

**MARCH 1, 2001**

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FLOOR DEBATE

March 1, 2001      LB 15, 23, 52, 83, 86, 154, 213, 298, 444  
451, 832, 835

PRESIDENT MAURSTAD PRESIDING

PRESIDENT MAURSTAD: (Recorder malfunction) thirty-eighth day of the Ninety-Seventh Legislature, First Session. The chaplain of the day is Pastor Dean Pofahl of Elm Creek Christian Church in Elm Creek, Nebraska; Senator Cudaback's district. Pastor.

PASTOR POFAHL: (Prayer offered.)

PRESIDENT MAURSTAD: Thank you, Pastor Pofahl. We will call the Nebraska Unicameral to order. Members, 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: I have no corrections, Mr. President.

PRESIDENT MAURSTAD: Any messages, reports, or announcements?

CLERK: Mr. President, your Committee on Banking, Commerce and Insurance, chaired by Senator Landis, reports LB 835 to General File with amendments, and LB 832 as indefinitely postponed. Enrollment and Review reports LB 52, LB 298, LB 15, LB 23, LB 86, LB 451, LB 83, and LB 154, and LB 213 to Select File, some of those having Enrollment and Review amendments attached. Senator Preister has selected LB 444 his priority bill for this session. And I have two reports, Mr. President: one from the Board of Public Roads Classifications and Standards, and one from the Nebraska Department of Economic Development. Both reports will be on file in the Clerk's Office, available for member review. That's all that I have, Mr. President. (Legislative Journal pages 851-855.)

PRESIDENT MAURSTAD: Thank you, Mr. Clerk. (Visitors introduced.) Speaker Kristensen.

SPEAKER KRISTENSEN: Thank you, Mr. President. Members, this morning there's going to be a little change due to the weather

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and some circumstances of members trying to get here this morning. We will start with Final Reading. There's an amendment on LB 346 so we're going to hold LB 346 back a little bit and if the member who has an amendment gets here then we'll plug LB 346 in this morning when we get a chance to do so, and we will not take up LB 227 this morning. We'll just pass over that. So we'll go to LB 433 after we do Final Reading. Thank you, Mr. President.

PRESIDENT MAURSTAD: Thank you, Mr. Speaker. Members, we are on Final Reading. If unauthorized personnel could please leave the floor. Members, if you could please return to your desks, we will begin Final Reading. Mr. Clerk, LB 133.

CLERK: (Read LB 133 on Final Reading.)

PRESIDENT MAURSTAD: All provisions of law relative to procedure having been complied with, the question is, shall the bill pass? Those in favor vote aye; those opposed vote nay. Mr. Clerk, please record.

CLERK: (Record vote read, Legislative Journal page 856.)  
38 ayes, 0 nays, 11 excused and not voting, Mr. President.

PRESIDENT MAURSTAD: LB 133 is passed. Mr. Clerk, LB 250.

CLERK: (Read LB 250 on Final Reading.)

PRESIDENT MAURSTAD: All provisions of law relative to procedure having been complied with, the question is, shall LB 250 pass? Those in favor vote aye; those opposed vote nay. Please record.

CLERK: (Record vote read, Legislative Journal pages 856-857.)  
37 ayes, 0 nays, 1 present and not voting, 11 excused and not voting, Mr. President.

PRESIDENT MAURSTAD: LB 250 is passed. Mr. Clerk, LB 269.

CLERK: (Read LB 269 on Final Reading.)

PRESIDENT MAURSTAD: All provisions of law relative to procedure

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having been complied with, the question is, shall the bill pass? Those in favor vote aye; those opposed vote nay. Mr. Clerk, please record.

CLERK:            (Record vote read, Legislative Journal page 857.)  
36 ayes, 2 nays, 11 excused and not voting, Mr. President.

PRESIDENT MAURSTAD: The bill is passed. Mr. Clerk, LB 182.

ASSISTANT CLERK: (Read LB 182 on Final Reading.)

PRESIDENT MAURSTAD: All provisions of law relative to procedure having been complied with, the question is, shall LB 182 pass? Those in favor vote aye; those opposed vote nay. Mr. Clerk, please record.

ASSISTANT CLERK: (Record vote read, Legislative Journal page 858.) Vote is 37 ayes, 0 nays, 1 present and not voting, 11 excused and not voting, Mr. President.

PRESIDENT MAURSTAD: The bill is passed. Members, pursuant to Rule 6, Section 8, the question is, shall LB 300 be considered for a vote without an at-large reading? Those in favor vote aye; those opposed vote nay. Mr. Clerk, please record.

ASSISTANT CLERK: 34 ayes, 1 nay on the motion to dispense with Final Reading, Mr. President.

PRESIDENT MAURSTAD: The question is agreed to. Mr. Clerk, please read the title.

ASSISTANT CLERK: (Read title of LB 300.)

PRESIDENT MAURSTAD: All provisions of law relative to procedure having been complied with, the question is, shall the bill pass? Those in favor vote aye; those opposed vote nay. Mr. Clerk, please record.

CLERK:            (Record vote read, Legislative Journal page 859.)  
40 ayes, 0 nays, 9 excused and not voting, Mr. President.

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PRESIDENT MAURSTAD: The bill is passed. Members, while the Legislature is in session and capable of transacting business, I propose to sign and do sign LB 133, LB 250, LB 269, LB 182, and LB 300. Mr. Clerk, items for the record.

CLERK: Thank you, Mr. President. I have a report of registered lobbyists for this week; an amendment to be printed by Senator Wickersham to LB 827, Senator Tyson to LB 227. And priority bill designation: Senator Schrock, LB 667, as one of the Natural Resources Committee priorities. That's all that I had, Mr. President. (Legislative Journal pages 859-860.)

PRESIDENT MAURSTAD: Thank you, Mr. Clerk. (Doctor of the day introduced.) Mr. Clerk, General File.

CLERK: Mr. President, LB 433, first bill this morning. Senator Landis offers LB 433. (Read title.) Bill was introduced on January 9 of this year, referred to the Revenue Committee, advanced to General File.

PRESIDENT MAURSTAD: Thank you, Mr. Clerk. Senator Landis, you are recognized to open on LB 433.

SENATOR LANDIS: Deja vu all over again. This bill was here last year, passed through the Legislature after a titanic struggle with Senator Wickersham and Senator Raikes, which we will reprise for you this morning. It was amended by a measure that Senator Hilgert touted at the time and eventually was vetoed by the Governor and, in his message, the Governor differentiated his reasons. He said he would have liked to have signed the business credit bill, or would have been inclined to I think his words were, but, because of the Hilgert amendment, he vetoed the bill. In 1999, Governor Johanns established the Business Council on Child Care Financing. At the time when he charged that commission, he said, with both parents in so many households working and so many single mothers in the work force, the demand for quality childcare...childhood care outside the home has never been greater. Nothing could be further from the...I mean nothing could be more accurate in its statement in that we now have the highest level of employment for women outside the home as there is in the country. We rank second in

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the nation and the region in women's labor force participation. While 59 percent of women in America work outside the home, 66 percent of women in Nebraska work outside the home, for many reasons. Many of the jobs in Nebraska aren't particularly high paying. Anybody who's running a farm knows that it takes an outside income oftentimes to make a farm work. People who are piecing together part-time jobs or jobs of minimum wage or slightly above, that in keeping a family together two incomes are necessary, and it's even tougher with one income, particularly when that income is a single parent. Of our 114,000 children who are age five, half of them are in day care. Half of them are in childcare some place outside the home. When you take a look at child-care needs, that number goes from 70,000 to over 96,000. We have 91,000 accredited slots. There is a rather good deal of illegal childcare in the state, childcare that is not licensed nor accredited. But because people need childcare they go out and find childcare no matter what. This comes from the Lincoln Journal, January 28, 2000. It is an example, and then a story about searching for childcare at the point at which you find out that you're pregnant. What we discover in this article is the woman who was used as the hypothetical here went out and started, essentially at the point of conception, when they first knew they were pregnant, and they found that if you went out in the first trimester of a pregnancy you could go out and have a good chance of finding childcare, but anything later than that and you had significant problems. Our own Health Department in the city of Lincoln and, by the way, the city of Lincoln and the city of Omaha have it better than any place else in the state. We have lots of providers in an urban area, but it's tough here as well. Cat Steinweis, she was an epidemiologist at the Department of Health here in Lancaster County, said the minute you're pregnant you should start looking for care. There is a dearth of appropriate infant care for parents who need it, Steinweis said. Seventy-five percent of the parents surveyed said they had difficulty finding infant care. Forty-six percent of those parents ranked that difficulty as moderate or great. And, by the way, we're talking about an area of the state that has an easier time than others because we have about 2,200 slots for the young. We have more as you grow older, but we...it's particularly hard for the very young. The cost of childcare in this state averages some place

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between four and six thousand dollars a child. It depends on where you are and what you're looking at, but those are the working numbers per child--four to six thousand dollars. Childcare is expensive for families whether they live in rural or urban areas, for infant or preschooler costs an average of four to six thousand dollars a year. And if it's...if there's more children then it goes up. As you grow older, the amount goes down, infant care the most expensive, I think one that Senator Raikes will probably want to talk about. I don't need to read you a bunch of statistics. My guess is you know this stuff. You know that childcare is expensive. You know that people struggle with it. You know that part of it's gone underground. You know that there's a problem with finding good childcare. You know that there's a hard time finding accredited or higher quality childcare. When the Governor's Business Council on Child Care finished their work, they made a number of recommendations and, essentially, they said funding is an issue that limits access to care as well as its quality. In other words, there's two problems--the amount and the quality. The council was able to identify several options that would be helpful whether they were considered in isolation or in a multilevel strategy. One was tax incentives, either a program to entice employers to create an on-site program or near-site programs, or to create incentive for employees (sic) to provide (inaudible) a voucher to employees for selection of high quality care. They included, by the way, a suggestion that we change our LB 775 legislation to allow for this, but they also did suggest that there be a separate tax incentive, and that's what LB 433 is. To address this problem, and in furtherance of the Governor's Council's recommendation, I've introduced for two years this bill--one that passed last year and is back again this year. It essentially says this. If you're a company and you'll help with childcare, we'll give you a tax credit for up to three years, in special circumstances up to five. We want you, business, to help us create more slots for childcare, more licensed slots as opposed to illegal slots; licensed slots that meet the standards of quality inherent in licensure that most people in this state use. We want you to help us add more slots. If you create more slots, we'll help you with the costs. We need you to help us invest in better slots, not only in just licensed slots but in accredited slots, and if you do that we'll

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help you out as well. Businesses, we need your money in this system because our child-care workers are paid very low, and it is very costly to parents. Two things are true: wages for child-care workers is low; cost to parents is high. You might think that that isn't the...that those two things couldn't simultaneously be true, but they are. Child-care workers get low wages and, yet, parents pay a great deal of their wages to have childcare. Employers, if you'll do any of those three things, we'll help you. If you'll help us add slots...slots, we'll help you. If you'll help us with quality, we'll help you. If you'll bring your money into this system, we'll help you in the form of a tax credit against your income. Now, remember, this is against income, so the company is making money. What can a company do with their income?

