

Transcript Prepared by Clerk of the Legislature Transcribers Office
General Affairs Committee February 9, 2026
Rough Draft

HOLDCROFT: Welcome to the General Affairs Committee. I am Senator Rick Holdcroft, representing Legislative District 36, and I serve as chair of the committee. The committee will take up the bills and nominees in the order posted. This public hearing today is your opportunity to be part of the legislative process and to express your position on the proposed legislation and nominees before us. If you are planning to testify today, please fill out one of the green testifier sheets that are on the table at the back of the room. Be sure to print clearly and fill it out completely. Please move to the front row to be ready to testify. When it is your turn to come forward, give the testifier sheet to the page. If you do not wish to testify but would like to indicate your position on a bill, there are also yellow sign-in sheets back on the table for each bill. These sheets will be included as an exhibit in the official hearing record. When you come up to testify, please speak clearly into the microphone, tell us your name, and spell your first and last name to ensure we get an accurate record. We will begin each bill hearing today with the introducer or nominee's opening statement, followed by proponents of the bill or nominee, then opponents, and finally, by anyone speaking in the neutral capacity. We will finish with a closing statement by the nominee and by the-- or the in-- introducer, if they wish to give one. We will be using a 3-minute light system for all testifiers. When you begin your testimony, the light on the table will be green. Then the yellow light comes on, you-- when the yellow light comes on, you have one minute remaining, and the red light indicates your time is finished. Questions from the committee may follow, which do not count against your time. Also, committee members may come and go during the hearing. This has nothing to do with the importance of the bill or nominee being heard. It is just part of the process, as senators may have bills to introduce in other committees. A few final items to facilitate today's hearing. If you have handouts or copies of your testimony, please bring up at least 12 copies and give them to the page. Please note that thumb drives, CDs, DVDs, oversized documents, books, lists of signatures, and similar items will not be accepted as exhibits for the record. Props, charts, or other visual aids cannot be used, simply because they cannot be transcribed. Please silence or turn off your cell phones. Verbal outbursts or applause are not permitted in the hearing room. Such behavior may be cause for you to be asked to leave the hearing. Finally, committee procedures for all committees state that written position comments on a bill to be introduced in the record must be submitted by 8 a.m. the day of the

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hearing. The only acceptable method of submission is via the Legislature's website at nebraskalegislature.gov. Written position letters will be included in the official hearing record, but only those testifying in person before the committee will be included in the committee statement. You may submit a position comment for the record or testify in person, not both. I will now have the committee members with us today introduce themselves, starting on my left.

ANDERSEN: Good afternoon. I'm Senator Bob Andersen. I represent District 49, which is northwest Sarpy County, in Omaha.

DeKAY: Barry DeKay, representing District 40, which consists of Holt, Knox, Cedar, Antelope County, northern part of Dixon, northern part of Pierce County.

J. CAVANAUGH: Good afternoon, John Cavanaugh, District 9, midtown Omaha.

QUICK: Dan Quick, District 35, Grand Island.

CLOUSE: Stan Clouse, District 37, which is Kearney, Shelton, and Gibbon, in Buffalo County.

ROUNTREE: Victor Rountree, District 3, Bellevue and Papillion.

STORM: Good afternoon. Jared Storm, District 23, Saunders, Butler, Colfax County.

HOLDCROFT: Also, Senator Cavanaugh acts as the vice chair of this committee. Also assisting the committee today to my right is our legal counsel, is Kevin Langevin, and to my far left is our committee clerk, Barb Dorn. Our committee-- our pages for the committee today are Demet and Kyanne, and I'll let them introduce themselves.

DEMET GEDIK: Hi. My name is Demet, and I'm a student at UNL, and I study political science.

KYANNE CASPERSON: And I'm Kyanne. I'm also a student at UNL, and I am studying sociology.

HOLDCROFT: Today's agenda is posted outside the hearing room. With that, we will begin today's hearing with our nominees, and up first is Mr. Coffey. Welcome.

MICHAEL COFFEY: Good afternoon, Mr. Chairman, members of the committee. My name is Judge Michael Coffey, M-i-c-h-a-e-l C-o-f-f-e-y. I am a nominee for the Liquor Control Commission, and I've been asked to appear today to give you a little background regarding myself and my qualifications for this position. I'm a lifelong Omaha resident. I went to Creighton Prep and, and then Regis College in Denver. I was 2 years behind Senator Cavanaugh's father at both places. After graduating from college in 1969, I went into the United States Army in August. I trained at Fort Jackson, South Carolina. I did my basic and my infantry AIT there, in mortars. In February of 1970, I was sent to Vietnam. I served in Vietnam for 13 months and a week. I received a few awards. And one of the things I'm somewhat proud of is that I attained the rank of E5 in 14 months. After grad-- after leaving the Army in the-- March of '69, I started law school at Creighton University that fall. I graduated in May of 1974. I started working doing litigation, insurance defense, defense work for Emil F. Sodoro. After 7 years, 2 other lawyers and I left the firm and started our own firm. We continued to do much of the same work. In August of 1998, then-Governor Ben Nelson appointed me to the district court bench in Omaha, Nebraska. The district court handles all felonies, any civil cases over approximately \$51,000 in value, divorces, appeals from the county court. We are also responsible for handling our own dockets, which in Omaha at that time was approximately 900 new filings per year, 500 active cases per month. In doing that job, I had to make decisions, apply the law to facts, do sentencings, find-- make findings of guilt or not guilty, very similar to the quasi-judicial work of the Liquor Control Commission, in that we have to have-- hear appeals, we have to sentence, in effect, penalize, we have to find-- where individuals request a hearing, we have to find whether they're guilty or not guilty. So-- and that'll be the same with the Medical Marijuana Commission, once it's up and running as far as enforcement and penalties and things like that. So those are my qualifications. I retired in June of 2023 after 25 years. As far as my familiarity with the liquor business, my father was president of Western Wine and Liquor in Omaha, Nebraska for 25, 30 years. That was a wholesale firm back in those days. I worked there for 4 or 5 years, doing everything from filling orders, loading and unload-- loading trucks, and making deliveries. My wife also had an ownership interest in the Omaha Wine Company in Omaha. She no longer has that interest, but that made me somewhat familiar with the retail side of it, as opposed to the fact that I have famil-- fam-- familiarized myself with several taverns in Omaha. So any questions, I'd be glad to--

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HOLDCROFT: Thank you very much, Judge. Appreciate it. Any questions from the committee? Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Judge, it's great to see you.

MICHAEL COFFEY: Same here.

J. CAVANAUGH: I was thrilled when you were appointed to the commission, and I always found you to be a, a fair, even-minded judge when I practiced in front of you. And so, I appreciate that you never hold-- held the fact that my dad was 2 years ahead of you against me for any, any of those infractions. And of course, I mean, you walked into the Liquor Control Commission at a very unusual time. It was a real mess right when you got appointed.

MICHAEL COFFEY: Well, that's kind of why I was-- a, a beer wholesaler that's in my neighborhood asked me if I would be interested, and I was somewhat aware of Mr. I think it's Rupe, his situation, and the fact that one of the three commissioners had already resigned. So the Governor's Office, I guess, I would say, was in a bind. I said I'd consider it. And I-- you know, in the Army, I was told never to volunteer, but I kind of violated, violated that. But I'm glad to be here, and that's how I got into this.

J. CAVANAUGH: Yeah. No good deed goes unpunished because then you also got left holding the bag on the Medical Cannabis Commission regulations, too. So.

MICHAEL COFFEY: Yes.

J. CAVANAUGH: You're, you're there at a real tough time and there's a lot going on. Well, can I just ask-- I mean, and maybe there's no answer to this. But the stuff that happened with Mr. Rupe, obviously there was maybe a-- I don't know what a nice way to say it is, but the commission maybe was asleep at the switch. And so, I don't, I don't know if there's been any action proactively taken by the commission to make sure something like that doesn't happen again.

MICHAEL COFFEY: Oh, I think we realized-- I have no-- I have not seen anything that would lead me to believe that the 2 commissioners that resigned had any knowledge of what he was doing or what was going on. But he'd been there I think 20, 21 years. I think those 2 commissioners, Mr. Bailey, had been there about 10 or 11, and Kim Lowe had been there maybe 6 or 7. There probably was some complacency. He obviously had experience. They took a lot of guidance from him. I

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think it's beneficial to us at this time that Micah Chafee, the executive director that we have hired-- we've all kind of come on at the same time. It, it-- so much so, that I went from being the newest commissioner to being kind of the chairman of the commission, so.

J. CAVANAUGH: Yeah, you're the senior statesman on the commission.

MICHAEL COFFEY: But I, I think we're all aware of those problems. And a lot of it, you have to trust people in their integrity. And I think that Micah's a good example of somebody that we can put trust in, but who's also very knowledgeable. Obviously, if we think something's going on, we'll check into it.

J. CAVANAUGH: And then, so you mentioned the, the Cannabis Commission, and I know there's a lot going on. And obviously, I've expressed my dislike for the rules and regs that have been promulgated. But, you know, I-- my question really, to you, would just be what's, what's your general opinion of medical cannabis?

MICHAEL COFFEY: I'm not a proponent of it, and I'm not an opponent. I think my job and the job of the commission is to make sure that, that we provide safe medical cannabis to qualified patients in the most medicinal way we can. It is medicine.

J. CAVANAUGH: Yeah. Do you think the commission has a role in determining whether patients are qualified or not?

MICHAEL COFFEY: Yes.

J. CAVANAUGH: OK. Well, I, I disagree, but that's-- that-- this is not the time for that disagreement.

MICHAEL COFFEY: Well, I'm not quite sure what your disagreement is. And when I said yes, I, I guess it's a qualified [INAUDIBLE].

J. CAVANAUGH: Well, I appreciate it. Thank you.

HOLDCROFT: Senator Andersen.

ANDERSEN: Thank you, Chairman. Mr. Coffey-- Judge Coffey, thanks for being here. Thanks for your lifelong service. I'm retired Air Force, as another member is, and retired Navy, as well. So we, we certainly know what you-- can appreciate what you went through.

MICHAEL COFFEY: I think you outranked me, but.

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ANDERSEN: Not by a lot. I was an enlisted guy, as well.

MICHAEL COFFEY: All right.

ANDERSEN: Yeah. So thanks for your service in the Army and as a judge, and thanks for stepping forward now. We need quality people that are-- it can be a-- say, the cumbersome conversation on medical cannabis. Uh, so I appreciate your willingness to step forward. So thank you.

MICHAEL COFFEY: Thank you.

HOLDCROFT: Any other questions from the committee? Yes, Senator Rountree.

ROUNTREE: Thank you so much, Chairman Holdcroft. And thank you, Judge, for being here today. You know, back in 1970, I guess, your proud moment, E5 in what, 14 months?

MICHAEL COFFEY: Yeah, that kind of surprised me, too, but--

ROUNTREE: That-- no, that's tremendous. That's tremendous, even at this time, to still remember that as a highlight. So you're bringing balance into the board. I appreciate the answers and responses that you've given thus far. How do you plan to instill trust that might have been broken? I know you've done that on the bench. You walked on a fair, judgmental line.

MICHAEL COFFEY: Well, I think we've done our best so far in the hearings to try to be open. We, we allowed, obviously, the public to express their feelings. We're not really in a position to get into the dialogue. I think we've, we've tried to be as open-- and I know there's criticism because some things just occur that people either disagree with or haven't been that openly discussed. But I think the best way we do it is to be as open as possible. We're trying to move as quickly as we can. We've-- we'll be awarding our fourth cultivator license probably-- unless there's an appeal on the last one we denied, at our, at our next meeting. I think that's also important for people to see that we're actively going forward with what the Legislature has commissioned us to do, and I think that helps, too.

ROUNTREE: All right. So as cultivator licenses have been applied for, is there a rubric or is there a full transparency if a license is denied-- and I'm moving over to that side now. But if a license is denied, does the individual get to know how they were graded? I know each-- different people grade and do--

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MICHAEL COFFEY: Yes. They can, and they have the right to appeal, which is what slows down the process because we can't deal with like, the fourth license until we've dealt with the appeal of the one that was denied.

ROUNTREE: OK. All right. Thank you.

HOLDCROFT: Any other questions from the committee? Yes, Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Sorry. I always think of more questions, if you ever watched.

MICHAEL COFFEY: It's the same as all lawyers. Just, just one more question.

J. CAVANAUGH: Yes, redirect. So Senator Rountree made me think of-- so the rubric, you're talking about the, the 4 licenses, but that's a, that's a, a regulation that was created by the commission, right?

MICHAEL COFFEY: Yes.

J. CAVANAUGH: That statutorily, you're not required to only issue 4 licenses.

MICHAEL COFFEY: We, we-- that I was involved with. The regs themselves, I wasn't part of it. But we-- our thinking is we'll start slow because we don't know what, what we're, we're going to need. And what everybody needs to know is, and I'm sure you all do, but the public, we can take this on a day-to-day basis, and if we see that we need more, we can add it. But we thought it best to start relatively slow so that we don't have a problem with too much crop, which can lead to a black market situation. Also, we are-- we have the duty as the commission if there is excess crop, to make sure it gets destroyed how it gets destroyed, or whatever. So that's why we did that, and I think you can see there's a little bit of a problem in, In Oklahoma they're having, because they really went all-out, right out of the gates. And now, they're, they're having some, some problems. But yeah, the 4 was-- it was a compromise, and that's why we arrived at 4. Bailey wanted, I think, 6 or 8, and it was just the consensus of the commission that we start with 4.

J. CAVANAUGH: So, to summarize sort of what you said there, but to put my own words in your mouth, we'll say you're willing to look at the regulations and make changes going forward to--

MICHAEL COFFEY: Sure.

J. CAVANAUGH: --make them more flexible, if necessary.

MICHAEL COFFEY: I think we have to do that.

J. CAVANAUGH: OK.

MICHAEL COFFEY: I think that's part of our-- our deal is to get it up and running, but we also realize we may have to change some things.

J. CAVANAUGH: And I asked you about the patients part, but do you think the commission should be limiting which delivery mechanisms, whether it's plant or edibles or things like that?

MICHAEL COFFEY: I do. I think because we're ta-- it's medicine, and I think part of our task is to make sure that it's delivered in the safest, best way, and that comes into that equation.

J. CAVANAUGH: Even though the voters voted for all the different parts?

MICHAEL COFFEY: Well, the voters-- the, the, the way I read the initiative, cannabis is defined, as are cannabis accessories. But when you look at the statute, which sets forth our powers and our obligations, we have the exclusive authority over all phases, cultivation, manufacturing, dispensing, and delivery. So I-- and, and, and of course, we can all argue about what all that means, but it seems to me that gives broad discretion to the commission to do what they believe, and it-- this stuff just doesn't come off the cuff. What we believe is the best thing for the patient and the citizens of Omaha-- or I mean, of Douglas--

J. CAVANAUGH: Nebraska?

MICHAEL COFFEY: Nebraska. I think--

J. CAVANAUGH: Yeah.

MICHAEL COFFEY: Sorry about that.

J. CAVANAUGH: And, and what you're talking about is what the commission has the authority to limit the, the sale and distribution. I guess my question is more there's the other part that's the Patient

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Protection Act portion, that does allow for possession of all of those other parts.

MICHAEL COFFEY: Well, I'm not sure. When I read--

J. CAVANAUGH: Well, yeah. I mean, I wouldn't-- you're, you're not necessarily here to answer questions about the Patient Protection Act because the commission doesn't regulate it.

MICHAEL COFFEY: It, it does allow one to possess an allowable amount of cannabis up to 5 ounces. It then defines what cannabis means, but it doesn't say that everything that's defined as cannabis, the commission should allow to be dispensed or manufactured. That's where I think some of our authority comes in, to make decisions that we think are in the best interests. For example, I think it's pretty obvious that you can see why some people would object to smoking it, just because of our history with cigarettes and everything else.

J. CAVANAUGH: I-- I'm not-- yeah. I'm not, I'm not going to argue with you about those-- that particular issue, but I appreciate the answers.

MICHAEL COFFEY: Thank you.

HOLDCROFT: Any other questions from the committee? Seeing none, thank you, Judge. Appreciate it.

MICHAEL COFFEY: I appreciate your time. Thank you.

HOLDCROFT: Are there any proponents for this nominee? Anyone speaking for this nominee? Any opponents to this nominee? Anyone speaking in the neutral? Judge, you can have a closing if you want, or you can waive.

MICHAEL COFFEY: I'll just waive. I'll waive.

HOLDCROFT: OK. Then that will conclude our hearing on Judge Coffey. Next nominee up is James A. Elworth. Welcome.

JIM ELWORTH: My name is Jim Elworth. I don't hear James A. unless Sister Mary Louise is mad at me. Jim Elworth, J-i-m E-l-w-o-r-t-h, and it's a privilege to be here and be considered for this position. A little bit about me. Born and raised in Omaha, the oldest-- second-- excuse me, second oldest of 11, so growing up was chaos and a lot of fun. My parents eventually moved to the Plattsmouth area, where my father was a city attorney for 30-some years. And once my mom got some

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kids out of the house, she taught school at St. John's grade school there. Like the judge, I'm a graduate of Creighton Prep, 1974. As I've gotten older, I am grateful for the guidance and the discipline I had there. I wasn't keen about it at the time, but I sure needed it. Undergraduate work, I spent my first 2 1/2 years in Washington D.C. at a small school. Played football, one year of baseball, and I worked on Capitol Hill. When my senator retired, I came back here to Lincoln, took my last 3 undergraduate semesters at UNL, and stayed here in Lincoln for law school. I spent a number of years as a prosecutor here in the state of Nebraska. In-- my first job was in Dodge County, and it was good to go to a small office because I learned a lot about the various areas of the criminal law. Was there for about 2 1/2 years, and then came here to Lancaster County for 4 years. And you know, like any prosecutor, I started out with bad checks and child support and those types of things-- traffic court. Eventually, moved up into some serious misdemeanors and into the felony realm. Most of my time as a prosecutor, though, was spent in this building at the Attorney General's Office. There is, I believe, still operating the Drug and Violent Crime Unit. I was an original member of that unit. I was hired in 1990 by Mr. Spire. We traveled the state and did a lot of nasty prosecutions-- a lot of child abuse cases, a lot of big drug cases. I personally handled cases from Falls City to Harrison and McCook to Dakota City, including some pretty significant drug, drug conspiracies and capital murder cases. I tried death penalty cases. I eventually left all that behind and worked as an athletics administrator for about 25 years, mostly at the National Collegiate Athletic Association in Indianapolis. That's the, that's the entity charged with policing and administering college sports, at least until about 5 years ago, when the federal courts took over. I was an investigator for 5 years, and then orig--eventually worked for the infractions committees themselves, writing their reports. Retired about 4 1/2 years ago. My wife's a farm girl from Shelby, Nebraska, so we decided to move home, move to Nebraska. Found a place in Nebraska City. That's where we live now; 4 kids, including a son who is just separating from the Air Force. He spent most of last year at a, at a camp in Iraq near the Iranian border. He's getting out now. That's me. Happy to answer any questions that anybody might have.

HOLDCROFT: See if there are any questions. Thank you. Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Thanks for being here, Mr. Elworth. Well, first, I got-- was that small school Catholic University?

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JIM ELWORTH: It was.

J. CAVANAUGH: That's where I went, too.

JIM ELWORTH: You did? I don't know How about that?

J. CAVANAUGH: So I won't hold that against you, either.

JIM ELWORTH: I hope you didn't get stuck in Flather Hall as a freshman.

J. CAVANAUGH: It was still standing when I was there, but it-- barely.

JIM ELWORTH: I don't know how.

J. CAVANAUGH: But we can talk about that another time. So how long have you been on the commission?

JIM ELWORTH: About 60 days.

J. CAVANAUGH: So haven't had a front row seat to all of the chaos, but--

JIM ELWORTH: I'm sorry. I, I think I was actually appointed maybe mid-November, but I've been involved for 60 days. The first hearing I went to was in early December.

J. CAVANAUGH: OK.

JIM ELWORTH: Sorry.

J. CAVANAUGH: So basically, 2 hearings, then?

JIM ELWORTH: I've been in 3.

J. CAVANAUGH: 3 hearings. OK.

JIM ELWORTH: December, January, February.

J. CAVANAUGH: So, I asked Judge Coffey the same question. Are there any things coming to the forefront that's-- so we can avoid the situation that we've had, over the last year at the commission, that's like, sort of--

JIM ELWORTH: Yes, sir. I, I agree with the judge that you have to get to a certain point where you, you have to have faith in people

eventually, somewhere, but you also got to be practical about checks and balances, and watching what we're doing. I kind of am echoing Judge Coffey, that Micah Chaffee has been terrific in the short time I've been there. And Micah asks us what we're doing. He communicates with us regarding upcoming hearings, reading we should probably do. He solicits information from us. He, he, he's there, and I think that goes a long ways toward figuring out if anything untoward is happening.

J. CAVANAUGH: OK. And to be clear, I, I like Micah. He's-- I'm not asking these questions because I'm worried about Micah. These are more just general, structural questions. I don't want anybody to think that I'm implying anything. I just-- I think Micah's doing a great job. I agree with you. And then on the medical cannabis side, do you have-- do come in with any kind of preconceived idea about medical cannabis?

JIM ELWORTH: As far as whether I like it or dislike it, that sort of thing?

J. CAVANAUGH: What, what would, what would your thoughts be if I just say, tell me about what you think about medical cannabis?

JIM ELWORTH: You know, I, I think it goes back to maybe part of my background in working in criminal law. I, I-- in recent years, I've gotten interested in it, just because it's at the forefront in a lot of places. I've tried to do a lot of reading on it in a lot of different sources, and I've concluded that it is beneficial for temporary pain relief. You know, so is vodka and opioids, but this seems to have fewer lingering issues. So I do see a value in temporary pain relief. On the other hand, it's, it's an addictive substance and it's-- organized crime has got its hands in it, so you have to be careful with how things are done. But that's a long version of, yes, I, I think I see some value in it.

J. CAVANAUGH: OK. And, you know, the state of the law is what the state of the laws is, right, which is what voters passed. And, you know, putting on your prosecutor hat from a while back, if somebody had a-- currently was in your jurisdiction, stopped by law enforcement, and they had a written doctor's note and 4 ounces of plant. Would you-- what, what would be your charging decision in that jurisdiction-- in what county-- was it Dodge County, you said?

JIM ELWORTH: We-- I was in Dodge and Lancaster.

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J. CAVANAUGH: Yeah.

JIM ELWORTH: At the present time?

J. CAVANAUGH: Right.

JIM ELWORTH: Well, it would probably depend on the source where the, where the cannabis came from. I know we aren't to that point yet, but if a, if a licensed health practitioner had granted that person 4 ounces, which is below that threshold that is-- presently exists, that person would be OK. At the present time, well, I'll leave it at that. It, it-- to me, it depends on the source.

J. CAVANAUGH: So they-- you would decline to charge somebody who was in that circumstance, is what you're saying.

JIM ELWORTH: Probably, unless the, unless the source was illegitimate in some way.

J. CAVANAUGH: And what do you mean by that? What's an illegitimate source?

JIM ELWORTH: Well, if they're, for example, getting it-- getting a recommendation from a doctor in California who doesn't have a license to practice in Nebraska. That, to me, would negate the legality of the amount.

J. CAVANAUGH: But the current law allows for an out-of-state doctor.

JIM ELWORTH: Not the way I'm reading it. Well, let me back up on that. I'm, I'm not sure that's been answered yet.

J. CAVANAUGH: The, the ballot initiative specifically allows for an out-of-state doctor. It says a doctor, either licensed in Nebraska or in another state.

JIM ELWORTH: Yes, yes.

J. CAVANAUGH: And so, if they meet-- the doctor meets that requirement, whether they're licensed in Nebraska or say, Missouri or Iowa-- somebody goes across the, the river, under the current-- the way the law is currently written.

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JIM ELWORTH: If the, if the person possessing meets all the requirements of the statute as it presently exists, there would be no charge.

J. CAVANAUGH: OK. And even if they hadn't bought it at a dispensary, that's-- through the licensure process here?

JIM ELWORTH: Well, now you're taking it out of the law as it presently exists. They-- or--

J. CAVANAUGH: OK. I'll, I'll back up. Are there any-- is anybody legally dispensing in Nebraska right now?

JIM ELWORTH: Not yet.

J. CAVANAUGH: OK.

JIM ELWORTH: No.

J. CAVANAUGH: All right. I appreciate it. Thank, thank you.

HOLDCROFT: Any other questions from the committee? Yes, Senator Storm.

STORM: Thank you, Chair Holdcroft. Thank you, Mr. Elworth, for being here. So you're not the legal counsel for the Cannabis Commission, right?

JIM ELWORTH: I am not.

STORM: So when you're asking-- answering questions about prosecuting people, you're really not in that capacity to do that, right?

JIM ELWORTH: Not since 1997. Yes.

STORM: Right. OK. Thanks.

HOLDCROFT: Any other questions from the committee? Seeing none, thank you, sir.

JIM ELWORTH: Thank you very much.

HOLDCROFT: Anyone speaking as a proponent for this nominee? Proponent? Any opponents for this nominee? Anyone testifying in the neutral? OK. Mr. Elworth, you have an opportunity for a closing, or you can waive.

JIM ELWORTH: I'd like to waive, sir.

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HOLDCROFT: Very good. Thank you.

HOLDCROFT: Well, there are no comments for any of the nominees, so no online comments. OK. So that will bring up our third nominee, Robert "Bud" Synhorst. Welcome.

BUD SYNHORST: Good afternoon, Chair Holdcroft, members of the committee. My name is Bud Synhorst, B-u-d S-y-n-h-o-r-s-t, appearing today as the nominee for the Nebraska Liquor Control Commission, and I rep-- will be the representative from Congressional District 1. I guess a little bit of my background. Unlike the judge and Mr. Elworth, I am not a graduate of Creighton Prep, and unlike them, I am not a graduate of any law school anywhere in the country, because I would not be able to get in. But I, I consider myself a Nebraskan. I'm not a lifelong Nebraskan. I was born in Mitchell, South Dakota. We lived in Casper, Wyoming, Lincoln, Dodge City, Kansas, and then back to Lincoln, and that's basically where I've been the rest of my life. As you see on my information, I've moved around a little bit during my professional career, but this is where my wife and I raise our family. I graduated from Pius X High School here in Lincoln, and went on and got my undergraduate degree in business education at the University of Nebraska at Kearney, and then I got my master's in education administration from the University of Nebraska here in Lincoln. Ironically, with 2 education degrees, I'm not an educator by trade, as far as my professional career goes. I have spent a lot of my career in the nonprofit world in a lot of different realms, in intercollegiate athletics, in high schools and community colleges, at Metro Community College in Omaha, and then have got turned into the association world. As you can see, I worked in some professional politics, ran a national association, and also, a local organization here in Lincoln, where I've been in front of the Legislature several times. And so, that's kind of my background. When the changes were happening in the commission and the Governor called for applications for the commission, I had some friends reach out to me and say, we think you'd be really good on the commission. And I thought, that's intriguing and very random because I don't know why they thought that. And, and so, I took it to heart. And I think one of the, the reasons, as I took it to heart-- and, and they're people that I like and trust and respect-- is I started to think about why I would want to be on the commission. And, and, and where it starts was I have experienced a lot of friends and family members and, and watched others who have had a lot of issues around alcohol, and I, I want to make sure that we're doing something safe to keep people safe, because it can do a lot of things. It can destroy people's lives, and it can do a lot of those things. So

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I want to be part of the commission to do that kind of work, which also ties in-- I'm guessing Senator Cavanaugh is going to ask a question related to this, on the-- with the Cannabis Commission, that's the-- also, also kind of where my head is at. The voters have spoken, regardless of what anyone's personal opinions are, and they overwhelmingly spoke. I was appointed to the commission, like Mr. Elworth, in mid November-- mid to late November, which then meant our first meeting was early December. So I've been to all of 3 meetings, and still trying to get a, a grip on everything that's happening. But from my perspective, I want to make sure that we're regulating from a safe perspective, to make sure anyone who uses medical cannabis is safe. Also, one of the interesting things that I've heard recently is from physicians here in the state who would like to be taking continuing education to learn about medical cannabis and what they should be doing and how they should doing it and how they should prescribe it-- or excuse me, recommend it here in Nebraska, but we don't have that kind of set up. So that's one of the other things that I've mentioned to my fellow commissioners that I think we need to be thinking about, is how do we engage the medical community? Because they, they-- I have talked with medical professionals that-- and, and their thing is we want to know. We want to learn more. They're not knowing what they would be recommending and so how that process would work. And so I think one of my things is being open to listen. I've met with industry members since being appointed to the commission, and been open to listen. I have told them I'm very open to listen. I've told them my focus is we've got to do it so that it's safe for everyone and safe for all Nebraskans, and that's, that's been my consistent standpoint from there. So I guess with that, I'll open it up for any questions.

HOLDCROFT: Thank you, Mr. Synhorst. Any questions from the committee? Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Thanks for being here, Mr. Synhorst.

BUD SYNHORST: Yes, sir.

J. CAVANAUGH: And thanks for, you know, getting ahead of me and finding what my questions are.

BUD SYNHORST: I tried to.

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J. CAVANAUGH: Yeah, no, I appreciate it. It's good listening. And-- well, I'll just--

BUD SYNHORST: Could you tell my wife that, please?

J. CAVANAUGH: So I-- my question would just be, you talked about doctors wanting some continuing legal-- some continuing education. I keep putting my lawyer mouth on there. So my question is, the commission doesn't have authority over doctors. Has con-- it has authority under the, the ballot initiative and the statute over manufacture, distribution, and all of that, but it doesn't have authority over doctors. Do you-- is, is the commission seeking to expand its statutory authority to have authority over doctors?

BUD SYNHORST: I don't know that it would-- I'm sorry, Senator. I didn't mean that we need to expand our authority at all. But I think what I'm hear-- what I've heard from them is we want some guidance. And so, if we could provide them some education through our cultivators, our manufacturers, our transporters, and our, our distributors, if we can help provide that education so they can understand it. I'm not looking to certify doctors in medical continuing ed. I'm just saying provide them resources, I guess, is more where I'm coming from. I'm sorry if I--

J. CAVANAUGH: Oh, no. I-- that's why I asked. I appreciate that.

BUD SYNHORST: --miscommunicated to you.

J. CAVANAUGH: And I appreciate your perspective of working with folks in the field to get a better understanding and, and educating yourself. I think that's good. I don't know if you were where-- you probably weren't here when we had the hearing on the bill, last week or two weeks ago.

BUD SYNHORST: I was not. We actually had a commission meeting that afternoon, sir.

J. CAVANAUGH: Oh, that's right. I forgot about that. Did you-- the folks who came in favor of that bill said they came at the request of the commission. Were you aware of that ahead of time that folks were coming to testify on it?

BUD SYNHORST: You mean the bill being brought as, as-- at the--

J. CAVANAUGH: Well, the bill was brought by the committee, not--

BUD SYNHORST: OK.

J. CAVANAUGH: But there were folks testifying in favor of the bill at the request of the commission?

BUD SYNHORST: I had not-- no, I was not aware of that ahead of time. No, Senator.

J. CAVANAUGH: OK. And that bill did seek to expand the commission's authority over folks, like doctors.

BUD SYNHORST: Yes, it did, but I know that bill probably is going to change. I've read that there's a couple of amendments up anyway, already.

J. CAVANAUGH: OK, well, I haven't seen any amendments yet, but.

BUD SYNHORST: OK.

J. CAVANAUGH: But I appreciate your comments and your perspective, and I won't hold the fact that you didn't go to Creighton Prep against you.

BUD SYNHORST: I know. Or I'm a lawyer.

J. CAVANAUGH: Or that you're not a lawyer.

BUD SYNHORST: Or not a lawyer, excuse me.

J. CAVANAUGH: Thanks for being here.

HOLDCROFT: Any other questions from the committee? Yes, Senator Rountree.

ROUNTREE: Thank you, Chairman Holdcroft. And thank you so much, sir, for being here with the very background that you do have, especially in the business and the just whole arena. Do you think that us having medical marijuana is a gateway to having recreational marijuana? That's what we hear all the time, and a lot of the pushback has been, this is just going to open a door to recreational. In some of the hearings that we had last year, some of the individuals that did get confirmed had been involved out in Colorado and had stated that basically, the things that happened in Colorado would happen here, as well. So you might have had some bias. But are you fully open that we

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can certainly deal with the medical marijuana issue and not go into recreational?

BUD SYNHORST: I, I believe that it's the purview of the mar--Medical Cannabis Commission-- sorry, I'm still getting my terminology correct-- is that we need to regulate what the voters passed. And I do not believe that any part of that petition was rec-- recreational. And so, I believe we need just to focus on the medical side right now.

ROUNTREE: OK. Thank you.

BUD SYNHORST: Yes, sir. Thank you.

HOLDCROFT: Other questions from the committee? Yes, Senator Cavanaugh.

