

Does not include written testimony submitted prior to the public hearing per our COVID-19 response protocol

TONY FULTON: Good afternoon, Chairman. Chairman Stinner, members of the Appropriations Committee, I'm Tony Fulton, T-o-n-y F-u-l-t-o-n, Nebraska's Tax Commissioner and I appear today on behalf of the Department of Revenue. We appreciate the committee's preliminary recommendation and ask that it be incorporated into your final recommendation. With deference to your time, I'm just going to comment briefly on a couple of items: Programs 108 and Program, Program 108 and Program 132, the Homestead Exemption and the Property Tax Credit Cash Fund. These happen to fall under Department of Revenue under my budget. These are the property tax relief programs, or a couple of them, that fall under our budget effectively passed through to taxpayers. This is annual tax relief that you and the Governor have budgeted for to the tune of over \$375 million between the two of them. As you well know, this is much needed by taxpayers and the planning for such relief occurs via this very budget process we're presently undertaking that this portion of property tax relief falls under Agency, Agency 16 provides an opportunity to highlight it. And so that's all I'm doing. So thank you. Program 102, Revenue Administration. Here, I thought it would be appropriate to update you on some of the various metrics that I've implemented to gauge and improve our performance, thereby engendering restraint in our budget while still accomplishing our obligations. A couple of our most useful customer service metrics are the abandoned rate and the average hold time. These are metrics we put in place in our taxpayer assistance area, which is where taxpayers can call in or walk in or email to get help with taxes. So the abandoned rate is what it sounds like after someone has been on hold for a long enough time, they just give up. We call that an abandoned. So we have a rate on that. We measure how many times that happens. And then, of course, average hold time, that's pretty self-explanatory. Our goal is to remain under a 5 percent abandoned rate on taxpayer phone calls with a less than two-minute average hold time. Incidentally, these aren't just goals specific to the department. They're also high watermarks for private industry. In our most recent month, our abandoned rate was 2.04 percent and our average hold time was 23 seconds. Our highest abandoned rate occurred in June. That was at 2.69 percent. And our longest average hold time ended up occurring in March about the time the pandemic started, started to hit. And that was 43 seconds, all well below our goals. As

Does not include written testimony submitted prior to the public hearing per our COVID-19 response protocol

I've shared previously, we continue to drive these numbers by preemptively educating taxpayers through our website. We measure what the most frequently asked questions are. Then with this knowledge, we answer these questions preemptively through videos posted to our website. There is much more I could say about our use of process improvement and metrics throughout the department, but I'll stop there with thanks to the good people in the department with whom I have a privilege of working. So I'll stop there. Thank you for your very valuable work on this important committee and for your preliminary recommendation of our budget. I'll be glad to ask-- or answer any questions if you have any.

STINNER: Any questions? Senator Erdman.

ERDMAN: Thank you, Senator Stinner. Thank you, Mr. Fulton, for coming. Appreciate that. So those are pretty good times, really 43 seconds is not a long time. So in your automated system, do you have a, a-- an announcement that says you have one call waiting in front of you or two, or do you have any of that kind of announcement?

TONY FULTON: I'm not positive. I don't think we do. I have secret shopper, our system. So if members of the department are watching this, now they know. Yeah, I don't think we do.

ERDMAN: OK. Sometimes when I call, you know certain things, they'll say there's one call ahead of you, you're normal wait time is one minute or whatever.

TONY FULTON: Right.

ERDMAN: But they give you an announcement on how many people there is and then you can decide--

TONY FULTON: Yeah, whether you're going to stay on.

ERDMAN: --whether you call back or whatever. But I appreciate that. So do you play nice music while they're waiting?

TONY FULTON: Well, it's music. Just depends who's listening, I guess, as to whether it's considered nice. It's relaxing.

Does not include written testimony submitted prior to the public hearing per our COVID-19 response protocol

ERDMAN: Well, yeah, thank you. And I think that, that Homestead Exemption is a very important aspect of the state. I mean, as I get older, I'm thinking that's pretty important, too.

TONY FULTON: Yeah.

ERDMAN: Thanks.

TONY FULTON: Yeah, that's one that fluctuates a little bit from year to year. And this committee has to deal with that also. We make our best projection and then we have to come back, usually in the out year to adjust it.

ERDMAN: Right.

TONY FULTON: But I, I just wanted to point it out because I was in your shoes. And I think a lot of people just forget how much property tax relief is budgeted for. I mean, TEEOSA obviously is a big one, but there's, there's lots of this. It happens in this, in this committee. And two of these fall under my agency. Again, it's passed through. There's no volition exercise on my part, but someone's got to point it out. You all are the Appropriations Committee. So I just took the opportunity to point it out. Thank you.

