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Revenue Committee January 28, 2026

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von GILLERN: All right, everybody, it's 1:30 so we're going to get rolling here. Welcome to the Revenue Committee. I'm Senator Brad von Gillern from Elkhorn, representing the 4th Legislative District. I serve as the chair of the committee. The committee will take up bills in the order posted. This public hearing is your opportunity to be a part of the legislative process to express your-- and to express your opinion on the proposed legislation before us. If you're 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. When it's your turn to come forward to testify, give the testifier sheet to the page or to the committee clerk. If you do not wish to testify but you 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'll begin each bill hearing today with the introducer's opening statement, followed by proponents of the bill, then opponents, and finally by anyone speaking in the neutral capacity. We will finish with a closing statement by the introducer if they wish to give one. We'll be using a 3-minute light system for all testifiers. When you begin your testimony, the light on the table will be green. When the yellow light comes on, you have 1 minute remaining, and, and the red light indicates you need to wrap up your final thought and stop. Questions from the committee may follow. Also, committee members may come and go during the hearing. This has nothing to do with the importance of the bills being heard, it's just a part of the process as the senators may have bills to introduce to other committees. And I do know there's a bunch-- I have other bills to present and several others do, so that will be occurring today. 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 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 statements on a bill to be included in the record must be submitted by 8 a.m. the day of the 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

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the committee statement. I'll now have the committee members with us today introduce themselves starting on my left.

SORRENTINO: Tony Sorrentino, Legislative District 39, Elkhorn and Waterloo.

JACOBSON: Oh, me. All right. Mike Jacobson, District 42.

MURMAN: Senator Dave Murman, District 38, from Glenvil. I represent eight counties, mostly along the southern tier of the state.

IBACH: Senator Teresa Ibach, District 44, eight counties in southwest Nebraska

von GILLERN: Thank you. Also assisting the committee today to my right is legal counsel Sovidia Tran, to my left is legal counsel Charles Hamilton, and far left is our committee clerk Linda Schmidt. Our pages for the committee today will stand and introduce themselves.

ELIAS REIMAN: My name is Elias at UNL. I'm studying psychology and the prelaw track.

JESSICA CARROLL: Jessica Carroll from La Vista, Nebraska, and I'm a senior and political science major at UNL.

von GILLERN: Thanks for your help today. With that, we'll begin today's hearing with LB814. Welcome, Senator Brandt.

BRANDT: Good afternoon, Chairman von Gillern and members of the Revenue Committee. I am Senator Tom Brandt, T-o-m B-r-a-n-d-t. I represent District 32: Fillmore, Thayer, Jefferson, Saline, and southwestern Lancaster Counties. I am here today to introduce LB814, a straightforward, commonsense adjustment to how we value agricultural land for property tax purposes. Under current law, agricultural and horticultural land is assessed at 75% of its actual market value. That valuation framework was adopted in 2007 and reflects a long-standing legislative recognition that agriculture plays a unique role in Nebraska's economy and in our communities. LB814 would reduce that assessment level from 75% to 50% of actual value. In practical terms, land with a market value of \$1 million would see its taxable value reduced from \$750,000 to \$500,000. This change is grounded in the reality that agricultural land is fundamentally different from other classes of property. Unlike residential or commercial property, agricultural land is a finite resource. We can build additional homes, businesses, and industrial facilities, but we cannot build new

farmland. In fact, Nebraska continues to lose agriculture acres each year due to urban expansion and necessary infrastructure development. And once land leaves production, it rarely returns. Nebraska's valuation policy for agriculture land has always been guided by a simple principle. Property taxes should not push land out of production. Currently, preferential valuation exists to recognize that agriculture land is valued in the marketplace for reasons that often have little to do with its ability to generate farm income. By moderating the taxable share of that value, the Legislature has sought to reduce pressure from non-ag influences and preserve the long-term viability of farming and ranching as a livelihood in this state. For farmers and ranchers operating on thin or no margins, rising land valuations can translate directly into higher property tax bills, even when levy rates remain unchanged. Agriculture is a business of production, not real estate investment. And income does not always keep pace with land value escalation. Reducing the taxable share of agriculture land value helps better align tax liability with economic reality. It provides meaningful property tax relief and reinforces Nebraska's long-standing policy of encouraging land to remain in ag production. It is also worth stepping back and looking at the balance of our tax system as a whole. Nebraska's taken significant steps in recent years to reduce income tax rates by 34%, and I would like to say that was vetted by a CPA on your committee. Providing relief based on what people can earn, income tax is fundamentally fair as those who have higher income pay higher taxes with those with lower income pay fewer taxes. At the same time, property taxes continue to rise year after year, largely driven by increasing valuations rather than increased ability to pay. When one part of the tax system is being lowered while others continue to climb, it raises a basic question of fairness, particularly for landowners and producers whose property tax bills keep increasing regardless of income or profitability. I also want to acknowledge the role that local governments and other property taxing entities play in providing essential services across the state. I appreciate the input and feedback I've received from local officials as this proposal has been discussed. Those conversations are important, and they reflect a shared interest in maintaining strong communities, while also addressing the growing concern over property taxes. LB814 is part of that broader discussion. And I believe there is room for thoughtful policymaking that provides relief to taxpayers while continuing to support the services Nebraskans rely on. This is a valuation bill, not a tax bill. And with that, I would answer any questions.

von GILLERN: Thank you, Senator Brandt. Questions from the committee members? Senator Murman.

MURMAN: Yes, thanks for bringing the bill, Senator Brandt. Farmers-- as you mentioned, farmland is kind of a business input because you need the land to farm. Either you have to rent, rent it, which a large percentage of farmers do, rent-- totally rent their land or rent a large amount of their land, or otherwise they have to buy it. And land is really expensive so we don't want to do anything to make the possibility of buying land to farm any more out of reach than it already is. Are farmers, in general, opposed to paying property taxes on their residences?

BRANDT: Oh, absolutely not. And in this handout that you got, on page 2, I think at the bottom, why is ag land valued at 100%? I think that, that was the portion on here that explains that everybody, whether you live in town or in the country, pays 100% on their houses and farmers also pay 100% on their homesteads, your grain bins, your machine shed, the land underneath that. So what this really affects is bare ag land.

MURMAN: Sure. And that, that makes everybody on an equal basis if you pay property taxes on your residence because with very few exceptions most people pay on their residences.

BRANDT: Yes, fundamentally, yes.

MURMAN: Yep.

BRANDT: Yep.

MURMAN: Thank you.

von GILLERN: Senator Jacobson.

JACOBSON: Thank you, Mr. Chair. Senator Brandt, I, I guess, as I look at the bill and, and I, full admission I didn't sign onto the bill, I would tell you that my understanding is the reason farmland has always been valued at a lower percentage and not at 100% is because of the income production in relationship to the value. And the reason to bring this bill and lowering it, I'm putting words in your mouth and I ask for you to tell me if I'm right or wrong, is that we continue to see the, the disparity between value versus return. That as ag land values have become more speculative, an alternative investment where people don't care what the return is, they care that they want to own some land as a hedge against inflation, a whole host of other reasons.

And so, therefore, as those values move up, this is the factory. This isn't necessarily a business input as much as it's the factory, and you have to have the factory or you're out of business. So when you look at taxing, we should be keeping an eye on what kind of income would we produce? And, therefore, we're seeing that the income is significantly less and, and that, that ratio has changed significantly, which brings the need to revalue this. Because I think-- would that be your assumption or I've, I've not talked to you ahead of time about this, but.

BRANDT: No, you have not, and total agreement with what you said, Senator Jacobson. To put it in perspective, for the past 20 years, ag land has gone up 342%, the ag improvements in farm sites have gone up 238%, and residential across the state of Nebraska went up 168%. Now, what I didn't include in my opening was what the current state of the economy of agriculture is. And I'm pretty sure the left side of your-- where I'm sitting here, where you sit all the rural senators over here would understand this. Based on last year, and I'm just going to pull out, corn lost \$87 an acre, wheat lost \$70 an acre, soybeans lost \$61 an acre. And when you look at our breakevens going forward: soybeans, the average price for 2025 was \$10.20, breakeven \$12.42; corn, average price was \$4.20, breakeven \$4.81. We are way underwater on-- and these are averages, don't get me wrong, and you can make an argument that older farmers like myself that are established are totally different dynamic than my son who's trying to start out. But that's what the numbers show for the state of Nebraska. And really the only saving grace in agriculture right now is, is cattle. If you have cattle or do something with cattle, it's kind of, kind of helping you out, but if you're a row crop farmer out there you're getting killed.

JACOBSON: I wanted to follow up, I, I would say that I just got done answering an email with somebody asking me why their house isn't valued the same value as farmland and-- but it is safe to also say that we are shifting the tax burden here. We're not, we're not lowering taxes, we're, we're basically looking at real estate and saying when we move the valuation down as to what farmland would be valued, then we're, we're shifting some burden because if you leave the assessed amount alone, the taxing authorities would collect less revenue. But they're probably not going to want to collect less revenue, they're probably going to want to collect at least as much as they were before. So, therefore, we're likely going to see increases in, in, in what they're going to want for a mill levy because we can't reduce the valuation and not see mill levy increase in order to make

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up the difference. That's likely what will happen. Would, would you also agree with that?

BRANDT: Absolutely. I call it rightsizing.

JACOBSON: Right. So it's not painless. I think everybody's got to understand this, that this is not painless. This is really more a function of fairness, as I think what we're coming from here, is what is the right amount that each class of land should pay. And you're looking at this information, looking at the disparity in income versus value and saying the value probably needs to be closer to 50% instead of 75 to make the income production more comparable to other classes of real estate.

BRANDT: Right. And Nebraska's unique in that we're the only major ag state that uses a market value approach to valuing ag land. All the other states use some form of a capitalization rate, which is income-based. So this is kind of a poor man's way of getting us on income-based. And another way to look at this is the past 5 years, ag land went up-- valuations went up 37%. What we're looking at here is dropping at 33%. The reality of this is in less than 5 years on current trends, this 50% valuation will be right back where it's at today. So this is not a long-term fix, folks, this is, this is something we can do at the moment to help out our ag landowners out there in the state of Nebraska.

JACOBSON: Thank you.

von GILLERN: Other questions? Senator Sorrentino.

SORRENTINO: Thank you, Chairman von Gillern. Thank you, Senator. Lowering the taxable value for the agricultural land is certainly one methodology. The only other one that I can come up with is placing some sort of a limitation or a cap on the collections by whatever political subdivision it might be. Your preferred methodology is obviously the first as opposed to the second. Thoughts on that?

BRANDT: I think-- I'm in my last year here, I've seen all manner of proposals and introduced some of those on property tax reduction. This is the first one I brought up valuation. Well, actually, it's the second. When we had the special session, I had introduced a, a, a bill that made it through the second round. Owner-occupied housing would also follow the same formula as this. By the constitution, all other property in the state of Nebraska is required to be taxed at 100%. In

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2007, the voters recognized agriculture as unique ag land, and they allowed the Legislature to set this rate. So, yeah, yeah, I'm more than willing to work with you, Senator Sorrentino, on a plan that would reduce it on the cap side also.

SORRENTINO: Thank you.

BRANDT: Yeah.

von GILLERN: Other questions? Senator Ibach.

IBACH: Thank you, Mr. Chair. I just have one brief question and you and I've talked about this a lot. My calculations are a little bit different. I got some property tax admin-- the property tax administrator has these numbers in the last 25 years. So since 2000, ag land values have gone up 421%, commercial 231%, and residential 277%, which are all alarming. But in the last year, in 2024, ag values went up 15%, commercial 5 and residential 7. And so I'm glad that you mentioned that this is a short-term fix because my question was going to be, since I always like to look at 3, 5, and 10 years, what will-- will we have to come back with a, a different approach, another solution? When we look down the road, I mean, how long do you think that this will be a short-term fix?

