tomorrow morning at nine o'clock, January 30th. All in favor of the motion. Opposed to the motion. We are adjourned.

Proofed by: Kathleen Higley