ERDMAN: Thank you.

STINNER: Any additional questions? Senator Dorn.

DORN: Thank you, Chairman Stinner. Oh, just a minute here. Hold on. Yeah, thank you, Tony, for being here. Mine-- mine's back to Homestead Exemption a little bit, too. And, and I believe we've had some increase in funding in that. I don't know if you're-- do you hear or are you aware of why we're having increase in funding or what's the main driving point behind it?

TONY FULTON: Yeah, our economist is responsible for making this projection. And so I talk with them quite a bit and it is a projection. So I don't want to make it sound like, you know, it's the gospel because it's a guess, but ultimately what's, what's driving this is the burgeoning population, people who, who qualify. I think it's age 65 and there's various, you know, means by which one can

Does not include written testimony submitted prior to the public hearing per our COVID-19 response protocol

qualify for this. But by and large, most people qualify because of their, how should we say, experience in life. And, and it required a requisite income level. And just the fact that we have more people entering that seasoned stage of life, I think is what drives the increase. When I first got here, it was-- oh, I think it was \$70-some million is what was appropriated. And then back when I was in your guys' shoes, it was much less than that. So there are probably other things that are affecting that number. But I'm positive the macro influencer is just the population who could qualify.

DORN: Do you get many-- I guess, does your department or do they do it to the assessor's department, get many questions from people that don't qualify? Or that I've had an individual call me that their house valuation went too high now and then they, they no longer qualified. It, it-- yeah.

TONY FULTON: Well, I think the answer is both. I'm positive the assessors and treasurers of the county officials, they do get contacts. I mean, I'm not privy to those, obviously, but I can tell you that my mother contacted her local down in Nemaha County. And I just-- I talk to folks, Nebraska is a pretty small place, but we definitely get them at the Department of Revenue, no question. And we do our best to help them with respect to what the law says. But I'm positive county officials are getting those questions, too.

DORN: Thank you.

STINNER: Any additional questions? I've got a couple. And you can help me a little bit with this, but when I look at your request and your request is 28.5 and 29 on general funds for operating, and I just reflect back on twenty twenty nine twenty, we actually spent on operating \$25,803,000. So there's about a \$3 million dollar gap between what you're requesting. And of course then I go to your-- revenue administration makes up most of that I presume, or it looks that way to me. There's about a \$2 million, \$2.2 million gap between what we have appropriated, what you actually have used, '19-20 compared to '20-21. So there's a considerable gap, a gap of about 10 percent, actually. Do you want to explain why we have that gap and is there more appropriations that we're providing of general funds than is necessary?

Does not include written testimony submitted prior to the public hearing per our COVID-19 response protocol

TONY FULTON: Yeah, it's a good question. The-- so I don't know for sure how LB1107 fits into this, but we had a pretty good chunk that was required for LB1107. I think that occurred in the previous fiscal year. And that was part of, you know, we're, we're in the process of doing this right now. But we had to hire some positions to administer LB1107. So the basis would have included that amount, which I see it's broken out in your operations item. So that, that would be a lot of it. I will say that in the past what the department has done, there has been-- I think it's probably safe to say there is need for what's called an integrated tax system, basically it's a really nice piece of software to help us in tax administration. And it's a pretty good chunk of change to get that, it's like \$40 million or something like that. It's a lot of money. And what we decided is that we're just going to get through it, we'll utilize data analytics, which I've talked to you-- glad to talk to you more about, data analytics within department to be able to become more efficient in what we do, allow us to get more revenue into the state without necessarily hiring more bodies. That still has to be paid for. Those things have to be paid for. And so what the department had done prior to my getting there was to try to skimp down on expenditures such, such that they can make purchases over time. And since I've been there and as part of the Ricketts' administration, we've tried to squeeze down on that so that the expenditure more closely-- or the hirings more closely match with the amount that we are budgeted, appropriated for. That being said, we've skimped, skimped isn't the right word. We have been prudent in our hiring such that we've been able to stay under our budget. Part of that-- those savings is targeted for these types of purchases. So software purchases, data analytics. So there's a little bit of this to answer your question found in that 11-- LB1107 appropriation. But then there's also just the fact that we've been prudent in our budget to make room for some other expenditures that we think we should be making.