BRANDT: 4 years, I mean, based on the numbers. In my number I said 20 years and you went back 26 years and so that's, that's the difference between our numbers. I would hope for those of you that are still here that you would truly look at a capitalization rate. My preference would be Kansas. Kansas has a great system, their Legislature taxed-- tasked Kansas State University with looking at the prior year's value of corn, soybeans, wheat, cattle, and hogs. And based on that, they have a moving, a moving percentage or a capitalization rate against their assessed value. One year it could be 26, one year it could be 29, one year it could be 33, it could drop back to 19. But it is based on the profitability of the business of agriculture. And as we lose more and more rural senators, my concern is, it's, it's a big learning curve to understand agriculture. It's a very complex industry, particularly on the financial side. We need, we need to do something out here to help. My preference would be a, a Kansas capitalization system, but then Iowa has a different one, to me, not as, not as gratuitous as what Kansas has.

IBACH: Have you visited with anybody from Kansas, any elected officials or landowners to know how it works?

BRANDT: Not recently, but I can tell you on this, this data, it would be 8 years old. When I was running for Legislature, dry land, and I'm on the border as is Senator Murman with Kansas, dry land in Jefferson County was \$47 an acre and dry land in the county south of us in Kansas was \$13. And that's pretty typical. We see a lot of land sales down there on the border where people from Kansas buy Nebraska ag land, and they come in and go, well, that can't be right. The guy in the courthouse is just thinking it's the funniest thing he's ever seen. It's like, no. And we have a tremendous amount of producers trying to buy ag land in Kansas, and this is one of the primary reasons.

IBACH: Yeah, I know that to be true. Thank you, Mr. Chair.

von GILLERN: Senator Jacobson.

JACOBSON: I've got one more question. I, I don't want to belabor this, but I think this is an important enough issue that we ferret out a lot of the details here. I, I, I did work, when then Governor Ricketts was Governor, on a task force to look at going to an income-based approach to property taxes. And so I like to do this in my head as well when you look at, the last I checked, 25% of my gross rents are going to property taxes on farmland. 25%. I would challenge any business owner, if you take your buildings, are you spending 25% of your gross income or your, your, your net income from rents on property taxes? And I would argue you are not. OK? And, and when you look at homeowners, if you look at what you could rent your home for and take that monthly income, would you-- you'd be paying 25% of that in property taxes. When we start looking at common denominators, you can really see how out of whack that is. Now, when you look at farm income today, we've got 2 years where most grain farmers are showing red ink, and I don't know many that are going to project black ink this coming year if you're a straight grain farmer. This can't continue and, by the way, you're paying your property taxes whether you get hailed out, whether you make any money or not it's still there. And so when you start looking at an income-based system that's probably still going to be the fairest among different property tax of different property owners. We still have a massive property tax problem that-- and I still believe that so many of the services that we're looking for property taxes to fund should be spread across other tax types. But, but until spending goes down and, and I'm not looking for that, I'm not sure it's going to happen, we're going to be saddled with what we're dealing with on high property taxes. So we need to figure out what's the fairness between types of property taxes or top types of property

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owners, and then we need to look at where should we be and should property be the sole source of funding most of the services that are happening in the political subdivisions? And I challenge that as well.

BRANDT: I, I wholeheartedly agree. Your number is low. It's 25% on ag land. If you own pasture, free and clear, and I've got some, 50% of the income I could get off that pasture would have to go to the county courthouse,--

JACOBSON: I, I think that's probably right. Yes.

BRANDT: --you know. And further west you get it's way worse than that, and then if you bought this and you're paying-- you can't even make your interest and your land payments and then you've got this hellacious property tax bill. And, granted, it's, it's a whole spectrum of people, some people are starting out in ag and I'm coasting toward the end as possibly you are. We're all in different, different phases of this. So I guess if there aren't any more questions, I would kind of close with there's going to be a bunch of-- go ahead. Sorry.

von GILLERN: I'll let you know when [INAUDIBLE]. Yeah, just a quick one. Let's say-- you and I have had this conversation. For those who don't know, we sit close together on the floor and we have lots of lively conversations and, and I learn a lot along the way.

BRANDT: As have I.

von GILLERN: Let's say you've got a county that is 98% ag land, might have, you know, obviously farmstead residences, homestead residences, maybe a very small town in that, what will be the net effect to those property taxpayers?

BRANDT: And I'm, and I'm glad you asked that question. There are six counties in Nebraska that are exactly that. They have no industry or very little industry, nothing but agriculture. They will be affected by this because on county levy is a 50-cent cap, OK? Other than those few counties, nobody else will be dramatically affected by this. And I'm sure they're cringing behind me, but, but let me explain. My school system's a 60-mil levy. We dropped one-third of the ag land valuations in a, in a school district that has 69% ag land. They just raised the levy to 80 mils. They can do that. I still write-- the checks to the county will be the same at the end of the day. And when a school system, let's say it's at .95 now and it hits \$1.05,

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equalization aid kicks in. The state of Nebraska will come in with equalization aid to those rural schools to help them out. It wasn't that many years ago we had over 200 schools on equalization aid. Now, it's just a few over 50 and they're all the big urban schools. So maybe this is what it takes to get that, and that's \$49 million. \$49 million. And the system is set up to do that. That's how this system works, so.

von GILLERN: So I'll ask a follow-up, then.

BRANDT: OK.

von GILLERN: In those counties where there's a 50-cent cap,--

BRANDT: Yeah.

von GILLERN: --what happens to the infrastructure in those counties? Because essentially their tax asking is going to be reduced.

BRANDT: Yes, it will be. And when I close-- I'm, I'm not going to dig through all my stuff now, but I've got those specific counties--

von GILLERN: OK, that's fine, and I--

BRANDT: --and how much that is. But in the scope, in the scope of the entire state, it's way less than 1% of this whole, whole impact. But those-- I'll be right upfront, those are the ones that are going to get impacted the worst. But if you're like an urban senator, if you don't have any ag land, this doesn't affect you, or you've got very little ag land.

von GILLERN: Right. So that-- well, I would push back on that and the Douglas County fiscal note says a little bit differently, not a lot, but--

BRANDT: Yeah. Yeah. Yeah.

von GILLERN: --and my, my-- and I'll frame this in the form of a question, if you're Douglas County or--

BRANDT: Rock County.

von GILLERN: Furnas County.

BRANDT: Rock County is one they [INAUDIBLE].

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von GILLERN: OK, Rock County--

BRANDT: Yep.

von GILLERN: --or Hall County, it's a different impact. The, the, the impact on those three counties is different based on what your bill would do?

BRANDT: Yes.

von GILLERN: OK.

BRANDT: Yep.

von GILLERN: All right. Thank you. And I know we're going to hear more background from that from--

BRANDT: Absolutely.

von GILLERN: --at least a couple of the testifiers in the room this afternoon, so. OK. Any other questions? Seeing none, thank you.

BRANDT: Yep.

von GILLERN: And I presume you'll stay to close?

BRANDT: Oh, absolutely.

von GILLERN: Thank you. And, and, again, I'm going to have to leave for another-- to present a bill here shortly, and which I will severely miss some of the testimony. I'm sorry about that. We'll invite up our first proponent testimony. Proponents for LB814. If you're going to testify, go ahead and move on up front so you're all raring to go. Good afternoon.

JOHN HANSEN: Mr. Chairman, members of the committee, good afternoon. For the record, I am John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I am the President of Nebraska Farmers Union, and also their lobbyist. And so when I walked in the door as the new elected President of the Nebraska Farmers Union 36 years ago, the Legislature was in a situation where up to that time they had looked at ag and said we understand that you're a high-risk, low-margin kind of business. And they had been doing things to try to rig the total tax load to ag in a fashion that ag could afford. And a lot of that went right out the door with the map code decision after I-- which is right soon after I

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came in. And the map code decision said pretty much that you can't beat cutting ag a special deal. If you're a pipeline company, you're not getting cut a deal. And pretty much the value has to be either all on or all off. And so because of that, the, the Legislature said, well, we'll try to deal with this in a, in a, in a, in a proper form. And they put forward a constitutional amendment that would basically return an earnings capacity type system to valuing ag land. And so Nebraska Farm Bureau, Nebraska Farmers Union, Nebraska Cattlemen, all spearheaded the, the effort to be able to sell that to voters. And so we had a big education campaign. We were successful. The voters approved that. And then the Supreme Court doubling down on the decision that it made said that our constitutional amendment to do that was unconstitutional. And so all of a sudden here we are in crisis mode trying to figure out what to do. And so the reason that we ended up as a percent of market value was not because the Legislature thought that was the best idea or the most fair or the best way to try to reflect ag's earning capacity, it was to try and pass constitutional muster with the Supreme Court that we had at that time. And so it was a practical decision. And so ever since then, we have struggled to do that. But as someone who is trying to explain to the press why it is that ag sells for the values that it does, the, the, the cheat sheet that I keep says that ag land sells for about three times what it will cash flow on a consistent basis because of outside bidding forces and because of ag using-- being willing to use the, the, the net income they have and other properties to pay for it. So to start out with, when you look at a 50% cut in valuation, the original valuation, from my perspective, is three times what will cash flow. And so is this the best idea in the world? No. But we haven't seen any new, better ideas either. And so as someone that's worked on earnings capacity efforts in the past, we have struggled to get that through, so we're stuck with the cards that we have to play. And that being the case, my board said last night, we're in a crisis. We need to do something. This is not perfect, but we do need to try to send a message to ag that we're trying to help you out in this very difficult time. Thank you. I'd be glad to answer any questions if I could.

von GILLERN: Thank you. Questions from the committee members? Seeing none, thanks for being here.

JOHN HANSEN: You bet.

von GILLERN: Appreciate it. Next proponent. Good afternoon.

BRUCE RIEKER: Good afternoon, Senator von Gillern, members of the Revenue Committee. My name is Bruce Rieker, B- r-u-c-e R-i-e-k-e-r. I'm the Senior Director of State Legislative Affairs for Nebraska Farm Bureau, testifying in support of LB814 on behalf of Farm Bureau and the Ag Leaders Group, which it consists of the Cattlemen, Corn Growers, Pork Producers, Sorghum Producers, Soybean Association, State Dairy Association, Wheat Growers, and Renewable Fuels. There isn't anything I can add to what Senator Brandt included in his opening on this. In fact, you may, if you read my testimony, it looked like we collaborated. But I appreciate some of the questions that came up and so I'm going to try and address some things that we will continue to put in front of you as we come back on other proposals, two or three of them being Senator Brandt's bills. But here's some things that we hope you keep in mind as you're deliberating on how we tackle the issue of property taxes. Last year, property taxes for the state levy-- property tax's levy went up 5.4%. That's \$286 million. Every 1% increase in property taxes statewide is roughly equivalent to 5.5 or, excuse me, \$55 million. We believe that Senator Brandt's bill could be a small component of a, a solution, but we want to make sure that we give you some of those numbers. Senator Brandt does have another bill, LB1219 that places a 2% cap on property tax growth plus real growth. And the average, or the statewide real growth last year was 1.2%. And I gave you a definition of what real growth is in most of our statutes. But here's one unique component-- and before I get the red light, Senator Sorrentino, we prefer, I'll just tell you right now, we prefer Senator Brandt's LB1219 because if you cap property tax growth at 2% plus real growth, which is 1.2%, or 3.2 across the state, compared to last year, it will slow property tax growth by \$120 million per year. OK? A couple of other things, I know there's been several percentages put out. While we're comparing 2020 or 2000 to 2025, the median family income grew by 106% from 2000 to 2025. However, property taxes went up 261%. Those trajectories are unsustainable and we're here hopefully to help build a road map to something we can put on a trajectory to solve this issue.

von GILLERN: Thank you. Questions from the committee? Senator Murman.

MURMAN: Yes. Farmers try and own some farmland, at least for inheritance purposes. So they try and own farmland at least to-- for the inheritance and, of course, they're taxed on that farmland every year or taxed on their inheritance every year. How does that compare with, like, other forms of saving for inheritance in the next generation?

BRUCE RIEKER: Well, if you, if you consider your retirement program, your retirement program or that farmer or rancher's investment is taxed when you consider the property tax. And many other forms of retirement are not until you start withdrawing it. So some are pre-tax and some are after-tax programs. It depends on your retirement plan. So there's a difference there.