PRESIDENT MAURSTAD: One minute.

SENATOR LANDIS: One of the things they can do is they can simply return it in stockholder benefits. It can be paid to the owners. We're saying, instead of paying that money to yourself as profits, if you'll take that profit and, rather than distribute it among the owners, if you'll invest it in childcare we will recognize you with a tax credit in return. Towards that end, we're doing sound public policy, policy that a number of other states do and that our own Governor and his commission has recommended to us. I'm hoping that you will agree with me that LB 433 is good policy. Thank you.

PRESIDENT MAURSTAD: Thank you, Senator Landis. Mr. Clerk, item on the desk.

ASSISTANT CLERK: Mr. President, the first amendment to the bill is offered by Senator Landis. (AM0655, Legislative Journal page 773.)

PRESIDENT MAURSTAD: Senator Landis, you're recognized to open on your amendment to LB 433.

SENATOR LANDIS: It depends on which one that is, Mr. Speaker. Mr. Clerk, is that AM0655?

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PRESIDENT MAURSTAD: Yes, sir.

SENATOR LANDIS: All I can tell you is that the word "None" should be stricken from this bill. It's purely housekeeping and was brought to us by the Bill Drafters' staff. I would ask you to adopt this housekeeping amendment, AM0655.

PRESIDENT MAURSTAD: Thank you, Senator Landis. To speak on the Landis amendment, I'll run through the list to see if you want to speak on the Landis amendment, Senator Don Pederson. Senator Engel, on the Landis amendment.

SENATOR ENGEL: Speak on the bill.

PRESIDENT MAURSTAD: Senator Kremer, on the Landis amendment? Senator Landis, you're recognized to close.

SENATOR LANDIS: This is, I assure you, a housekeeping measure, a slight change of words. There was a misplaced "None", I think some other things that had to be changed. It was recommended by Bill Drafters. No one has any difficulty with it that I know. The eagle eyes of even George Kilpatrick, Senator Wickersham's right-hand man, would say this is housekeeping. I ask for its adoption.

PRESIDENT MAURSTAD: Thank you, Senator Landis. The question is the adoption of the Landis amendment to LB 433. Those in favor vote aye; those opposed vote nay. Mr. Clerk, please record.

ASSISTANT CLERK: 29 ayes, 0 nays on the adoption of Senator Landis' amendment.

PRESIDENT MAURSTAD: The amendment is agreed to. Mr. Clerk.

ASSISTANT CLERK: Mr. President, Senator Raikes would move to amend with AM0565. (Legislative Journal page 720.)

PRESIDENT MAURSTAD: Thank you, Mr. Clerk. Senator Raikes, you're recognized to open on AM0565 to LB 433.

SENATOR RAIKES: Thank you, Mr. Lieutenant Governor and members.

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As Senator Landis mentioned, he's been here before and I have too. My concerns, I guess that I expressed last year in discussion of the bill as well as amendments, remain, and let me try to roughly outline those concerns for you. One is that Senator Landis mentioned in his opening the need for more licensed slots in the state for day care provision. I don't disagree with that. It's just that I believe that the state's interest is in a couple of specific areas within that. Number one, those slots should be for children in the early childhood phase of their lives, beginning at birth; and the second is that those slots should be accompanied by a quality day-care program. On the basis of that, I have offered this amendment which would do a couple of things. One is that it would include specifically accreditation for services, of child-care services, for young children, early childhood, as a factor or, in effect, a requirement for the higher credit in this bill, and it would provide a lower credit than what is currently in there if a business would elect to provide childcare only for older children. Let me just mention again a couple of the things about my rationale. By the way, let me point out to you that I...that I did send a handout around. It has a list. It's a list on the front titled "National Association for the Education of Young Children, Accredited Programs in Nebraska as of January 2001", and on the very back page there's some information about the requirements for accreditation should a day-care center elect to seek that accreditation. Let me go on with the rationale for the amendment, so to speak. Requiring accreditation for services for any child, from birth through age eight, is based on the notion that this phase of child development is critically important for the child and, therefore, for the state. We want to do everything we can to provide the most quality environment for young children as concerns their preparation for school-age...or school entry as well as development beyond that. Certainly there's been a lot of research recently that would indicate that this is a very important part of a child's life and that, in fact, that the environment that the child is in during this part of their life is critically important to their development. The fact...the second part of this bill would provide a higher credit for childcare that includes younger children. The rationale for this is that if you look at the costs of childcare it is more

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expensive in a number of ways to provide child-care services for young children, preschool children, than it is for school-age children. In fact, many of the child-care centers that operate now I think will tell you that they, in effect, use their tuition receipts on school-age children to subsidize the more expensive programs for the early childhood. Because early childhood is both of critical importance to the state and because it is more expensive, it's my view that a tax credit program should be dependent upon a business firm providing child-care services for those children. So, with that, I'm going to stop. I would be happy to address any questions and hear your comments. Thank you.

PRESIDENT MAURSTAD: Thank you, Senator Raikes. On the Raikes amendment, Senator Don Pederson. Senator Engel. Senator Kremer, on the Raikes...Senator Suttle on the Raikes amendment.

SENATOR SUTTLE: Thank you, Mr. Lieutenant Governor. Members of the Legislature, wonder if Senator Raikes would answer a couple questions.

PRESIDENT MAURSTAD: Senator Raikes.

SENATOR RAIKES: Yes.

SENATOR SUTTLE: I do rise to support your amendment, Senator Raikes. What I want to know is, what is the difference in the amount of money that the state would lose from tax...on the tax rolls between Senator Landis' bill and your amendment?

SENATOR RAIKES: Okay. The way the amendment is written, of course, it would depend, Senator, on what in fact business firms who decided to participate in this program in turn decided to do, but if they would focus only on child age...or school-age children then the credit drops to 10 percent. If they would provide the full scope of services down to early childhood and including accreditation, then the credit would be 30 percent. So it's roughly three times as much and the actual cost would depend on who decided to do what. But I think you have the right idea in considering this as an appropriations bill because, in effect, that's what it is, and we're deciding

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whether or not we want to appropriate money, and if we are going to appropriate money for a program what is it that we would hope would be achieved.

SENATOR SUTTLE: And I would hope to achieve the accredited and the quality childcare. I think that, as the Governor said in his State of the State speech, every one dollar that you spend on prevention you save seven on down the road. I think that this is the best way to assure that we're going to have productive citizens who are adults if we encourage and "incentivize" businesses to be accredited. I...I have heard that just because you're accredited doesn't mean that you've got a superior child-care providing, and I disagree with that. I think that with all the things that you must do to get accredited and to be a quality child-care provider that a lot of learning goes into it and I really think that this is an excellent idea. I think it's a better incentive and would encourage the body to vote for the Raikes amendment. Thank you, Mr. Lieutenant Governor.

PRESIDENT MAURSTAD: Thank you, Senator Suttle. Senator Wickersham, for what purpose do you rise?

SENATOR WICKERSHAM: Mr. President, I would ask that the question be divided. I believe, as Senator Raikes has explained in his introduction of the amendment, it really deals with two different concepts, and I would ask that it be divided so that we would take up lines 1 through 6 as a separate amendment, and then lines 7 to the conclusion as a separate amendment.

PRESIDENT MAURSTAD: Thank you, Senator Wickersham. The question is divisible, so we will have Section 1 of amendment 433 (sic--AM0565) will be FA81. The balance of the amendment, Section 2, will be FA82. Senator Raikes, which would you like to take up first?

SENATOR RAIKES: The first one.

PRESIDENT MAURSTAD: First one is fine. Okay, members, we are on FA81. Senator Landis, on FA81. (Legislative Journal page 860.)

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SENATOR LANDIS: Thank you, Mr. Speaker, members of the Legislature. I will make some remarks on both parts of the Raikes amendment, although this one is essentially saying accredited only. I think that's essentially the provision from lines 1 through 6, further targeting what the bill would do. Senator Raikes was aware of this bill last year. He opposed it in committee and he raised these points on the floor. In the intervening time it seems to me clear he could have drafted this bill. He could have introduced this bill. He could have had a public hearing on this bill. He did none. He brings this to...now, on the floor, with full knowledge this was coming, knowing this is here, without having done the spade work of establishing a coalition, doing the politics, and having a public hearing. Secondly, one of the problems of this section in particular cuts off, by making it accredited, the most critical element of when funding makes a difference and that's in start-up costs. Accreditation takes a couple of years to accomplish. If you're starting a program and then getting it accredited, you will miss the couple of years that are expensive in starting up, so that you've ripped the guts out of getting the start-up costs back in the name of getting accreditation. Now, I like the idea of accreditation, thank you. That's not bad. But the difficulty is if you make the accreditation come first, which is exactly what this section does, you take out the chance of getting start-up costs, which are the most expensive. How do you know that the refurbishing that you're going to do to your property is going to be, in fact, recoverable if you're not accredited yet? In addition to the fact that it takes out one of the most important elements here, it says that the only role here or the significant roles to play are in accredited childcare, which is a remote and limited opportunity for the people of this state, not a bad one. I want to move to accredited care, but understand if you are in rural Nebraska the availability of rural care is very, very limited. This will become a Lincoln and Omaha bill only, in my estimation, with the Raikes amendment. Accreditation is good and it should be acknowledged. It is acknowledged in LB 433. Now, I differentiate Senator Raikes' approach from Senator Suttle's approach, although they share a concern for quality. Senator Suttle has always cared about quality. She has always brought a

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bill on quality. She has always let everyone know she cares about quality. To the extent that the committee was faced with this question, I asked in committee at the time if there was a provision in Senator Suttle's bill that could be adopted into this bill. I had five votes to get it out. I was going to raise the amount of credit for an accredited program. I got one new vote, which was Senator Raikes', and I lost a vote, which means I didn't get any value out of making that adjustment. And Senator Raikes has never voted for the bill. I wasn't sure I wanted to take a supporter, give them up and get somebody who had never supported the issue before as a proponent. I didn't do that provision. But I understand completely why somebody would want quality childcare as something that should get a special tax credit. However, licensure itself is a virtue. People who are getting illegal care or untrained care get an advantage if they move to a licensed slot, and that's a virtue. There are two problems out there. One is quality, but the other is availability. I recognize quality, but that isn't the end of the problem and, in fact, there are some benefits in LB 433 by moving to accreditation. If you're an existing program and you move from licensure to accrediting, you get two years of benefits. If you are a licensed program or an accredited program and you...you get your start-up costs for doing that, you extend another two years, so that in that two years when you're trying to get your accreditation you get a tax credit and once you've gotten it then you get the three years of tax credit that this bill does. Understand this is not a perpetual tax credit. It's for three years in the case of licensure, or five years in the case of accreditation. It's meant to bring the employer to the table and to access their money in a system that doesn't have enough money for the workers and straps the parents now for their costs. It says to the companies, your income, your profits which you could take home in the form of dividends, if you'll spend that for childcare we'll give you some recognition for that, and if you do that for slots or if you do that for quality we will recognize that. There isn't one problem. There isn't a...

