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Transcriber's Office

Appropriations Committee
March 06, 2015

[LB57]

The Committee on Appropriations met at 1:30 p.m. on Friday, March 6, 2015, in Room 1003 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB57. Senators present: Heath Mello, Chairperson; Robert Hilkemann, Vice Chairperson; Kate Bolz; Ken Haar; Bill Kintner; John Kuehn; Jeremy Nordquist; John Stinner; and Dan Watermeier. Senators absent: None.

SENATOR MELLO: Good afternoon and welcome to the Appropriations Committee. My name is Heath Mello. I'm from south Omaha, representing the 5th Legislative District, and serve as Chair of the Appropriations Committee. I'd like to start off today by having members do self-introductions, starting first here on your right with Senator Kintner.

SENATOR KINTNER: Hi. I'm Bill Kintner from Legislative District 2.

SENATOR NORDQUIST: Jeremy Nordquist from District 7, downtown and south Omaha.

SENATOR MELLO: Sitting next to Senator Nordquist is Senator John Kuehn, representing the 38th Legislative District in central Nebraska.

SENATOR HILKEMANN: Senator Robert Hilkemann, District 4, west Omaha.

SENATOR STINNER: Senator John Stinner, 48th District, Scottsbluff.

SENATOR BOLZ: Senator Kate Bolz. I represent District 29, south-central Lincoln.

SENATOR MELLO: Sitting next to Senator Bolz is Senator Ken Haar from District 21, who will be joining us shortly. Senator Haar represents northwest Lancaster County. Sitting next to Senator Haar is...

SENATOR WATERMEIER: Senator Dan Watermeier from Syracuse.

SENATOR MELLO: Assisting the committee today is Rachel Meier, our committee clerk; and Julia and Rachel, our committee pages. And our first analyst of the day will be Phil Hovis. On the cabinet up here to your right you will find some yellow or white testifier sheets. If you're planning on testifying today, please fill out one of the yellow sheets and hand it to Julia when you come up. It helps us keep an accurate record of today's public hearing. There is also a white

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sheet on the cabinet if you do not wish to testify but would like to record your position on a specific bill or agency item. When we hear testimony regarding agencies we will first hear from a representative of that state agency. We will then hear testimony from anyone who wishes to speak on the agency's budget request. We will hear bill testimony in the following order. First will be the introducer of the bill. Then we will hear those in support, followed by those in opposition, and ending with those testifying in the neutral capacity. We will then end with a closing statement from the introducer. If you have any handouts, please bring at least 11 copies and give them to Julia, our page. If you do not have enough copies, she will help make more for you. We ask that you begin your testimony today by giving us your first and last name and spelling it for the public record. We will be using a five-minute light system, so when you begin your testimony the light on the table will turn green. The yellow light is your one-minute warning. And when the red light comes on we ask that you wrap up with your final thoughts. At this time, I'd ask all of us, including senators, to please look at our cell phones and make sure they are on the silent or the vibrate mode. And with that, at this time we'll begin today's public hearing with LB57 by Senator Scheer.

SENATOR SCHEER: (Exhibit 1) Thank you, Chairman Mello and Appropriations Committee members. Thank you for allowing us to introduce LB57 to you this afternoon. It talks of the demolition of buildings on the Norfolk Regional Center campus. I would note that two of your members came up Saturday morning to physically take a tour of the facility. I've passed around pictures of the buildings that we're talking about. We wanted to get in one of the buildings so we thought about maybe breaking a window or something. But to be quite honest, all we really did is pull up and walked in the door because the door was wide open. So they are nonsecure. They are open. They're available for anyone, their dog, any kids, or anyone else that would like to, to walk in and either get housing or shelter or whatever else they would choose to do in the building. The buildings are old. They haven't been in use for well over 20 years. They're dilapidated, although I think Senator Watermeier will tell you that the basement floor is in astoundingly good condition. We were not able to find a crack in the foundation. But the buildings themselves are in disrepair and need greatly to be demolished. The buildings on this campus are also connected by an underground tunnel system. The regional center, when it was originally built, there are tunnels connecting all the buildings because all the patients and clients would have to be transported or walked to the central cafeteria area. And obviously, because of weather conditions, a lot of times during the year you would not be able to take those people outside. So there is that as well that does not meet the physical eye when you go on to the campus. You do have, I provided Senator Mello with a firm quote from a local contractor to demolish the buildings. I might add that most, if not all of them, are full of asbestos as well, and this includes the asbestos abatement and the demolishment and bringing the fill dirt back up to level. It also includes taking the tunnels. They will crack the top of the tunnels. They have a shredder that will shred the brick and the cement and into a fine gravel or dust, and they'll use that material to fill in those areas so they don't have to literally take as much of the product away

