

Transcript Prepared by Clerk of the Legislature Transcribers Office

Floor Debate March 3, 2026

Rough Draft

KELLY: Good morning, ladies and gentlemen. Welcome to the George W. Norris Legislative Chamber for the thirty-sixth day of the One Hundred Ninth Legislature, Second Session. Our chaplain for today is Senator Bosn. Please rise.

BOSN: Colleagues, please join me for prayer. Dear God, I pray for all of our state leaders that we act with integrity and humility, that we are protected and surrounded by good decisions and strong voices. I pray for the safety, health, and protection of all of us as we carry out our duties. Please help us find the strength to stand firm in our convictions and the humility to work with those holding different views. In your son's most precious name we pray. Amen.

KELLY: I recognize Senator Murman for the Pledge of Allegiance.

MURMAN: Good morning, Nebraska and colleagues, please join me in the pledge. I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one Nation under God, indivisible, with liberty and justice for all.

KELLY: I call to order the thirty-sixth day of the One Hundred Ninth Legislature, Second Session. Senators, please record your presence. Roll call. Mr. Clerk, please record.

CLERK: There's a quorum present, Mr. President.

KELLY: Are there any corrections for the Journal?

CLERK: I have no corrections this morning, sir.

KELLY: Are there any messages, reports, or announcements?

CLERK: There are, Mr. President, bills read February 27 were presented to the Governor. Excuse me, bills read last week on Final Reading were presented to the Governor on February 27, 2026. Additionally, communication from Senator Lippincott as the Chair of the Rules Committee, reporting proposed rule change 1, 2, and 3 to the floor for further consideration. Your Committee on Enrollment and Review reports LB743, LB748, LB749, LB924, LB940, LB956, LB1022 as correctly engrossed and placed on Final Reading. Your Committee on Government, Military and Veterans Affairs, chaired by Senator Sanders, reports LB878 and LB1159. Amendment to be printed from Senator Conrad to LB1237. That's all I have at this time.

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KELLY: Thank you, Mr. Clerk. Senator Hunt would like to recognize guests in the north balcony, Nebraska Thespians from different high schools in the state. Please stand and be recognized by the Nebraska Legislature. While the Legislature is in session and capable of transacting business, I propose to sign and do hereby sign LR345, LR346, LR347, LR348, and LR349. Senator Andersen, you're recognized for an announcement.

ANDERSEN: Thank you, Mr. President. I rise to honor the men and women of our great military, especially those executing and supporting Operation Epic Fury. I'm a [INAUDIBLE] having served our great nation for over 21 years. As a retired U.S. Air Force senior noncommissioned officer, I spent over 900 days deployed to the Middle East flying combat support missions. I understand the mission, the risks and sacrifices being made by many. My thoughts and prayers are with the men and women of our great military. I offer the following for the six warriors who made the ultimate sacrifice in their families. Lord, we thank you for the brave men and women who have given their lives in service to our great country. May their sacrifice never be forgotten, and may we honor their memory with our actions. We ask you to provide strength to the families of our fallen soldiers. May they find solace in your presence and courage to face each day. Surround them with your love and peace. Amen. Friends and colleagues, please join me for a moment of silence. Thank you, Mr. President.

KELLY: Thank you, Senator Andersen. Senator Rountree, you're recognized for an announcement.

ROUNTREE: Good morning. Thank you, Mr. President and friends and colleagues. I rise this morning just to recognize that this month of March as our Multiple Sclerosis Awareness and Recognition Month. I thank all of those who support our family members and friends and community members who are stricken with this disease as you continue to support them in their daily life and daily activities. My own daughter, Major Retired Rachel Rountree, was medically retired from our United States Air Force with a diagnosis of multiple sclerosis. She served our nation with all of her heart, as so many have, and this debilitating disease caused that career to come to an end, but, yes, she is still standing strong and moving forward. So to all of you who support family members and to all of your community members, we say thank you and we recognize this month as our Multiple Sclerosis Recognition and Awareness Month. Thank you.

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KELLY: Thank you, Senator Rountree. Mr. Clerk, first item on the agenda.

CLERK: Mr. President, General File, LB455 from Senator Hallstrom. When the Legislature left the bill, pending was the bill itself as well as a committee amendment from the Business and Labor Committee.

KELLY: Mr. Clerk, for items.

CLERK: Thank you, Mr. President. As it concerns LB455, Senator Machaela Cavanaugh, I have a bracket motion with MO448 with a note that you withdraw.

KELLY: So ordered.

CLERK: Mr. President, Senator Raybould, I have MO78 with a note that you withdraw.

KELLY: So ordered.

CLERK: Mr. President, Senator Hallstrom, I have FA996 and FA997, both with notes that you would withdraw.

KELLY: So ordered.

CLERK: In that case, Mr. President, Senator Hallstrom would move to amend the committee amendment with AM2401.

KELLY: Senator Hallstrom, you're recognized to open on the amendment.

HALLSTROM: Thank you, Mr. President, members. I rise today in support of AM2401 to AM678 to LB455, and I appreciate the fact that we have worked diligently over the weekend to reach a grand compromise on LB455, which is fitting since it's a workers' compensation issue and the workers' compensation system itself is a vestige of a grand compromise. I want to thank Senator Ibach. I will describe in more detail in just a moment what is in AM2401 which is a white copy to LB455 so it becomes the bill if and when approved. But to thank Senator Ibach for agreeing to have her portion of the LB455, which was advanced from committee, which was originally LB313, removed from the package. I will note that, in agreement with Senators Conrad and Dungan and others, that we will continue, when this bill advances, to Select File to work on the subrogation provisions that were part of her bill. And if we can reach consensus, we'll move forward at that time with more amendments. I also want to thank Senator Conrad and

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Senator Dungan for their efforts. I practiced that all morning. It became a little easier to say as the, as the morning wore on. But, seriously, we did work hard over the weekend, and I think we've reached a decent compromise that improves what we're trying to accomplish here. The original bill, just by way of background, again, as amended and advanced by the Business and Labor Committee contain the provisions of LB455 relating to workers' compensation, in general, but confidentiality of first injury reports specifically, as well as Senator Ibach's LB313 relating to subrogation. We were going to propose to change the fair and equitable distribution to a more certain formula. Again, those provisions are being removed by the white copy amendment in the form of AM2401. What AM2401 does now, simply put, is it makes changes to the original confidentiality first injury reports, which are going to be permanent, subject to specific designated exceptions. And it replaces it with a 60-day confidentiality, let's call it a cooling-off period, to allow employers and employees to work together to make sure claims are being processed properly, benefits are being paid. And it is coupled with a specific notice to the employee of their right to seek counsel who works in the workers' compensation area if they happen to have problems with their claim or if the claim is denied. The other element of AM2401 has to do with Senator Brandt's LB1077, and I assume that he will put his light on and discuss what LB1077 does, having to do with those employers who carry workers' compensation policies with a deductible element associated with it. And that bill came out of Business and Labor unanimously, did not have anybody that was objecting or opposed to it, and it was acceptable to all of the parties who arranged for the compromise contained within AM2401. Again, between General File and Select File, we will work in earnest with the supporters and the original opponents of the bill to determine if we can come up with an alternative subrogation language. I am also committed and have indicated to Senator Dungan and Senator Conrad that we had originally discussed, including provisions, bits and pieces from two bills that they have that affect workers' compensation relating to the use of interpreters, relating to a provision that would provide a \$25,000 death benefit to the estate if there are no spouse or dependents, and another provision that would reduce from 6 to 3 weeks the period of time that benefits are received to which they would relate back to day 1 to reimburse them for those missed days at the front of the process. So with that, I again appreciate everyone withdrawing their motions. And would appreciate your green light on AM2401 to AM678 to LB455, the amendment becomes the bill. Thank you.

KELLY: Thank you, Senator Hallstrom. Moving to the queue, Senator Conrad, you're recognized to speak.

CONRAD: Thank you, Mr. President and good morning, colleagues. I appreciate Senator Hallstrom's hard work on this measure and the love that he, he brings to the discussion this morning. It's no secret that Senator Hallstrom and I have sincere but sharp disagreements about various areas of public policy. But in the true spirit of the Nebraska Unicameral Legislature, despite those sincere and sharp differences, we continue to talk, to negotiate, to discuss, to try and identify if there are paths forward, to try and figure out if we can have perhaps everybody win a little bit, maybe everybody lose a little bit, clear the decks for what would have been an extended debate, knowing where we are in terms of the session and with so many other priorities pending. And I appreciate Senator Hallstrom's good humor that he brings those negotiations onto the floor, his deep expertise and background on these topics, and I also really appreciate that we had an opportunity to build a record on these issues, to list the pros and cons of these different policy proposals, to talk about how they would impact injured workers in Nebraska, to ensure that members, particularly in this term limits era, and maybe those of us who don't sit on the Business and Labor Committee and don't hear about these issues as much at the committee level, have a chance to learn about how these systems and processes work, have an opportunity to know what is at stake for all of the stakeholders, employers, employees, insurance interests, attorneys, and of course the public interest, which has to be our North Star in regards to how we conduct our work. So I think there are a considerable amount of benefits that are derived from having a lengthier debate, and it also provides an opportunity for stakeholders to come together and see if we can't find a path forward, which we did here. To be clear, my objective, my bottom line on this measure was to ensure, and I said it on the record and I'll reaffirm it today, was not to just mitigate the harms of Senator Hallstrom's proposal, which I think were significant and a significant departure from the grand bargain that exists in our workers' compensation system, but to see if we can't do something that was a net win for workers, people who are injured at the job-- injured on the job. And part of the key components of this compromise are to remove the most significant threats to injured workers and ensuring that they have a fair and equitable recovery, clearing the decks with the subrogation matters, clearing the decks with the uninsured motorist matters, finding a narrow path forward in regards to a cooling off period that is straightforward and finite, but that does

not prevent injured workers from getting information to utilize as they see fit to understand they can seek legal counsel if they are confused about the process or their rights or any of the other complex issues involved in their case. And I think that the narrow path forward in addition to providing a continued opportunity for direct information and engagement between lawyers who have expertise and injured workers to let them know about their rights, which is particularly important in legal deserts and rural Nebraska. It also ensures a really important component that comes forward, and I think this is very creative for perhaps the first time in regards to this context. It is an authorized advisement of rights, objective, clear, and accurate from the Nebraska Workers' Compensation Court itself to those injured workers to let them know that they, of course, can't provide legal advice in regards to their claim, but that injured workers have a right to seek an attorney in that regard. That broad, clear advisement of right is something that's a part of other areas of law, whether it's in the criminal or civil context.

KELLY: That's your time, Senator.

CONRAD: Thank you, Mr. President.

KELLY: Thank you, Senator Conrad. Senator Quick, you're recognized to speak.

QUICK: Thank you, Mr. President, and good morning, colleagues. I'm really glad to hear that Senator Hallstrom, Senator Dungan, and Senator Conrad were actually maybe coming to some agreements on some things to help make this bill maybe a little bit more easy for someone like me to, to support. I'm not saying I'm fully there yet until I see everything that we need that-- that's, that's going to happen. I know there's the distribution side where there was a third, a third, a third. I'm glad that's been removed from the bill to make sure that the courts can decide those amounts for, for working-- for injured workers. And then the subrogation piece, I know they're still working on that as well to see what type of language we end up with. I know this probably isn't quite there yet, but Senator Hallstrom had mentioned the, the front end and the back end, and I know for me as a worker you had to wait 7 days before you could start collecting benefits. Those first 7 days were-- you know, for me I had to use 5 days of sick leave and so then on the back end there's some of that. And I don't know if Senator Hallstrom would yield to a question?

KELLY: Senator Hallstrom, would you yield to a question?

HALLSTROM: [INAUDIBLE].

QUICK: Yes, thank you, Senator Hallstrom. You know, one of my questions is, you know-- I know you know a lot about the workmen's compensation laws. You've worked on them for years. We've probably been on opposite sides of those for years. Could you talk a little bit about maybe how the-- I know it's not-- we're not there yet on negotiations, but how that 7 days and the, and the back end-- the front end and the back end work now according to how you see it and maybe what we can come to an agreement on?

HALLSTROM: Well, the, the provision of law that you're referring to, Senator Quick, as, as I am aware, basically says that you don't receive benefits until you've been off the job for 7 days. There has been legislation to reduce that from 7 to 3 days. That's a very costly undertaking for the employers. So that has been opposed. On the back end, once you've been also laid off and, and not able to return to work for a period of 42 days, the payments relate then back to day 1. So you initially start receiving payments on day 7, but if you are off the job for 42 days under current law, then it relates back and you get those 6 days of payments after the fact, so to speak. And what I had referred to, which is a piece of, I believe it's Senator Dungan's bill, that we would be willing to add back into the package if we get something done on subrogation, is that the back end of 6 weeks would be reduced to 3 weeks. So you still would not receive benefits until day 7, but once you had passed 3 weeks, if that type of amendment was adopted, the payments would relate back to day 1. And you'd make up for that missed 6 days. And, again, unless subrogation is agreed to, my plan, and I think the understanding between the parties that have worked out this compromise, is that if we don't have an agreement on subrogation, then the bill as advanced from General File presumably will be voice voted over from Select File to Final Reading and voted on in that form. I also mentioned that there were a couple of other provisions, one being an interpreter provision from Senator Conrad's pending bill, and a second one has to do with a \$25,000 death benefit proposal that would be paid to the estate in the event that there were no dependents or a spouse.

QUICK: Yeah, thank you. Thanks for answering that question. I really appreciate your, your work and willingness to work with Senator Conrad and Senator Dungan, too. You know, colleagues, that's what the Legislature is about. It's about-- you know, when we have maybe some disagreements over pieces of legislation that we can work together and maybe find an avenue forward that maybe-- you know, maybe in the end,

nobody likes, but it's something that will be beneficial to, to everyone. So, you know, I'm still-- I'll still be probably either a present, not voting or, you know, maybe a no until we figure out-- make sure that we're, we're getting to where we need to be on, on this bill. But I do appreciate the efforts and I appreciate the work that's been done on this. Thank you, Mr. President.

KELLY: Thank you, Senator Quick. Senator Brandt, you're recognized to speak.

BRANDT: Thank you, Mr. President. And thank you, Senator Hallstrom and Business and Labor for including my bill in the AM2401. My bill originally is LB1077 and I'm going to try and explain this. This is a workers' comp provision brought to me by the Co-op Council. It came out of committee 8-0 with no opponents and it kind of fixes a loophole here in Nebraska. So here we go. Nebraska uses the National Council on Compensation Insurance, the NCCI, as its licensed rating and statistical analysis organization for workers' compensation. NCCI reviews workers' comp claims data for businesses from the previous 3 years to see how they compare to industry averages to determine their experience modification, otherwise known as an e-mod. The e-mod impacts the insurance premium for the business. Nebraska is a gross reporting state, and this bill would make us a net reporting state. In a gross reporting state, businesses report all of a workers' comp claim to NCCI, including the amount they pay for their deductible. In a net reporting state any deductible payment made toward a workers' comp claim is not reported to NCCI. About 43% of NCCI states are net reporting states, including Kansas, Colorado, Iowa, and Missouri. A business with a deductible plan in one of these states with the exact same claim and insurance plan as a Nebraska business would report less to NCCI giving them an advantage in their e-mod calculation. Additionally, many businesses such as contractors must maintain a certain e-mod even to bid on projects, putting Nebraska businesses at a disadvantage with competitors in neighboring states. This legislation would level the playing field with our neighboring states and give businesses a means to control their e-mod reducing premiums. It is a pro-business bill that has the support of the Nebraska Chamber of Commerce, Nebraska Cooperative Council, Associated General Contractors, and other businesses. The bill had no opposition and no fiscal note. The bill would make no change to workers' compensation benefits, and it would have no impact on businesses not choosing a deductible plan. It is a commonsense change to benefit Nebraska businesses. And let me give you an example of, of how this current system makes us noncompetitive. If you're a contractor under the

current system, your e-mod would be a 1.0. And you go to bid a job in Kansas against their contractors that use the net reporting, they have lower e-mods. In that state, I believe, in their state contracts, it says that that lower e-mod has an advantage over a higher e-mod. And this really disqualifies a lot of good companies in Nebraska from competing in some of these other states. Also, inside the state of Nebraska, they've run the numbers, some of our cooperatives will save about \$250,000 a year if this were to pass, and it would have absolutely no effect on payments of workers' comp or anything like that. It simply affects this e-mod and how it's calculated. So if you have any questions, I will try to answer them. Thank you.

KELLY: Thank you, Senator Brandt. Speaker Arch would like to recognize some guests in the south balcony. They are fourth graders from St. Columbkille in Papillion. Please stand and be recognized by the Nebraska Legislature. Senator Rountree, you're recognized to speak.

ROUNTREE: Good morning, and thank you, Mr. President. And thank you, greetings to all of our colleagues and those that are watching online. I rise this morning just to state that I've enjoyed the conversation that we've had about the workmen's compensation. And at the end of the day, we try to do what's going to balance out and what's going to work for everybody. We've been dealing with some of the insurances, some of the bills that I propose as well, not on this particular matter, but insurance as well. And it has caused me to go back to just a look to see the profitability and the markets. And I looked at an article from October the 7th, 2025, dealing with workmen's compensation. And that article stated that U.S. workers' compensation segment continues with strong profits despite pricing cuts or the profitability. Said the best market segment reports that workers' compensation continues with strong profits despite pricing cuts, states that the line remain profitable. In 2024, with a combined ratio of 88.8, the lowest among the major property casualty lines of business, even as net premiums written for the industry fell nearly 7% due to rate decreases and pricing cuts. Mid-year results, 2025 results indicate another profitable year in the making and another decrease in premium in lines with more rate decreases. So things to consider as we continue discussion about ensuring that workers and businesses are taken care of in this particular measure. But I also wanted to look back with personal experience. I appreciate Senator Quick sharing his experience with workmen's comp and others that have shared theirs. But in 1994, my father was involved in a workmen's comp claim. He's deceased now. But going back to one of senator-- one of the other bills that we talked about workplace safety, my father worked in construction. We

were outside, water lines, sewer lines, building catch basins, manholes, heavy lifting. We didn't have a lot of safety measures that were in place, OSHA types or either type. And so sometimes we'd be in a ditch digging and the ditch may cave in, depending upon how deep it was, it may cave in around his waist with that. But so safety was of paramount importance, but we didn't have that. So one of the cave-ins injured his back. It almost incapacitated him, but the result of that was a 15-hour back surgery operation from working on the job. And my father wanted to file workmen's compensation, but the employer greatly fought against that, saying that the injury did not occur on the job, even though he saw it with our own eyes. And so he never really recovered from that, wasn't able to go back and work and do the things that he had done. If you knew him, he was a really strong man, but that really took so much out of him. And so workmen's compensation when the claims are filed is really important. I listened to what Senator Brandt said just here about his particular bill, bidding on jobs, having that insurance, having that bonding, being able to make sure that you are competitive. We need to be competitive, but at the same time, need to be in a protective mode, protect those workers. Our workers are our greatest resource and putting things in place that's going to protect them to make sure that they are looked out for. So my father wasn't, and that debilitating surgery, it impacted him negatively for the rest of his life and other things that happened, but it ultimately led to his time of leaving us and going home to be with the Lord. So I'm listening with open ears and I appreciate the collaboration. That's what our Unicameral is about. It's about collaboration and being able to-- everybody can get some wins, everybody might not get all that they're looking for, but at least let's produce legislation that's going to be best for our Nebraskans as we go forward. And with that, Mr. President, I'll yield back any time. Thank you.

KELLY: Thank you, Senator Rountree. Senator Conrad, you're recognized to speak.

CONRAD: Thank you, Mr. President. And, again, I don't want this to be an extended love fest, but it is a complex issue and I know that Senator Hallstrom, myself, Senator Dungan, business interests, labor interests, legal experts in this field who work on behalf of insurance companies, employers, and employees have all been digging into this pretty diligently and in a detailed fashion over the long weekend. Now I know that when you have a core group of negotiators who are entrusted by colleagues to try and find a path forward, that is always an important and serious obligation and task. But it has also-- even

though we've been having rich conversations via email, text, otherwise, have had an opportunity to review and look at the consensus-based amendment to help us move forward and pull off the hostile motions and, and amendments, this may be the first time that many members have had a chance to look at the amendment and to understand exactly what's in and exactly what's out. I know many members asked me to provide additional explanation off the record. Senator Hallstrom did a good job of providing a good overview of what the amendment has in it and what it does not. He also lifted up the fact that we have additional points of consideration, perhaps, from General File to Select in regards to the most controversial aspects and whether or not we can bring in more pro-workers' rights, empowerment components and benefit components from Senator Dungan's bill and from my measures, but we also have a commitment to each other in regards to those continuing discussions, and I want to be really clear about why we're allowing this very narrow consensus-based proposal to move forward in regards the advisement rights and the chilling-- the cooling off period and then the, the, the piece that Senator Brandt has in it that is important and noncontroversial is that we have made a commitment to each other that those controversial-- the most controversial measures on uninsured motorists and subrogation, etcetera, will not come back to this body on Select File being hijacked or poison-pilled or what have you unless we have a meeting of the minds on those issues. That is part of the negotiation in terms of both substance and process that Senator Hallstrom, myself, Senator Dungan, and all stakeholders have been in alignment on. And so I want to reiterate that on the record because it's not contained in the amendment and it is an important part of our negotiations. The other part that I want to lift up in regards to the importance of the advisement of rights from the court itself to the injured worker so that they can be empowered to know and understand their rights, know that they can seek counsel to understand, they can go to their own doctor if they're injured, that they can contact with attorneys who have expertise on these topics who most frequently provide free consultations and can quickly assess whether or not there's viable claim in this instance to move forward and, of course, have no financial interest or otherwise to pick up cases that are not good cases or nonviable. The other thing that I want to note is that nothing in this bill, nothing in this amendment constrains the ability of attorneys with expertise from conducting solicitations to a broader or general audience in alignment with U.S. Supreme Court precedent and the ethical rules of procedures that govern Nebraska lawyers. So people can still advertise to let the general public know that there

is folks out there with expertise who can help identify claims, how to get in contact with them, what their rights are. We see this. It's a common part of commercial speech in a capitalistic society. And then nothing, of course, prevents workers' rights entities, unions, other entities who are concerned about workers' right health and safety from sending information to their members to workers writ large to let them know--

KELLY: That's your time, Senator.

CONRAD: --about their rights. Thank you, Mr. President.

KELLY: Thank you, Senator Conrad. Senator Hunt, you're recognized to speak.