PRESIDENT MAURSTAD: One minute.

SENATOR LANDIS: ...single problem. There are multiple

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problems, and what LB 433, in its current form, does is to recognize several of those problems. It encourages new slots that are licensed rather than illegal, it "incent" quality slots, and it brings the employer to the table to add money to a system that is strapped. Parents are strapped to pay for it and day-care workers are getting low wages when they carry this practice out. I would suggest that the Raikes amendment, while it has many virtues, does not address the central problem of getting childcare more available in a state that doesn't have enough of it. It doesn't address the problem of "incenting" the creation of an accredited program by putting accreditation as a qualification to get the credit, and that means two years of work which means you take out the start-up costs and you defeat the incentive of the...

PRESIDENT MAURSTAD: Thank you, Senator Landis.

SENATOR LANDIS: ...measure in that way. I object...no, I'm not going to object, but I...I'm going to vote no on the Raikes amendment.

PRESIDENT MAURSTAD: Senator Beutler, on the Raikes amendment.

SENATOR BEUTLER: Senator Raikes, if I could have a little dialogue with you, I'd appreciate it.

PRESIDENT MAURSTAD: Senator Raikes.

SENATOR BEUTLER: I think I understand what your amendment does and I appreciate your effort, but one of the things that I note about your amendment is that in some sense it seems to share Senator Landis' philosophy, and I'm wondering if you really share Senator Landis' philosophy, and I want to express it this way. As I understand Senator Landis, he's obviously very concerned about the availability of childcare and I probably think we..most of us would agree that that certainly is an existing problem in our society. But the approach that's taken with this particular bill is to give a credit to businesses that set up a child-care facility. Now let's say, for example, we attract the Union Pacific headquarters from Saint Louis and the headquarters is filled with upper management types, including

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the CEO and his number one, two, and three people, and probably three-quarters of those five or six hundred people are very well-off individuals. Now they're going to...let's say they establish a child-care center and they get a subsidy which means, in turn, they turn around and give their employees not only an available child-care place but a lower rate because they've received a subsidy. But is availability a problem and should government be funding the care of the children of the very wealthiest and the upper middle class? Because, effectively, that's what we do with your amendment and probably also with Senator Landis' bill. Does the CEO at Union Pacific have trouble with availability of childcare? I doubt it. And I doubt that the upper 10 percent or 20 percent or even 50 percent of our population does. Do you share the philosophy that government should be subsidizing...that government has enough money to be subsidizing all different economic classes to childcare? That's my question.

SENATOR RAIKES: Well, let me try to respond by saying this. I am trying to target the...the child-care tax credit that Senator Landis has proposed but my target is not as narrow as the one you suggest may be more appropriate. What I am suggesting is that if we would focus any credit on both early childhood and quality, I would be willing to live with the off-target part that you described. I think it is of enough...of enough importance to state...to the state policy and to all the programs we provide, education and other programs, that we encourage people, regardless of their means but obviously I agree with you, particularly for those who don't have the means, we encourage those people to do...to...we encourage the availability of programs that provide that early childhood environment and particularly the quality environment that research has shown is so important.

PRESIDENT MAURSTAD: One minute.

SENATOR RAIKES: So, I don't want to take up a lot of your time, but, again, the answer is I believe it should be targeted. I am willing to live with this sort of a target rather than a more specific one.

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SENATOR BEUTLER: Thank you, Mr. Lieutenant Governor.

PRESIDENT MAURSTAD: Thank you, Senator Beutler. On the Raikes amendment, Senator Wickersham.

SENATOR WICKERSHAM: Oh, I'm sorry. Mr. President, members of the body, as Senator Landis said, maybe this is deja vu all over again, but we've got the same issues and, frankly, some of the same concerns. I rise in support of the first portion of Senator Raikes' amendment, because I think it does something, quite frankly, that we need to do. Now, do you have...I don't know if you have the information or not. Maybe the people on Appropriations have the information. Maybe the people who sit on Health and Human Services have the information. But do any of you know how much we spend in this state in one program alone to "incent" or pay for, if you will, make it available, make available plain old vanilla childcare? How much do we spend to make available plain old vanilla childcare? Got any guesses? One million? Two million? Three million? Why don't you try out what we're estimated to spend in the next fiscal year at \$49,649,169. We're going to deliver that much money in the old-fashioned way--we're going to write checks. We're going to write checks as a child-care subsidy. Remember that issue from last year when we had a big overrun over at Health and Human Services and we had to fund it? Part of that was a child-care subsidy, the thing that we're doing with good old-fashioned checks. Now, that's our money. We're also going to add federal money to that in the amount of \$19,422,755, for a grand total of \$69 million, and that's good. We're going to make it possible for a large number of persons in the state of Nebraska to have childcare for their children that otherwise couldn't afford it. That's wonderful. But we're spending...we're going to spend, state and federal dollars, \$69 million, and most of that I think is going to go to plain old vanilla childcare. So what is the objection? Now if we're going to have new state dollars put into the pot and, by the way, there are significant dollars that this bill calls for to be put into the pot but, remember, these dollars aren't going to those persons directly to pay for childcare, this goes to a business to "incent" childcare, so it's going to different people, maybe that matters to you, but the annual costs for this kind of a program are going to be

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close to \$2 million a year. So add that to the \$69 million and then we would be spending over \$71 million for plain old vanilla childcare. Now, if we're going to spend an extra \$2 million, what's wrong with targeting that to very high quality childcare? I don't see anything wrong with that. Why should we just throw in \$2 million to do more of the same that we're already doing with essentially \$69 million? Why do more of the same with another \$2 million, except that we're changing who we pay it to? Maybe that matters enough. Does it matter enough to change who we pay it to? Would we rather pay it to people, or would we rather pay it to businesses? Maybe this is just the business cut.

PRESIDENT MAURSTAD: One minute. Thank you, Senator Wickersham. On the first part of the divided question, Senator Raikes.

SENATOR RAIKES: Mr. Lieutenant Governor and members, let me respond a little bit to some of the things that Senator Landis said, and I'm going to respond, I hope, carefully because we have a lot of points of agreement, in addition to apparently some where we don't agree. But apparently his view is that if you want to have a...some ideas introduced in legislation on childcare, you have to introduce your own bill. Well, if he's right, I didn't do that. But there was another bill introduced in committee by Senator Suttle that had at least several of the ideas that I think are important in this bill. As he said, he didn't need my vote in order to get the bill out of committee, and I don't blame him for that, but I don't think the rule is that if you get outvoted in committee you keep quiet thereafter. I am not really a newcomer to this issue, as I think he recognized. This was brought up last year. I did then and continue to think that quality ought to be an important component of any program of this type. Now I will mention to you, just to follow up a little bit on the...handout as to what sort of a burden this requirement for an early accredited program might impose. We have 64 programs in the state that are now qualified. That's up from 58 last year and all these, as far as I know, did it without any...any tax credit. So certainly this is something that is very achievable. All we're suggesting here is that if you're going to get extra encouragement from the state in the form of a tax credit, you

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ought to be held to this higher standard. Now the other thing I would mention, and Senator Landis made the point that, well, actually all...all...or the issues that I raise here are already contained in LB 433 which, by the way, had no committee amendment. I would just point that out. All of the issues or the important issues that I raise are already dealt with in LB 433 and I would point out one important exception. There is nothing that would prevent a company from getting a tax credit without providing any early childhood program. You could...you could have a program with eight years and older children, nothing to do with anything in early childhood, and receive a credit. Now that's...that's the part that I have concern with. I will tell you that this part of the amendment, without the rest of it, is a tougher program than what the full amendment would provide. The full amendment would offer some tax credit, 10 percent, if all you did was meet the requirement that Senator Landis has set up. But I think it's a legitimate part of our discussion for these sorts of ideas to be brought up, even at this late stage and even by...by someone like me, who is a newcomer to quality, I guess. This is what we're here for. This is why we need to have these kinds of discussions. We need to understand what's being required and to compare that against what are our real needs as far as state policy. Again, I urge your support of this part of the amendment. Thank you.

PRESIDENT MAURSTAD: Thank you, Senator Raikes. FA81, Senator Suttle.

SENATOR SUTTLE: Thank you, Mr. Lieutenant Governor. Members of the Legislature, I do rise to support this part of the amendment. I think that businesses should be "incentivized" to provide childcare. It doesn't help anybody but themselves. It certainly doesn't help the state. We lose money. But it does help the business. It helps the people who work in that business. It helps...many of the support staff that run businesses are women and most of the women in Nebraska work, and if a business wants to keep a woman on the job then providing childcare is the best way to do that. Providing quality childcare is even more important and it should be that difficult to obtain a tax incentive by providing quality childcare. I think that, as Senator Wickersham calls it, vanilla childcare is

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important and availability is important, but if we're going to have vanilla childcare then I think it ought to be that we try a little bit harder for chocolate childcare, if we're going to go with analogies for...for...I would even call it a sundae, s-u-n-d-a-e, childcare with nuts and a cherry on top and whipped cream and everything else. I think that quality childcare is absolutely the best way. Starting up for a business may be difficult. Therefore, I don't see anything wrong with using what is already available. Part of the problem, as Senator Landis sees it, is that businesses can't start up a childcare. The kind of mail that I got said that there were...there was a lot of resentment from the existing child-care providers that they would not be able to compete on the level of business-based childcare. Well, this is a way for businesses to get a child...a tax credit without having to build their own. I think this quality childcare for early childhood development is absolutely essential for the health of this state, and would...

PRESIDENT MAURSTAD: (Gavel)

SENATOR SUTTLE: Thank you, Mr. Lieutenant Governor. Would appreciate it if you would think about the importance of quality. How else can we get our message across that quality childcare is so important that we feel that in order to get a tax credit they must provide quality childcare? I think that is the bottom line, and for the future of this state I think that it is important that we put that message out. Thank you.

PRESIDENT MAURSTAD: Thank you, Senator Suttle. (Visitors introduced.) Further discussion on FA81, Senator Hilgert.