J. CAVANAUGH: Sorry. Just one more. I always think when somebody else [INAUDIBLE].

BUD SYNHORST: It's all good, Senator. I understand.

J. CAVANAUGH: One about the medical profe-- folks, so you're not looking for extra authority over them. I just wonder what your thoughts are. I have a bill that would give doctors a protection if they did make a recommendation under the statute. Do you have any thoughts on--

BUD SYNHORST: I haven't read the bill, Senator, so I apologize. I, I think-- I'd have to read the bill to really comment, but I think we've got to, we've got to help the doctors because they're asking for it. And I don't know if that's us, I don't know if that's HHS, or who might do that, but I think, I think we need to give them what they're asking for because-- I mean, I'm in a unique perspective. On Columbus Day, I was diagnosed with cancer. And when I got appointed to this commission, I was being treated. And so, I have the front-row ticket to doctors and medical professionals that are working with patients. And they've, they've really given me good perspective and opened my eyes, as a commissioner, of things to look for and things to ask about, and those kind of things, so I think that's a, a broader perspective in being able to listen to them. And I hope that they'll engage in the process more. It would be nice to see them coming to our meetings, but they're kind of busy at 1:30 on Monday afternoons, usually.

J. CAVANAUGH: Well, I appreciate that. I hope your prognosis is going well.

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BUD SYNHORST: It's very good. Thank you. But I think it's just a good perspective.

J. CAVANAUGH: Yeah. Thank you.

HOLDCROFT: Yes, Senator Andersen.

ANDERSEN: Thank you, Chairman. Mr. Synhorst, thanks for being here, and thanks for, for volunteering and step-- stepping up. Will the commission have any authority to give immunity to anybody?

BUD SYNHORST: Excuse me?

ANDERSEN: Will the commission have the ability to give immunity to anybody for any offense, as Senator Cavanaugh has--

BUD SYNHORST: Are you talking about like with possession of medical cannabis or--

ANDERSEN: Or the recommendation of it or any of the-- if a doctor recommends that they have-- they use medical marijuana. There's some that would suggest the doctor should be given immunity for those actions. Is that something the commission can actually do?

BUD SYNHORST: I honestly don't know, Senator, I don't want to-- I'm sorry. I don't, I don't know the answer to that question on immunity.

ANDERSEN: Thank you.

HOLDCROFT: Senator DeKay.

DeKAY: Thank you. When you talked about continuing education for doctors, would that-- would you-- would-- are there industry leaders that would be brought in or is this like, basically a roundtable discussion and-- with people to come up with ideas?

BUD SYNHORST: If I were putting my business hat on, Senator, what I think I would do is I would try to reach out in states that do have some education out there, and what they've done, and how they've done it, to get it to the medical professionals, because I don't think we need to reinvent the wheel in this situation. But to lis-- I, I like to look at best practices. Now, just because it works in Missouri or Arkansas doesn't mean it works in Nebraska, but maybe a piece from here, a piece from there is what we can bring forward and bring together, if that were something that we would provide.

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DeKAY: Thank you.

HOLDCROFT: Any other questions from the committee? Seeing none, thank you, Mr. Synhorst.

BUD SYNHORST: Thank you, Senator.

HOLDCROFT: Is there anyone here to speak as a proponent for this nominee? Any opponents? Any neutral? You have an opportunity for a close, unless you want to waive. Excellent. And again, there were no online comments for any of the nominees. And with that, that will conclude our hearings on the 3 nominees for the Liquor Control Commission. We will now move on to our bills. First one up is LB1151, from Senator Clouse. Welcome.

NOLAN LEMNA: You ready?

HOLDCROFT: Yep. I'm ready.

NOLAN LEMNA: Perfect. All right. Good afternoon Chairman Holdcroft and committee members. For the record, my name is Nolan Lemna, N-o-l-a-n L-e-m-n-a. I'm the legislative aide for Senator Stan Clouse, who is unfortunately held up in another committee at the same time. And today, we're here to open on LB1151. The Nebraska Liquor Control Act was first written in 1935, following the repeal of national prohibition at the end of 1933. This was over 90 years ago. The act was left largely unchanged until the late '80s, when the industry began to evolve from tradition. The first changes came with catering licenses, regulation of alcohol-containing foods, and by defining beers and spirits that have different alcohol levels, and then by defining facilities, and then to create farm wineries and craft breweries, and on and on. Review of the Nebraska Legislature's website on Chapter 53 of Nebraska Statutes shows that nearly every Legislature in the past 40 years has taken up and passed changes to the act. This bill represents one more of those modernizations that would benefit the state now and well into the future. LB1151 would create a new category of license-holder for a beer and liquor establishment in Nebraska. Currently, law states that if a brewer were-- makes over 20,000 barrels of beer anywhere in the country, they are precluded from being anything but a manufacturer in Nebraska. This means that the owners of that brewery cannot open up a full-service restaurant and taproom anywhere in Nebraska and sell a full line of beer, wine, and spirits, even if they wanted to use the wholesalers to purchase and resell those same products. With AM2001, LB1151 would allow

brewers who make between 20,000 and 95,000 barrels a year to open a bar and restaurant in Nebraska and have retail beer, wine, and spirit privileges. They would have the ability to purchase these products through the current wholesale distribution system and resell them to retail customers. This bill is an economic development bill. It allows for small business growth in Nebraska and increases sales volumes to the local beer and liquor distributions. Unlike other craft brewer licenses, these new regional breweries would not benefit from self-distribution of their own brewed beer, but would have to use the wholesaler to bring in their own products that are produced elsewhere. The regional craft brewery license still maintains Nebraska's three-tier system. A regional brewery is not a new term in the brewery world. According to our research, there are eight types of brew houses defined around the country. Even though some of these definitions may not exactly fit Nebraska's statutory definitions, they are still similar. There are craft breweries, defined as small and independent and less than 6 million barrels a year. There's brewpubs, defined as a combination of a brewery and a pub full-service restaurant, selling beer brewed on premise. And there are taprooms, similar to a brewpub, but where food is not typically sold, more than just small items and snacks. There are macrobreweries, defined as the largest scale brewers, making millions of barrels a year. There are microbreweries, defined as less than 15,000 barrels annually. Nebraska uses 20,000. Nanobreweries, defined as less than 2,000 barrels annually. There are regional breweries, defined as between 15,000 and 6 million barrels annually. And there are contract brewing companies, which are defined as companies that hire another company or brewery to produce additional beer for them. Adding this license category in Nebraska is not new to the craft brewerly-- brewery world, but would be new to Nebraska. There will be testifiers behind me to talk about how this bill would benefit Nebraska and its consumers. I thank you for your time and attentiveness. And Senator Clouse will be here to close. Thank you.

HOLDCROFT: Thank you very much. As is our tradition, we do not allow questioning of the LAs. So that will lead us to our first proponent, who's here to speak for the bill. Welcome. Green sheet. Go ahead.

MATTHEW SWIFT: All right. Hi. I'm Matthew Swift, M-a-t-t-h-e-w S-w-i-f-t. Thank you for taking the time to consider LB1151, and thank you for your ongoing service to the people of Nebraska. I'm here today as the founder of Big Grove to express my sincere appreciation and thoughtfulness for the discussion surrounding [INAUDIBLE]-- surrounding this legislation, and to share why it matters so deeply

for our company, our Nebraska employees, and the community. Big Grove is built on a simple idea, creating welcoming, gathering places where people can connect, celebrate, and build stronger communities together. In every city where we operate, our taprooms become more than restaurants or breweries, they become neighborhood hubs, and they generate local jobs, support small businesses, provide safe, vibrant spaces for families, professionals, and the community together. LB1151 represents a fair and moderate-- modern approach that would allow established craft breweries like ours to fully invest in Nebraska, while still respecting and strengthening the three-- the state's three-tier distribution system. I'd like to maybe switch gears and just kind of address some of the concerns that I've heard and wanted to hit that pretty firmly, just straight up. I think distribution, just want to be very clear, we fully support the purchasing of all beer, wine, and spirits through the Nebraska-licensed distributors and the three-tier system. We believe this bill increases, not weakens, the economic participation across the entire industry. This bill does not hurt distributors or weaken the industry in any way. It solidifies the use of distributors in the three-tier system and has no self-distribution rights included. We have no plans to add additional locations, but if something were to change in the future and that would be an opportunity that presented itself, we'd go through the same process that we've went through so far. We would be not allowed to do any transfers outside the three-tier systems, and everything will be purchased through the three-tier system. No product would move between locations without a distributor. Again, no self-distribution. If the concern is competition with local restaurants, bars, and breweries, I would just state there's nothing stopping any national or local brand from building any size restaurant or bar next to any business that currently exists. Any hospitality business of any size can come in today and be competitive. If there's language that needs to be adjusted inside the bill, we're ready to make those changes. Our goals are simply to be able to purchase wine, beer, and liquor through the three-tier, three-tier system and sell it on our premise. Nothing more. Our interest in, in Nebraska is long-term and community-focused. I hope other breweries will see this extraordinary potential in Nebraska. And with this bill, then they will be able-- compelled to invest in the state with dollars, jobs, and community, building locations. LB1151 is about creating a balanced policy that encourages investment, expands consumer choice, and supports local districts throughout Nebraska. Grateful for your consideration of LB1151, and would welcome the opportunity to answer questions or discuss our positive commitment to being a long-term partner in Nebraska.

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HOLDCROFT: Thank you, Mr. Swift. That's your time. Any questions from the committee? Yes, Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Thanks for being here, Mr. Swift. I've been to your location in Omaha.

MATTHEW SWIFT: Thank you.

J. CAVANAUGH: And I've also been to your location in Iowa City.

MATTHEW SWIFT: Thank you.

J. CAVANAUGH: So, my-- well, I wanted to ask just something you mentioned there. So you-- basically your goal, and I been-- like I said, I've been to the spot in Omaha. I've only had your beer. So, you don't sell any other beer there, is what you're saying. Correct?

MATTHEW SWIFT: No, we only can sell the beer that's manufactured on-site, it's a very small production area that we have.

J. CAVANAUGH: OK. So that's all that's being sold there is the stuff I can see through the glass that was being made?

MATTHEW SWIFT: Yeah. And other NA options, yes.

J. CAVANAUGH: OK. And then, so what your goal is to allow you to buy beer and wine and spirits that are not made there, but they might be made by you at a different location?

MATTHEW SWIFT: Yeah. Correct. Through our distributor-- dist-- distribution partners, just like any other bar or restaurant would, or any craft brewery would.

J. CAVANAUGH: OK, so it would be-- but you might-- you would also buy, I don't know, Budweiser. I don't-- I'm trying to think-- or maybe--

MATTHEW SWIFT: Yeah. Those are local craft breweries, or we could have taps for whatever we needed to, yes.

J. CAVANAUGH: So just whatever other distributors might actually be willing to distribute to you.

MATTHEW SWIFT: Yeah. There's no bypassing the system. It would all be purchased through licensed wholesalers in the state of Nebraska.

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J. CAVANAUGH: So you would have them come pick up the alcohol or the beer that's manufactured, I assume in Iowa somewhere?

MATTHEW SWIFT: Yes.

J. CAVANAUGH: Then they'd go to their warehouse, and then they would take it to you? Does that take it to the location over there on Saddle Creek?

MATTHEW SWIFT: Yeah. Currently, we distribute beer into the state. We aren't allowed to repurchase that beer to resell it in our location. So we would-- that-- yeah, basically. Iowa-manufactured beer would come over to Quality Brands, in this case, and then we'd be able to purchase that through them.

J. CAVANAUGH: OK.

MATTHEW SWIFT: And resell then.

J. CAVANAUGH: That's what I was trying to understand.

MATTHEW SWIFT: No bypassing of the system. It's not going direct to our facility without going through Quality Brands in that scenario.

J. CAVANAUGH: And one of the things that jumped out at me in this bill, I know there's an amendment, but I don't think this is addressed in the amendment. It's on page 2, Section 4 (2): A holder of a regional craft brewery license may obtain an annual catering license pursuant to-- and it goes on. Is that-- I-- why is that in there? What's that for?

MATTHEW SWIFT: The annual catering license?

J. CAVANAUGH: Yeah.

MATTHEW SWIFT: I believe that's just so you can host offsite caterings if you wanted to.

J. CAVANAUGH: OK.

MATTHEW SWIFT: You can clarify that, though.

J. CAVANAUGH: Well, I guess my, my question would be, that are you, under your current license, allowed to do offsite catering?

MATTHEW SWIFT: I don't believe we're allowed to do that, no.

J. CAVANAUGH: OK.

MATTHEW SWIFT: It's pretty restrictive, the manufacturing license.

J. CAVANAUGH: Yeah. And then the, the amendment does decrease the total amount from 200,000 to 95,000 barrels, if I remember right.

MATTHEW SWIFT: Yes.

J. CAVANAUGH: And it decreases the number of locations from eight to three. And I'm trying to see what the other change--changes were. I-- sorry. I have other questions. No, I'm just, I'm just sort of trying to help out the conversation. I got other questions, but I could keep going. But I-- one other part, on page 3, there's the offsite storage. A holder of a regional craft brewery license may store warehouse tax-paid products produced on such license's [SIC] licensed premises-- offsite storage facility. What's that about?

MATTHEW SWIFT: I assume that if there, there was a need for extra storage, there was ability to store it offsite. In our facility currently, there's not enough room to store anything.

J. CAVANAUGH: OK. And so, you would manufacture it on that Saddle Creek location, but you'd be able to store it somewhere else and then go get it and bring it back?

MATTHEW SWIFT: I believe that's the provision, but I'm not 100% on that.

J. CAVANAUGH: OK. Sorry, if you're-- if I'm not-- if I'm getting too much in--

MATTHEW SWIFT: No. No, it's fine.

J. CAVANAUGH: --the weeds for you. I'm just trying to-- all right. Thank you.

HOLDCROFT: Any other questions for this testifier? Senator Andersen.

ANDERSEN: Thank you, Mr. Chairman. Thank you for being here. So you have a-- apparently, you have an Omaha location.

MATTHEW SWIFT: Yes.

ANDERSEN: A taproom. Is that, is that what it is?

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MATTHEW SWIFT: Yeah. It's a small brewpub, taproom. The brewery is small. It is a larger restaurant location.

ANDERSEN: OK. But you brew onsite?

MATTHEW SWIFT: We do, yes.

ANDERSEN: And you only sell what you brew onsite?

MATTHEW SWIFT: Correct.

ANDERSEN: OK. So why don't you expand your-- I mean, I'm, just out of curiosity. If, if you want to be considered a microbrewery in Nebraska, why don't you expand your microbrewery operations in Nebraska, as opposed to wanting to import from Iowa to Nebraska?

MATTHEW SWIFT: We would love to do that. I'm not sure it's financially viable at this point, to expand the system. We-- we're in a very small, maybe 800-square-foot footprint, including the cooler. It's, it's very, very small and tight. Yeah, we're not against making more product, but we-- just not a viable situation for us.

ANDERSEN: OK. Do you guys have a distributor license?

MATTHEW SWIFT: No. I don't believe so. I don't want to speak out of turn on that, but no.

ANDERSEN: OK. So kind of like Senator Cavanaugh talked about the offsite storage, what that comes to mind for me is actually a way to do distributing if-- like how you bring it in, and store it in there.

MATTHEW SWIFT: Sure.

ANDERSEN: And then distribute it from there.

MATTHEW SWIFT: Yeah. And again, this bill was put together quickly, but I think that if that's something that's a sticking point, it absolutely could be rewritten and, and removed. We, we don't need that currently. I'm not sure if there was a secondary reason for that being in the bill.

ANDERSEN: OK.

MATTHEW SWIFT: We have no plans to distribute product. Clear.

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ANDERSEN: OK. Again, piggybacking off of Senator Cavanaugh, we talked about Section 4.2, the one thing I was struck by, where it says, it will allow you to get an entertainment district license. So the entertainment districts are unique, I think, in Nebraska, but they're all across the state. So what this implies to me is that you, you really want to expand across the whole state of Nebraska, not just locally in Omaha. Is that, is that true or true characterization?

MATTHEW SWIFT: I don't believe that's true, no. We, we-- that's not how-- what we have planned to do at all, and if that's the way that reads, then that might be a mistake.

ANDERSEN: Something like Kearney, for example. I believe-- if Senator Clouse was here, he could tell you, but I believe they have an entertainment district.

MATTHEW SWIFT: Correct.

ANDERSEN: And that's why, when I read that part, that's what I was-- that made me think about. Do you know, are there any other states that have set the precedent with a law like this? I mean, it's not a good question for you. Maybe it's for-- a question for somebody else.

MATTHEW SWIFT: I would say it's very, very common to be able to put in a new location into a new state that you're not, you're not your headquarter state, and have a satellite location that would then purchase, through distribution, your product to resell it onsite. That's a, that's a very common-- it changes by state, but very common.

ANDERSEN: All right. Thank you.

HOLDCROFT: Any other questions from the committee? Yes, Senator Quick.

QUICK: Thank you. Just off of that, are you currently in any other states besides Iowa and Nebras-- or no, you have your facility here.

MATTHEW SWIFT: Our only location that we have operation any outside of Iowa is Omaha. We're building a location in Prairie Village, Kansas, which is just outside of Kansas City. Right now, and we are looking at other spots, but just, just Omaha is operational right now

QUICK: OK. And do you know, would you have to change any laws in, in Kansas to be able to do what you need to do, or are you ,are you aware of that?

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MATTHEW SWIFT: No. We would not have to change any laws in Kansas. We would comply all the way through.

QUICK: But as far as like what you're doing in Iowa, you're-- in Nebraska, you, you have to change something, right, to be able to do what you want to do, but you don't have to do that in Kansas. Is that correct?

MATTHEW SWIFT: Correct. In Kansas, we can open on day one, do, do the full retail privileges and, and all the things that we're trying to, to pass in this bill.

HOLDCROFT: Any other questions from the committee? Seeing none, thank you very much.

MATTHEW SWIFT: Thank you.

HOLDCROFT: Next proponent. Welcome.

MIKE WEHR: Hi, Mike Wehr, M-i-k-e W-e-h-r. Good afternoon, and thank you to the committee for taking the time to consider legislative bill, LB1151. I am Mike Wehr, the Chief Operating Officer of Big Grove Brewery. I'm here today to help you understand why this bill is so important to Big Grove Brewery and other craft breweries that may be considering expansion in Nebraska. Big Grove Brewery is an entrepreneurial business started in Solon, Iowa, in 2013. Big Grove has spent 12 years growing within the state of Iowa, has become a brand that's recognized within the state for gold medal beers, chef-driven cuisine, and amazing indoor-outdoor spaces that function as a community hub. Big Grove was only distributed within the state of Iowa until 2024. Omaha, Nebraska was our first major investment outside the state in an attempt to grow a business and a brand in another state. Our total revenue within our brewery is only \$11 million dollars and we distribute approximately \$325,000 worth of beer within the state of Nebraska today. Our ownership took a significant risk to try and create more opportunities for current employees and for the 150-plus Nebraska employees we've hired to open our brewpub last September. Under the current Nebraska statutes, as interpreted by the Nebraska Liquor Control Commission, Big Grove is not recognized as a craft brewery because it holds a manufacturer shipping license, which is the license required to ship beer into the state of Nebraska. Currently, any brewery outside of the state, of any size that ships beer in Nebraska would not be eligible for a craft brewery license. If a craft brewery from Council Bluffs has success, creates an Omaha

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following, ships a single beer in Nebraska, they would not be eligible to expand, create a taproom within Nebraska, and receive a craft brewery license. The craft brewery license is critical because it allows you to serve beers made at your current production facility, in addition to other local craft beers, liquor and wine. Without that license, you are restricted to only serving beers that you manufacture on the licensed premises within Nebraska. Big Grove Brewery was allowed to open our brewpub with a manufacturer's license, which, once again, only allows you to serve beer that is manufactured on the licensed premises. Quite frankly, this is the worst possible outcome for the ABDN, our opposition to this bill. We can only serve beer manufactured onsite and are not allowed to buy any beer from our distribution partners. They do not get a cut of anything we serve today. To that point, you can't drink an Easy Eddie, our flagship beer produced in Iowa, at our Omaha taproom. We aren't even allowed to buy our own beer back from our distribution partners to serve to our guests. It is confusing to our guests, and it's actually confusing to us why the ABDN is opposing us-- this bill at all. LB1151 will allow a pathway for breweries to invest in Nebraska, it supports the three-tier system, and makes it clear and fair for interstate commerce. We're not asking or looking for any self-distribution rights. The opposition to this bill will state fears about national breweries coming to Nebraska and cutting into their distribution rights. Under current statutes, any national brewery can come to Nebraska. They can build a brewery and get a manufacturing license to open a taproom, just like we were afforded. If they did, they couldn't buy a single product from a distributor. That may be the worst outcome for our opposition. This path provides a way to support the three-tier system and economic development within Nebraska. Thank you, Senator Clouse, for sponsoring the bill and for your consideration and support of LB1151. I'd be happy to answer the exact same questions. I've been a part of this very clearly.

HOLDCROFT: Thank you, Mr. Wehr. Any questions from the committee?
Senator Quick.

QUICK: Yeah. Thank you, Chairman. So, so you talked about shipping your beer from Iowa to other locations. Do you use a distributor to do that?

MIKE WEHR: Correct. Today, we ship our beer from an Iowa facility to Quality Brands. Quality Brands then, can distribute to Hyvees. You can sell it to Rathskeller up the street. So up the street, 2 blocks away, you can buy Easy Eddy that's produced in Iowa, but you can't buy it at

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our location. And we don't make Easy Eddy within our small brewpub, because we want to create the consistency of the brand, all the way across. You go back to his question about, you know, why don't you just expand your microbrewery here? Brewing really great beer is a science, and it takes, you know, a lot of process to do so, and equipment. And it's probably not financially viable in this space that we have to create that a second or third time

QUICK: OK. And I think you might have heard the question I asked about, so Kansas, you're putting a place-- a facility down there?

MIKE WEHR: Correct.

QUICK: And is it similar to what you're doing here in all--

MIKE WEHR: 100%. The business plan that we want to execute in Kansas is very much allowed. We can get a, we can get a shipping license in the state, we can get a full retail license and a microbrewery license or a brewpub license there. I've investigated a bunch of other states. South Dakota, it's allowed. Illinois, it's allowed. Wisconsin, it's allowed. Iowa, it's allowed, obviously. Missouri, it's allowed. Minnesota is still-- it's a little bit behind the times.

QUICK: OK. But right now, with Kansas, you'd be able to ship--

MIKE WEHR: We would ship beer that we made in Iowa to a licensed distributor down there-- it's called Central States-- and we would buy it back, with their full markup on it. Our distributors in Iowa love us. They want us to do a, a new place in every single city that they're at. A distributor currently makes about \$100,000 in markup from delivering our beer back to us.

QUICK: OK. And the one in Kansas, though, you'd be able to sell other brands of beer at that facility?

MIKE WEHR: Correct. Yeah. So our plan when we came here, we actually did a co-lab with Kros Strain, like before we ever came here. They came to our facility in Iowa City. We brewed with them. We were friendly with them. We let them know we were coming to Nebraska. When we were going to open, we called them to figure out what-- because they work with Quality Brands, as well. We want to support our distributor. We asked what brands they would have enough product of, if we wanted to tap them. When we opened up our Cedar Rapids brewpub, we tapped a company called Lion Bridge. It was 3 blocks away from us, a brewery. We were their number one on-premise account in about 6

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weeks, and they love us for it. And so, we try to support all the local craft breweries. We've talked to Kincaider already. We've talked to Kros Strain. So they've been to our taproom-- hung out with us.

QUICK: Thank you.

MIKE WEHR: Yep.

HOLDCROFT: Any other questions from the committee, Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Thanks for being here, Mr. Wehr. So in the amendment, it drops the gallonage-- or I'm sorry-- barrels down to 95,000. What do you guys produce in a year?

MIKE WEHR: We're currently about 40,000. And I'd say 36,000, that's distributed within the state of Iowa.

J. CAVANAUGH: And that's across all of your facilities, is that the math?

MIKE WEHR: Yes. We, we mainly have one facility that produces every-- the, the plan is this, is that we've got 20 tap lines. We make about 14 of our core beers that we will ship through distribution to different-- or through distribution back to ourselves. That way, we've got the consistency of our core beers. The brewpubs onsite try to manufacture between, you know, 6 to 8 lines, at times, of unique stuff that you can only get at that location. So right now, you know, we've got a Golden Spike beer on tap that is named after the old baseball team here, and we've partnered with those guys to, to use that name. And we try to make it things that are of the community, that are about Nebraska. We had an Old Market stout, you know, just creating names that are truly made here that you can only get in Nebraska. You can only get in Omaha.

J. CAVANAUGH: So the number, the 95,000, that's just what you're making in that one consistent place, and it doesn't count each of the taprooms, then?

MIKE WEHR: If you put all of it together, the 40,000 is what we do total. I think with it, the Nebraska Liquor Commission, at least they've told us, is they're looking at the aggregate of everything that you manufacture. Today, if you look at the Nebraska Brewer's Guild, they've got a goal to have somebody grow above 20,000 barrels within Nebraska. It hasn't happened yet. And, you know, I don't know exactly the reason why. Part of it might be regulation and the fact

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that people haven't been able to invest as much as they want to here. But I mean, our brewery is \$11 million. I looked up today on the way here, or last night, I guess. You know, currently, Budweiser, Michelob, and what's it-- Busch Light, they sell \$40 million just in the state of Nebraska. We're doing \$11 million in, in our entire company right now. That's in one state. So to, to compare us to that size is-- you know, Matt would tell you that they spill more beer than we sell. And that's very true.

J. CAVANAUGH: Yeah. So on the question I think Senator Quick was sort of asking about, what's the difference in-- does Kansas have microbrews like we have in Nebraska?

MIKE WEHR: Yeah. So, I mean, a lot of states have this. And, and I think that just the relaxing of the, of the laws for craft breweries, and you know, as-- it's different every state. And so, you have to go through and you get a brewpub license, which is what we have in Iowa. Then you get a retail license through them. You do have to have a shipping license to go into the state. The difference within Nebraska is-- as I've worked with the Liquor Commission a lot in the last year-- is that once you have a shipping license-- they call it a manufacturer shipping license. And I call it out because the size of the brewery doesn't really matter. As I've talked to Ken Yoho at the LCA [SIC], they may have a better argument, but the rule is that if you ship a beer in Nebraska, you're a manufacturer. And once you're a manufacturer based on 53-169, you apparently cannot own a retail license. And so, that ownership was very much relaxed through this-- craft brewery laws. But yet, if you're outside the state-- and there's an opinion letter written right now, that the state could be sued for Interstate Commerce Clause, because they're not treating breweries outside. If, if Kinkaider or Kros Strain had to get a manufacturer shipping license to ship beer within the state, they could not be a craft brewery. So it, it, it's a huge issue.

J. CAVANAUGH: Yeah. And does Kansas have a three-tier system, because I know Iowa doesn't have a three-tier system.

MIKE WEHR: We do have a three-tier system on beer. We do not have it-- it's a liquor control state.

J. CAVANAUGH: OK.

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MIKE WEHR: But our beer goes through a three-tier system just like-- we have the exact same relationship with Quality Brands as we do with 7G and with Doll Distributing within Iowa.

J. CAVANAUGH: OK.

MIKE WEHR: So it's, it's exactly the same.

J. CAVANAUGH: And on the other questions I asked Mr. Swift, I think, I mean, these other parts I sort of asked about and Senator Andersen asked about, about the catering license and the entertainment district, are those integral to this?

MIKE WEHR: Sure. Yeah. I think some of the language is taken from-- if you read the current LCA, some of the language is the same, just like the offsite storage is the exact same language as in the current LCA, so I think that was just kind of copied when they did the bill writing. For us, the entertainment district, what would be nice, we're right across from UNMC's campus. If you look at the master plan that Clay's going to talk about-- I don't know if he's talked about it, but what they're developing there, there's a park out front, you know, for kids and families. And we'd like to make that potentially or have an opportunity to do an entertainment district in that just little area, so people could walk to the park from our location with a beer. And that's probably the, the biggest thing for the entertainment district that we would, you know, utilize. The catering license, you know, there's times that we'll go to a farmer's market and we'll want to set up a food truck or, or bring stuff and, and cater. Within the building that we're in, the Catalyst building, they've got an event center. We're going to cater and be the primary, you know, hospitality group for that area. So those are really words that are coming from the current LCA that were kind of copied over, in my opinion. Same with the offsite storage. If you read the current LCA and the craft brewery opportunity-- or craft brewery laws, that was kind of copied over from that. We won't need any offsite storage. We would if we can't get this passed because we need to produce enough beer. We don't have a place to store it, but working through Quality Brands, they'll deliver to us once a week or potentially twice a week. And so, we don't need to store, you know, 800 kegs or 600 kegs onsite or pre-produce a bunch of beer, because we can get it from them on a weekly basis.

J. CAVANAUGH: OK. Well, I'm-- I guess I'm curious about-- in terms of asking for a change in the statute that allows you to operate differently than we're currently operating. And maybe there's a

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thought on saying, well, let's do that, but at the most minimum, minimum level that allows you to, to operate here.

MIKE WEHR: Yeah. We're very open to, to language changes to, to make both sides come together, I think.

J. CAVANAUGH: All right. Thank you.

HOLDCROFT: Any other questions from the committee? Seeing none, thank you very much, Mr. Wehr.

MIKE WEHR: Yes. Appreciate it.

HOLDCROFT: Next proponent. Welcome.

DAVID MOORE: Good afternoon, Chair, members of the legislation [SIC]. Thank you for your opportunity to speak today. My name is David Moore, D-a-v-i-d M-o-o-r-e . I am one of the owners of Big Grove, a Midwest-based brewery and hospitality business. We have invested heavily in our people, our communities, and, importantly, our distribution partners. I want to be absolutely clear at the outset: we strongly support the three-tier system. We believe in it, we operate within it every day, and our growth would not be possible without it. Our wholesale partners are not an obstacle to our success. They are a major reason for it. We work closely with them, we respect their role, and we invest in those relationships. Any one of our distributors would tell you that we are among their most professional, transparent, and supportive suppliers. We succeed together because the system works when everyone plays a role. That is why it's frustrating to hear the claims that LB1151 is an attempt to break down or bypass the three-tier system. The claim is simply false. LB1151 does not remove wholesalers from the process. It does not change how the products move through the system. It does not introduce vertical integration or special privileges. The products referenced in this bill are still purchased through licensed distributors, exactly as the three-tier system intends. What this bill does is far more limited and far more practical. LB1151 addresses a narrow issue around how public-facing hospitality businesses operate today. Consumers expect clarity and consistency when they walk into our taproom or tasting room. Current law creates confusion, not because businesses are acting irresponsibly, but because the stat-- the statute has not kept pace with modern hospitality. We are not asking for exceptions. We are not asking to be treated differently. We are asking for clear, consistent rules that allow responsible businesses to operate transparently, in

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compliance, in a way that regulators can, can enforce without confusion or conflicting in-- interpretations. We have been disappointed to see some infor-- misinformation circulate around this bill. Debate is always healthy, but it should be grounded in facts. Nebraska can protect the three-tier system, and we should, while also supporting local investment, jobs, tourism, and economic growth. LB1151 does exactly that. It preserves the role of the wholesalers, strengthens regulatory clarity, and reinforces the guardrails that keep the system working. I respectfully ask you to evaluate the bill based on what it actually does, not on claims that, that do not reflect the language or intent, and to support LB1151. Thank you for your time and consideration. Thank you.

HOLDCROFT: Thank you, Mr. Moore. Any questions from the committee? Senator Rountree.

ROUNTREE: Thank you so much, Chairman Holdcroft. And thank you so much, sir, for your testimony. As we are talking about information, misinformation, disinformation, what is one of the most critical pieces of disinformation that we have surrounding your choice?

DAVID MOORE: Yeah, that, that this would-- yeah. That somehow, we're going around the three-tier. Like we're, we're, we're going to cut out one of the tiers here. And again, we've, we've repeated it several times here. Self-distribution is not our goal at all, just as the way we operate in Iowa. Your laws here are much more favorable, in some cases. You allow self-distribution up to eight locations. In Iowa, it does not matter my number or locations. No matter what I produce, if it moves from one location to another location, it must go through a wholesaler. And so, that would, that would be probably the key one that, that we are hearing. Thank--

HOLDCROFT: Any other que--

DAVID MOORE: Thank you, sir.

HOLDCROFT: Any other questions? Yes, Senator DeKay.

DeKAY: Thank you. For what you're asking for with LB1151, for businesses like yours located in Nebraska, are they able to ship beer over to Iowa for the way you're wanting to bring Iowa beer to Nebraska or not?

DAVID MOORE: We, we, we have no intention to. If we were-- if it was to come up, it would be like a special, fun project, you know,

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something between-- a, a co-lab, or something to that effect, but we have no, no plans to. But then again, it would still have to go through the distribution-- our, our distributor to do that. It would never be a, a direct transfer from business to business. It would always include the wholesalers, no matter which direction it was going in. But we have, at this point, no intention, and, and, and it wasn't part of the original business model.