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from site and also will more than adequately cover the base as far as construction. They can still, you know, dig through it and whatever they would need to do in future capacity. It's been in long need of this. There is...it has been declared as excess property by the state. There's no physical need by the state anymore. It, at the very least, can be classified as an attractive nuisance. And unfortunately, from the state's perspective, the state knows it's there, they know the condition it's in, they know that it's available for people to walk in. I suspect we have quite a liability position in those buildings in their current condition. And about the easiest way to rectify that from the perspective of the community, myself, and I think the state would be to tear the buildings down, fill them in, and bring it back to dirt level. And with that, I would entertain any questions. [LB57]

SENATOR MELLO: Thank you for your testimony today, Senator Scheer. Are there any questions from the committee? Seeing none, thank you, Senator Scheer. [LB57]

SENATOR SCHEER: All right. [LB57]

SENATOR MELLO: We will next hear from proponents for LB57. [LB57]

MICHAEL CHIPPS: Good afternoon, committee Chair Mello and committee members of the Appropriations Committee. I'm Dr. Michael Chipps, M-i-c-h-a-e-l C-h-i-p-p-s. I'm the president of Northeast Community College and representing Northeast Community College Board of Governors on the issue of support for LB57. You certainly have the pictures before you, like Senator Scheer indicated, and my testimony will be very short because he really filled in all the blanks that at least I think you need to know about. But I guess I'm really here to personally thank you and thank the state for now their attention on the matter of cleaning up this old, abandoned, regional center property in Norfolk. As you well know, this property sits right in the middle of Northeast Community College campus. We have an 800-acre campus, a beautiful campus, thanks to the Legislature, frankly, and to you and your veteran folks that have over the years taken good care of your community college system. But this is certainly an eyesore, to say the least. And these facilities have not only become an eyesore but they are definitely a safety hazard, as Senator Scheer has alluded to. Not only do these buildings present a challenge to the college, that property is situated on a busy road near a church, residential neighborhoods, and as well as large employers like Norfolk Iron and Metal, Nucor Steel, and Louis Dreyfus ethanol plants. Your prompt action and active response will be appreciated by the citizens of this great state. Thank you for your time and attention, and I'll take any questions, Senator Mello. [LB57]

SENATOR MELLO: Thank you for your testimony today, Dr. Chipps. Are there any questions from the committee? [LB57]

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MICHAEL CHIPPS: Yes. [LB57]

SENATOR MELLO: Senator Kintner. [LB57]

SENATOR KINTNER: Thanks for coming out today. Appreciate having you here. [LB57]

MICHAEL CHIPPS: Yes, sir. [LB57]

SENATOR KINTNER: Is there immediate development plans for this? Is there something that you see it being used for? Is it going to go right to the college or is someone outside going to be able to develop it or what's it going to be used for? [LB57]

MICHAEL CHIPPS: Senator, that's an excellent question. Thank you for asking it. What we're planning on doing is actually creating something of a smaller nature of the Innovation Campus that is created for the university. We plan it as a technology park and we plan on basically using it for the citizens of Nebraska to be able to take us to a new level, and not just northeast Nebraska but all the state. [LB57]

SENATOR KINTNER: I hope you're not going to ask us to pay for that. I see that our fiscal note is \$1 million here and it says it's going to cost \$1.5 (million) is the estimate. Are you guys kicking in some of that money to tear it down? Where is the rest of it coming from? [LB57]

MICHAEL CHIPPS: Well, I will probably have, out of respect for Senator Scheer, he's kind of put this together, but what's happened here is that was the original estimate by the state of Nebraska that it be \$1 million. [LB57]

SENATOR KINTNER: Uh-huh. [LB57]

MICHAEL CHIPPS: But the estimate from a person that does that type of work, that was a special request for Mr. Porter to take a look at it, it's \$1.5 (million). And if I remember right, I don't have that in front of me but I think that also included a place, the sex offender center, which is also included in that estimate. [LB57]

SENATOR KINTNER: If the state came up with \$1.5 (million), is there any other money out there that you know of that you think you guys can come up with to finish the job? Or does the state have to kick in the whole amount? [LB57]