SENATOR HILGERT: Thank you, Mr. President, members. I've had a wonderful morning being parked out on I-80 for quite a long time and I had a chance to eat my morning bagel in the car this morning, and I apologize for getting in late but it was unavoidable. In Senator Landis' opening remarks on LB 433, he made some reference to an amendment I had last year, and several members have approached me asking to explain what was that all about, so I'm going to take just a couple minutes to do that. I think it was a great bill. I...I'm proud that I introduced it. I'm proud that this body supported it overwhelmingly. I'm proud

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that it was passed. I'm less happy that the Governor chose to veto it. It was a bill that did not...it went into the area of childcare and the...in a way that saved the state a million and a half dollars in General Funds. We have a...a woman on ADC, a single parent on ADC, gets \$4,380 a year for that child. Our state policy is after 12 weeks go get a job. Now...and, when you do get a job, the state will pay for the child-care expense. Okay? Well, enter in all these studies that have been done, medical studies and so forth, task forces, saying, you know, the first year is so important to bond with your infant child; it's very, very important. Okay? But our state policy was saying, hey, you can't do that; up to 12 weeks go get a job. Well, what I discovered was something very, very interesting in the math. If we allowed that woman to have a choice whether she wants to stay home and bond with her infant for 12 months rather than 12 weeks, give her the choice, or if she wants to go to work after 12 weeks that's fine, the state would have saved a million and a half dollars. Well, how does the state save money by...by allowing some single parent to stay at home with their child? It's because the woman gets \$4,380, \$4,380, last year's figures, they may have gone up, and under the current policy when we pick up her day care that could go up to well over \$10,000. That's where the savings came from. Allowing the woman to bond with the child for 12 months would have saved the state a million and a half dollars. It was the right thing to do. I'm proud that the Legislature did it. I'm sorry that it was vetoed. That bill was not introduced this year. I didn't see the need since it was vetoed. Maybe we'll do it some other time. But that bill, that amendment that I'm talking about, has nothing to do with the current LB 433. I'm not going to try to amend anything like that on to LB 433 so don't worry, stand down. We're not trying to do the right thing for welfare mothers on this bill this year, so this is a free-standing issue. So you can support Senator Landis' bill and the many amendments, or vote against them, based on the merits of those alone. So just wanted to make that very clear. Thank you, Mr. President.

PRESIDENT MAURSTAD: Thank you, Senator Hilgert. FA81, further discussion? Senator Landis.

SENATOR LANDIS: Thank you, Mr. Speaker. Members of the

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Legislature, Senator Wickersham made an interesting point. He said why should we do more of the same? Why should we do this bill when we're doing a lot of work, as he calls it, in the vanilla day care? Well, there's a huge difference, Senator Wickersham, and that is the \$2 million that's spent in this bill accesses three times that amount of money in investment by private enterprise, something that does not happen at all in that other money that you were talking about. You get 30 percent of your costs, that's one limitation, up to 50 percent of your income, which is a second limitation, which means, at the most, for every \$10 spent by a business on childcare they're only going to get \$3 in credit. The other \$7 is going to be their contribution to this system. None of the other money you talk about does that. They are checks to people who go out and buy childcare. When you write this check, it's a check that accesses two and a half times more money than the check we're going to write here, because the business will do the other 70 percent, for which they do not get a tax credit. As a matter of fact, if we could figure a way to spend more money of that \$69 million where we spend a dollar and we got two and a half dollars from somebody else, I'd suggest we ought to go back there and try to do that rather than to say no to this idea. This idea says spend one dollar on day care and get a total of three and a half dollars of benefit--one provided by the state and two and a half provided by the business whom we have "incented" by the presence of our one dollar. That's why you...you are not doing more of the same; you're doing something very different and, for the first time, very economical by accessing a new player. We're bringing that employer in with their two and a half dollars for the dollar we spend in the form of a tax credit, and that helps the system grow. We need new slots. I'm...I think I heard Senator Suttle say, yes, we need new slots; we also need quality. I think she's saying both. I think she cares more about quality than number of slots, but they're both two issues and I hear her acknowledging both. I think Senator Raikes might acknowledge that there are two problems. I think his response is the state should only "incent" on one of those problems; that the other problem we should probably do by ourselves. If you adopt the Raikes amendment, there's less benefit to this bill than there is in the green copy. What he doesn't do is he doesn't create more

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incentive for quality; he leaves the bill where it is but ties that only to quality and then reduces the credit for things that aren't what he would regard as quality. And, by the way, I think the licensure minimum is a standard of quality. We can do better. We should do better. We want to "incent" people to do better, and LB 433 does, but licensure itself is a virtue. We want to access...I want to access businesses' contribution of two and a half dollars for every dollar that we credit them for, by getting that new money into the system. I want it spent for quality programs, which we will give them even more benefit over time if they'll do that; or if they'll just pony up the money for licensed slots that's a virtue as well. If you adopt the Raikes amendment in toto, you reduce the amount of credit that we give for the things that Senator Raikes thinks that we shouldn't "incent" in the same way, you leave the bill where it is for quality programming. However, if you leave the bill where it is, all the virtue of that bill goes out to whatever quality programming you'd like to have, that is to say accredited programming, but you leave in place the fact that you will also "incent" licensed slots. By doing that, I think you make this bill available to rural...

PRESIDENT MAURSTAD: One minute.

SENATOR LANDIS: ...Nebraska in a way that Senator Raikes' amendment will not provide the same kind of benefit. Thank you.

PRESIDENT MAURSTAD: Thank you, Senator Landis. Further debate, Senator Cudaback.

SENATOR CUDABACK: Mr. President, members, I'm going to get an unbiased opinion here. I'm going to ask Senator Wickersham a question here.

PRESIDENT MAURSTAD: Senator Wickersham, would you yield?

SENATOR WICKERSHAM: Yes.

SENATOR CUDABACK: Senator Wickersham, I think you alluded to the millions and millions, like there's \$40 million, \$49 million, whatever, of vanilla type, whatever that phrase you

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used. Do you think there's any chance here if we adopt a bill like this here that some of those dollars, some of those checks won't have to be written due to the fact that some of those very people may utilize this type of care rather than the type of care that you're alluding to?

SENATOR WICKERSHAM: No.

SENATOR CUDABACK: Why?

SENATOR WICKERSHAM: Because if the employers simply create either a licensed or an accredited facility, they can still charge their employees for the use of that facility, and if the use of that facility...if the user of the facility was eligible for the child-care subsidy, we would write a check to the person who is eligible for the child-care subsidy...child-care subsidy, they would write a check to their employer and...and then that would be netted out against the credits that the company would be eligible for under Senator Landis' bill, if I understand it correctly.

SENATOR CUDABACK: So those same...

SENATOR WICKERSHAM: It won't change anything.

SENATOR CUDABACK: ...those same dollars would be available to that person if (inaudible).

SENATOR WICKERSHAM: If people...people are eligible for the subsidy, will still claim the subsidy, and they will pay it to someone. They may pay it...they may be...more of them may pay it to their employer than currently does; that you may have that effect,...

SENATOR CUDABACK: Okay.

SENATOR WICKERSHAM: ...but...

SENATOR CUDABACK: Okay.

SENATOR WICKERSHAM: ...I don't see any other effect. But you

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may want to ask Senator Landis if I've gotten this wrong.

SENATOR CUDABACK: Senator...thank you, (inaudible).

SENATOR WICKERSHAM: Senator Landis thinks I've gotten it right.

SENATOR CUDABACK: Senator Landis, would you agree to...can I ask you a question, please?

PRESIDENT MAURSTAD: Senator Landis.

SENATOR CUDABACK: Would you agree with, more or less, what he said, or that's kind of accurate, very accurate or...

SENATOR LANDIS: I agree with his accounting mechanism. I think that if there's more slots we may get people to move up but, in fact, if they are...if they don't make a wage sufficient that they are going to get that credit then that won't change that.

SENATOR CUDABACK: Okay.

SENATOR LANDIS: Hopefully, they will, but I wouldn't...on accounting purposes, I agree with Senator Wickersham.

SENATOR CUDABACK: Thank you, Senator.

SENATOR LANDIS: The money will be circular.

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

PRESIDENT MAURSTAD: Thank you, Senator Cudaback. (Visitors introduced.) On the first part of the divided question, Senator Wickersham.

SENATOR WICKERSHAM: Mr. President, Senator Landis spoke of leveraging in this bill. We had a witness who appeared in front of the Revenue Committee as we were hearing...I forget whether it was Senator Suttle's bill or Senator Landis' bill and, in fact, we are getting leveraging out of the dollars, at least based on the testimony of that individual, out of the \$69 million that we will spend through the child-care subsidy

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program because there are folks who are accepting the subsidy payment because that's all the people have to pay, and they're delivering a higher level of childcare than the subsidy will pay for. They're eating some of the costs. Anywhere from 25 to 30 percent of the costs are being eaten by some child-care providers, I can't say all, but some, because they know that the subsidy payment is all the persons who come to them have and they're continuing to provide the service. So, to some extent, we're getting leveraging out of the dollars that we're spending. Now, the thing that...one of the things that bothers me...well, there's a couple of things that bothers me about Senator Landis' presentation. Of course, accreditation is in his bill. There is a provision for accreditation and it applies to certain businesses in the bill as it now stands. I think what he's essentially objecting to is the broadening so that it would apply to all businesses, but accreditation is a requirement to qualify for the credits under one provision in his bill now and that is, if you have an existing child-care center. You're a businessperson and you have adopted a child-care program because it's good for your employees, it helps you retain employees, it helps make your employees more productive and you've done it for your benefit and for their benefit. You've already done it. Well, Senator Landis doesn't want to qualify those folks who have already done it for the credit. Of course, that wouldn't be an incentive. So what does he do? He says, well, if you're an existing one and you want to qualify for credits you have to become, guess what, accredited. So, in some respects, Senator Landis does recognize that it's appropriate to step up a little bit in order to qualify for our dollars. I think Senator Raikes is sensible in saying, why shouldn't they all have to step up to qualify for these additional dollars. But that leads me to the other thing that continues to bother me. Senator Suttle says that we need to "incentivize". Senator Landis makes it explicit that he wants to "incent". I'm wondering what we're "incenting". Why do you need to "incent" folks to do what is good for them and good for their employees? I'm also concerned because, presumably, the need for subsidized childcare, and part of the rationale for this bill is the fact that workers in the state of Nebraska aren't paid enough to pay for their own childcare, so here we come with a state incentive that may mean that there's no reason to raise their salaries; let businesses

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use our money, provide a benefit for their employees and keep their employees underpaid. It is a strange message that we send in that respect--underpay people so they can't afford childcare and then we'll "incent" you to provide it. What a message.

PRESIDENT MAURSTAD: Thank you, Senator Wickersham. Senator Landis.

SENATOR LANDIS: Question.

PRESIDENT MAURSTAD: You're the last light, Senator Landis; won't be necessary. Senator Raikes, you may close on the first part of the divided amendment to LB 433.

SENATOR RAIKES: Thank you, Mr. Lieutenant Governor and members. I think we've had a good discussion on this and, again, I want to emphasize that I am not at least completely at odds with Senator Landis on this. Several of the...there are provisions of his program, this bill, that I like and, by the way, Senator, if this amendment passes I am a "yes" vote on this bill. I would just mention that the division we're making here is that if all you want to do is provide licensed day care for school-age children then you're on your own. If you want to provide early childhood accredited childcare then the state is with you. That is the message here. If we're going to provide credits let's get what we really want and what the research shows is really beneficial. That is the purpose of this amendment. I urge your support. Thank you.