HOLDCROFT: Any other questions from the committee? Yes, Senator Andersen.

ANDERSEN: Yeah. Thanks, Chairman. And thanks for being here.

DAVID MOORE: Thank you, sir.

ANDERSEN: This bill is significant. It's 44 pages. It's long. Senator Clouse, well, well done. But going to page 40, Section 24, paragraph (2), it says, a holder of the regional craft brewery license shall have the privileges and duties listed in Section 4. So I go back to the front, in Section 4, and it talks about that you shall-- they shall permit the production of aggregate from all physical locations-- that you can also sell to beer wholesalers for sale and distribution to licensed retailers.

DAVID MOORE: Part of the-- the hope would be is if-- we've already got requests from local bars that, that enjoy our product and would like to have the beers that are made in our, our Nebraska location to be able to sell at their taps and in their bars. And so, this would give the ability for that Nebraska-made beer to go through distribution, and then-- which would be able to purchased and, and sent to--

ANDERSEN: So it does kind of bypass the three-tier system, because you're the produce-- you're the manufacturer, the retailer, and the distributor.

DAVID MOORE: The distributor would, would, would be a part-- we would sell it to, in this case, Quality Brands would be our-- is our distributor. So we would produce the beer, beer there at, at our Nebraska location, sell it to our distributor, our distributor would then sell it to the, the retail location. For the-- if, if, if that's a holdup to-- particularly that part of that-- for your, for your, for your vote, if it would be something we would be-- we, we could dismiss. It wouldn't be something that would be imperative to our business model. But it, it would be a nice gesture. We get lots of

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support from local businesses and local bars. We would like to support them back.

ANDERSEN: Yeah. This is awfully broad-reaching. I mean, it really gives you license with one regional microbrew-- and they separate them, right? The regional microbrewery license, it really gives you a license to go anywhere, do anything, and sell any-- to whoever you want. Right? I mean, isn't that--

DAVID MOORE: I can only sell it to my-- I can only sell it to my distributor. I can't sell it to anybody directly. I can only sell it to my distributor. There's no allowance to, to go to outside the distribution. We have to sell it to the distributor. From there, they can sell it to another business. But we cannot-- I cannot sell it to another business. I got-- I can only sell it to a distributor.

ANDERSEN: OK. So then what is the purpose of you obtaining an annual catering license, a special designated license, an entertainment district license, why-- then why is that?

DAVID MOORE: In particular was, in this case, to be able to, to take care of a, a, a certain part of our-- next to our-- I guess, part of our, our property, or part of the, the development we're in, to actually-- we could cater that. And then we have-- the, the, the building we're in is 176,000 square foot and it has an event center, and they would like us to cater those events and be a, a vendor for them.

ANDERSEN: So if you took your, your establishment you have in Omaha and increased it, or relocated it and built it--made it bigger, then you would follow the same licensing and the same rules as the other microbreweries in the state, right?

DAVID MOORE: Yeah. I, I haven't looked into that directly. Yes, that would be-- we would follow the law as, as written. Yes. 100%. Just like we're doing today.

ANDERSEN: [INAUDIBLE] be a need for this. Right?

DAVID MOORE: The only way I'll be able to get our beers and be able to sell alcohol or spirits, such as-- and wine-- is what we're-- what we're trying to do is be able sell beer, wine, and spirits in our location. That's the main-- that's, that's our goal of this bill. Some of it was written more than maybe we particularly wanted. But for us, we wanted-- the base reason we wanted this was to be able to sell our

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beer made in Iowa, beer made in, in Nebraska, and be able to sell wine and spirits to our consumers.

ANDERSEN: Thank you.

HOLDCROFT: Any other questions? Seeing none, thank you very much.

DAVID MOORE: Thank you, kindly.

HOLDCROFT: Next proponent. Welcome.

CLAY VANDERHEIDEN: Clay Vanderheiden, C-l-a-y V-a-n-d-e-r-h-e-i-d-e-n. My name is Clay Vanderheiden. I'm one of the owners of GreenSlate Development. We're a local real estate development firm in Omaha. Over the past 14 years, we have led the investment of over \$300 million into the urban core of Omaha, mainly the creation of the Blackstone District. That includes projects like the historic renovation of the Blackstone Hotel into the Kimpton Cottonwood Hotel, you know, and then about 20 other projects we've done. You know, we are very proud to say that we have about 30 locally-owned small businesses that are in projects that we kind of have created over that time period. I'm here to support this legislative bill, LB1151. Our most recent project, Catalyst, is a creative office building that we developed in partnership with the University of Nebraska Medical Center. When we set out to create Catalyst, we knew from day one that, you know, with a large office building that food and beverage would be a big key of that. It would really be kind of an anchor for everything going on. We wanted a place where tenants, neighbors, and the broader Omaha, Nebraska community could come together. Shortly after we began development of the project, we were introduced to Big Grove, who was looking to grow and kind of invest in the Omaha community. We pitched Big Grove to be the sole food and beverage provider at Catalyst. That includes, you know, like they talked about, we have multiple event spaces. The road around the building we specifically built as a private road that could be shut down for farmers markets and different things. And you know, the plan was to have these guys onsite and kind of be able to provide food and drinks and things that-- as we kind of [INAUDIBLE] space. They also-- you know, they have their large taproom and restaurant. They have a big outdoor patio. They actually operate the coffee shop that's inside the building for us, which they hadn't done before, and they wanted to commit to doing that in Omaha for the first time. And then, like I said, they handle the catering. They aren't just a tenant. They are kind of a critical part of what makes Catalyst kind of run and be a community hub. After, you know, both

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ourselves and Big Grove invested kind of millions of dollars into this project, it was determined that under current Nebraska law, Big Grove, because they've grown beyond the craft brewery threshold and already distribute beer into our state, cannot operate their taproom at Catalyst with the same retail privilege-- privileges that a Nebraska-based brewery of similar size would have. LB1151 fixes that by creating the regional craft brewery license, which allows breweries producing between 20,000 and 95,000 barrels a year to operate up to eight-- which sounds like it's now three-- retail locations. Importantly, all beer, wine, and spirits sold in those taprooms still have to be purchased through Nebraska's licensed distributors. That keeps our three-tier system intact while allowing for investment in our state that has been, to date, prohibitive. You know, Big Grove is not a large national brewery. We didn't want a Anheuser-Busch taproom to come into Omaha, right? They are a locally-owned business. They had success in Iowa. They want to make a commitment to our state and bring something great to the people that live here. They've proven that by the money they've invested into the building. It's a beautiful space.

HOLDCROFT: That's your time, Mr. Van-- Vanderheiden?

CLAY VANDERHEIDEN: Yes.

HOLDCROFT: Let's see if there are any questions from the committee. Senator Quick.

QUICK: Yeah. Thank you, Chairman. So like the entertainment districts, and some of the locations you have in Omaha that you have developed, is there entertainment districts there now?

CLAY VANDERHEIDEN: No. There-- you know, all of our stuff is kind of traditional urban corridor, right on Farnham Street or something, where there's not natural, kind of, outdoor gathering spaces, where something like that would make sense, so no.

QUICK: OK. All right. So I mean, like with this, with their-- they would like for that-- is Catalyst in-- down in the Blackstone District?

DAVID MOORE: Yeah. It's right on Saddle Creek. It's-- so Blackstone's on the east side of the Med Center. This is right on the west edge of their campus, so a couple blocks away.

QUICK: OK. All right. All right, thank you.

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HOLDCROFT: Other questions from the committee? Senator DeKay.

DeKAY: Thank you. Thank you for being here today. So from your original business model with craft breweries, you've kind of outgrown and need to move on to what we're trying to do here. Is that what I'm hearing or?

CLAY VANDERHEIDEN: No, it's not outgrow. You know, we have a local craft brewery that's-- actually was our second business that opened in the Blackstone District when we first bought the building in 2014. You know, the goal is not to-- you know, it-- we haven't outgrown them. Right. It's a--this was a large space. It's a big undertaking, right. It's a 10,000 square foot restaurant with a massive patio in a brand new building, right. Rent's expensive, all this stuff. And, you know, it takes a highly-qualified operator to do so. And you know, again, it's not-- we, we kind of have always prided ourself on these locally-owned businesses and we don't want-- you know, we could have probably leased to a Chipotle at one point, and different things. And instead, we have Mula, which is a local restaurant in town that's great. But you know, we look at these guys. They are a local business. They were a-- they started the same way the brewery that's in Blackstone did, and they just grew it, and were successful in Iowa. And they wanted to make an investment in our city, and it was something new and exciting for people to get behind. You know-- and you know, from the day we met these guys, it was always a commitment to investing in, you know, the state here, and wanting to grow something here that people are, you know, proud of.

DeKAY: OK. I'm, I'm not being condescending, but I'm just playing devil's advocate here. Earlier, it was mentioned about "it's not our intention now," so what would change in the future, 5, 10 years down the road that might change your intentions and want to go a different direction?

CLAY VANDERHEIDEN: In terms of?

DeKAY: Well, what-- how you run your businesses or what you want-- might want to put in play that might affect the three-tier system or anything, or do you see that happening?

CLAY VANDERHEIDEN: We don't-- I mean, frankly, this is not my-- you know, liquor licensing law and stuff is not what I do. Most of the time I'm on a construction site with a hard hat on. But-- so we have no intention of doing anything that, that would make the three-tier

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system go away, right? We don't, we don't own the bars and restaurants. We are the landlord, essentially. We own the buildings around them.

DeKAY: I just thought of it. I should have asked a different testifier that was up here before you. But anyway, thank you for being here today.

CLAY VANDERHEIDEN: Thank you.

HOLDCROFT: Any other questions from the committee? Seeing none, thank you, Mr. Vanderheiden.

CLAY VANDERHEIDEN: Thank you.

HOLDCROFT: Next proponent. Next Proponent for LB1151. Opponents. Any opponents here? Welcome.

ADAM BARNEY: Good afternoon, Chairman Holdcroft and members of the General Affairs Committee. My name is Adam Barney, legal counsel for the Associated Beverage Distributors of Nebraska. Given that this bill relates to pending litigation--

HOLDCROFT: Excuse me. Can you spell your name for us?

ADAM BARNEY: Excuse me. Sorry. A-d-a-m B-a-r-n-e-y. Given that this bill relates to pending litigation, I'll be the only person speaking on behalf of the Nebraska beer distributors here in opposition to LB1151. While we understand the good intentions behind this bill, the truth is that you should only pass this bill if you want to kill the Nebraska craft brewing industry. The Legislature has worked hard over the last 40 years to create a narrow lane for small businesses, small craft breweries, particularly those located here in Nebraska, to operate in and to build their businesses. Small craft brewers have been given privileges and carve-outs from the three-tier system to effectively help incubate their upstart businesses. While ABDN often disagrees that granting those privileges are worth the downsides, every change that has been made has been done in good faith by senators trying to help these small businesses thrive. The largest craft brewer in this state produces approximately 7,000 barrels of beer annually. This bill would give craft brewing privileges to producers that are 15 times the size of Nebraska's largest craft brewer. 95,000 barrels of beer is 1.3 million cases of beer, 33 million cans of beer. If you pass LB1151, you would be expanding craft brewing incubation rights to very large brewers. If LB1151 becomes

law, these large breweries will see the opportunity and pounce. The new development, looking for a craft brewing restaurant, instead of giving a small craft brewer an opportunity, opportunity to expand its brand, that development opportunity will be taken by the deeper pockets of the larger brewer that can afford to invest the money to become the anchor tenant. That is what happened with Big Grove. Big Grove took an opportunity that could have gone to a smaller craft brewer, but Big Grove didn't do its due diligence before investing in the Catalyst. Bailing Big Grove out for its failure to research the law would be catastrophic for the craft brewing industry in the state. Current law does not prohibit investment in the state. Big Grove is operating. They can and are operating under a manufacturer's license. That is the appropriate license to maintain the boundaries of the three-tier system and to protect the laws built to help small businesses. A couple of additional points. I believe that the commission's ruling on why they could not operate was inaccurately stated, and I'm happy to answer your questions on that. To Senator Quick, and I believe, some others asked about Kansas. It's been a while since I looked into it, but my read of the Kansas law is different, and I do not believe that what Big Grove has proposed to Kansas is actually allowed by their Liquor Control Act. Happy to answer any questions from the committee.

HOLDCROFT: Thank you, Mr. Barney. Any questions from the committee? Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Thank you for being here, Mr. Barney. So in terms of how it will blow up the three-tier system, I guess I'm, I'm curious. Can you just elaborate on that, by allowing them this sort of specific type of license?

ADAM BARNEY: Sure. So I, I believe Big Grove is presenting this as we're not trying to skip the distribution tier, and then that's to their credit. It's fair. They're, they're saying they'll go through the distribution tier. Understand, there's three tiers, right? There's manufacturing, distribution, and retail. They want to operate in manufacturing and in retail, so they-- they're wanting to operate in two of the tiers. That's part of it. The bigger catastrophe that we foresee from our members, who are partners with the smallest to the biggest of craft brewers in this state and other states, is that if you open this up from 20,000 max to 95, those 95-- those people who make 95,000 barrels, it's a huge brewery. It's really huge. It's not Budweiser, but it's really, really big. And I think when I looked into this before, Boulevard's at about 165,000. So they would be a little

bit above it after the amendment. But understanding scope, that's a-- 95,000 is a big brewery. If you want the neighborhood brewery to go in and have an opportunity to grow, expand their brand, they're not going to have that, because-- whether it's Big Grove or somebody else from out-of-state. And these gentlemen are great. I've dealt with them over the last year. They're great. Don't-- but they're asking for a lot that doesn't affect just them, but everybody who's that big, and doing that is going to harm this opportunity for the small producers. And I think the quote from Mr. Wehr in last night's news article on this is particularly telling, where he said, since we've opened our doors down at UNMC, our brand has grown significantly in Nebraska. And that's obvious. Once you're here, once you take those retail opportunities, you're going to build your brand, and they're taking the opportunities away from the small guys, the guys that you guys passed these laws to help.

J. CAVANAUGH: So I'd heard somebody-- I think I wrote it down, some other states have their craft brew whatever license at up to 50,000. And they're below 50,000. Would-- do you have similar objections that you've articulated if we lowered this number all the way down to 50. Which would still cover them, and then, but would be more in line with other states' craft brew license?

ADAM BARNEY: We would, we would have a problem with that, and let me explain why. Every state's different, and I think there's been acknowledgement that every state in how they treat craft brewers is different. You'll have some states that have a really large capacity for how they define a craft brewer. But you'll see, in those states, what, what those craft brewers are allowed to do is very, very narrow. They may be able to have retail privileges at their one place. That, that may be it. The further you go down that pyramid in states, when states are down to maybe 5,000 or where we're at, at 20,000 production, that's when the rights are a little bit broader. And so, they're asking for a high cap with wide rights to do a lot of different things, and that would be an inappropriate use. And let-- I mean-- I think maybe the best example is, Big Grove talked about how in Iowa, they are allowed to operate different retail restaurants, but they're not allowed to transport product from one of their retail locations to another retail location. In Nebraska, the craft brewers are allowed to transport their own product from one retail location to another retail location. And if there was a bill here today to eliminate that, to say that you have to go through a distributor in Nebraska from one retail location to another retail location, I can guarantee you the Nebraska craft brewings would be screaming at the

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top of their lungs that you are going to destroy our businesses if we're not allowed to do this, in a system that has served Big Grove very well in Iowa. You just-- the complexities of the system and how they're inter-- intertwined matters, and the way that Nebraska's system is set up, that production cap would not make sense.

J. CAVANAUGH: Can I ask another question?

HOLDCROFT: Sure. You bet.

J. CAVANAUGH: I didn't know if anybody else had questions. I, I feel like sometimes I just keep talking.

ADAM BARNEY: I, I, I very much enjoy it, Senator.

J. CAVANAUGH: And so, not to put you on the spot or anything, but is there a-- do you have an idea that could help this one location. Because this-- I don't know if this-- this seems like a one off to me. And is there something if we did this at just a level that was constrained to them, that was only for one location, that didn't have all these other things in it? I mean is that something that would work or?

ADAM BARNEY: We've, we've given it a lot of thought. We've been un-- unable to think of something so far, and the problem with any law, right, if you draft it for one person, you-- it's impossible to actually constrain it to that one person.

J. CAVANAUGH: Yeah.

ADAM BARNEY: Right? It's going to have broader application. And as we've thought through the issues, I don't think that that's there. And I mean, somebody used an analogy when I was talking to them about this bill. They said, it's, it's like somebody went into downtown Omaha and spent \$100 million to build a casino, and they get to the point where they're ready to open the door to the casino, and they talk to the regulators, and the regulators are like, hold on, you can't-- you're not allowed to have a casino in downtown Omaha. And they're like, well, we spent a \$100 million. It's a beautiful facility. It will bring in tax revenue. It will bring in jobs. It will bring in all this stuff. You don't come to the Legislature, after the fact, and say, well, pass a law so that we can open up this building that we probably just failed to research the law before we got there, and that's kind of the situation we're at. It's unfortunate. I've been to Big Grove. They've treated me exceptional when I'm there. It's a really neat

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place, but they didn't research the law, and changing the law right now would be harmful to the system.

J. CAVANAUGH: All right. Thank you.

HOLDCROFT: Any other questions? Senator Andersen.

ANDERSEN: Thanks Chairman. And thanks for being here. Would they be-- would Big Grove, as an Iowa company, be subject to the Nebraska franchise law?

ADAM BARNEY: They would.

ANDERSEN: So they'd be held to the same standards as the microbreweries in Nebraska?

ADAM BARNEY: Un-- under the franchise law now, the changes that are being proposed in that bill later this-- later today, we'll have to talk about that. But yes, they would be subject to the franchise laws. Yes.

ANDERSEN: Thank you.

HOLDCROFT: Any other questions, Committee? Seeing none, thank you, Mr. Barney.

ADAM BARNEY: Thank you, Senators.

HOLDCROFT: Next opponent. Anybody speaking in opposition to LB1151? Anyone speaking on the neutral? OK. With that, there were-- as we-- as Lieutenant-- I mean-- as Lieutenant-- as Senator Clouse comes back up, LB1151 had 91 proponents, 6 opponents and 1 neutral.

CLOUSE: OK. Thank you. A lot of, a lot of interesting thoughts and comments on this bill. But just a few things, as I sat there and, and listened to some of the comments. And, and I, I apologize for being gone. I had to testi-- testify in another committee. So the questions that I have, you know, as we sit here and talk about it with the distributors, it's an all-or-nothing and they want nothing. I think that's pretty clear. And how does this keep Nebraska open for business? You have to ask yourself that question. I think, I think we're setting ourselves up to create a regional craft brewery that does have some benefits to our state, and I think that it does provide opportunities for small breweries to grow if they want to, grow into a regional craft brewery. By taking this hard-line approach, that will

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never happen. And I think that the Nebraska Liquor Control Act, when you-- and we handed that copy out to you. You had that earlier. It references balancing unfair business practices as part of the, the reason for the Liquor Control Act. I'm not sure how an all-or-nothing balances unfair business practices. So I would ask you to consider this bill and give it the green light and, and please feel free to contact me if you have any questions or anything you'd like to see further discussion on.

HOLDCROFT: Thank you, Senator Clause. Any questions? Senator Quick.

QUICK: Thank you, Chairman. So I know they-- the, the last testifier brought up that, that this bill would force the Nebraska brewers to use a distributor, where, right now, they can self-distribute to their own locations. Now, I talked with some of the craft brewers and I didn't, I didn't, I didn't [INAUDIBLE]. Is that-- do you feel like that's the case?

CLOUSE: I've, I've heard that, too. And you know-- and a couple brewers in, in our area have mentioned that, that they can't do that. And it gets frustrating, because they want product and they can't get it, and they're not eligible-- they're able to go get it, you know, and maybe some of the same comments that you've heard.

QUICK: OK. Did you feel like, like this bill would hurt them, or would it--

CLOUSE: Well, this bill, again, it utilizes the distributors, too. It's not taking them totally out of the picture. It's just a different way of approaching it. So they should still be able to use the, the distributor network, if it works for them. And I've got a couple more bills coming up later that will talk about some of those other issues that I think get lost in the shuffle.

CLOUSE: Thank you.

HOLDCROFT: Any other questions? Senator Andersen.

ANDERSEN: Thank you, Mr. Chairman. Thank you, Senator Clouse. On page 2, we-- while you were out, we kind of discussed some of this. Section 4, specifically looking at paragraph (2), where it talks about the holder of a regional craft brewery license may obtain an annual catering license, special designated license, entertainment district license, or promotional farmers [INAUDIBLE]. It's pretty, pretty

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broad-reaching. I mean, why, why did you include that section in there?

CLOUSE: Well, I think that's in there and-- I'm just going based on what I read on this, because that's fairly common. You know, when you have a catering license and-- and of course, a, a farmer's market. If you've been to those, they-- they're there sharing their wares. I've been to a farmers market when they were giving shots of whiskey, one of them in Kearney, which I thought was interesting. So some of these statutes allow for those types of things, and it-- I don't-- we're not changing those statutes. This just allows them to go into those same areas that already exist.

ANDERSEN: So the regular craft brewers already have access to all these licenses.

CLOUSE: If they get them. I mean, you have to apply for them. For a catering license, for example, you, you just don't automatically get a catering license. You have to apply for it and, and, and go through a lot of things that you need to prove to get a catering license.

ANDERSEN: Thank you.

HOLDCROFT: Any other questions from the committee? Seeing none, thank you very-- oh, I'm sorry.

J. CAVANAUGH: Sorry. Thank you, Chairman. Thanks for being here, Senator Clouse. This was an interesting conversation. So, you know, just have deja vu on these liquor bills or alcohol bills. And you know, it's always, to me, I'm always looking for like, a solution. Like, let's figure out what is the real thing you need here. Where, where can we compromise? What can we cut out of here? And it seems like there is-- there's a lot of meat on this bone, like in terms of stuff that could be cut out, and that's kind of why, you know, I asked Mr. Barney that question. And, you know, it's-- I would worry, I guess, if I were Mr. Barney or representing that-- his industry, that we could make some real compromise that's going to get to exactly, you know, what would help this particular restaurant and solve this particular problem. But then, we'll be back here in a year or two, and be adding back in a bunch of the stuff that got taken out as part of the compromise.

CLOUSE: Yeah. And some of these issues have been, have been kicked back and forth a number of years. Another bill that I have, I'm like

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the third or fourth senator that's brought it, so just trying to get some resolution on some of these. And to Senator Andersen's point earlier, you know, the 40-- whatever number it was, 40 pages, most of that's the nomenclature of just defining or making a statement at regional craft brewery license. But the meat of it is, is really on those pages 2 and 3.

J. CAVANAUGH: Yeah. Well, thank you.

CLOUSE: Well, I would hope that we can find something.

HOLDCROFT: Any other questions from the committee? Seeing none, thank you very much--

CLOUSE: Thank you.

HOLDCROFT: --Senator Clouse. That concludes our hearing on LB1151, and starts our hearing on LB1128, with Senator Dover. We'll just let them clear out here for-- OK. OK. We got rid of Senator DeKay, so I think we can begin.

DOVER: Thank you, Chairman Holdcroft. And good afternoon committee members. For the record, my name is Robert Dover, R-o-b-e-r-t D-o-v-e-r, and I represent District 19, which is Madison County and the south half of Pierce County. LB1128 responds to a statutory gap identified by cities and confirmed by the Nebraska Liquor Control Commission during early implementation of entertainment districts. While existing law allows alcoholic beverages to be sold and consumed within the designated common areas, it does not clearly permit alcoholic beverages to be carried into or consumed within a business that does not hold a liquor license, even when those businesses are located inside the entertainment district and do not sell or serve alcohol. Correspondence between the city of Norfolk and the Nebraska Liquor Control Commission indicated that under current law, licensed establishments lack legal control over adjacent unlicensed premises. Therefore, alcoholic beverages could not be lawfully carried into or consumed within those businesses. As a result, retail shops and other non-alcohol serving establishment wouldn't have been require-- would have been required to, to obtain a full liquor license simply to allow patrons to enter with an-- excuse me-- with an open, with an open beverage, an outcome that is impractical, burdensome, and inconsistent with how entertainment districts are intended to operate. LB1128 addresses this issue by authorizing local governing bodies to designate consumption-only areas within an entertainment district and

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by creating consumption-only class of entertainment district license. This new license allows a non-alcoholic-serving business to opt in and permits patrons to carry alcohol beverages purchased from licensed entertainment district establishments into and out of the business, providing the business does not sell or dispense alcohol when-- and complies with all applicable provisions of the Nebraska Liquor Control Act. This bill does not expand alcohol sales, does not authorize alcohol service beyond non-licensed businesses, and does not diminish enforcement, authority, or public safety protections. Alcohol may only be sold and dispensed by properly licensed establishments. Participation by non-alcohol-serving businesses is voluntary and subject to approval by the local governing body and oversight by the Nebraska Liquor Control Commission. There is a group of friends behind me that will be able to speak to this firsthand, because it was experiences that brought, brought this gap into current statute, as they tried to lawfully comply with entertainment district laws. It is my desire to grow Nebraska's economy and this bill assists in that growth by ensuring that entertainment districts function as cohesive, walkable environments where licensed and non-licensed business can work together without necessary regulatory barriers, while maintaining strong local control and state oversight. I'll answer any questions. And I apologize, Senator Holdcroft-- Chairman Holdcroft, for not catching this the first time I was here.

HOLDCROFT: No problem. Any questions from the committee? Seeing none, will you be here for close?

DOVER: I've got another hearing going on in--

HOLDCROFT: I'm sorry, Senator Andersen.

ANDERSEN: So-- Senator Dover, thanks for being here. So this is really to grant permission to consume alcohol in non-alcohol-licensed facilities, right?

DOVER: Correct.

ANDERSEN: What would you consider a classic example of that?

DOVER: Pardon?

ANDERSEN: What would you think would be a, a-- the norm or a classic example of that?

DOVER: Well, one ex-- one of the good examples would be, so we have a shop called Magnolias, which sells kind of home furnishing-- I mean, not furnishing, but little decorative things that you put in your home. And so, they would ask-- she would actually apply for a temporary license to serve wine. And then, people would go down there and have a glass of wine, and they would buy different things and, and stuff like that. So what the entertainment district is trying to do is saying within you know, this block and this block-- this is the entertainment district-- so you can buy a glass of wine, and you can walk into Magnolias, is the name of the store. You could walk into Magnolias, look around, maybe buy something, and walk back out, and walk into another store. And, and, and that was the purpose of the entertainment district. The problem is, is I just missed that piece. So we have the entertainment district. We can do everything we intended to do. I just missed the piece that would allow them to walk into a store and buy, buy things. And that's kind of [INAUDIBLE]-- you know, the downtowns really have changed over the years. People used to go downtown and everything, and we don't see it so much, but with entertainment districts-- and we're seeing this in other states-- you know, people are going back downtown, having a beer, having a little wine, walking in, perusing, talking to friends, buying things together, so it's a really-- I think, good for the economy of, of the smaller, smaller communities. Actually, in Lincoln and Omaha, I, I actually have identified certain neighborhoods, too, they think that would be beneficial.

ANDERSEN: Thank you.

DOVER: Thank you

HOLDCROFT: Any other questions from the committee? Thank you very much, Senator Dover.

DOVER: Thank you. I may or may not be here to close. I've got other hearing going on right now.

HOLDCROFT: OK. No problem.

DOVER: Thank you.

HOLDCROFT: First proponent for LB1128.

JOSH MOENNING: Good afternoon, Chairman Holdcroft, members of the committee. My name is Josh Moenning, J-o-s-h, last name M-o-e-n-n-i-n-g. I'll try to be quick. Senator Dover did a, a very

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good job of summarizing the problem. Some of you in this committee have some history with this bill. We, we, as the city of Norfolk-- I served as mayor from 2016-2024-- really drove the, the drafting of this legislation, which was passed unanimously by this body last year, as Senator Dover stated. This part of it was somewhat of an oversight. As we tried to, in Norfolk, establish an entertainment district, we confronted this problem for our retail establishments, in which-- in order to participate fully in an entertainment district, they would have had to apply for and obtain a, a state liquor license, which was not the intent whatsoever, and made their participation cumbersome and onerous. So this is a technical fix, in my mind. Communities like Norfolk, we put a lot of emphasis on building up our quality of life, a unique and exceptional quality of life. A big part of that was downtown revit-- revitalization and riverfront restoration. I tell people we have an outdoor mall in Norfolk. It's called our Downtown. It's a mix of restaurants, dining, retail establishments. This fix would now allow for a, a retail establishment within the entertainment district to fully participate, by allowing customers who are participating, who have grabbed a drink, perhaps, at a licensed alcohol sales establishment to come through the doors and, and shop as, as they enjoy their beverage. We think this is economic development. We think that this is quality of life. We think it's tourism. I should also say that the Nebraska Travel Association supports this bill fully, and we thank them for their support. And again, don't want to take up a lot of time because I think this a technical fix.

HOLDCROFT: Thank you. Let's see if there are any questions from the committee. Senator Quick.

QUICK: Thank you, Chairman. So the way it's working right now, without this piece to build, like onto another store, they could still, in the entertainment district, walk through the streets, but they wouldn't be able to go in another streetfront store. Correct?

JOSH MOENNING: Right. Yep. That's correct. So.

QUICK: And, and then, when you set up the district, is this-- do you set it up to a certain, like, area that want, want-- that want to be part of it?

JOSH MOENNING: Yeah, so-- yeah. Good question, Senator. This is completely obviously up to a community's discretion if they want to engage in this. If so, they engage in a process to draw the specific

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boundaries of an entertainment district. There are in the statute-- in the existing statute now, requirements for signage, very clear signage where the district ends and where it begins, and it calls for slower speeds. There is some interaction with, with traffic. You cannot take the drink anywhere on the street. It's got to be marked crosswalk, and only sidewalks be-- besides that. So this now would allow for a shop, like Senator Dover mentioned, a, a boutique, a retail boutique, to allow a customer through their door who has a glass of wine that's marked with insignia as have been, been sold from a, a, a licensed alcohol establishment within the entertainment district.

QUICK: OK. Does that have to go before the City Council then, too?

JOSH MOENNING: Yeah. The City Council has to draw up the boundaries for that defined entertainment district and go through its own processes, local processes, to establish it.

QUICK: OK. Thank you.

HOLDCROFT: Any other questions from the committee? Yes, Senator Andersen.

ANDERSEN: Thank you, Chairman, and thanks for being here. This does, this does apply only to be a walking, right?

JOSH MOENNING: Say that again. I'm sorry.

ANDERSEN: People that are walking-- it's only for people that are walking, right?

JOSH MOENNING: Yes. Correct. Correct. Yes.

ANDERSEN: OK. Thanks.

JOSH MOENNING: Yeah. In Norfolk's instance, it would be a, a 6-8 block linear district.

HOLDCROFT: Any other questions? I do have one-- or statement. Well, I have a question, too. I remember you're entertaining us. It was several years ago. We actually had an interim hearing there, in, in Norfolk, and we toured the entertainment district, and totally understood exactly what you were going for. I think it's a great idea. We passed it. My question is who threw the flag? I mean--

JOSH MOENNING: It was-- well, well our cit-- the Norfolk City Attorney will be here to explain kind of how this came about, how we found this glitch in the system. It was one of the retail establishments who said, well, look, I, I want to do this. I want to allow customers through our doors with a drink. But as it's-- as this is written now, we would have to apply for and get a liquor license, which is costly. And, and, and that's not the point. They are not-- these retail establishments are not looking to sell alcohol directly themselves.

HOLDCROFT: Do we have an idea of how much a license would cost for this purpose?

JOSH MOENNING: I think it's-- as it's written up, under Norfolk's proposal, it would be a \$25 application fee for that retail establishment, on an annual basis.

HOLDCROFT: OK. Thank you. Any other questions from the committee? Yes, Senator Andersen.

ANDERSEN: Thank you. Just out of curiosity, have you consulted with the local law enforcement and gotten their opinion on this?

JOSH MOENNING: Yes, sir. Good question. Very much so. As this concept was being contemplated, our local law enforcement, before any legislation was even drafted, was at the table, saying-- because we wanted them to be there saying, how, how can this be managed and controlled in a responsible way that keeps everyone safe, but also allows for a new economic activ-- activity, social activity within our downtown area.

ANDERSEN: So they don't have any concerns?

JOSH MOENNING: They, they support it.

ANDERSEN: They're all resolved?

JOSH MOENNING: Yeah.

ANDERSEN: All right. Thank you.

HOLDCROFT: Any other questions? OK. Thank you very much.

JOSH MOENNING: Thank you.

HOLDCROFT: Next proponent. Welcome.