MURMAN: Yeah. Thank you.

von GILLERN: Other questions? I'm just-- and, and I do want this to be a quick question, quick response if you could. Do you have a position on the income-based approach? I know that was brought-- Senator Albrecht brought that as a bill in 2023. Senator Brandt has talked about it as a longer-term solution. I don't know that I've heard that brought up much since 2023.

BRUCE RIEKER: It's a nice idea, but it's unworkable in this state because of the distinct growing regions that we have. We technically, scientifically have six growing regions in this state. And it would also require a constitutional change because, like Senator Albrecht brought that bill, there were nine steps to determining that income valuation, and the 10th step killed it because the 10th step says that we have to reconcile it to fair market value because of our constitution. So that's--

von GILLERN: Longer discussion for another day.

BRUCE RIEKER: Longer discussion.

von GILLERN: OK.

BRUCE RIEKER: We support it in our policy, but putting it together is challenging.

von GILLERN: Thank you. Seeing no other questions, thank you for your testimony.

BRUCE RIEKER: You're welcome. Thank you.

von GILLERN: I'm going to hand off the committee chair to Vice Chair Jacobson. Hopefully, we'll return shortly.

JACOBSON: All right, next proponent. Anyone else wanting to speak in favor of the bill? All right, if not, is there anyone here wanting to

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speaking in opposition to the bill? Mr. Cannon. And we're looking for opponents right now.

JON CANNON: I'm sorry?

JACOBSON: We're looking for opponents. Go ahead.

JON CANNON: Acting Chairman Jacobson, distinguished members of the Revenue Committee, my name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the Executive Director of the Nebraska Association of County Officials, also known as NACO, here to testify in opposition to LB814. I appreciate what Senator Brandt is bringing with this bill and the effort that he's trying to, to undertake. And, frankly, in-- for an organization that represents 80 counties that are primarily rural in nature, our greatest concern is going to be making sure those-- all of our counties are, are able to, to stay afloat. And when I say stay afloat, I mean by having people in them. And to the extent that the property tax issue is something that has dissuaded growth in our more rural counties, it's something that we want to, you know, we're, we're going to take note of. Last, last year, I, I was going to be very coy and say a very smart man had said that this is just a math problem. That, that was Senator von Gillern. I, I was trying to score some points with him, but he's not here, so I can go ahead and put it on the record, I guess. And it is a math problem. Sometimes it's simple arithmetic, sometimes it's algebra, occasionally it's calculus, and, and don't ask me about that part, but if you pull this lever here, it moves another one over there, right? I mean, there's-- and, Senator Jacobson, I think you indicated there's a, there's a set amount of, of, of dollars that are required in order to fulfill the duties of government. You know-- and I, and I, I think a lot of you have heard me say before that valuations are a function but not the driver of the tax bill. The very most basic equation is that valuation times rate equals a tax. Or put another way, a tax request divided by your total valuation equals your rate. And so-- and that, that equation works at two different levels. The first one is the political subdivision. They take their total property tax request with what they require to earn through, through the property tax. They divide it by their total valuation and that comes up with the rate. And then that rate is taken against your individual valuation to come up with your tax. And, and I know this is all basic stuff, but I want to make sure it gets in there on the record. But the point is, is you have to solve for X. You have to solve for a particular number. It would reduce-- what this bill would do is, and I, I think you've got the-- I didn't keep a copy for myself. What this bill would do, and, and you see some of the numbers

that are on there, it would reduce valuation statewide by about \$35.2 billion. And that number-- oh, thank you-- that number has to be, has to be made up. For small counties, the smallest of the small, these are counties with a population less than 5,000 people, that would be a reduction of \$7.3 billion as it is if, if levy rates did not change. For medium counties, \$26.2 billion, for large counties, \$1.7 billion, because you just have less ag that's there. I mean, in Douglas County, for instance, has 300 ag parcels in the entire county. The average levy rate would have to increase from 264 to 327. This is just for counties, not, not for everyone else. Small to medium counties would feel the most impact. You'd have \$100 to \$120 increase in residential property tax and paradoxically in those smaller and medium counties ag would not see nearly as much of, of a difference in their tax bills. And we, we did a very quick and dirty analysis, and that's why-- I'm out of time. I'm happy to take any questions.

JACOBSON: Why don't you to take a minute just to wrap up and-- your thought here.

JON CANNON: Thank you very much. Much appreciated, sir. We did a quick analysis. There's a lot of stuff that we didn't go through. That's why we don't have a, a handout for you. But for a 33% reduction in the assessed value and the assessment rate, different counties are going to see a, a, a different shift, right? And so if you have, if you have a lot of residential and commercial, then it shifts over to them and everything is well. So in Douglas County, with their aforementioned 300 ag parcels, they would-- the people-- farmers that are, that are living in Douglas County would see about a, a one-third reduction in their, in their tax bill. That's great. That's awesome. As you start to get a, a little less population or a little less commercial activity, then all of a sudden you're looking at, for instance, in Dawson County, it's about a 23% reduction, in Clay County, about a 13% reduction in your tax bill, and in Franklin County, which, you know, again, and I think, Senator Murman, you were, you were asking about this, where you have a, a county that's got a high proportion of their base is in agricultural land, they're going to see about a 10% reduction in, in their tax bill, because the levy rate will go up correspondingly, right? That's just, that's just the math. So five counties, and I, I think Senator Brandt had mentioned this, they would get to 50 cents immediately. We have a constitutionally imposed 50-cent lid. And so what happens? There's going to be a \$1.4 million reduction in the tax bill, and the taxpayers say that's terrific. Oh, by the way, these are the smallest of the small. And I think the, the sheet that I have, we list them, Deuel, Kimball, Banner, Garden, and

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Rock. For those counties, for those-- for small counties in the state of Nebraska, the majority of their property tax request is going to take care of the roads. And so if there's a \$1.4 million reduction in the total taxes that they have to levy, that's all going to go to the roads, which I think the producers there are, are probably pretty dependent upon having good quality roads so they can get their, their stuff to market. 11 more counties would be above 40 cents. And one last item, and I'll, I'll stop there, to the extent that we have a certain amount proportionality in our statutes regarding the acceptable range, I believe that, that this bill, it says that the acceptable range when TERC is deciding what's acceptable, that would be from 44-50%. We've generally kept-- there's an eight point range for residential and commercial 92 to 100. If you reduce that proportionally, that range should be 46 to 50. That's just a, a note for, for the committee's consideration. So with that, again, I appreciate your indulgence, sir.

JACOBSON: You're welcome.

JON CANNON: Happy to take any questions.

JACOBSON: I'm-- I trust then that reducing commissioner salaries wouldn't really do the balancing that we need.

JON CANNON: I'm going to get myself into trouble--

JACOBSON: [INAUDIBLE]

JON CANNON: --one way or the other.

JACOBSON: Any other questions from the committee? Senator Murman.

MURMAN: Yeah, thanks for testifying. You listed these five counties where the biggest reduction in county taxes levied. If a-- if the residents of those counties took a vote on LB814, which way do you think it would go?

JON CANNON: I, I, I don't know. I mean, as with anything, Senator, it depends on what information they have in front of them. I suspect that their county commissioners and the schools and, and the cities are going to say, well, here's, here's the net effect. You know, and we can probably program for you exactly what's going to happen to our road's budget, our sheriffs' budget, etcetera. And I-- how that vote would go, I, I-- I'm not being coy, I really have no idea. Because at the end of the day, the property tax is primarily a benefits tax, or

at least it should be viewed that way. When you talk to people about-- and, and one of, one of my former board members is a Jefferson County board member, and, and Senator Brandt knows him pretty well, he walks around with his tax bill. And, and he says-- and he also walks around with a copy of, of what their budget is in Jefferson County, and he says, what things do you want us to cut? And, and, again, we're not going to try and compete with the schools. The schools-- you know, people do not want to cut education spending. They love it. But when you go through the things that counties do, you know, roads, bridges, law enforcement, jails, courts, elections, and then the infrastructure that goes behind it, no one wants to cut anything. And so when you, when you frame it as a, as a benefits tax, people don't want to lose those things. When you frame it as-- you know, when you put it in the abstract, would you like to reduce taxes? Absolutely, sign us up. So I, I, I don't know how that vote would go.

MURMAN: Yes, I, I, I would suspect that as long as they, like you said, realize that the taxes that stay local for the roads and so forth, they'd be 100% for it. But the concern is when taxes aren't so much tied in, property taxes aren't so much tied into the use, so I would suspect it wouldn't go the way you're talking. But I realize how it's framed makes a big difference.

JON CANNON: Yes, sir.

MURMAN: Thank you.

JON CANNON: Yeah, thank you, sir.

JACOBSON: Other questions? Senator Dungan.

DUNGAN: Thank you, Vice Chair Jacobson. Thank you for being here, Mr. Cannon. This worksheet that you handed out is helpful, just to see some of the impacts. Can you speak a little bit more-- I'm trying to figure out the interplay between what would happen if we passed LB814 along with some of the caps that were implemented with LB34 during the special session. Do you see any kind of conflict that would potentially come into play with those caps and the formulas that you're talking about here with regards to the raising levies?

JON CANNON: Senator, great question. I, I appreciate you asking that, which means I'm desperately trying to formulate a decent response. You know, the interplay between a cap and a, and a levy lid, and then, you know, what we have here in LB814, which is reduction in valuation,

which is a third component, it's, it's, it's, it's difficult to, to say exactly what's going to happen, but it'll wreak havoc. Instead of having a kind of a true honest accounting of, of how we're going to budget for the things we have to do, I, I think there are a lot of counties that, that they're probably going to say we're going to have to make some decisions. And, again, you know, as, as the sheet indicates, for the smallest of the small, for the ones that are, that are near that 50-cent limit, they have no place else to go but to, but to go to the roads. And so that's probably where, where the, the effects would be felt. And, and, again, in counties where roads are a really big deal and you're-- the only place you have to go is to, to start taking away money from them. But, you know, the, the caps are, are going to affect the ability to raise the revenue necessary to run government in those counties.

DUNGAN: Do you-- I know part of the conversation we had around the caps was an exception for public safety.

JON CANNON: Sure.

DUNGAN: And that's a conversation I know broadly we've had as a committee and we've talked about and it's something I think we all agree we need to make sure that we continue to support public safety in that capacity. Do you see any potential conflict or interplay between this, the caps, and public safety? And you mentioned earlier whether or not, like, local sheriff's office, for example, are going to lose funding under this kind of formula. It's a lot of levers to pull. It's a lot of different moving parts. I'm not trying to ask you to figure out all of the math right now. But do you perceive or I guess estimate there could be some potential problem down the road with regards to that?

JON CANNON: Well-- and, and, again, so with, with a constitutional cap or a constitutional levy lid that we have at 50 cents, those counties that go over 50 cents there is no exception for them. They don't say we're going to take the public safety exception we get to blow through the 50 cents. That is the LB34 cap that we have an exception for. And, again, for those small counties, for smaller counties-- and, and, and, again, the reason we, we settled on small counties being those with less than 5,000 versus, you know, the medium counties between 5,000 and 50,000 and the large counties that are over 50,000, is we need an analysis of budgets and, and how are counties spending their money. And when you look at it, that breakdown really kind of tells the story. Small counties, less than 5,000, they are primarily spending

their, their property tax dollars on public infrastructure. That's, that's roads and bridges pretty much. And as you get larger, and, and especially for the counties with the population in excess of 50,000, that's when it flips over to we're spending the majority of our property tax dollars on public safety. And so the public safety exception, Douglas, Lancaster, Sarpy, Hall, and Buffalo, between the cap that we have, public safety exception that we have, and the fact that they're nowhere near their constitutional levy limit, and, oh, by the way, they, they don't have enough ag that's really going to affect their levy rate, public safety is going to be fine in, in the largest counties in the state. It's, it's public infrastructure in the smallest counties in the state that will, that will necessarily be affected.

DUNGAN: Thank you.

JON CANNON: Yes, sir. Thank you.

JACOBSON: Other committee questions? I'd probably just note that obviously when you start cutting back on roads, you don't see the immediate effect. It's gravelling roads and you gravel less and all of a sudden you find yourself where the roads have no bottoms in them and now it's very expensive to bring back. And so that's one of the challenges that goes with that as well. So, yeah, I appreciate your testimony and I think that you brought some additional information that was good to hear.