PRESIDENT MAURSTAD: Thank you, Senator Raikes. The question is the adoption of FA81. Those in favor vote aye; those opposed vote nay. Members, we're voting on the first part of the divided question, FA81. Senator Raikes, for what purpose do you rise?

SENATOR RAIKES: I would ask for a call of the house and would accept call-in votes.

PRESIDENT MAURSTAD: Question is, shall the house go under call? Those in favor vote aye; those opposed vote nay. Please record.

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ASSISTANT CLERK:            24 ayes,    0 nays    to go under call,  
Mr. President.

PRESIDENT MAURSTAD:        The house is under call.    Would unauthorized personnel please leave the floor.    Would members please return to the Chamber.    Those members that are here please record your presence.    Senator Landis has requested a roll call vote.    The house is under call.    The house is under call.    Senators Chambers, Connealy, Senator Coordsen, house is under call.    Senator Kristensen, the house is under call.    Senator Robak, would you please check in?    Senator Kruse, the house is under call.    Senator Quandahl, the house is under call.    Senator Kristensen, Senator Kruse, the house is under call.    The house is under call.    Senator Kruse and Senator Kristensen, the house is under call.    Members, for those of you that have been out of the Chamber, we are on AM0565 to LB 434.    The amendment was divided.    We are taking up FA81, which is Section 1.    The question is, shall FA81 be adopted?    Mr. Clerk, please read the roll.

ASSISTANT CLERK:    (Roll call vote taken, Legislative Journal page 861.)    Vote is 17 ayes, 17 nays, Mr. President, on the adoption of Senator Raikes' amendment, FA81.

PRESIDENT MAURSTAD:    Part one of the divided question is not agreed to.    The call is raised.    Debate on FA82, part two of the divided question?    Senator Landis.    (Legislative Journal page 861.)

SENATOR LANDIS:    I think Senator Raikes gets to open, doesn't he?

PRESIDENT MAURSTAD:    I think he already opened on the whole amendment, since we went right to it.    Senator Raikes, would you like to be recognized?

SENATOR RAIKES:    Thank you, Mr. Lieutenant Governor.    I will explain, quickly I hope, what this would do.    This...this part of the amendment would require that if a day care...or if a business did not include early childhood, preschool children in their program, their benefit would drop to a 10 percent tax

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credit. It would remain the...or the rest of the program or the credit would remain the same, except that, in the absence of an early childhood program, the credit would drop to 10 percent. So rather than like the previous amendment, if all you provided was school-age children in an unaccredited program, you would get nothing, in this program you would get 10 percent. So, with that, I will...happy to address any questions. Thank you.

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

SENATOR LANDIS: Mr. Speaker, members of the Legislature, I accept the concept that an older child is less expensive to care for than a younger child; I think that's true. But understand, if the cost of providing the service goes down then so will the credit. If the cost of providing care to an older child is half the cost of providing the care to a younger child, then the credit itself will be less as well. It will follow...remember that you're responding to costs. So this says, if you're in a licensed location, that 30 percent of your...up to 30 percent of your costs are deductible against your corporate income tax. And if it is less costly to...for you to provide service then you have less to write off in this way. I think this is unnecessary and my guess is that Senator Raikes' heart was in the first amendment. Making this less valuable for other children I don't think is exactly what he was going to. I think he wanted to make sure that we made a significant distinction between accreditation and licensure. And, in that sense, I oppose the amendment. I think the natural situation is such that if you're spending money on childcare, you get 30 percent of your costs taken care of. The employer...we got \$2.50 of contribution for every \$1 of contribution we make through this program, and that will give us a total of \$3.50 of childcare, which is a good thing. If this is...if this care happens to be cheaper to provide than infant care, then we won't be called upon to make that switch very often, but every switch like that I think serves the public interest. I am a "no" on the Raikes amendment. Thank you.

PRESIDENT MAURSTAD: Thank you, Senator Landis. On part two of the divided question, Senator Beutler.

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SENATOR BEUTLER: Senator Raikes, if you would yield, I want to sure I understand what I'm voting on in this instance.

PRESIDENT MAURSTAD: Senator Raikes.

SENATOR BEUTLER: The language says that any business firm which provides child-care services only for children nine and older will be allowed a credit, dah, dah, dah. So, if I have a child-care service and all of my kids are nine years and older, then I get the smaller credit. Is that right, to begin with?

SENATOR RAIKES: Right. Correct.

SENATOR BEUTLER: Okay, and if I have a child-care service that is for birth to 16, then I get the larger credit. Is that correct?

SENATOR RAIKES: Correct.

SENATOR BEUTLER: Okay, what if I have child-care service that has eight-year-olds and older? Which credit do I get?

SENATOR RAIKES: I think...I think the bill divides it at nine, so that...that that would qualify you as, unless it explicitly says, yeah, you would get the bigger credit in that circumstance.

SENATOR BEUTLER: You would get the bigger credit. So under your amendment, you really don't have to offer it to preschoolers or to the early grades, all you have to do is pick up eight-year-olds.

SENATOR RAIKES: That's true.

SENATOR BEUTLER: Is that...is that accurate?

SENATOR RAIKES: It's not...it's not as stringent as it could be, you're correct.

SENATOR BEUTLER: Okay, thank you. I just wanted that clarification.

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PRESIDENT MAURSTAD: Thank you, Senator Beutler. Senator Raikes, part two of the divided question.

SENATOR RAIKES: Well, thank you, Mr. Lieutenant Governor and members. This is...

PRESIDENT MAURSTAD: Senator Raikes, could I...before you begin,...

SENATOR RAIKES: Sure.

PRESIDENT MAURSTAD: ...I need to have the Clerk make an announcement.

ASSISTANT CLERK: Thank you, Mr. President. Senator Connealy would like to announce that the Business and Labor Committee is going to have an Executive Session today, under the north balcony, at eleven o'clock. That's eleven o'clock for the Business and Labor Committee, north balcony.

PRESIDENT MAURSTAD: Thank you, Mr. Clerk, and thank you, Senator Raikes.

SENATOR RAIKES: Thank you, Mr. Lieutenant Governor. Members, let me comment just a little bit on this amendment. I actually do have some enthusiasm for this. Senator Landis is correct, my preference certainly would have been the first part, to attend to both quality and age issues in childcare, but the fact that we are at least directing, signaling clearly, that the result we would like to achieve are services provided for younger children, rather than just school age and older, I think is very important. Now Senator Landis mentioned that this is already taken care of in the bill because if you spend less on older...or on services for older children you get less credit, unless, of course, you're at the cap; and the cap is 50 percent of your income tax obligation. In that event you could expend less and not receive less of a credit. Now that may be a small exception, but it is an exception, I think, to what he said. It's important, I think, to again emphasize that day-care providers will tell you that clearly the most expensive part of

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their operations are providing services, and particularly quality services for young children. To the extent you create state-supported or state subsidized programs that provide only services for older children, you're in effect drawing away from those existing centers some of the revenue source they need in order to provide the services for younger children, which of course the state subsidy program would not require. So I think it's vitally important. And again I would reemphasize this is not like you're asking businesses to break a leg or something in order to get this done. There are currently 64 programs in Nebraska which meet the requirement of the first part of the amendment. That's up from 58 last year. There are firms that are out there that are willing to do this, that have accomplished it, and they did this without any tax credit. So I think it's only reasonable that if you're going to provide a tax credit you insist that the things happen which you really want to happen. And with this part of the amendment, that is that you address the day-care needs of preschool and younger children. So, with that, I would urge your support of this part of the amendment. Thank you.

SENATOR CUDABACK PRESIDING

SENATOR CUDABACK: Thank you, Senator Raikes. Open for discussion on part two, Senator Suttle.

SENATOR SUTTLE: Thank you, Mr. President. Members of the Legislature, I'm very disappointed that the first part of this was not adopted. But...and I don't know what I'm going to do on this second part. I still think that it is important to "incentivize" people. I don't know whether anybody is aware of this, but the average annual cost for childcare for an infant in an urban area is more than the annual cost of a public college tuition. That's a lot of money. And I think that we ought to remember that childcare is an expensive business. We have 71 percent of the children's mothers work in this state, if not higher than that. Senator Brown says it's higher. So it's important that we provide this. I would like to provide quality childcare, but I think that the second part of this amendment is not as appealing as the whole. I don't know whether Senator Raikes would agree with that, but the second half is not as

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appealing as if it were together with the first half. I'm sorry that we divided it and...because I would have liked to have seen both adopted. As it is, I don't know that it will improve LB 433; I don't know if that's Senator Raikes' goal, is to improve LB 433. But I think that the bill, LB 433, is a good bill and should be adopted. And I don't want to do anything that would harm LB 433 in the long run. So I think that it's important that we have good childcare; I'd like to have quality childcare; I'd like to have more incentive for quality childcare, which Senator Landis' bill does, but not as much as I would like. But it does...it does meet the minimum requirement for me. And...but I'm not sure that this second part does enough to address my concerns. So that leaves you with a definite maybe, I guess. (Laugh) Thank you, Mr. President.

SENATOR CUDABACK: Okay, thank you, Senator Suttle. (Visitors introduced.) Senator Landis, on the amendment, part two.

SENATOR LANDIS: Thank you, Senator Cudaback. Members of the Legislature, I think that we'll probably be faced with this issue again, so I might as well talk about it. Understand that the Raikes amendment that we just dealt with and defeated didn't add money for quality, it took money away for licensed day care. It added no new money for quality; it simply took and reduced the amount of credit for licensed care. So if the Raikes amendment first part was seen as a pro quality vote, it was only because they left standing what's in LB 433 and tore down what's in LB 433 for licensed care. That is hardly a ringing endorsement for quality, in my estimation. Secondly, with respect to this one, I can't imagine what the problem is going to be when you have a day-care center that has an eight-year-old that turns nine in the middle of the tax year. Or what happens if you have four nine-year-olds and a one-year-old for three months of the year? Don't know. I can't tell on the face of it. Got to think that sounds an accounting nightmare here. Money spent for day care gets a 30 percent tax credit, that's what LB 433 says. And if you spend less because the kid is older, then you're going to get less credit. And if you spend more because the kid is young, you're going to get more because it is more expensive, flows across the board based on cost. And there is a natural distinction here for cost. I don't think we

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need the accounting difficulty I think that's created by the Raikes amendment. Generally speaking, if you spend more for day care, you get more credit. And by the way, are you going to spend more money for quality? Yes, you are. And what are you going to get? You're going to get more money back in the form of the credit. If you have a cheap tax system and cheap day care, you get less credit back. Sounds pretty reasonable to me. I oppose the Raikes amendment.

SENATOR CUDABACK: Thank you, Senator Landis. We are discussing part two of the Raikes amendment. Seeing no lights...further lights on, Senator Raikes, did you wish to close on part two?