ANDREW McCARTHY: Hi. Chairman and members of the committee, my name is Andrew McCarthy, A-n-d-r-e-w M-c-C-a-r-t-h-y, and I'm here today in two roles: as a local bar and restaurant owner and as a city councilman of Norfolk. I appreciate the opportunity to speak in support of LB1128 and the creation of the consumption-only class of permit within established entertainment districts. I support this bill because as entertainment districts are currently structured, they are not truly collaborative environments. Participation is, is effectively limited to license-holders only. While that model works for bars and restaurants, it unintentionally excludes a large portion of the small businesses that actually help define the character and vitality of these districts. Retail shops, boutiques, galleries, salons, and service-based businesses are part of what make our entertainment districts attractive and walkable. But under the current framework, their only way to participate is becoming a liquor licenseholder themselves, an option that makes no practical sense or financial sense for many of them. These businesses don't generate revenue from alcohol sales, yet they'd be required to take on the cost, burden, and complexity of attaining-- obtaining and maintaining a full liquor license, just to allow patrons to carry a drink inside their space. LB1128 fixes that problem in a smart and responsible way. The consumption-only permit creates a pathway for inclusion without changing who can sell alcohol. Alcohol sales remain with licensed establishments. The regulatory structure and accountability remain intact. What changes is that the small businesses are no longer locked out of the entertainment district experience simply because they are not alcohol sell-- sellers. From a local government perspective, this matters. We talk a lot about place-making, downtown activation, and supporting small business, but our policy structure has to match those goals. A truly collaborative entertainment district should function as a shared ecosystem, not a siloed model where only liquor license-holders benefit from this district designation. This bill allows entertainment districts to operate as unified environments, where people can move naturally between bars and shops and services, where retailers and salons benefit from increased foot traffic, where customers experience the district as one connected space, not fragmented zones of access, where businesses can collaborate on creative marketing and promotions, allowing retailers, salons, and service providers to host unique events, themed nights, pop-ups, and joint promotions that attract the district in new ways and create experiences customers can't get anywhere else. As a bar owner, I don't see this as competition. I see this as strength. When more businesses participate, the entire district becomes more attractive. That drives

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more visitors, longer stays, and more and more economic activity for everyone. Including the liquor license establishments. As a councilman, I see this as good policy. It lowers barriers to participation, supports small business growth, and aligns with the original intent of the entertainment districts, to create vibrant, shared-use environments that benefit entire communities, not just one category of business. LB1128 does not weaken regulation. It does not expand alcohol sales. It simply creates a fair, logical, and inclusive framework that allows entertainment districts to function as true collaborative districts.

HOLDCROFT: That's your time, Mr. McCarthy. We'll see if there are any questions from the committee.

ANDREW McCARTHY: Thank you.

HOLDCROFT: I have one question. Did you say you have-- you own-- a bar owner?

ANDREW McCARTHY: Correct. Yeah.

HOLDCROFT: Is it in the entertainment district?

ANDREW McCARTHY: Yes.

HOLDCROFT: Have you seen-- how's it working for you?

ANDREW McCARTHY: Well, we haven't passed this as, as a local government yet. We were waiting to-- for the entirety.

HOLDCROFT: But for you, you don't have to have a license. You already have your license, right, so you're--

ANDREW McCARTHY: Right.

HOLDCROFT: You're go ahead, you're selling, and they're leaving your bar and going out and drinking.

ANDREW McCARTHY: Not currently. As a-- as our local body, we have not passed this yet.

HOLDCROFT: Oh, I see.

ANDREW McCARTHY: We've been waiting for the-- to bring everyone in together.

HOLDCROFT: OK. Any other questions from the committee? OK. Thank you very much, Mr. McCarthy. Appreciate it. Next proponent. Welcome.

MELISSA FIGUEROA: Good afternoon, Chairperson, members of the committee. My name is Melissa Figueroa and I'm the current city attorney for the city of Norfolk. Prior to this appointment-- this recent appointment, I worked as a business service-- services specialist in economic development , and I worked very closely with our economic development director, Candice Alder. So my testimony today is going to be more for-- from an economic development perspective. As we began the work of organizing and planning our entertainment district within downtown Norfolk, we quickly realized that there was a structural issue in the existing model. Nonliquor license holders would be excluded from meaningful participation. This obstacle became especially evident in conversations within our small business community. Felicia Rajae, of Rooted Salon and Spa, shared that they host bridal parties nearly every weekend during wedding season, and allowing mimosas or wine would create a fun, welcoming atmosphere and elevate the overall experience for clients. Kara Weander-Gaster, the director of our creative district, emphasized the value of being able to support events, like First Fridays, at the newly created artwork studio, where visitors can move between the spaces and experiences in a more connected and engaging way. Roxi Dickau, owner of Roxi's Elegant Bridal, also shared that celebratory moments like wedding dress shopping would be made even more special with the option for champagne or mimosas. Together, all of these examples highlight the same challenge: these businesses want to participate in the entertainment district experience, host creative events in this area, and enhance customer engagement. But without a liquor license, there has been no practical way for them to do so and engage in this way. Amy Renter, who's the owner of Magnolias Home Decor in Norfolk, and a long-time downtown business owner and leader, has shared her frustrations with our office. She has owned her store for 30 years and has seen trends in retail come and go. There is a consistent truth that has stood the test of time: women shopping with a glass of wine are good for business. She was very excited about the initial proposal of the entertainment district for our community. Then, when she learned she could not, in fact, host a customer carrying a beverage into her store, there was some discouragement there. Amy indicated over the years that she has started the application process from her-- for her own liquor permit, but has halted, based on the complexity and the annual costs. She just could not see the benefit of doing that. She shared that the current

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proposal of an annual \$25 fee that would allow her retail customers to bring in a beverage while they shop was a perfect balance of responsibility and expense. As a Downtown Norfolk Association board member, Amy is always looking for ways to help facilitate cooperation of businesses in the district. When downtown promotion discussions come up that include every-- evening multi-business events, she shared that it is always frustrating that any business currently wishing to serve a glass of wine can not do so. It would require a state and city permit, as well as collaboration with an onsite permit holder representative for the evening. She also indicated that there are not enough qualified permit holding businesses to assist the retailers with these types of events. LB1128 would directly address those challenges we have experienced at the local level. It's a responsible, low-barrier pathway for inclusion, while maintaining-- and I see my time is up, so I'll go ahead and stop.

HOLDCROFT: That's your time, Ms. Figueroa, but I'm sure there'll be some questions from the committee. Questions? Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Thanks for being here, Ms. Figueroa. Well, I appreciate the analogy about the value it brings to retail therapy. Did you want to finish your remarks, if you had anything left you wanted to say?

MELISSA FIGUEROA: Yeah, sure. Participation becomes broader, more equitable, and reflective of how vibrant districts actually function.

J. CAVANAUGH: I-- thank you for that. I've, I've always been a big fan of the-- I went on the tour with Senator Holdcroft, and big fan of what you guys are doing at Norfolk. And so, really would like to see you succeed, and so--

MELISSA FIGUEROA: Yeah.

J. CAVANAUGH: --would love to eliminate this last technical hurdle that's [INAUDIBLE].

MELISSA FIGUEROA: We appreciate that. We found that the retail-- the retail establishments and salons were especially excited about this. And so they were really going to be the root of this movement of gathering the funds to get the signage together and the ordinance to go through. And so, we would really like to be able to have them fully engaged and participate.

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J. CAVANAUGH: Can I ask a technical sort of question? That-- so it's a \$25 license they'd have to have. And what, what happens if somebody were to not get that license? So if somebody-- in the whole district, everybody gets one but one shop, what happens? Do they have to just--

MELISSA FIGUEROA: Yeah. So what we would anticipate is before the establishments that do have licenses, there would be some associated stickers that would say, you know, Downtown Norfolk Entertainment District, beverages allowed, or some sort of, of signal that would let consumers know which establishments they could enter into and which would not.

J. CAVANAUGH: OK. So-- but then it would be on them to say if somebody comes in with a glass of wine or whatever, they'd say, oh, sorry, you can't bring that in here with you.

MELISSA FIGUEROA: Yeah. Mm-hmm.

J. CAVANAUGH: OK.

MELISSA FIGUEROA: Exactly.

J. CAVANAUGH: And would they be held to the same standards as other liquor licenses, like all the background checks and things like that?

MELISSA FIGUEROA: They-- we are-- what we envision would be some sort of application process through our city council. And so, we've talked about including some sort of background check at the local level, but that would also be kind of something that we haven't completely worked through. But we have discussed that and think that that would be an important component to it.

J. CAVANAUGH: Thank you.

HOLDCROFT: Any other questions. I did have one. It was kind of along the lines of Senator Cavanaugh's was, you know, how would they know, you know, which-- where they could bring a drink into. Have you had any pushback from, from people who just don't want to have alcohol in there. Is there-- are there any opponents like that?

MELISSA FIGUEROA: Not, not that I have heard, not that I have heard. I did have an opportunity to meet with our police chief on Friday to discuss what his thoughts were about this change. He really didn't see the difference between what is already allowed and, and how this would, would expand on that, and we've also discussed there would be

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an educational component of this as well. So as part of the entertainment district rollout, we're anticipating some sort of pamphlet, press releases, education as to what is allowed and what is not allowed, so that everyone can be informed.

HOLDCROFT: So this was mostly a self-disciplining effort for the-- from the city. You didn't get the Highway Patrol rolling in, saying, no, you can't do this?

MELISSA FIGUEROA: No. Not as far as I'm aware.

HOLDCROFT: OK. Thank you. Any other questions? Senator Quick.

QUICK: Yeah. Thank you, Chairman. So like, as far as like-- so walking through the districts, then-- and there might be children there, too. Is there some way to make sure that kids, maybe-- I know they wouldn't be drinking alcohol, but I mean they could pick up a glass or something.

MELISSA FIGUEROA: We hope not. No, I mean, I think that all of that is, is really just going to come down to the individuals. We have a great community in Norfolk. So I didn't anticipate or see any, any, any big issues like that. Of course, there-- issues will come up as we work through that. But I think it's just great that we have such a great relationship with our local law enforcement that I anticipate we would be able to work through those, those issues.

QUICK: I know Grand Island wants to do something like that, too, because we have our downtown area, too.

MELISSA FIGUEROA: Oh.

QUICK: And I've been to Norfolk's downtown. It is amazing.

MELISSA FIGUEROA: Yes. I think for farmers market and other events, it could be really great.

HOLDCROFT: Any other questions from the committee? Thank you very much.

MELISSA FIGUEROA: Thank you.

HOLDCROFT: Next proponent. Welcome.

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CHRISTY ABRAHAM: Senator Holdcroft and members of the General Affairs Committee, my name is Christy Abraham, C-h-r-i-s-t-y A-b-r-a-h-a-m, here representing the League of Nebraska Municipalities. As you remember, this committee heard LB186 last year. It was, I think, amended into Senator Quick's LB113 and passed by the Legislature. There was a lot of testimony last year, as well, from the city of Norfolk about their entertainment district, and as you heard some more great testimony today, about this final sort of tweak that we're trying to put in place. And Senator Holdcroft, I'm with you. It's been 3 years, if you can believe it, since we went up to Norfolk and had that amazing tour and saw their downtown and how beautifully walkable it is and all the great stores. And in fact, this summer, my family and I went to spend the weekend there and we tubed down the river. So there's no pictures of that, so please don't ask. LB1128 really is an update to that. Again, I think the previous testifiers have done such a great job of explaining why it's so important to Norfolk, and I think this was sort of the intent all along, for those of us who went on that tour. You know, we saw all of those beautiful stores in downtown Norfolk and thought, wouldn't it be nice to take a glass of wine into this beautiful store and shop. So we appreciate that this is sort of the final piece. I also wanted to add, of course, because we're the League, we really appreciate that the language is such that the city council or village board makes that decision about who's going to have a consumption only license. We appreciate the local control. We also think, like Grand Island or other communities, these provisions may work for them, as well. I know we're hearing from Norfolk, but I know a lot of other communities are interested, so we appreciate that other municipalities may pick this up and run with it. So, I'm happy to answer any questions you might have.

HOLDCROFT: Thank you. Any questions from the committee? Seeing none, thank you very much.

CHRISTY ABRAHAM: Thank you so much.

HOLDCROFT: Next proponent, proponent. Any opponents to this bill, LB1128? Any neutral testimony? Well, Mr. Chafee. Welcome.

MICAH CHAFFEE: Thank you. All right. Chairperson Holdcroft and members of the General Affairs Committee, good afternoon. My name is Micah Chaffee, spelled M-i-c-a-h C-h-a-f-f-e-e, and I serve as the executive director of the Nebraska Liquor Control Commission. I'm here today to testify in a neutral capacity on LB1128. Last year, the Legislature passed LB186, which revised the structure of entertainment districts.

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The bill primarily addressed the operation of commons areas and provided greater flexibility for smaller communities to design districts that align with their downtown infrastructure while preserving existing public safety and regulatory standards. LB1128 builds on that framework by creating new consumption-only class of entertainment district license. Under the bill, a business located within a designated entertainment district may apply for this license and allow patrons to enter its premises with alcoholic beverages lawfully purchased from another licensed establishment within the district. The bill does not authorize those businesses to sell or serve alcohol. It only expands where alcohol may be consumed within a district. From the commission's perspective, there are several considerations. First, this bill expands licensure to businesses that do not sell or serve alcohol, which represents a shift in the commission's traditional jurisdiction. Second, it increases the number of physical locations where alcohol consumption may occur, raising questions about consistent enforcement, age compliance, and the clarity of responsibility between the selling licensee and the consumption-only premises. These concerns can be addressed, but they require clear oversight by local governing body, well-defined district boundaries, and strong coordination with local law enforcement. Finally, LB1128 establishes a \$25 application fee payable to the commission, but it does not designate where that revenue should be credited. Absent statut--statutory direction, it would be deposited in the General Fund. Because of the commission will administer and process these licenses, we respectfully recommend that the bill specify they'll be credited to the Liquor Control Commission's Cash Fund, rather than the General Fund. With those comments, the commission remains neutral on LB1128, and I'm happy to answer any questions.

HOLDCROFT: Thank you, Mr. Chaffee. Any questions from the committee? Well, I think you should do it for free.

MICAH CHAFFEE: I'll be, I'll be, I'll be here another bill. You can, you can wait.

HOLDCROFT: Not seeing any other questions. Thank you, Mr. Chaffee.

MICAH CHAFFEE: Thank you.

HOLDCROFT: Any other neutral testimony? Neutral. OK. There were, LB1128, 2 proponents, no opponents, and no neutral comments. With

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that, Senator Dover is not here, so that will close our hearing on LB1128. Next up is LB1004, with Senator Clouse. Welcome back.

CLOUSE: Thank you. Be back again. Good afternoon Chairman Holdcroft and committee members. For the record, my name is Senator Stan Clouse, S-tan C-l-o-u-s-e, and I represent District 37, which includes much of Buffalo County, including Kearney, Shelton, and Gibbon. LB1004 is not a new concept. It's been introduced before, different times over the past few years. Last year, and this is similar to Senator Hunt's LB33, which was heard last year, and it's intended to remove, remove nonalcoholic beer from regulation of the Nebraska Liquor Control Act. LB1004 is similar, but the version provides provisions to keep nonalcoholic beer out of the hands of minors, which was a concern that was expressed last year at LB33. Nebraska is one of only 7 states in the country that regulates nonalcoholic beer, meaning that the nonalcoholic beer products must be distributed by licensed distributors and sold only by licensed retailers. Interestingly, the Nebraska Liquor Control Act does not regulate nonalcoholic wine or nonalcoholic spirits, which makes sense. The Liquor Control is designed to control liquor and not nonalcoholic products. The three-tier system-- we talked about that at length-- would not be disrupted, and the majority of the nonalcoholic beer would still be continued to be distributed through licensed beer distributors. I think we're all familiar with a lot of those brands. Cutting red tape in the nonalcoholic market will provide greater flexibility in direct-to-adult consumer sales, and there are many NA products that wholesalers can't or don't want to carry and can't distribute to resale stores. These products would be seasonal nonalcoholic beer or just simply small-batch products. If manufacturers wanted to ship directly to adult consumers today, they must obtain a shipper's license. The shipper's license is cumbersome, time-consuming, and requires a sharing of personal identifiable information. Shipper license is designed for the Liquor Commission to know how much alcohol and where the alcohol is going in Nebraska. That makes sense for alcohol sales. It does not make sense for nonalcoholic beer to be held to the same standard. Direct-to-consumer sales in 43 nonregulated states have not affected retail sales of nonalcoholic products. With the ability to engage in e-commerce sales directly, all parties benefit: producers, distributors, and retailers. Removing nonalcoholic beer from the Liquor Control Act-- does it increase access to minors? Short answer is no. Nonalcoholic beer is marketed to and consumed by adults, not children. LB1004 prohibits the sale of nonalcoholic beer to anyone under 21, because this was a concern that was expressed last

year, and I believe LB1004 is as comprehensive as it can be for a free market, business-friendly approach, and is still mindful of underage consumption. I'm unaware of the proliferation of, of, of sales to minors and consumption of nonalcoholic spirits and nonalcoholic wine. The guardrails of LB1004 offer suff-- sufficient protection. And I would like to add, too, within this, that a previous LA had served in the National Guard, and he-- and when they were on tour, they said they tried to get a, a buzz, and they, they got sick before they drank enough to even get a little buzz, from no more alcohol that was in nonalcoholic beer. So lastly, we would embrace the benefits and increased popularity of nonalcoholic beer. Nonalcoholic beer offers an alternative to alcohol, allowing Nebraskans to have nonalcoholic drink options. People are choosing to drink less. So help us provide Nebraskan's with easier access to an alternative that is proven to prevent heart disease, diabetes, and an option for designated drivers. So behind me are a handful of testifiers representing different aspects of the brewing in nonalcohol beer industry, and I look forward to hearing their perspectives and continued discussions. Thank you for your time, and if you have any questions.

HOLDCROFT: Questions from the committee? Seeing none, you'll be here for closing?

CLOUSE: Yes, and I did hand this out, just kind of a point of reference of just what alcohol contains. And last year when I was testifying, I had a severe cold, and I, I, I even made the comment that I was probably under the influence of all the cough syrup that I was taking, which is more than what you'll see in nonalcoholic beer. So I'll be over here waiting. Thank you.

HOLDCROFT: First proponent. Welcome.

CHRIS FURNARI: Good afternoon, Chairman Holdcroft and members of the committee. My name is Chris Furnari. C-h-r-i-s F-u-r-n-a-r-i. I am here on behalf of Athletic Brewing Company to show our support for LB1004. Let me ask you a question. What's more American than drinking beer? Today's beer is nonalcoholic beer. But in Nebraska, if your constituents want to drink NA beer, they have to go to an alcohol-licensed retailer. That doesn't make any sense. Why is Nebraska one of only 7 states that regulates NA beer as alcohol, while the other 43 follow the federal definition of NA beer, as containing less than 0.5% ABV? LB1004 eliminates that regulatory confusion, expands consumer choice, and makes moderation more accessible, without undermining the existing framework governing Nebraska's alcohol

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industry. Athletic launched in 2018, as one of the smallest breweries in America, serving adults who want to moderate their alcohol intake. Today, we are the number one NA beer brand in the country, and the category has exploded to include over 500 brands. Competition is good for consumers and industry, and this bill would bring more consumer choice, jobs, and tax revenue to Nebraska. NA beer is a nonintoxicating beverage. Consumers understand it that way, federal law defines it that way, and the vast majority of states regulate it that way. Nebraska's current approach places the state out-of-step with national norms and creates unnecessary barriers for Nebraskan businesses seeking to increase revenue and create more jobs. Let's be clear-- let's be clear. LB1004 will not degrade the three-tier system. NA beer has existed for decades and there has been no erosion of the three-tier system in states that choose not to regulate it as alcohol. It's time to retire this argument. The reality is in states aligned with the federal definition, distributors see increased volume, retailers benefit from fuller shelves, consumers have greater access to a wider variety due to increased competition, and states benefit from increased economic activity and tax revenue. Similarly, claims that increased availability of NA beer will encourage underage drinking are not supported by the data. Research shows that youth alcohol use has declined steadily for decades, reaching historic lows in recent years. Furthermore, Athletic markets exclusively to 21-plus adults. Demand for NA beer continues to grow, driven by broader health, wellness, and moderation trends. It has been the most exciting innovation in beer since the monks perfected abbey ales in the fifth century. But today, Nebraskans have access to only a limited selection of NA brews, and they are missing out on a diverse array of styles sold online by dozens of brands in 43 other states. We are not here to weaken alcohol laws or revive prohibitionary debates. We are here to expand consumer choice, support moderation, and increase, increase revenue-generating opportunities for distributors. For those reasons, we thank you for your support of LB1004, and I'm happy to answer any questions.

HOLDCROFT: Thank you, Mr. Furnari. Any questions from the committee? Yes, Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Thanks for being here. I just have a general question. How do you make nonalcoholic beer?

CHRIS FURNARI: There are a variety of ways to make-- thank you for the question. There are a variety of ways to make nonalcoholic beer. Our process is proprietary. It's a trade secret, so I unfortunately can't

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tell you that today. But what I can share is that we make about a dozen changes across all brewing stages, from the hot side to the cold side of production. It's a fully fermented product that happens to be less than 0.5% ABV, which is the federal standard for nonalcoholic beer.

J. CAVANAUGH: OK. Are there any public--- aside from your process, is there like a publicly available process?

CHRIS FURNARI: There are other processes, yeah. There's what's called vacuum distillation. There's reverse osmosis. These processes are easily searchable online. There's a lot of information out there. I'm not a brewer myself, so I wouldn't want to speak to all the specifics of those processes, but there are about 3 ways in particular that most brands make their beer.

J. CAVANAUGH: OK. Thanks.

HOLDCROFT: Any other questions from the committee? Yes, Senator Andersen.

ANDERSEN: Thank you, Chairman. Thanks for, thanks for being here, Mr. Furnari.

CHRIS FURNARI: Thank you.

ANDERSEN: Just out of curiosity, I'm not a big-- so when Senator Clouse talked about a military person drinking near beer, I remember in the desert myself, and just never-- wouldn't do it, right. It just wasn't worth it. Is there anything that-- why does somebody buy it, OK? I get maybe they didn't want the alcohol. I mean, the-- you can also hear people talk about them introducing THC, and kratom, and some of those synthetically-generated near-opioids to put into things like this, or pop, or something like that. Is that, is that the case with these things?

CHRIS FURNARI: No. Our product's non-intoxicating. So there's a variety of reasons why somebody would purchase a nonalcoholic beer. In fact, 80% of our customers still drink alcohol. They're just choosing to drink nonalcoholic beer on days of the week where they don't want any alcohol. They're using it to bookend their drinking, drinking occasion-- occasions, so they'll start the night with a nonalcoholic beer and finish the night with a nonalcoholic beer. There's a practice known as zebra striping, where they mix in nonalcoholic beers throughout a, a, a session. So there's a variety of reasons why people

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purchase nonalcoholic beer. For me, personally, I do still consume alcohol but I like to keep my Sunday through Thursday, I guess, dry, so I drink a lot more beer now and a lot less alcohol.

ANDERSEN: Thank you.

HOLDCROFT: Any other questions from the committee? Seeing none, thank you, Mr. Furnari.

CHRIS FURNARI: Thank you.

HOLDCROFT: Next proponent. Welcome.

MARCOS SALAZAR: Thank you so much. Good afternoon, Chairman and members of the committee. My name is Marcos Salazar, M-a-r-c-o-s S-a-l-a-z-a-r, and I'm the CEO of the Adult Nonalcoholic Beverage Association. We represent over 40 producers and industry members of nonalcoholic beer, wine, spirits, and ready-to-drink cocktails across 12 countries. Our mission is to build the infrastructure this category needs to grow responsibly, and that starts with clear consistent standards across the U.S. and the world. We work with producers, regulators, and retailers to develop industry best practices and ensure that adult NA beverages adhere to federal standards less than 0.5% ABV. We're also working with the Canadian, UK, and EU governments to align on the same 0.5-- less than 0.5% ABV standard worldwide, because consistency benefits businesses, regulators, and consumers alike, and that's exactly why I'm here in support of LB1004. Currently, the federal government, 43 states, and most of the neighbors of Nebraska define NA beer as containing less than 0.5% ABV. Nebraska, as we've said, is one of only 7 states that still regulate it as alcohol. This creates confusion for distributors who aren't sure what they're required to carry, for retailers who don't know if they need a liquor license, or regulators enforcing rules that don't reflect what the product actually is. LB1004 simply, simply brings Nebraska in line with the standards that already govern this product at the federal level and the vast majority of states. The bill also supports economic growth. The current law requires any beer to move through the three-tier system, the same system designed for products that can actually intoxicate. That means a cafe, a nonalcoholic bottle shop, or even a gym that wants to offer an NA beer alongside the NA wine or spirits they already sell, to obtain-- requires them to obtain a liquor license. That's a barrier that-- it doesn't exist for any nonalcoholic beverages in Nebraska. LB1004 removes that barrier, allowing small businesses to offer their consumers-- their customers a

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complete nonalcoholic selection and allowing Nebraska entrepreneurs to compete with businesses in the 43 states. Finally, I want to address a concern raised when a similar bill, LB33, was heard by this committee last year. The primary concern was about youth access. LB1004 directly addresses this. It retains their prohibition on selling NA beer to minors. That protection stays in place. Meanwhile, according to the 2024 Monitoring the Future Survey funded by the NIH, teen drinking is at a record low. A record high 82% of eighth graders have never consumed alcohol. Binge drinking, drinking among teens has been cut in half over the past few decades. This is happening while 43 states already treat any beer exactly the same way this bill proposes. This bill is a practical, bipartisan update. It aligns Nebraska with federal law, supports small businesses and consumer choice, and promotes public health, all while keeping age protections in place. I respectfully urge you to support LB1004. Thank you for your time.

HOLDCROFT: Thank you, Mr. Salazar. Any questions from the committee? Senator Cavanaugh.

J. CAVANAUGH: Thank you Chairman. I appreciate the-- thanks for being here, Mr. Salazar. I appreciate raising that issue about the youth. I saw there was-- some of the opponents hit on that. The opponent submitted comments that we received. But the comments mentioned that it bans selling it to youth, but there's no punishment for that, or no penalty?

MARCOS SALAZAR: A penalty with regards to it, by the retailer?

J. CAVANAUGH: Well, I guess that's my question to you. So, so the bill--

MARCOS SALAZAR: So the bill does, does not allow the selling of nonalcoholic beer for people under 21.

J. CAVANAUGH: So what happens if you sell to someone under 21?

MARCOS SALAZAR: It would be similar to what the state would probably regulate when it comes to retailers selling other types of adult beverages. So are you say-- because-- are you talking about on the retailer side or a consumer?

J. CAVANAUGH: Well, I-- I'm just trying to get my hands around what people are concerned about here. So the bill takes nonalcoholic beer out of the three-tier system.

MARCOS SALAZAR: Correct.

J. CAVANAUGH: And that-- that's basically what the goal of the bill is, right?

MARCOS SALAZAR: Correct.

J. CAVANAUGH: So it doesn't change at the store, if I go into a grocery store and buy the, you know, the not-- Athletic beer, I would still have to get carded.

MARCOS SALAZAR: Yes. Most-- many, many states still card the selling of nonalcoholic beer.

J. CAVANAUGH: OK. But what would happen aft-- if we pass this bill here?

MARCOS SALAZAR: I mean, it-- are you going to-- is it that, that the youth that purchased it-- that-- are you saying purchase it or ends up getting a hold of it via another mechanism?

J. CAVANAUGH: Well, I'm-- I mean, right now I'm concerned about resale.

MARCOS SALAZAR: Because are you suggesting that they would be criminally penalized for having a beverage that is-- has less alcohol than a ripe banana?

J. CAVANAUGH: I'm asking what would happen if somebody violates the statute?

MARCOS SALAZAR: I think that's-- and great question. I think that's something that you'll probab-- the, the committee is probably going to have to explore after this, after this bill would be passed.

J. CAVANAUGH: OK. And what would be best practice then?

MARCOS SALAZAR: In terms of-- I don't know a single state-- and there hasn't any-- been anything that's emerged, but there isn't a single state that does prosecute or criminalize that.

J. CAVANAUGH: OK. So you said in your comments that it would be-- continue to be against the law to sell to minors.

MARCOS SALAZAR: Yeah. You would be-- as, as in any other state. It's-- it would be against the law. Yeah.

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J. CAVANAUGH: OK. And so if somebody breaks that law, what happens?

MARCOS SALAZAR: I, I-- at this point, across the United States, there is no law that criminalizes that behavior. So that would be something that, as a committee, you may have to address later on.

J. CAVANAUGH: OK. Thank you.

HOLDCROFT: Senator DeKay.

DeKAY: [INAUDIBLE] that if, if an establishment sold offsale to a-- NA beer to a minor, would they be subject to be shut down and fined?

MARCOS SALAZAR: Again, I don't know the exact laws in terms of selling to minors here in Nebraska, but at this point, there's no other states that do that.

DeKAY: So right now, if other states aren't doing it, why-- I mean, is there a statute in-- why would there be a statute in place to prohibit them from selling to minors then?

MARCOS SALAZAR: In terms of why would there be a statute in place, particularly here?

DeKAY: If they're not going to enforce the same regulations as an alcoholic beverage as they would a nonalcoholic, why-- I mean, what would be the enforcement mechanism to keep them from selling to a minor?

MARCOS SALAZAR: Well, at this point there doesn't seem to be-- correct me if I'm wrong-- but there isn't a, a, a mechanism, at this point, to do that and I think that's something that may need to be explored later. But it's outside the scope of this bill.

DeKAY: OK. Thank you.

HOLDCROFT: Any other questions? Senator Quick.

QUICK: Yeah. Thank you, Chairman. So you talked about that there were nonal-- nonalcoholic wines and other beverages?

MARCOS SALAZAR: Yeah.

QUICK: So how does that-- I mean-- because it would be the same thing, right? So are they-- we're, we're talking about for the minors, so minors. Are, are they sold at the same locations or are, are they

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held-- are minors held accountable for buying/purchasing those products, or do you not know?

MARCOS SALAZAR: Yeah. In most-- in states across the U.S., it's carded just like an adult-- typically, like an adult nonalcoholic beverage-- or an adult beverage. So nonalcoholic wine and nonalcoholic spirits are subject to ID-- IDing if you're under 21.

QUICK: OK. All right. Thank you.

HOLDCROFT: Any other questions from the committee? Yes, Senator Andersen.

ANDERSEN: Thank you, Chairman. Just out of curiosity, Mr. Salazar, where are you out of, where's the ANBA located?

MARCOS SALAZAR: We're based out of New York.

ANDERSEN: New York State?

MARCOS SALAZAR: Yes. New York State.

ANDERSEN: Flew all the way out here, huh?

MARCOS SALAZAR: I did.

ANDERSEN: For this hearing? Interesting. Thank you.

MARCOS SALAZAR: Thank you.

HOLDCROFT: Any other questions from the committee? OK. Thank you very much, Mr. Salazar. Next proponent, proponent.

BRANDON YAW: Good afternoon.

HOLDCROFT: Good afternoon. Welcome.

BRANDON YAW: My name is Brandon Yaw. I'm here as co-founder of UN:INEBRIATED, B-r-a-n-d-o-n Y-a-w. 2024, my wife and I started this business as really just another business idea. We're a social bottle shop that services this overcurious and functional drink community. We had no idea that-- where it would go, or that I'd be sitting in front of you today. Within days of just beginning to paint the shop and, and start the business, we became a safe space for people that weren't comfortable drinking in regular establishments. Within weeks, we had regulars. And by the end of '24, we had a need for staff for our, for

our location. 2025 was the best year, professionally and personally, for me, and I owe it to alternatives to alcohol, specifically nonalcoholic beer. Our shop's not about sobriety, it's about community, education, providing alternatives to those that can't afford to be less than 100% the next day. Last year, in 2025, we serviced over 5,000 customers in our shop. Over 2-- or 22,000 cans were sold out of our shop in Kearney, Nebraska. I'm submitting this comment in strong support that would remove nonalcoholic beer from the Liquor Control Act and align with state law, science, public safety, and modern consumer behavior. Nonalcoholic beer is fundamentally different than alcoholic beer. The vast majority is zero, zero, and it is required to be listed as 0.5% or less than 0.5%. Treating these products as intoxicating beverages is not supported by evidence or real-world use. Even if the nonalcoholic beer was at 0.5%, it would require 24 12-ounce cans to be consumed in a 60-minute time period to approach the legal driving limit in the state of Nebraska. It's 288 ounces. The world record for consuming liquid is 320 ounces by a competitive food eater. Looking around the room, I believe every one of us was a teenager at one time, and I venture a guess that none of us would have chosen to consume 288 ounces of anything-- a goal of getting a mild buzz. This bill does not weaken public safety standards. It corrects a regulatory misclassification. Current laws forces nonalcoholic beer into the same three-tier system as alcohol, despite the fact that these products do not cause impairment. It's unnecessary, it limits consumer choice, small businesses like myself, it should not be regulated based-- should be regulated based on what it is, not what it resembles. This is a practical, evidence-based update to support consumer and small businesses. I strongly urge you to advance the bill.