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MICHAEL CHIPPS: No. Where is the senator? Is he here? [LB57]

SENATOR SCHEER: I'll address that (inaudible). [LB57]

MICHAEL CHIPPS: Yeah, I think, if you don't mind, I... [LB57]

SENATOR KINTNER: Okay. All right. Oh, Jim, I'm sorry, I didn't see you. I was...I kind of thought Jim took off. [LB57]

MICHAEL CHIPPS: I think I have the answer to that from Senator Scheer, but I'll let him speak to you, Senator, if you don't mind. Yeah. [LB57]

SENATOR KINTNER: Sure. Sure, I didn't see him. Usually the senator sits in our front seat. Sorry about that. Okay. I didn't mean to throw a tough question at you, but... [LB57]

MICHAEL CHIPPS: Yeah. Okay. No, that's all right. [LB57]

SENATOR KINTNER: ...I'll ask Senator Scheer when he comes up. [LB57]

MICHAEL CHIPPS: Thank you, sir. [LB57]

SENATOR KINTNER: All right. Appreciate it. [LB57]

MICHAEL CHIPPS: Uh-huh. [LB57]

SENATOR MELLO: Senator Hilkemann. [LB57]

SENATOR HILKEMANN: You know, Senator Kintner answered my question. I was asking if the community college had some eyes on that property and what should we do with it, and that's what you answered, so... [LB57]

MICHAEL CHIPPS: Thank you, Senator. [LB57]

SENATOR MELLO: Senator Bolz. Okay. Seeing no further questions, thank you, Dr. Chipps. [LB57]

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MICHAEL CHIPPS: Thank you, Senator Mello. Thank you. [LB57]

SENATOR MELLO: Are there any other testifiers in support of LB57? Seeing none, is there anyone here in opposition to LB57? Seeing none, is there anyone here in the neutral capacity on LB57? Seeing none, Senator Scheer, would you like to close? [LB57]

SENATOR SCHEER: Certainly. Very quickly, I don't really have a closing but to fill the committee in on the rest of the perspective, I believe there...not necessarily in your folders but the state, at some point in time in the last several years, had came up with an estimate of the finished product value of the ground is about \$241,000. Your estimate, when you back out the part that's not currently involved, which would be the sex offenders' facility and so forth, I believe it gets down to about \$950,000-\$980,000. So it is under the \$1 million request that LB57 talks about. I do have a separate bill that went in front of the Executive Committee that would essentially allow the college to purchase the ground from the state, and the purchase price would be \$250,000, which is above the market price, market rate that they have on their current valuation. So it becomes an arm's length transaction. So it's not \$1.5 million. It would be somewhere less than \$1 million to clean the property up. And then with the cost with the sale price coming back to the state, it would probably get under about three-quarters of \$1 million to get rid of the liability there. So I don't know if any other... [LB57]

SENATOR MELLO: Thank you, Senator Scheer. Senator Hilkemann. [LB57]

SENATOR HILKEMANN: Yeah. What year did they close the Norfolk Regional Center? [LB57]

SENATOR SCHEER: Oh golly, I'm going to guess probably late '80s to early '90s I would say. I think it's probably been...it's been over 20 years. I think the sex offender facility has been there for about 15. Then all of it was sort of closed for a little while and then they brought part of it back operational. And that building that is actually that facility was the newest of any of the buildings that was available at that time. [LB57]

SENATOR MELLO: Senator Nordquist. [LB57]

SENATOR NORDQUIST: Think it was either 2009 or 2010 that Speaker Flood took Senator Mello and I on a little tour up there. And certainly at that time it needed to be taken care of. Do you know, does the tunnel connect the current facility that's used for the sex offenders, and how is that handled? [LB57]

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SENATOR SCHEER: It probably does. [LB57]

SENATOR NORDQUIST: Okay. [LB57]

SENATOR SCHEER: All the buildings right now and...because Senator Watermeier wanted to walk through the tunnels as well, but when they essentially deactivated the facility, they did have a mason come and in every building it is blocked... [LB57]

SENATOR NORDQUIST: Oh, okay. [LB57]

SENATOR SCHEER: ...so that the tunnels are technically still there but they're blocked from all avenues of egress so that at least you don't have kids... [LB57]

SENATOR NORDQUIST: Right. [LB57]

SENATOR SCHEER: ...down starting fires or parties or whatever and being subterranean to avoid the police. [LB57]

SENATOR NORDQUIST: Right. Right. And then on...so it's slightly under \$1 million to take care of everything but the sex offender center. [LB57]