SENATOR RAIKES: Thank you, Senator Cudaback and members. Senator Landis raised the point as to how you would handle a situation. On page 8 of the bill it says, the tax commissioner and director of insurance shall adopt and promulgate rules and regulations to carry out this section. Just looking at all the things that need to be carried out, I would guess the point he raised would be one of the minor ones. The intent here is clear, and I would reemphasize, it's one thing to offer a evenhanded tax credit that provides funds for everyone on an equal basis. But if you allow a tax credit that subsidizes lower cost care, services, I think you can be fairly assured that that's what you're going to get. And as a result of that, firms that already provide those services to the more expensive part of the clientele, namely the younger children, are going to be penalized. All this would do would be to say that if you don't provide care for early childhood years, then your tax credit goes down. Now, and I would comment quickly on Senator Landis' comment about reducing the credit. Again, the opportunity for adjusting this bill in committee was somewhat limited. I'm not here to argue with you that the only direction that we could go is to reduce credits for firms that don't provide quality and care for younger children. That I think, though, is really the only option that was provided, as far as I'm concerned. So, again, I would emphasize that we're not totally apart in what we're trying to accomplish here. I do think, though, that it is important as a state policy issue that if we're going to "incent" childcare, that we "incent" early childcare and certainly not penalize existing firms that already

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provide that care and use revenues from older children to help subsidize it. So, with that, I would urge your adoption of this part of the amendment. Thank you.

SENATOR CUDABACK: Thank you, Senator Raikes. You've heard the closing on part two of the Raikes amendment. The question is before the body, shall part two of the Raikes amendment be adopted to LB 433? All in favor vote aye, opposed nay. We are voting on part two of the Raikes amendment to LB 433, which is FA82. Have you all voted who care to? Have you all voted? Record, please, Mr. Clerk.

ASSISTANT CLERK: 10 ayes, 8 nays on the adoption of the second portion of the Raikes amendment, Mr. President.

SENATOR CUDABACK: FA82 is not adopted. Mr. Clerk, next item to the bill.

ASSISTANT CLERK: The next amendment I have, Mr. President, is offered by Senator Wickersham. That's AM0633, but I have a note that he wishes to withdraw this one, Senator.

SENATOR CUDABACK: It is withdrawn.

ASSISTANT CLERK: Senator Wickersham would move to amend with AM0667. (Legislative Journal page 775.)

SENATOR CUDABACK: Senator Wickersham, to open on AM0667 to LB 433.

SENATOR WICKERSHAM: Thank you, Mr. President. This is a little bit of a complicated and technical issue. It is one that Senator Landis comes close to resolving in his bill this year. It is an issue in which he was quite steadfast about last year in opposing any kind of a resolution, if I recall correctly. Well, no, he's waffling. But he waffled in his bill. Okay. He's disagreeing. Okay. I want to make clear what Senator Landis' position is; he's not going to agree. The issue here is if the child-care facility is provided by the employer, does it result in any income that might be included in the employee's income tax return? Now, that issue is governed by federal law.

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And there is a long provision in Senator Landis' bill that comes close to restating federal law as a condition of qualification for the credit, because I don't think anybody wants an employee to suddenly have taxable income because their employer didn't do things right and provided them a child-care benefit, but it winds up on their W-2 form without any income. So, what you see, on page 6 and then on page 7, is the antidiscrimination provision that would cause people to comply with the federal law for the most part. Now I understand there are a couple of instances in which there could be exceptions, and they might be managed situations under which the language in Senator Landis' bill would indeed cause somebody to have taxable income because a child-care facility was provided. Now there's another hazard in the language that Senator Landis has in the bill at the moment, and that is that the Internal Revenue Code will change. And then Senator Landis will have to come along sometime, hopefully he'd be here to do it, and change the language in his bill. It seems easier to me to just say at the outset that if you're going to qualify for this state credit from the state of Nebraska, that you're going to run a program that doesn't cause taxable employment for your employees. And that's the language that is in AM0667. It simply says that if you're going to qualify for the credit, you're also going to have a program that is eligible to be treated as a nontaxable fringe benefit under Section 129 of the Internal Revenue Code. That way we're assured that employees don't wind up with something on their W-2 form that they're not anticipating, i.e., taxable income when they haven't received any, and if there are future changes in the Internal Revenue Code we'll keep track automatically. I have never understood Senator Landis' opposition to this proposition. It seems completely sensible to me that if you're going to have a benefit that we're going to "incent" and in fact in part pay for with state dollars, that we would want that to go out to the affected employees without any tax cost to the affected employees. And why shouldn't we want to make sure that that's what would happen? I...I...it has been befuddling to me that we would want to spend state tax dollars to achieve any other result. Why shouldn't it, in all instances, clearly, clearly have to be in a program that qualifies for the federal credit? And that's all the amendment does. Senator Landis says he'll oppose it. I'll be interested in hearing why he wants to

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oppose it, and why he wants to have the state "incent" or to help pay for a program that will cause employees to wind up with taxable income when they aren't expecting it.

SENATOR CUDABACK: Thank you, Senator Wickersham. You've heard the opening on AM0667 to LB 433. Open for discussion. Senator Suttle.

SENATOR SUTTLE: Thank you, Mr. President, members of the Legislature. Senator Wickersham, may I ask you a question?

SENATOR CUDABACK: Senator Wickersham, will you yield, please?

SENATOR WICKERSHAM: Yes.

SENATOR SUTTLE: When would the IRS, when would it kick in that an employee would have to...what would determine that an employee would have to pay tax on a benefit provided by their employer?

SENATOR WICKERSHAM: Okay. There are two sets of circumstances under which I think that would occur. One, you have an honest accountant, and the accountant goes to the employer and says, look, you're running a program that would not qualify if examined under the Internal Revenue Code rules. So you are required now, as a matter of law, because you're running a nonqualified...a program that will not qualify, you're running a program that will not qualify for any of several reasons, you're running a program that will not qualify, federal law requires you to include X number of dollars on your employee's W-2. Now at that point I suppose the employer could say, well, that was good advice, I'm going to wait for an audit; I don't trust you; I think you're giving me bad advice. It's astonishing, but people take that approach. Well, then the second circumstance under which an employee might wind up with income in their W-2 is after the audit, because the Internal Revenue Service could come in and audit and say you're not running a qualified program, and at that point you have taxable income.

SENATOR SUTTLE: I think I understand. I do want to hear what Senator Landis has to say on this particular amendment and would

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yield my time to Senator Landis.

SENATOR CUDABACK: Senator Landis, you have about two and a half minutes.

SENATOR LANDIS: Thank you, Senator Suttle. Thank you, Senator Cudaback. The federal government applies a standard for nondiscrimination. I put the standard in the bill. Senator Wickersham says, gosh, Senator Landis is unconcerned about whether or not employees would have taxable income. No, that's hardly the case. Both last year and this year I've taken the federal standard and stuck it in the state bill. What more can I do? I guess, Senator Wickersham, says, no, you can go it my way. I don't like your bill, I've always voted against it but, even though I've given you an F on this paper, Professor Wickersham also wants to continue to grade the paper as well, even though it doesn't meet his standards. I took the federal standards and stuck them in the darn bill. Now there's a problem. If the feds relax their standards, they'll still stay this tough. If they get tougher than this, I...I expect that the employers will come in and want to change this, or simply comply with the federal rules, which they would have to do to make sure that it's not taxable, both of which I think are far more legitimate than this outcome. However, understand that this section of federal law has not been interpreted by the IRS, it has not been given a series of interpretations, which means that we're banking on the words as they now appear in the federal code. And should there be an audit, the employer would have done this whole program, designed the whole thing for the very purpose, with the federal standards in this bill, but if Senator Wickersham...

SENATOR CUDABACK: One minute.

SENATOR LANDIS: ...has his way, we could get to the place where the program was done, the whole piece was done all the way through and then an audit comes back and retroactively denies the tax credit. Not a good idea. I think you might as well have the standards up front and jump through the hoop. The way Senator Wickersham's preference is, is to work from the back the last moment in time by saying, well, it should be eligible, and

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we'll determine that by if there is a later in time finding that it wasn't eligible, and if that's the case we'll take the credit away. I'm saying take the standards that the IRS would use anyway and stick them in the bill. Everybody knows the rules. And if that's the standard, that should be enough for the state of Nebraska to give the credit. What I'm suggesting is that we set our standards to...for when the credit is going to be given...

SENATOR CUDABACK: Senator Landis, your time is up, but you may continue, your light is next.

SENATOR LANDIS: Thank you.

SENATOR CUDABACK: Thank you.

SENATOR LANDIS: I'm suggesting that we take the federal standards, stick them in our state law, and if the corporation meets those standards, we give them the credit rather than at some later time have a retroactive denial of the credit by the IRS. Senator Wickersham and I, for all intents and purposes I think, should declare that we have done exactly the same thing; if not exactly the same thing, close enough for jazz. I think it is Senator Wickersham's intransigence on this issue that he decides to grade the paper this finely and do this work. This is a good faith effort. You have on your desk four pages from John Cederburg who is, I think, a legitimate voice as to what's a reasonable course of action and says, look, we're there; for all intents and purposes we're there. That should be enough. I'm...I don't support the Wickersham amendment. I agree that employees shouldn't have to pay taxes on these benefits. I think to the extent that we can give fair notice to everyone and keep this credit applicable and usable, importing the federal standards and sticking them in this state law is a sensible and fair way to go. I might confess that at some extreme example and a hypothetical that might be created, there might be something to the contrary, but that hypothetical also creates the possibility of a retroactive denial of a credit, and I think that's a very bad outcome as well. And I'm not sure, with Senator Wickersham, what his goal is as well. He is an opponent of this idea. To the extent that John Cederburg and myself have

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come to the same policy end, I think we're there.    And I don't support the Wickersham amendment.

SENATOR CUDABACK:        Thank you, Senator Landis.    Senator Wickersham, your light is the only one on.    Did you wish to close, or do you wish to speak for five minutes?

SENATOR WICKERSHAM:     I'm going to talk for five minutes first,...

SENATOR CUDABACK:        Thank you.    You are recognized.

SENATOR WICKERSHAM:     ...because maybe Senator Landis will have something else to say when I'm done, so I want to give him the chance to do that.    I'm a little confused because Senator Landis says I'm being intransigent because I've given this paper, his bill, an F, and now I want to give it an F minus.    Well, not to confuse you even further, but there's a couple amendments later on that Senator Landis and I have cosponsored.    So maybe this paper only got a D.    And maybe after the amendments that Senator Landis and I are going to cosponsor, that will in fact improve this bill, regardless of whatever grade you all finally give it, maybe those are okay.    I'm not trying to be intransigent, Senator Landis.    I think this is a legitimate issue and it points out a fundamental conflict, I think, and that's the reason I wanted to speak now and give you a chance to respond.    Senator Landis says do it the way he has in the bill because that's good for business.    Business wouldn't be put at risk, they wouldn't have to worry about retroactive payment... repayment of a credit because they didn't qualify.    Do it his way because it's good for business.    I will assert that I think you ought to do it the way I proposed because it would be good for people.    That's kind of the contest in this bill, that's kind of the contest that I tried to point out to you earlier.    Do this bill because it's good for business; you're going to give \$2 million a year to business; give \$2 million a year to business so that they don't have to pay people.    Give business the advantage of getting their credit, even though they wind up providing taxable income for their employees, because that's good for business, even if it's bad for the employees.    Do what's good for business in this bill and forget everybody

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else.