STINNER: OK, I'm probably going to have my fiscal analysts do a deeper dive into this so we can reconcile what the difference is. I just-- I don't mind having a-- do you have vacancies right now or--

TONY FULTON: Oh, yeah, we've actually got the vacancies down. Usually it's around 10 percent just with turnover, people retiring, etcetera, etcetera. Our last report, I think we were just about 5 percent, a

Does not include written testimony submitted prior to the public hearing per our COVID-19 response protocol

little more than 5 percent. So we've improved markedly there. But we, we always have vacancies, about 300-- I think, it's 370, maybe a little bit less souls within the department. And yeah, so at any time there's about-- used to be 10 percent, now it's about 5 percent for vacant. So 18, 18, 19 vacancies.

STINNER: OK.

TONY FULTON: I will say if you know people who are accountants and auditors, I have been floored. I've been there now for five years. Those are-- we have a hard time getting those folks. And I know a lot of young people, they got kids in college and we're reaching out to the colleges. We've made great efforts to get people in the door. But that is a challenge and that comprises much of that 5 percent that we have a hard time filling.

STINNER: OK. Program 108, Homestead Exemption, actual was \$88.7 million. We went with an appropriation of 101, then 104. That gap is about 15 percent or \$13 million.

TONY FULTON: What's the 88, that's from last fiscal year?

STINNER: Eighty eight is '19-20 fiscal year ended '20.

TONY FULTON: OK.

STINNER: So there's a 15 percent gap. Surely, it hasn't gone up that much and then you're also requesting another 7.3 million dollar add to that. Is there any way we can get some kind of validation of the numbers that your guy is putting together so we can take a look at it from an historical percep-- perception? I don't see valuations going up all that much, not 15 percent, but I agree with that it's gone up some, not--

TONY FULTON: I can tell you-- well-- so the answer to your question is yes. We'll get you a little bit more analysis on this. I can tell you, I just, you know, I gripe about these things like you all do. My valuation went up 19 percent this year.

STINNER: Well, you live in a higher rent district than I do.

Does not include written testimony submitted prior to the public hearing per our COVID-19 response protocol

TONY FULTON: I wouldn't say that. But we-- there's-- we do have analysis on this, so we'll get it together and we'll get it over to you.

STINNER: I, I would appreciate that. We just-- I just need to get a better feel for what's happening within this so that I can make a better,--

TONY FULTON: Yeah.

STINNER: --a better estimate as to what the appropriations amount should be.

TONY FULTON: Yep.

STINNER: Senator Erdman.

ERDMAN: Thank you, Senator Stinner. Maybe one more question, follow-up on that Homestead Exemption. There is a limit that one can have on their home before they become ineligible. Is that correct?

TONY FULTON: Say it again.

ERDMAN: Is there, is there a limit? Is there a maximum amount your home can be worth and not be eligible for Homestead Exemption?

TONY FULTON: Yes, there is and I-- but I don't know what that-- well, let me take that back. I think it's income. So income is one of--

ERDMAN: It's income? It's not the value of your home?

TONY FULTON: I don't think it's the value, it's income. I'm positive it's income. I'm not positive about valuation.

ERDMAN: OK.

TONY FULTON: I'll find out, get back to you. But I'm positive about income. I don't know that home valuation is one of the criteria.

ERDMAN: I, I thought it was both.

TONY FULTON: Yeah, I'm not positive.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 8, 2021
Agency 16
Rough Draft

Does not include written testimony submitted prior to the public hearing per our COVID-19 response protocol

ERDMAN: All right.

TONY FULTON: I'll find out and get back to you.

ERDMAN: Because my, my concern is if they keep raising the values, [INAUDIBLE] going to throw a bunch of people out of the program.

TONY FULTON: It's possible if, if home valuation.

ERDMAN: Yeah.

TONY FULTON: So we'll get you an answer to that.

ERDMAN: All right. Thank you.

STINNER: Any additional questions? Seeing none, thank you, Director.

TONY FULTON: OK. Thank you.

STINNER: Any proponents? Seeing none, any opponents? Seeing none, anyone in the neutral capacity?

DAVID GEIER: I don't have a neutral. Chairman, I'm on the Gamblers Assistance Program for-- we tag along with Agency 16, but we have a separate budget.

STINNER: OK. All right, anybody-- seeing none, that concludes our hearing on Agency 16.

McDONNELL: He wants to testify--

HILKEMANN: Wanted to talk to you.

McDONNELL: --on his position.

STINNER: I thought you were not going to testify on revenue or are you? Oh, OK, go ahead.

DAVID GEIER: I'm not testifying on revenue,--

STINNER: I see.

Does not include written testimony submitted prior to the public hearing per our COVID-19 response protocol

DAVID GEIER: --Mr. Chairman.

STINNER: I stand corrected. And you're in the neutral capacity?

DAVID GEIER: No, no, Mr. Chairman, this is the Gamblers Assistance Program.

STINNER: Aah, you are-- OK. You are part of the-- yes.