SENATOR SCHEER: Correct. [LB57]

SENATOR NORDQUIST: We would be selling the land to the college for \$250,000? [LB57]

SENATOR SCHEER: Correct. [LB57]

SENATOR NORDQUIST: And are they...they're ready to move forward with that? [LB57]

SENATOR SCHEER: Absolutely. [LB57]

SENATOR NORDQUIST: Okay. So that's a separate bill, though, that they've got. [LB57]

SENATOR SCHEER: It's a separate bill going through Executive. [LB57]

SENATOR NORDQUIST: Right. Okay. Okay. [LB57]

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SENATOR SCHEER: This is a financial matter as far as the obligation of raising the buildings, so that's why we have two different bills in front of the Legislature. [LB57]

SENATOR NORDQUIST: Right. Right. Okay. Got it. Great. Thank you. [LB57]

SENATOR MELLO: Senator Stinner. [LB57]

SENATOR STINNER: Thank you. This is a firm quote by this company? [LB57]

SENATOR SCHEER: Yes, it is. [LB57]

SENATOR STINNER: Is there any conditions on this? [LB57]

SENATOR SCHEER: No, there is not. [LB57]

SENATOR STINNER: Okay. [LB57]

SENATOR MELLO: Any other questions for Senator Scheer? Senator Hilkemann. [LB57]

SENATOR HILKEMANN: You said that they're going to sell the land to the college for \$250,000? [LB57]

SENATOR SCHEER: Yes. Yes. [LB57]

SENATOR HILKEMANN: Does that seem like a reasonable price at this point? [LB57]

SENATOR SCHEER: I do. The state had an estimated value, I think, of \$240,000 or \$241,000, as I recall. This would be above that. You know, is it maybe a little bit on the low side? Maybe. But on the same hand, you know, it sits literally, as you'll see on the overview, in the middle of the campus. As for the intent of the college, just for your knowledge, we've been working on this for the last several years. And to put in perspective, the Google plant or facility over in Council Bluffs, when it was being constructed, it required a maximum of I think 20 gigabytes--and I may be the bytes off, but it's 20--for that facility. Right now in place, intact, two contractors--I believe Pierce Telephone and I think Great Plains out of Blair--both have brought in 100-megabyte trunks of bandwidth. So I mean literally this is...has the availability. It just needs to be cleared and let nature take its course. There's a lot of innovative people, you know, out in the rural areas and I'll just give you one example. There's three gentlemen that started a business and it's sort of

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a miniature Gallup. They do polling and interviewing for HR, for human resource. They started with just the three guys and they're in Norfolk. And they're now starting their first expansion, but their first expansion is going to be a call center in Leigh, Nebraska, which is about 20 miles south of Norfolk, between Humphrey and Clarkson. Those are both small towns but Leigh is very small. It's going to be 10 to 12 full-time employees. And for a town that size, that's like Omaha clicking around about 5,000 employer base. I mean that's a really big deal. And if we can duplicate that enough times in the rural parts of Nebraska, maybe we'll have a chance at repopulating it. This just has the potential of just being a home run for Nebraska. [LB57]

SENATOR HILKEMANN: I would just comment on it. As someone who's been to Norfolk many times, it's about time we do something with it. [LB57]

SENATOR SCHEER: Thank you, Senator. [LB57]

SENATOR MELLO: Senator Stinner. [LB57]

SENATOR STINNER: I just have another quick question and maybe you know the answer to this or not. Do we normally only get one bid or should we get... [LB57]

SENATOR SCHEER: You can certainly get as many as you want, but I will tell you that I think you will find that as a very, very competitive bid. I don't know what the requirement is for the general services for the state, but as you mentioned Saturday, you had one school that was about the size of one of the buildings in Scottsbluff and the cost to the public schools in Scottsbluff was just about \$400,000. So you're getting seven buildings and a tunnel system evaporated for about \$975,000. I personally--go ahead and quote--you're not going to find something cheaper. This guy is very civic-minded. He wants to try to take care of the problem and, to be quite honest, I think he's doing it maybe as a benefit for the community as well. [LB57]

SENATOR MELLO: Any other questions from the committee? Seeing none, thank you, Senator Scheer. [LB57]

SENATOR SCHEER: Thank you very much. Appreciate it. [LB57]

SENATOR MELLO: That will end today's public hearing on LB57 and take us to our first of five agency hearings for the day. [LB57]