JON CANNON: Yep, thank you, sir, much appreciated.

JACOBSON: OK, thank you. Other opponents? Welcome.

CONNIE KNOCHE: Good afternoon, Vice Chair Jacobson and members of the Revenue Committee. My name is Connie Knoche, C-o-n-n-i-e K-n-o-c-h-e, and I'm a Senior Fellow at OpenSky Policy Institute. We're here today testifying in opposition to-- because we have concerns that this bill could lead to the loss of revenue to school districts. This will, in turn, likely lead to cuts in education or higher property taxes for many Nebraskans. We modeled the impact of this bill by reducing the most recent assessed valuation of ag land and horticultural land by 50%. And then we recalculated the property tax revenue using the most recent levies to determine the lost revenue. Based on this analysis, we've determined that while the intent of this proposal is to provide property tax relief to ag community, the largest benefits would not go to the most rural parts of Nebraska, but rather to farmers and

ranchers near urban areas because they have the higher levies. Furthermore, residents and businesses in much of the state are likely to see property tax increases. By reducing the most recent assessed value of ag land and horticultural land by 50%, we found that it would reduce property tax revenue by as much as 27% in school districts like Banner County, Sargent, Logan View, Shickley, Elba, and Walthill. These schools would likely have to increase their property tax levies as much as they can to make up for the lost revenue, but they also have property tax request authority limitations that may not allow them to do that. So that would create more problems for them and have to cut education services. This means that communities with significant amounts of agricultural land would likely have to make up the lost revenue through levy increases and that would wipe out much of the tax cut from lowering valuations for farmers and ranchers. If this bill had been in place and fully implemented in fiscal year '26, levies across the state would have had to increase an average for school districts, would have had to increase an average of 15.3 cents, including 32.6 cents in most of the agricultural parts of the state, and at least 56 school districts wouldn't have been able to make themselves whole, losing a total of \$34 million without an override or something happening to that. And as a final observation, this proposal would narrow the disparity of property tax levies among agricultural landowners since ag landowners that are adjacent to urban areas tend to have higher levies than those in highly rural areas. However, you could also accomplish this by changing the adjusted valuation used in the state aid formula and that would create more equalized school districts and send more money to the rural areas such as what's proposed in Senator Hughes's LB1038. That's going to be in the Education Committee next week. And with that, that's all I have, and I'm happy to answer any questions.

JACOBSON: You mentioned that in, in these smaller schools and you mentioned some that I'm fairly familiar with, and it all comes down to that they'd have to cut services or that they've got to look at other revenue sources. But aren't there other alternatives? In other words, if you really carry this on out, how small would a school have to be before they would have to take other steps?

CONNIE KNOCHE: Yeah, they, they may have to consolidate or, you know--

JACOBSON: I, I, I didn't want to say-- give the C word, but you did. But is that not something that has to be considered along the way in terms of the unsustainable property tax increases? The beauty of this bill, if nothing else, is it's really raising the question about how

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do we start to control property taxes? Even though this bill doesn't do it, this bill is shifting-- well, let's be very clear,--

CONNIE KNOCHE: Yes.

JACOBSON: --we're shifting property taxes from one class of real estate to another. And you may not be able to do that in some cases. In my district, I have McPherson County. They have Tryon, only school district. The entire area is, is predominantly ranchland. It's farmers, ranchers in this case, are producing all the property taxes. So it's not going to really impact them much, but other than it's going to bring the valuation down, which means either the mill levy is going up to offset it or there are going to be cost cuts. That's your only real options there. But I, I think that's what all of us are going to have to come to terms with at some point, is what we're doing now is unsustainable. So if we were to-- the Legislature would come out and say every political subdivision has got to cut their budgets, their tax ask by 10%, what would you do?

CONNIE KNOCHE: Yeah, that would be a community discussion that they'd have to determine, you know, what it means to them and how they can do that. But with school districts, they have levy limits, they have spending limits, and they have property tax request authority. So it makes it more difficult to try to make up that lost revenue in this scenario. But also, you know, they have to make decisions on, on what, what they want to give up.

JACOBSON: Well, I, I can tell you that I, I, I get the sense that the Legislature is continuing to feel the pressure that what are we doing to reduce property taxes? And we're not assessing any property taxes, so the only thing we can do is put limits--

CONNIE KNOCHE: Right.

JACOBSON: --on what can be done. And so far it hasn't worked. I mean, so far we're continuing to see the property tax burden continue to rise. So, you know, we're running out of subtle ways to do this, and we're going to have to become more direct ways to do it. And I also get the sense that there's maybe some storing up for troubled times on the horizon so that we can make it a year or two with draconian legislative cuts to be able to still get through it. But therein lies the concern and frustration that I have, so.

CONNIE KNOCHE: Absolutely.

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JACOBSON: Questions from the committee? We have the CPA over there, I'm not sure he's got any questions or not.

SORRENTINO: Good.

JACOBSON: All right. Senator Murman.

MURMAN: We got a farmer over here. You mentioned earlier in your testimony that several small school districts there would lose revenue based on what their levy was before this one.

CONNIE KNOCHE: Right. To, to raise the same revenue. Right.

MURMAN: Yeah, so, I mean, we know that they will raise their levy probably as much as they can to make up that difference.

CONNIE KNOCHE: Right.

MURMAN: So those figures that you gave are really not reflective of what would happen because we know they'll, like I said, adjust as much as they can.

CONNIE KNOCHE: Right, but it also interacts with all of the other limitations that schools have, whether they would be able to raise their levy as much as they need to, to make up for the lost revenue. And so, yeah, that's true.

MURMAN: Yeah, there would be some loss, I'm sure, probably on all those districts, but they'll adjust as much as they can.

CONNIE KNOCHE: Yes.

MURMAN: Correct? Thanks.

JACOBSON: Other questions, Committee? All right, seeing none, thank you very much for your testimony.

CONNIE KNOCHE: OK. Thank you.

JACOBSON: Other opponents? Welcome.

LYNN REX: Thank you. Senator Jacobson, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. And we're here today for the reason that, Senator Jacobson, you have underscored, which is this is a tax shift. And the concern is what would that mean based on the counties, what would it

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mean for cities and villages across the state, and what counties they're in, and how this would have that play. We've got some city administrators that in the last hour or so have been texting me about what they think this means for them.

JACOBSON: I'm shocked. I'm shocked.

LYNN REX: Yes, I'm sure, I'm sure you're not. But in any event, I-- you know, I applaud Senator Brandt for coming forward with ideas, because I think all of these ideas are important to have them on the table for the committee to consider. But I think it's also important to understand that, as Jon Cannon indicated before, when you do one thing, how does that impact something else? And how does all this affect it? And, Senator Jacobson, you and I have talked about basically the whole unused property tax request authority, which is the cap on municipalities and counties that was enacted in LB647, which addressed and cleaned up LB34 from the special session. And one of the issues that we are bringing forward is basically to look at that, so you don't have to have a use-it-or-lose-it proposition, which I think is maybe one of things that you're concerned about as well. So we respectfully oppose this bill, but we appreciate the efforts. We think that it's opening up a discussion that needs to happen. With that, I'm happy to answer any questions that you might have.

JACOBSON: Questions from the committee? I am kind of curious, so you're representing municipalities--

LYNN REX: Yes, I am.

JACOBSON: --so you really don't have ag land in the city.

LYNN REX: That's correct.

JACOBSON: So what's--

LYNN REX: That's correct.

JACOBSON: --what's the League's primary concern here?

LYNN REX: Our primary concern is just the interface between the relationships that municipalities have with counties, whether it's interlocal agreements, whether or not those counties, for example, these five counties, five or six, depending upon, I guess, which testifier you want to rely on today, what that means in terms of all the interlocal agreements that occur, whether it's EMS, law

enforcement, other sorts of things, and solid waste management, and whether or not those other entities are going to be able to deliver on their end of that, because there is a connection and interdependence.

JACOBSON: All right. Thank you. Questions? Senator Dungan.

DUNGAN: Thank you.

JACOBSON: [INAUDIBLE]

DUNGAN: Oh, sorry, I apologize. Thank you, Vice Chair Jacobson. Thank you for being here. So I'm looking at some of the online comments for this bill, and I, obviously, I represent northeast Lincoln, entirely residential almost, it's an urban district. I don't have really any ag land.

LYNN REX: Right.

DUNGAN: So a lot of my experience in the Legislature regarding ag and the taxation of ag land comes from information I get from my colleagues and information that I get from others. And I will say, you know, there's a pervasive sentiment amongst people that we continue to talk about this being a problem and people continue to have an issue with this, but that we, as a Legislature, aren't doing enough. And, you know, certainly I understand that property taxes are often a function of local governments and I understand that there's a lot of different levers to pull and all that. Do you think there is merit to this bill proceeding in order to force a conversation that feels like sometimes doesn't happen on the floor of the Legislature? Because I feel like sometimes we talk a lot about property taxes here in the Revenue Committee often and we hear a litany of bills from different sides of the aisle and different ideas, but it doesn't feel like maybe on the floor of the Legislature there's often a deep enough discussion about these levers that do or don't get pulled and what the impacts might be. Do you think there would be merit to advancing this bill to at least have that discussion on the floor so the people of Nebraska can see that we're actually debating this and having this conversation instead of just letting it die in committee?

LYNN REX: Two things. One, I do think that there are a number of other bills that impact property taxes that will be before this committee. And the League and NACO and others have several of those bills for your consideration to raise some of these important issues. And, and the second thing I would just underscore is that I, I don't think the

Legislature has taken enough credit for what the Legislature has done in terms of the amount of money that has been put in to try to offset property tax increases and the work that's been done. And so not that there's-- and, by the way, I don't think that that work ever ends. One of the first things I was assigned right out of law school in 1978 was to do a history of property taxes in the state of Nebraska and kind of a history of what municipalities have been doing along the way for decades. Our organization was formed and incorporated in 1909. The very first annual conference, the only issue was property taxes. What are we going to do about property taxes? And that was in 1909. That's been an ongoing issue. And I just think that this is something the Legislature needs to look at again and again and again. And it will never-- it's one of those issues, too, that it depends who's paying it, and what does it mean, and what are the consequences of it? There are a lot of folks that said back in 1977, that when the, when the Legislature passed LB518, which exempted livestock, farm equipment, and business inventory, that basically when that happened, that was, that was it, that was golden. I remember Senator Martin Kahle from Kearney, Nebraska, and others who basically said, that's it, that's what's going to happen. Senator Cal Carsten, who was chair of this committee at that time from Nebraska City, was noting that that would be basically a huge answer when it came to ag in the state of Nebraska, and also the business community. And, by the way, those exemptions needed to happen in order for the state of Nebraska to be competitive at that time. And local governments, at that point, that's just one bill, we've talked about this in this committee before, but local governments were told, don't worry, you're not going to have a shift of property taxes at that point. The Legislature will reimburse you dollar for dollar. The amount at that point was \$250 million. That was the price tag of that bill. And not in actual valuation losses, in actual loss of revenue for local governments. And, then, Governor Exon, Senator Dungan, said, yeah, the state can't afford that. So we capped it off and over a period of time, basically it became known as state aid. It really wasn't, it was a reimbursement, an inadequate reimbursement for property tax base taken away from local governments in terms of funding. But at the end of the day, what happened? That was all shifted. There's just one shift after another. When the Legislature had financial issues, the, quote, state aid, which was then to municipalities, schools and NRDs was gone in the counties. And the Legislature has done tremendous things in terms of providing more resources for schools. But all I'm saying is that's just one bill and I remember that, that was supposed to be golden. I think there's been several different propositions over the years that was going to be the

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answer. I don't have the answer, I regret to tell you. I'm not here to tell you I have the answer. I don't. But what I can tell you is it's so important to look at all these consequences.

DUNGAN: Well, it's definitely a complex discussion. I just know that when I talk to constituents in my urban area, they continue to feel the hurt, too, so.

LYNN REX: Yes.

DUNGAN: I, I appreciate your input. I do think it's a very complicated problem. I just-- I think that it's worth continuing to have discussions about. So thank you for being here today.