SENATOR CUDABACK: Thank you, Senator Wickersham. Senator Chambers, on the Wickersham amendment, AM0667, to LB 433.

SENATOR CHAMBERS: Mr. President, members of the Legislature, I have tried, I have tried and I'm going to quote now Congressman Osborne, I have tried my "dad-burnedest" to stay off this bill, because I don't like it. We always, as a Legislature, bend over backwards to give businesses something. I heard comments by Senator Hilgert that disappointed me because he said he's not going to try to amend this bill, that's why. But those cogent arguments of the kind that he gave this morning are totally ignored when we're going to do something. If business is to be accommodated and placated, as Senator Wickersham pointed out, everything else goes by the boards. I'm not for giving them an incentive ever when it involves them merely doing their job, just like we don't...we shouldn't reward incompetency. Now I didn't go to Omaha yesterday, but I heard snippets of the former Governor of Texas speech, little Bush, baby Bush, sawed-off Bush, and what he had going was a situation where these poorly informed Nebraskans trotted out there like trained creatures, and I won't mention any type of four-footed creature. And every time Bush said something and caught his breath, they cheered, which showed they didn't even know what he was saying. They didn't even wait for a complete sentence. He'd say...he'd get ready to sneeze, he's say, "ha", and they'd go up in a cheer and a shout. Then when he got out the "choo", then they cheered and shouted again because they're trained and that's what they're supposed to do. He said, this money is not the government's money, this surplus; it is the people's money. And they cheered "yeah". He said, so should we spend this money? They weren't told to answer. Many of them said, no, but some others said, yes. And then he said, no, we don't spend this money. Nebraskans have to be trained. Now here you have a farm state, an agriculture state that went for him by better than two to one, show how dumb Nebraskans are, how people like Bush come to the cornfield and wheat field states, like Nebraska, to get all of this acclaim and acceptance, because the dumbbells in these states don't know what his policy is. You know what they were cheering? The fact expenditures for the Department of

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Agriculture may be cut 8 percent and Nebraska may lose as much as 600 to 800 thousands of dollars as a result. So all of these programs, these studies, this research that is to help farmers produce crops that can bring them an income, that money is going to be cut, and these dumbbells were out there cheering, because they don't even know what they're cheering. They were told, this man is your savior; whenever a pause comes in his talk, you holler and cheer. Now you got people from Nebraska wringing their hands and saying, gee, we wish he would do something about his agriculture policies because they ain't so good for Nebraska. Well, why do they have to be? And here's what Bush's writers know: this stuff that goes over big with the cornfield and wheat field mentalities don't work in the big cities, so he's not going to talk that simpleminded stuff that he talks in Omaha and Iowa. I was offended for my shallow-minded brothers and sisters from the hinterlands...

SENATOR CUDABACK: One minute.

SENATOR CHAMBERS: ...of Nebraska. But, I'll tell you what, it's going to make it a lot easier for me to oppose bills that come before the Ag Committee, because if the Nebraskans cheer so much the cutting of federal dollars that would benefit this state, I could probably run for Governor and win, if I vote against enough bills at the state level. That may seem somewhat far afield from this bill, but it goes back to the notion of the concept that one old president said, the business of America is business, which meant everything else fell aside. I'm going to turn on my light and I'm going to be more directly on point with reference to this bill. But I think what I just said does tie into this, because those who have are the ones who are going to get. And Senator Landis' approach is to give to those who have and to take from those who have not that little bit they "seemeth" to have. And when I said that, by the way, I was quoting J.C.; not Johnny Carson.

SENATOR CUDABACK: Thank you, thank you, Senator Chambers, for clarifying that. Senator Landis.

SENATOR LANDIS: Yes, Senator Cudaback, members of the Legislature, understand the things that go into making this

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money not taxable for the employee, the standards that go into making it, not taxable are written into the bill. The elements that are necessary to show that it's nondiscriminatory are not relied upon by some other person; we've stuck them in state law. So in a sense that is an attempt to make sure and explicit that we address the need that this be nondiscriminatory and, therefore, something that should ensure that this is not taxable income for the employee. In return for that, by the way, we also get the fact that you can rely on these standards in the application of the credit. If we don't do it this way, we get the chance that the credit can be retroactively struck down by an IRS audit, down the way, even though these standards, which are meant to ensure that it's nondiscriminatory, and therefore eligible, have been met. Both parties, it seems to me, are served by this interest. One, the standards for nondiscrimination are made explicit, clear and, therefore, I think easier to follow, and they are designed to make sure that this money is not taxable to the employee, and we make that as explicit as we can in adopting the very rules that are to be applied; and, secondly, then we say, and if you apply these rules you get the credit. That is not favoring one side over the other. That's saying both sides deserve, you know, advance notice as to where they stand, and it seems to me that's the case here; that we've done that to the very best of our ability to do so. Now, Senator Wickersham has arguments elsewhere and I think it's probably consistent with what Senator Chambers wants to do as far as whether or not this, you know, helps the wealthy as opposed to the needy. We have differences of opinions there. But this simply has taken a federal standard and put it in our law, hopefully making it absolutely clear that if a company was going to try to do this that they'd need to do it in compliance with federal law so that it would, in fact, be nontaxable. As opposed to stepping out and making a mistake or not knowing what the rules are, they're right there in the state law, and then, because they've followed the state law, they get the added assurance that, in fact, the credit will be there. That, to me, is evenhanded and that's why I'd suggest that the existing language in the bill is adequate.

SENATOR CUDABACK: Thank you, Senator Landis. Senator Chambers, on AM0667 to LB 433.

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SENATOR CHAMBERS: Mr. President, members of the Legislature, before I go on I'd like to...oh, Senator Landis is on his phone. Senator Landis, I'd like to ask you a question. It's broader than what we're talking about here. This bill would let the credit or whatever we'll call this incentive, I got other things in my head, it would apply to the construction of a facility that would be used for childcare. Is that true?

SENATOR CUDABACK: Senator Landis.

SENATOR LANDIS: Not for construction, but if you have an existing building you could refurbish it, you could remodel it.

SENATOR CHAMBERS: I guess I read one of these things with the bill incorrectly. I thought I had seen in the...I thought I had seen that term in the Committee Statement, so I know my time is running. In the Committee Statement...

SENATOR LANDIS: (Microphone malfunction) on "costs" is defined on page 3, subsection (b). Take a look there. It will...it will guide your eye.

SENATOR CHAMBERS: But here's what I had looked at, and then I'll get to that. Under Section 3, providing child-care services is defined as expending funds to build, furnish, license. So the statement in the...in the Committee Statement is inaccurate, so that I won't have to take all of my time to go back to Section 3 of the bill?

SENATOR LANDIS: I think it...would you let me read you the "costs" definition?

SENATOR CHAMBERS: Sure.

SENATOR LANDIS: Would that work...

SENATOR CHAMBERS: Yes, that...

SENATOR LANDIS: ...for both of our purposes?

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SENATOR CHAMBERS:    Yes.

SENATOR LANDIS:      Costs incurred by the business firm in providing child-care services for children of employees means the amounts expended by the business firm during the year for improvements, which is different than construction, improvements to the premises for purposes of making the premises suitable in whole or in part for use as a child-care facility, including furnishing the facility, fencing, landscaping, sidewalks, furniture, fixtures, equipment, supplies and other improvements and materials reasonably required to operate a child-care facility and the direct operating costs. So...

SENATOR CHAMBERS:    Okay.

SENATOR LANDIS:      ...it's improvements and direct operating costs,...

SENATOR CHAMBERS:    And I will now...

SENATOR LANDIS:      ...but "construction" does not appear.

SENATOR CHAMBERS:    And what section in the bill were you reading from?

SENATOR LANDIS:      I was reading from Section 3, subsection (b), page 3 of the green copy.

SENATOR CHAMBERS:    Okay, and I can examine that further now that my attention has been directed to it. But to get back to the overriding issue here, I'd like to ask Senator Landis a question now.

SENATOR CUDABACK:    Senator Landis.

SENATOR CHAMBERS:    Senator Landis, I listened to what you said about putting certain material into the bill that would...let me ask you the question.

SENATOR LANDIS:      Okay.

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SENATOR CHAMBERS: Are you saying that what is in the bill would guarantee that these services would never be deemed taxable income? Is that what I heard you say?

SENATOR LANDIS: I think you can construct a hypothetical...

SENATOR CHAMBERS: Well, let me ask the question.

SENATOR LANDIS: ...that would be remote...

SENATOR CHAMBERS: Would it...

SENATOR LANDIS: ...and that might make that happen.

SENATOR CHAMBERS: Okay. If Senator Wickersham's amendment were to be adopted, would that ensure that this service would not be deemed taxable income?

SENATOR LANDIS: No, it could be nontaxable income for other reasons in Section 129.

SENATOR CHAMBERS: So his language, Senator Wickersham, I wish you'd listen, Senator Wickersham's language would not ensure that these services do not constitute taxable income. Senator Wickersham, that's what I'm going to ask you. I think I heard Senator Landis, in response to my question, say that if your language were adopted it would not ensure that these services would not be deemed taxable income. Is that correct or incorrect?

SENATOR CUDABACK: Senator Wickersham.

SENATOR WICKERSHAM: That's correct, but nothing could do that.

SENATOR LANDIS: (Microphone malfunction) Thank you.

SENATOR CHAMBERS: Okay, now we're getting to...

SENATOR WICKERSHAM: If you run a nonqualified program.

SENATOR CHAMBERS: Okay, now this...we're getting to what I want

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to have in the record focused. Exactly what will your language do that the bill does not do?

SENATOR CUDABACK: One minute.

SENATOR WICKERSHAM: Oh, well, in one point we have a rather lengthy letter from Mr. Cederburg who, incidentally, is an accountant and I respect his views. I've never gotten bad information from him. On page 4, there is an example and it goes...it starts off: In many businesses in Nebraska, the number of owners equal...is equal to or greater than the number of employees. And it goes on. My understanding is, if we adopt the language in my amendment, that you couldn't qualify for credits and have that be the set of circumstances. And because you couldn't qualify for the credits, you probably wouldn't engage in the program. So the amendment, at least for the information that we have before us, Senator Chambers, it's my understanding that my amendment wouldn't allow the situation that is on page 4 of Mr. Cederburg's letter. Now, there may be other instances as well, but that's a material one that I...

SENATOR CUDABACK: Time.

SENATOR WICKERSHAM: ...think I can point to you.

SENATOR CUDABACK: Senator Chambers, you...

SENATOR CHAMBERS: Thank you.