DAVID GEIER: Well, sort of. We hitchhike along with the Department of Revenue, but we do have a separate budget.

STINNER: Yes.

DAVID GEIER: So I'm not really testifying about Mr. Fulton's budget.

STINNER: I am now putting that into my note so that I can accurately describe what is happening.

DAVID GEIER: Thank you. Good afternoon, Chairman Stinner, members of the Appropriations Committee. My name is David, D-a-v-i-d, Geier, G-e-i-e-r. I'm director of the Nebraska Gamblers Assistance Program. And again, for state accounting purposes and for budget purposes, this is Program 164 of Agency 16. But we do have our own separate budget. Thank you for allowing me to speak for a few moments today about our program. Our budget request for the coming biennium is basically stay the course, continuing on, same as the budgets have been over the past three cycles. Our program continues to provide counseling to Nebraskans and their families who are dealing with problems resulting from gambling. We serve an average of about 500 individuals per year in the combination of long-term counseling for individuals and family members and a short-term service that responds immediately to urgent needs. We also continue our efforts to expand our services. Communities such as South Sioux City, Columbus, Grand Island and Hastings, all of which could well be in line for having casino operations in the near future, do not now have resident counselors specializing in treatment of gambling addiction. Treating addiction to gambling is not a regular feature of postsecondary training of behavioral health counselors. Therefore, recruiting and training counselors to work in the field of addiction to gambling are important initiatives in our program. Later this afternoon, the committee will

Does not include written testimony submitted prior to the public hearing per our COVID-19 response protocol

hear from other witnesses about the prospects for casino gambling in Nebraska and the revenue that is expected to come from the casinos. That's in the future. I want to focus for a moment now on the mini casino gambling going on in Nebraska right now. This involves gambling on video game terminals that are called cash devices in Nebraska law. The handout you have shows the growth of this form of gambling. Red dots on these maps signify the communities where they are located. The first page is from March of 2018, the second page from last month. A number of these game consoles more than doubled in three years. The third page of your handout shows the impact among people seeking help in our program from the proliferation of this form of gambling. For many years, slot machine gambling was the main driver of gambling addiction problems among the people coming to our program for help. By the second half of 2020 last year, play on these cash devices took over first place. Our program is facing the consequences of the growth of this form of electric-- electronic gambling, plus sports betting accessible on every cell phone right now. Expanded gambling in Nebraska is not waiting for casinos to be built. It's happening today. Last Friday, I offered written testimony on the cash funds transfer bill, LB384. As I said last Friday, this is the first year that a transfer of funds from the charitable gaming tax to the Gamblers Assistance Fund is before this committee. Until now, this has been a statutory appropriation. We understand that appropriators don't like the idea of statutory appropriations because it confines discretion. So now the appropriation is in this committee's hand and the commission-- the, the discretion of the committee and the Legislature. I want to emphasize the fact that we need the revenue from these cash funds now in order to do what we are obligated to do. The commission thanks this committee and the Legislature for your help rationalizing our budget and our revenue sources. And we will hope to continue providing service in Nebraska. Do you have any questions?

STINNER: Questions? Senator Hilkemann.

HILKEMANN: Yeah, thank you for coming. We've had conversation about these in the past. Would you inform the committee a little bit about these cash devices and how much revenue is being-- maybe being channeled through this? How will this be addressed as we deal with casino gambling?

Does not include written testimony submitted prior to the public hearing per our COVID-19 response protocol

DAVID GEIER: First of all, the state doesn't collect any revenue from these devices except for the registration fee that goes along with the, the installation of the device. Excuse me. Senator Briese has a bill in Revenue-- excuse me, that will tax these devices. I haven't seen a fiscal note on that bill yet, so I don't know what the projected revenue could be. One of the fiscal notes in a bill before General Affairs a week ago projected that these devices might produce 100,000-- 1,000-- \$100 a day per device statewide. So if you figure 3,000 devices, 300 days a year, \$100 per day, you're looking at a substantial amount of revenue going through these devices on a-- on an annual basis. But nobody knows for sure what it really is because there's no reporting of it now. When casinos open up, the environment changes for gambling. Back in the 90s, whenever it was that Iowa opened riverboat casinos, Nebraska keno took a big drop suddenly all at once. And that's because gamblers are migrators. They will, they will go to the new places to gamble. So it's possible, it's very plausible that when casinos open up in Nebraska that some of these gaming devices, the revenue is going to drop, keno may drop. It's hard to say for sure. There's probably a limited amount of money that's available to be spent in the economy for gambling in general anyway. So you're going to spread it around, cut the pie into smaller slices. There's going to be some changes. All of that is just a prediction. I don't have a crystal ball, but I think that at least for now, today, there is a tremendous amount of gambling going on, on these 3,000 devices all over. There's about 1,000 of them in the Omaha area alone and several hundred of them here in Lincoln. You can look at that map and you can see where they are. People are losing a lot of money on these things.