LYNN REX: Yes. And, again, too, I just wanted to underscore something that I think is really important from some of the issues that have come forward, which is it's all relative, too. And the city administrator of Wahoo, Nebraska, city of the second class, when they were at the pink postcard hearing and they've been there over the last 3 years, they present to those folks that do show up, and they only have a handful of folks now showing up, but what the, what the comparison is in terms of what they're paying in property taxes for the city of Wahoo, Nebraska, what they pay for their phone bill. If you extrapolate it on a monthly basis, which exceeds that, what they pay for their cable bill, which exceeds that, and what are they getting from the city of Wahoo? They're getting electric, they're getting gas, they're getting streets, they're getting police, they're getting fire protection, it's all relative. So I'm just saying, and I'm not saying property taxes aren't an issue, I'm a property taxpayer, I get it, but so are the elected officials who are tasked with the responsibility to decide what services are they going to provide, what services are they going to cut on the county level, municipal level, and with school districts and others?

JACOBSON: Other thoughts, questions? I would just say that you obviously don't spend enough time on social media because the answers are out there. I mean, lots of answers.

LYNN REX: Yeah, your point is well taken, sir.

JACOBSON: Thank you. Next pro-- or opponent.

COURTNEY WITTSTRUCK: Good afternoon, Vice Chair Jacobson and members of the Revenue Committee. My name is Courtney Wittstruck, that's C-o-u-r-t-n-e-y W-i-t-t-s-t-r-u-c-k, and I'm here as the Executive

Director of the Nebraska Community College Association, here to testify in opposition to LB814. So as you heard, under current law, agricultural and horticultural, horticultural land is generally taxed at 75% of actual value. This will bring it down to 50% of the actual value if it passes. Although community colleges are not expressly referenced in the bill, this valuation change directly affects them because community colleges, colleges are subject to a maximum capital levy of 2 cents, which means the only source of public funding community colleges have for capital is that 2-cent levy. When the taxable valuation base is reduced from 75 to 50%, that same 2-cent levy, as we've talked about, generates less revenue. But unlike other higher educational institutions, community colleges do not receive state appropriations dedicated to deferred maintenance or capital renewal. The 2-cent capital levy is the only tool available for them. Community colleges operate Nebraska's frontline workforce facilities, welding labs, nursing, health simulation spaces, diesel manufacturing jobs, etcetera. When capital funding is further constrained beyond the 2-cent cap, colleges may be forced to delay repair, sorry, necessary repair and replacement, forcing emergency repairs at premium prices and interrupting the vital workforce training and education they provide to their local communities. Furthermore, community colleges currently have outstanding bond obligations that were issued under prior valuation law when agricultural land was taxed or is taxed at the 75% value. Those bonds require fixed debt service payments over time. And as I said before, the levy supporting those bonds is capped at 2 cents and cannot be increased to offset the changes in valuation proposed by this bill. It has been suggested that increases in property valuations since bonds were issued can offset this reduction. From a bond perspective, valuation growth is not a reserve and cannot be carried forward. Those increases are already reflected in current budgets and debt planning and bond repayment capacity is evaluated on a forward-looking basis. Reducing the tax base while leaving the levy authority capped applies prospectively for the remaining life of the existing bonds. This interaction also raises constitutional concerns. The Nebraska Constitution prohibits laws impairing existing contractual obligations. Legislative actions like this one that materially weaken the, the revenue structure supporting existing bonds, increase legal and financial risk, particularly where issuers have no ability to adjust the levy authority like community colleges do. So community colleges respect the Legislature's interest in property tax relief. We ask the committee to consider how reducing the valuation would interact with our existing bond obligations. And I

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know I've spoken with both Bruce Rieker from the ag, or from the ag, ag society-- what am I thinking--

JACOBSON: Farm Bureau.

COURTNEY WITTSTRUCK: --Farm Bureau, thank you, and Senator Brandt, we've spoken with them and we definitely are willing to work with them. I know they are very collaborative, so we're definitely willing to work with them on a solution going forward.

von GILLERN: Thank you for your testimony. Questions from the committee? Senator Murman.

MURMAN: Thanks a lot for coming in, Courtney.

COURTNEY WITTSTRUCK: Mm-hmm.

MURMAN: How many community colleges are at that limit on 2 cents?

CONNIE KNOCHE: They're-- I don't know exactly, but they're all very close to the 2 cents since that is the only amount they can use for capital. If they're not at it, they're all very, very close.

MURMAN: OK, so not enough room to adjust for the difference?

COURTNEY WITTSTRUCK: Likely not. And like I said, we're having our bond attorneys review this, so it's a concern at this point with some of the things. I don't know that I would say it's risen to the level that we can't work with the senator on it, but it's definitely concerned.

MURMAN: So if those bonds could be exempted out or, you know, have a higher possibility of adjustment, that maybe you could come out, at least do [INAUDIBLE]?

COURTNEY WITTSTRUCK: Well, we'd be definitely willing to work with them. I'd have to get somebody much smarter at bonds than I am to be able to answer some of those questions, and that's what we've got folks looking at right now. We just didn't have the turnaround to be able to get it ready for this hearing.

MURMAN: OK. Thank you.

von GILLERN: Any other questions? Seeing none, thank you for your testimony.

COURTNEY WITTSTRUCK: Thank you.

von GILLERN: Next opponent testifier. Good afternoon.

DAN SCHNOES: Good afternoon, Chairperson von Gillern and the members of the Revenue Committee. My name is Dan Schnoes, D-a-n S-c-h-n-o-e-s, and I serve as the Chief Executive Officer for Educational Service Unit 3 in La Vista, and I'm also representing ESU, not only ESU 3, but the Nebraska's Educational Service Units. I'm here to testify in opposition to LB814. LB814 proposes a significant change to the valuation of ag land and horticultural land for a school district taxing purposes. While the bill is drafted to apply to school districts, its effects beyond school districts-- it really extends beyond, as you've heard some of the previous testimonies. Under Nebraska law, ESU valuation is tied directly to a school district valuation, specifically through 79-1241.03, Section (2)(e). As a result, the valuation reductions proposed in LB14 [SIC] would automatically reduce ESU adjusted valuation and impact our levy capacity. ESUs exist to provide shared services that districts cannot efficiently provide on their own, particularly in areas of special ed, professional development, instructional support, and technology infrastructure. ESUs receive state aid through what is called core service funding, but from 2009, the total core services appropriation in the state budget has declined by over 14%. There currently is no statutory mechanism for ESUs to recover any lost revenue through core service funds or our state aid when our valuation is reduced. We did a preliminary financial modeling. I have just a couple examples for you. First, ESU 6, which is close by here in Millard, or excuse me, Millford, would lose about \$388,000, which would be a 12% decrease in funds that they typically receive from property tax. If we go farther out west to Trenton and ESU 15, they would lose over \$208,000, which is a 19% decrease. Their total property tax funds last year was \$1.1 million, so it's a pretty significant loss. While the exact impact would vary by ESU across the state, this reduction does represent a meaningful loss of levy capacity statewide, which we estimate being about \$5 million. If school districts want the lost services to continue, then they have to pay the cost and, in turn, raise their levy. And as you know, if their, if their levies are going to be taxed by just making their schools run, there's going to a loss in some services. ESUs can only levy up to a penny and a half, and most ESUs are already at that limit because of such a small amount. But these dollars are critical to the foundation of many of the operating costs, including services such as cybersecurity and things for our school districts. We're continually asked to do more but have less. From our

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perspective, this really narrows the valuation base without addressing the full scope of the entities that depend on this base. The bill does not acknowledge the downstream impacts on ESUs and doesn't give us any statutory requirements to be able to make a difference. So we respectfully oppose, and I'm here to answer any questions.

von GILLERN: Thank you for your testimony. Any questions from the committee members? Seeing none, thank you for being here.

DAN SCHNOES: Thank you.

von GILLERN: Next opponent. Is there any other opponent testimony? Seeing none, is there anyone who would like to testify in a neutral capacity? Seeing none, Senator Brandt, would you like to close? And as Senator Brandt comes up, I'll note that there were 11 proponent, 3 opponent, and zero neutral position comments sent in via email.

BRANDT: Actually, I'm quite surprised that's all we had for opponents today.

von GILLERN: It's a busy day in the Capitol.

BRANDT: Yes. Yes, it is. They're probably somewhere else. Let's see, Mr. Rieker from Farm Bureau, when he was up here, indicated that his preference would be the 2% hard cap. I would have to agree with him and you'll be hearing that bill here in a week or two, as opposed to this. But I think this bill has some merit. Ms. Knoche with Blue Sky [SIC] indicated a loss of revenue to school districts, and I guess I'll have to talk to her about that. I, I-- at this point, I would disagree, because today our TEEOSA formula says once a school district hits \$1.05, they're eligible for equalization aid. When you look at the fiscal note, it indicated there would be \$49 million of fiscal aid going out to primarily those school districts that have a lot of ag land in them. It will not affect urban school districts. So I, I might be missing something there. She indicated the bills-- or, or Senator Hughes's bill, inside that are levers for TEEOSA, and that's great. That gives the overall valuation of a school district by dropping the values of homes and farms inside there, this bill goes right to an individual ag, ag landowner. So that's a difference. Lynn Rex, yes, they did exempt farm equipment and cattle way back when. And in, I believe, 1992, we started paying personal property tax. And Senator Jacobson is nodding his head over there. And we've been paying on that ever since, so that didn't last very long. And I did talk to Ms. Wittstruck with the community colleges this morning. We are willing to

amend our bill on page 4, line 9. It specifically says in there that: school district taxes levied to pay the principal an interest on bonds that are approved by a vote of the people on or before [SIC] January 1 of 20-- well, maybe closer to 2025 would be exempt from this. They would, they would use the old formula. And I think all we would have to do is insert the word community colleges on any concerns that they have. But I really believe at the rate that, that the percentages that the, the land values go up, if we did this today, in 4 years the values would be right back where we're at today. That's how fast ag is going up. And possibly another way to look at this, because in the last 20 years, ag went up 342%, rural homes went up 238%, and residential inside the cities went up 168%. Maybe we write a bill that says they all go up an equal amount, and that amount would have been 249%, which would have been almost 100% less for ag. But it would have dramatically increased residential. So we kind of look at this in rural Nebraska as a fairness issue, so. And I guess with that, I've, I've made my points here on, on, on what the testifiers said. And thank you, testifiers. And I would take any questions.

von GILLERN: Questions from the committee members? Senator Jacobson.

JACOBSON: I do have one quick question. I, I think about the recent land sale that occurred out in Lincoln County, just north of North Platte. I believe there was a hard grassland, \$1,750 an acre, that's just unbelievable when you look at what the grazing capacity would be and what the return would be on that. I thought I understood that it was a Texas billionaire that came in and bought the land. So I think the concerns of many farmers and ranchers are, are we going to see the Ted Turners, the Bill Gates's, the, the multi-billionaires coming in, buying up farmland? And farmers are ultimately not going to be able to own their own farmland, they're going to have to rent and pay something substantially less on return, and the ownership transfers to, to a billionaire, potentially, where we don't know where-- what the ultimate use of that land would be. Is that part of your concern as well or--

BRANDT: So my understanding is Senator Andersen's bill would be another way to approach this, whatever you paid for your property is what the valuation that you lock in till that property goes into an estate or gets sold would be another way to approach this. So that, yes, when you do have an influence and typically what happens in rural Nebraska, and I live in Jefferson County, we sell three or four farms in that county every year, and we revalue 700 farms every year based on those sales. And what's really scary, those sales are 3 years in

arrears. So now that we have nosedived on the economy side of this, we are going to see those valuations continue to rise. And so that has an undue influence on all those people out there that have owned this land for generations and can't understand why they have to pay these huge taxes based on those valuations when they're not the ones bidding up this ground. And let's be honest about this, a lot of neighbors versus neighbors are bidding this ground up, farmers are bidding this ground up. It isn't just people from Omaha, Kansas City, out of state, that are driving these prices up. There's a lot of nervousness out there and people want to buy real estate to protect their money.

JACOBSON: Thank you.

von GILLERN: Other questions? Seeing none, thank you, Senator Brandt.