SENATOR CUDABACK: ...may continue, and this is your third time.

SENATOR CHAMBERS: Okay. Then, since this is my third time, I better just give my comments in my views instead of doing it in question and answer, because the issue is somewhat complex. It would be unfair for me to ask a question, then cut the one off who's answering it because my time is running out. I'm going to continue listening to the discussion on this particular amendment being offered by Senator Wickersham. I will listen very carefully to the amendment cosponsored by Senators Wickersham and Landis. But no matter what form they put it in, I do not support these giveaway programs. I do not support

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them. I do not support giveaway programs in the rural areas either, but if they're going to have giveaway programs then there ought to be some degree of parity. I would be opposed to practically all of them. Some can be tailored in such a way that I would see a direct benefit to the people we say we're trying to help, but in many instances the money goes to consultants, it goes to those who are going to study, those who are going to gather information, maybe some old geezer who wants to get out of the business and he will be given a tax break if he sells to some young person, but the young person who's going to get the farm and has to operate it does not get any benefit. What we do is bail out people who have made bad business decisions. When we talk about encouraging young entrepreneurs, we don't talk about making money available to them in the form of low-interest loans or helping those who may not be able to get a loan in regular or mainstream channels. We will say, hire some entity for \$500,000 to try to find somebody who will give them a loan. We know that there are problems and everybody wants some money. Money is appropriated by the Legislature supposedly to address these issues. People in Nebraska criticize the federal government for creating bureaucracy and spending money in a profligate manner, profligate manner some people like to say. When we come to these programs that the state puts in place business gets the money and the poor people get the business. The money never finds its way directly into the hands of those who are to be helped, never. I am opposed to these giveaways and I see this bill as primarily a giveaway to business. There are court systems in other parts of the country which have stated that if there is to be any renovation in a courthouse, if there's to be construction of a new courthouse, there must be child-care facilities included because there are children of attorneys, witnesses, defendants, litigants, even judges who come to the courthouse. So this is a reality of modern life and it must be reflected in the construction or the renovation of these courthouses. Businesses have learned from study after study that the productivity of their employees will be enhanced if they provide these services, so the child-care service is not provided by business to help the employee. It's provided to enhance the bottom line of the business, ultimately. We don't have to give them this money in the form of these incentives. We don't have to pay (inaudible)

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people to conduct their business.

SENATOR CUDABACK: One minute.

SENATOR CHAMBERS: Either it's going to make a profit or it is not. We don't have to give Union Pacific money to run Union Pacific's Railroad. They are going to run it. They have investors. They have high-paid CEOs. One CEO may retire and get enough money to pay the salary of ten employees for ten years. And then we've got to give them money. I'm going to support Senator Wickersham's amendment. That's my inclination now. Maybe I'll be persuaded not to otherwise, but I definitely am not going to support this bill. Thank you, Mr. President.

SENATOR CUDABACK: Thank you, Senator Chambers. Senator Wickersham, and this will be your third time, Senator.

SENATOR WICKERSHAM: Are there other lights on?

SENATOR CUDABACK: No, there aren't, Senator.

SENATOR WICKERSHAM: Then I'll close.

SENATOR CUDABACK: Okay. You're recognize to close on AM0667.

SENATOR WICKERSHAM: All right. Mr. President, members of the body, I think the amendment that I offered you is a perfectly sensible one. It reduces the length and complexity of the bill in a variety of respects. It simply says if you're going to qualify for credits from the state of Nebraska for this activity, that you have to operate a program that is eligible to be treated as a nontaxable fringe benefit under Section 129 of the Internal Revenue Code. Now, Senator Landis has tried to make a point out of the fact that he...that language is in the bill and that that gives...and language that he thinks meets that test in general is in the bill and that should be comfort. Well, there are a couple of things about that. One, of course, federal law would change and then we'd have to change state law to conform, because I don't...at least if I'm understanding him, I don't think Senator Landis believes that employees ought to have taxable income because their employer participates in this

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program, at least from what I understand. I think that the fundamental argument between the two of us is what kind of guarantees do we want to assure ourselves that we have that result? Well, Senator Landis says it's good enough for me if we put the language in state law and then that assures businesses that if they comply with state law that they will get the credits. Well, the language that I want to put in the bill says, look it, if you don't keep complying with the federal law you're going to lose your credits. Now that seems to me to be a pretty strong incentive to, in fact, comply with the federal law; comply with the federal law, make sure your employees don't wind up with taxable income, and then you get our credits, because neither Senator Landis nor I want the employees to wind up with income because the employer and the state of Nebraska tried to do something that they thought was beneficial to them. Make sure that that employer has the proper incentive to comply with federal law so you don't cause a problem for the employees. I don't know what could be simpler or what could be more appropriate. Don't mislead employers or employees, either one, about what we want them to do. We want them to run a qualified program and, because they're running a qualified program, get our money. But don't let them get off the hook by saying, well, it's okay if you just run a program according to what we have here in the bill and you'll still get your money, and we don't care as much about the employees as we do that you get your money.

SENATOR CUDABACK: Thank you, Senator Wickersham. You just heard the closing on AM0667 to LB 433. The question before the body is, shall that amendment be adopted to LB 433? All in favor vote aye, opposed nay. We are voting on AM0667 to LB 433. Have you all voted? Have you all voted who care to? Senator Wickersham. Did you want to be recognized, Senator Wickersham?

SENATOR WICKERSHAM: Mr. President, I would ask for a call of the house and I would accept call-in votes.

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

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ASSISTANT CLERK:            19 ayes,    0 nays    to go under call,  
Mr. President.

SENATOR CUDABACK:        The house is under call. All unauthorized personnel please leave the floor. Unexcused senators please report to the Chamber. The house is under call. Senator Wickersham has authorized call-in votes. Senators, please check in. Senator Beutler, please check in. Senators Baker and Bourne. Senator Raikes, Senator Quandahl, please check in. The house is under call. Senator Wickersham has authorized call-in votes. Senator Tyson, would you please check in? Senator Tyson. Senator Schrock, the house is under call. Senator Wickersham, you want to be recognized?

SENATOR WICKERSHAM:      Could we have a roll call, Mr. President, please,...

SENATOR CUDABACK:        Been a request for a roll call vote.

SENATOR WICKERSHAM:      ...in reverse order?

SENATOR CUDABACK:        There are still two absent, Senator. You wish to go ahead? There are still two absent, Senator Wickersham. Did you wish to go ahead?

SENATOR WICKERSHAM:      Yes.

SENATOR CUDABACK:        Mr. Clerk, call the roll, please.

ASSISTANT CLERK:        (Roll call vote taken, Legislative Journal pages 862-863.) Vote is 20 ayes, 14 nays on the adoption of Senator Wickersham's amendment.

SENATOR CUDABACK:        The amendment is not adopted. I do raise the call. Mr. Clerk, you do have items for the record.

ASSISTANT CLERK:        Thank you, Mr. President. Your Committee on Banking reports LB 444 to General File with amendments. Judiciary reports LR 17 to General File; LB 473 to General File with amendments. General Affairs reports LB 175 to General File with amendments; LB 371 to General File with amendments; LB 546,



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**SENATOR CUDABACK:** Senator Wickersham, to open on AM0669.

**SENATOR WICKERSHAM:** Let me make sure what I'm doing here. And we would like to pass over that one as well. And then I think the next amendment is AM0748.

**SENATOR CUDABACK:** It is passed over.

**ASSISTANT CLERK:** Mr. President, the next amendment is AM0748. That's offered by Senator Wickersham and Landis. (Legislative Journal page 868.)

**SENATOR CUDABACK:** You're authorized to open on AM0748.

**SENATOR WICKERSHAM:** Mr. President, this is...this is an amendment, you'll all be relieved to hear, that Senator Landis and I have agreed to, and it does improve the bill. So if...for those of you who may eventually want to vote for this bill, I hope you have some comfort in adopting (laugh) an amendment that Senator Landis and I are proposing that will, in fact, improve the bill, and it's two simple things. As I mentioned earlier in this debate, there is a provision that calls for credits only to be extended to businesses that offer an accredited program. I think it was an oversight. There is no definition of accredita...of "accredited" in the bill. This adds a definition of "accredited". And there is another provision that we picked up from...I think from Senator Suttle's bill and this one allows...it has to do with cafeteria plans and it simply says, "No amount paid or incurred by an employer to provide child-care assistance to an employee shall qualify for the credit if the amount was paid or incurred pursuant to a salary reduction plan or is not paid for services performed within this state." So it takes care of that other...I guess that other little aspect, if you had services provided outside the state we weren't going to provide a credit for that. We don't know if that is, frankly, possible because you have to provide it at least in a licensed day-care center and we don't think you could license anything outside the state of Nebraska, but certainly we don't want to be paying credits for activity that might take place outside the state of Nebraska. I think that's simply it and Senator Landis

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and I are cosponsors.

SENATOR CUDABACK: Thank you, Senator Wickersham. You've heard the opening on AM0748. For discussion on that amendment, Senator Landis.

SENATOR LANDIS: I concur with everything that my brother member of the Revenue Committee said.

SENATOR CUDABACK: Thank you, Senator Landis. Senator Wickersham, there are no further lights. Senator Wickersham waives closing. The question before the body is, shall AM0748 be adopted to LB 433? All in favor vote aye, opposed nay. We are voting on AM0748 to LB 433. Have you all voted who care to? Have you all voted? Record, please, Mr. Clerk.

ASSISTANT CLERK:        26 ayes,    0 nays on the adoption of AM0748, Mr. President.

SENATOR CUDABACK: Amendment is adopted. Mr. Clerk, next item to the bill?

ASSISTANT CLERK:        Mr. President, we are back to Senator Wickersham's amendment, AM0666.

SENATOR CUDABACK: Senator Wickersham. Senator Landis, on that amendment.

SENATOR LANDIS: (Microphone malfunction) till Monday morning at nine o'clock.

SENATOR CUDABACK: The motion is to adjourn until Monday morning at nine o'clock. Senator Landis, would you allow us to have items for the record?

SENATOR LANDIS: (Microphone malfunction) (inaudible).

SENATOR CUDABACK: Thank you.

ASSISTANT CLERK:        Thank you, Mr. President. Committee on Enrollment and Review reports LB 34 as correctly engrossed,

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LB 106 correctly engrossed, LB 108, LB 186A, LB 243, LB 270, LB 270A, LB 308, LB 411, LB 432, and LB 477, all those correctly engrossed. Amendments to be printed: Senator Beutler to LB 259; and Senator Bromm to LB 574. Priority bill designation offered by Senator Jones, LB 781. And Senator Kristensen would like to add his name to LB 827. That's all that I have, Mr. President. (Legislative Journal pages 869-874.)

SENATOR CUDABACK: Thank you, Mr. Clerk. Senator Landis' motion is to adjourn until Monday morning, March 5th, nine o'clock. All in favor of that motion? Opposed? The ayes have it. We are adjourned. Drive careful. The roads are slippery.

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