HOLDCROFT: Thank you, Mr. Yaw. Any questions? Senator DeKay.

DeKAY: Thank you. You own a business in Kearney, you said?

BRANDON YAW: Correct.

DeKAY: So you have an establishment. I guess you're the one that should be asking the prior questions to. You have the same legal stipulations as selling nonalcohol to a minor as you-- as a alcoholic beverage?

BRANDON YAW: Yeah. So we carry-- currently carry a liquor license because we're required to to get nonalcoholic beer through the three-tier system, and it is required to be 21-plus. The conflict--

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and that's been listed a couple of times-- nonalcoholic wine and spirits are not regulated as part of the Liquor Control Act In Nebraska, which we were surprised about when we made that phone call. I actually am not aware of anything preventing me from selling those products to somebody of any age. But in our shop, I can tell you over the last year-plus, we've had zero minors attempting to purchase our products.

DeKAY: So if, if that did happen in your establishment, what-- and you're supposed to uphold the same regulations as alcoholic, what's the enforcement mechanism? Would you be subject to fine and be shut down?

BRANDON YAW: Yes. If I sold nonalcoholic beer today to a minor, I would be subject to fines and probation, I think.

DeKAY: OK. Thank you.

HOLDCROFT: Any other questions from the committee? Yes, Senator Quick.

QUICK: Thank you, Chairman. So you were saying like, on the NA wines and those type of-- they're not subject to the same thing you have-- they're not-- they don't have to have a liquor license then?

BRANDON YAW: They're not part of the Liquor Control Act, no. Spirits and wine, nonalcoholic versions are not. So I can source those from anywhere I want to, and I do.

QUICK: All right. Well, thank you.

HOLDCROFT: Any other questions from the committee? Seeing none, thank you, Mr. Yaw.

BRANDON YAW: Thank you.

HOLDCROFT: Next proponent, proponent. Welcome.

MI-YA MATA: Hello. My name is Mi-Ya Mata, M-i-Y-a. I am co-owner of Dry Spokes, Omaha's nonalcoholic cocktail bar and bottle shop, beverage catering in Omaha, Nebraska. I'm also, though I'm here as a private citizen, I'm a member of the military, so I understand what he's talking about, being in the desert, with beer being an option to decompress. I'm also a parent here in Nebraska, so last year when LB33 was placed up for discussion and I heard the opponent's testimony, I took it to heart as a parent, as well, thinking about my 15-year-old

stepson and, and the influences he would, he would face. And that even more so, you know, drove me to support LB1004, with all those hats that I wear, because it directly addresses the issue and concern about minors consuming or getting hands on nonalcoholic beer. You know, being in my shop for the past, we're going-- we just had our third birthday. We've had literally zero minors come in, trying to get nonalcoholic beer. Primary sales are my nonalcoholic cocktails, and as we discussed, those don't have any regulations. And even the ones that I do sell that may or may not mimic the flavor or resemblance of alcohol, those are for adults. That's my customer base. Minors don't come into my shop looking for that. When the parents come in and they may bring their kids in to have like-- because they hear nonalcoholic-- like, I bring my kids in and, and have a good time. They don't bring their kids back because it's not a childlike environment. It's designed for an adult. All of our drinks are designed for adults and so are-- so is nonalcoholic beer. When I was watching the Super Bowl yesterday-- go 'Hawks-- I was drinking a nonalcoholic beer, and I was able to wake up just fine this morning. So the purpose of nonalcoholic beer has served me well. I haven't drank in about 6 years, just because I'm perfectly happy with nonalcoholic beer. But the frustration came about when I first started my business. I wanted to start off as a mobile business, and I couldn't do it because I couldn't get a liquor license, an SDL, or a catering license because I didn't have a brick and mortar. So I was a small business that had to go into and repivot my business. And because of that, I got frustrations last year, with my account being put on prohibition because of the way billing happened, because the distributor didn't know how to classify my account. They saw nonalcoholic and treated me as nonalcoholic, and then I got a, a slap on the wrist from the Liquor Commission because of it. So I'm back here again to, to talk it through and answer questions, and get your support for LB1004.

HOLDCROFT: Thank you, Ms. Mata. Any questions from the committee? Seeing none, thank you very much.

MI-YA MATA: Thanks.

HOLDCROFT: Next proponent, proponent for LB1004. Seeing none, how about opponents? All right. You guys can fight over it. Welcome.

ANTHONY GILLICK: Good afternoon Chairman Holdcroft and members of the General Affairs Committee. My name is Anthony Gillick, Jr., A-n-t-h-o-n-y G-i-l-l-i-c-k. I'm the general manager and part owner of

the Nebraska Operations of Quality Brands. Our territory covers Omaha, Lincoln, Nebraska City, North Platte, and Scottsbluff. We operate out of 3 warehouses in Nebraska and have invested in over 40 trucks to run our operations. We employ over 240 full-time Nebraskans. Taking NA beer out of the Liquor Control Act would negatively impact Nebraska distributors, including both retailers and distributors. Under the Liquor Control Act, manufacturers and distributors like myself are not allowed to engage in pay-to-play tactics, which result in the grocery stores aisle being dominated by Coke and Pepsi. There is only so much shelf, shelf space in the liquor departments and stores. There is even less cold space. Currently, distributors work with retailers to find a good balance of products throughout the store. If NA beer producers are allowed to pay for shelf space, then we are going to struggle to maintain the wide variety of products currently on shelves. NA producers could purchase the retail cold space that has typically been reserved for emerging Nebraska craft breweries and other beer products, or NA producers could simply pay retailers cash for exclusive NA rights in their stores. My business, trying to promote and sell brands that we carry, will be competing against NA producers for space and shelf positioning. They will be able to pay for that space and it will be an unfair fight. I cannot give anything of value to retailers to try to entice them to give us positioned-- well-positioned shelf space. The NA producers will have no limitations. We already experience retail confusion as to what distributors can and cannot do. If some beer-related products are allowed to give things of value to retailers, those retailers are going to start expecting that we break the law and give them things of value. This bill will also remove our franchise protections over these products. I currently distribute a number of NA products. Quality Brands and other distributors have spent time, energy, and resources building these brands and are a very valuable part of our portfolio. If this bill passes, NA products will take those products out of local Nebraska wholesalers' warehouses without cause and potentially directly ship them to retailers. If LB1004 passes in its current form, out-of-state, large NA producers win big. Nebraska businesses, including distributors and local craft breweries, will face consequences of giving up these large NA producers free reign over Nebraska liquor license retailers.

HOLDCROFT: Thank you, Mr. Gillick. Any questions from the committee? Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Thanks for being here, Mr. Gillick. So 40-- I can't remember, was it 43 other states don't have NA beers

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in the-- their liquor control act. Do you know, in those other states, do the distributors still distribute the NA beer, or do they all self-distribute, or how does that work?

ANTHONY GILLICK: Yes. I, I, I don't actually know [INAUDIBLE] specifically around the other states, but I believe that [INAUDIBLE] carry the brands, but there also is the opportunity for direct shipping to retailers and consumers directly.

J. CAVANAUGH: OK. And then on your shelf-space paying aspect, I mean is this something we could just put into-- amend this bill to say they're out of this Control Act, but you still can't pay for shelf space?

ANTHONY GILLICK: I think it would be a difficult gray area for our retailers to really-- so if one person is paying you for space, the other one is not, how are you really going to enforce that at the retail level?

J. CAVANAUGH: Oh. How are you going to enforce at the retail level?

ANTHONY GILLICK: I, I don't-- I'm not sure if the, if the, if the retailers would be able to decipher the difference. For example, Budweiser Zero is a brand that's Budweiser-branded, and we sell Budweiser. So if Budweiser Zero was paying for space, they could bleed into the perception of Budweiser.

J. CAVANAUGH: Right. No, I'm saying could we write into this-- if we were to choose to pass this bill, could we put into this bill, NA beers can't pay for space?

ANTHONY GILLICK: I know. Yeah. I think it would be very difficult to en-- to en-- to enforce, Senator, just because, because like [INAUDIBLE] of that, that gray area of the 2 brands that could really, very much become co-mingled. We deliver them on the same pallets. They're marketed similar, at times. They're on the same displays in the stores, as well. So I think it would be difficult to accommodate that co-mingling of the brands.

J. CAVANAUGH: All right. Thank you.

HOLDCROFT: Any other questions from the committee? Yes, Senator Rountree.

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ROUNTREE: Thank you so much, Chairman Holdcroft. And thank you, Mr. Gillick, for being here and for the testimony. So looking at the last statement, if LB1004 passes in its current form, what form would you-- and that-- to kind of piggyback on what, you know, Senator Cavanaugh was saying, about if you had an option to modify the bill, what kind of modification would you be able to bring?

ANTHONY GILLICK: Well, I know, I know one modification that was mentioned last year, and it's really accommodating their business behind us. I know there was some concern with the cost of licensing, and I think there is an opportunity to improve that for them. Obviously, it's not currently in the bill, but I think that would be an improvement from the years that we have seen this, this bill come up.

ROUNTREE: OK. All right. Thank you.

HOLDCROFT: Any other questions from the committee? I have, I have one. Just in general, how do you negotiate with the retailers for amounts and shelf space? I mean, does-- who, who kind of-- how do you come to an agreement on what brands and how much, I guess?

ANTHONY GILLICK: So currently, we have very strict rules and regulations that we have to, have to abide by through the Liquor Control Commission. And really, the, the retailer makes the decision based on brand power, our, our service, and also, sales relationship, is probably the 3 things that I would, I would point to.

HOLDCROFT: OK. Thank you. Any other questions? Thank you, Mr. Gillick. Next opponent, opponent. Welcome back.

ADAM BARNEY: I'll give Senator Andersen a moment to get back to his seat if-- thank you, again, members of the General Affairs Committee. Adam Barney, A-d-a-m B-a-r-n-e-y, legal counsel for the Associated Beverage Distributors of Nebraska. Our members are Nebraska independent beer distributors. We are allowed to speak here today without reprisal from our NA suppliers because Nebraska law protects our businesses. If LB1004 passes, NA suppliers could take these products out of our Nebraska warehouses for simply standing here and telling you the truth about the real consequences of this bill, as presently drafted. Just a couple of weeks ago, a private equity firm announced an investment in an NA product developed by the actor Tom Holland, Spider-Man's NA beer. They've said in a press statement, they will-- they want to use the capital to quote, go on the offensive.

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Athletic has similarly raised tens or hundreds of millions of dollars for its brand. The venture capitalists that are investing in these spaces are looking for an edge, any edge, and they are going to exploit it. They will take a loss for years if it means they're able to turn around and sell their products and the brands for a profit down the road. So how does this bill help venture capitalists? Anthony Gillick has already told you about shelf space. The cost to purchase shelf space is a drop in the bucket. Two other examples: If LB1004 is passed, NA producers could force distributors not to carry other products. Right now, distributors get to work independently. This bill would take away our independence in the NA market. Big brands will be able to say, if you want to keep distributing our product, you have to agree not to distribute any other NA beer brands. How do we know this will occur? In a recent interview, the co-founder of, of Athletics said, quote, there's hundreds of distributors who we've been working with for 5 years, who have put new brands in almost every door this year. So that's, of course, frustrating. Second example, if LB1004 is passed, NA producers could force distributors to sell to certain retailers. For example, an NA beer producer could tell its distributor 70% of what we send you must go to Costco, 10% to Walmart, and 10% to Target. You can do whatever you want with the remaining 10%. Why would they do this? Because the NA brand has a national account agreement in place saying that those retailers get preference, something that is presently not allowed. So if you are a locally-owned business and you want to get the consumer her favorite NA product, too bad. Not going to happen unless they drive down to Costco and pay-- and buy it at retail price. Side deals were made so that the only big player-- only the big players get them. How do we know this will happen? Athletic tried to do something exactly like this just one year ago. Our members told them no. And our members similarly told them no earlier this year, when they tried to dictate the price we could sell product to Nebraska retailers.

HOLDCROFT: That's your time, Mr. Barney. Let's see if there are any questions from the committee. Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Thanks for being here, Mr. Barney. I-- you know, all-- a lot of the things you're laying out here, I was trying to keep track, and of course-- I just-- how big is this market?

ADAM BARNEY: It's big enough for private equity to start dumping 8 figures into it. It's, it's, it's new. Like, it's, it's new. It's emerging, it's, it's getting there, and it's-- right now is the time when the money's starting to pop in. People are seeing that, OK, yeah,

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there's some traction here. You're seeing retailers in Nebraska say, there's a market for this, right? And where there's a market, there's money. And where there's an edge to take, there's an edge to-- there's, there's 2 corners to cut to get there. Right? If this committee-- to, to Senator Rountree's question before, if this committee wants to find a way to help out these businesses, we're supportive. We won't stand in opposition to that. That's not what this bill is right now. This bill would open free-for-all for private equity in Nebraska and harm Nebraska businesses in-- whether it be retailers, distributors, or our own manufacturers.

J. CAVANAUGH: And in the scenario laid out is that somebody, not to pick on Athletic, but since they're here and I can't think of any other brand names, say they want to just dominate the market. They would buy all of the shelf space in the nonalcoholic section of the grocery store and then require the distributors to distribute all of their beer to the grocery stores and Costco and not to any bars? I guess I'm trying to understand how, how exactly this play of spending all this money to take up space works?

ADAM BARNEY: Sure. It's even, it's even simpler than that, Senator.

J. CAVANAUGH: OK.

ADAM BARNEY: Producer could go-- let's just-- I'll just-- we're just, we're just pulling names out of thin air, right? Like, producer can go talk to Target and say, Target, we're the market leader in this. Everybody wants ours. We're just going to enter into an agreement with you that we're going to be the exclusive supplier of NA beer on your shelves. They don't have to go to a distributor if they don't want to, if this bill were to pass. They can just directly ship it to Target. They can take the product themselves, under an exclusive deal, drive it to Target, kick everybody out of the end caps that they're competing with, like the beer products. Right? They're already an exclusive NA provider, but they've also now kicked and moved the alcoholic products off the endcaps and done this. It's, it's seamless. You deregulate this thing, it's the wild west.

J. CAVANAUGH: And the analogy is that Target only carries Coke and Pepsi. And if there are other colas out there, I don't know about them, because Target's already agreed to just the top two. Is that what you're saying?

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ADAM BARNEY: And I, I have no, I have no doubt that the venture capitalists that are investing in these brands think that they're going to take this into the next [INAUDIBLE] Coke and Pepsi, that they get to, to dic-- dictate what's on the shelves.

J. CAVANAUGH: Can you-- not that you're an advocate for this bill, but can you explain a little bit about the conver-- your thoughts on the conversation I had about the bill makes it still says no person shall sell a furnished nonalcoholic beer to any minor. What, what happens without any other context to that sentence?

ADAM BARNEY: Honest-- Senator, I haven't looked deep into the age aspect of this bill. I think we are more concerned with what happens on a relationship franchise issue and abuses that can occur there.

J. CAVANAUGH: All right. Thanks.

HOLDCROFT: All right, Sen-- Senator Andersen.

ANDERSEN: Thank you, Chairman. Mr. Barney, thanks for being here. Do the distributors also distribute like pop and mixers, and all that kind of stuff?

ADAM BARNEY: Some do. Yep.

ANDERSEN: So then what's the rationale for saying there's a difference between nonalcoholic beer and pop? Why aren't they-- why wouldn't they be considered the same?

ADAM BARNEY: I would say that when you're dealing with nonalcoholic beer, the, the segment that it is competing with is beer. It's not competing with the traditional soft drinks that are on the shelves, the Cokes, the Pepsi's, what have you. So on that level, that's-- you're, you're picking-- effectively, if you deregulate NA beer, you're picking that as the winner in the category, because you're going to give them a preferential treatment for the competitive product.

ANDERSEN: Preferential treatment what?

ADAM BARNEY: You're giving them a preferential treatment over the competitive product.

ANDERSEN: Thanks.

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HOLDCROFT: Any other questions from the committee? Senator Rountree.

ROUNTREE: Thank you so much, Chairman Holdcroft. And thank you so much for your testimony. I didn't ask before, but what, what market share does the NA beer hold? That's, that's a wide-open question, because I'm trying to look at this impact if you take it out from under the commission. And it seems like it's, it's just here, dammed up right now, while I've got it controlled. But as soon as I remove this, it's just going to go like that and just swallow the market.

ADAM BARNEY: I don't, I don't know the market-share percentage, Senator. I, I wish I had the number for you. What I can tell you is that what I've read about, coming into this hearing is that there's-- the market, the market value overall is worth billions of dollars. It's not small. It's a-- billions with a B that people are fighting over here, growing 20, 30% year over year. It's an emerging category that's worth fighting for.

ROUNTREE: Thank you.

HOLDCROFT: Any other questions from the committee? Seeing none, thank you.

ADAM BARNEY: Thank you.

HOLDCROFT: Next opponent, opponent. Welcome.

CHRIS WAGNER: Good afternoon. My name is Chris Wagner, C-h-r-i-s W-a-g-n-e-r, and I'm the executive director of Project Extra Mile, a network of community partnerships working to prevent and reduce alcohol-related harms in Nebraska. In here, opposition to LB1004. When I got word that there was, there was going to be a third version of this bill and that it would make it illegal to sell or provide near beer to minors, I was optimistic that perhaps our concerns were being addressed and we would be able to come in this time as neutral. Unfortunately, this bill falls short because while it does make it illegal to sell or provide alcohol to youth under the age of 21, which is definitely a step in the right direction, it does not establish any penalties for those who break the law. Furthermore, it does not make it illegal for minors to consume or possess this product, as was the case previously, under 53-180. We appreciate this committee's refusal to advance the previous versions of this bill because of its concerns about minors being able to consume near beer, which would lead to underage drinking to become-- or underage youth to become curious

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about beer with alcohol by volume over 0.5% before they reach the legal minimum drinking age. We also want to remind the committee that this Legisla-- that the Legislature deregulated near beer in the late '80s, which was quick-- quickly reversed at the request of local law enforcement, due to the obstacles it created for enforcing underage and impaired driving laws in our state. Finally, we would remind the committee that the last report we could find on the federal agency's website that tests the alcohol content of beer found that one-third of the beers they tested had significantly different levels of alcohol than stated on the label. Of that one-third, those that tested over were over by an average of nearly 1% ABV. I'm also providing a copy of a Nebraska medical-- Medicine article from a year ago, stand-- stating that nonalcoholic beer is not safe for youth under the age of 21. In the absence of language that would adequately address our concerns about the penalties for businesses selling near beer, penalties for adults, prohibitions for youth to possess and consume and the related penalties, we'd urge the community to oppose LB1004 and bills like it. Thank you.

HOLDCROFT: Thank you, Mr. Wagner. Any questions from the committee? Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Thanks for being here, Mr. Wagner.

CHRIS WAGNER: Yep.

J. CAVANAUGH: Could we get that study?

CHRIS WAGNER: The study?

J. CAVANAUGH: The one that shows the one-third--

CHRIS WAGNER: Oh, yeah. Sure, sure. I, I think I provided it during LB333, but yeah. I can, I can send a link to the committee members.

J. CAVANAUGH: Check my files if I have it, but that's curious, of course.

CHRIS WAGNER: Yep.

J. CAVANAUGH: All right. Well, I guess I'll just ask you about what I was asking the other folks.

CHRIS WAGNER: Yes.

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J. CAVANAUGH: The-- so yeah, there's no-- it says you can't sell it, but it doesn't say what happens if you don't.

CHRIS WAGNER: Yes, exactly. Yeah. So it's-- so what, what we're doing is we're taking near beer out of the definition of beer, and so all of the criminal penalties and all of the administrative penalties no longer apply because it's not considered alcohol. And, and it just, it just simply states nobody should sell or furnish alcohol. It doesn't mention anything about consumption or possession by minors. So, so yeah. So I, I, I would say to you if you, if you tell me, you know, the, the speeding limit on I-80 to Omaha is 75, but there's no penalties, I'm telling you that we're going to see a lot of, a lot of people going way over 75.

J. CAVANAUGH: Yeah. Yeah. That's a good point. And on the part that Mr. Barney was just sort of talking about, made me think of, think of you. I saw you sitting over there, and I thought you'd probably come up, so I thought I'd ask you this. He sort of laid out a scenario where the NA beers would overtake the rest of the store and get-- be able to buy up space and basically dominate. I mean, for your purposes, is that not?

CHRIS WAGNER: Yeah, no. I mean, we-- I come, obviously, from a different perspective, just like Mr. Barney didn't really-- wasn't prepared to speak on the, on the sales to minor part of it. So we're not as concerned and there were suggestions that perhaps, you know, we could-- the, the Legislature could address the cost of a license, maybe, if that's a compromise. That would be, from our perspective, a good thing because if near beer stays under the definition of alcohol, all of our problems with the bill go away.

J. CAVANAUGH: Thanks.

CHRIS WAGNER: Yep.

HOLDCROFT: Any other questions from the committee? Senator Rountree.

ROUNTREE: Thank you so much, Chairman Holdcroft. And thank you so much, again, for your testimony. 43 states are operating now, in the capacity that we're trying to get to today, based upon this deal. What has-- what's been the impact in their states?

CHRIS WAGNER: I am not an expert in nonalcoholic beer, Senator, and, and what's being done in other states. All I can speak to is, is our

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state and why we feel it's-- it would be a mistake to go forward under the current language. Now, the language could be modified--

ROUNTREE: OK.

CHRIS WAGNER: --to address our concerns, but, but I, I couldn't speak to those other 43 states.

ROUNTREE: So with that said, what would be a type of modification, as I asked earlier--

CHRIS WAGNER: Yeah.

ROUNTREE: --to Mr. Gillick? What, what would you like to see in this that would--

CHRIS WAGNER: Sure. Well, I, I think--

ROUNTREE: --help us to collaborate and move forward?

CHRIS WAGNER: -- we'd need to la-- add language that would-- and it is stated. I-- actually, I kind of skipped that part in, in my testimony. But I did cite the, the statutes where the current penalties are listed, in terms of whether it's a Class I misdemeanor for an adult to pro-- to sell or provide alcohol to an underage youth; whether it's a Class III misdemeanor for a youth to consume or possess. You know, I think that those, those should stay in place, honestly, because there is no mandatory minimum for these. And, you know, while we're not tracking as closely the criminal side of things as we do the administrative side, in the, in the years that we have taken a look at that, we've, we've never seen any maximum penalties on-- in terms of our-- the sales of-- to minors that we use. So we help coordinate compliance checks with state and local law enforcement. And as a result of those, the, the, the clerk or the, the waitress or whoever actually sells or provides the alcohol goes through the criminal process. And yeah, again, we've never seen a maximum penalty so obviously, the judge has the discretion to apply the appropriate penalty. So we would encourage that language to stay for near beer. And then in terms of the administrative side, that would be trickier if you were going to take it out of the commission's hands, because it's deregulated. You would need to establish some kind of a process where I think one of the proponents even mentioned there would be a fine for selling to a minor, for the business itself. And you would want those to mirror what the, what the commission currently does. And it is a progressive penalty structure. So the first sale, you know,

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you're typically looking at-- I know they just updated these, but I want to say it's about a \$500 fine for the first sale. And then if you sell subsequent times, that, that fine increases. So it would, it would need to be something like that, but it obviously wouldn't necessarily be housed under the Liquor Control Commission, because it wouldn't be considered alcoholic liquor. And so, so yeah. So it would-- we would need something like that.

ROUNTREE: Thank you.

CHRIS WAGNER: Yep

HOLDCROFT: Any other questions from the committee?

DeKAY: Real quick.

HOLDCROFT: Senator DeKay.

DeKAY: Spinning off of that just a little bit, somebody under 21 gets stopped, whatever, has near beer or nonalcoholic beer. Can they be charged for minor in possession or not?

CHRIS WAGNER: You're talking under the current language of the bill?

DeKAY: Yeah, or what-- yeah. Either way. How, how's it work now and how would it work [INAUDIBLE]?

CHRIS WAGNER: No, I don't believe so. So I'm going to take you back to the-- so there was a-- there's the hearing transcript from, again, I think it's '88 or '89, where they-- basically, the complaints from law enforcement were that, you know, they were, they were basically wasting their time, responding to calls of people that saw minors driving while, you know, drinking this substance which looked like beer to them. And, you know, law enforcement weren't able to do anything. So I don't know for 100% certainty, but I would just kind of refer back to that-- what happened in the '80s, and that law enforcement we're really up in arms that they were-- they couldn't really do anything. They were wasting their time dealing with this problem.

DeKAY: All right. Thank you.

CHRIS WAGNER: Yep.

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HOLDCROFT: Any other questions from the committee? Yes, Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Just to put a, a bow on it, if your, your suggestions about penalties were adopted, would that alleviate-- eliminate your opposition to the bill?

CHRIS WAGNER: Yeah. So, so-- well, there's 3 things, which I kind of touched on in my closing. So you'd, you'd need some language for minors in possession and consumption to discourage them from trying to get their hands on it. You'd need administrative penalties for selling to-- for businesses that sell the product to, to minors. And then, you'd need the penalties for minor consumption and possession. So you need the language to make it illegal, and then you need penalties for minors, and then you'd need the language for penalties for businesses, and then yes-- I mean, depending on what that language looks like, obviously. But if it's-- you know, if it's going to be enough to discourage, you know, businesses from selling then, then potentially, yes.

J. CAVANAUGH: All right. Thanks.

HOLDCROFT: Any other questions? OK. Thank you very much--

CHRIS WAGNER: Thank you.

HOLDCROFT: --Mr. Wagner. Next opponent. Opponents. Anyone testifying in the neutral? Well, Mr. Chaffee. Welcome.

MICAH CHAFFEE: Thank you. All right. Chairperson Holdcroft and members of the General Affairs Committee, good afternoon. My name is Micah Chaffee, spelled M-i-c-a-h C-h-a-f-f-e-e, and I serve as the executive director of the Nebraska Liquor Control Commission. I am here testifying today in a neutral capacity on LB1004. Last session, Nebraska considered LB33, which is still currently in committee, which would have fully removed nonalcoholic beer, defined as less than 5% [SIC] alcohol by volume, from regulation under the Nebraska Liquor Control Act, including repealing the provisions governing near beer. This bill takes a narrow approach by similarly removing nonalcoholic beer from most provisions of the act and excluding it from the definition of beer, but it retains prohibition on selling or furnishing nonalcoholic beer to minors. From the commission's perspective, concerns remain, deregulating a product that is labeled and marketed as beer. Although nonalcoholic beer contains less than

0.5% alcohol by volume, it's produced using similar methods to alcoholic beer and is marketed in similar packaging with similar branding. In retail settings and public environments, it can be difficult to distinguish from traditional beer. This creates potential enforcement confusion for law enforcement, retailers, and consumers. When a product carries the name beer and looks identical to alcoholic beer, separating it from broader alcohol regulatory structure becomes more complicated-- comp-- complicated, just like saying that. There is also an ongoing concern regarding youth exposure. Even with retained prohibition on sales to minors in LB1004, deregulation of distribution and retail placement raises questions about normalization and accessibility. Regulatory bodies historically examine whether products closely resembling alcohol could encourage famil-- earlier familiarity with alcohol-related beverages. Finally, removing nonalcoholic beer from the three-tier system may create structural gaps. Nebraska's alcoholic regulatory framework is built on orderly production, distribution, and retail separation. Even if alcohol content is minimal, the product remains closely associated with alcoholic beer in branding and consumer perception. Nebraska's regulatory structure was developed decades ago, with the intentional broad definition of beer, and that approach has historically provided clarity and simplicity in enforcement. Thank you for the opportunity to testify, and I'm happy to answer any questions.

HOLDCROFT: Thank you, Mr. Chafee. Any questions? Yes, Senator Quick.

QUICK: Thank you, Chairman. So what certainly happens now, even like for an adult, who maybe they have an open container and they're drinking an NA beer in their vehicle. What--

MICAH CHAFFEE: That is a great question, and I'm, I'm glad Senator DeKay raised that issue. I have to follow up with you on that, to make sure that I understand appropriately what that would mean. You mean for somebody, like, as a minor, as, as, as Senator DeKay has said, or just in general, if you have a-- if you have the alcohol container open. So I, I, I would have to go back. I, I don't know enough to, to speak on that.

QUICK: Because they definitely wouldn't test for-- I mean, they, they could probably ask them to do a sobriety test, but other than that [INAUDIBLE].

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MICAH CHAFFEE: Yeah. I would imagine-- that's right. I imagine a sobriety test would, would happen. But as far as an open-- there'd be questions about an open container violation.

QUICK: All right. Thank you.

HOLDCROFT: Anyone else? Senator Andersen.

ANDERSEN: Thank you, Chairman. Thank you, Mr. Chaffee, for being here. Listening to your, to your testimony and reading your, your letter, I would have thought you would be in opposition. Because all of the-- ev-- the, the facts-- and as you explained them, they all run opposed to this bill. So why are you neutral as opposed to opposed?

MICAH CHAFFEE: Well, I think, I think that-- Chris Wagner had, had mentioned a little bit into some of the positives that nonalcoholic beer beverages do bring, because there are less inebriated people that are getting drunk, and so I think there are some benefits. I mean, I, I have nonalcoholic beer in my fridge, as well, so I think that there are some benefits to that. But I do think that there are just several concerns, but don't rise-- these are more like reservations than I would say, to pure opposition, on this bill. I think it's just, for our standpoint, as a commissioner, to really-- when it, when it is against public safety and, and the welfare, I think we really need to come in as opposition, as I am later today. But on these other bills, I think it's appropriate for us to come in neutral capacity and edge-- provide education.

ANDERSEN: Yeah. I agree with you on the packaging and, and them looking very similar to alcohol, versus-- I'm a Heineken guy, myself. And, and I've had a bartender give me a Heineken Zero before. I sent it back, of course, but, you know-- but the, the trained bartender mistook the Heineken Zero for the regular Heineken.

MICAH CHAFFEE: Yeah.

ANDERSEN: So, just to make your point. Thank you.

MICAH CHAFFEE: Yeah.

HOLDCROFT: Any other questions from the committee? Seeing none, thank you, Mr. Chaffee.

MICAH CHAFFEE: All right. Thank you.

HOLDCROFT: Next neutral testifier. OK. Seeing none, Senator Clouse. And as you come up, LB1004 had 15 proponents, 10 opponents, and none in the neutral.

CLOUSE: Hey, thank you, and thank you to all the testifiers. One thing is for certain. Nebraskans don't like change, and this is what this is dealing with. To answer some of the questions as we were sitting there, the NA beer is about 2-2 1/2% of the market, as we looked at it quickly. Now, as far as the penalty for selling. Well, if you're not required to license it, obviously, having a license penalty is not going to work, so maybe a, a misdemeanor or something like that could be looked into, if that is indeed an issue. Small craft brewers, you know, they had to deal nonalcoholic beer. And what happens when, you know, they want to grow and they want to, you know, get in the market and they don't have that opportunity? Because what happens is the distributors, a lot of times they don't want to deal with small batches or small market shares. They want to deal with the, the larger volume. So that-- excuse me-- that can be a problem. I had a, a note from one of my constituents. It said their, their struggles in trying to get distributors in the three-tier system to bring in not only new nonalco-- alcoholic beer brands, but even just SKUs of new product from companies they already have existing relationships with. So again, that comes down to a small market share, and new products, and they want to be able to have access to those and they don't, through the, through the existing process. Now, I would also tell you that there was an effort that was presented, to maybe create-- and this was Mr. Joe Kohout. He and I had some good visit on this, talking about creating a new class for NA beer and creating a new license fee structure. Maybe free-- well, free wasn't gonna cut it, because the Liquor Commission, they need to recover some of their costs, so you're still looking at \$10 to \$15, so you don't really gain anything. And so that idea, although a good idea, was something that was not well received, so we didn't look into that. So I think what we need to think about here is we're one of 7 states that don't allow this, and we have to ask yourself why. If it's that disastrous, then why aren't these other states changing? Why aren't they having all kinds of issues? So as I sit here, I think it's worth it, we need to take a look at where we're at with the penalties. And it just still seems, seems strange to me that we have to license something that's not alcohol. And I think that's kind of the, the bottom line for me, is that we feel that it's nonalcohol, as I mentioned before. The alcohol content, you, you would have to drink a lot of it to even get a buzz. And I shared those products that you can take off the shelf now that

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have higher alcohol content than nonalcoholic beer. So I would ask for your approval of this, as we sit and talk about it. And if you have any ideas, certainly, we're willing to con-- continue working on this.

HOLDCROFT: Questions for the Senator. Senator Andersen.

ANDERSEN: Thank you, Chair. And thank you, Senator Clouse. If, if this was-- if this bill passes and NA beer is deregulated, who would then have the responsibility for distributing? Because right now, it's the wholesalers, right?