HUNT: Thank you, Mr. President. Good morning, Nebraska, and good morning, colleagues. What I want to do is stand and recognize that March is Theatre in our Schools Month, and we have so many excellent thespians from the International Thespian Society here in our balcony today to celebrate that. And they come every year, and this year I have a legislative resolution that I've introduced in honor of Theatre in our Schools Month, and I wanted to read it so that the kids who are here can hear the words and hear the way that we're honoring them here in the Legislature: Whereas, March 2026 is recognized as the fifth annual Celebrate Theatre in our Schools Month; and whereas, theatre education and the Nebraska Thespians organization are both active in more than 44 junior and senior high schools in the state of Nebraska and serve over 800 Nebraska students; and whereas, Nebraska Thespians is a nationally recognized theatre program that has awarded over \$10,000 in college scholarships to Nebraska theatre students; and whereas, Nebraska theatre students and teachers of Nebraska high schools have been nationally recognized for their excellence in theatre education, performance, advocacy and production; and whereas, the Nebraska high school theatre productions contribute positively to the Nebraska economy, creating tens of thousands of dollars in ticket sales and other theatrical purchases; and whereas, the Legislature recognizes the effort it takes for students, parents, and teachers to organize such great productions. Now, therefore, be it resolved by the members of the One Hundred Ninth Legislature of Nebraska, Second Session: That the Legislature recognizes March 2026 as Celebrate Theatre in our Schools Month. And that the Legislature encourages all people to take time to celebrate the history, educational value, and impact of theatre and its contributions to our students, parents, and teachers. Colleagues, theatre builds skills that last a lifetime,

whether you end up going into theatre and you, and you stick with it through college and you do it as an adult or not. I mean, if you're going into business or law or education or public service or whatever it is you end up doing in life, the skills you learn in theatre, public speaking, being comfortable in front of a crowd, collaborating with people, some of whom you might not actually get along with, something I know a little bit about, creative thinking, those skills will follow you in life no matter where life takes you. And I was a thespian in Blair, Nebraska, Troop 3142. And that was a really, really important part of my development, I feel. And I was one of the behind-the-scenes people. I was never on stage. I did tech. I was usually, like, the lighting or sound coordinator. I was the set foreman one year for One Act. That was really cool because it had to be, you know, mobile. You had to move it from school to school. But all of these skills that you learn in theatre: teamwork, creativity, being comfortable on a stage, being comfortable expressing yourself. Oftentimes when society can kind of conspire to keep you from doing that, those are all skills that will serve you the rest of your life. And, you know, I just want all of you to know that whether you're on stage or behind the curtain or working lights and sound, whatever your role is in a production, your role really matters and I hope that you all keep creating, keep sharing your voice, create something original that you feel like you can stand by that expresses who you really are, and that you know that your stories and your work makes Nebraska stronger. It makes Nebraska better. And I am proud of you and I am proud that you are here. So thank you, kids. Have fun at the Capitol today. Thank you, Mr. President.

KELLY: Thank you, Senator Hunt. Senator DeBoer, you're recognized to speak.

DeBOER: Thank you, Mr. President. Good morning, colleagues. I am so sorry, I had some things that happened this morning, and so I am running a little bit behind, and so I'm a little behind on what's all happened today. So I was wondering if I could get the short, short version again from Senator Conrad and Senator Hallstrom. Let's start with-- can you do short short, Senator Hallstrom? Senator Hallstrom?

KELLY: Senator Hallstrom, would you yield to a question?

HALLSTROM: There's a song about short shorts, so I'll try.

DeBOER: OK, can you give me the short short of what's in this amendment?

HALLSTROM: AM2401 removes the subrogation provisions that were in LB313. It replaces the permanent confidentiality, and the original bill did have a, a laundry list of designated exceptions that remain, and it replaces it with a 60-day confidentiality and couples it with a workers' compensation court notice to the injured worker who this is the subject of the report that they have the right to seek counsel. And it contains Senator Brandt's LB1077 regarding net commissions for purposes of determining your mod rate for workers' compensation premiums.

DeBOER: I am very impressed, Senator Hallstrom, that was indeed the short, short version. Senator Danielle Conrad, would you yield to a question?

KELLY: Senator Conrad, would you yield to a question?

CONRAD: Yes. Yes, of course.

DeBOER: Senator Conrad, do you have anything to add, color in? I mean, that was a beautiful short short. I asked him first because I figured of the two of you, he had the--

CONRAD: He's more concise.

DeBOER: Yeah.

CONRAD: Yeah. Yeah. Agree. Thank you, Senator DeBoer, and thank you, Senator Hallstrom. I think Senator Hallstrom did a great job outlining the, the key components of the compromise amendment that is before us, but I do just want to be clear about this because I know a lot of members were deeply concerned about the subrogation components. The changes to subrogation that were contained in Senator Hallstrom's original measure and the committee amendment, etcetera, would have changed the current status quo, the current doctrine applied, that demands and requires a fair and equitable distribution of proceeds when applicable, and that we were concerned from a worker's rights perspective that that would limit the discretion of the judges presently to do what's right, what's fair and equitable, based upon the individual circumstances and facts of the case, which are generally very, very fact specific. And there were deep concerns that the changes proposed to subrogation in the, in the legislation and committee amendment would have put insurance companies in front of workers when it came to how we allocate those distributions and settlements. And that would have had, I think, really grave

implications for the ability of injured workers who should really be at the center of this conversation to recover what is fair and equitable. And we talked about this a lot when we were debating last week, and I asked my colleagues, if you can go back home and explain to your constituents why you wanted to depart from a fair and equitable standard, be my guest, but I think that's a, that's a, a pretty challenging issue to do because it is good policy, and a departure from that raises serious questions. So that part's off the table. People don't have to have that conversation. We are going to continue talking because there are some other models that exist in law relate-- for example, in Medicaid when it comes to subrogation of claims that might be a workable path forward, they might not be. But we have a commitment between all of the parties, including myself and Senator Hallstrom, that those most, most controversial components do not come back unless we have a meeting of the minds. So I hope that is helpful, Senator DeBoer. This really is a skinny version, a scaled-down version that removes the most controversial aspects, has a limited 60-day cooling-off period instead of a total blackout, and does provide an advisement of right directly from the court to the injured worker expeditiously, which I think is very, very important, and brings with it objectivity and expediency. So those who are injured on the job know what their rights are. We see that advisement of rights happen, of course, in the criminal context and in many contexts in the civil-- on the civil side of things as well. There's models with DOJ, IRS, etcetera.

KELLY: That's your time, Senator.

CONRAD: Thank you. Thank you, Mr. President.

KELLY: Thank you, Senators Conrad and DeBoer. Seeing no one else in the queue, Senator Hallstrom, you're recognized to close on the amendment.

HALLSTROM: Thank you, Mr. President, if only Senator DeBoer had asked Senator Conrad to be brief. In closing, I would ask for your support for AM2401 to AM678 to LB455. We had quite a love fest to get 45 minutes to get something that was agreed upon across the board. I think of my wife scolding me frequently and telling me sometimes she thinks I speak just to hear myself talk. And the phrase ad nauseam comes to mind. But, again, I, I would appreciate your support. As Senator Conrad indicated, I have given a blood oath, I have my word, and I've even given a pinky promise that unless we have an agreement on subrogation there will be no subrogation amendment on Select File.

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If by chance we work something out, and I know we'll work in good faith toward that end, then the things that I talked about earlier will be back on the board to be included if and only if an agreed upon subrogation amendment is reached between now and Select File, otherwise I would anticipate that the amendment in the bill that we move today will be advanced on voice vote from Select File to Final Reading and passed and sent to the Governor's desk. So, again, I want to sincerely thank all of the parties who worked over the weekend to get us to this point and would urge your green light on the amendment and the underlying bill. Thank you.

KELLY: Thank you, Senator Hallstrom. Senators, the question is the adoption of AM2401. All those in favor vote aye; all those opposed vote nay. Record, Mr. Clerk.

CLERK: 37 ayes, 1 nay on the adoption of the amendment, Mr. President.

KELLY: AM2401 is adopted. The next vote is on the adoption of-- Senator Kauth, you're recognized to close on AM678. And waived. Senators, the question is the adoption of AM678. All those in favor vote aye; all those opposed vote nay. Record, Mr. Clerk.

CLERK: 37 ayes, 0 nays, on adoption of the committee amendment, Mr. President.

KELLY: AM678 is adopted. Seeing no one else in the queue, Senator Hallstrom, you're recognized to close on the bill. And waive. Senators, the question is the advancement of LB455 to E&R Initial. All those in favor vote aye; all those opposed vote nay. Record, Mr. Clerk.

CLERK: 36 ayes, 1 nay on advancement of the bill, Mr. President.

KELLY: LB455 is advanced to E&R Initial. Mr. Clerk, for items and announcements.

CLERK: Thank you, Mr. President. A couple announcements: the Banking, Commerce, and Insurance Committee will have an exec session under the south balcony now. Banking, and Commerce and Insurance under the south balcony now. Additionally, the Nebraska Retirement Systems Committee will have an executive session now in Room 2102. Nebraska Retirement Systems, 2102 now. Additional items: your Committee on Transportation and Telecommunications, chaired by Senator Moser, reports LB972 to General File with committee amendments; your Committee on the Executive Board, chaired by Senator Hansen, reports LB986 to General

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File with committee amendments; and your Committee on Health and Human Services, chaired by Senator Hardin, reports LB214 to General File with committee amendments; your Committee on Judiciary, chaired by Senator Bosn, reports LB739, LB908, LB1195, LB908 and LB1195 having committee amendments; and a new LR, LR354 from Senator Hunt, that will be laid over. That's all I have at this time.

KELLY: Thank you, Mr. Clerk. Please proceed with the next item on the agenda.

CLERK: Mr. President, General File, LB1124, Senator Conrad would move to indefinitely postpone the bill pursuant to Rule 6, Section 3(f).

KELLY: Senator Sorrentino, you're recognized to open on the bill.

SORRENTINO: Good morning. Thank you, Mr. President. Good morning, colleagues. I bring before the body today LB1124, which at its core is a Medicaid reimbursement bill. LB1124 is designed to partially offset the more than roughly \$120 to \$150 million in annual Nebraska Medicaid costs incurred by the state due to smoking-related illnesses. That figure includes the Federal Medical Assistance Percentage, or FMAP, match, with approximately \$80 million coming directly from the Nebraska General Fund. LB1124 will accomplish this by increasing the cigarette excise tax unchanged since 2002, from 64 cents per pack to \$1.64 per pack of 20 cigarettes. What LB1124 is not is a tax on the poor or a sin tax, attempting to regulate morals or makes Nebraska noncompetitive for the sale of tobacco products, or finally, that there are other tobacco products needlessly pulled into this tax scenario. A reading and clear understanding of LB1124 dispels these opposing viewpoints in the following manner: To the assertion that the majority of smokers in the state of Nebraska are poor, defined as being eligible for Medicaid services and coverage in our state, then it is logical extension that they are-- those individuals are also covered by state Medicaid, a benefit funded by state and federal dollars. Continuing down that path, if they are covered by Medicaid, then the costs associated with tobacco-induced cancers become a cost to the state of Nebraska. I ask you, could there be a more logical nexus between cause and effect or a matching of revenues and expenses? To the assertion that this bill regulates morals, this bill does not take product-- tobacco products away, does not outlaw the sale or consumption of tobacco products, or make any moral or social statement other than attempt to address a real and tangible health hazard that is creating a nearly unstoppable rise in the funding of our Medicaid plan. Indeed, these out-of-control costs are endangering coverage of

other types of services under Medicaid. To the assertion that Nebraska will lose sales tax revenue by adopting a higher sales tax on tobacco products, the handout that you've received revealed Nebraska has one of the lowest tobacco product taxes in the Midwest, and an increase in such tax does not render Nebraska noncompetitive. Having said that, studies have shown that higher costs for tobacco products have acted as a deterrent to smoking, and I'm not sure anyone in this body would argue that that is an adverse result. Finally, to the assertion that there are alternative products that would be needlessly pulled into this tax scenario, the most popular offering being products generally referred to as heated cigarettes, which claim to significantly reduce the amount of tobacco ingested by the smoker, as well as reduce secondhand smoke. Maybe they do, maybe they do not, but let's be clear, these types of tobacco-ingested products are primarily limited to specific markets in the southeast and have not and never have been sold in the state of Nebraska. Medicaid now accounts for more than 20% of General Fund appropriations. I will repeat that. Medicaid now accounts for 20% of General Fund appropriations and that share continues to grow. The intent of LB1124 is to direct a portion of cigarette tax revenue towards Medicaid to help pay for the cost directly associated with tobacco use. In business and accounting terms, this is a logical matching of revenues and expenses. Pure and simple, nothing more. The legislative intent of this bill is not to add revenue to the General Fund. Instead, the additional revenue from tobacco taxes would be dedicated to the Nebraska Medicaid program to offset lung cancer claims and other smoking-related expenses. Costs that again exceeded \$120 to \$150 million in the last 12 months, much of which can be traced to smoking and secondhand smoke. The upcoming Revenue Committee amendment, AM2253, will include a newly created Medicaid expense offset cash fund that will serve as the direct recipient of the newly created \$1 in tax revenue. Importantly, LB1124 does not disturb the existing allocation of the current 64 cents, which is a, a detail on one of your handouts, nor does it affect any allocations from the Tobacco Settlement Fund. LB1124 is not an indictment of smokers or smoking. It is a reimbursement mechanism that aligns the source of revenue with one of the state's largest budget drivers. This is a huge expense being removed from the General Fund, thereby assisting the state in recovering our deficit while creating a logical, cost effective relationship. According to the Nebraska Department of Health and Human Services, Nebraska tax backs from February 2025, Nebraska households pay approximately \$900 per year in taxes for smoking-related costs, including health care and lost productivity. More than 2,500 Nebraskans die each year from

smoking-attributed causes. Annual smoking-related medical expenses total \$924 million, and lost productivity adds another \$651 million. Nebraska's cigarette tax ranks 42nd in the nation. Since 2002, the last time this tax was increased, smoking-related Medicaid expenditures have cost the state an estimated \$4 billion, while cigarette tax revenues during that same period have covered less than one-third of those costs. The proposed increase would place Nebraska in line with surrounding states, with the exception of Missouri. Missouri has had many attempts at voter initiatives on the ballot, many of my fellow senators are huge proponents of voter initiatives, those voter initiatives have been struck down because of heavy support from the tobacco industry. I think there's a lesson to be learned there. Colorado is at \$2.24, South Dakota, \$1.53, Kansas, \$1.29. In Iowa, currently at \$1.36, has now proposed a 65 cent increase to \$2.01. While higher taxes may reduce the smoking, they should also result in a corresponding reduction of Medicaid costs. According to the American Cancer Society Cancer Action Network, tobacco taxes increased are our most effective tool to reduce smoking and other tobacco use, particularly among our youth. States that have significantly increased cigarette taxes, have seen higher revenues, while simultaneously reducing rates. In summary, LB1124 adds a \$1 tax to tobacco products to the current, to the current 64 cents, making it a total of \$1.64. The intent is to not grow the General Fund, but to ensure that any additional revenue is directed to Nebraska Medicaid to offset the cost of lung cancer and cancer-- and smoking-related claims. Again, this is a logical matching of revenues and expenses, pure and simple. Mr. President-- thank you, Mr. President. That completes my opening on LB1124, and would like to move on to Revenue Committee amendment, AM2253. Thank you.

KELLY: Thank you, Senator Sorrentino. Senator Conrad, you're recognized to open on the priority motion.

CONRAD: Thank you, Mr. President. And just as a point of parliamentary inquiry, I have 10 minutes, is that correct? Yeah, OK, very good. Thank you, Mr. President. Thank you, colleagues, and thank you to Sorrentino for his opening detailing his policy underpinnings in bringing this measure forward. I think that we're going to have a lot of time to talk about this measure, perhaps today and moving forward, or we can utilize the serious and straightforward procedural motions, including the one before you on the board here today, to send a clear message. If folks want to get back time for their other priorities, if they want to ensure that we don't burn 8 hours of legislative time on this measure, especially if it doesn't have the support to move

forward and break a filibuster, we need to have a clean and honest vote on these motions. I know in recent years these motions have been viewed only as a tool of extended debate, only as a tool of filibuster. They are that in some instances, but they are not that always. And this is one of those instances. In talking to colleagues across the political spectrum, there is a significant amount of unease with this proposal, as put forward by Senator Sorrentino and my other friends on the Revenue Committee, particularly as the Revenue Committee amendment actually makes this regressive tax hike even more significant. So I, I do think that if folks want to save time, we can have a clean and clear vote on this motion before the committee amendment comes up. And we can show my friend Senator Sorrentino and the Speaker and the body and the people of Nebraska that much has-- much as has existed in the past, a broad nonpartisan coalition exists today. Whether it was myself working with Senator Slama in the past few years to oppose the Governor's misguided tax plan, we have seen a convergence of interests from members in the middle, members right of center, members left of center to say we don't like this proposal, perhaps for different reasons, but finding the same result. To my friends on the right, we've debated the sales tax, the sin tax issues ad nauseam over the past many years, and many of our friends on the right have been clear and consistent in their political philosophy to say I meant it when I said it, no new taxes. From my friends in the middle and on the left, we look at the same underpinnings that are present in this measure as have been the other measures pending before this body year over year over here to jack up taxes, sales taxes, sin taxes, which are among the most regressive tax as and contrasted to how we have made our income tax more regressive and moved away from a progressive structure. So the only tax some of my friends on the right seem to like is one that soaks the poor and those who are living on a fixed income and those that want to demonize people, adults who are engaged in legal activity. No one can deny this is a regressive tax. No one can deny this is one of the most regressive taxes. No one can deny our tax code has become more and significantly regressive in recent years. No one can deny that we're seeking to balance the budget, and by the way it doesn't even do that, on the backs of the working poor. And whether it's the construction worker in northwest Lincoln, the farm hand out in Scottsbluff, or the veteran in Bellevue, why should my constituents have to pay for the fiscal mismanagement and recklessness of this Governor and the majority of this Legislature who's blown a hole in the budget with corporate giveaways? And to be clear, if you want to send a message to Big Tobacco, this doesn't do this. This doesn't change the compensation for the CEO. What this does

is burdens low-income working Nebraskans who are using a legal product and it jacks up taxes significantly, exorbitantly, in the midst of an affordability crisis. So there's a lot to dislike about this proposal from a political, philosophical perspective that should be appealing to members both on the right and the left and in the middle of the spectrum and has been the broad coalition that has existed and should be reinvigorated in this instance to kill this measure. Jacking up taxes on Nebraskans, particularly those least able to afford it, is the wrong way to balance the budget. And let's be clear, look at the fiscal note, my friends. And I know it will be adjusted if and when this moves through the process. But proponents at the committee hearing, the fiscal note as it stands today, is clear and unequivocal that this does not solve the budget crisis. This is going to basically create some new unconstrained slush fund within HHS to either be swept or do something, something maybe to help Medicaid. It's completely unclear. It doesn't address general funds in the bottom line in regards to the structural budget deficit that we have now. It isn't directed purely to health-related costs, as has been cleanly proposed by my friend, Senator Cavanaugh, in previous iterations. So if folks are interested in pursuing that clear policy objective to tie this revenue to health-related costs, there needs to be significant amendment and adjustment to direct these perhaps to the Health Care Cash Fund instead of a new made up slush fund that's unconstrained. And it does nothing to address the green sheet or to balance our budget and members need to have a clear understanding of that. I had the opportunity to watch the committee hearing on this measure. And one of the first questions from my friend, Senator Jacobson, to I believe the HHS representative who was there to testify in support of Senator Sorrentino's measure was a clear question, a good question about how this measure impacts the Health Care Cash Fund and what was going with the Health Care Cash Fund in regards to the Governor's budgetary proposal. And strangely, surprisingly, the expert witness from HHS couldn't really provide any information in regards to that straightforward question from my friend Senator Jacobson. And they were there in support of this. And they have the charge and authority to administer the Health Care Cash Fund and the critical programs and services that are funded therewith. And there wasn't any clarity at the committee level about how this impacts the Health Care Cash Fund, what's going on with the Health Care Cash Fund and the Governor's budget, and now the preliminary budget and, ultimately, the budget that the Appropriations Committee will advance to the floor? Why are we creating a new, unconstrained, confusing, vague, and murky cash fund that will be subject to additional sweeps? And is not tied

directly to health care spending like we see with previous versions that Senator Machaela Cavanaugh has brought forward, and it does nothing to help balance the budget and the bottom line in regards to the General Fund. This is a significant, huge, massive, regressive tax increase and shift and it should be rejected. It should be rejected in true nonpartisan, bipartisan fashion because it fails from a policy perspective. If you mean it when you say it, no new taxes, vote for the IPP. If you mean it when you say it, I stand for working people so that they're not soaked by taxes because the powers that be in the state have blown a hole in our budget, hit green on the IPP. We don't have to spend 8 hours on this if we get a clean and clear vote on that, but we definitely can.

KELLY: That's your time.

CONRAD: Thank you, Mr. President.

KELLY: Thank you, Senator Conrad. Senator Strommen, you're recognized to speak.

STROMMEN: Thank you, Mr. President. Just wanted to spend a minute talking about principled conservatism. And I thought the best way to do that would be to reflect on the tax philosophy of one of, really, our most influential conservative leaders in American history, Ronald Reagan. President Reagan's approach to taxation was not simply about numbers on a balance sheet, it was rooted in a larger belief about freedom, growth, and the proper role of government. When he took office in 1981, the country was suffering from stagflation, high inflation, high unemployment, slow growth. Reagan believed that excessive taxation was not just a fiscal issue, but a drag on economic vitality. He argued that when government takes too much from the productive sector of society, it slows investment, discourages risk-taking, weakens job creation. That belief shaped the Economic Recovery Tax Act of 1981, which significantly reduced federal income tax rates. Reagan's theory, often described as supply-side economics, held that lower marginal tax rates would encourage work, savings, entrepreneurship. He famously said that government does not tax to get the money it needs. Government always finds a need for the money it gets. But even then, Reagan consistently framed tax increases as a last resort, often tied to broader agreements on spending restraint. His core principle remained steady. Government spending was the problem, not insufficient taxation. Reagan warned repeatedly that raising taxes to accommodate growing government would only accelerate that growth. He believed that if government wanted more money, it

should first justify its spending. In his view, tax policy was inseparable from the size and scope of government itself. He also understood the psychological dimension of taxation, lower taxes he argued signaled confidence in the American people. They leave resources in the hands of families and businesses where innovation and productivity occur, higher taxes by contrast shift power and decision-making towards centralized authority. Reagan once said, the best social program is a job. His tax policy reflected that conviction. By reducing marginal tax rates, he sought to expand opportunity rather than redistribute scarcity. Whether one agrees fully with every outcome of the Reagan years, his stance on taxation was clear: tax increases should not be the default solution to fiscal challenges. Economic growth and spending restraint should come first. Tax relief was not merely a campaign promise, it was a government philosophy grounded in limited government and individual liberty. As we debate fiscal policy today, it is worth remembering that Reagan viewed taxation not just as a revenue tool, but as a reflection of how much power government claims over private enterprise and personal income. In that sense, his position was consistent and principled. Prosperity flows from freedom, and freedom is strengthened when government takes less, not more. Thank you.

KELLY: Thank you, Senator Strommen. Senator Guereca, you're recognized to speak.

GUERECA: Thank you, Mr. President. Good morning, colleagues. I do rise in opposition to LB1124 and in support of the motion to indefinitely postpone. I think we're going to have, like Senator Conrad indicated, a very long and robust debate. I think what you're going to find is really a coalition of folks from across the political spectrum for each one rising in opposition to this piece of legislation. What has me standing up today, contrary to, to previous comments, is the way I look at it, this really is a tax on everyday Nebraskans. And that's something that, as a representative of one of the more hardworking and humble communities in this state, I, I have to take offense and I have to stand up when I see something so obviously pointed at everyday working Nebraskans. There are various ways to fill this over half a billion dollar budgetary shortfall we find ourselves in, a hole that is due to sweetheart deals for the richest Nebraskans among us. But, somehow, the legislation that we pass shows a disregard for working Nebraskans. And what I can't wrap my hand around is how does-- how is imposing a tax on an activity, a legal activity, where two-thirds of Nebraskans that engage in the activity make less than \$75,000 a year. Over 50%-- 55%, make less than \$50,000 a year. So we're going to tax

our hardworking, working-class Nebraskans, a very pointed tax at them, to give tax breaks to the richest Nebraskans and largest corporations. That's-- that to me is what's making me stand up. I mean, we'll, we'll go, we'll go deeper into other parts of this legislation. Again, there are, there are better ways of truly this is a health concern, and there's a lot of things in the language and how the distribution of funds is occurring that is concerning. The setting up of a slush fund with no restrictions that can be used for god knows what. If we're serious about directing money into the health care systems, there are better ways of doing that. We'll, we'll talk about that in depth. Don't worry, Nebraska. We could talk about the vape component, an activity that almost exclusively targets the youngest Nebraskans. Again, an attack on young Nebraskans. So we see not just a tax-- tax breaks for the richest Nebraskans, the richest corporations, but it's going to be on the back of working-class Nebraskans and young Nebraskans. Like we talked about in other bills, folks, we need workers. Let's focus on policies that promote growth, not policies that keep hitting down, keep hitting down on the youngest folks on our working class, the folks that make this country-- make the state go. Yeah, we're going to be here for a while. And what I hope is a robust debate, I hope colleagues that we vote green on this, that we move on to more pressing matters. And, again, not give sweetheart deals to the largest corporations and richest Nebraskans, again, on the back of young Nebraskans all over the state and of working-class Nebraskans in every single corner of our great state. Thank you, Mr. President.