HILKEMANN: Second question [INAUDIBLE], the-- on page 3, you show that 30-- 32 percent of the clients that are seeking counseling have addiction problem to these cash devices.

DAVID GEIER: Yes, yes. These people come to us believing that they've been gambling, first of all. Secondly, they are in serious trouble. These-- the people who come to our program are really in major trouble. We have people with very high rates of attempted suicide, very high rates of thoughts of suicide, high personal debt to finance their gambling activity. It's, it's a real serious problem. And these devices are out there in Kwik Shops, cafes. I don't know where all of

Does not include written testimony submitted prior to the public hearing per our COVID-19 response protocol

them are, but I've got a-- I have a spreadsheet of over 3,000 lines that gives the addresses where they're all located. It's all over the place. People are playing on them because, again, it's a chance to win some money. Make money for doing nothing. That's the lure of gambling.

HILKEMANN: You said that the, the only revenue the state gets from these is the registration fee when they're installed.

DAVID GEIER: Yes.

HILKEMANN: How much is that?

DAVID GEIER: I don't know the answer to that off the top of my head. I can look it up. There was a bill year before last, LB568, that adopted a scheme of regulation and that included changes in the fee structure for registering these games. Up until then, it was just a mechanical amusement device, \$25 a year. They raised it, but I don't know how much it is.

HILKEMANN: What is it about these particular machines that make them so addictive?

DAVID GEIER: They're just like a slot machine. Push a button, watch the images on the screen, fast play, easy access. But the electronic gaming device, like the casino slot machine, are the most addictive forms of gambling of all. And it has to do with the speed of it, is the ease of it. I can just sit down in a chair and push that button and take my chances on winning some money and people get going on it. Perhaps they start losing money. They think they're going to win it back. They double down on their bets. I don't know the whole pathology of the addiction to be able to explain it. I'm not a therapist. I'm a-- I'm the manager of an agency. But I, I just-- I, I see this as a phenomenon that just entraps a certain segment of the population for reasons we don't fully understand.

HILKEMANN: And as I understand, these devices they, they can use a credit card basically on it or debit card?

DAVID GEIER: No, cash only.

HILKEMANN: Cash only.

Does not include written testimony submitted prior to the public hearing per our COVID-19 response protocol

DAVID GEIER: They've got a cash acceptor slot, just like at the self-checkout at Walmart. Put the cash in. If you win, you get a register tape. You go to the counter, they give you currency. Cash in, cash out. No forms, no IRS reports, nothing. If you win some money playing the lottery, you're going to fill out an IRS form. With these things, they just give you \$20 bills. You go home.

HILKEMANN: OK.

STINNER: Thank you. Senator Erdman.

ERDMAN: Thank you, Senator Stinner. So I've never play these games because gambling is a tax I don't want to pay, but how much can you win playing these machines?

DAVID GEIER: You know, it started off with \$1,200, but then I've heard of it going up into thousands, many thousands of dollars. Now I hear anecdotes, so I don't know this personally, but I have heard of people winning an awful lot of money playing on these things. I've also heard that if the winnings get too high, that the proprietor gets frustrated and they don't want to pay out that much money. You told me about that a while back.

ERDMAN: Yeah, they unplug the machine.

DAVID GEIER: They unplug the machine.

ERDMAN: Yeah.

DAVID GEIER: They, they-- because it, it takes away their profit.

ERDMAN: So who's the oversight of those?

DAVID GEIER: Virtually, none right now. Again, I think the Department of Revenue is trying to get organized. They have an enforcement fund now that they didn't have before. And so they've got people who are supposed to be checking up on them, but it's, it's an evolving process. The regulations that they had to adopt didn't become effective until just a couple of months ago. And they're in the process now of testing the machines to see if they comply with the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 8, 2021
Agency 16
Rough Draft

Does not include written testimony submitted prior to the public hearing per our COVID-19 response protocol

law. But that is just beginning. It's taken quite a while to catch up with them.

ERDMAN: I see. Thank you.

STINNER: Additional questions? Seeing none, thank you.

DAVID GEIER: Thank you, Chair.

STINNER: Any proponents? Seeing none, any opponents? Seeing none, anyone in a neutral capacity? Seeing none, that concludes the Gamblers Assistance Program hearing. We'll now open up the Agency 36, Nebraska Racing Commission.