CLOUSE: Well, they can still distribute. There's nothing saying they can't distribute it. The, the distributor network is still-- you know, you're going to have the Budweisers, Heinekens, all those that will still have their non-- nonalcoholic beer. This allows those smaller entities that want to, that aren't a huge part of the market share, 2, 2%, 2 1/2%, that they could, you know, deliver their product.

ANDERSEN: Have you talked to ABDN and asked them if they would still continue to distribute?

CLOUSE: Who's that? Did, did I what?

ANDERSEN: The wholesalers and distributors?

CLOUSE: Well, I, I didn't ask them if they wouldn't.

ANDERSEN: No, if they would.

CLOUSE: Yeah. That's what I'm saying. If you have that in your SKUs and it's, it's already a decent market share for you-- when I go in and ask for nonalcoholic beer, I'm not asking for something that's a small, small local, you know. You would ask for a, a Budweiser, like I said, a Heineken, something like that, so that's the name brand.

ANDERSEN: Does deregulation increase demand? Do you know?

CLOUSE: I don't know. I know, when my constituent from Kearney talked about his business that he opened and he's seeing demand, and it's right across the street from several bars in Kearney, and if his business is up and going well as he stated, then I would say that there is a demand. And-- but the demand's not-- we don't have 3 or 4 or 5 of those types of establishments in Kearney, so it would be very limited, I would think.

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ANDERSEN: Yeah. I was just wondering, because, I mean, the gentlemen that testified as proponents, one from Athletic, a CEO, and then ANBA flew in from New York, so to invest that--

CLOUSE: I didn't ask for those testifiers to come in.

ANDERSEN: To invest in that kind of money to come out here to our little town, and, you know, testify, it's like, well, where-- where's the financial interest? What-- what's the, what's the finance difference? And that's why I wonder if deregulating increases the demand for the product.

CLOUSE: Yeah, and I don't have that answer for you. I'm just talking about some of the local ones that we've talked about here.

ANDERSEN: Yeah. Thank you.

HOLDCROFT: Any other questions from the committee? Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Thanks, Senator Clouse. This is an interesting conversation. I was thinking about-- as Senator Andersen was talking about the potential for confusion between Heineken and Heineken Zero and other stuff, and I had this recollection of, we had this debate already, but it was about where they can place things, and I very distinctly remember some of the stuff. Sunny Delight has an alcohol version. And so, we're having this whole conversation about, you know, worried about brand confusion with these Zero beers and things like that. But we also have this other problem of like, things that look like things kids actually want to drink, which is Sunny Delight that has vodka in it, and can be confusing. And I had a story at that point in time, where one of my brothers-- we were on vacation-- drank something at like 9:00 in the morning that he thought was a pineapp-- not pineapple juice, but cran-- not cran-- what is it-- I don't know, some kind of juice. And I said, wow, you're really getting after it. And he said, what are you talking about? And I said, well, that's, you know, an alcoholic beverage. And so, he, he is-- you know, grabbed out of the refrigerator at the cabin we were staying at, a drink like that. And so, I-- you know, I, I appreciate the concern that people are raising about that potential, but we have this going on all the time, all over the place, already.

CLOUSE: It, it goes on all the time. And, and again, it's the buyer beware. You need to know what you're, what you're getting.

J. CAVANAUGH: Yeah.

CLOUSE: And I've had that discussion with Senator DeKay on another issue. You know? If, if, if that-- you have that type of problem and your awareness and, and you pay more attention to if you have issues. So if you are fighting-- I'm not saying Senator DeKay is-- but if you are fighting alcohol issues, then your awareness of what's alcoholic and what isn't is much more attuned than what maybe you and I would be. So I think that's [INAUDIBLE] what some of the concerns are, while they-- on the, on the same shelves, or are that-- you know, how does that work. And I think, you know, the, the grocers, the retailers, they would have to make some distinction.

J. CAVANAUGH: Well, we ended up making it so they had to keep these away from any of the stuff that is not-- does not have alcohol in it. So it-- I mean, it seems like there could be similar requirements and accommodations made in this context to prevent that confusion, but-- well, thanks. It was interesting.

HOLDCROFT: Senator Quick.

QUICK: Yeah. Thank you, Chairman. So I know you mentioned something about, like, creating a new class. Now, I-- you know, I happened to just [INAUDIBLE] something like that, because I could see someone getting stopped for an open container. I mean, I don't think they should be cited when-- for an NA product that-- they're actually trying to not drink alcohol, themselves. I don't know if that's what you were looking at when you were [INAUDIBLE]?

CLOUSE: Well, he was talking about-- and again, Mr. Kohout provided that to me. In, in the statute, in sections, it, it breaks those out on the different-- the A cla-- or the classes of retail licenses. And this would just simply be a NB1, near beer only, for consumption on-premises and off-premises. And then later on in the statute, what the fee would be, which initially when we talked about it, said, well, if we can do it for nothing, you know, because why would you pay-- in, in, in my mind, and I-- you know there are people saying crazy, but why do you have to pay a fee for something that it's not? And, and so that became down to the fee issue, and just counterintuitive to me. I understand the distributors. I understand they distribute it. The distributing network's stro-- is strong. We need that. But this isn't beer. This isn't alcohol. It's nonalcohol.

QUICK: OK. And I suppose, like, the open container, that [INAUDIBLE].

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CLOUSE: Yeah. I've had a lot of discussions with officers over the years, on different things, not just this. But, you know, I always ask them questions-- are, are you going to change how you do things, based on what the issue is? No. If there's an open container, they're pretty well-trained to say, OK, this person is under the influence of something. If it's alcohol, they can take the breathalyzer. They can do their tests if it's something else. Probably the one they can't is marijuana. That's the one that they struggle with the most. So at least with alcohol and those type of things, they know what they're doing. And I trust our law enforcement.

QUICK: I would-- but, you know, some of those-- I mean, I've seen people that put vodka in their can of Coke, too. So, I mean--

CLOUSE: Yeah. Well, yeah.

QUICK: You're not going to get pulled over for open container, but you might end up getting a DUI.

CLOUSE: And, and you wouldn't be surprised what goes into the Pepsi bottle.

QUICK: Yeah. All right. Thank you.

CLOUSE: Yeah.

HOLDCROFT: Any other questions from the committee? Seeing none, thank you, Senator Clouse. And you're up next, with LB1085.

CLOUSE: Can we get a drink real quick? Now we have a clear amount.

DeKAY: It's good for us.

HOLDCROFT: Who knows, maybe we'll see this time. Thank you.

CLOUSE: OK. Ready?

HOLDCROFT: Ready.

CLOUSE: OK. Good afternoon, Chairman Holdcroft, committee members. Senator Stan Clouse, S-t-a-n C-l-o-u-s-e, representing District 37, which is much of Buffalo County, including Kearney, Shelton, and Gibbon, and I'm here to introduce LB1085, and it does several things. The first thing it does is on page 2, Section 1 of the bill. It's the definition of a bottle club, is modified. Under current statute, the

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bottle club-- now let me also explain. There's about 3 or 4 different things this bill does. So the first one is identify the definition of a bottle club. Under current statutes, a bottle club definition includes the language, "for the express purpose of consuming alcoholic liquor." So this language is problematic because many of the bottle, bottle clubs are just arguably organized for the express purpose of consumption of alcohol, and they have a different reason to-- for individuals to congregate. So, for example, a bottle club could be organized for the purpose of a car club or strip club, providing a loophole for these clubs not to be licensed. The intent of this language is to clarify that if there is a private club that allows individuals to congregate and consume alcohol, then it needs to be licensed within the Liquor Control Act. That's what this piece does. The second change is to provide more difference to local governing bodies when those bodies recommend a denial of the retail liquor license to the Nebraska Liquor Control Commission. This language is found on page 3, lines 4 through 7, and page 6, lines 11 through 18. And this language requires the Liquor Commission to find a local governing body that has acted arbitrary-- arbitrarily and capriciously in recommending denial of a retail application. So let me tell you how that process works. When you're in a community, a municipality, or, or a county, and somebody comes in with a new liquor license in a business establishment, they bring the map, they talk about this is what the establishment looks like, here's the constraints, all, all those type of thing. And then, they have the list of the general manager or the person who the liquor license is going to be under, talks about their record, and if they've had any, any violations, and all those types of things. And so then, the city councils will take a look at that, and they'll either make a recommendation to the liquor commission to approve that application, or they'll make a recommendation to deny, or it'll go in at no recommendation. And I would tell you, over the years, it got to the point that it didn't really matter what the recommendation was. So I would say, by far, most of the liquor recommendations come in as no recommendation, just because that they felt that there was no value in what they were doing. I can speak to that, from one example we had in Kearney. We had-- and this was a number of years ago. It was not under the, the present commission. We had a situation where a business had a, a minor selling to a minor. So we recommended no, until they figured out-- they could still keep their business open because it was a food establishment. They just couldn't sell alcohol until they got figured out what they were going to do. It was down here and overturned. That was neither capricious nor arbitrary. You know, when you had a, a, a

citation, that is not capricious or arbitrary. And so, that hits pretty close to home for me, and I would just continue that a denial recommendation, it's a rare occurrence from our local government. And most of them are for approval. However, there are cases I just talked about, where the liquor license is not compatible for a city or county and the Liquor Commission should have to provide the deference. And so, this only applies really, to those denial recommendations. And there are times-- I just talked to one of the liquor commissioners the other day-- that they did, in fact, go with what the city had recommended. So there, there may be a shift in here, but this just allows that to say, if there is a denial, you have to prove that a-- that the city or the governing body did not act capriciously and arbitrarily. So that's what that section was. OK. This only applies really, I said, to those denial application-- or recommendations. They're also limited to straight retail applications, and to not craft-- not to craft brewery or microdistillery applications. So craft breweries and microdistilleries are more nuanced and technical in nature, and the Liquor Commission is best suited to handle those types of cases anyway, than, than the local, local folks. Third, starting on page 3, line 31. It allows consideration of where the applicant or any affiliates are delinquent on any federal, state, or local taxes. This is a factor that should be specifically considered for retail applications. It is not an indicator of whether the applicant is undergoing best business practices and can, and can comply within the law. When the applicants are delinquent, there should be a specific factor of whether that license should or should not be issued. And then finally, the last change, under Section 4, it would harmonize the penalty of the sale at retail of alcohol without a license to that of manufacturing alcohol without a license. So if a person or business is selling alcohol without a license, it is clearly intentional. And that harmonizes and matches anyone who manufactures or retails without a license. So offering sale at retail without a license is problematic for public safety and welfare of our committees-- our communities. So thank you for your time, and I'd answer any questions.

HOLDCROFT: Questions from the committee? Senator Andersen.

ANDERSEN: Thank you, Chair. And thank you, Senator Clouse. OK. So maybe I'm making this too simple, but it seems like it's a, a BYOB kind of place. You bring your own alcohol and you consume it at this bottle club. Is that, is that accurate?

CLOUSE: Well, there's somebody behind me that's going to answer that one more specifically, but that's-- it's to clarify that if, if it

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allows them to congregate, then it has to be licensed. So if they bring their OB, they're consuming.

ANDERSEN: Right. To bring their own.

CLOUSE: They're still consuming at that establishment.

ANDERSEN: So then you have to-- OK. Can you give me an example of a bottle club?

CLOUSE: Gosh. I know some strip clubs, but that's [INAUDIBLE].

ANDERSEN: [INAUDIBLE] is going to give a statement after the hearing, but that's the only kind of establishment I know that's--

CLOUSE: No, I mean, that's what you normally hear of is a, is a strip club where it's nonalcoholic or-- I'm, I'm just trying to think of a bottle club. I have, I have to think that through a little bit. You know?

ANDERSEN: All right. May-- maybe enlighten me on closing.

CLOUSE: Yeah. OK?

HOLDCROFT: Any other questions from the committee? Seeing--

CLOUSE: I'll look that up. I'll have an answer when I come back.

HOLDCROFT: And you'll be here for closing?

CLOUSE: Yes, I will.

HOLDCROFT: OK. With that, then, we'll go to the first proponent. Ms. Melton.

AIMEE MELTON: Thank you. Thank you very much. Mr. Chairman and members of the General Affairs Committee, my name is Aimee Melton, A-i-m-e-e M-e-l-t-o-n, and I am here as a member of the Omaha City Council. Hopefully, you also got the letter in support from Councilwoman Goodwin, who also supports this. In fact, Danny Begley, who also sits on the Law Committee with myself and Ms. Goodwin, he supports it and-- as well as Don Rowe. In fact, I've talked to 6 out of the 7. 6 out of the 7 support, and I'm fairly certain the seventh one does. I just wasn't able to confirm. So we are here. This is definitely a bipartisan issue and has bipartisan support here in Omaha. Just to kind of answer your question in regards to other bottle clubs, other

than strip clubs. In Omaha, we actually have a bowling center that you get a membership to go bowl, but you can bring your own alcohol. We also have some other clubs, maybe work similar to like VFWs, that make us have a membership, but they're-- people are coming, you pay a membership and then you can bring your own, or they're paying a membership, and at one of them, then they get free alcohol for their \$10 daily membership. I mean, it-- so we have other examples. There was also a, a, a sex swingers club that was a bring-your-own, in south Omaha. I think it's since closed, but we do have bottle clubs in there in all areas of Omaha: north, south, east, west Omaha. So we, we have these all over our city. And I have to say, one of the changes-- and by the way, this is kind of round 2. The first round when we made changes to the bottle clubs, didn't maybe include the, the strip clubs that we had in Omaha. Actually, my sister, Theresa Thibodeau, was the one that carried the bill, about 8 years ago, and took a lot of slack. But that was passed in a bipartisan nature. Senator Patty Pansing Brooks actually helped get that across the road. But one of the things we found-- she was trying to close a loophole Well, a loophole still exists, because of that language that says, for the primary, basically, purpose of consuming alcohol. Well, in most of these bottle clubs, consuming alcohol isn't necessarily the primary purpose because they're engaging in other activities, but alcohol would also be one of them. It would be the same if you have a private golf club. You know, you're going to maybe drink while you're golfing, but the primary purpose was golfing. So we really do need to make some changes to this statute. I am hopeful-- I'm kind of moving fast-- but we want to change kind of that burden or allowing-- if the city of Omaha or any city council has gone through long hearings and we've made recommendations of denial, which we've done before, and every time, they-- it was overridden by the Liquor Commission, to the point where we have lawyers that are telling their clients just don't even worry what the city council says. Don't make any amendments, don't agree to do anything in order to get your license, because we're going to get it down in Lincoln anyway. I am hopeful, with the new commission. And I know the members, and I-- hopefully, they'll get your approval for their appointments. I'm hopeful that maybe that will change, but I do think that this language may be necessary, because we've had a lot of problem bars. There were shootings at some of the bars that we recommended denial after the long form, and they still gave them their, their license back, in the past.

HOLDCROFT: Thank you, Ms. Melton.

AIMEE MELTON: Thank you.

HOLDCROFT: That's your time. Let's see if there are any questions from the committee. I'll give you another couple minutes, if you want to finish up.

AIMEE MELTON: Well, sorry. I was trying to-- you know what? I didn't read one word in my prepared speech, by the way. No. It really is, it's a safety-- it really is a safety issue, and it's become a big issue, you know, in Mr. Rowe's district, out west. But again, we have places all over. Ms. Goodwin and I actually met for the first time, it was 4 years ago, and it was on this particular issue that she's having with some places in her own district, in north Omaha. And I had to say, there's still a loophole. My sister worked really hard to get some changes made, but we, we need to go further and we need the Legislature to do that. And she goes, well, how can we do that? Well, let's keep working on it. And here we are, 4 years later. She's actually on the city council with me. I promised her I would continue working on this with her, because we've got a place like north Omaha, with a-- the, the business district on 24th Street that is making so much progress. Yet, you can have certain places that will ruin all of the progress that they're making in certain areas of our city. And I'm sure other cities around the state are having some of the same issues. I can only testify about my own, my own city, but I think that this would be a positive for cities all over the state, and especially on the tax issue. I can't tell you how many times a, a liquor license applicant is coming in for a renewal or something of that nature, and we look, and they're like \$50,000, \$60,000 behind in sales taxes, which is affecting the state, the state's budget, and the city's budget. This should be something-- I'm a lawyer. If I have money in my trust account for my clients and I don't pay that money, I lose my license to practice law, as well as it should be. The bars are collecting money and collecting sales taxes from the patrons and then not paying it to the state or the city. And I do think we, then, the state and the city, we have to pay collections people to collect it for us. So we're still-- we're losing money. We're not even getting the original amount when we have to send collections after them. This would definitely be an incentive to get them just to do what they're supposed to do anyway.

HOLDCROFT: OK. Thank you, Ms. Melton.

AIMEE MELTON: So I thank you for the extra time so I could cover everything. Appreciate it.

HOLDCROFT: Next proponent. Welcome.

RYAN WIESEN: Good evening, Mr. Chairman, members of the committee. My name is Ryan Wiesen, R-y-a-n W-i-e-s-e-n, and I'm a deputy city attorney for the city of Omaha. I'm here as a proponent in support of LB1085, and the key aspect that I'd like to highlight for the committee today is that LB1085 provides greater deference to the local governing body in the event that the local governing body recommends a denial of the retail license. Now this is not something that happens very often. Every week at the city council, there's anywhere from 2 to 10 applications for a retail liquor license on a city council agenda. In the vast majority of the time, those are sent back to Lincoln with a recommendation for approval or no recommendation. There's only a handful of times a year where there's a recommendation of denial, and those are really important to the community and to the city council. Those are places where the city council-- they're the closest to the, the establishment. They're the boots on the ground. They are hearing from the neighbors and the community members. They're hearing from the people who are affected by this. In the past, when a recommendation of denial has been overridden by the Liquor Control Commission, the City Council has then spent months collecting tavern reports while disturbances, fights, shootings, liquor violations have accrued, before they've had enough evidence to go back, and go to the Liquor Control Commission and request that either a long form occur and a re-evaluation of the license happen, or a revocation occur, or a cancellation occur. What this does is it permits the city council to get ahead of that when there's clear evidence that a license holder should not have been issued or should not be issued a license. There's still a check by the Liquor Control Commission. That's still-- recommendation still goes down for review. And the commission would then determine whether or not the city council or local governing body acted without a rational basis, or ignored important evidence, or was just otherwise unreasonable with its recommendation. The liquor-- LB1085 also permits the city council to consider delinquencies in the payment of taxes in making this recommendation. And this is important, too, because if you are unable, as a license holder, to follow the law when it comes to whether or not you're supposed to pay your taxes, there should be-- the city council should be able to consider that as evidence of whether or not you are also able to follow laws of the Liquor Control Commission and the Liquor Control Act. And with that, I'll, I'll cede the remainder of my time.

HOLDCROFT: Thank you Mr. Wiesen. Any questions from the committee? Seeing none, thank you very much. Next proponent. Welcome back.

CHRISTY ABRAHAM: Thank you, Senator Holdcroft and members of the General Affairs Committee. My name is Christy Abraham, C-h-r-i-s-t-y A-b-r-a-h-a-m. I just want to say the representatives from the city of Omaha did a great job. I don't think it's a big surprise to this committee, the League is always going to come in and say, we think our local decision-makers are doing a great job. If they are issuing a denial, there is probably a reason in that community why they've issued it. So we appreciate the extra deference that is included in this bill. And with that, I'd be happy to take any questions.

HOLDCROFT: Any questions for this temper-- testifier? Thank you--

CHRISTY ABRAHAM: Thank you so much.

HOLDCROFT: --Ms. Abraham. Any other proponents? Proponents for LB1085. Opponents for LB1085. Opponent? What? Mr. Chaffee? Welcome back, Mr Chaffee.

MICAH CHAFFEE: Thank you. I'm not neutral on everything. All right. Chair-- Chairperson Holdcroft and the members of the General Affairs Committee, good afternoon. My name is Micah Chaffee, spelled M-i-c-a-h C-h-a-f-f-e-e, and I serve as executive director of the Nebraska Liquor Control Commission, and I'm here today to testify in opposition on LB1085. LB1085 makes several changes to the Liquor Control Act. Of particular significance, the bill changes the process by which the commission may issue a retail license when a local governing body has recommended denial, requiring an applicant to prove that the local government acted arbitrary and capriciously before the commission may approve the license. The commission's concern lies specifically with the arbitrary and capricious standard. Under current law, the commission conducts an independent de novo review of license applications and is not structured as an appellate body reviewing local government decisions. By imposing this standard, LB1085 shifts the commission's role from independent regulator to reviewer of whether a city or county met a judicial-style threshold. This fundamentally narrows the commission's ability to exercise independent judgment based on statewide regulatory considerations. Instead of applying statutory factors as a regulator, the hearing begins to resemble a court reviewing whether another governing body acted legally, more like an appeal than an administrative licensing determination. This commission believes the current framework appropriately balances the respect for local recommendations with the commission's independent statutorily-- statutory duty. For these reasons, the Liquor Control Commission respectfully opposes LB1087

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[SIC] as drafted, due to the changes to the arbitrary and capricious standard, while remaining neutral on the other provisions of the bill. Thank you, and I'm happy to answer any questions.

HOLDCROFT: Thank you, Mr. Chafee. Any questions? Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Thanks for being here, Mr. Chaffee. Does the Liquor Control Commission, is it subject to the Administrative Procedure Act then, when it's issuing licenses?

MICAH CHAFFEE: So yes. They, they have the opportunity to be heard. They can come back. And as far as the review, there is, there is kind of a, a hearing process involved.

J. CAVANAUGH: And the commiss-- so you make every decision as independent, so why are we having the cities make any kind of recommendation or determination?

MICAH CHAFFEE: I would have to go back for those specifics, but in my impression of the limited time I've been in this position, I would say that it's, it's-- I think we value the cities and the, the councils and the, the townships that are involved in making these decisions.

J. CAVANAUGH: Well, I guess what I heard from Ms. Melton, was that we're getting to a point where, I guess the commission is issuing licenses contravening to the city's recommendation, and so people are maybe ignoring what the cities are [INAUDIBLE].

MICAH CHAFFEE: Yeah. So I have a limited, limited scope in this, but we did recently have a recommendation for a denial from the city of Stromberg. And so that, that city council recommended for denial. And you know, from me observing a true independent review, they did factor in and bring in those that were for and against and reviewed it from a fresh perspective. They still went with the, the recommendation-- well, they, they, they still approved the license, but certainly there is some consideration and, and some, I guess, looking back on maybe what, what has been discovered. There might be some approval with the license with some limitations or just some, a short leash, you could say, based on what was going on. So I, I really-- I'm open to having discussions on their experiences. And, and I think that given the new commissioners that we have, I can't speak to that necessarily was the case for everybody, you know, during that time with those commissioners, but it sounds like-- I don't want to discount their, their opinions. But I do believe that where we're headed and who the

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commissioners we have today, we have great leadership and, and the ability to, to think independently and, and, and to, to keep everybody's considerations, when those independent decisions are being made.

J. CAVANAUGH: OK. Thank you.

HOLDCROFT: Senator Andersen.

ANDERSEN: Thank you, Chairman. Thank you, Mr. Chaffee, for being here. How long have you been in the seat?

MICAH CHAFFEE: Since October.

ANDERSEN: Since October. So Ms. Melton's testimony about, you know, the licensing and all that stuff, and the disregard for the city's recommendation, was that predominantly before your time?

MICAH CHAFFEE: It was before, before my time, before the commissioner's-- current commissioner's time, and I believe the same case is true for Senator Clouse.

ANDERSEN: So different leadership, so.

MICAH CHAFFEE: Different, different leadership, different commissioners.

ANDERSEN: Thank you.

HOLDCROFT: Anyone else? Yeah, I would just say, I think you got to have a really good reason to override the local recommendation. I mean, and I would be very interested in knowing what, what the reasoning was from the State Board to override, you know, a recommendation of denial. I mean, they're the ones, on the local level, that have to live with the, the issuing of the, of the license against what they recommend. So.

MICAH CHAFFEE: Yeah.

HOLDCROFT: Yeah, I think we'll be looking closely at what the future holds for the new Liquor Control Commission, as far as denials go.

MICAH CHAFFEE: Absolutely. And we would welcome an interim study to look at maybe the past decisions and, and-- you know, I know that what we are moving forward, but I think it's important to kind of shed

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light on the past, too, and, and to also bring those into consideration, so thank you.

HOLDCROFT: OK. Any other questions? Thank you very much, Mr. Chaffee.

MICAH CHAFFEE: Thank you.

HOLDCROFT: Any other opponents? Opponents? Anyone testifying in the neutral? Where are you going, Mr. Chaffee? You're not going to stick around? Senator Clouse.

CLOUSE: Yes. Thank you.

HOLDCROFT: Oh, I'm sorry. One minute. I have the-- let's see. This is LB1085: 3 proponents, no opponents, and no neutral.

CLOUSE: OK. Thank you. I think the testimony from Omaha kind of reinforces what our experience was, and certainly that was old administration. I will, I will admit that. And so hopefully, the, the new direction that the Liquor Commission is, is going, I thin-- I hope that that will be the case, if that's something we want to talk with him about. The first section, that-- dealing with that. I think we'd have to-- no, that's bottle club. It's the second one, the second section. We can talk about that, if that's something that-- I'll visit with Omaha and the League, to see if that's something they want to give it another shot at, because nobody sends in recommendations. I'm just telling you that. Well, I shouldn't say nobody. Nobody that I know of sends in recommendations, because it's, it's just-- it's fallen through the cracks over the years. And there was a lot of things going on with the past Liquor Commission, so I'll be willing to accept that. So with that, on the, on the bottle clubs, we did look that up, Senator Andersen. And, and that's pretty-- like she had mentioned, it's just any establishment where you, you can bring your own beer, any-- where you're consuming alcohol. So. Any other questions?

HOLDCROFT: Any questions for Senator Clouse? Seeing none, thank you very much.

CLOUSE: Thank you.

HOLDCROFT: Well, due to time, I think we'll skip the last bill. Next up is LB1115, Senator Storer.

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STORER: Senator Holdcroft, this is early, compared to the committee we share.

ANDERSEN: Let's not jinx it.

STORER: All right. You saved the best for last. Good evening. Are we evening yet? Chairman Holdcroft and members of the General Affairs Committee, my name is Tanya Storer, Ta-n-y-a S-t-o-r-e-r, and I represent Legislative District 43. I'm here this evening to introduce LB1115. LB1115 is a targeted update to Nebraska's beer franchise laws to ensure that our local breweries, including many in my district, can get their craft beers to market in a fair and timely fashion. The bill restores basic contract freedom for small breweries producing fewer than 20,000 barrels of beer per year, and that is statutorily defined, recognizing that these businesses operate on a vastly different scale than the large national manufacturers for, for whom franchise laws were originally designed. Nebraska adopted its beer franchise statute in 1989, to address a very specific problem. It was to protect small, independent wholesalers from the market power of a handful of very large national brewers. At that time, the policy made sense. Also at that time, we didn't have one craft brewery in the state of Nebraska. But today with the growth of local craft breweries, of which there is over 60, the market reality has changed and the law has not kept up. As applied to small breweries, current statute often locks them into a perpetual distribution relationship, regardless of performance. The law, not the marketplace, dictates who a small business may work with, under what terms, and for how long. That is not healthy competition and it is not how most Nebraska businesses operate. I want to directly acknowledge what you probably have before you or have seen: the Governor's recent letter expressing concerns about this bill. Respectfully, LB1115 does not dismantle Nebraska's regulatory system, nor does it eliminate distributors. It does not undermine the three-tier system or deregulate alcohol. Distributors will still be used, contracts will still govern relationships, and alcohol will still remain highly regulated. What the bill does is narrow where franchise laws apply. It works through the definition of supplier to ensure that franchise statutes continue to protect distributors from large manufacturers with significant market power, as those laws were originally designed to do, while allowing small breweries-- again, those things that didn't exist when these laws were written-- to operate under ordinary contract law, just like nearly every other small business in our state. LB1115 does not allow brewers to dictate retail pricing. It does not permit termination at will without contracts. It does not limit a distributor's ability to carry

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competing brands. All of those issues will continue to be governed by negotiated agreements and existing law, just not dictated by state statute. This reflects a core principle of limited government. When heavy regulation no longer serves its original purpose, it should be narrowed, not expanded. You may also hear that this bill puts Nebraska's system at risk, but that's not supported by experience. We are not breaking new ground here. States across the country have adopted similar targeted reforms for small brewers. In those states, distributors remain healthy, large manufacturers have not sought similar exemptions, and the three-tiered system remains intact. You will hear from a national expert today, who will speak directly to the experiences in those other states. Many of you know that craft breweries in our state are struggling to survive. I firmly believe that state law should not be one of the impediments standing in their way, especially when we can modernize it without harming distributors or destabilizing the regulatory framework. We talk a lot in this body about deregulation, we talk a lot about how to encourage small business, how to attract young people to our communities, we talk a lot about value-added agriculture. That's what LB1115 supports, all of those things. We've talked a lot about modernization in other industries. That is what LB1115 does. This is not dismantling or sort of blowing up the ship, so to speak. This is updating our laws to reflect changes in the state's craft brewery beer industry-- again, an industry that did not exist when these laws were originally written. I'm happy to answer any questions you may have at this time. There will be some experts that will follow me that can answer more technical questions, however.

HOLDCROFT: Thank you, Senator Storer. Are there any questions for our introducer? Seeing none, will you be here for closing?

STORER: Absolutely.

HOLDCROFT: OK. First--

STORER: I wouldn't miss it.

HOLDCROFT: First proponent. Welcome.

MARC SORINI: Thank you, Chairman Holdcroft, members of the committee. My name is Marc Sorini. That's M-a-r-c S-o-r-i-n-i, and I'm here to testify in favor of LB1115. I'm here on behalf of the Brewers Association. We are the national trade association for small and independent brewers. As Senator Storer explained, these laws were

really designed to equalize the bargaining power for what then were a handful of very large national brewers and a very, very diverse set of fragmented mom and pop wholesalers. Today, that situation has completely flipped when it comes to small brewers. You have 60 to 70 small brewers in this state, maybe a dozen wholesalers left. Most markets are served by just 2 mainline distributors. And so, the bargaining power advantage has flipped. Recognizing this, a number of states have undertaken reforms, and these states range from very red to very blue, rural, urban, really across the country, and what they've recognized is that it makes sense to advance the craft beer industry, and you can do this without harming beer distributors. The most recent example was in 2024, in Wyoming, where breweries under 25,000 barrels were given a mechanism to terminate without cause with a compensation mechanism for the wholesaler. These are all accommodations that have happened without the collapse of any three-tier system, very viable wholesalers are still existing in all of those states. And in fact, when you look at the, the national, national data from the Labor Department, employment after these-- at wholesalers after these laws have passed does not go down. In fact, in, in some cases, it goes up a little bit. Now, I'm not saying that it's because of that, but there's no, no evidence to show that wholesalers become weaker after these laws have passed. So what we're really asking for is for some reasonable accommodations to restore freedom of contract for small brewers, allowing them to thrive and giving them a little bit more leverage when it comes to negotiating contracts, rather than having the state dictate those contracts to them. I've done this in, in quite a few states for quite a few years, so I'd be happy to take any questions that the committee may have.

HOLDCROFT: Thank you, Mr. Sorini-- or Sorini. Any questions? Senator, Senator Storm.

STORM: Yep. Thank you, Chair Holdcroft. Thanks for being here. I noticed there's a letter here in opposition from the-- let me see-- Nebraska Liquor Wholesalers, and they bring up the contract-- violation of the Contract Clause. So can you tell us why that is, or what are you-- what are they talking about?

MARC SORINI: Yeah, so the Contract Clause is a constitutional provision that says that the government shouldn't retroactively amend and undermine existing contracts. But it's also very well established under the Contracts Clause that when you have the entry of contracts in a heavily-regulated industry, where the contract, in effect, is a, a creature of-- largely a creature of, of a regulatory construct

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already, then changes to that regulatory system are expected by both parties and it doesn't violate the Contracts Clause. This has been-- it's obviously a principle that goes beyond beer franchise. It's been litigated, as far as I know, in one state, And the state was found that-- and it was found that amending the franchise law did not retroactively amend the-- or, or undermine the contract. So we don't think that's a concern here.

STORM: OK. I got another question.

HOLDCROFT: Yes, sir.

STORM: So do you, you go out throughout the country and talk on this issue in other states?

MARC SORINI: Yes.

STORM: So is Nebraska pretty-- where do we rank on, on this topic, as far as, as that goes?

MARC SORINI: So there's been about, if you look around the country, there are between 15 and 20, depending on how you count it, states that have some sort of accommodation for small, small suppliers. A couple of them are in-state only exemptions, which we don't favor, and as you probably know, could be problematic under the Commerce Clause. But at least 15 states have amended them, and there really are 2 flavors. One is an exemption which is restoring freedom of contract. The other is creating a not-for-cause termination mechanism with a payment.