KELLY: Thank you, Senator Guereca. Senator DeBoer would like to recognize some guests in the south balcony, Matriarchs for Change from all across Nebraska. Please stand and be recognized by your Nebraska Legislature. Senator Guereca would like to recognize a guest under the north balcony, former state Senator Tony Vargas. Please stand and be recognized. And Senator Hughes has some guests in the north balcony, juniors and seniors from Nebraska Lutheran High School in York, and they are guests of Judge Papik as well. Please stand and be recognized by your Nebraska Legislature. Senator Machaela Cavanaugh, you're recognized to speak.

M. CAVANAUGH: Thank you, Mr. President. Good morning, colleagues. I rise in support of LB1124. I think it's been mentioned this morning on the floor that I have previously brought iterations of the tobacco tax increase since my freshman year here. I've been trying to increase the tobacco tax, and I appreciate Senator Sorrentino bringing it through and getting it to the floor for the first time for debate. In 2019, I, I tried to get it raised to \$1.50, negotiated down to \$1. I just

couldn't get it out of committee. I needed one more vote to get it out of the Revenue Committee. And I've been trying ever since, never go below \$1, however. That's been my, my steadfast that we can't go below \$1 because that does not impact the health outcomes, \$1 increase or more impacts health outcomes, and by that I mean it decreases the rate of smoking. So while I agree with comments about this is a regressive tax, and I don't support regressive tax, generally speaking, but this is a regressive that benefits the people that it is taxing, and that is why I support it. I support money going towards health care related issues. I would prefer it go to the Health Care Cash Fund like the tobacco settlement money does, but, but I understand it going towards Medicaid that is an acceptable use as well, I believe. However, if it's going to be amended to go towards the Health Care Cash Fund, I'd be all for that. But if it goes below \$1, I'm not. So that's kind of where I'm standing on this, and I think that Senator Sorrentino passed out a handout, like, what is tobacco costing Nebraska? And so this is-- I've done similar handouts and I would really encourage colleagues to draw your attention to that handout. It has some important information. We don't oftentimes talk about the fiscal offsets of policy. And a tobacco tax increase, while it will increase tobacco tax revenue by, I think the fiscal note was, like, \$42 million, yes, that will happen. But that is only-- over time it will ultimately decrease tobacco tax revenues because the hope is to decrease smoking. And so unfortunately again regressive tax, we're going to tax people's income-- tax them out of being able to afford tobacco products, and for me that's the goal and it's incongruous with most of the things that I stand up here and advocate for because I believe in personal individual rights to make choices, what to do with your body. But smoking impacts more than just the smoker. It is-- it impacts the family, it impacts total strangers around you if you're smoking. It is, it is much more than just a decision that is isolated to the individual. And it's also addictive. And so whatever we can do to mitigate the damages of this addictive habit, I think, are important for us to pursue. So I know it, it doesn't align with most of my stances on taxes, on personal decision-making. This is sort of an outlier for Senator Machaela Cavanaugh, is the tobacco tax. It has been since the beginning and it will be moving forward so thank you to Senator Sorrentino for bringing this forward. I'm, I'm interested in the debate on this, this is really the first time, first time since I've been here that's been debated and I-- I'll have to ask some people with more historic memory, if it's ever made it to the floor before, so. Thank you, Mr. President.

KELLY: Thank you, Senator Cavanaugh. Senator Dungan, you're recognized to speak.

DUNGAN: Thank you, Mr. President. And, colleagues, I do rise listening to the debate, and I think currently in favor of the motion to indefinitely postpone, but still listening to some of the conversation here. So, obviously, I'm on the Revenue Committee, and I was the one member of the committee who did not vote this out, I believe, to the best of my recollection. There was nobody else. I was present, not voting, and I wanted to just explain a little bit about why I was present, not voting on that-- on this bill as it came out. Many of the objections that I have, have been discussed, but I wanted to kind of just put those together to make sure it's, it's easy for us to understand what we're doing here. So I agree that smoking is harmful, obviously, and we all know the vast harms that the tobacco industry has seen happen to folks across the whole country, especially young kids. We, we know that. The question that I have, though, at the end of the day, when we're passing bills that increase taxes, which make no mistake, that's what this is, it's a tax increase, is who is most impacted by that tax increase and does it accomplish a goal that is worth that impact? And the nexus between those two things, I think, is particularly important here. So first of all, we know that this tax is regressive, right, it is going to have a disproportionate impact on individuals who have lower incomes. In addition to that, we know it looks like from the statistics and we heard during the committee hearing that the individuals that are most impacted by this are generally people from a lower socioeconomic class. And we can have long conversations about why that is and whether or not certain populations have been targeted by the tobacco industry. We can have a longer conversation about why certain parts of the state have more of a negative impact from this than others. But the reality of the situation is broad swaths of the population impacted by LB1124 are going to be lower income. And the increase in tax in and of itself is regressive. So then the question becomes, is it worth that? And I think that when we start talking about what this bill's money goes to, there are more questions than answers. I understand the intent. I understand that the intent of this bill is to try to funnel some of that money into a fund that then offsets the harms of smoking. And, certainly, I understand that other states that have done this who have funneled the money from an increased tobacco tax into a fund to offset those harms have seen, generally speaking, an increase in life expectancy. And that's good. We like that. But I think when you look at the language of this bill, in particular, and certainly it came out

during the committee hearing, I have concerns that the fund that this money is going to would actually be utilized to offset those harms, and I have concerns that there are not proper guardrails in place to make sure the money is being used in the right way. In my, now, 4 years here, we have seen time and time again cash fund sweeps, and we have seen money go missing seemingly from different funds. We have seen funds be repurposed or try to be repurposed for things that aren't their original use. And so any increase in this tax could absolutely just be utilized to offset future deficits, which is part of my concern. And so I think that's why I'm still listening to this debate and trying to better understand whether or not this is the right thing to do. We all want to see increased life expectancies, and certainly we all want to see harm mitigation or reduction from some of the, the health effects that we're talking about here. But this is a tax increase, and it is a tax increase that is going to disproportionately affect those in our state who are most vulnerable. And I have concerns that money that we're increasing is not actually going to help the people that it's attempting to benefit. In addition to that, there's sort of this weird Catch-22 that's happening with a tobacco increase. We talk a lot about whether or not the amount of the tax increase is actually going to decrease the usage of tobacco. And what we know from studies is that at a certain threshold, when you increase the tax by a certain amount, it starts to have an impact of actually reducing the amount of usage of tobacco. But on this, it seems like there's kind of, again, a Catch-22 or a double-edged sword here. One, either this tax is being increased in such a way that it will reduce the overall usage of tobacco, which means this Medicaid fund is eventually going to run out of money, or should run out money, or we're not increasing it enough to actually reduce usage, and instead we're just putting a tax or an ongoing fee on those who are most disadvantaged in our society in order to offset cuts to Medicaid costs that we've seen here at the state level and at the federal level. And I, frankly, don't think we should be balancing the budget on the backs of those people, and I certainly want to make sure that when it pertains to Medicaid costs, we ensure that those who need it the most are not the ones who are bearing the worst brunt of that financial impact. So I will continue to listen to the conversation, but as of right now--

KELLY: That's your time, Senator.

DUNGAN: --I would say yes to the IPP. Thank you, Mr. President.

KELLY: Thank you, Senator Dungan. Senator Storm, you're recognized to speak.

STORM: Thank you, Mr. President. Good morning, colleagues. I rise to speak in opposition of simply raising taxes. At first glance, a sales tax increase can be simple, easy to administer, it generates revenue quickly, but simple that does not mean sound policy. And in this case, it's neither sound nor fair. This is a regressive tax, like has been repeatedly this, this morning and it's going to disproportionately hurt the poor. And I have a real hard time with trying to balance our budget deficit with tax increases. There's a systemic issue that we have in this state where we spend too much money. And if we're going to start raising taxes now to try to fill in those holes, what are we going to do next biennium? How many tax-- how much taxes can we continue to raise on people to fill the budget deficits? And like Senator Strommen said, this flies directly in the face of being a fiscal conservative. Fiscal conservatives don't raise taxes whenever they need to generate money to, to plug a hole in a budget. And I wasn't here 2 years ago or 3 years ago when, when the body decided to overspend. And I'm not coming here to raise taxes. I was not voted here by my, my constituents to come here to simply raise taxes on them for out-of-control spending. And I had a colleague this morning talk to me and he said I was an idealist. He said when I came into the body, I thought just like you, we wouldn't raise taxes. And I was told that doesn't work. It's not going to work. You got to fall right in line and you got to raise taxes, that's what we got to do to make this whole thing work. And I, I just can't do that. I can't fall in line and just raise taxes on all of you. It's bad policy. And I would say I truly believe over time that we can come together as a body and not look to raise taxes. We're going to have to figure-- the state's going to have to figure out how to spend less money, not raise your taxes. The number one issue with people in the state right now is affordability. They can't live, they can't pay for insurance, they can't pay for house payments, they can't pay for their groceries, they can't pay for college tuition. And the last thing they need is us coming here and raising their taxes. What they do need is for all of us to come here and cut spending. We can't continue to spend. We can't continue to give away the tax revenue that we have coming in. We have to be more responsible. I'm a small business owner. I can't sit here and run my business and then decide every 2 years or every year, well, I'm going to try to find out another revenue stream from somewhere else, pulling money from other people to keep my business going. The state of Nebraska has to try to figure out how we can do this without

raising taxes. And I-- and I'll leave with this last message. The state of Nebraska does not have a revenue issue. We have a spending issue. And until we can figure that out and truly address that, we're going to be back next year trying to raise taxes on something else to try and plug the hole in our, in our budget. And that's not fiscal conservative policy. Have to figure how to do that. So maybe I am an idealist. I continue to be an idealist and I will continue to push this no tax increase as, as long as I'm here. Thank you.

KELLY: Thank you, Senator Storm. Senator Raybould, you're recognized to speak.

RAYBOULD: Thank you, Mr. President. Good morning, colleagues, and good morning fellow Nebraskans watching us on TV. I stand in support of the motion to indefinitely postpone, and I really appreciate the comments from Senator Strommen and Senator Storm. You know, this is our budget week, our budget month, and I'm, I'm glad that we're having this discussion and dialogue. In order to deal with our budget deficit that we found out grew by another \$170 million, which brings us closely to \$646 million in the hole, it has to be a comprehensive approach. It can't be let's, let's raise the sales tax over here. Let's, let's plug this hole here. Let's keep cutting from here. Let's sweep and raid these funds. Let's raid more trust funds until they're penniless. Those are not the right solutions for us as statesmen that thinks of the economic future, economic growth, and the economic well-being of our state. So I stand in support of indefinitely postponing this. This morning, I handed out two pages for your consideration. And for the folks that are listening right now, one handout was a lesson in history about what Kansas did back in 2012 and 2013. They did exactly what we've done or we've exactly what they've done, but we've learned nothing from their mistake. They like the state of Nebraska did an accelerated income tax rate reduction and it pretty much near shut down everything in the state of Kansas. Schools had to close early. It disseminated their reserve fund, and they were still in a world of trouble. The next article that I handed out to my colleagues, it talks about what other GOP leaders have been pushing that ultimately ends up in greater economic failures, greater economic deficits, that does no service to the state. And I know that Senator Strommen spoke about that as well. I think one thing that we should all agree on when it comes to sales taxes is they are the most regressive, particularly on our Nebraska working families. And I'm just going to read a few things from Nebraska Appleseed where they talk about it, when they look at who actually is the one paying for all the sales tax increases. At Nebraska-- OpenSky-- I'm sorry, I must have said Nebraska Appleseed,

but OpenSky states that sales taxes are the most regressive tax category. And they talk about in the latest edition of Who Pays?, the only distributional analysis of tax systems in all 50 states, the Institute on Taxation and Economic Policy concluded that low-wage families in Nebraska pay almost five times more as a share of their income in sales and excise tax than the best-off families. Low-wage families may pay a larger share of their income in property taxes than top-wage earners, but the difference is only 2.5 times. Policymakers including our, our Governor Pillen have pointed to the regressivity of property taxes in discussing proposals to shift a portion of what's currently paid to fund cities, counties, schools through property taxes to sales taxes. These proposals come less than a year after the Pillen administration supported sweeping income tax cuts that overwhelmingly benefit the wealthy and out-of-state corporations. Personal and corporate income tax cuts passed in 2021, before I was here, before Senator Storm and Senator Strommen were here, have in 2022-23, at that time cost only \$77 million thus far. That was back in 2023, but will grow more expensive over time, reducing state revenues by nearly \$3.1 billion, that's billion with a B, over the next 5 years, while the benefits of those tax cuts are targeted predominantly to corporations and wealthy Nebraskans. So my closing comment is, if we are going to seriously try to solve our budget deficit, it takes everything. It might take Senator Sorrentino's bill on increasing the sales tax on tobacco products. It might look at us revisiting our corporate individual tax cuts. Thank you, Mr. President.

KELLY: Thank you, Senator Raybould. Senator Moser, you're recognized to speak.

MOSER: Good morning, Mr. President and Nebraskans. I'm just glad to be here with you today and talk about taxation on tobacco products. Smoking is, is a very detrimental habit. And it's-- no matter what the tax is on it, you shouldn't smoke. I've had family members that smoked. I've been around people that smoke. It's, it's, it's not good for your health. Smoking has a big effect on state costs, because people who get health care in various social programs are more likely to smoke, maybe than some. And that costs the state costs to go up. And anybody who stands up here-- and where it's being recorded, transcribed, everybody's listening, anybody that stands up and says you can't raise a fee because that's a tax is taking a high-moral stance that only others having common sense to make sure that the budget works can fix. So if everybody took that high-moral stance is we're not going to raise taxes, we're going to not raise fees, then we wouldn't be able to run the DMV. We wouldn't be able to run any number

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of fee-based state programs. So we've got to keep those somewhere in the middle. Currently our, our tax on a pack of cigarettes is about 64 cents and the average is 2 bucks. So we're still going to be below the average. And, yet, it would raise money to help the HHS. You know, things we do here may not be the silver bullet that just magically corrects all problems. But this is something that moves it in the right direction. Saying, oh, we can't vote for this because Ronald Reagan said not to raise taxes 50 years ago, whenever that was, that's all fine if you've got somebody else to do your dirty work for you and, and generate the revenue that you need to run government. Government needs some funds to, to operate on, and this is a bill that helps. It gives us extra revenue. It'll help discourage smoking a little bit, which is a side issue, I think, that's a plus. But, again, if you're worried about somebody mailing out postcards that you raised fees or you raised taxes, I think you can give up on that idea. There's 100 things we've done in here that would make good postcard material, and you just got to write better postcards than the other guy. Thank you.

KELLY: Thank you, Senator Moser. Senator Guereca, you're recognized to speak.

GUERECA: Thank you, Mr. President. And it seems like I'm going to be last up so let's take us home. And I appreciate the debate that we've heard so far. I certainly do agree that money is needed to fund state government. But the difference between LB1124 and something like a DMV fee is that it's really focused on working Nebraskans and on young Nebraskans. And that, again, when you're taking what is already the most aggressive form of taxation and then just narrowing it even further to Nebraskans that make less than \$75,000-- less than \$50,000 a year and then spin around and in another part of the bill focuses taxation on young Nebraskans, that, that I have to have a problem with. In LD 7, very unique makeup. The, the top third of my district is downtown. A lot of condos, nice new apartments, a lot of activity, a lot of young people. You go into the capital district, you go into The Old Market on a Thursday, Friday, Saturday night, you go during the day we got farmers markets, young people, it's great energy, great environment, amazing restaurants. Like I said last week, the, the culinary and cultural star of Nebraska, I'm going to trademark that, that's fantastic. But it's a lot of young people, bottom third of my district, hardworking, humble, just a working-class immigrant community that wants to come, that came to this country, that wants to work hard, that wants to put food on the table, keep a roof over their family's head, and give their kids a shot at a better life than the

one that they had. So, to me, this, this piece of legislation is almost attacking my district specifically, right? It's attacking young people up north, and, and my working-class Nebraskans down south. And that, that I take offense to. You know, again, I understand that government, when we provide services, they need money. That's fine, I can understand that concept. But, again, when that form of revenue, when we seek to get that revenue from the poorest Nebraskans, the youngest Nebraskans, well, that I have an issue with. I have an issue not just because of the district that I represent, but, no, again, I'm not the youngest senator, but I am one of the younger ones. So, to me, I have a problem with that. There are better ways to raise revenue. I mean, if we're so concerned about this massive budgetary shortfall, let's go ahead and pause corporate tax cuts and income tax cuts on the richest Nebraskans and the largest corporations. But, folks, that's going to be a nonstarter. That is absolutely going to be a nonstarter, no way. We got a better idea, let's pick on working-class Nebraskans and young Nebraskans at a time when, again, we need workers. So how about, colleagues, we focus on legislation, we focus on policy that attracts talent, that brings revenue into the state? Because newsflash, folks, if you think imposing \$1 tax on cigarettes isn't going to drive people across the border into Missouri and to Colorado, absolutely it will. Just like this, when we talked last year about mobile sports betting, these sin taxes, us trying to socially engineer behavior, well, one, it's not going to work, and, two, it's just going to send tax dollars across the border. So how about we focus on policy that doesn't punish the youngest and the hardest-working Nebraskans, and we focus on tax policy that doesn't send tax dollars across the border, and let's, let's work on something that works for all Nebraskans. Thank you, Mr. President.

CLERK: Thank you, Senator Guereca. Mr. Clerk, for items.

CLERK: Mr. President, your Committee on Business and Labor, chaired by Senator Kauth, reports LB813 to General File. Additionally, an amendment to be printed from Senator Jacobson to LB525, and notice that the Transportation and Telecommunications Committee will have an executive session at 1:00 in Room 2022. Finally, a priority motion, Senator Glen Meyer would move to recess the body until 1:30 p.m.

KELLY: You've heard the motion to recess until 1:30. All those in favor say aye. Those opposed, nay. The Legislature is in recess.

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KELLY: Good afternoon, ladies and gentlemen. Welcome to the George W. Norris Legislative Chamber. The afternoon session is about to reconvene. Senators, please record your presence. Roll call. Mr. Clerk, please record.

CLERK: There's a quorum present, Mr. President.

KELLY: Thank you, Mr. Clerk. I recognize Senator Clements for a message.

CLEMENTS: Thank you, Mr. President. You're receiving a handout called the General Fund Financial Status, and this is going to be what you'll see in the budget that will be coming out at the end of this week. I just wanted to let you know up until last Friday, the Appropriations Committee concluded its work on the budget for General File introduction. And so this sheet shows the actions the committee has taken through last Friday, the 27th of February. And this will become the first green sheet once the budget comes to the floor. The budget will be-- is being-- the amendment is being prepared this week and the booklet is going to be-- is going to the printer. But I wanted to get you a little heads up. We started with \$471 million shortfall. Then the-- can I have a gavel-- the budget shortfall was \$471 million in January, and then the Forecasting Board on Friday took another \$175 million from projections, so that's \$646 million total. If you get the Lincoln paper, you would have seen that number in bold print. Well, the-- if you look at line 26 in the column 3, it shows negative \$125,646,000. So the Appropriations Committee has found \$520 million. And the shortfall has gone from \$646 down to \$126,000, basically. And so the budget that you'll see will not be balanced. It'll still have \$125 million shortfall. And the-- let's see here, what we still have, though, you'll see a minimum Cash Reserve. We have a minimum reserve of \$327 million that we're taking out of our revenues by statute. And we have a rainy day fund that is going to show at \$546 million. That's the bottom of page-- in column three. So we'll still have \$873 million in total funds to the good that are not obligated. And so I just wanted to let you know where we are. The budget needs to balance by sine die. And so we either need to reduce spending or increase some revenues. And I look forward to suggestions. I want to thank the Appropriations Committee for all their hard work that they've done in finding \$520 million so far to shore up the budget, and we'll be debating the budget starting a week from-- well, starting next Monday, or Tuesday. I'm not sure, Monday or Tuesday, and, we'll get into details then. Just wanted to give you a heads-up as to the actions the

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committee take-- took as of Friday and what will be the numbers in the budget proposal. Thank you, Mr. President.

KELLY: Thank you, Senator Clements. Mr. Clerk, for items.

CLERK: Mr. President, thank you. Communication from the Governor: Engrossed LB70, LB110, LB548, LB741, LB751, LB783, LB795, LB836, LB877 received in my office on February 27, 2026 and signed on March 3, 2026. These bills were delivered to the Secretary of State on March 3, 2026. Signed Sincerely, Jim Pillen, Governor. Additionally, notice of committee hearing from the Judiciary Committee. That's all I have at this time.

KELLY: Thank you, Mr. Clerk. Returning to debate on LB1124 and priority MO485. Senator Conrad, you're recognized to speak.

CONRAD: Thank you, Mr. President, and good morning [SIC], colleagues. This isn't a refresh. This is my actual time. OK, very good. I just wanted to make sure as I gathered my remarks since we're coming back from lunch together. I definitely appreciate the opportunity to continue the conversation and especially in quick contrast to my friend Senator Clements who just recently provided a critical update in regards to our General Fund financial status and our budgetary deliberations. And I think that's one thing that needs to be just front and center in the debate on this measure and I would definitely encourage your favorable support of this very serious and straightforward IPP motion. It is completely unclear what the shell game scheme put forward in the fiscal note original measure and committee amendment means in terms of health policy or balancing the budget. If you look at the most recent iteration of the fiscal note, there's little to any benefit to the General Fund. There seems to be a significant increase through significant regressive tax increases to the health care cash fund, but then that, I believe, has been vitiated by the committee amendment, which literally creates an unbounded, no guardrails, fully sweepable slush fund in the Department of Health and Human Services. And to my colleagues, no matter where they fall on various points of the political spectrum, just let me ask you clearly, has this Governor, has this Department of Health and Human Services been thoughtful about health care policy? What's the track record look like for the past 4 years? If you spoke out and were concerned about how this Governor and the Department of Health and Human Services arbitrarily cut critical services for little kids with autism, if you are upset about what's going on now with significant and deep cuts for Nebraskans with disabilities, disabilities and their ability to

continue to have care in their homes, in the least restricted environments, if you're concerned about how the Governor and HHS meddle in the personal lives and most intimate personal decisions of Nebraskans, if you're concerned about what the Governor has done in regard to fiscal policy and health policy, why on earth would you give him a blank check in this regard for multi-million dollars of increased regressive taxes? You want to advance good health policy, I understand that. That is philosophically consistent, that is good. That measure that Senator Machaela Cavanaugh introduced, I think perhaps many times, but definitely over the last couple of years through, I think it was maybe LB11 in the last iteration of that, had an increase in tobacco tax and clearly earmarked and directed that for actual good health care policy, connecting the dots. Now, I would still have concerns about the regressive nature of that tax, but that was a closer connection to advancing good health care policy than is evidenced in the bill and the amendment and the fiscal note before you. And if that is your goal and it is not present on the board, support the IPP and make Senator Sorrentino and the Governor and the Revenue Committee go back and do their work and go back to do their homework. But this isn't about good health care policy, this is about filling budget gaps. This is about balancing the budget on the backs of those who can least afford it. Nobody disagrees that this is the-- one of the most regressive taxes that we have in terms of different types of taxation. And it comes only now, not to advance good health care policy, but because Governor Pillen took a record surplus and turned it into a structural budget deficit that's grown to over \$600, almost \$700 million, based upon the last forecast. And they have to have this bill to balance the budget and it barely does that.