BRANDT: You bet.

von GILLERN: I know you put a lot, put a lot of time and effort into this. Thank you.

BRANDT: Yep. Thank you.

von GILLERN: That will close our hearing on LB814 and we will open on LB1094. Welcome up, Senator Ballard.

BALLARD: Good afternoon, Chairman von Gillern and members of the Revenue Committee. My name is Beau Ballard. For the record, that is B-e-a-u B-a-l-l-a-r-d, and I represent District 21 in northwest Lincoln, northern Lancaster County. And I'm here today to introduce LB1094. Nebraska has a housing shortage is a common theme we hear from constituents, industry leaders, and from national and local reports. When housing is scarce, prices rise, property taxes rise, insurance costs rise, all issues and problems we hear from our friends, families, and neighbors on a weekly, if not daily basis. Each of these conversations revolve around affordability. Right now, the entry-level home in Nebraska costs between \$280,000 and \$300,000. To afford a home, a household needs to earn over \$85,000 a year, yet the median household income in our state is only \$72,000. As many on this committee can do basic math, that means earning the median income is no longer enough to buy a median house in Nebraska. And that is only three counties meet the affordability threshold. Renters are even under more pressure. The median renter household earns just \$44,000 a year. A modest three-bedroom rental now requires an income of more than \$52,000 to be considered affordable. As a result, Nebraska faces

a shortage of more than 40,000 affordable rental units for extremely low-income households, and that shortage pushes rents up for everyone else. This is not just a price problem, it is a supply problem. Since 2020, Nebraska has added about 40,000 new households, but only 17,000 new housing units. Local economists estimate that our state is short more than 120,000 homes. A healthy housing market has between 4 and 6 months of inventory, Nebraska has just 1 month, which remains among the tightest supplies in the nation. Additionally, much of our housing supply is severely aging. According to our own research office, 60% of homes in Nebraska were built before 1980 and one in five before 1939. Older homes are more likely to have plumbing issues, overcrowding, and severe cost burdens, especially in our rural communities. On top of that, inconsistent zoning and regulatory framework drive costs higher and discourage development. We see time and time again that too many proposal solutions try to, to mask problems by subsidizing man creating, creating shortages. Appropriations which I think are important and measures that I've supported in the past. However, I believe that LB1094 is a missing piece of that puzzle. I believe that the solution is straightforward. We need to build more housing. And some of the policies within the zoning and planning are part of that problem. According to a 2021 study by the National Association of Home Builders, government regulator-- regulations account for 24% of the price of a new home. On average, a new home equals to \$80,000 to \$90,000 before a family even gets the keys. To put that plainly, almost one out of every \$4 paid for a new house is tied to some kind of regulatory cost. These costs are every stage in the pro-- every stage in the process. About \$40,000 comes from land development, zoning approvals, required studies, impact fees, design mandates and delays. Another 50-ish thousand comes from construction, largely driven by permitting fees, changes in building codes and architectural standards and, and compliance costs. The study is not arguing that these regulations are bad. Safety, environmental protection and basic standards matter, but as regulations pile up across state, federal and local levels, often overlapping and duplicative, they act as a hidden tax on housing. Let me be clear, LB1094 is not going to fix all these problems. I think this is the first step in a long road to, to rein in regulatory environment in Nebraska and work to build more affordable homes. I still believe that this bill is still in line with local control. I believe that these proposals are measured, measured, transparent, and sound policy. Local governments have the ability to implement and deny rules. However, they have to give developers, homeowners, and our constituents, decision for a prompt manner and cannot change rules during the process. What does LB1094 do? Two basic

fundamental changes. LB1094 includes Permitting Approval Timeliness Act. This policy is designed to increase the production of housing by ensuring timely decisions on permitting applications and provide transparency in the permitting process. It respects local considerations while establishing a firm guideline to ensure local governments make timely decisions in accordance with fundamental fairness. By addressing unnecessary delays, the policy directly confronts statewide housing shortage and promotes affordability. As many of you, as many of you on this committee know, delays increase costs of building. Through financing, uncertainty, and risk, those increased costs are passed on to renters and home buyers. When permitting drags on, it becomes harder for individuals and families to find homes. That is the reality we are dealing with. Under this bill, permitting authorities have 75 days to approve or deny an application. If no decisions are made, the application is approved. If the application is denied, the authority must explain why. The transparency matters, and so does accountability. Right now, developers can wait months, sometimes more than a year for a decision. During that time, projects fall apart, financing is collapsed, investors walk away. Housing that does not exist cannot get built. These delays are not protecting the public, they're actually worsening the housing shortage. LB1094 also includes a By-Right Housing Development Act. If a proposed housing development needs all applicable zoning codes and land use regulations, it should be approved by right. With many individuals in need of housing, the projects that meet a municipality or county's requirement should be prioritized. Local government should not be responsible for delayed access to housing when projects already complies with the rules on the books. This bill does not weaken standards or enforcement-- or eliminate enforcement. A developer violates the rules or authorities retain the main-- the full power to impose fines, penalties, and require compliance. Every month a compliant project sits idle and then is another month Nebraska pays higher price and higher taxes. Doing nothing is a decision and the cost for that decision is being paid by people who just want to live in place. LB1094 enforces accountability and removes unnecessary barriers. I would be happy to answer any questions, but I urge the committee to send this onto General File.

von GILLERN: Thank you, Senator Ballard. Questions from the committee members? Senator Dungan.

DUNGAN: Thank you, Chair von Gillern. Thank you, Senator Ballard, for bringing this. I just have a couple of quick questions. Big picture, though, why are we hearing this? What does this have to do with taxes?

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BALLARD: This is-- it's very similar to a bill you heard last year.
So--

DUNGAN: But that had a specific provision that was attached that had to do with taxes.

BALLARD: Yes. So you heard, you heard a bill-- this is my, this is my opinion.

DUNGAN: Sure.

BALLARD: So I believe that housing is a-- this is a property tax issue, in my opinion. So we are not going to grow housing. We're not going to reduce our property taxes unless we get more housing, get more individuals into those houses. And so I thought this was a good bill for this committee to hear, and you already have some subject matter over this, over this kind of legislation as well.

DUNGAN: And, and you kind of hit the nail on the head, we did hear a bill like this last year, but that one did include a separate provision, correct?

BALLARD: Mm-hmm.

DUNGAN: So this is a portion of that bill, but not the provision regarding the tax sales certificates and things like that, right?

BALLARD: Yes, correct.

DUNGAN: OK. In addition to that, so there's two different sections of this bill, one has to do with the timeliness and the other is the by right, correct?

BALLARD: Correct.

DUNGAN: So the timeliness portion says that they, whatever permitting authority they're applying to has to respond within 75 days, right?

BALLARD: Correct.

DUNGAN: And then the other portion says they have to say yes if it fits all the zoning regulations, right?

BALLARD: Correct. Yes. [INAUDIBLE] simplifies that.

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DUNGAN: So I'm-- yeah, I'm, I'm just trying to figure out the interplay between the two--

BALLARD: Yes.

DUNGAN: --because if they are-- have-- they have a 75-day window to approve or deny, but then on the flip side, the other part says if you fit all the local zoning regulations, you have a by-- you shall be granted the ability to build. So it's just creating a requirement that they say yes if it fits all the relevant zoning statutes and they have to respond within 75 days. Is that-- am I oversimplifying it too much [INAUDIBLE]?

BALLARD: You might be oversimplifying it a little bit, but you are on the right track. Correct.

DUNGAN: OK. Thank you. I appreciate it.

BALLARD: Yes. Thank you.

von GILLERN: Other questions? Senator Bostar.

BOSTAR: Thank you, Chair. Thank you, Senator Ballard, for bringing this bill. Did portions of this bill originate in previous years under legislation brought by Senator Lowe?

BALLARD: That is my understanding, yes.

BOSTAR: Visionary.

BALLARD: Visionary.

BOSTAR: Thank you.

BALLARD: Thank you.

von GILLERN: OK. Now that we got that out of the way. I have a couple of questions.

BALLARD: Yes.

von GILLERN: The, the matter about, I don't remember which portion of the bill you called it, but accelerating, I'm going to use the term, this is my term, not yours, accelerating or defining the time limit to-- for approvals. In many jurisdictions, zoning required, zoning specifically requires a lengthy process because there's public

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notification, there's multiple readings by a city council or so on. Do you feel that your time limit is within most of the community's time frames on that or is that a problem for them?

BALLARD: It's going to be a problem for some communities. Our communities, it should be fine, Lincoln and Omaha, smaller communities might have a little bit of an issue. But I will say Kansas has passed this with more restrictions, with little to no problems. Oregon, the, the free market capital of the United States, has passed this with little restrictions as well.

von GILLERN: OK. Is this a-- OK, that, that answers another one of my questions and that is, has this model legislation has it used-- been used elsewhere?

BALLARD: It's-- yeah. Yes.

von GILLERN: Yeah. Yeah. Two very different states, as you noticed-- noted. The study that, and this study gets thrown around a lot, and yet I rarely see the back, back up information to it, or the-- how it was arrived upon, about the 24% of a, of a home is due to government regulation and, quite often, that conversation gets into things like codes. Well, it's, it's a building code that you use a certain type, certain size floor joist so the floor doesn't fall in and certain size wire so the house doesn't catch on fire. And I've never really gotten great clarity on whether that's included in the 24%, which it very well should be.

BALLARD: Yes. Yes, it's-- and that's-- and I, I mentioned that a little bit in my open. Some of these are important regulations that we don't want to lose, but at the end of the day, they are still regulations.

von GILLERN: And, and, and I 100% agree, and, and, and I'll take a cheap shot at Omaha for recently passing some more restrictive code items on there for, for their-- supposedly for fire safety, but we're-- added the-- added about \$2,000 to the cost of a home in Omaha, a new home. So I don't think there was a question in that, but I'll let that go, unless you wanted to respond to that.

BALLARD: That seems like a common theme in this,--

von GILLERN: Yeah. Yeah.

BALLARD: --but that's OK, though.

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VON GILLERN: OK. All right. Seeing no other questions, you'll stay to close?

BALLARD: Appreciate it. I'll be here. Thank you.

VON GILLERN: Thank you. We'll invite up our first proponent testifier. Good morning or good afternoon. Good morning, listen to me.

EMILY AMIN: Good afternoon. Members of the committee, thank you so much for the opportunity to testify today. My name is Emily Amin, that's E-m-i-l-y A-m-i-n for the record, and I serve as State Policy Counsel at Pacific Legal Foundation. PLF is a nonprofit public interest law firm that defends Americans' individual liberties when they're threatened by government overreach and abuse. For the last 50 years, we've been working tirelessly both in courts and legislators across the country, and nearly a third of the bills that we have helped passed have related to the issue that brings us here today, which is property rights. Nebraska, like the rest of the country, is experiencing a serious housing shortage. According to the Nebraska Investment Finance Authority, the median price of a home has increased over 21% in the past 5 years. Meanwhile, the median household income has only risen just over 5%. The Nebraska Investment Finance Authority also estimated that the state has a shortage of more than 120,000 housing units. These trends show a growing mismatch between housing supply and demand, specifically in the urban parts of the state. And this is driven at least in part by regulatory delay and uncertainty. LB1094 is an important measure towards addressing these concerns. This bill combines two complimentary reforms that are aimed at smoothing out the approval side of the building process. That way, Nebraskans can have more houses built in a quicker time frame. The first, the first reform is the By-Right Housing Development Act, which is designed to make the process for building a new home more predictable. It does this by ensuring that local approval processes for building projects are being upheld and that compliant projects are not being denied or delayed based on a local official not following their own rules. The second reform is the Permitting Approval Timeliness Act, which establishes clear timelines for a permit decision to be made. Specifically, it requires a decision on permits within 75 days. This is especially relevant since home builders in Nebraska are waiting, are sometimes waiting for permits to be approved for 7 to 9 months. Similar reforms have also been enacted elsewhere with strong bipartisan support. As Senator Ballard mentioned, both Kansas and Oregon have passed the-- a, a version of this act. But, ultimately, together, these two provisions are intended to respect local

authority, while also ensuring that local governments are following their own rules and acting within reasonable time frames. These reforms are accountability mechanisms for local governments, not mandates, and are simply designed to ensure that compliant housing projects are not being unnecessarily delayed. That way, at a time when so many Nebraskans are struggling to find affordable housing, projects that meet municipal or county requirements can move forward without otherwise avoidable delay. This bill helps align the permitting process with that goal and for these reasons PLF respectfully supports its passage. Thank you.

von GILLERN: Thank you for your testimony. Questions from the committee members? Seeing none, thank you for being here today. Next proponent. Good afternoon.