STORM: OK. Thank you.

HOLDCROFT: Yes, Senator Clouse.

CLOUSE: Thank you, Senator Holdcroft. This is talking about the, the microbreweries. We've had a couple discussions all afternoon on microbreweries, regional craft breweries, craft breweries. And this is what, under, what's that, under 20,000?

MARC SORINI: 20,00 barrels, yes, sir.

CLOUSE: So when the other limits were 95,000, how does all that fit in your mind, where it creates problems?

MARC SORINI: Well, so I think that first of all in different states, you have different numbers, typically reflecting the size of the state. The bigger the state, they tend to have bigger breweries, and so the, the, the, the size limit is, is somewhat larger. You know, we think the fact that there's a 20,000 barrel recognized line here in Nebraska is a great starting point. It just makes sense. There already are a recognition by the legis-- by the Legislature here, that 20,000 barrels has a certain-- requires a certain-- different regulatory structure than, you know, a Molson Coors or an Anheuser-Busch kind of, kind of brewery. Does that-- did, did that answer your question?

CLOUSE: Well, I was just trying to figure out where, you know, you looked at from 20,000 to 9-- 95,000. You know, is that a huge jump? Is it--

MARC SORINI: Yeah. 20,000 is-- well, to, to, to put it, to put in contrast-- contrast with the rest of the market, all the craft beer sold in this state represents less than 10% of the, the, the beer market in this state, and that's including all the big national craft breweries-- the Sierra Nevadas and the Boston Beers of the world. So we're talking about a exemption that's going to cover a very, very tiny slice of the market. Somewhere, I have a chart. I think it was-- I think we calculated that it was something like 2%. So the existing franchise law is going to continue applying to the vast majority of the portfolio of your wholesalers here in the state.

CLOUSE: OK. Thank you.

HOLDCROFT: Yes, Senator Quick.

QUICK: Thank you, Chairman. So like, in some of the other states that have either passed exemptions, like what are their-- like, I'm, I'm sure they all have a variety-- a number of barrels that they can produce. Do you know what some of those would be?

MARC SORINI: So the most recent one was Wyoming, which was 25,000 barrels. The one before that, in 2022, was Massachusetts. That was 200,000 barrels. You have the, the change in Maryland, if I remember correctly, is 30,000 barrels, so it's, it's varied around there. The largest state is New York, at 300,000 barrels. And, and then in, and then in Illinois, it's 10% of the wholesaler's book. They do it on a percentage basis. Those are probably the two largest, but those are very large population states.

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QUICK: All right. All right, thank you.

HOLDCROFT: Senator Andersen.

ANDERSEN: Thank you, Chairman. And thank you, Mr. Sorini, for being here. How many states did you say that they've changed franchise law and there's been no negative impacts? How many states?

MARC SORINI: I, I would-- I-- it's more than 15. If-- I could get back to you with an exact count.

ANDERSEN: That's OK. A ballpark's fine. How many states have they changed the franchise law and there was a, a noted decrease in the distributor-wholesaler business?

MARC SORINI: We haven't seen that anywhere.

ANDERSEN: You've not seen any?

MARC SORINI: We haven't seen that anywhere. And, you know, when you observe, for example, states, there's a few states that still don't have franchise-- California, for example.

ANDERSEN: Yeah.

MARC SORINI: And they have thriving three-tier systems. I mean, the fact is that if you're Anheuser-Busch or you are Molson Coors or Constellation Brands, three-tier system works really well. I mean, you know, we, we recognize that wholesalers do a great job. But when you're talking about a long tail of lots and lots of small breweries with lots and lots of brands, having a little bit of flexibility makes sense. So we want to see the system evolve to allow that flexibility and allow these small businesses to thrive, while not really impacting the, the, the distributors, who, of course, have been doing a great job for, you know, the majority of the beer brands that are out there in the country.

ANDERSEN: Thank you.

HOLDCROFT: Any other questions from the committee? Yes, Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. And thanks for being here, Mr. Sorini?

MARC SORINI: Yes.

J. CAVANAUGH: So you mentioned a bunch of different states have done different things. You mentioned one was about buyout-- a buyout provision.

MARC SORINI: Yep.

J. CAVANAUGH: Can you explain that a little bit more, and which state that was?

MARC SORINI: In, in some states, for example, Wyoming, the-- what, what it allows is there is a statutory right for the small brewer to say, I'm leaving. Here is what I think my brand's value is worth. Because distributors buy-- because of the franchise laws that give them, effectively, a quasi-property right in brands, they get bought and sold. And so, the way those laws work is the brewer says, I think my brand distribution rights in your territory is worth X. I'm tendering your pay-- I'm tendering a payment here. The distributor either can accept it or say, I disagree. And in, in the case of Wyoming, they go to arbitration, and somebody settles up depending on what the arbitrator concludes. So that's a statutory, sort of automatic, not-for-cause-- this particular bill has the, has the benefit of restoring freedom of contract. In other words, it just becomes a creature of contract.

J. CAVANAUGH: The-- whether you get to arbitration and those other settlement aspects, you're talking about.

MARC SORINI: Oh, no. I'm still talking about the Nebraska proposal, where it would be a-- a 20,000 barrel and smaller brewer would just not be subject to the franchise law.

J. CAVANAUGH: Right. So the-- I, I guess I'm just trying to understand how somebody else might approach the same problem.

MARC SORINI: Yeah, that's-- I mean, those are the two basic approaches that we see, is some sort of automatic statutory co-- termination mechanism, but with compensation, or the other is let's just leave it to the parties to negotiate, which is, you know, the way most businesses in most industries work.

J. CAVANAUGH: Do you ever see, in all these other places that go to this freedom of contract, that since the power dynamic is such in

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favor of the larger entity that the contracts end up being less favorable to the brewers in this-- the franchise law?

MARC SORINI: If you talk to individual brewers and probably individual wholesalers, they'll all have their complaints, but, you know, that's the way business is. You try to negotiate a contract and you try to make sure that you're protecting your business's interest.

J. CAVANAUGH: OK.

HOLDCROFT: Other questions from the committee? Yes, Senator Quick.

QUICK: Thank you. So with the current franchise law and the way it works in Nebraska then, so basically, they don't, they don't get to negotiate. Correct? Is that how it works, or?

MARC SORINI: You, you-- the, the fundamental terms are non-negotiable and cannot be waived by contract. So for example, you can't have a-- you can't have an expiration date on your contract. They are evergreen contracts. You can only not renew upon a showing of good cause. A showing of a good cause, also, by statute, has to be proved by the brewer. So the burden of proof is automatically on the brewer, which again, you know, when you're thinking Anheuser-Busch, well, they've got a lot of resources to hire lawyers. When you're thinking about our folks, that's really hard. Same thing with notice and cure provisions. You have to have a-- in Nebraska, I believe it's a 30-day, plus then 90 days to cure. So before you can even begin to move, you're, you're with your major business partner for another 120 days before you can move. And then of course the question is, well, was this actually cured? Same thing with a change, a change in the wholesaler's business. If the wholesaler decides that they want to sell their business or transfer your brand, you cannot unreasonably withhold consent, I believe is the statutory standard. That's the standard in most states. I, I, I may have the wording slightly wrong in, in Nebraska. But again, that, right away, is a-- that's a standard that a small brewer is not going to risk. Because if you withhold consent and the distributor says no, no, that was unreasonable, you're stuck in something that, you know, you-- many of you are probably, many of you are probably lawyers. You know that that's a litigable issue that's going to push you through the summary judgment stage, and it's going to cost a lot in legal fees. So, effectively, our folks, because they don't have the ability to hire a bunch of lawyers and do what the big brewers might be able to do in these situations, are trapped.

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QUICK: Does, does it go-- like, does it-- so there's really no like, not, not an arbitrator or a mediator, it's-- like goes to court, then. Is that right?

MARC SORINI: It goes-- yeah. There's a, there's a-- yeah, there's a, there's a cause of action in, in, in the courts.

QUICK: OK. Thank you.

HOLDCROFT: Senator Storm.

STORM: One last question. Thank you. So, you know, the argument against this bill is that it disrupts the existing regulatory balances. And from your perspective, does it do that?

MARC SORINI: No, it doesn't. So, for example, one of the, one of the things that I saw in the letter was the idea that this would allow price fixing. Well, the antitrust laws, both federal and state, would still continue to apply. So, so this is not going to suddenly open up price fixing. And, and, you know, the other thing to, to keep in mind here is the relative bargaining power, the notion that a very small brewer, you know, one of the folks here in, in, in Nebraska is going to suddenly be dictating the resale pricing of an Anheuser-Busch wholesaler is, you know, it's-- this-- that's not really a realistic way to think about it, when you think about the relative bargaining power of those two parties.

STORM: So it's just basically narrowing the-- where the statute applies.

MARC SORINI: Yeah. Exactly.

STORM: Thank you.

HOLDCROFT: Any other questions from the committee? Seeing none, thank you, Mr. Sorini. Next proponent.

MARC SORINI: Thank you very much.

HOLDCROFT: Welcome.

SCOTT STRAIN: Good afternoon, or maybe evening now. Scott Strain, S-c-o-t-t S-t-r-a-i-n, with Kros Strain Brewing in La Vista, Nebraska. As one of the few brewers in the state who has attempted to use the current franchise statute to terminate a contract, we are uniquely

qualified to speak in support of LB1115. We're currently working with a wholesaler that we've had problems with for years. They cover a large portion of the state. There's restrictions on what beers we can sell in that area. They won't carry inventory of certain products. Retailers are frustrated. They can't order beer that they want. They don't get beers that they order. They can get deliveries regularly. There's no sales rep available to talk to. And some of them, the service has deteriorated so much for the retailer that they've actually just stopped buying from the wholesaler, so we have no way to actually sell beer to the bars that, that want to buy it. Three years ago, similar legislation was offered here. The wholesaler's testimony during the hearing made it seem as if it was fairly easy to get out of contracts. You know, they said they're not going to keep brewers stuck in contracts if both parties are unhappy. Their attorney also testified and said, you don't even need a lawyer to, to do it. So after the hearing, we sent a letter to our wholesaler, noting the problems that we were having and indicating that we would like to begin terminating the relationship. We were surprised to receive a letter back, not from the wholesaler but from that wholesaler's attorney. We were also surprised when we realized that attorney was the same one who told the committee that you do not need an attorney to terminate the relationship. So that was ironic. So that, that initiated a year of back and forth that-- we went through all the steps in the franchise statutes. We spent more in legal costs than what we even make in profit from this wholesaler. And in the end, we just kept going back and forth, never could get it resolved, and they indicated that they would sue us for breach of contract if we terminated, which would, of course, lead us into even more legal expense and time-consuming court issues. So it's difficult for brewers to leave if the wholesaler does not want to let you go. You're effectively trapped in the relationship. And I don't really understand why wholesalers need these protections from our tiny businesses. You know, as has been mentioned, we're, you know, 2%, 3% of the beer sales in this state. You know, we're not going to be able to dictate any pricing to them or, or anything, for that matter, with that kind of market share. And keep in mind, if the wholesaler is doing a good job, this bill will not affect them. Now, nobody is going to look to leave their wholesaler if they're doing a job and doing what they, they should be doing. So there, there should not be an effect if you're, if you're doing what you're supposed to do as a wholesaler. And with that, I'm happy to answer any questions.

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HOLDCROFT: Thank you, Mr. Strain. Any questions for this testifier?
Senator Clouse.

CLOUSE: Yes, thank you, Senator Holdcroft. Mr. Strain, is this your first time you've ever been here visiting on this topic?

SCOTT STRAIN: Well, on this topic, I spoke three years ago, and I've been here quite a few times on other alcohol topics.

CLOUSE: But it's, it's an issue that's been going on for some time, you would say?

SCOTT STRAIN: Yeah. I mean, there's, there's a lot of frustration in the marketplace. You know, we offered this-- similar legislation three years ago. And I mean, like I said, it's, it's not just a problem for brewers and wholesalers. You know, you, you talk to the retail tier, they have a lot of difficulty. If you're a big sports bar, you know, you're probably getting really good service because you're going through a lot of their-- the big products and you're going through high volume. If you're a little tiny craft beer bar, you know, especially out in a rural area, you're probably struggling to get the beer that you want to buy. And, and again, this is just-- you know-- nobody's really looking to leave their wholesaler relationship. I mean, it's incredibly difficult, just logistically, to do so. This would just give some option if it really truly gets that bad-- you know, that there is at least some way to get out.

CLOUSE: OK. Thank you.

HOLDCROFT: Senator Storm.

STORM: Thank you, Chair Holdcroft. Thank you, Mr. Strain for being here. So is your story the exception or the norm in the industry, in your opinion?

SCOTT STRAIN: I mean, you know, as Mr. Sorini testified, everybody's always going to have their complaints, you know. They're-- I would say, among craft brewers that are smaller-- you know, you're going to find a lot more complaints and frustrations. Yeah, it's just once our product goes to the wholesaler, you know, we have little control over it. And when you-- you know, when things don't go right, you can, you can complain, you can make them aware of it, and if it doesn't really get fixed, there's really nothing we can do. There's no avenue to fix it or enforce them in any way to, you know, to fix these issues. So it's, it's difficult. I mean, you can, you can imagine if you were

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stuck in a contract, you know, with somebody, like an insurance company, how, how are they going to take care of you when you make a claim? Well, they-- you know, they might, but it-- it's going to be difficult.

STORM: Where are you located out of?

SCOTT STRAIN: We're La Vista. Omaha-La Vista.

STORM: Thanks.

HOLDCROFT: Yes, Senator Quick.

QUICK: Thank you, Chairman. So I know I-- I'm, I'm sure-- I know I've talked to you before, but I know, like with some of the brewers, if they make like a seasonal beer, or they make-- I know they've discussed that it's really hard to get that kind of product out for-- through the wholesaler. And I don't know if that's still an issue or.

SCOTT STRAIN: I mean, that's usually where sometimes the issues can lie. You know, I mean wholesalers, and rightfully so, they don't want to carry-- I make like 40, 50, 60 different beers a year, you know. Now, a lot of those, we do very small batch and intend for them to be taproom only. But a lot of them, we would like to get out to market more. And for the most part-- I mean, wholesalers, they don't want to manage that many products from a small brewer. And, and so, there's really not a lot of option you have to get those beers out to the market. There's, there's bars and, and buyers for them, but if the wholesaler's not willing to take it on, you know, there's just not much we can do.

QUICK: All right. Thank you.

HOLDCROFT: Any other questions from the committee? Yes, Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Thanks for being here, Mr. Strain. I'm just trying to think, think this through. So if you don't have a contract with the distributor, then what do you do?

SCOTT STRAIN: Well, I mean, if you don't have a contract with a distributor, you're probably not distributing. I mean this, this is just allowing you to be able to go to another wholesaler if, if you have a wholesaler that is underperforming and just-- the relationship has, you know, delved to that point.

J. CAVANAUGH: So it wouldn't allow you to, to entirely self-distribute.

SCOTT STRAIN: Right. I mean, I mean at that point, you could self-distribute up to the current, you know, 250-barrel limit, in that territory where that wholesaler was. That-- obviously, for a larger brewery like me would not, you know, move the needle much and, and we would be looking for another wholesaler. You know, I mean, we're, we're not looking to leave any wholesaler relationships totally and, and self-distribute, with the, with the reach and the size that we do. But again, there is-- you know, there's times where it just-- the relationship has kind of got to a point where neither party, you know, thinks it's working and moving forward, retailers are unhappy and they're, they're not even buying from that wholesaler and-- so there just needs to be another option for us, at that point.

J. CAVANAUGH: So if we adopted this and you were able to get out of your contract, then you still would have to find somebody to be in a contract with.

SCOTT STRAIN: Yeah. Yeah. Oh, yeah.

J. CAVANAUGH: Yeah. OK. Thanks.

HOLDCROFT: Senator Andersen.

ANDERSEN: Thank you, Chairman. So it's actually contract-- or franchise law is, is the challenge, right? That's what locks you in, that you can't change?

SCOTT STRAIN: Well, it's just-- yeah, just the statutes that kind of override any contract. You're still going to be working on a contract, you know, with your wholesaler, but this would allow you, then, to negotiate standardized termination terms with your wholesaler. You know, the state statute doesn't override the termination process.

ANDERSEN: All right. OK. You had mentioned before that you had a-- you've had a, a previous conflict with a, a distributor. Do you have any idea how much that cost you, at the end of the day?

SCOTT STRAIN: Well, I mean, it's-- in legal, I mean we were close to six figures just in trying to fight it. In lost sales, who knows? Over five, six years in-- of lost sales. It's, it's really tough to tell, but it's a lot.

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ANDERSEN: Bet almost \$100,000 in legal costs.

SCOTT STRAIN: Just in the legal, yeah, close to that.

ANDERSEN: Thank you.

HOLDCROFT: Any other questions from the committee? Seeing none, thank you, Mr. Strain.

SCOTT STRAIN: Thank you.

HOLDCROFT: Next proponent. Welcome.

CINDY CHATT: Good evening. My name is Cindy Chatt, C-i-n-d-y C-h-a-t-t, and I'm here today in support of LB1115. I own Chatterbox in Tekamah, and I've been here a couple times in support of different bills. It's a-- my bar is a small-town restaurant where we cook from scratch, work with regional producers wherever we can, and honestly just try to create a place where people gather. I also work in economic development, so I see how policy decisions affect small businesses across rural communities. I want to share what alcohol distribution looks like from the retail, retail side in a small town. At any given time, I work with 5-7 distributors. Of those, only one has a sales rep who calls on me on a regular basis. Another has an inside sales rep who reminds me to order every other week. I might have a third that calls every couple months. And most of the time, ordering happens online without any direct support. For beer specifically, deliveries typically come only every other week. That means forecasting demand, demand well in advance, which can be challenging for a small restaurant, trying to keep offerings fresh and responsive to customers. When I go online to order craft beer, the selection is often limited, many items show out of stock, and seasonal or specialty releases often require coordinating directly with breweries anyway. Even then, once a special order moves through distribution, it can be unpredictable whether or not it actually arrives. I want to be clear. Distributors are doing what the system is designed to do, which is move volume efficiently. But that doesn't-- that system doesn't always serve small breweries or rural, rural retailers like mine particularly well. LB1115 doesn't dismantle the three-tier system or eliminate distributors. It simply provides small breweries, breweries more flexibil-- more flexibility in how they structure distribution relationships. When breweries have that flexibility, retailers like me often see better responsiveness, better availability, and more opportunity to get these products into small

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communities. From an economic development perspective, that matters. Craft breweries contribute to tourism, entrepreneurship, and community identity. Helping their products reach towns like mine strengthens these connections. At the end of the day, if we want craft breweries to succeed, we have to make sure their beer can actually reach the communities that want it. Thank you for your time, and hap-- and I'm happy to answer any questions.

J. CAVANAUGH: Thanks for being here, Ms. Chatt.

CINDY CHATT: Yeah.

J. CAVANAUGH: Let me see if there's any questions from the committee. Any questions? Well, I have one, then.

CINDY CHATT: Yeah.

J. CAVANAUGH: So you talked about on coordinating with the breweries. What's that look like when you have to coordinate with a brewery?

CINDY CHATT: So I don't get calls from distributors saying, hey, we've got these any sort of seasonal special releases, anything like that. If I'm looking at those, I either have to make a call to the distributors or-- or not the distributors, the breweries. More often than not, they're calling me and letting me know, hey, the Oktoberfest is out, or whatever the seasonal beers are coming out, and asking me if I want to preorder. So I'll preorder those. They'll make sure they get to the distributor. Sometimes the distributor gives them to me, sometimes they don't. It's-- and if there's-- there's lots of miscommunication on whether or not like I have to order again online or if they're just going to send it. If I order it online and then they send it, I'm getting multiple kegs, and I have a very small, I have a very small cooler to even keep all of this in. So there's not-- I'm not getting support on any of those specialty items from the distributor. It all comes from the breweries, anyway.

J. CAVANAUGH: OK. So you still go through the brewery, but you just have---- or through the, the distributor, but you have to talk to the brewery.

CINDY CHATT: To get the-- to-- yeah. To get the kegs, I go through-- the distributor brings them, but to order them, I have to order it through the breweries, anyway.

J. CAVANAUGH: OK.

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CINDY CHATT: Yeah.

J. CAVANAUGH: All right. Thank you. Any other ques-- Senator Andersen.

ANDERSEN: Thank you, Vice Chair. And thank you for being here.

CINDY CHATT: Yeah.

ANDERSEN: Chatterbox Brews, is that right, Tekamah?

CINDY CHATT: Yeah.

ANDERSEN: That's you? OK. So you're a taproom, you're not a microbrew.

CINDY CHATT: No, just a taproom.

ANDERSEN: You're on the receiving end of all this.

CINDY CHATT: Yes, yes.

ANDERSEN: Thank you.

HOLDCROFT: Any other questions from the committee? Yes, Senator Quick.

QUICK: Yeah. Thank you, Chairman. So like when you're, you're talking about having to go to the brewery, then. Does, does-- and you're saying that then the, the craft bearer-- brewers-- and they will contact the-- and they'll try to get their product to the distributors.

CINDY CHATT: Yeah.

QUICK: And then-- so how do you know when to request it then? I mean--

CINDY CHATT: That's, that's the thing. So I have to look for it on the app. Like-- so they'll have it-- they'll call me and say, OK, this Oktoberfest is coming out in August. Do you want kegs of Oktoberfest? And I'll say yes. And then, I have look for it on the app to make sure that I get it, and, and try to contact the distributor and say hey, I ordered X amount of this Okoberfest. Am I getting it? Kinkaidler had 10 year-beers that I was on the list to get once a month for their celebrat-- for-- a couple years ago. I think I got three of those kegs, and I was supposed to get one once a month. They were sent to the distributor, I-- my name was on the list, and I never got the kegs. So it's, it's very hard to know. Like, as a small retailer in a rural area, with no rep calling on me, like, how do you even get the

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beer? And that's, that's the challenge that I see. I'm doing the best to nav-- I do the best to navigate and, and look through the lists that are online on a weekly basis, but that's, that's, in a way, the best I can do, without going back through the breweries, anyway.

QUICK: All right. Thank you.

HOLDCROFT: Senator Rountree.

ROUNTREE: Thank you so much, Chairman Holdcroft. And thank you so much for explaining your testimony. So if the brewer has gotten it to the distributor based on your order, and you call the distributor, yes, we have it, but then you don't get it.

CINDY CHATT: No.

ROUNTREE: That means another location out here has your order.

CINDY CHATT: Either that or it's sitting in a warehouse. Yeah.

ROUNTREE: Sit-- sitting in a warehouse?

CINDY CHATT: Yeah. There isn't-- so I don't know if somebody else is getting, or if it's in a warehouse, or where it's going.

ROUNTREE: OK. Thank you.

HOLDCROFT: Any other questions from the committee? Seeing none, thank you, Ms. Chatt. Next proponent. Welcome.

CHRIS GANSHERT: Thank you. Good afternoon. This is my first time, so forgive my nerves. My name is Chris Ganshert, C-h-r-i-s G-a-n-s-h-e-r-t, and I'm here in support on behalf of Saro Cider, a small, independent cidery and tasting room here in the Telegraph District. Since we've opened, we've become a destination for locals to value quality, community experiences, kind of the unique-- a, a, a more unique character of the-- of Nebraska's craft beverage scene. Like many of us producers in this state, we focus on building a brand and reaching customers who simply want our pro-- our, our product. We like to grow responsibly in this very competitive marketplace. The current laws, as written, were in decades ago for large, national manu-- manufacturers and then today, create serious and very real barriers for our size. Under the current law, once we enter a distribution agreement, that relationship is effectively permanent. If our distributor is not actively selling our product, prioritizing the

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brand, or meeting the needs, Nebraska law makes it difficult and costly to make a change. To exit this relationship, I have to go through and prove good, good cause as I did before. That could take up to 120 days. I need to allow those cure periods, and, and I risk litigation that I can't afford, especially when I'm, I'm not getting my sales in those times. We're locked into these relationships, regardless of the, the performance. Additionally, we face issues with exclusive territorial control. Once a distributor is assigned a territory, we cannot appoint a second distributor or sell directly to the retailers, even if they're asking for our product and, as stated before, they don't have the, they don't have the, the ser-- the service to them, we are unable to help them. This means that the market does not decide who succeeds, but state statute does. I'd like to contract around these rules. If both sides want flexibility, shorter terms, performance standards, a clean, a clean exit, the law overrides whatever we negotiate. As I am aware, no other Nebraska small business operates under those constraints. This bill provides a reasonable, targeted solution, restores basic contact freedoms for small producers, while preserving all franchise protections for large manufacturers. It does not eliminate distributors, dismantle the current system, nor invalidate current contracts. Instead, it allows future agreements to reflect mutual expectations. Other states have adopted similar forms, and the sky hasn't fallen, not yet. The distributors remain healthy. The three-tier system is still intact. We are just given the leverage for better service. And again, as stated, it's helped other states. For Saro, we just want the ability to grow and respond to customer demand and compete fairly with these larger manufacturers, main-- mainly out of state. This-- the distribution paths for us are not always ideal for our business, and we have the opportunity to work around them. I respectfully ask that you also support the bill. Thank you for your time. I look for questions.

HOLDCROFT: Thank you, Mr.-- is it Ganshert?

CHRIS GANSHERT: Ganshert.

HOLDCROFT: OK. Let's see if there are any questions from the committee.

CHRIS GANSHERT: I'm not upset.

HOLDCROFT: Well, no questions. Thank you very much.

CHRIS GANSHERT: Thank you.

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HOLDCROFT: Welcome.

SANDY KUCERA: Good afternoon. Good evening. I'm here to speak in support of LB1115. My name is Sandy Kucera, S-a-n-d-y, Kucera, K-u-c-e-r-a. I own and operate Too Far North, a Nebraska craft beer pub, wine bar, and tasting room in Fort Calhoun, Nebraska. 20 years ago, we opened our small business in the historic building, originally a saloon for Omaha's Metz Brothers Brewing Company, showcasing and promoting products from around our great state and pouring Nebraska's best in a glass. We pride ourselves in serving Nebraska beers that are a draw to the craft beer enthusiast. We serve beers you might not find outside the brewery and, and that are a little more difficult to find. Our determination to be a unique, niche location has garnered customers that have become friends and helped us develop relationships and friendships in the craft beer industry with both brewers and hop growers. Allowing us the opportunity to work directly with the breweries helps us gain knowledge that we pass on to our customers. Additionally, the ability to serve products from all around Nebraska helps us promote tourism. Their success is our success and ours is theirs, providing benefit to both communities, and so on. We ask you to pass LB1115 and allow breweries to opt out of the distribution system, if necessary, and support Nebraska small businesses. Over the last several years, it has been increasingly difficult to work with the-- with many of the distributors. We've been cut from weekly distrib-- deliveries, with no visits or phone calls from sales personnel. Opportunities for deliveries are now once a month with many distributors and require large minimum purchases. The inventory to select from is limited to product they have selected. Often what's available isn't what we wish to serve. Our goal is to be unique. At present, we navigate through online portals and are often locked out. The process to re-register is difficult to personnel, as personnel must reissue permissions to look at available inventory. In the past, it's been common for us to meet delivery drivers at another location, loading and unloading our own products. Sometimes product we order [INAUDIBLE] switch to something else, sold to another customer, wrong size keg delivered, substituted, the list goes on. More often than not, the beers we want are just not carried through the distributors. Apparently, it's not convenient or it's too much work to provide service to small businesses. We are asking you, as Nebraskans and as legislators, to assist small businesses, Nebraska's small businesses to thrive by allowing, not restricting, our breweries and pubs. Passing this legislation will allow greater freedoms to serve beer from more Nebraska breweries that have been locked into this system.

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More choice, more business, more revenue, more success, and more pride in Nebraska's craft beer industry. Thank you. Thank you for your time, and I am open for questions.

HOLDCROFT: Thank you, Ms. Kucera?

SANDY KUCERA: Kucera. I'll go by Kucera.

HOLDCROFT: Kucera. Kucera. Any questions?

SANDY KUCERA: I'll go by Sandy K. How about that?

HOLDCROFT: Any questions from the committee? Seeing none, thank you very much.

SANDY KUCERA: OK. Thank you so much.

HOLDCROFT: Next proponent. Welcome.

LINDSEY CLEMENTS: Good evening. My name is Lindsey Clements, L-i-n-d-s-e-y C-l-e-m-e-n-t-s, and I am here today on behalf of the Nebraska Craft Brewers Guild, as well as my own brewery, Vis Major Brewing, located in Omaha. I want to start by describing how beer distribution looks in practice today for small breweries and retailers in Nebraska. Over the past several years, we have seen significant consolidation among beer wholesalers within the state. As that consolidation has occurred, we've also seen the loss of local sales jobs and on-the-ground relationships. Where there once were local sales representatives regularly visiting accounts, answering questions, and helping small brands grow, many wholesalers now rely almost entirely on online or app-based ordering systems. That shift may be efficient for high-volume national brands, but it has left many small breweries and retailers without meaningful support. That consolidation has also led to increasingly restrictive ordering and delivery practices. In my own experience, one of my wholesalers has limited me to a single day each month in place-- to place an order for it to be delivered to my business. If that window is missed, the product simply does not come. There is often no sales representative available to work through inventory needs, seasonal demand, or special events. For small breweries and small retailers, that lack of flexibility is not just inconvenient. It directly affects our ability to operate and serve customers. The Nebraska Craft Brewers Guild has been bringing these concerns to the Legislature for several years. The fact that this issue continues to come back before this committee is not because breweries are unwilling to work within the system, but it

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is because the current contract structure does not reflect how the market now functions for small producers. The persistence to this conversation reflects a continued need for adjustment, not a one-off problem, but a structural one. In response to these gaps, self-distribution has provided a limited but important tool for some small breweries. It has allowed us to connect directly with retailers, respond quickly to demand, and to ensure product freshness, often filling the space left where distributors' support is unavailable. Self-distribution is not a replacement for wholesalers, but it demonstrates the value of flexibility and accountability in getting beer to market. LB1115 takes a modest step towards restoring that balance. It does not eliminate distributors or the three-tier system. It simply gives small breweries and wholesalers the ability to structure relationships in a way that works for both sides. Thank you for time and consideration.

HOLDCROFT: Thank you, Ms. Clements. Any questions? Senator Clouse.

CLOUSE: Yes. Thank you, Senator Holdcroft. So I think what I heard you say is you've been here before on this, and it doesn't seem to get any better.

LINDSEY CLEMENTS: No. No. And to be frank, like, this isn't going to directly impact the way my business operates. Fortunately, I am not within a contract, so I've been able to take advantage of the self-distribution that was passed by this committee a few years back.

CLOUSE: Thank you.

HOLDCROFT: Any other questions from the committee? Yes, Senator Rountree.

ROUNTREE: Thank you so much, Chairman Holdcroft, and thank you for your testimony. Could you tell me a little bit more about-- I know we've gone to app-based and online now, but tell me more about that relationship when you had maybe a market account manager come in and visit to check to make sure everything was all right.

LINDSEY CLEMENTS: Yeah, you know, because-- majority of obviously the sales within my taproom are going to be my-- the on-- the product we produce ourselves. But I sell nonalcoholic beers, NA ciders, alcohol-based ciders, liquor, wine, and so on and so forth. So I work with several different wholesalers, and none within the beer industry actively call on me. I have like one small retailer or wine and liquor

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retailer that works with me regularly. But else, when it comes to a lot of these other products, they're, they're just not available. And in fact, the retail-- or the wholesaler that restricts me to one day, I called recently to place an order and they have removed me from a delivery option, even if I'm meeting a minimum purchase. I'm now will call only, and I-- there's no reasoning as to why.

ROUNTREE: OK. All right. Thank you.

LINDSEY CLEMENTS: Yeah.

ROUNTREE: Thank you.

J. CAVANAUGH: Any other questions from the committee? Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Thanks for being here, Ms. Clements. What does will call only mean?

LINDSEY CLEMENTS: Oh. So I would then be responsible to drive to their wholesale-- or their warehouse and pick up my order from them directly.

J. CAVANAUGH: Oh.

LINDSEY CLEMENTS: It's commonly used for a lot of liquor and wine houses.

J. CAVANAUGH: OK. I mean, what kind of car do you have?

LINDSEY CLEMENTS: I, I have a Subaru.

J. CAVANAUGH: I was just cur-- curious.

LINDSEY CLEMENTS: Yeah, I mean, she can fit a lot.

J. CAVANAUGH: I don't have a lot of trunk space myself, so it's-- thanks for being here.

HOLDCROFT: Any other questions from the committee? Senator Andersen.

ANDERSEN: Thank you, Chairman. And thank you, Ms. Clements. So you represent the Craft Builders [SIC] Guild, right? So all the craft, micro brews, and all that. Do the majority of them self-distribute? Most of them do not?