KELLY: That's your time, Senator.

CONRAD: Thank you, Mr. President.

KELLY: Thank you, Senator Conrad. Senator Dungan, you're recognized to speak.

DUNGAN: Thank you, Mr. President. Colleagues, I do rise today to continue some of the conversation about the particular fund that these monies are going into from this proposed tax increase. And I just wanted to make clear on the record some of my concerns about that fund, and I think draw an analogy to a similar fund, that I've had concerns about this session and during this interim. I've raised these concerns on the mic. I still haven't gotten a lot of answers to my questions, so I'm going to send up the, the test balloon on this again

and see if anybody can answer these. For those who, who have been listening to the conversations, you may have heard us talk previously about the Managed Care Organization Excess Profit Fund, the MCO Excess Profit Fund. That's a fund where when the Managed Care Organizations in our state make beyond a certain amount of their profit, they have to remit those funds, it sounds like statutorily to the Treasurer. At which point in time that money then goes to a fund managed by the Department of Health and Human Services called the MCO Excess Profit Fund. Those funds are intended to be used for the purposes of Medicaid. And we as a Legislature have passed a few different bills delineating certain appropriations from that cash fund, specifically the Prenatal Plus Program, domestic violence services, interpreters, glucose monitoring for pregnant folks. So we've seen a lot of different allocations of that because they serve the purpose of the fund. And at some point during this interim, it came to light that there was no more, allegedly no more money in that fund. And I found out about it from a call from a reporter asking whether or not I had anything I wanted to say about the, the excess profit fund having no more money in it. Now that was the first I'd heard. To be fair, the Fiscal Office and others had raised in the past a concern that there was not going to be funds potentially in the future, but we had not heard for sure where that account stood. So we were told there was no money in that fund, at which point in time there was some investigation or I guess some analysis that DHHS did and determined that there actually were \$3 million in that fund that could be allocated specifically for the domestic violence resources they needed to be used for pursuant to the legislation that required that. But then they said in the same press release that there needed to be a different funding mechanism moving forward because there might not be sustainable revenues in that fund in the future. Then we found out maybe there would be upwards of \$10 million coming into that fund, but it was unclear because we didn't know, to be fair, how much excess profit the MCOs were going to be making. Nobody I can ask, or nobody I have asked, has been able to tell me how much money is in that fund right now. Nobody that I've asked is able to tell me when the money gets transferred into that fund. And nobody can tell me whether or not we have ample proceeds moving forward for some of the allocated appropriations that we as a Legislature have already passed. Now I get there's a lot of moving pieces in the MCO profit fund. There has to be a profit, it has to go in. I get all that. My point is this, colleagues. I am concerned that the fund that LB1124 is going to be putting money into is going to become the exact same black hole where that money is not actually going to be allocated into perpetuity for

the purposes of Medicaid to offset the harms of smoking or other tobacco use. And if we do put the money in there, that there's not ample guardrails or any kind of reporting mechanisms in place for us as a Legislature to fully understand how much money is in the fund or what it's going to be used for in the future. And I understand it's a slightly different mechanism than the Managed Care Organization Excess Profit Fund, but the outcome is the same. We put money into these funds for a specific purpose, but then don't have ample oversight to ensure the money gets used for the stated purpose. And even in the event that we do try to make sure it gets used for that purpose now, what happens is in the future, other legislatures then will sweep that money and put it towards the General Fund. So, colleagues, I say all of this just to make the point that if your goal of LB1124 is to use this money to offset additional Medicaid costs, I don't think you have a sustainable mechanism to do that. And I think we need to be diligent about what we are and aren't doing with our funds and what is being done with these cash funds after we appropriate money into them. So I hope folks are listening to the debate. Again, I think a lot of folks who are in favor of this bill have good intentions, but I have concern both about the tax increase being regressive and about the health of the cash fund that ultimately these are going to go into. So with that, I'm going to continue listening to the debate. But as of right now, I would encourage your green vote on the motion to indefinitely postpone LB1124. Thank you, Mr. President.

KELLY: Thank you, Senator Dungan. Senator Sorrentino-- Mr. Clerk, for messages.

CLERK: Thank you, Mr. President, a couple announcements. The Natural Resources Committee will have an executive session at 2:00 under the south balcony. Natural Resources, south balcony, 2:00. Health and Human Services Committee will have an executive session today at 2:00 in Room 2022. HHS, exec session, Room 2022, at 2:00. And the Revenue Committee will have an executive session today at 2:00 in Room 2102. Revenue, 2102, executive session. That's all I have at this time, Mr President.

KELLY: Thank you, Mr. Clerk. Senator Sorrentino, you're recognized to speak.

SORRENTINO: Thank you, Mr. President. I encourage your no vote on the indefinitely postpone motion. And here's my reasoning why: Apparently, earlier in the day when I opened on LB1124, in trying to be sensitive to a deadly and addictive habit, my opening had the unintended

consequence of missing my target audience. That being those senators who wish to postpone this bill by dismissing it as simply a regressive tax. That is not what this is. There is tangible, proven documentation that every smoker has an affordability threshold where they'd either quit or significantly reduce their smoking habit, period. Do your research, Senators. It has been strongly suggested by those who oppose LB1124 and who have threatened to filibuster this bill that we should simply postpone this bill and move on. I do not move on, I do not waste time, and I certainly do not waste money. Not mine, not yours, not Nebraska taxpayers. To suggest that the introduction of this bill, based upon conversations in advance with every single one of you, does not have sufficient support to withstand the motions introduced by my colleague Senator Conrad, and dismissing this bill as a regressive tax is simply irresponsible. I ask you, tell the child who just lost a mom or a dad that you were saving their parents a few hundred dollars by not passing a tax, a regressive tax that may have caused them to quit smoking. Do not expect a thank you. Tell a man or a woman who just lost their loving spouse to a preventable cancer that you had their best interest at heart when you shot down that tax as regressive that may have caused that spouse to quit smoking years ago. Again, do not expect a thank you. Do not go out, any of you, and buy a cape as if you're a dauntless defender of tax policy and that you are acting in the best interests of Nebraskans. You are not. You can run your vote card today from missed opportunities to save fellow Nebraskans, but eventually you'll have to answer for that. And with that, I'd just like to say, we haven't gotten to the committee amendment yet, which talks in detail about the Medicaid reimbursement fund, and to suggest without even hearing that, that there's assertions it'll be not safe from being swept, sounds like more of a personal insult than it does documented litigation. So let's talk about just what we're calling a regressive tax. I'm looking at the 11 required warnings for cigarette packages and advertisement. The first one says: Warning, smoking causes head and neck cancer. Doesn't say might, does it. Second one: Warning, tobacco smoking causes fatal lung disease in nonsmokers. Next: Warning, smoking causes cataracts, which leads to blindness. Has a picture of a gentleman with one eye. Warning, smoking reduces blood flow, which can cause erectile dysfunction. Warning, tobacco can-- smoke can-- smoke can harm your children. Warning, smoking causes bladder cancer, which can be cause to bloody urine. Warning, smoking reduces blood flow to the limbs, which can require amputation. Warning, smoke causes COPD, a lung disease that can be fatal. Warning, smoking causes Type 2 diabetes, which raises blood pressure. And it goes on. Warning, and this one's to our most protected group, infants,

smoking during pregnancy stuns fetal growth. And, finally, warning, smoking can cause heart disease and strokes by clogging arteries. And you want to run from this bill under the guise of regressive tax, shame on you. And I yield the rest of my time to Senator Hughes. Thank you.

KELLY: Thank you. Senator Raybould. Senator Hughes.

HUGHES: How much time is left?

KELLY: 4 minutes, 56 seconds.

HUGHES: 4 seconds. I'm out. OK.

KELLY: 4 minutes, 56 seconds.

HUGHES: No, no, no, no. He was yielding time to me, but there wasn't much time left. I'm not in the queue. I'm not in the queue. It's like 5 seconds, so don't worry about it. It's fine. No, he only had 5.

KELLY: Senator Hughes, 1 minute.

HUGHES: Oh, I have 1 minute. OK. I just wanted to read this text that I got from this morning about 11:15. As a former smoker, the absolute BS being spewed right now makes me irate. If I was still smoking, I should be taxed more because my unhealthy choice places an undue burden on the health system. If I had continued to smoke, my economic status would not have been determined by an increased tobacco tax, but rather because I would have been less healthy and less productive. It's embarrassing that elected officials are so blatantly and willingly being prostituted by the tobacco industry. Thanks.

KELLY: Thank you, Senator Hughes. Senator Raybould, you were dropped from the queue, but you are next.

RAYBOULD: Thank you, Mr. President. I-- first of all, I want to send a note of appreciation to Senator Clements for his work and the work of Appropriations. However, I was more than horrified to see where we're going to land on fiscal year '28-29. I think we're doing a disservice to our fellow Nebraskans by not taking on the challenge before us to come up with a balanced budget, but a balanced budget that is not full of sweeping funds from our trust funds, raiding other cash funds to make this happen, increasing taxes left and right, and not looking at some of the structural deficits that we have created. So I'm, I'm duly alarmed by this work that is no indication of a successful legislative

session when we're not addressing the future of our fiscal stability going forward. So during lunchtime, I spent some time trying to reconcile the, the fiscal note to Senator Sorrentino's bill. And I, I really struggled with it over the lunch hour and I'm hoping Senator Sorrentino will yield to a few questions, but before we get there, I just want to say that two things can be very true at the same time. Number one, there is irrefutable data that shows sales tax are regressive on those that can least afford it. And everything that Senator Sorrentino pointed out about the harm from smoking causes human beings, that is-- there is so much irrefutable data on that as well. And I think we have to be mindful of that. So having said that, Senator Sorrentino, could you be open to a few questions as I was trying to reconcile the fiscal note?

KELLY: Senator Sorrentino, would you yield to questions?

SORRENTINO: Yes, I will.

RAYBOULD: OK, the first question, how did we land on giving additional money to the General Fund?

SORRENTINO: I assume you mean out of the \$1?

RAYBOULD: Out of the \$1 from going from 49 cents to 52. How did that happen?

SORRENTINO: The \$1 additional tax, 97%-- 97 cents, I'm sorry, goes to the Medicaid Expense Offset Cash Fund, 3 cents of the \$1 was left into the General Fund when we were drafting these bills. There are certain administrative expenses that I didn't want to hoist upon the General Fund, so we allocated just a small amount to try to take care of that, as opposed to go 100% into the Medicaid Expense Offset (Cash) Fund.

RAYBOULD: Thank you very much for that explanation. So I was really troubled. They had omitted \$3,820,000 for the Nebraska Public Safety Communication System Cash Fund on the, the fiscal note. And was that an oversight by Fiscal or why wasn't that amount included or was it-- based on the language in the bill and the amendment it is, it is earmarked for that.

SORRENTINO: OK, I will do my-- it's a great question, I will do my best to answer that. Sadly at the moment, here we are at 2:00 on Tuesday, we do not have the updated fiscal note for the combination, we haven't really got to it yet, but when we have the committee amendment, Senator Hughes's bill and I have put together and we're

waiting the combination. But to your question, the original-- the current tax situation for cigarettes is 64 cents. And that is allocated partially to the General Fund, Nebraska Outdoor Recreation, Cancer Research, UN Medical Center, Building Renewal Allocation Fund, Nebraska Public Safety, which is highway, the \$3,820,000, and Nebraska Health Care Cash Fund. Those amounts will not be affected by the addition. That 64 cents will continue to be allocated in the same manner that it is currently allocated, and the additional dollar, which is about \$54 million, will go 97% to the newly created Medicaid Expense Offset Cash Fund, and the other 3% to General. If I could get into more detail, I would. I just don't have the fiscal note.

RAYBOULD: Yeah, and so you're saying that, like, the Nebraska Outdoor Recreation Fund was omitted from the fiscal note as well as the Building Renewal (Allocation) Fund was emitted from it. And I know that they merged the \$1.25 million for the Nebraska Health Care Cash Fund, but it's unclear because in your bill it's, it's calling it something different. And so is that going to also get reconciled for consistency so it does end up in the correct fund? I think we're, we're struggling with the fact that sometimes with a fiscal note it doesn't always mirror up to the words that we put in our bills or amendments and I know Senator Dungan spoke to that as well.

SORRENTINO: It is certainly the intention and the intent of this bill to not change the allocation of the current 64 cents, and I'm hopeful, and if not, we will correct it that the fiscal--

KELLY: That's time, Senators.

RAYBOULD: Thank you.

KELLY: Thank you, Senators Raybould and Sorrentino. Speaker Arch, you're recognized to speak.

ARCH: Thank you, Mr. President. I wanted to-- I want-- I, I rise in opposition to the motion to indefinitely postpone and in, in support of the bill and in support of amendment once it gets up on the board. But I wanted to tell you my thinking on this. The question in my mind has been, how does the state respond when the behavior of an individual or a group increases costs to the state that is disproportionate to the general population? That's my question. How does the state respond when the behavior of an individual or a group increases costs that is disproportionate to the general population? For instance, how do we handle heavy trucks on the road? We, we, we

have an additional charge that is given to heavy trucks because they disproportionately affect the roads, the quality of the roads, the, the amount of traffic that it can handle, when it has to be repaired again, and we have an extra cost. What do we do with alcohol consumption? We understand that alcohol consumption is a choice and that, and that we hand an additional cost to the individual consuming alcohol because there are, there are law enforcement, there is treatment issues, there is other costs to society as a result of alcohol consumption. What do we do with court fees? I hate to tell you, I ran a red light, and I contested that one day, and they said, not only do you get a fine, but you now-- you have court fees that you have to pay. My behavior put me in front of a judge-- by the way, I paid the court fees and fine and all that. This was a long time ago, I don't do this anymore. But I had to pay the court fees because my behavior increased costs to the state that was disproportionate to the general population. We do this often. Tire, battery disposal. If I come in and I buy a tire, if I come in and, and, and exchange my tires, I will pay an additional fee because somebody has to dispose of that tire. Now, why don't we just, why don't we just spread that cost out to all the taxpayers in the state? Whether you have a car, whether you don't have a car, whatever, whether you buy a tire, whether you won't buy a tire, there's a cost. My battery in my car, there's a cost to the disposal of the battery. Not everybody owns a battery and a car, but let's just spread it out to everybody in the state. No, we say if there is disproportionate cost, we will recognize that and pass that on to the person. I think we have a similar situation here. There is, without a doubt, the scientific evidence is there to say that smoking increases costs. And in this particular case, we're recognizing that it increases cost to Medicaid. I think Senator Sorrentino quoted a number, I've heard \$180 million, without a doubt it increase costs to society, to Medicaid, all of that. So it is a, it is a behavior. Smoking is a choice, it can become absolutely addictive. As can alcohol consumption, it can be absolutely addictive. But at the end of the day, it is still a choice. Nobody is making anybody smoke. Nobody is making anybody consume alcohol. It's still a choice. And if that choice is exercised, it is a free society. It is allowed, it is allowed to happen. And so there's no penalty for exercising that choice, but there is a recognition of costs that are, that are being incurred by the state that is disproportionate to the average taxpayer. So that is why, philosophically, I, I support this. I don't think that it is, I don't think that it is an unfair, an unfair tax. I think that it recognizes additional cost. Thank you, Mr. President.

KELLY: Thank you, Speaker Arch. Senator Guereca, you're recognized to speak, and this is your third time on the motion.

GUERECA: Thank you, Mr. President. Good afternoon, colleagues. Someone said good morning. We are in our first day of afternoon debate, afternoon debate, unfortunately. So here we are, let's get some caffeine in us. I had stated earlier, I, I do rise in opposition to LB1124 and in support of the motion to indefinitely postpone. You know, it's-- really warms my heart to hear all these concerns about health outcomes. But I find it interesting the selective outrage that we have when it comes to-- you know, when the cost to the state and how we need to really push back and take a step towards that. Because a big debate that was happening here in Nebraska had to do with the closure of the north Omaha coal fire plant dead smack in the middle of a working-class community. If one were to gage, based on the conversations that we're hearing on the mic, one would assume there was a stampede of support to ensure that this coal fire plant, dead smack in the middle of a minority working-class community, was shut down. But, no, colleagues, we did not see that. Instead, the Attorney General swooped in with a lawsuit to make sure the plant stayed open, even, even after promise and after promise was made to that community to shut down that coal fire plant dead smack in the middle of north Omaha. We saw a bill introduced from the floor to make sure that coal fire plant dead smack in the middle of a working-class minority neighborhood stayed open. Omaha has the 29th worst ozone pollution in the country. 29th. Where was the outrage then? If we look at modeling done by the EPA based on the pollution coming from these coal fire plants, there's about seven premature deaths. Where was the outreach then? Talk about direct costs to the state, thanks to those coal fire plants, \$104 million in health care expenses. Where was the outrage then? We talk a lot about the education of our children. Thanks to that coal fire plant, 1,800 days were lost, school days were lost by our children, but where was the outrage then? But, no, we found our outrage when we support a piece of legislation that disproportionately attacks the poorest Nebraskans and the, and the youngest Nebraskans. That makes sense, instead of if we're really concerned about the budget of this state, looking at legislation that's a sweetheart tax cuts for the richest Nebraskans and the largest corporations. Earlier Senator Clements, this afternoon, got on the mic and showed us a top sheet for the General Fund. And I know several of my colleagues in this building aren't going to be here after this legislative session. And, gosh, good for them because based on this, we are looking at an \$874,113,032 budgetary shortfall coming in the next biennium. Now that

shortfall isn't coming because we're addressing health disparities in north and south Omaha, where cancer rates are higher or asthma rates are higher. No, we're going to be in this hole because of sweetheart tax cuts for the richest Nebraskans and the largest corporations. So, folks, if we're going to be outraged by things, let's make sure we're mad about the right things. Thank you, Mr. President.

KELLY: Thank you, Senator Guereca. Senator Spivey, you're recognized to speak.

SPIVEY: Thank you, Mr. President, and good afternoon, colleagues and Nebraskans and folks that are joining us still for our first full day of debate. I am not sure where I stand on the motion to indefinitely postpone. I do appreciate Senator Sorrentino talking to me about LB1124 before it came up for debate, and still have a couple of questions and been having conversations off the mic just around the implication. I pulled up the fiscal note committee statement. And so making sure I'm trying to catch up on all things, because it, it can get busy here and, and a lot is going on. And so I did want to just make a few comments and remarks of kind of where I am generally and what, what I'm thinking about as it relates to this measure that is in front of us. And I do want to thank and appreciate Chair Clements for making a statement about our General Fund financial status and we have been in the trenches since session started. Our committee was meeting, when other committees weren't, to try to figure out where we are with this deficit and we've had really hard conversations as a committee. We really had places of tension and discourse to figure out, again, in this moral document our budget what we should be using taxpayer dollars for and how do we do the one thing we have to do, balance the budget in a way that still takes care of Nebraskans? And I don't, I don't know if we have consensus on all of those pieces yet, but we are trying to figure it out together. And then it will come to the full floor for debate, which I think is important that all of our colleagues really engage in that conversation, which leads to LB1124. So one of the things that we see within the fiscal note, if you pull it up, that it looks at the changes in the General Fund, the \$42 million going to the cash fund, and that is from the new dollar that is being added to the cigarette tax. And I don't-- I had a question for Senator Sorrentino, I don't see him on the floor. And so looking at the fiscal note and what it will save us, we have a \$125 million still left to fill, so then on our financial status, that will go down by \$42 million, and then we still just have a, a smaller hole to fill. But to Senator Guereca's point, when you look at the out years, when I'm still here, and hopefully on Appropriations still, it's nearly \$1

billion. And so I think while we are very hyper-focused on what it is that we need to do now in legislation that we're passing, we also need to think about the implications of previous actions that led us to this space and then actions that we'll take now that will continue to chart our path for where we are fiscally as a state in our health. We cannot cut our way out of these deficits, and I know that there have been a lot of cuts last session as well as this session. We are seeing cuts at the federal level, which are impacting our revenues from the feds and what we have to now take up as a state. So we are having to spend more money versus we see our federal tax dollars coming back, which is a very big deal. And then we, we still have not reconciled, at least I have not heard conversations around income tax cuts and how that lends itself to where we are. There will be a briefing tomorrow. Chair von Gillern of Revenue was going to host just around the incentives and credits because there was a memo put out by Auditor Foley around what that is costing the state. And so a lot of times we're working in silos. This committee is seeing that. That committee is seeing this. And really it's all tied together. We, we need a more comprehensive viewpoint into what it is that we are prioritizing for taxpayer dollars. The experience and-- that we want our constituents to have, which we want all Nebraskans to be able, be able to access their full potential. And we know that some folks are needing more help than others. And what we have seen are cuts to those social safety nets, which do not create vibrant thriving communities across the board. And so I have a little bit more to say, I wanted to ask Senator Sorrentino a question. So if he gets back to the floor, I'll just be asking about the tax distributions because I do agree that we also need to ensure that we are putting services and support into the, the implications of what we see happening with cigarette use. And so just want to make sure that I'm understanding from the chart that was handed out to us. And, again, we're going to be-- the budget is here, we will be debating the budget. And so we need folks to really lean into that conversation and how what we're doing on the revenue side really impacts not just this filling the gap, but what we're doing going forward. Thank you, Mr. President.

KELLY: Thank you, Senator Spivey. Senator Conrad, you're recognized to speak. This is your final time on the motion before your close.

CONRAD: Very good, thank you, Mr. President. Thank you, colleagues, good afternoon. Just want to reiterate a couple of points and lift up some additional considerations for the body prior to a vote on the IPP. I think we've had good debate on this and I want to respond in kind to a few of the considerations my good friends and colleagues

have brought forward. I noticed that my good friend Senator Sorrentino and good friend Senator Hughes were getting kind of triggered in their comments or passionate or pitched. And that's always a very interesting sign, having been in this Legislature as a senior member now for 12 years and perhaps if I-- it seems like I'll have the opportunity to continue this work for another 4 years, you can see when the rhetoric reaches that kind of tenor and pitch and tone that people are nervous about their votes and scrambling around and trying to make good points and they should be because there is an existing coalition that exists from the right, saying I meant it when I said it, no new taxes, and from the left saying this isn't good health care policy and this isn't good taxation policy. If any of my friends on the left can tell me if low-income working Nebraskans who happen to be smokers blew a \$671 million hole in our budget, is that a fact? Is it their fault? If it's not, they shouldn't be the only ones asked to deal with it and fix it. And, so far, that's the only plan that Senator Sorrentino and Senator Hughes are excited about. These same folks who push forward millionaire-billionaire tax cuts, who prop up corporate welfare, who punch down on the poor by taking away, gleefully mind you, their minimum wage and their sick leave, are thrilled to saddle the poor with greater taxes, and it's clear in their rhetoric. Now, I also want to talk about good health care policy, which is not present in this measure. Again, if you want a direct correlation, and, again, I disagree with it for the regressive natures, but that measure was Senator Cavanaugh's from a couple of years ago. That's not this. This is a new, murky, sweepable, trust fund, slush fund, not a trust fund, slush fund that has no guardrails to ensure this massive 156% tax increase on the working poor actually does anything to help health care policy. Zero. And when you look at the public hearing, and when you look at the public record, people who care about good health care policy, and there was a lot of experts, well a handful of experts, that came in at the committee level to share their expertise from a public health perspective, they, too, acknowledged that we can accomplish the same goals in terms of a reduction in smoking and addiction prevention and behavioral health prevention and counseling and harm reduction and addiction recovery happens through access to counseling, to education, to engagement, to public health aids, to cessation assistance, which, by the way, we already have those pieces in place, including a federal waiver to cover cessation products, as we should, and that's good. And that's why we've seen a precipitous decline in the rate, rate of smoking over many years for both adults and young people, which is good, which is the shared goal. The most effective way to advance the public health

component is not through this measure, nor through taxation, this is the punitive way. This is the regressive way to lift up thoughtful, laudable public health perspectives. So let's be really, really clear about that. And let's also be clear, my good friend Speaker Arch made a compelling case, which sounds good on its face, and I'm not going to have enough time to rebut it in the minute left here. But the bottom line, this is an excise tax, sales tax issue. Most of those get dumped into the General Fund. We are not a user fee based government writ large, even though this, this, this Legislature wants to move in that direction, which by the way are also regressive. Most of those sales taxes and excise taxes get dumped in the General Fund for the common good. They are not all earmarked, as is present in this proposal. And there is no guardrails on that earmark to ensure they go for health-related purposes. Finally, it is--

KELLY: That's your time, Senator.