JUSTIN BRADY: Good afternoon, Senator von Gillern and members of the committee. My name is Justin Brady, J-u-s-t-i-n B-r-a-d-y. I'm appearing before you today as the Registered Lobbyist for MOBA, which is the Metro Omaha Builders Association, and HBAL, which the Home Builders Association of Lincoln, as well as Habitat Omaha, and the Nebraska State Home Builders Association in support of LB1094. I was also asked to submit comment in the essence of saving you all time for the Lincoln Chamber of Commerce and the Nebraska Chamber of Commerce and Industry in support of LB1094. I'm going to talk about it in reverse first, as, as the builders and developers that I represent had a discussion on this bill, they, they really focus on the timeline. The time does cost money to them. And when, when projects are taking 6 months, 9 months, 12 months, think of developments, not a house or not a house permit or electrical permit, but it's really the developments, that's adding tremendous cost to those, to those developments, which then go passed on to the homes. As discussions we've had not, not only internally, but with the State Chamber and with the League, is maybe there is a way on this timeline to look at is there a way to decipher between administrative decisions and nonadministrative decisions, i.e., if I meet everything and I bring in-- I'm supposed to bring in a triplicate of this permit and I bring it in, can you check the box and we move on as opposed to-- yes, if I propose an industrial track out here at 17th and K, we understand that that's going to take longer then. So certain on the timeliness, it's all about trying to figure out how we can make this process move smoother and quicker. On the by right is also about, they talked about getting more homes, you know, whether that's accessory dwelling units, whether that is putting a duplex on a lot and being able to move forward and try to increase

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housing in Nebraska. So with that, I'll stop and try to answer any questions.

von GILLERN: Thank you, and thank you for testifying on behalf of other organizations. Questions from the committee members? Seeing none, thank you, Mr. Brady,--

JUSTIN BRADY: Thank you.

von GILLERN: --for being here. Next proponent.

TODD STUBBENDIECK: Chair von Gillern and members of the Revenue Committee, my name is Todd Stubbendieck, that's T-o-d-d S-t-u-b-b-e-n-d-i-e-c-k, and I'm the State Director of AARP Nebraska here in support of LB1094, specifically the provisions contained in the By-Right Housing Act. According to AARP, Nebraska's 2025 [INAUDIBLE] voices surveyed 92% of people aged 45-plus in Nebraska said that staying in their home as they grow older was very or extremely important to them. To do this, we know that they need a range of age-friendly housing options that accommodate their needs, including homes that are structurally and mechanically safe and accommodate individuals with disabilities. AARP Nebraska supports LB1094 because it would cut regulatory tape and we believe allow for the construction of age-friendly housing, like missing middle housing and accessory dwelling units. We often hear about the lack of workforce housing being a major impediment to economic growth in our state, both in our urban and our rural communities. But we don't make the connection that more missing middle housing, like duplexes, can actually help open up more workforce housing. If communities don't have or zoning codes do not allow housing options that fall between the large single-family home and assisted living, then as people age, they'll have no choice but to stay in that large single-family home, even if it's not meeting their needs as they age. Removing regulatory barriers that prevent the creation of more age-friendly housing options will give older Nebraskans the ability to downsize and move into an age-appropriate house and free up that single-family home for a younger home buyer. I'm not blind to the issues of local control that this bill raises. And while I'm sensitive to those concerns, simply put, our state is facing a critical shortage of housing in both our rural and urban communities. In fact, according to NIFA's 2022 Strategic Housing Framework, they said, quote, there are inadequate, safe, and diverse housing options across Nebraska, leading to a limited workforce for employers in less vibrant communities, especially for the lowest income Nebraskans, including seniors. We've

reached a point where state action that creates a level regulatory framework is necessary to help address this critical housing shortage. We thank Senator Ballard for introducing LB1094 and encourage the committee to support the bill.

von GILLERN: Thank you for your testimony. Any questions? Seeing none, thanks for being here.

TODD STUBBENDIECK: Thank you.

von GILLERN: Next proponent. Good afternoon.

ZEKE ROUSE: Good afternoon, Chairperson von Gillern and members of the Revenue Committee. My name is Zeke Rouse, that's Z-e-k-e R-o-u-s-e. I serve as a Policy Fellow and Lobbyist at Spark, a nonprofit organization based in Omaha, focused on revitalizing disinvested neighborhoods through community-centered development. While the roots are in Omaha, Spark's impact is growing statewide. This year we'll be hosting three developer academies across Nebraska in Fremont, Norfolk, and Omaha to help train and equip local developers across the state. I also lead Spark's Emerging Developers Action Group, a network of 119 individuals, all of whom are graduates of Spark's Developer Academy. These are local small-scale developers working to bring housing and commercial spaces to neighborhoods that have historically lacked investment. I'm here today to testify in support of LB1094. At Spark, as mentioned, we work with many developers who are deeply invested in the neighborhoods they serve, but too often the length and uncertainty of the permitting and approval process discourages investment or makes small-scale projects financially infeasible. LB1094 addresses the issue in two key acts. If we truly want to address Nebraska's housing shortage, we need to streamline unpredictable local approvals and we need to ensure that housing can be built everywhere. Not just in areas without the time, resources, or political clout to oppose projects. Too many housing proposals that meet zoning criteria on paper are derailed by unpredictable, unfair, or highly localized opposition. Streamlining by-right approvals would lead directly to more homes being built, which is what our state urgently needs. It also provides an incentive for cities to keep zoning codes current, transparent, and aligned with community goals, benefiting residents, builders, and local governments alike. That said, we also encourage the committee to ensure accountability and balance and implementation. Specifically, the automatic approval mechanism should be coupled with clear standards for application completeness, so local permitting offices aren't unfairly burdened by incomplete or speculative submissions. And

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for by-right approvals, public transparency, such as online posting of submitted and approved projects, will maintain community trust and oversight while reducing unnecessary procedural delays. On behalf of Spark, I respectfully urge the committee to advance LB1094 and help Nebraska get more homes built. Thank you for your time and the opportunity to testify today.

von GILLERN: Thank you for your testimony. Questions from the committee members? Senator Dungan.

DUNGAN: Thank you, Chair von Gillern. Thank you for being here. This is not a gotcha question. I'm genuinely curious. Do you know of any examples here in the state where there have been developments that have been derailed because of the process of the application being denied? I just don't personally know of any examples of that happening. Is this a common problem we're seeing?

ZEKE ROUSE: Yeah, for sure. So like I said, I work with 119 local developers in Omaha, and this is a common issue that they have.

DUNGAN: Is, is the most-- what, what is the most common thing that you see in terms of what causes the derailment or the, the lack of development? Is it the--

ZEKE ROUSE: Bureaucracy.

DUNGAN: Makes sense. But more specifically, is it, is it the requirements that they have to get X amount of permits? Is it being denied because they didn't meet certain requirements? Where along the way--

ZEKE ROUSE: It's mainly the time period.

DUNGAN: OK. So they make the application and then a long period of time goes by before the actual acceptance?

ZEKE ROUSE: That's what we see.

DUNGAN: OK. So is that why the 75 days comes in that you think sort of puts that back into perspective?

ZEKE ROUSE: Correct.

DUNGAN: OK. And I'm sure you heard the earlier question from Senator von Gillern about whether or not that 75 days was ample time to meet

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all of the relevant requirements. Do you think that that window is an adequate, an appropriate amount of time?

ZEKE ROUSE: I think it's an appropriate amount of time, yes.

DUNGAN: OK. Thank you.

ZEKE ROUSE: Thank you.

von GILLERN: Other questions? Seeing none, thanks for being here.

ZEKE ROUSE: Thank you.

von GILLERN: Next proponent. Are there any other proponents for LB1094? Seeing none, are there any opponents? Good afternoon.

DAVID CARY: Good afternoon, Senator von Gillern and members of the Revenue Committee. I am David Cary, D-a-v-i-d C-a-r-y. I am the Director of the Lincoln/Lancaster County Planning and Development Services Department. I'm here on behalf of the city of Lincoln to provide testimony in opposition to this bill. And I want to thank the committee members for some time to discuss this today. Some of the main points that I want to convey today is really that in Lincoln we absolutely understand that we have a role in to being partners with our development community and our builders to help grow our city. And I want to point out that in just the last year we have done some significant change-- made some significant changes in the process as well as the efforts that we put behind trying to get our approval process to improve. That includes providing a free pre-application process to really help all parties involved to get items identified early so that they get, they get resolved and so that the process can move forward more quickly. We have, we have now consolidated our planning department and our building and safety department into the new development services department, primarily to address the topic that we're talking about today. And within that, we are very much focused on trying to improve that process and that time frame. We do agree that time is money when it comes to these projects and, and building construction in our community. We're committed to keep working on this and we will do more as much as we can do. The main goal of this legislation has merit. It is largely to get local zoning and building permit decisions done faster, as well as to grow our housing stock, and we agree with that. What I believe and what the city believes is that we have an opportunity to clarify some language in this bill to better define what some of these items are. We have a

kind of nebulous term housing development. I think it'd be helpful to be more clear about that, and we're willing to help on that. We also think it'd be helpful to better define more precisely what type of housing is covered in this bill. And then specifically there's language in there about the appeals process, going to the district court, I think that that is a-- is something that's already available to applicants and to builders. We think that could be simplified and make more sense in the end. I would also note that the 75-day limit on zoning and building permit decisions may not be feasible for most-- for, for many jurisdictions. I think that's all been highlighted by the conversations that we've had. I think that's something to consider just because of the process is longer for that than it is for the building permit process. I'll finally note that we have had a good conversation with Senator Ballard on this and we are willing and, and look forward to having those ongoing conversations to improve the bill. So with that, I'll answer any questions that you might have.

von GILLERN: Thank you. Questions from the committee? Senator Bostar

BOSTAR: Thank you, Chair. Thank you, sir, for being here. It sounded like there were a few items that you felt should be clarified in the bill. So, hypothetically, if, if you can find clarity around some of those definitions, would, then, the city of Lincoln be in support of the bill?

DAVID CARY: I think it's, I think it's possible that we could get there, certainly, neutral. And the reason why I want to point that out is simply that for us, a lot of what is in this bill is-- are things that we're already working on and, and getting better at. And, in particular, the 75-day subdivision zoning process, we actually meet that almost all the time. There might be the occasional complication that happens there. But I do want to make, make a point, though, that I don't think it applies well to every jurisdiction in the state. That's the [INAUDIBLE].

BOSTAR: So let's say the bill-- I mean, I'm not speaking for Senator Ballard or his legislation, but, hypothetically, if the 75-day requirement was narrowed to only apply to the city of Lincoln, you would have no objection to that?

DAVID CARY: I don't believe I'd have an objection to that because that-- like I said, I, I know we meet that time frame almost always.

BOSTAR: Great. Thank you.

von GILLERN: Other questions? Seeing none, thank you for being here.

DAVID CARY: Thank you.

von GILLERN: Next opponent. Good afternoon.