LINDSEY CLEMENTS: No. I would say no. A lot of-- I, I know that there have been a handful of breweries that have embraced that option, especially those that have-- are newer. I know that the importance of self-distribution became imperative several years ago, during COVID, when a Hastings-based brewery was locked out of the Omaha and Lincoln market because of their wholesaler dropping them and no other wholesaler willing to pick them up. And so, we're super grateful to have that option to be able to self-distribute. It gives us a little bit more autonomy and ability to, to operate our businesses as we see fit.

ANDERSEN: So the majority of them are reliant upon the distributors to get their product to market.

LINDSEY CLEMENTS: Yeah. You know, to be honest, I don't have an exact number. That's something that I can look into and circle back with you. But I would say it really comes down to scale. So like for my business, I-- we don't produce a lot of beer. We have a small, five-barrel system, compared to, you know, Kinkaider or Kros Strain. They are much larger manufac-- manufacturing-based breweries, and so their business model is much different than mine. And so, those breweries that are taking advantage of the self-distribution, large in part are small, like myself.

HOLDCROFT: Any other questions from the committee? Seeing none, thank you very much, Ms. Clements. Next proponent, proponent for LB1115. Welcome.

TRAVIS BADER: Thank you, Senators. My name is Travis Bader, T-r-a-v-i-s B-a-d-e-r. I am here on behalf of Vala's Orchard Cider Company. I would like to offer a unique perspective on this. We have-- since our founding in 2020, we have had the wonderful opportunity to grow our business immensely, up until the point where we have matched sales roughly, with our parent company, Vala's Pumpkin Patch. That constitutes almost 100% of our sales. From this point, to continue to grow, we would need to, again, expand outwards much like a lot of the other companies that you've heard from today. Talking with those companies, we have become fearful of the contract requirements and the burdensome nature, along with the costs that would come along with moving into that environment, and we found that because of that, it is preventing potential growth of our company moving forward. It's a very simple perspective. Again, we are outside of that current system, but would like to move into it. That's about all I have to say, currently. And if you do have any questions, I'm happy to answer them.

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HOLDCROFT: Thank you, Mr. Bader. Any questions from the committee?
Yes, Senator Rountree.

ROUNTREE: Thank you so much, Chairman Holdcroft, and thank you so much for your testimony today. So what, what kind of cost are you looking at? We're holding back from moving forward now, because of the cost of the contract. What kind of costs are you looking at?

TRAVIS BADER: So it's the cost associated with working within that, that wholesale environment, right? Like, in, in our current situation, we don't carry a lot of costs, of course, outside of manufacturing, because of all of our sales are in-house. The working with those, those wholesalers, the, the-- of, course, necessary cut that they would take-- that's, that's how business works-- and then moving on to a retail environment, where they would also take a certain percentage of those sales, as well.

ROUNTREE: Cost-prohibitive?

TRAVIS BADER: Yeah.

ROUNTREE: OK. Thank you.

HOLDCROFT: Any other questions from the committee? Senator Andersen.

ANDERSEN: Thank you, Chairman. Vala's Orchard Cider. Is that regular cider or hard cider?

TRAVIS BADER: Hard cider. So we do sweet cider products, as well. We do about 40,000 gallons of sweet cider products that we press on our property. We do about 28,000 gallons of, of hard cider products.

ANDERSEN: I didn't know that, and you're in my district. Thank you.

HOLDCROFT: Any other questions for this testifier? Seeing none, thank you very much, Mr. Bader.

TRAVIS BADER: Thank you.

HOLDCROFT: Next up, any, any proponents? Any proponents? Opponents. Proponent? Opponents, any opponents? Welcome back.

ANTHONY GILLICK: Good afternoon, Chairman Holdcroft and members of the General Affairs Committee. My name is Anthony Gillick, A-n-t-h-o-n-y G-i-l-l-i-c-k. I'm a general manager and part owner of Quality Brands

of Nebraska operations. Quality Brands employs 240 full-time employees and operates 40 trucks across Nebraska. Whenever franchise reform comes up, craft breweries always talk about wanting freedom to change distributors. Because it is always twisted to make-- seem like craft breweris are trapped. I would like to talk about how this process works in almost all circumstances. A craft brewery usually wants to terminate a distribution agreement for one of two reasons: either they want to self-distribute or they want to change to a specific distributor. As a distributor, if a craft brewery asks us, Quality Brands, to release them from a distribu-- distribution agreement, we have four options. First, we can release them without condition. This happens. And in the past, in the past few years, Quality Brands has made the decision to release First State, Cosmic Eye, Lazy Horse, and in parts of our territory, agreement we had with Kincaider-- so they could pursue self-distribution. I know that many other Nebraska distributors who have also done the same thing. Secondly, we can ask the brewery to buy out the territory rights to the account for the time, energy, and money spent helping to build the brand in our territory. This has rarely happened. And for our case, Quality Brands, it hasn't happened at all. Third, if a craft brewery wants to move to one of our competitors, I will call that competitor and we will negotiate for the fair market value of those territory rights. I have both sold and purchased territory rights in this way. It is seamless for the brewery and at no cost to them. Fourth, we can tell them no, that the territory rights are too valuable to our business and that we invested too much time and effort to let them go, absent a breach of contract. While we haven't taken this position in the past, it can happen. But franchise laws are not only about contract termination. They also control what distributors and craft breweries are allowed to do. One of my major concerns is that this bill would allow craft breweries to influence the brands that we carry at Quality Brands. We are proud of offering a diverse portfolio of craft brands to our customers, both for Nebraska breweries and out-of-state breweries. If this bill passes, an out-of-state brewery-- craft brewery could tell our business that you are not allowed to carry any other brands if you want us in your portfolio. While I would hate to consider that, being that some large breweries have a major effect on the profitability of our business, I would have to consider it. I never want to be put in that situation, where I have to consider dropping a Nebraska craft brewery we carry. However, if this bill passes, I feel that could become quickly, a reality. Thank you.

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HOLDCROFT: Thank you, Mr. Gillick. Any questions from the committee? Yes, Senator Clouse.

CLOUSE: Yes, thank you, Senator Holdcroft. Mr. Gillick, thank you for being here. Talk about the SKUs and how you, you work through that. How often does that change as far as the number of SKUs? You know, if they're not producing, how often do you kick off the low producer and bring in new ones, and how you notify, or-- just how that process works if you're going to kick somebody out and bring somebody else in.

ANTHONY GILLICK: Very good question, Senator. I think I would start with saying that we, we operate-- every year, we do an annual business plan with our craft brewery partners, where we sit down, we talk about what they-- what new products they plan for next year, whether a seasonal item or maybe a, a core addition they want, they want to make. And so at that point, usually happens in November, October time. And at that point, our, our business, we start planning for bringing on new, new SKUs. And I, I feel like we've been very willing to invest in carrying in-- carrying new, new products. As a distributor, if a product was to go out of code, our business is accountable for covering that cost. The craft breweries don't help us with that financial burden. So, we do have some ideas of minimum volume that we want to hit. Ours is around-- we measure things on gross profit, and it's around \$1,000, \$1,500 gross profit over course of an entire year for our business, which is in Omaha, which isn't very much when you think about the volume that we sell with our craft brewery partners.

CLOUSE: OK. So how does seasonal-- how, how tough is that to manage?

ANTHONY GILLICK: And I will say that that, that minimum varies between SKU. So on a keg item, it's much, much lower than that. That's mainly our package items that go to grocery stores, Hy-- Hyvee-- high-volume retailers that sell thousands of cases of, of, of product.

CLOUSE: OK. Thank you.

HOLDCROFT: Any other questions? I have one. So you said the product goes out of code. What's that mean, exactly?

ANTHONY GILLICK: So as partners with our craft breweries and all of our breweries, we're set-- we have to maintain certain standards on code dates, as to the, the product-- shelf, because fresh beer tastes better. And so, our brewery partners will set what the standard shelf life is. And if a product doesn't sell-- we obviously tried to sell

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it, be, be-- we're not in the business of not selling beer. Our responsibility is to pick up that product and then dump it, and cover that cost of that. So we pay for the product, and we have to cover the-- we don't get reimbursed for that expense.

HOLDCROFT: And you're saying the craft brewers don't help you with that cost?

ANTHONY GILLICK: It's a part of our contract with, with, with the breweries, and it's an expectation that us, as distributors-- it's a cost of doing business, but it's the way that we show commitment to the, the other brewers.

HOLDCROFT: Do the-- is there, is it more likely for a craft brewery beer to go out of code than say a Budweiser or something like that?

ANTHONY GILLICK: Yes. Un-- unfortunately, it is, due to velocity in sales that might happen in the market, you know. That does happen more often? Yes, it does.

HOLDCROFT: Any other questions from-- yes, Senator Andersen.

ANDERSEN: Thank you, Chairman. Thank you, Mr. Gillick, for being here. I know they're not all the same, but do you have an estimated cost when you actually release a microbrew from your contract with them? What is that cost to you?

ANTHONY GILLICK: So when, when we-- well, so the-- it depends, Senator. We have made investments in the past where we purchased the rights to a brewery that I listed here, and I don't know the exact dollar amount that, that we spent as, as a business. I have an idea, it was in the tens of thousands of dollars, and then, unfortunately, it-- we did our best as distributors, putting it out in the market. There wasn't demand for it, it wasn't pulling, and so at that point, we decided to protect our relationship and release that, that brewery so they could pursue self-distribution.

ANDERSEN: So if you can't sell it to a different distributor, then you-- if, if it sells for less than what you, you owe on it, right, what your costs have been, do you just eat the costs, then?

ANTHONY GILLICK: We eat-- we-- in, in that instance, we ate the complete cost. Yes. And honestly, in all the instances of when we released breweries in the past, Quality Brands has eaten the cost.

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ANDERSEN: Thank you.

HOLDCROFT: Any other questions? Yes, Senator Quick.

QUICK: Yeah. Thank you, Chairman. So you said you released them so they could self-distribute. And can they, can they seek out another distributor to deliver their product?

ANTHONY GILLICK: Yes. Absolutely. At, at that point, they have the ability to choose between self-distributing or signing with a different distributor. And maybe they might, they might wait a while, they might self-distribute for three, four, five years, really as long as they want to, and at that point make a decision to find a new, new partner. But it's completely up to the craft brewery, and yes, they are able to self-distribute or find the new distributor.

QUICK: OK. All right. Thank you.

HOLDCROFT: Senator Clouse.

CLOUSE: Thank you, Senator Holdcroft. Another question on craft brews and talking about the number of SKUs. What's the percentage of craft brews you have compared to your overall volume of SKUs that you have?

ANTHONY GILLICK: Senator, I don't have an exact number for you as to what that percentage is. I do know that our, our craft beers tend to have a lot more products than some of-- you know, we carry Busch Light at our, at our business, and it's a-- there's not that many SKUs of Busch Light. So-- but our, our craft breweries tend to have more products that, that we carry for them. So it probab-- it-- if you compare it to other breweries, it definitely is a higher amount of SKUs, relatively.

CLOUSE: OK, so business volume? I don't even know if you want to answer that. I don't know what your volume is of your total business of your craft brews.

ANTHONY GILLICK: Yeah, it's-- well, every, every percentage of business matters to us. You know, those are, those are jobs. If we were to, to lose a partnership, we have a lot of employees that, that make a good full salary and benefits and stuff. So I don't know the exact number, but it's-- there, there is a lot of SKUs.

CLOUSE: OK. Thank you.

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QUICK: One more question.

HOLDCROFT: Certainly. Senator Quick.

QUICK: Thank you, Chairman. So I know we heard earlier from like a, a bar-- a, a retailer, who was struggling. And they were smaller, so what happens on that retail side if they're struggling to, to be able to bring the product to them or product that they're actually requesting?

ANTHONY GILLICK: You know, I mean, as, as a business, we do have some realities on costs, you know, that it's, it's not exactly cheap to stop a 48-foot trailer, truck and tractor, and CDL drivers are in very high, very high demand to keep. So there are, there are some business challenges out there. But I will say that Quality Brands, we have a very-- our minimum is, is five cases of product, which really isn't very, very much, and, and we do not get close to covering our expenses on-- at that delivery point. So we made a decision to support our brands and try to have them available in lots of locations. And so, it's-- there's nothing to balance there, of that, with some of our smaller retailers. And our, our sales team has been very consistent. We have had the same number of people for a lot of years. You know, we believe in them, and we're lucky enough to have great, great salespeople in our company.

QUICK: All right. Thank you.

HOLDCROFT: Any other questions then, from the committee? Seeing none, thank you, Mr. Gillick. Next opponent. Welcome.

ADAM BARNEY: Good afternoon, Chairman Holdcroft and members of the General Affairs Committee. My name is Tyler Nelsen, T-y-l-e-r N-e-l-s-e-n. I'm the Vice President of Eagle Distributing. My father, Bruce, apologizes for not being here, but he's recovering from back surgery. Eagle is a family-owned business. We're celebrating our 25th year anniversary this year. We distribute beer across the, across the state of Nebraska, from Lexington to northeast Nebraska, bordering South Dakota, Iowa, as well as the Kansas border. We're blessed to work alongside our 180 employees, all full-time with benefits, covering our employees and their families. I first want to address the testimony from Kros Strain about our relationship. Eagle has had-- distributed Kros Strain for 8 years and has been a key part in growing them to one of the top breweries in the state in a very short amount of time. We wish Kros Strain did some things differently and I'm sure

they feel the same way about Eagle, but it's been a good partnership, overall. Kros Strain tried to terminate our agreement 2 years ago, unjustly claiming that they were unsatisfied with our performance. However, our agreement, like many contracts, requires good cause for termination. We informed Kros Strain that there was no breach. We would not agree to termination. The franchise laws are not the reason Kros Strain could not terminate. It was the contract we both mutually signed when beginning our partnership. However, when we were told that our other supplier was not fully satisfied, we had an increased number of meetings to discuss plans we put in place to accelerate sales. I'm pleased to say that we have been very successful in doing so. And actually, Kros Strain Brewing is up over 57% year-over-year in our market. Their success is a major outlier compared to many and most craft breweries, so I can only assume that they're very happy with the outcomes. As our business practice, when Kros Strain or other suppliers raise an issue, it is addressed immediately. We aren't claiming to be perfect. Nobody is, but we strive to be the best partners that we can be, especially in the ever-changing environment. While a change in franchise law would not allow Kros Strain to terminate our agreement, a change would allow Kros Strain to do things that should be illegal for any brewer, large or small. First, most of our other 350-plus suppliers ship beer to our docks. However, for Kros Strain, we travel to them and pick up product at 100% at our cost. On many occasions, we find that Kros Strain loads beer onto our trucks that we haven't ordered, and other times, remove beer that we did. Additionally, they become upset if we choose not to carry some of what they call specialty one-offs, of obscure taste profiles, extremely high price points that do not resonate in our market. Trust me, we're in this-- the business of selling beer, but we also know what will and won't or didn't work in the past in our market. If we're seeing demand to purchase these products, we will, and we do, and welcome them, but that demand does not always exist in our territory to the degree that they believe. The franchise laws do not allow brewers to force us to buy products that, that we do not need. If a brewer cannot-- could force-ship us beer-- say, for instance, that they had too much in their taproom, we're going to take major losses. Just-- for instance, Kros Strain, we dumped over \$12,000 in one year. Additionally, Kros Strain continues to try to dictate price that Eagle sells their beer at. Kros Strain is con-- is constantly demanding what price we must sell their products-- both to us and the retailer-- and even insists that this year, we should lower our prices, even though they're not going to lower their cost of goods. This is unlawful. The franchise laws allows us to operate independently. They allow us to set our own

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prices to reflect and offset the expenses that we incur to distribute across the state. They protect us from abusive conduct that can harm our business. There's in-store business operations for both lawyers and small manufacturers. For those reasons, I urge you to oppose LB1115. Thank you for your time.

HOLDCROFT: Thank you, Mr. Nelsen. Let's see if there are any questions. Senator Clouse.

CLOUSE: Thank you Senator Holdcroft. Thank you for being here. So you still do business with Kros Strain?

ADAM BARNEY: Yes.

CLOUSE: Why?

ADAM BARNEY: We've spent a lot of time and effort in investing and building their brands across the state and we feel it's the best, you know, route forward, you know.

CLOUSE: Because it looks like they have issues and you have issues. And I don't know why you're still doing it. I guess, is-- OK. Thank you.

HOLDCROFT: Any other questions from the committee? Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Thanks for being here. I just-- one question I had about you said the franchise law is not the reason cross-strand could not terminate our agreement. It was our contract that we both mutually signed when we began our partnership. So are there things in the contract that are not in the franchise law then?

ADAM BARNEY: Yeah. There's, there's other things in the contract, as well, too, but.

J. CAVANAUGH: And if the contract and the franchise law were at odds, which one controls, then?

ADAM BARNEY: The contract, I think.

J. CAVANAUGH: The contract controls, not the law?

ADAM BARNEY: I'm not fully positive on-- you know, I got the specifics of that, but.

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J. CAVANAUGH: That's all right. I'm just curious.

ADAM BARNEY: I'm not a lawyer, but.

J. CAVANAUGH: Yeah. I, I appreciate it. Thanks.

HOLDCROFT: Any other questions from the committee? Seeing none, thank you very much, Mr. Nelsen. Next opponent. Welcome.

JOHN FORDHAM: Thank you. Good afternoon, Chairman Holdcroft, and members of the General Affairs Committee. My name is John Fordham, J-o-h-n F-o-r-d-h-a-m. I am the general manager of State Distributing Company. I'm a locally-owned beer wholesaler, located right here in Lincoln, Nebraska. This will be our 50th year in existence. I've been there since 1990, 35. So since I was four. And we've had a great time covering-- we're in seven counties in southeast Nebraska, and I'm here in opposition to LB1115, or-- yeah, LB1115. You know, we've talked a lot about the three-tier system and the franchise law today. And I like-- I get a lot of questions about, hey, you know, you're a Coors distributor. Why do you need to carry anything else? Well, back in-- when I started in 1990, I had a brand called Old Milwaukee, and I think most of us are seasoned enough to remember Old Milwaukee. And it was about 60% of my business. Well, today, it's 2%, and had I not diversified back in 1992 with a brand called Boulevard, which I brought in from Kansas City that really wasn't selling anything. It, over the next 15 to 20 years, became the number one selling craft beer in the state of Nebraska. Now I'd love to say I had a lot to do with it-- and I think I had a little bit to do with it-- but the reason I was able to do it and diversify my business and stay in business-- because of the Nebraska franchise law. And that franchise law gave me the freedom and the independence to choose those brands that I want to carry and to promote my business. Without it, I would for sure have been, been pressured by my largest supplier to not bring in brands that competed directly with their brands. The gentleman from the BA said earlier-- he said that that power vacuum had, had shifted fro-- that, that it's not that way anymore, that you don't have those major suppliers putting pressure, that it had, that it had flipped, was his words. Not in my world. It hasn't flipped at all. Our major suppliers still can dictate what-- or they can still try to apply pressure, but the Nebraska franchise law gives us the freedom to promote and carry those brands that we choose to carry that we think are best for our business and we think provide great custom-- great choice and selection for, for the, for the alcohol beverage drinkers of the state of Nebraska. And that's an important freedom to have. We feel that if

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the franchise law is amended to remove these protections, we're not going to have the incentive to continue to reinvest and build brands, particularly Nebraska craft brew brands, which we support. And I have. And I represent one out of Omaha. I'm, I'm really surprised that this, that this particular issue continues to come to this body, mainly because to me it's somewhat counterintuitive, in the sense that the franchise law protects and gives us this opportunity to promote their brands, but they want to disable or dismantle or even weaken that franchise law that gives them that exact opportunity to thrive, and they have. Somebody mentioned in the 25--

HOLDCROFT: Mr. Fordham, that's your time, so.

JOHN FORDHAM: I'm colorblind. I'll take any questions.

HOLDCROFT: Yeah. So are there any questions for Mr. Fordham? Seeing none, thank you very much.

JOHN FORDHAM: It was that good?

HOLDCROFT: It was that good.

JOHN FORDHAM: Thank you.

HOLDCROFT: Next opponent. Welcome back.

ADAM BARNEY: Thank you, Chairman. Adam Barney, A-d-a-m B-a-r-n-e-y, legal counsel for the Associated Beverage Distributors of Nebraska. It's been a long day, and rather than marshal more people out here, I've been asked to summarize. I promise to be quick. I've crossed out numerous parts of my testimony already. There are serious legal issues with this bill: exclusivity, pricing influence, forcing distributors to purchase unpopular products, trade practices issues, the constitutional issue is real, as well. And this law says that all distributor contracts will terminate October 2027. It is our position that that law clearly violates the Contracts Clause. It is void and unenforceable. The constitution does not allow the Legislature to rewrite people's contracts to say that they will terminate. I'm not aware of the legal opinion that the prior testifier referenced. I find it highly, highly unlikely, from someone who practices before Nebraska courts on a daily basis, a Nebraska court is going to find a law that vitiates and voids a 40-year-old contract is somehow enforceable. I also want to address the suggestion that franchise laws prevent craft brewers from terminating agreements if distributors fail to meet obligations. It's not true. I'm happy to answer any specific questions

from senators on how termination works under current law, and put to rest this false narrative presented by the pri-- the craft brewers. With all due respect to Mister-- the representative from Kros Strain, if it cost him \$100,000 to exchange the 4 letters that he exchanged with me, I would be shocked, and I certainly didn't charge anywhere near that much for the letters that I exchanged on behalf of Eagle in that case. They did hire the largest law firm in the state-- national law firm-- and maybe they staffed it with five lawyers. I don't know. But that's an insane amount of money. If a retail or-- the process is not hard. If a retail-- for an example, if a retailer orders product that says it's available and it's not delivering the product, and the contract says you have to perform services, that's a breach of contract. If you have a breach of contract, you send notice. You have 90 days to cure it. If you don't cure it, it's terminated. It's not a hard termination. Termination is in the hands of the brewer alone. They control the beer. This entire relationship is about the beer, so if the craft brewer wants to terminate it, they just-- they don't have to hire a lawyer. They just stop sending product. It's a not a hard process. The adage to be careful what you wish for could not be more apt. It's not a threat. It's the business reality. If you pass this law, if LB1-- or if franchise protections are removed from the law, craft brewers are going to find it much more difficult, if not impossible to find access in this retail environment. Thank you. Happy to answer any questions.

HOLDCROFT: Thank you, Mr. Barney. Any questions for this testifier? Senator Clouse.

CLOUSE: Yes, thank you. Thank you, Mr. Barney. Now, when we're sitting here listening to the Strain and Eagle, do you, do you see a lot of that, a lot of that type of relationship [INAUDIBLE]-- that's a one-off on that deal?

ADAM BARNEY: To the, to the question, I think Senator Storm asked the question may-- maybe it was Mr.-- Senator Rountree, I don't know. The Kros Strain-Eagle relationship right now, is absolutely the exception, not the rule.

CLOUSE: OK.

ADAM BARNEY: I think as Mr. Gillick kind of laid out-- I mean, my experience as you, as you walk through this, somebody wants to change distributors or wants to self-distribute, it's easy, it's easy going. I've facilitated some where they say they want to go to a competitor,

and I've said, all right. Let's put them in contact and see if you guys can come to an agreement, and they always do. When, when Kros Strain sent a letter, they sent an incredibly vague letter that said, we want to terminate because we don't think you're doing a good job. And I sent a letter back on behalf of Eagle, because they asked me to, that said, well, that's-- we don't, we don't know what you mean. What, what are we doing wrong? Please identify so we can help address it, if that's the situation. And we didn't get a response back with any detail of what we're doing wrong. We were trying to fac-- the whole process, the exchange of letters that happened, was trying to facilitate coming to an understanding as to what's-- what are we not happy about? And to be frank with you, Senator, what I think Kros Strain's not happy about is that they want Eagle to sell their beer for a lower price. It's not about product services. They don't like that Eagle is pricing it at a certain level, and they feel like it should be priced lower. That's, that's where I think that that is.

CLOUSE: But it's an exception.

ADAM BARNEY: It's the exception.

CLOUSE: Thank you.

HOLDCROFT: Other questions for this testifier? Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Thanks for being here repeatedly today, Mr. Barney.

ADAM BARNEY: Thank you for putting up with me.

J. CAVANAUGH: I mean, one, one of the things-- we get in these conversations, and obviously examples are helpful. But like-- well, anybody who's been to law school remembers the adage, bad facts make bad law. Right? And so, making law based off of the one outlier or whatever is, is really tough, but still we have the question in front of us. I wanted to know about this-- you said, forced to carry product, and I think somebody else made a reference to that. What, what are you getting at there? What's the forced to carry product part?

ADAM BARNEY: Sure. So right now, under the current franchise law, no one can say-- I'm going to pick on Kros Strain because that's just where we're at. I don't, I don't mean to, but-- Kros Strain cannot say the only way we're going to sell you our flagship product of Fairy Nectar is if you also take onto your trucks, Seasonal A, B, C, D, E,

F, and G, of which we sell maybe-- and I'm making up numbers, this isn't the actual case-- we sell maybe 20% of that and the rest, the rest, the other 80% goes out-of-code and we have to dump it. Out of our bottom line, we just lose that money, because we can't sell that product. Current law doesn't allow that to happen. If you exempt out the franchise law, this isn't-- it's not a how do you negotiate a contract, it's how do you deal with somebody? They could say, we're only going to give you this beer if you also take this other stuff that you're going to have to dump, because we want to test it in the market or what have you. And to the point of bad law and bad facts, I think it's important to note here, of the people who testified in support here that, that have been brewers, you have Kros Strain, who does a distributorship agreement-- we've talked enough about them. You have Saro, who was with a distributor, asked to be released for self-distribution, and was released without hassle. Vis Major, also self-distribution. I mean, the people who-- you're not having-- it's not a persistent issue across board here that we're trying to address. We've got a one-off situation. It's not, it's not how we make law.

J. CAVANAUGH: So, just to clarify, so the force is something that would be then, say we pass this law and that everybody has to engage in an individual contract, you could refuse that term in a contract?

ADAM BARNEY: Could.

J. CAVANAUGH: OK. That's-- I just wanted to make sure. But that's just assuming that that's something people are going to ask for.

ADAM BARNEY: You could. And if, and if you're at the 250 thou-- 250-barrel limit, you're probably not going to have the leverage to really do that, right? If you are at 20,000 barrels-- again, we talked about numbers before. It's about 3.3 million cans of beer, annually. It's a lot of beer-- and they come in and they're making these demands, to suggest that they don't have leverage is just not true. They have leverage at that, at that level, to make demands and to say-- the hardest part about all of this as we look at this and the struggle that we have is these franchise laws are built to protect the smallest brewers, period. If you don't have the franchise laws, it's the small guys who really struggle. It's the small guys who can get squeezed out by unfair trade practices. The big ones, whether that be the Anheuser-Buschs-- I mean, we're not talking about them. I get that. But if you're at 20,000 barrels, you've got leverage and you're going to-- you don't, you don't want the other craft brewer down the street to take-- digging-- or sticking into your market share.

J. CAVANAUGH: And as to the amending the contract part, so do we have the ability to make any changes to the franchise law, then?

ADAM BARNEY: Yeah. I think you've got market reasonable ways to change the franchise law. Yes. Can--

J. CAVANAUGH: So we can change the cure from 90 days to 60 days, or something like that.

ADAM BARNEY: I, I think if you made a reasonable-- to-- maybe to the prior testifier's point, a reasonable something that could be when contemplated with by the parties, I think that's probably OK.

J. CAVANAUGH: What about that suggestion from, I think, Wyoming was one of the states that allows for-- like, creates a, a clearer, more, I don't know, articulated way to terminate the contract.

ADAM BARNEY: Could you change the franchise law? You could. How it applies retroactively to contracts that are already in place? That's a question I don't know the answer to.

J. CAVANAUGH: Well, that's probably the most relevant question. It is probably the...

ADAM BARNEY: It is, it is probably the most relevant question. And if, if that's, if that's-- we have-- if we have that discussion on this bill or in future years on what that means and how that looks, then we'll-- happy to look into that more and have those discussions.

J. CAVANAUGH: Thank you.

HOLDCROFT: Any other questions for this testifier? Yes, Senator Andersen.

ANDERSEN: Thank you, Chairman. And thank you, Mr. Barney. Earlier, I asked Mr. Sorini, who's sitting behind you, for how many times-- how many states have actually changed the franchise law. And he said, I think, 15 to-- over 15. And I asked him, I said, well, how many of those had no impact on the wholesaler? And he said none. So would you agree with Mr. Sorini, or is your opinion different?

ADAM BARNEY: So I'm, I'm not operating on, I don't know what's happening in other United States. I'm operating on theory with it. What I can tell you is that I've had conversations with the members of our association, all of whom have consistently said-- consistently--

if this bill passes, I am not going to be in a position to invest time, effort, and money on brands that will leave me. Does that mean the distributor's bottom line is going to change one way or the other? I don't know the answer to that question. What I can tell you is that it's going to change the bottom line for the small craft brewers, because they're not going to get the-- if they-- if they're upset right now of, of how much support they're getting in the market when we don't have protections, they're going to not get any. That's just the business reality. Why would we invest in those businesses? They're the ones who are really going to be harmed.

ANDERSEN: Thank you.

HOLDCROFT: Any other questions? None? Thank you very much, Mr. Barney. Any other opponents?

ADAM BARNEY: Thank you.

HOLDCROFT: Opponents? Anyone testifying in the neutral? OK, Senator Storer, as you come up, there were 27 proponent comments, 3 opponent, and no neutral. I think we are officially at the Judiciary Committee time.

STORER: Yes. Well, I'm going to try and make this brief, but boy, I got to tell you, the longer I sat here and listened to this, the more upset I got and the more Mr. Barney was proving our point. We sat here, and you heard him, on record, admit to bullying these small craft breweries. You sat here and you heard him say, boy, if they don't like it now, they're not-- they're going to like it a lot worse later. We sat here and heard this man, on record, threaten the craft breweries. It's in, it's in the transcript, and we'll go back and get it. I couldn't believe my own ears, to be honest with you. If they don't like it now, they're going to like it a lot worse later. Wow. Thank you, Mr. Barney, for proving our point. That was helpful. There's a couple of things that I want to clarify. One of the, one of the testifiers prior to Mr. Barney said that the contract law would-- the contract would outweigh the franchise. And I, I think, in good faith, he answered your question, but it was not correct. So statute 53-221, anti-waiver provision provides that the protection of requirements in Nebraska's fair franchise laws may not be waived or varied by agreement. That's really the problem we're talking about here, is they cannot contract around the franchise laws. As I've started to understand this issue, I, I feel like I'm living in sort of like a third dimension or something. We're talking about people that

simply want the ability to negotiate a contract fairly, and the argument that this is going to, like, somehow violate constitutional principles because the, the government is undoing someone con-- someone's contract, Senators, it's the government that created the contract. That's the issue. The state of Nebraska created the franchise laws that dictate the contracts that all of these breweries have to abide by. They have no negotiating power. Tell me one other business in this state that cannot negotiate fairly their contract. That is not the America that I love. And I understand when this was written, it was designed to protect those smaller-- and by the way, there was a lot more distributors at the time, as well. And they were smaller, mostly family-owned, and it was designed to protect them. Keep in mind, there is-- there was no craft brewers at that time. They didn't exist. Today, there's over 60. And a couple of those that one of the individuals mentioned-- one of the distributors mentioned that they, they were willing to let out of the contract, Cosmic went out of business. So it's important to always have all the facts. If, if passing this legislation is going to be so bad for the craft brewers, then why do we hear the distributors are the ones that are here vehemently opposing it? Nobody's here to harm anybody's business. We want to see all businesses: the distributors, and the breweries, and the retailers, and the entrepreneurs-- we want to see them all do well. We're talking about less than 5% here that want to have a fairly-negotiated contract. And the thing that I think it's important to remember? This does not-- nothing in this bill excludes those craft breweries from the limit of self-distribution of 250 barrels. This does not touch that. So if they want to sell more than 250 barrels, they have to contract with the distributor. That still applies. You're not cutting the distributors out. We're not changing the three-tier system. We're only allowing the little guy that very clearly is not have the power in these contracts to have some meaningful negotiating power. I think Mr. Barney said that they could be-- if, if this bill passed, that, you know, at 250 gallons, they don't have much power, but at 20,000 gallons, they could have leverage. So they're afraid of them having some leverage? Isn't that fair business contract law that everybody gets to have a fair negotiation in the contract they sign and then are obligated to adhere to? And in this case, this is a one-way street. If we're all going to talk about entrepreneurship and growing Nebraska business, then we need to be looking out for all of Nebraska business. And again, the more I learn about this, the more, the more mystified I am. Laws need updated, markets change, industries change, and this body is here to be responsive to those changes to

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make sure that it's fair for all-size businesses. I'm going to, I'm going to end there, and I'm happy to answer any, any questions.

HOLDCROFT: Thank you, Senator Storer. Are there any questions for the Senator? Seeing none--

STORER: You're tired.

HOLDCROFT: Thank you very much, and that concludes our hearings for today.