CONRAD: Thank you, Mr. President.

KELLY: Thank you, Senator Conrad. Senator Hunt, you're recognized to speak.

HUNT: Thank you, Mr. President. I haven't spoken on this measure yet. This is one of those issues over the years that I, I-- I'm not a person of great passion on this issue. And I kind of tend to let the people who have stronger feelings rise to the front and share what they have to say about it. But my North Star on tax policy is really simple, and it's always been this way. It's that if we're going to raise taxes, if we're going to raise a tax, we should raise it on people who can afford to pay them. I support raising taxes on the rich. I am very vocal about that. And I don't support raising taxes, and I never have, on people who are already struggling to get by. LB1124 is a tax increase. And it's not a tax increase on the wealthy. It's a regressive consumption tax. I have always opposed consumption taxes. Because the lower your income, the higher the percentage of your income that you're paying, that you are spending on consumption, and then the more heavily you feel the increases like the one in LB1124. So if you're affluent, it barely registers, you don't notice it at all. If you're living paycheck to paycheck, it really matters a lot, it impacts your life. And I will never support using disproportionately low-income Nebraskans to increase revenue in our state, and I never have. It's a regressive tax. That's what it is, Senator Sorrentino, it is regressive. And I don't think that's a bad word. It says something about your psychology on the issue that you

think it's a bad word to say it's regressive, it just is regressive. And the people who support it ought to be able to stand up and say it's regression and I support it. It's regressive and I think it's a good thing. I think it's a good thing for public health, whatever. Just say the reason, but don't say-- do a little mental trick and say it's not regressive. It literally is, and that's fine. That's fine. So that's something for him to work out. But we know that tobacco use is disproportionately used by lower income Nebraskans, and that's not a moral judgment, that's just a reality that's shaped by stress, that's shaped by addiction. It's shaped over decades and decades by targeted marketing in low-income areas by structural inequality, and we've always known that. So when we increase the price per pack, we are increasing taxes on the people with the least economic flexibility. And we're basically just using poverty to pay for poverty. And that's why period, full stop, I just don't support tax increases like this. I support other ways to support good public health outcomes. And those are the things that always fall flat in a conservative Legislature. But as Senator Conrad just said, I really liked what she said that it was not, you know, really getting at the core of the issue of why people face addiction, of why people face poverty, of why people struggle with their income. It's punitive. It's another punishment and another moral judgment on a group of people with the least resources and the least ability to pay. I support Medicaid. I wish we all had Medicaid. I wish we could all go to the doctor and not think anything about it. And I believe in fully funding health care for all Nebraskans. But look at what this bill does. It takes revenue from a regressive tax. It directs it to offset Medicaid expenses. But then the fund that it's going into isn't protected. It's not safe. And Senator Conrad also talked about Senator Machaela Cavanaugh's efforts on this bill in the past and how the way she was setting the funds aside from that tax increase was a little bit more specific, a little bit more protected. We've seen this year with this budget, all of the sweeping being done throughout all of the funds. And what worries me is that all the money collected from LB1124 is going to become another slush fund for the Governor's projects or whatever on the backs of people in poverty who are already paying more than they can afford while the people at the top, who this money would be nothing to, we just keep cutting their taxes. We just keep cutting, cutting, cutting because we want to keep them here, whatever, whatever reason. But the people who can least afford to move, the people who can least afford to change their circumstances are the ones we keep using to raise revenue in this state. You know, if the Legislature believes that we need additional revenue, let's have the courage to say where it should

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come from. Let's examine high-income earners. Let's examine corporate tax structures. Let's look at capital income. Let's have an honest conversation about wealth in this state and the ability to pay. This is actually a pretty wealthy state.

KELLY: That's your time, Senator.

HUNT: Thank you, Mr. President.

KELLY: Thank you, Senator Hunt. Senator Dover, you're recognized to speak.

DOVER: Thank you, Mr. President. I just want to briefly get up here and just talk about a conversation I had with Senator Strommen in my office here before we, we got into talking. We were just kind of getting into, oh, the, the basic discussions we've had among each other, you know, on the floor here and other places. But, you know, I really think that the best way to pay for stuff is who uses it. And I think if we could ever have a government like that, wouldn't that be wonderful if you, if you use this then you pay for it and if somebody else used this, they pay for it, they didn't pay for your use of something else. But we know that in government, that doesn't really work. And, really, as far as raising the tax on cigarettes, it, it seems really-- it's kind of a-- to me, I see like a user fee. If you're going to use a bunch of Medicaid dollars to take care of your health, and, obviously, I don't want to be too redundant, but, obviously, if you're smoking, it affects, you know, your heart, it affects diabetes, it affects a wide range of things in your body to where we're going to, we're going to-- someone's going to pay that bill. I think it's only fair that we raise the tax and pay for the bill. And I talked to Senator Strommen, he said he disagreed with me. He said he didn't really think that was fair. He said he's not going to support it because he doesn't think that that money will be sucked up somewhere. And I said, well, I think they should just pay their fair share. And I asked him, what do you think about EVs? And I said is it fair that an EV drives on the roads, doesn't pay gas tax, puts wear on the road, but they don't have to pay to maintain the roads? He says, no. I said, well, don't you think there should be something with EVs and they should pay their fair share? And he said yes. Well, I'm just saying, I think if a senator says, yes, EVs should pay their fair share of taxes and we can raise taxes on EVs, I think we can also raise taxes on a pack of cigarettes. I want to take-- thank Senator Sorrentino for bringing this bill. It's just simply about being responsible and pay your fair share. Thank you, Mr. President.

KELLY: Thank you, Senator. Did you yield, Senator? Senator Raybould, you're recognized to speak, and this is your final time on the motion.

RAYBOULD: Thank you, Mr. President. You know, I, I just want to pick up where Senator Dover left off. You know, I think that's true. You know an EV does not use any fuel except electricity. But I think the trade-off that we have to recognize when it comes to electric vehicle, and I'm an owner of an electric vehicle, we have zero emission. So we know that ethanol blend has reduced the emission level, but it still has an emission, as well as any, any blend of fuel that does not contain ethanol, they still have emissions. And what, what is one of the existential crisis facing us in, in the globe today is all the emissions and the carbon emissions. How can we be a better steward of our environment? I want to jump back to the bill for just a minute, a minute. I feel that I do agree that we should IPP this. I have been a stickler on fiscal notes since we started the session and I'm just troubled by the inability, and I, I understand and I really commend our Fiscal Analysts in office. I know they're slammed and jammed with changes and amendments left and right, particularly as we try to, to get through the, the budget deficit that we're facing. And so I just-- I don't feel that the bill adequately shares where these funds are going to be allocated consistently and so I'm, I'm hoping that the, the Fiscal department can come up with a revised version that clearly indicates where and how it's allocated and so that, that is one thing that really troubles me because it is an increase in revenue and I, I believe Senator Sorrentino's comments about increasing the General Fund, but maybe it's only by 1 cent and that we should really be more clear in, in how we are directing this additional amount of funds. And, again, I agree with those who have said that, hey, this is a regressive tax. I think we can all move forward on that. It is a regression tax. And we know that smoking kills our fellow Nebraskans and we wish there were alternatives to, to make sure that this doesn't happen. But it is a regressive tax, and, and we know that smoking really harms our fellow Nebraskans. The one thing that I wanted to jump back on, and, and I'll just have a minute or two to talk about this is, like, where are we going with our budget? How are we going to come up with solutions? And I just want to fall back to history, and this morning I handed out to my colleagues what happened to Kansas and how they dealt with their fiscal crisis in 2012 and 2013 and 2014. It was self-inflicted. They did much the same thing that we have done. We've done an accelerated income tax rate reduction. Governor Brownback made a number of excessive business investments, incentivizing businesses and a lot of funding went that way. But they

also talk about the history when Senator Brownback was Governor in, in 2012, 2013. It said, in many ways, Brownback's term has been a perfect experiment in Republican governance. Take a crusading conservative Governor, give him a Legislature with Republican supermajorities so he can do pretty much whatever he wants, and let him implement the rights' wish list. The result was supposed to be a nirvana of economic growth and budgetary stability, but the opposite happened. This sounds a little bit like what we're going through in the state of Nebraska. I can't help but point out the correlation. The disastrous results of Brownback's economic and fiscal policies demonstrates that it's one thing for your average Republican to go around saying things like cutting taxes raises revenue, even if nearly every economist agrees that that idea is absurd. Council of Economic Advisers under George W. Bush famously called the purveyors of this idea charlatans and cranks. In another article that I'll hand out, Forbes magazine, a business magazine, called Cutting Taxes Raises Revenue, Snake Oil. It'll never really be tested, at least not in context where there aren't so many other variables at play that any inconvenient results can be explained away. Republicans know that it's bogus. But they like the way it sounds. After all, who wouldn't love a free lunch? But if you bet a single state's future on the idea, and you have the power to take it to an extreme, you're going farther than anyone in Washington has ever gone. And it has proven to be a failure. Tomorrow, I hope we'll talk about the state of Louisiana. Thank you, Mr. President.

KELLY: Thank you, Senator Raybould. Senator McKinney has a guest under the north balcony. It is an intern of Senator McKinney, Isiah Guzman, who is a state qualifier in the heavyweight for Omaha North. Please stand and be recognized by the Nebraska Legislature. Senator Machaela Cavanaugh, you're recognized to speak.

M. CAVANAUGH: Thank you, Mr. President. Good afternoon, colleagues. I find the, the debate this afternoon and this morning to be interesting and, and fascinating in a lot of ways. I appreciate the whether or not an EV car should be paying some sort of tax. We do actually have a, a fee when you buy an electric vehicle and you go and you register at the DMV. We increased that fee from \$75 to \$150 in the last biennium. And the reason that we increased it by 100% is that it hadn't been increased for so long that it wasn't keeping up parity with the gas tax. And so we do actually keep up that, that use tax and that parity. And the reason, though-- I know Senator Raybould spoke to emissions and things like that, but the infrastructure, the wear and tear on roads is what that money goes towards. And whether you are having an environmental impact with emissions or not, your car is using the

road. And so that's why we ultimately increased, and I was on the Transportation Committee at the time, increased that fee for electrical vehicles. So that's an interesting sort of dichotomy of this whole conversation. It's kind of becoming a philosophical how do you view taxes conversation? And as I said when I spoke this morning, this is sort of an outlier for me because I support increasing the tobacco tax by an amount that impacts smoking rates. However, generally speaking, I don't like to tell people what to do with their bodies. So trying to regulate a behavior through taxes is not necessarily something I'm usually in favor of. And the only reason that I'm in favor of it here is because the, the data analysis from the Cancer Society over the years has shown that this significantly, positively impacts health outcomes in low-income and minority populations, and that's my goal. Additionally, if we are going to have this tax, which is a regressive tax, if we're going to have it, it needs to benefit the people impacted by it. And, yes, a lot of people who smoke are also on Medicaid. So putting it towards Medicaid does make sense in one way to me. I recognize and also feel the concerns about creating a new cash fund to put it into that can easily be taken out and put towards property taxes. I have seen it happening, I don't even-- I've lost track of how many cash funds we've done it to over the last 2 years. And so I would much prefer it go into the Health Care Cash Fund, which is a little bit harder for us to take from. We usually do it through legislation, bills introduced and proposed, that is a funding source. So I would hope to see, and maybe we will see, an amendment coming either on General File or maybe even on Select File that shifts it from a newly created cash fund to the Health Care Cash Fund. For me that takes a lot of my concern over the stability away. Also, the idea of increasing this by \$1 is to decrease smoking rates. And if we're decreasing smoking rates, that is going to be an unreliable income revenue stream because that means that our revenue on the tax will also decrease over time, which is another reason to put it in the Health Care Cash Fund instead of a newly created fund because the Health Care Cash Fund is a more sustainable funding source. I mean, it is right now. We have done a little bit of damage to it of late. But for now, it is a sustainable funding source much more so than a, a, a tax revenue stream that we know is going to decrease over time. So I stand in support of LB1124. I think if there was a motion to bracket to another day, I'd be OK with that if it meant that the bill came back up. But I do think that there's an opportunity to work on a lot of the issues that have been brought up today. I don't know that we'll get everybody on board, but I think we can make people feel a little bit more comfortable about where we're

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at with this bill if we consider protecting the, the funds a little bit more. I could talk to you about the history of the 64 cents and how that is distributed all day long if you like. I can also talk to you about the fiscal note and explain the General Fund offset if people are so inclined. I can nerd out on this bill like nobody's business, but I'm not going to take the time unless people want me to, so feel free to ask me to yield to questions about it. Happy to, but that's it for me. Thank you.

KELLY: Thank you, Senator Cavanaugh. Senator Holdcroft, you're recognized to speak.

HOLDCROFT: Question.

KELLY: The question's been called. Do I see five hands? I do. The question is, shall debate cease? All those in favor vote aye; all those opposed vote nay. There's been a request to place the house under call. The question is, shall the house go under call? All those in favor vote aye; all those opposed vote nay. Record, Mr. Clerk.

CLERK: 20 ayes, 0 nays to place the house under call.

KELLY: The house is under call. Senators, please record your presence. All senators outside the Chamber, please return and record your presence. All unauthorized personnel, please leave the floor. The house is under call. Senators Guereca, Andersen, and Jacobson, please return to the Chamber and record your presence. The house is under call. All unexcused members are present. The question is, shall debate cease? A vote was underway. Senator Holdcroft, will you accept call-ins? Mr. Clerk.

CLERK: Senator von Gillern voting yes. Senator Hardin voting yes. Senator Andersen voting yes. Senator Meyer, Fred Meyer voting yes. Senator Brandt voting yes. Senator Guereca voting no. Senator Dorn voting yes. Senator Ibach voting yes. Senator Jacobson voting yes.

KELLY: Record, Mr. Clerk.

CLERK: 26 ayes, 6 nays to cease debate, Mr President.

KELLY: Debate does cease. Senator Conrad, you're recognized to close.

CONRAD: Thank you, Mr.-- colleagues, good afternoon, again. Appreciate the robust debate that we've had on this measure thus far on this very first and, remind you, serious motion. I know in recent years, these

preliminary motions, these procedural motions, have generally been viewed as only a tool to extend debate. But they, they are valuable in that regard. Don't get me wrong. But they actually have purpose in parliamentary procedure. And by taking a serious vote on a, a very first vote on this measure through this motion, I think it will send a very, very clear signal about where this body is, where members are on this important topic. And it can help us to decide as a body and demonstrate to the Speaker and other stakeholders that we don't need to burn 8 hours on this if the votes aren't there to break a filibuster. And the outcome of this vote will, of course, allow for continued conversation, will, of course, allow for continued negotiation. But we need to be clear about what these votes mean. A green vote means, for my friends on the right, I meant it when I said it, no new taxes. A green vote on this IPP means, for my friends on the left, I meant it when I said it, I'm not going to balance the budget on the backs of the poor. And if you think it's hyperbole, it's not. 55% of the tax revenue from this measure will come from individuals with household incomes of less than \$50,000. Those Nebraskans making less than \$35,000 a year for their whole household income are picking up the bulk of this tax, 33% of them. Those that make from 35 to 50K a year for their whole household annual income pick up the next 22% of this huge 156% tax hike. And those who make between 50 and 75K for their whole family household annual income would pick up the other 17%. 70% of Nebraskans who make less than \$75,000 a year are the ones footing the bill on this measure. And there's no way around that. And it doesn't make sense from either a health or a fiscal perspective. If you go and you look at the revenues derived from cigarette tax, you will see they are in precipitous decline on the state and federal level for good reasons. Public health and education engagement and cessation has proven effective to bring down the rates of smoking in adults and young people significantly. These revenues are on precipitous decline, and when you compare and contrast and juxtapose the precipitous decrease in cigarette tax with the ballooning cost of health care spending and Medicaid and CHIP expenses and increases, you can see plainly on its face that this makes no sense from a fiscal perspective. It is smoke and mirrors. It is a trick to try and plug a hole in a budget that was primarily not caused by the folks who are now asked to be the primary solution. As Medicaid expenditures continue to grow, this precipitous declining revenue source that is completely regressive cannot keep pace to match that growth, is not a thoughtful, dedicated revenue source for this purpose. And I've heard people talk about the user fee analogy, and it is not present nor appropriate nor relevant here, because we're not

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treating Big Macs the same way. We're not treating alcohol the same. We're not treating any other substance that has health impacts the same way. We're only singling out what low-income Nebraskans utilize to balance the budget and to match a in opposite declining revenue source with skyrocketing health care considerations. A green vote says I meant it when I said it, no new taxes.

KELLY: That's your time, Senator.

CONRAD: Thank you, Mr. President.

KELLY: Thank you, Senator Conrad. Senators, the question is the motion to indefinitely postpone. All of those in favor vote aye; all those opposed vote nay. Record, Mr. Clerk.

CLERK: 13 ayes, 24 nays, Mr. President, on the motion to indefinitely postpone.

KELLY: The motion is not adopted. I raise the call. Senator Lippincott would like to recognize a guest under the north balcony, JoDee Hayes of Lincoln. Please stand and be recognized by the Nebraska Legislature. Senator von Gillern, you're recognized to open on the committee amendment.

von GILLERN: Thank you, Mr. President. You caught me by surprise there. I was ready a couple hours ago. Good afternoon, colleagues, and good afternoon, Nebraskans. I rise to open on Revenue Committee AM2253 to Senator Sorrentino's LB1124. The bill as amended was advanced from the Revenue Committee with 7 yes votes and no opposition. The underlying LB1124 amends statute 77-2602 to state legislative findings about costs of smoking to health in Nebraska, estimated at \$120 million in annual Medicaid costs alone. In the committee's eyes, this justifies Senator Sorrentino's proposal to increase the cigarette tax by \$1 as of July of this year in order to help cover Medicaid costs. As in the underlying bill, AM2253 will see 97 cents of the total \$1.64 per pack tax directed to this purpose. The AM simply adds specificity by creating the Medicaid Expense Offset Cash Fund to be administered by the Department of Health and Human Services and used to cover state expenses incurred pursuant to the Medical Assistance Act. The committee AM also incorporates Senator Hughes's LB712 to streamline taxation on the electronic nicotine delivery systems like vapes and e-cigarettes and increase the overall tax on these products from 10 to 30%. The original bill proposed a 40% tax, but the committee settled on 30% as a reasonable compromise. Senator Hughes will speak more

fully to that on her original bill shortly. To conclude, I want to draw the body's attention to the fiscal consequences of the bill. From LB1124, as amended, we can expect nearly \$45 million in annual revenue to help offset Medicaid expenses and approximately \$8 million in new General Fund revenues. With that, I ask for your green vote to adopt AM2253 and advance LB1124 to Select File. Doing so will benefit the physical health of our state. And I'd like to yield the remainder of my time to Senator Hughes. Thank you, Mr. President.

KELLY: Thank you, Senator von Gillern. Senator Hughes, 7 minutes, 53 seconds.

HUGHES: Thank you, Mr. President. Thank you. Senator von Gillern. I wanted to talk about my part of this committee amendment, which is from LB712 that was introduced last year in 2025. And what it does is it replaces our bifurcated excise tax on vaping products. When I came to this body at the beginning of my, my-- when I started 3 years ago, 3.5 years ago. I realized I came from being on school board and, and how kids were vaping now more than smoking cigarettes and there was no excise tax and it was-- didn't seem right to me that you're treating a nicotine product like vaping differently than you do tobacco products because they both have nicotine. So I got here, didn't even have a computer, my legislative aide didn't have a computer and we were given some paperwork, oh, put this in, it's an excise tax, you know, from tobacco company. They won't, they won't fight it. Well, we ended up putting in a bifurcated system. And what that means is it's two-fold. So it's all vapor device vaping. And if you're under 5 milliliter-- or sorry, 3 milliliter, it's 5 cents a milliliter. And if it's over that amount of vape fluid, it's 10% wholesale. So same type of product vaping and you're treating it differently. And my bad on me, I just didn't have time to do the research and stuff. I would have not supported something like that. It should be the same. So what LB712 does is it would set the tax rate on all vaping, gets rid of the two-fold system, and would have done a 40%. After speaking with the vapor industry and some different things we decided to come back and we switched it, this AM2020-- AM2253 lowers it to 30% from 40%. And the, the vapor industry, those retailers like that wholesale percent better. And in my opinion you're also streamlining it for the Department of Revenue when they go collect these taxes at the wholesale level. You're not trying to do one kind of tax on a certain size and a different tax on another. It's just all the same, so streamlines it. One milliliter of vaping liquid is equivalent to nicotine about a pack of cigarettes. So right now today, we're taxing, right now today, we're taxing one milliliter of vaping liquid at 5

cents. And today we tax a pack of cigarettes at 64 cents. That's the disparity. We're never going to be perfect on parity because vaping has different amounts of nicotine in it, and it's-- you know, you can't compare exactly. But that is really far off. If we do what this amendment does, so the 30% wholesale, one milliliter would now be taxed around 79 cents instead of 5 cents. Again, like I said, cigarettes which have about the same amount of nicotine is at 64. And with the other part of this bill, which is adding \$1 to the pack, it would be at, it would be at \$1.64. I have provided a handout to everybody from the Tax Foundation showing every state's taxing rate for vaping products. And there are 33 states that do tax vape. And the average is about \$5.90 to device or 82 cents per milliliter. Of the states that due a straight up wholesale percent, the average is 56%. So 30% is way less than that. And I think it can be very reasonable. There is studies out that show that every 10% increase in price of nicotine or tobacco products, and you can talk to the American Cancer Society, youth usage drops by nearly 7%. According to the FDA, in 2024, 6% of youth vape nationally. The DHHS Youth Tobacco Survey puts Nebraska youth rate at about 10%, which is nearly double the national average. So if this increase-- one, we're getting rid of that bifurcated system which is in my opinion not the right way to tax vaping. We shouldn't have a carve out for items that are less than that-- the, the 3 milliliter size. It should just be the same. That's parity just in that world. So that's the, the 30%. And if we can even get some usage down with this, then I think that is also a good thing. So thank you, Mr. President, and I'll key back in for some other information that I have.

KELLY: Thank you, Senator Hughes. Senator Clouse would like to recognize some guests in the north balcony from Leadership Kearney. Please stand and be recognized by your Nebraska Legislature. Mr. Clerk.

ASSISTANT CLERK: Thank you, Mr. President. Transportation and Telecommunications Committee will have an executive session at 3 p.m. under the south balcony. Transportation and Telecommunications at 3 p.m. Urban Affairs Committee will hold an executive session at 3 p.m. in Room 2022. That's Urban Affairs Committee, Room 2022 at 3 p.m. And the Education Committee will hold an executive session at 3 p.m. in Room 1202. Education Committee, Room 1202 at 3 p.m. That's all I have, Mr. President.

KELLY: Thank you, Mr. Clerk. Returning to the queue, Senator Clements, you're recognized to speak.

CLEMENTS: Thank you, Mr. President. I stand in favor of AM2253 and LB1124. I wanted to go through some numbers with you. Appreciated the handout that was sent around today about the current state cigarette tax on all 50 states. And currently there are 42 states that are higher than Nebraska and only 7 that are lower. Nebraska is number 43 out of 50, as far as the lowest rates go. And several of those lower rates are states which produce tobacco, so I would imagine they're favorable to the industry. But we're currently 43rd. As I was looking at the amendment, the proposal of \$1.64, there would still be 28 states higher than Nebraska and 21 lower than Nebraska. So that would move us from 43rd to 29th. We'll still be in the lower half of taxes on tobacco. And the, the map that they sent out showed it can be up to \$5.35 as the top. There's a number of \$3, a number in the \$2 ranges. And we're at \$1.64, so below average. And so I think it's a reasonable proposal. Also, I really like sending the revenues to a Medicaid fund to offset Medicaid expenses. If this bill passes, we would then amend the budget to reduce the Medicaid spending. So it's going to reduce state spending on Medicaid and be a savings in the budget. And so I believe this is common sense, and I support AM2253 and LB1124. Thank you, Mr. President.

KELLY: Thank you, Senator Clements. Senator Storer, you're recognized to speak.

STORER: Thank you, Mr. President, and good afternoon. I've been, I've been pretty clear where I'm at on, on this from the beginning. I've been very transparent with Senator Sorrentino. I was one of those senators that early on back in November made it very clear where I was on increases in taxes and yet some people are still surprised. I find that fascinating. But a couple of things that I've heard that I just want to, I just want to address. So it's been said that the best way to pay for something is for those who use it to pay for it. So conceptually that's, that's, I think, was intended that, you know, for those using tobacco products they're the ones that should pay the tax. However, I just want to make what I think is a pretty clear point. It's-- there's been a lot of talk about this is wonderful that it's going to put a lot of these increased-- the increased revenue on this increased tobacco tax to help pay for Medicaid. Now I think there's no argument, I don't-- I haven't heard argument, I don't think there is any argument, the statistics are pretty clear, that proportionally the larger percent of smokers are low income, that's just the way it is. Statistics reveal that. Ironically, Medicaid is for low income. So it doesn't make any sense to me that we're going to increase the tax on a product that is statistically higher, higher use by low-income

individuals to help fund Medicaid which they need to access because they're low income. I'm just going to let that sit there for a minute. And if somebody has something that they want to jump on the mic and help clarify that for me. But we're asking for low-income people to pay a proportionally higher amount of the funds to fund the Medicaid program, which is needed for low-income people. OK, that does not make sense to me. The other thing that's been talked about is that there is a certainty somehow that increasing this tax is going to lower the rate of use. And I don't think anybody's going to argue that smoking's not good for you. We'd like to see society continue to move away from that. And, ironically, we have. We have moved away from it. In Nebraska, since 2019, there's been a reduced rate of smokers indicated by the reduced revenue that we see coming into the state in tobacco taxes to the tune of about \$15 million, if my math is right, since 2019. But guess what, guess what that's not a result of, that's not a result of increasing the taxes. So we've seen reduced rate with the same tax rate. We are seeing reduced rates of smoking, and it's not because we increased taxes. The other fact that I thought was kind of fascinating, given the fact that I represent 11 counties that are all very rural, is ironically there is, and this isn't really great news, but there is a higher percent of rural residents that smoke versus urban. I've been talking too much today. 19.2% rural, 14.2-- 14.4% urban. So this would be proportionally higher in my district. And the last thing I want to address is that we are-- we, we hear-- I've heard these comparisons of our tobacco taxes compared to other states. And I'm shaking my head once again that why are we, why are we-- why is this a race to the top to who can have the highest taxes? I'm a conservative socially, fiscally, pretty much all the way around. And high taxes are not something I ever brag about. In fact, we look across the board and we're all trying to figure out, you know, we're lowering our income tax, we're trying to figuring out how to lower property tax, we want to get rid of inheritance tax, but we want to brag about-- but, but we're ashamed of being low tax on this specific product. Come on, we got to be consistent with our principles. We're either striving to be low tax, period, or we don't care. But we can't be talking out of both sides of our mouth. If we're conservatives, then we're looking to be a low-tax state across the board. So trying-- I've seen this with-- and my time is up.

KELLY: That's your time, Senator.

STORER: Thank you.

KELLY: Thank you, Senator Storer. Mr. Clerk.

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CLERK: Mr. President, Senator Conrad would move to bracket the bill with MO486.

KELLY: Senator Conrad, you're recognized to open on the motion.

CONRAD: Thank you, Mr. President. Thank you, colleagues. That was an interesting vote and it I think is perhaps indicative of the fact that we do have a, even though highly tested and under duress in many ways, we're still working in both spirit and intent to have a nonpartisan Unicameral Nebraska Legislature. And, personally, I think that's when politics is the most interesting and the most powerful. When you have people coming together across the political spectrum, perhaps for different reasons, legitimate philosophical reasons that align with their values, yet you have the same result. And I think that's interesting and I think that's powerful. And when you go and you look at the vote on the IPP motion from a few moments ago, you can see that there is a great level of distrust with this proposal. There is no clear through line, urban, rural, conservative, progressive, moderate. The vote's all over the map. And it's and it's not a slam dunk to move forward. So I think it needs to fall off the agenda. And folks who are interested in this issue can continue to talk about it, they can fix the fiscal note, they can address the guardrails in terms of the allocation of the revenues if need be, or they can also get serious about finding other revenue sources that aren't primarily born at the tune of 70% by those with the lowest incomes that are not wholly responsible for the budgetary crisis that is self-created by this Governor and this Legislature, mind you. We have a lot of time left in the short session to turn our attention and focus to budget and to related revenue issues. There's a lot of negotiations left to happen. I understand that the budget is perhaps coming to the floor unbalanced, and more work will have to be done. So there's no reason to rush forward with this measure at this time. People can continue to talk about it, they can continue to work on it, but there's no reason to rush it forward. And the last vote shows it should fall off the agenda. And the discussions can continue, but there's no reason to waste time and energy trying to sort it out on the mic. And if a good faith compromise or consensus can't be made writ large in terms of revenue and taxation and budget that doesn't primarily soak the poor, I'm happy to keep fighting for as long as it takes. I'm unconcerned about the amount of time left. If people want to burn 8 hours and 4 hours and 2 hours on massive tax increases that saddle the poor, I'm happy to take that time and I'm happy to do it along with colleagues who have a very different political philosophy than my own. And I'm grateful that Senator Storm and Senator Strommen and Senator Storer

and others have stepped forward to share their perspective and their principled approach to this issue. And this is not new or different than anything that we've seen in the Nebraska Legislature. In fact, it is exactly how we operate in the Nebraska Legislature. There is nobody out there whipping votes for a partisan. Each senator is casting a vote according to the dictates of their conscience and the needs of their district. And just like Governor Pillen's massive tax increases in regards to sales taxes that would have hit the poor and seniors the hardest, that were fought by a bipartisan geographically diverse coalition of senators over the last many years pushing back on those massive tax hikes, the same principles hold true here. We've already taken these votes, colleagues, together over the past couple of years. Sometimes they were paired with different aspects of sales tax, sometimes they were on their own. But the principles and the issues remain the same. We shouldn't be balancing the budget on the backs of those who can least afford it, particularly amid an affordability crisis. And if we're going to have a principled approach in terms of taxation you have to be willing to stick by those principles even when it's tough. And I commend and admire my colleagues from the right who are doing that today. And each time a senator takes a principled vote and uses independent judgment and discretion, it makes this institution stronger. Where we hash it out between ourselves, where we figure out what's best for our districts in the state, and where we don't take marching orders from the corner office or any other branch of government or any other hired gun. We figure out how to strike the right balance in tax policy, in budget policy. The hallmark theme from this Legislature thus far this year and in recent years has been really targeting the working poor. And if this is one place where we can draw the line to not add another burden, an inequitable burden, an unsustainable burden to paper over the fiscal recklessness, then we'll take it. We'll find this common ground, we'll find this consensus and we'll hold on it, and maybe we build on it. But in the term limits era, now more than ever, we need to be able to talk about, to deliberate, and to vote our principles and our conscience, and find out where that, that balance lies for our citizens and for our state. And there's glimpses of that present in this debate today. And I think that's powerful, and I think that's cool, and I think it's something that we can build on together to ensure other aspects of good policy that don't solely benefit moneyed interests, that don't solely fall along party lines, but show us willing to do the hard work and take a strong stand in support of the principles that we ran on. Thank you, Mr. President.

KELLY: Thank you, Senator Conrad. Senator Fredrickson, you're recognized to speak.

FREDRICKSON: Thank you, Mr. President. Good morning, or good morning, jeez-- good afternoon, colleagues, and good afternoon, Nebraskans. So I've been in the queue for a little bit, and I just now had the opportunity to get up and speak on this measure. I, I-- I'm genuinely torn here, to be honest. I've been listening to the debate. I've had conversation with Senator Sorrentino. I've had conversations with Senator Hughes, as well as folks in the Rotunda. And we did have a vote a little bit ago on the motion to indefinitely postpone. And I decided to support that IPP motion for the time being, but I still remain a bit undecided as to where I'm going to land on the actual underlying bill. And I wanted to just get up here and just share a little more about my thinking here and sort of where I'm, where I'm finding myself feeling torn. So, you know, in, in general, I do-- I, I can get behind the idea of increasing tax on tobacco products with the intention and knowledge knowing that that tax is going to fund specifically health care and possibly treatment measures for individuals. In other words, if there is a larger public good, if there's a larger or a compelling public health argument to be made, that's something that I can certainly potentially support. I, I, I thought about this frequently. There's a lot of talk about regressive taxes versus progressive taxes, etcetera, etcetera, and, you know, perhaps for the introducer's benefit, I happen to be married to a Canadian. And Canadians are sort of the-- Canadians are known for, for taxes on things like tobacco, booze, gambling, cannabis, etcetera. They tax them actually pretty, pretty significantly in Canada. And that is how the country funds and provides their universal health care system is primarily or, or largely funded through these specific taxes. So that's certainly something that kind of informs my, my thinking around this. Now that said, I fully understand that that's a bit apples and oranges because we don't have that kind of a system here or at least not a health care system like that here in, in Nebraska. So I do support the money going towards health care causes. But I still have heartburn with that, and I'll be frank, part of the reason I am still on the fence with this is that I feel like I don't, I don't really have a lot of trust in this process. I feel like we have been burned a lot with a lot of these cash funds. I've had a lot of conversations with colleagues about this idea of when we sweep these cash funds like we've done in the last few years, that, that is a very-- that's a strong erosion of the ability to trust the process. And that's an interesting feeling for me to have, to be frank, because

typically this is something that I could really support, but I don't know or I don't trust that we, as a Legislature, are not going to go into that cash fund, say this is for health care, this is for this reason, and we're not going to just come back and sweep that for some other purpose. And that's a direct consequence of some of the decisions we've made as a legislative body these last few years. So I'm going to continue to listen to the debate, I'm going to continue to have conversation with, with colleagues about this, but that, that-- that's kind of where I'm finding myself feeling really stuck right now, is that on the one hand I can-- I support the spirit and the intent of, of this going towards health care, but at the same time I don't know that I fully trust that that's what's going to actually be happening here. Thank you, Mr. President.

KELLY: Thank you, Senator Fredrickson. Senator Guereca, you're recognized to speak.

GUERECA: Thank you, Mr. President. I do continue to rise in opposition to LB1124 and in support of MO486, the bracket motion, until the 17th of April, 2026. You know, proponents of this measure talk about trying to change health outcomes, and, you know, like, like so many other of, of my colleagues, I have a lack of trust of, of diverting these excise tax funds to a new cash fund that-- and this is not a judgment on the introducer of a bill, but when history has shown year after year after a year that these cash funds just get swept into the General Fund almost exclusively for the sake of filling a hole in our budget caused by income and corporate tax cuts, oftentimes with the express purpose of providing property tax relief for the richest Nebraskans, well, you know, again, I, I have concerns with that. You know, why, why are we sending \$8 million to the General Fund? If we're so concerned about health outcomes, why isn't that money going to further education? But, you know, let's call it what it is. And what it is, is a sweetheart deal for the richest Nebraskans borne on the back of working-class Nebraskans and our young people. Again and again and again, this body introduces policy that are hostile to everyday Nebraskans. Again and again, this body introduces policies that are hostile to young Nebraskans and hostile in the way that it explicitly targets them. It just does. There's no way to argue it. When you focus an excise tax on an activity that is almost exclusively participated in by a certain population, that is a targeted tax, colleagues, period. So-- and I'm not saying this is what's going to stop brain drain, but when it's bill after bill targeting young Nebraskans, targeting working Nebraskan, oftentimes I could say it's in the benefit of the largest corporations and richest Nebraskas, and that's exactly what's going on

here. And I love how sometimes, and oftentimes, these policies actually increase tax revenue for our neighboring states. Atchison County, Missouri, population 5,682 sold-- this was in the 12-month period before January 2026, so in year 2025, Atchison County, Missouri with a population of 5,682 people sold 1,200,000 packs of cigarettes. That is a neighboring county on the very northwestern tip of Missouri. 5,600 people, 1.2 million cigarettes. In Nemaha County, just on the other side of the river, population 7,200 sold a whopping 21,000 cigarettes. Now is it that the residents of Atchison County, Missouri really got a hankering for cigarettes or that the good pious people of Nemaha County completely abstain from smoking? No, colleagues. I'll bet you all the dollars in my pocket. It's because they're going to get a better tax deal in Missouri. And if we raise our tobacco taxes higher than all of our neighbors, we are going to be driving tax revenue, specifically with vape, to Kansas, to South Dakota, to Iowa, and to Missouri. So, again, I'm all for making sure that we have a balanced budget, but let's not balance this budget on the back of working people, on the back of young people, and let's try to keep our tax dollars--

KELLY: That's your time, Senator.

GUERECA: --in the state. Thank you, Mr. President.

KELLY: Thank you, Senator Guereca. Senator Rountree, you're recognized to speak. Senator Machaela Cavanaugh, you're recognized to speak. Senator Ballard, you're recognized to speak.

BALLARD: Thank you, Mr. President. I rise in opposition to the committee amendment AM2253. I want to thank Senator Hughes. I, I was in opposition to this last year as well, but I'm convinced that we are-- this is a significant tax increase from a 10% to a 30%. And simply it is just a tax increase, colleagues. So it's, it's raising taxes higher than neighboring states as, as senators that previously spoke said that we are driving consumers to other states on a less harmful product than cigarettes, that we are looking at a significant tax increase and harming small businesses. I've heard many times today that this is about big tobacco, big tobacco and this is my first time talking, colleagues, but this is harming our small grocery stores, our gas stations, mom-and-pop shops that are selling these products and are going to see this tax increase and pass it on to consumers. So I just want to get up and articulate my opposition, and AM2253, and I believe if, if adopted, I will fall off LB1124 and not support that measure. Thank you, Mr. President.

KELLY: Thank you, Senator Ballard. Senator Hughes, you're recognized to speak.

HUGHES: Sorry, I was in exec. OK, thank you, Mr. President. I was just going to talk a little bit about our neighbor, Iowa state. They actually have legislation right now looking at their cigarette and vaping taxes. Not voted out of-- or it's a bill that Governor Reynolds over there is supporting, that right now Iowa does not tax vape products at all. And they are actually looking at a 15% retail tax, which, if you kind of do the math, is about, like, a 30% wholesale. And so if that would go through, then we would be equivalent with Iowa on the vaping side. We always hear about border bleed with Iowa because the bulk of Nebraska's population is very much on our eastern side and so the majority live very close to Iowa and so that is a concern that you hear a lot is that border bleed that if we, for example, are higher than Iowa people easily can drive into Iowa and buy different products there if the-- if that excise tax is extremely different. The other piece, right now, Iowa is \$1.36, I believe, maybe it's \$1.34 on a pack of cigarettes. And they are actually looking at increasing that to \$2.01. So if that bill, in their legislative body, if that makes traction, in effect, they would actually be higher than us, assuming the cigarette tax goes to \$1.64 here for Nebraska. I also wanted to just mention a little bit about what China is doing. I'm, I'm kind of more in the vape-- vaping world, maybe than the cigarette part, but what China is doing on vapes and, and why does it matter? 95% of vaping products used globally are actually made in China. China has more than 300 million smokers, and that's nearly the population of the entire United States. Vaping use has exploded in China, and their government feared they'd have to deal with the health effects of what another generation of nicotine-addicted citizens would do to its economic and social health. And the best estimates we've found is that China now has about 3.5 million regular vape users. By comparison, in the United States, which has 2.5 million middle and high schoolers vaping on a regular basis. And how did China, you know, stem this tide? As of November 1, 2022, all flavors of vape, other than those that are flavored like tobacco, are banned for sale within China. Chinese companies can make them and export them to other countries, but they cannot use those products themselves. Since November 1, 2022, all e-cigarettes and, and vaping devices in China are subject to a consumption tax, and they are subject to a 36% ad valorem tax rate at production and another 11% tax on wholesale. Since the 11% wholesale tax in China is on top of that 36% production, China effectively has a 51% tax on vape. Nebraska, with passage of LB1296 in 2024, banned

online delivery sales of vaping products. And, interestingly, China has banned online sales of vaping products since 2019. China is more than willing to produce vapes and sell them on the global market. They're really especially fine with exporting them to the United States, which is by far the largest vaping market on the planet, with more than triple the number of users as the two countries in second place, China and the UK. China has made protecting its citizens, especially young people, a priority over the profit that could be gained from opening up their market to more domestically vaping. So we're talking about China here, and if you think that China thought vaping, vaping to be a safe alternative to smoking and considering the huge numbers that smoke there, then they would incent their smokers to switch to vape. So it's a little suspect, I think, that China knows what's going on with these products, maybe they know something that we don't, so. Thank you, Mr. President.

KELLY: Thank you, Senator Hughes. Senator Dungan, you're recognized to speak.

DUNGAN: Thank you, Mr. President. I always like when Senator Hughes speaks before me because we share mic so we can just shuffle around here. I do stand currently, probably still in favor of the motion to bracket based on the conversation we've been having and some of the concerns that have been raised. But I did want to get up and speak at least a little bit briefly about the amendment specifically as Senator Hughes was just commenting as it does pertain much more to vaping than to cigarettes. Senator Hughes has obviously been working very hard to, you know, address some of the issues with regards to vaping as they particularly impact youth and we've had a number of really good conversations over the few years that we've been here about that. Certainly, I agree that we want to make sure that, you know, kids and youth aren't using these things and I think that she's worked hard along with others to ensure that that's not something we have here in Nebraska and that we encourage the good actors in the industry to continue to act in a way that is responsible and encourages public health while balancing that with supporting an industry that is providing jobs and money into the economy. So it's always kind of a balancing act we have to strike with that conversation. I appreciate Senator Hughes did agree, it sounds like in this amendment, to come down to 30% from the original proposed 40%, and that was a part of some conversations that had happened over the last year. I know many were involved in those talks so I can't claim credit for that, but I also know that it's something that Senator Hughes and I had spoken about. So I do appreciate her willingness to work on that issue in a

way that is at least trying to take into account some of the concerns of businesses and small businesses. That being said, obviously being attached to LB1124, I still have concerns with the, the fund that it goes to, as has been discussed at great length now, and also part of the regressivity of that tax. And it's that that I wanted to focus on here for just a couple of minutes while we clearly have some time to talk. And I know people are kind of shuffling about and doing different things. But as a member of the Revenue Committee, we talk often about regressivity and progressivity of taxes. And I think it's always an interesting conversation to have because you do kind of get into the philosophical mindset of what is the, the right way to tax a state or a country? What is the wrong way? Do we think that our current tax system is moral? And you kind of get different layers of that conversation that I think are really fascinating because I can kind of nerd out about this stuff. But what I always kind of like to deviate to and talk about are, are definitionally what it means for a tax to be regressive and progressive. And I think that there are obviously a number of feelings that get wrapped up in whether you're, you're saying a tax is progressive or regressive. And so I like to peel back the layers on that and just make sure that we're all operating under what I think those definitions truly mean. The accounting definition I know of regressivity versus progressivity has to do with whether or not the tax has a disproportionate impact on an individual's income, who's lower income, and, and that's really what makes it regressive. So to put that another way, a flat tax, a sales tax that affects everybody the same regardless of their income, is a regressive tax. And let me be clear, I'm not saying that that is good or bad, I'm not ascribing or prescribing to that any moral notion of its positive or negative but definitionally a sales tax that is flat that is applied across the entire population the same is a regressive tax. The reason for that is it has a disproportionately large impact on somebody's pocketbook if they have less money. So to put that in some round numbers, if you have \$10,000 in your pocket and I tax you \$1, that has that impact on your overall pocketbook versus if you had \$1 million in your pocket and I tax you \$1, that is a lower impact or a lower proportion of your total income. So when you're talking about a sales tax or an excise tax, they are definitionally regressive because they impact you more if you have less income. Again, I think some people get defensive when we say that because they think we're trying to say it's good or bad. That's not what we're saying, but it is an inherently regressive tax as opposed to an income tax that has graduated brackets based on how much money you make. That is what makes those progressive. And so when we're talking about this tax,

let's be clear, it is a regressive tax. And somebody can still support that based on the hoped health outcomes that may or may not come from that, but it is disproportionately impacting lower income Nebraskans, both based on the population of people that we know statistically speaking are nicotine and tobacco users, and also based on just the inherent nature of the tax having that disproportionate impact. So I like to talk about these things. I know they make people kind of glaze over in their eyes sometimes, but I think it's worth talking about, because a lot of times in this body, people will start to say, oh, well, this isn't regressive because, and they go into a policy--

KELLY: That's your time, Senator.

DUNGAN: --conversation, this is different. Thank you, Mr. President.

KELLY: Thank you, Senator Dungan. Senator Raybould, you're recognized to speak.

RAYBOULD: Thank you, Mr. President. Thank you, colleagues. And, Senator Dungan, if you think you're going to make people glaze over, wait till I start talking about numbers. OK, so this has really troubled me about this bill. And I couldn't quite get my arms around it. I kept saying to Senator Sorrentino, the language in the amendment and the bill itself doesn't add up to the fiscal note. And I keep going back to that. And it, it dawned on me a couple of things: Number one, Senator Sorrentino provided us information, so we're doing this big, huge tax increase, but if you look at what he provided on the actual distribution of those funds, in fiscal year 2024, about \$16.5 million went to the General Fund. In fiscal year '25, about \$15.7 million went to the General Fund. What is completely missing from this bill is the intentionality to help people quit smoking. Now, I must agree that there is some validity on the price point when you increase it high enough so that people are pinched on their income level, but that's not what this bill is doing. If we are so concerned about people quitting smoking, why is there no intention here or earmarking funds specifically to help those individuals quit smoking. That is a big glaring oversight in this bill. The other question I had and I asked Senator Sorrentino, why in that increase of \$1, why is 3 cents going towards general funds? And he said, oh, it's, you know, for administrative purposes. Well, this is, this is a very simple thing, but why are they getting, you know, 3 cents approximately translates into an additional \$3.4 million to the general funds. And, of course, they have additional funding going to Nebraska Health Care Cash Fund, but with no designated support for those individuals who really want

to actually quit smoking. And then my eureka moment, it dawned on me. Here's what it dawned on me, I had the fortune to listen to a webinar with the National Conference of State Legislatures, that's a wonderful think tank for all state legislators. And we had a summary and review of what impacts, fiscal impacts are going to be happening to states with the passage of the one big beautiful bill. And here is what is going to be happening in our state of Nebraska principally in the year 2027, but we in the state of Nebraska have already committed to implementing some of these programs by May 1 in our fiscal year of 2026. So here's a quick summary: The one big beautiful bill shifts greater fiscal and administrative responsibilities to the states. And in our budget deficit, the question is, OK, how are we going to pay for it? Are we going to actually have all this implemented by the May 1 start date? Administrative cost changes affect fiscal year '27 budgets. And we're talking about penalties that get shifted to the state's error penalties that they have to pay for nonconformance. And then they talk about the potential benefit cost exposure beginning in fiscal year '28-- 2028, and it varies based on the errors that the state makes. And it also talks about the implementation requirements. I haven't seen or heard that in some of the, the bills that have been presented to appropriations. But, you know, even to get us up and running on the implementation date of May 1, 2026, it's going to necessitate additional systems, programming, staffing, operational, particularly on some of the work requirements that we're implementing. Who's going to monitor this? Who's going to have oversight of this? Who's to have accountability on this? And then several states, and I've looked at what the states are doing to help implement with the SNAP benefits, that how much are they funding in advance to be able to handle these administrative charges? And it's amazing, they are already earmarking funds. I have not seen the state of Nebraska do that. And then it dawned on me, the state of Nebraska needs this money. They need the \$3.7 million, not only to help with our budget deficit, but to help offset some of the cost. And then I kept saying, we need to have the fiscal note mirror exactly where this money and funding is going. And, again, the question is, why does the General Fund get so much of this cost increase on individuals who smoke that can least afford it? Thank you, Mr. President.

KELLY: Thank you, Senator Raybould. Senator Strommen, you're recognized to speak.

STROMMEN: Thank you, Mr. President. Thought I'd just talk a little bit more about conservatism and our core principles as conservatives at its core. Conservatism rests on a few enduring commitments, limited

government, individual responsibility, fiscal discipline, free markets, respect for the working family, and sales tax increases conflict with each of those. Let's go over limited government. Conservatives believe government should be restrained, focused, efficient. When revenue falls short, our instinct should not be to grow the government's share of the economy. It should be to ask hard questions about priorities and spending. Raising the sales tax expands the government's claim on every private transaction. It increases the state's footprint in daily life, not through regulation, but through extraction. Every time a family buys clothes, repairs a tractor, replaces a water heater, fills a shopping cart, government takes a larger portion, and that is not a neutral act. It is a decision to enlarge government's reach into private commerce, and conservatives should be wary of that. Fiscal discipline, true fiscal conservatism demands that we live within our means. When families face budget pressure, they do not simply vote themselves a higher paycheck, they adjust their priorities. They cut back where necessary. Government should be held to the same standard. If we respond to every funding challenge with a tax increase, we eliminate the incentive to reform. We signal that spending growth will always be matched by revenue growth. That's not discipline. That is dependency on taxation. And I think that that's really what we need to be paying attention to here, is that we are not becoming dependent on taxation, so. Thank you, Mr. President.

KELLY: Thank you, Senator Strommen. Senator Guereca, you're recognized to speak.

GUERECA: Thank you, Mr. President. Colleagues, again, nothing's changed. I'm still in opposition to LB1124, as well as the committee amendment and in support of the motion to bracket until the 17th of April, 2026. Like several of my colleagues before me, definitely the fiscal note was a big red flag so to speak, the large share of the increase going to the General Fund, the money going into this new cash fund, cash funds being notorious for being swept into the General Fund. And I, I think one of the parts I really take offense to, colleagues, is, and I've spoken to this, is the, the undertone that we need to tax these smokers because they don't know any better and they're costing us money and that really to me it carries a-- and I'm not saying it's on purpose, but these are fully grown adults. Fully grown adults that have put in a hard day's work on the line, that spent all day in the blistering cold and blistering heat of our Nebraska landscape building our roads, building our buildings, that put in a hard day's work on the ranch, feeding the country. And it's

on these Nebraskans that we're saying we know better than you. One of my colleagues who was a proponent of the bill talked about the nine different warning labels. These are grown adults, they know what they're doing. And to so poignantly direct these taxes at-- this tax increase at them, it, it left a bad taste in my mouth. And I, I had to say something. I dislike these sort of social engineering bills that carry the connotation that us as elected officials know better than you so-- and you cannot be trusted to do what's best for yourself. So we're just going to come and, and do it for you. Don't worry about it. But especially when-- like I've said so many times before, and so many of my colleagues across the ideological spectrum have said, we are propping up a budgetary shortfall that is going to balloon to \$874 million. We're going to nickel and dime working-class Nebraskans and young people. I have to think there's a better way. And I do know a better way, like has been stated so many times in the halls of this building and on the mic that the real way we're going to fill and mitigate this budget deficit is a nonstarter. And that's to at least pause the income tax for high-earning Nebraskans and pause the sweetheart corporate tax cuts. But, no, we can't do that. So let's come in, tax working Nebraskans, tax young Nebraskans, say we're going to use that money to offset the terrible, terrible harm they're doing to our state, but then throw \$8 million into a General Fund. But then we're going to create a separate cash fund that history has shown will inevitably be swept into the General Fund. That's-- to me, colleagues, that's bad policy, and that's policy that I just not-- cannot get behind. Thank you, Madam President.

DeBOER: Thank you, Senator Guereca. Senator Conrad, you're recognized. Senator Rountree, you're recognized.

ROUNTREE: Good afternoon and thank you, Madam President. Good afternoon, colleagues and all of those that are joining us online this afternoon. I'm rising-- I'm in favor of the motion to bracket until 4-17-2026 as we get deeper and do more work on this bill. I have listened intently to all of the conversation and all the discussion that has gone on talking about taxes and especially here-- this, this surcharge here or taxes on cigarettes raising this price. When I was in basic training in 1980, I started smoking to go to the smoke pit so I could get out of formation on break. And I smoked-- cigarettes cost \$1 a pack during that day. And sometimes I would spend my last dollar, 7 days till payday, and I had no money. But I would spend \$1, last dollar, to buy a pack of cigarettes. But a change came in my life and I met the wonderful love of my life who said, you know, you're always going to smoke at least one cigarette a day. Well, that touched my

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manhood. And I said I can quit. And I quit when she spoke those words. And I never smoked another cigarette. Didn't even put it up to smell it or feel it. But I quit. So we're talking today about charging and taxing those who are using or smoking the cigarettes and not putting this fee on those who don't smoke. And I thought about that. I said, well, we pay taxes. A lot of times I hear some of the consternation down in my district, they say, really, we don't have any kids in school, so why do we still have to pay taxes that are going to fund the schools? Maybe a valid, invalid argument. Well, I still, I'm one of those that have a landline. Most people have gotten rid of those, but I normally keep that. I keep it for the church and keep it for us. And I've questioned some of the taxes or charges and fees that are on that. So I went back and looked at my bill and just wanted to state to those who say only tax those who are going to be using it. Well, I have a landline. So I see a charge for the federal Universal Service Fund, USF, states this is a Federal Communications Commission program managed by the Universal Service Administrative Company that ensures affordable telecommunications and broadband access for rural areas, low-income households, schools, libraries, and rural health providers. Well, I live in Bellevue, so I'm not out in the rural area. I've learned more in this Unicameral about the rural and urban divide. But they're charging me \$4.88 a month for this particular fee to make sure that we got broadband access in the rural areas where I don't live. They also charge a state Universal Service Fund. This surcharge helps keep local service rates affordable for all residents of the state, subsidizes specialized telecommunications programs, and provides discounts for low-income families. Well, they haven't discounted my bill. I may qualify for a low-income family, but I don't get a discount here, but it's supposed to provide for that. It's kind of spread across the board. And then, lastly, I looked at this other charge that is a telecommunications relay service, and I know Madam Chair and Madam President works on that particular commission, so knows what I'm talking about. This allows persons who are deaf, hard of hearing, deaf-blind, or have speech disabilities to communicate by telephone in a manner that is functionally equivalent to telephone services used by persons without such disabilities. Under Title IV of the Americans with Disabilities Act as amended, the Federal Communications Commission must ensure the provision of TRS. TRS is available in all 50 states, the District of Columbia, Puerto Rico and all other U.S. territories for long-- local distance, long distance and international calls. And so I state that today, I see my time is running out, to say that I'm paying for things that I'm not ever going to use. I've never had an opportunity to call 911. It's there if I

need it, but I've never called 911 and I've never used some of the other services that I am paying for. So I want to say that the statement that has been made to me doesn't hold water, that we only charge those who are using it, but sometimes fees are spread across the totality of the population. So with that, Madam President--

DeBOER: Time, Senator.

ROUNTREE: --Madam Chair, thank you so much.

DeBOER: Thank you, Senator Rountree. Senator Machaela Cavanaugh, you're recognized.

M. CAVANAUGH: Thank you, Madam President. OK, so one of the issues that we've been discussing this afternoon about this bill is the cash fund, putting it into a cash fund and, and then it being swept. So I introduced LB772 this year, and it actually strikes all of the language that we have put into a statute that allows the transfer from different cash funds to the General Fund. Now it's not going to go anywhere because if we did that then we wouldn't be able to balance the budget, not that it's balanced now, but we really wouldn't be able to balance the budget because we're taking all this money from cash funds. I have another bill that requires all agencies to do an evaluation annually on cash funds and fees that they are charging to see if there's extra money sitting in these cash funds, then were probably overcharging, which maybe leads to the point that a lot of people are making on the tobacco tax and whether or not we should be charging what we're charging. I'm very mindful, and I've been listening very intently to what everyone has been saying on this bill today. And, and here's some of the other issues that I have. And it's-- I'm not going to be on the same side as my colleagues that oppose the tobacco tax itself, I'm just not. But the, but the revenue portion of it is where I'm really struggling. And we've talked about this several times, the offset of general funds, that's a concern. I'm also concerned that this is the first tax bill that we're debating. The very first tax build that we're debating is, by everyone's account, a regressive tax. And so we are actually trying to balance the budget, as has been stated many times today, on the backs of the working poor in Nebraska. And that is problematic to me, because, for me, increasing the tobacco tax is about health outcomes, it's not about revenue. And that's the only reason I feel we should be doing it. And, and the bill, as it is right now, the driving force, the reason that it even got out of committee for the first time in a decade, the reason it's getting debated is because of the revenue that

it generates, and that it offsets General Fund expenditures. So if this bill were enacted, I know some people have looked at the fiscal note, and they're a little bit confused about it. So according to the fiscal note, it would generate, I think it was \$42 million a year. So there's, like, General Fund expenditures, that's negative \$42 million. And then there's a revenue increase of \$42 million for the General Fund. So what that means is that if this were to pass, the General Fund appropriation for Medicaid costs would be reduced by \$42 million. And this cash fund would be created, and Medicaid costs up to the cash-- the amount, the revenue amount estimated to be \$42 million would be paid out of that cash fund. OK. So, literally, it is offsetting General Fund appropriation. That is a hard pill to swallow, I think, for most of us because, again, we're doing it on the backs of the working poor. But the use and who's smoking and those conversations, I, I get it across the board. I really appreciated the Universal Service Fund conversation and we shouldn't tax the poor to balance the budget. And that, I think, is the point that is being made today. And that is what causes me a great deal of pause. And even though I have signed on to be a cosponsor of this bill, it causes me a great deal of pause to think that we are balancing the budget on the backs of our poorest members of the state. And I would like us to maybe move on from this bill and come back to it after we've visited the other four P's, a pause in income tax, property tax, the prison, Perkins Canal. There are other opportunities that we have to balance this budget before we do this. I would much rather see us--

DeBOER: Time, Senator.

M. CAVANAUGH: --do this. Thank you, Madam President.

DeBOER: Thank you, Senator Machaela Cavanaugh. Senator Brandt, you're recognized.

BRANDT: Thank you, Madam President. I was intrigued when Senator Guereca started giving us some figures about Missouri. Senator Guereca, would you be able to answer a question?

DeBOER: Senator Guereca, would you yield?

GUERECA: I will.

BRANDT: So you were talking about Atchison County, Missouri. Is that correct?

GUERECA: That's correct, Senator.

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BRANDT: And so basically we're talking about Rockport, Missouri.

GUERECA: I would have to look at a map, but sure, I'll take your word for it.

BRANDT: OK. I mean, when you see the billboards in Omaha that said the closest marijuana is there, that's what they're talking about. I think it's the largest marijuana store in Missouri, probably next to the largest fireworks store in Missouri, and I would guess it's probably the largest cigarette store in Missouri. They, they have been living off Nebraska for a long time, and that's really close to my district. So what do you think of this idea? Missouri cigarette tax is 17 cents. It's in their constitution. If Nebraska dropped their tax to 16 cents and put it in the constitution, we would be lower than Missouri and everybody would come here to buy cigarettes. What do you think about that?

GUERECA: I think that's a great way to drive up revenue and isn't shipping tax dollars across state borders.

BRANDT: And then that helps our working poor also to afford cigarettes.

GUERECA: I think it does not put an unproportional strain on working Nebraskans and it will help drive up revenue in the state which we desperately need.

BRANDT: So I've talked to the Clerk. We as a body can still do a CA. Would you be willing to work with me on a CA to make Nebraska's cigarette tax 16 cents? All we have to do I think is find 30 cosponsors.

GUERECA: I would love to have that conversation with you and our colleagues, Senator.

BRANDT: Thank you, Senator Guereca. Is Senator Machaela Cavanaugh in the house? Would Senator Cavanaugh be available for a question?

DeBOER: Senator Machaela Cavanaugh, will you yield?

M. CAVANAUGH: Absolutely.

BRANDT: Senator Cavanaugh, you, you-- I kind of like what you did with the four P's, but one of them was property tax. Can you tell me what your proposal is on property taxes?

M. CAVANAUGH: Oh, well, property tax is a tax that we don't levy at the state level. We have two tier property tax fund, and I believe yourself and Senator Hughes have been working on a bill that shifts that property tax fund to do more with the TEEOSA algorithm so that we are, instead of just reimbursing people in this state with property taxes, we are instead lowering their actual property taxes bill by funding education at a higher level. Is that accurate?

BRANDT: Well, not exactly. But I guess--

M. CAVANAUGH: Well, you can clarify, it's your time.

BRANDT: Yeah. What Senator Hughes would have done is repurpose Tier 2, possibly Tier 1, and give all of the tax credits we currently give to all the people that own homes and ag land and businesses in the state and give it directly to the schools. The effect would be the same if the schools never raised their budget. Does that--

M. CAVANAUGH: Yeah,--

BRANDT: OK.

M. CAVANAUGH: --essentially doing it in a more straightforward way because we currently do it, it's kind of gobbledygook.

BRANDT: But you're not really opposed to property tax relief going to the homeowners in your district, are you?

M. CAVANAUGH: No, not at all. I just would like it to be more straightforward.

BRANDT: It's pretty straightforward right now. Thank you, Senator Cavanaugh.

M. CAVANAUGH: You're welcome.

BRANDT: So, yes, if anybody here would like to work on a CA to make Nebraska the cheapest cigarette tax in the nation, come see me. Thank you.

DeBOER: Thank you, Senator Brandt. Senator Raybould, you're recognized.

RAYBOULD: Thank you, Madam President. I enjoyed that conversation tremendously. So thank you all. The one thing that Senator Cavanaugh

mentioned and that I still raise red flags on is that if you look at the fiscal note for LB1124, it shows an increase in Nebraska Health Care Cash Fund. Right now, that looks to be about \$15.7 million based on the cigarette tax distribution summary provided by Senator Sorrentino. So it goes from \$15.7 million up to \$43 million that goes into the General Fund. Again, that is a big red flag. I have mentioned before that it dawned on me, OK, we're going to be dealing with administrative costs and error rate responsibilities for implementing SNAP, implementing staffing technology and systems improvements that are quite expensive. I can just run through what some of the states are anticipating spending: Georgia is planning on \$5.9 million on administrative costs, the error rate responsibility; New Hampshire, \$4.4; South Dakota, \$5.5; Wyoming \$850,000. And then the staffing technology required to implement some of the changes, \$3.2 million; Georgia, \$12 million; Ohio, \$10.5 million. And as it goes on, I mean, these are extended costs that we're, we're going to be facing this year if we're going to hit that May 1 deadline. So, again, I'm questioning, that is a lot of money now going into the General Fund that can be swept and used for whatever purpose we need to do and, of course, one of the big purposes facing us is a tremendous budget deficit. Now I want to go back to another topic that I really like talking about is what's the matter with Kansas and, and what happened to Kansas and I'll just go over it again. So Governor Brownback did something that a lot of conservatives feel very strongly about. In 2012 and 2013, Brownback and the conservative Republicans in the Legislature cut income taxes twice, eliminated taxes on corporate profits that are passed through to individuals, we've done that as well, making it the only state that does this, but we have done that as well. And since the Republicans made changes to the tax code that had the effect of raising taxes on the poor. And the Center on Budget and Policy Priorities has a good explanation on this. But the Governor said his goal was to eventually eliminate the income tax completely. And I've heard that same thought coming out of the Revenue Committee. So exactly what happened? Well, not surprising, there were-- Kansas revenues plummeted. No surprise there. They had cuts to schools, cuts to higher education, cuts to libraries, cuts to local health centers, sounds very familiar. Kansas job growth and income growth are lagging in the nations, and this was back in 2012, 2013. We've heard it from the consultants that have come to our state of Nebraska telling us very clearly that you cannot cut your way to prosperity. That is not a legitimate solution. And, then, you know, there was a-- if that wasn't bad enough to a very conservative Governor, there was a, a revolt. Over 100 of his Republican colleagues actually endorsed the Democratic

candidate running against him. So we can look at this in a big context and small context. So the larger context, it showed a revolt of moderate Republicans, which is that the Kansas Republican Party has been in, in a state of unending civil war between its social conservative and its more moderate business conservatives for the last couple of decades. Even though it was decades ago, and what is remarkable is that that battle still continues, but that in an extremely conservative state, there are still moderate Republicans left to fight. So the whole story and I guess the takeaway is I just don't want us to fall in the same trap that the state of Kansas has found themselves into where they had to really claw their way back to prosperity, which, no surprise, there were income tax rate increases. There was probably sales tax increases. But I think one thing that we can all agree on that tax cuts do not generate revenue. No matter how you would like to sugarcoat it or wrap it up and spin it, it doesn't work. Thank you, Madam President.

DeBOER: Time, Senator. Thank you, Senator Raybould. Senator Guereca, you're recognized and this is your third opportunity.

GUERECA: Thank you, Madam President. I'm going to let my colleagues clear out around me. Well, an interesting conversation that I had with Senator Brandt a little earlier. I wonder what the, the fiscal note on a CA like that would look like. Lowest cigarette taxes in, in, in this country, that-- I bet that would have a big positive tax implication for the state, so I look forward to having that conversation with Senator Brandt and drafting that constitutional amendment. But, yeah, now, these, these Atchison county numbers, they-- they're eye-popping. And just to, to recap: Nemaha County on our side of the border, 7,248, 21,000 cigarettes; Atchison County, Missouri on the other side of the river, 5,682 people, 1.2 million. Again, it could be that the residents of Atchison County just have that great of an affinity for cigarettes, but if that were the case, they would be smoking 1,335% more cigarettes per person than in Douglas County, Nebraska. Yeah, we're sending our tax dollars across the border. If we look at vape out of the, the surrounding states, Colorado is the only state that has a higher vape tax than us, currently, currently. [INAUDIBLE] that on the backs of young people. That means South Dakota, Iowa, Missouri, and Kansas will all have lower vape. I've been getting emails from constituents and Nebraskans all across the state. And what they said was, \$1-- and some of these folks have quit smoking already. But I had one gentleman who said I smoked from 16, I think, until the time he was in his mid-30s. He hasn't smoked in 30 years. But he said that, you know, \$1 would not have stopped him from smoking because he

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absolutely would have made the drive across the border. And if we think our young people at Chadron State, at Wayne State, at Peru State, our young people at Kearney, at Omaha, and at Lincoln are going to get in their cars, drive across and stock up on vapes-- and, colleagues, they're going to stock up on, on cheap vapes. Because see, here in the state of Nebraska, what Senator Hughes passed a few years ago was, was a registry to keep out cheap Chinese vapes, to keep them out of the hands of our young Nebraskans. If we so raise the taxes that it's going to drive our young people to go across the border to save a couple bucks, but in return they're going to bring over these cheap Chinese vapes that we already passed legislation to get rid of and it seems counterproductive to me. But, nevertheless, I'll keep banging on the talking points of it just feels wrong to fill a-- was it 800-- \$874,113,032 hole in our budget. And what's even more terrifying than the size of that hole, colleagues, is that for fiscal year '28-29, we're only going to have \$446 million in the reserve. That means even if we put every single cent we have in our rainy day fund towards filling that hole in our budget, we will not be able to. And who-- what we're going to do is we're going to target poor people. We're going to target the disabled community. We're going to target schools, like history has shown, over and over and again. And it's going to be working Nebraskans and the poorest Nebraskan's that are going to pay the brunt of the backlash of us slashing corporate taxes, and slashing taxes for the richest among us, and giving sweetheart deals to the largest landowners. Thank you, Madam President.

DeBOER: Thank you, Senator Guereca. Mr. Clerk, for some items.

CLERK: Thank you, Madam President. Your Committee on Enrollment and Review reports LB771 as correctly engrossed and placed on Final Reading. Additionally, your Committee on Enrolment and Review reports LB948, LB1237, LB894, LB839, and LB1001A, LB1127A to Select File, some having E&R amendments. Your Committee on Government, Military, and Veterans Affairs, chaired by Senator Sanders, reports LB596 to General File with committee amendments, as well as LB1058 with committee amendments. Your Committee on Banking, Commerce, and Insurance, chaired by Senator Jacobson, reports LB768 to General File, as well as LB950 and LB1063, all having committee amendments. Amendments to be printed from Senator Hallstrom to LB1139; Senator Lonowski, LB596; Senator Hansen, LB927 [SIC--LB972]; Senator Hallstrom, LB1124; Senator DeBoer, LB985; Senator Kauth, LB874 [SIC--LB847]; Senator Clouse, LB1235. That's all I have at this time, Madam President.

DeBOER: Thank you, Mr. Clerk. Senator Fredrickson, you're recognized.

FREDRICKSON: Thank you, Madam President. So I spoke a little bit earlier about my feeling a bit torn about the bill. And I, I spoke a little bit about sort of the idea of revenue going towards health, health outcomes, excuse me, as opposed to revenue for the state. And that certainly is my priority to make sure that if we are going to be increasing fees as a result, or taxes, I should say, as a result of cigarette use, that this should be used for the purposes of health outcomes. And so I actually did have a couple questions from a budgetary perspective. I don't know if Senator Clements might be open to yielding to a question or two?

DeBOER: Senator Clements, will you yield?

CLEMENTS: Yes.

FREDRICKSON: Thank you, Senator Clements, and I apologize that I haven't had the opportunity to touch base with you about this before, but so I was just rereading the bill and it talks about it's the intent of the Legislature that, at least for Senator Sorrentino's part of the bill, the intent in the Legislature is for the funds to be used for Medicaid purposes. And Senator Sorrentino and I were also talking about kind of like the risk of, of cash sweeps in situations like this, and I, I just wanted to kind of get your perspective on that a little bit is do you think with that intent language, is that more of a guardrail on these funds staying with health care purposes, or can you maybe share your thoughts on that?

CLEMENTS: Yes, the committee would have to-- the Legislature would have to spend it differently, but it's like an earmark saying that we really want it to be spent for Medicaid expenses. And what we would-- my proposal would be to have an amendment to the budget to reduce the spending, Medicaid spending, and to have the funds to be spent from that new fund.

FREDRICKSON: OK. So if, so if this bill does pass, your intent is to then reduce Medicaid-- General Fund appropriation to Medicaid?

CLEMENTS: Yes.

FREDRICKSON: OK. Is it by the amount that we-- I guess, it-- do you know by what amount?

CLEMENTS: Yes, an equal offset of the amount.

FREDRICKSON: OK. Are there any other health care funds that are impacted if this does pass or that you anticipate would be impacted?

CLEMENTS: No.

FREDRICKSON: OK, just the Medicaid appropriation.

CLEMENTS: This would be isolated by itself.

FREDRICKSON: OK. All right, thank you, Senator Clements. OK, so that's, that's, that's helpful information. I mean, I think it sort of also kind of goes back to my concern earlier that I was talking about with risk of sweeps. But I also-- I mean, that's new information for me to kind of consider as well as this idea that if we do pass this, then our General Fund appropriation towards Medicaid will likely decrease. And so that is something to also consider. I mean, obviously whenever we have a tax or sales tax specifically in this case, that, that, that can fluctuate. So we might have a prediction about how much that's going to be any given year but it's possible that, again, if the goal, and this is a public health goal and that we reduce smoking as a result of this then those funds would be less coming into the state and if we are reducing our General Fund appropriation for Medicaid and we have less funds coming in as a result of less smoking that might be a bigger gap in our Medicaid budget as well. So all important things that are kind of definitely in the weeds here, but I, I think certainly relevant and, and important to consider when debating this legislation, so. Thank you, Madam President.

DeBOER: Thank you, Senator Fredrickson. Senator Machaela Cavanaugh, you're recognized.

M. CAVANAUGH: Thank you, Madam President. I got back in the queue. I think this is my third time. Maybe it's not. I don't know. Lost track. Oh, it's not. Great. But I'm not going to go a third time, I got back in the queue because I was saying something at the end and then I-- my time was up. So what I was saying is that what I would like to see is for this bill to maybe be passed over for the time being and come back to it after we have moved other tax revenue bills because I think that the underwriting current here and concern is balancing the budget on the backs of working Nebraskans. And while I still support increasing the tobacco tax by \$1, I, I share the concerns about where those monies are going and how they're being allocated and protected. And I think that if we were much closer to a balanced budget and we could show the rest of the body that, that has that concern, that we're not

intentionally balancing the budget on the backs of working Nebraskans, but, instead, we are, we are using this as an avenue to improve health outcomes. It would be smoother waters. So that was why I got back in the queue. Thank you, Mr. President.

KELLY: Thank you, Senator Cavanaugh. Senator Hunt, you're recognized to speak.

HUNT: Thank you, Mr. President. I just had a couple thoughts from my last time on the mic that I wanted to finish up before we move on. And we had an executive session, and so I feel like I've been out of the convo for a few hours here, but the principle guiding my vote on all things like this, and I mentioned earlier that this isn't really necessarily a passion topic for me, it's one that I can kind of see both sides, but if-- you know, at the end of the day when you're the one who has your finger over the red button or the green button I'm going to be a no because I just oppose regressive tax increases. I just always will. When we raise revenue in a way that falls hardest on the lowest income Nebraskans, I think that no matter how well-intentioned the purpose is, that's just not something that aligns with my values, honestly, and so it's, it's going to be a no for me. I will never support using disproportionately low-income Nebraskans to raise revenue, and I never will. And if this Legislature believes that we need additional revenue or that we need to do things to help public health, then I think that there are other places where that could come from. I think we could prioritize high-income earners. We could look at some of the corporate tax incentives and tax breaks that we've done over the last several years. We could look at capital income. That's something that we haven't touched. And I think that at that point, we can have an actually honest conversation about wealth and ability to pay, whereas LB1124 is, I think, a little moralizing and it's sort of a low-hanging, easy fix that's actually something very superficial that doesn't address the problem at all. Everybody is talking about this in the news. It's just true. We are in an affordability crisis. I was listening to the radio this morning, and they were talking about tariffs and how the Supreme Court overturned a lot of the Trump tariffs from last year. And they were interviewing a small business owner who owns a tea shop in South Carolina or something like that. And the interviewer was asking her, OK, well, now that these tariffs are going away, do you think that you'll be able to lower your prices for customers? And her answer was one I really relate to. She said no, because, first of all, there are still tariffs, and coming from some countries they're even higher than they were before. And, second of all, the cost of living is just too high. Everything is so much more

expensive. Rent is high, groceries are high, gas is higher than ever. Are you kidding me now? And our response today is to increase a consumption tax that falls hardest on working-class Nebraskans. So if your philosophy is that taking care of public health justifies any revenue mechanism, then say that. But I know that you don't believe that, those of you who are supporting LB1124, because that's not reflected in your other votes. But my philosophy is clear and consistent that we should not raise taxes on people who are struggling while protecting those at the top. Tobacco use is not evenly distributed across our society. It's concentrated among people with lower incomes, lower educational attainment, higher rates of mental health challenges, higher exposure to stress and trauma. A lot of the smokers I know are in this building actually and they don't smoke unless we're in session and then they got to go have a cigarette. It's, it's connected to stress. And when we increase a per-pack tax, we're not taxing wealth, we're not taxing capital gains, we're not taxing that type of thing, we're not taxing corporate profits. We're taxing consumption, and consumption taxes are regressive by design, and especially this one. And I've heard the arguments that higher prices discourage smoking, that reducing smoking reduces Medicaid costs. And it's true that smoking is harmful and that prevention matters. But if this were truly a public health transformation bill, we would be having a much broader conversation about cessation programs, expanding behavioral health services, addressing addiction as a public health issue, which we've tried to do many times and failed, investing in prevention infrastructure, working on those issues that reduce the stress for Nebraskans, like paid family leave, like minimum wage, so on and so forth. Instead, all we're saying is make it more expensive to get through your day, particularly if you're a lower income person. We're effectively asking the same low-income population that disproportionately relies on Medicaid to finance it through a consumption tax. We're just shifting the cost to the poor again as we do all the time. If we believe that Medicaid--

KELLY: That's your time, Senator.

HUNT: Thank you, Mr. President.

KELLY: Thank you, Senator Hunt. Seeing no one else in the queue, Senator Conrad, you're recognized to close.

CONRAD: Thank you, Mr. President. I'll go ahead and withdraw that motion and move to the committee amendment. Thank you.

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Rough Draft

KELLY: So ordered. Mr. Clerk.

CLERK: I have nothing further at this time, Mr. President.

KELLY: Senator von Gillern, you're recognized to close on the committee amendment. There's been a request to place the house under call. The question is, shall the house be placed under call? All those in favor vote aye; all those opposed vote nay. Record, Mr. Clerk.

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

KELLY: The house is under call. Senators, please record your presence. All unauthorized-- or all unexcused senators outside the Chamber, please return and record your presence. All unauthorized personnel, please leave the floor. The house is under call. Senator von Gillern, you're recognized to continue the close.

von GILLERN: Thank you, Mr. President. Again, I ask for your green vote. I'm not going to rehash everything. We've had a lot of conversation about this. I ask you for your green vote on AM2253 and then eventually on LB1124. Thank you, Mr. President.

KELLY: Thank you, Senator von Gillern. Senator Guereca, please return to the Chamber and record your presence. The house is under call. All unexcused members are present. The question is the adoption of AM2253. All those in favor vote aye; all those opposed vote nay. Record, Mr. Clerk.

CLERK: 29 ayes, 9 nays on adoption of the committee amendment, Mr. President.

KELLY: The amendment is adopted. Mr. Clerk. Raise the call.

CLERK: Mr. President, Senator Conrad would move to recommit the bill to the Revenue Committee with M0487.

KELLY: Senator Conrad, you're recognized to open.

CONRAD: Thank you, Mr. President. Good afternoon, colleagues, and we are getting close to adjournment on our first full day of debate during the 2026 session. So I think it is very clarifying to have that vote on the committee amendment, which I think actually makes a bad bill worse. So it marries together a significant increase in basically, like, vape products with a huge tax hike on cigarettes. And I, I-- again, these are regressive. The purported health goals that

have been part of this debate are actually not present in the language or not present in the fiscal note. My friend Senator Fredrickson had a really clear exchange about what's going on with the shell game in these slush funds in regards to the budget. This measure is not going to increase access to health care for anyone. This measure is not going to stop deep cuts in the health care safety net for anyone. This is about jacking up regressive taxes to move the numbers around and try and fill budget gaps. If people want to advance sound public health perspectives, which I think we all share and all agree with, they could do that either through a tighter, more targeted, specific earmark like Senator Cavanaugh has proposed in the past, which is not what's present in this bill or the committee amendment we just adopted. They could do that by additional investments in public health, in prevention, in education, in cessation, in treatment and recovery, which we have made investments in and are good, and are more effective at addressing the actual public health concerns that go along with nicotine use and we don't have to guess about this. We actually have significant experiences and studies and research from our sister states, from the federal government, from other nations, they're grappling with the same public policy challenges. And what they have seen is that when you take a more holistic approach to addressing behavioral health and public health considerations, instead of imposing punitive regressive taxes, you actually achieve the outcome more effectively. You actually see a reduction in improved health, health outcomes with prevention in programs and services and support. A regressive tax hike doesn't have the same sort of effective approach at advancing the public health component. And it definitely doesn't in this proposal. The other thing that I think is really confusing about the committee amendment and, colleagues, I know we all have to in some ways have short memories in here because we're dealing with a lot of complex issues and a lot moving parts every day, but-- so sometimes it can be hard to remember what we've done over the last couple of years together, but when it comes to taxes on nicotine products and vapes, we've literally seen multiple significant increases on these regressive taxes, like literally over the last 2 years. Maybe even just last year we had another increase in a bill that Senator Hughes brought forward. So what's the plan here, folks? Are you pushing-- is it every year? Are you coming forward with a plan every year to increase taxes on vapes and nicotine products and cigarettes? Where does it stop? What's the end game? How is this new or different than what you've adopted last year or the year before? Those kinds of serious questions deserve responses, and I hope they

can be inserted into the record as we work towards adjournment today or perhaps carry into tomorrow. Thank you, Mr. President.

KELLY: Thank you, Senator Conrad. Senator Guereca, you're recognized to speak.

GUERECA: Thank you, Mr. President. Colleagues, it's getting dark in here. I forgot about how dark it gets in these Chambers when sunlight isn't shining. I do continue to rise in opposition to LB1124, certainly with the amendment, with the addition of the committee amendment, which included the, the vape portion, which targets our, our young Nebraskans. Got a crazy idea, how about instead of passing targeted excise taxes at our hardest working and our youngest Nebraskans, we instead grow the base? Promote policies that increase investment in Nebraska, that drive new companies to come and invest in our great state to take advantage of our great workforce. I appreciate every year, the Nebraska State Chamber Foundation, and this year it's in collaboration with UNO Center for Public Affairs Research, puts out a little booklet that talks about the state of the economy, the state of the workforce here in Nebraska. So I figured it'd be a good time to flip through it, talk about the state of our population. So population growth in Nebraska is steady but moderate. Our population increased 2.2%, which ranked us 23rd. We need to bump up those number, folks. We think just the Metro's at 50,000 vacant jobs, so we need more people. Domestic migration, it's actually a net loss. So we actually lost Nebraskans to domestic migration. We were ranked 35th nationally. It means 34 other states did a better job of keeping their residents within their borders. Might be a moment of self-reflection, folks. Let's look at the policies we're passing. Let's look at the message we're sending to the Nebraskans that build this state, that feed this country, bills like LB1124 that balance the budget on their backs, because that's exactly what they need. After a hard day's work, they just want to relax. Let's, let's add having to cut their bosses a tax break on their back. Here's a good statistic-- actually, our state, unfortunately, has the-- this is a bad statistic. We are-- we rank 48th nationally in folks in their prime working age. That means there are roughly 48.9% of our population is in prime working-age range between 25 and 64 of the state difference on this measure relatively small Nebraska's low share at small populations and create workforce challenges. And it does, it's a huge challenge when-- like when I was on the campaign trail when I talked to companies, trade associations, labor unions, we need bodies. Of our small workforce that's in their prime labor age, we have high workforce participation. Rank 3rd nationally. That's something that we all know. Nebraskans are

incredibly hardworking. They want to put in an honest day's work, get paid a fair wage, keep a roof over their family's head, be able to put food on the table, and give their families a shot at a better life. And that reflects-- reflected here in the numbers, folks. We have, again, one of the highest rates of full-time employment, ranked 4th nationally. And here's one that I, that I don't like: Nebraska's rate of families where all parents are in the workforce is 8th nationally. Out of the 49 legislative districts in this state, my district has the highest proportion of households where both parents participate in the workforce to be able to give their shot-- their kids a shot at a decent life. So when I see policies like LB1124-- thank you,--

KELLY: That's your time.

GUERECA: --Mr. President.

KELLY: Thank you, Senator Guereca. Senator Andersen, you're recognized to speak.

ANDERSEN: Thank you, Mr. President. I rise in opposition to LB1124 simply on the principle of not taxing my constituents. We need to quit-- we keep putting additional taxes on them, and we have to stop. If you look at the budget, the reason we're having this problem right now is that we're \$125 million in the hole. I would submit that we don't have a revenue problem, like many of you will say, we have a spending problem. And doing-- looking at some quick numbers, if you look at revenue starting in 2000, basically it was \$2.5 billion; 2010, it had gone up 40% and it was \$3.5 billion; by 2020 it was \$5.9 billion, up 68%; and in 2025 it was \$6.95 billion, up another 18%. So over 25 years, yeah, it's a long time, but our revenue was up 278%. If you look at the federal funds that have been brought into the state, because you say, well, you know, one of the things that Governor Pillen talked about was trying to bring in more federal dollars. And, and, actually, to his credit, he has actually done that. If you looked at 2023, it was \$4.8 billion; 2024, it was up 29%, \$6.2 billion. So adding that to the revenue, as well as 2025 is \$7.0 billion, up 13%. So over the 3-year period, we increased revenue brought in from the federal government by 46%. And then you look at the, at the spending side of things, 2023, we spent \$4.0 billion; 2024, 1 year later, \$5.6 billion, up 40%; 2025, \$5.9 billion, up 5%; 2026, projected \$6.0 billion, up 1%. So in simply 3 years, we've increased our spending by 50%. The reality is we can't tax our way out of the problems that we're in, the hole that we have, the financial, the fact that we are upside down and we are so significantly in debt. You can't tax your

way out these things. We have to cut spending. We have to do meaningful tax reform in the state. We need to rightsize our spending. Thank you, Mr. President.

KELLY: Thank you, Senator Andersen. Senator Conrad, you're recognized to speak.

CONRAD: Thank you, Mr. President, and good afternoon, almost good evening, colleagues. Appreciate Senator Andersen sharing his perspective on this measure. There's a couple of points that I just want to make sure to reiterate or reaffirm that have been lifted in the context of this debate thus far. There have been some indications that we need to rush forward with this measure because states like our neighboring sister state of Iowa were looking to make a, a significant jump in regards to their treatment of tobacco tax. And just a quick Google search can show you that while those measures have been proposed, those measures are actually stalled out and have not been moving forward. Additionally, I think it's important to note that, of course, it's not just Iowa that we're looking at in this regard, but, of course, our close proximity to our sister state of Missouri, which has already been discussed quite a few times today, which has the lowest tax rate in, in our region, if not the country, really changes and shifts the dynamic about border bleed and what that means. So number one, we're not completely out of whack with where folks are, including our sister states of Iowa, which it doesn't seem like they're moving to rush forward, even after a similar type of proposal was introduced for a variety of the same policy reasons as we've been discussing today, regardless of what happens in Iowa, which again is on a pause, it seems from news reports that I was able to glean in a Google search, it doesn't change the fact about the proximity to Missouri, nor the rate of taxation in that regard. And this is something that I think is really interesting when we talk about border bleed and we talk about diminishing returns in regards to significant and exorbitant increases in this or perhaps other taxes, is that no matter what side you are on for any particular proposal in terms of adjustments to our revenue laws, opponents of, of those changes usually lift up this kind of mobility argument. If you increase taxes on the wealthy, they'll move out of state. If you increase taxes on the poor through things like this significant cigarette tax increase, they'll just go and buy their product elsewhere in one of our sister states. And it's very interesting and, of course, not completely dispositive across the board, but some of those political arguments and rhetoric actually don't bear out when you look at the research about it. For example, when it comes to taxation for millionaires and

billionaires and high-wealth individuals, the experience of our sister states in recent years shows that the claims about mobility and loss actually were grossly overstated and did not come to fruition. And things like connection to community and family and cultural amenities and identity and otherwise for the most part left high-income households in states subject to higher incomes and wealth taxes like Massachusetts, for example. But conversely or complementary to that, when you look at the research, when it comes to what happens with cross-border bleed and mobility, and particularly when you at the geographic location of a state like Nebraska in proximity to a state like Missouri, you can see that there is actually a pretty significant loss in that regard, and the grocery industry testified about this specifically both with research and with anecdote at the committee level in opposition to this very measure. And there were experiences that the grocery industry brought forward talking about that cross-border bleed when there was a difference in taxation on things like food for example and how it comes into play with matters like this. So I think that it's really-- thank you, Mr. President.

KELLY: Thank you, Senator Conrad. Senator Dungan, you're recognized to speak.

DUNGAN: Thank you, Mr. President. Colleagues, I rise, I believe, in favor, as of right now, of the motion to recommit and still generally opposed to LB1124. I wanted to touch on another part of what we discussed during the committee hearing that I don't think has been talked about a lot right now which was my sort of inquiry of some of the testifiers about what we can do as a state to encourage a reduction in the use of cigarettes that is not a regressive tax that might disproportionately hurt the people that we're talking about. So I've spoken at great length about the regressivity of this tax. I've heard folks across the entire political spectrum express a concern about that. And so I do believe that that is one of the main problems. And so the question then sort of becomes, if not this, then what? What else can we do in an effort to have a healthier community or a healthier society and how can we encourage people to limit or reduce their cigarette use? Because I, I think that's really what a lot of the folks who are in favor of this keep coming back to is they want a, a healthier society. You know, if your only reason for supporting LB1124 is it raises money, I think that's problematic because I think hypothetically this should, if we're going to increase this tax, reduce the use of nicotine or cigarettes or tobacco. And so, hypothetically, this wouldn't be a sustainable revenue source. But if your goal is to have a healthier society, then I think there are other

ways to achieve that. So I asked one of the testifiers during one of the hearings we've had this year in Revenue on nicotine products, what else has been done or can be done in sort of an upstream investment in order to reduce the dependence on cigarettes or nicotine or tobacco? We had a little bit of a conversation in the committee about some of those things, but it sort of triggered my mind to think about what else other states or even countries have done in order to reach lower levels of smoking. One of the examples, colleagues, that gets held out quite a bit in research that I've been able to find is Sweden. Sweden has achieved really low levels of cigarette use, in particular, but it looks like overall tobacco use has gone down over a number of years. And what I found particularly interesting about that from the data that I was able to find is they didn't just achieve that through punitive measures. We often hear about, you know, carrots and sticks, right? How can we punish people into doing what we want versus encourage them to do what we want? And I think if you look at our system of laws, it's oftentimes a combination of those things. We have some carrots, we have some sticks. What it looks like you see when you kind of over the last few decades look at Sweden's policies is that it's not just punishment, it's not just sticks in trying to sort of shame people or tax people into not using cigarettes. What they've done instead is it seems like they've really had a, a countrywide effort to invest in other policies that actually reduce the reliance on cigarettes, in particular, but tobacco overall, by doing things like promoting education, which I know a lot of us obviously have seen in our times in schools here in America, but they've done a really good job, I think, of continuing to do outreach and education from a state level to young folks, in particular, about the dangers of smoking. In addition to that, my understanding is they've actually invested quite a bit of money in specifically smoking cessation aids that are state funded. And so the idea being that Sweden actually helps pay for or distribute various smoking cessation aids in an effort to reduce the reliance on cigarettes or, you know, flammable, combustible tobacco. What I think is interesting, in particular, about that with the bill we're talking about is LB1124 is a tax on cigarettes. But with the committee amendment that's now been adopted, we're also talking about vapes. And if you have a conversation with folks in the vaping industry about the usage of vapes as a smoking cessation tool, it's actually really fascinating to look at some of the numbers and the data about ways that that's been beneficial or helpful for people who otherwise use cigarettes. Obviously, you know, I don't think that personally using any nicotine is probably healthy, but when you're talking about investment in upstream things that

actually benefit folks, harm reduction or harm mitigation, is a true goal with proven outcomes. And so I appreciate that Senator Hughes and her committee amendment or in her bill that was brought in as part of the committee amendment does try to be, I think, at least open to the idea that the vape industry can't be run out of business, but I think we need to continue to be cognizant about what our impacts are of our taxation on some of these alternatives to smoking as well. So I just think that's an interesting point to make, and we might not get a lot more time here today to talk about this, but if this carries over to tomorrow, we can continue a conversation about cessation.

KELLY: That's your time.

DUNGAN: Thank you, Mr. President.

KELLY: Thank you, Senator Dungan. Senator Guereca, you're recognized to speak.

GUERECA: Thank you, Mr. President. That'd be really cool if I was the last one to speak, I got us-- closes out to lunch, so hopefully it closes out for the evening. I want to talk a little more about sort of the state of our economy. Where was I? Ah, yes, LD 7 having the largest percentage of two-parent working households. So, colleagues, that's why I tend to be a little more sensitive when it comes to issues that affect working-class communities because my district is a very embodiment of that. Honest, hardworking, two parents having to work to provide their kid that decent life, that Nebraska dream. So I really enjoyed knocking on doors. I really enjoy having conversations with, with the folks in my district. And, you know, they're not asking for a lot. Let's keep going. All right. Nebraska's density of high-skilled, high-wage jobs. Well, I appreciate the, the Chamber spin shows moderate national competitiveness. All ranked 31st. From 31st in the country, it means there's 30 states above us that have a higher density of high-skilled, high-wage jobs. Maybe we can talk about how we can increase that number, bring in these good paying jobs that'll add to the economy, that'll allow us to offset the \$974 million hole that we have coming down the pike, folks. Our share of manufacturing could be better. We're ranked 22nd. Hey, we're in the top half of manufacturing. We'll take that. We could always use more manufacturing. So our, our share of agriculture, it's a small percentage of our workforce, but it's a mighty percentage and we have the 5th highest share of the agricultural workforce in this country. We have a high concentration of jobs and finance, insurance and real estate. This one's a little concerning. We are ranked in the bottom

half of business establishment, like 30th-- 29th. Maybe we should focus on policy that establishes more businesses. This is the one that always gets me, our investment in research and development across the private and public sector is ranked 34th in the country, 34th. That's disappointing. I know the-- our amazing universities do an amazing job towards research and development, but something we could definitely pick up on. Oh, this one's not great. We are ranked 41st in the country for patents per capita. Maybe we should focus on having an environment that boasts innovation, encourages entrepreneurs and mentors and tinkers to come here. Our math and computer occupations rank 33rd nationally. That's disappointing. Anyway, turning back to, to the matter at hand, like I said, I continue to rise in support of the motion to recommit, just to me it's not policy that I can get behind. It really is telling folks that this is the first revenue bill out of the gate. The very first bill we're going to take up is to fix a budget shortfall created by sweetheart deals with the richest Nebraskans. And instead of looking at policies that are wide-sweeping, policies that drive business and expand the tax base, we're going to pick on our lowest-earning Nebraskans, and we're going to pick on our youngest Nebraskans. Folks, that's bad policy. It's already biting us in the butt. We need, we need bodies. So, again, I'm not saying this is a silver bullet, but, again, it's just something that I have to stand up in opposition because I do truly believe in the state and the potential of Nebraska. I want every person that comes, that works in this state to thrive, to be able to provide their family the good life.

KELLY: That's your time.

GUERECA: Thank you, Mr. President.

KELLY: Thank you, Senator Guereca. Mr. Clerk.

CLERK: Mr. President, some items for the record, your Committee on Nebraska Retirement Systems, chaired by Senator Ballard, reports LB1101 to General File with committee amendments. Additionally, your Committee on Business and Labor, chaired by Senator Kauth, reports LB1133 to General File with committee amendments, and your Committee on Banking, Commerce and Insurance, chaired by Senator Jacobson, reports LB838, LB967 to General File, both having committee amendments. Notice of committee hearings from the Business and Labor Committee. Additionally, amendments to be printed from Senator Sanders to LB972. Single name add: Senator Conrad, name added to LB1032. And a

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priority motion, Senator Raybould would move to adjourn the body until Wednesday, March 4, 2026 at 9:00 a.m.

KELLY: The question is the motion to adjourn. All those in favor say aye. Those opposed say nay. The Legislature is adjourned.