LYNN REX: Thank you. Senator von Gillern, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We're here today in opposition to this bill. I do want to say that I'm also representing the United Cities of Sarpy County today. They could not send a representative, and that's a letter that's being forwarded to you. I'm going to read a few excerpts from that quickly and then respond to some of the issues that have been raised today. Basically, one of the things that I think is important to note is that the By-Right Housing Development Act eliminates discretionary view by planning commissions, zoning boards, or elected officials, even where site-specific conditions warrant careful consideration. These local review processes are not designed to obstruct housing, but to ensure projects are consistent with adopted comprehensive plans, infrastructure capacity, and neighborhood context while providing transparency and public accountability. This bill, as drafted, has a dramatic impact in terms of public process. And I think one of the things that happens when folks make their investment in a home, that's probably for most folks, their largest investment that they make, and one of things that I think is important to understand is that they ought to have a chance here to weigh in on the various processes. The public hearings that the Legislature has required that municipalities have when they're going to be making decisions. And when it comes to some of the other provisions of this bill, too, I think it's important to note that the 75 days, I'm, I'm pleased to note for Lincoln that it works, it doesn't work across the board for all municipalities in this state. And I think, too, that you're looking here at the situation of basically saying if you meet those requirements, then you just get it. And then you have to require on the municipality to go out and do enforcement and inspection afterwards. And then the bill talks about what happens for compliance if you have to go back and redo something? And some of our building folks are saying, well, it may cost them actually more money to have to go back after the fact. In addition, the standard of review in this bill, I think is pretty unacceptable. And going to-- they can go to the district court right now, of course, but that's why you have various processes on a municipal level right now to deal with some of this. And I just want to underscore this point, too. I do believe that, unequivocally, when you're looking at why we don't have more

housing, let's say west of Grand Island, it has more to do with the fact that, and I fully understand this, why builders don't want to go out unless they're building something that's going to be, you know, 40, 50 houses. That's why you get a Fred Hoppe that goes to Grand Island, Nebraska and does that. Fred Hoppe is not going to go to Minatare, Nebraska and build 50 houses. But we do think NIFA, we want to commend NIFA on some really innovative things they're doing on modular housing. We think that's critically important. It's going to be a game changer for our smaller municipalities. But how that interfaces with this proposal, it just doesn't work. Just indicating what Justin Brady said, we do think there's some accommodations that can be made for the ministerial-type decisions to improve this bill. But, again, what the kinds of standards you look at for the larger communities versus the basically 528 other municipalities across the state are drastically different. So with that, I'm happy to answer any questions that you might have. We do think-- we're happy to meet with Senator Ballard and others and work on improving this bill, but we do think the shot clock just doesn't work across the state.

von GILLERN: Thank you for your testimony. Questions from the committee? Seeing none, thank you for being here.

LYNN REX: Thank you for your consideration.

von GILLERN: Next opponent.

BLAIR MacDONALD: Chairman von Gillern and members of the Revenue Committee, my name is Blair MacDonald, spelled B-l-a-i-r M-a-c-D-o-n-a-l-d, here on behalf of the Greater Nebraska Cities in opposition to LB1094. The Greater Nebraska Cities is a municipal association representing the cities of Aurora, Gibbon, Grand Island, Hastings, Holdrege, Kearney, Lexington, and Minden. The Greater Nebraska Cities supports efforts to develop more affordable housing in Nebraska and would welcome discussions with developers interested in our communities to the table. As a group, however, they have concerns with LB1094 as drafted, which is why we appear in opposition today with many of the same concerns that we had last-- with the bill LB485, LB458, excuse me, from last year. We are concerned with some of the timing definitions of the permit application period in the bill. For example, the city of Grand Island can generally turn a permit around in 2 or 3 weeks. Larger projects sometimes take longer to approve if there are corrections that need to be made before the permit can be issued. Marked-up plans are returned in that 2- or 3-week period to the applicant as soon as revised versions are received at the city,

they are reviewed as soon as possible. On occasion, there may be several cycles of this as the plans are revised and finalized. That often happens because the plans as submitted were not complete, not complete enough to issue a permit. But the bill doesn't make clear within the initiation of the application or the application process when the 75-day deadline would come into play. City and planning staff are working with and providing feedback to an applicant to help them throughout the entire process, but it isn't quite clear also what would be deemed a complete application or plans. Would that be an issuance of the approval or denial under this bill? It's, it's not quite clear. And the sort of cycle of going back and forth on revising plans could also generate additional fees and take longer than the 75-day period although we do appreciate that this version of the bill has an increase from 60 days to 75 days for that process. But our most significant concerns are with the By-Right Housing Development Act preemption is how, how we see it. The definition of by-right housing is problematic and it does not address the need to meet minimum building codes. Section 3, as was referenced by Ms. Rex, wouldn't-- would: All proposed by-right housing developments shall be approved by right, without the need for the discretionary review or approval by any planning commission, zoning board, or other regulatory authority. This provision does not seem to take into account existing zoning and land use regulation, subdivision approval, capacity of the municipality to serve the property with utilities, which would all need to be a part of the review process. The bill also creates an alternative definition to ADU from what already exists in statute in the Municipal Density and Missing Middle Housing Act. So for a lot of these sort of definitional and timing issues, logistical concerns, we felt we needed to express our concern with the bill to you today and our opposition to LB1094 as drafted.

von GILLERN: Thank you. Any questions from the committee? Senator Bostar.

BOSTAR: Thank you, Chair. Thank you, ma'am. I'm not familiar with the Greater Nebraska Cities organization. How, how, how long has it been around?

BLAIR MacDONALD: We've been a municipal association since 2017.

BOSTAR: OK. Can you name the cities again?

BLAIR MacDONALD: It's the cities of Aurora, Gibbon, Grand Island, Hastings, Holdrege, Kearney, Lexington, and Minden.

BOSTAR: What's the, what's the function?

BLAIR MacDONALD: Lobbying all of you.

BOSTAR: Sure. I caught that. What, what isn't being provided by, for example, like the League of Municipalities that this group is-- what's the gap trying to be filled?

BLAIR MacDONALD: We think-- I mean, I think-- I don't, don't want to entirely speak for my city administrators and, and managers and mayors, but it's just another opportunity to have a more one-on-one kind of discussion about legislation that's going through the Legislature and discuss what a [INAUDIBLE].

BOSTAR: So just another-- are they also-- are these cities also members of the League of Municipalities?

BLAIR MacDONALD: I believe so.

BOSTAR: So they're just, just doing it again. Hey, that's cool. Thank you.

von GILLERN: Any other questions? Senator Ibach.

IBACH: I'll ask one. Thank you, Mr. Chair. Because you represent cities and municipalities kind of in, in my district but also in my area, what do you think would be the biggest housing challenge as far as construction and, and, and the goals of this bill? What do you think would be the biggest challenge with-- because you're in opposition, how would you come in and say we could support or come in neutral if this were to occur?

BLAIR MacDONALD: Well, I, I, I also had a conversation with Senator Ballard earlier today about some of these things. And I think our opposition really boils down to, one, I think the timeline will be difficult for some of our city planning departments. But, two, there just needs to be a little bit more clarity around different definitions in the bill. And so really talking about what permits, what permits would fall into this category that would be a part of as Ms. Rex referred to as a 75-day shot clock and how that would affect the different processes for zoning or different ordinances. But we do kind of feel like they're-- and, again, definitionally, it's a little bit of a mixed bag in terms of some of the things that we are already doing process wise, as well as some of other existing statutes, like we kind of have to deal with in terms of the Municipal Density and

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Missing Middle Housing Act for the Urban Affairs Committee reports that we do every 2 years.

IBACH: Well, thank you for working with Senator Ballard on it because I think that will strengthen the, the language in the bill. Thank you, Mr. Chair.

von GILLERN: Thank you. Any other questions? Seeing none, thank you for your testimony. Next opponent. Good afternoon.

ERIC ENGLUND: Good afternoon, Chairman von Gillern and senators of the Revenue Committee. I am Eric Englund, E-r-i-c E-n-g-l-u-n-d, Deputy Planning Director for the Omaha Planning Department. The city of Omaha is in opposition to LB1094. While it is believed the intent of this bill is aimed at expediting the review and approval process for housing development permits, Omaha is strongly concerned that the 75-day timeline in the bill is not only for building permits, but also the entitlement and platting process. Regarding the permit denial process outlined in the bill, Omaha has existing established boards for appeals with the option for an applicant to take a denial to district court afterwards, making this section of the bill unnecessary from our perspective. Of lesser concern, we also believe that the housing use type definitions described in the bill could be improved. To elaborate further on the 70-day permitting-- 75-day permitting timeline, if it is the intention that the platting and entitlement processes are included within this duration, Omaha has major concerns, as this would not allow the ability to comply with the authority given by existing Nebraska state statutes for such processes. Specifically, there are a required number of public hearings and notification timelines to adjacent neighborhoods and neighborhood associations. Sure, if you are talking about building a single-family home or an ADU on a site, that might only require a simple lot line adjustment or rezoning, the 75-day timeline is possible. However, for large projects with several more residential units, this timeline is simply not feasible. These projects, whether it's a new subdivision in suburban Omaha or a large apartment infill project downtown, are more complex with required review of sewers and utilities, new streets, and several other components. Adoption of this bill would likely have unintended consequence of more housing projects being denied due to the requirement of the city needing to take action before expiration of the 75 days. Another potential negative impact involves concerned neighbors of projects, your constituents who frequently state at planning board meetings that they don't currently have enough time to review projects. This expedited timeline would completely eliminate

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any possibility for a project to be laid over by the planning board or city council to allow additional time for the developer to meet with neighbors. While the city recognized the great need for additional housing units and the importance of working with developers and buildings-- and builders to keep projects moving forward in a timely manner, we believe this bill misses the mark. Omaha believes that we do an excellent job in processing housing developments in a timely manner and believe it is important for us to maintain local control in our review and permitting processes. Thank you.

von GILLERN: Thank you for your testimony.

ERIC ENGLUND: Yep.

von GILLERN: Questions? Senator Ibach.

IBACH: Thank you, Chair. I have-- just have one quick question. What's your average time to approve a building permit right now? I know they're very diverse, you go from multifamily to single family.

ERIC ENGLUND: Sure. If we're just strictly talking building permits, that's not a matter. For a single-family home, I would say 2 weeks is the average. For an apartment complex, you know, that could be 4 to 6 weeks. It depends. Sometimes if, you know, that was spoken earlier, if there's any revisions or items that would need to be addressed. But if we're talking strictly single-family home that already has a platted lot, it's 2 weeks. That's not the concern. It's the, the entitlement process.

IBACH: And there's certainly a lot of those going up in Omaha.

ERIC ENGLUND: Yeah.

IBACH: OK, thank you. Thank you, Chair.

von GILLERN: Other questions? Senator Boster.

BOSTAR: Thank you, Chair. Thank you, sir, for being here.

ERIC ENGLUND: Yeah.

BOSTAR: So you brought up some consistent concerns relating to, I think, specificity around definitions, and so I'm sure that that can be looked at. I just-- it was interesting that the city of Lincoln came in and said that they can work with a 75-day timeline and the

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city of Omaha cannot. What is Lincoln doing so much better than Omaha and why?

ERIC ENGLUND: Well, I can't speak for what Lincoln is doing. I can only speak for what Omaha is doing, but, you know, the entitlement process, whether it's a new neighborhood, whether it's a, a large apartment building, which we have many of them going up, obviously, our process allows for flexibility. If you were to just submit a project that had to meet the zoning code as is, many of those great apartment projects that we're building in downtown and midtown and throughout neighborhoods throughout our city would not have that flexibility based on the zoning code as it is right now. We are up-- we are in the process of updating our comprehensive plan, which will be finalized here in about a year from now. And we will lead straight into a, a completely updated new zoning code. So hopefully some of those can be adequately addressed. But, obviously, with Omaha in our jurisdiction, the size of about 240 square miles in our ETJ, there's not a neighborhood to neighborhood that is, you know, completely-- obviously, we have similar areas but it's, it's challenging to write code, as you all know, and, and write bills. So, you know, accounting for those differences throughout our city and ETJ is, you know, it's vital. And, and so to have that one catchall code is, is challenging.

BOSTAR: I mean, the city of Lincoln, to be fair, has a lot of different areas, and it's a complex city as well.

ERIC ENGLUND: Yeah.

BOSTAR: Well, I guess I would just encourage you, maybe there are things you can learn from Lincoln and Mr. Cary was here. Perhaps check in with him and see how Omaha can kind of get up to the standard that Lincoln is clearly embracing.

ERIC ENGLUND: Oh, OK.

BOSTAR: Thank you very much.

ERIC ENGLUND: Yeah.

von GILLERN: Any other questions? Seeing none, thank you for your testimony.

ERIC ENGLUND: Thank you.

von GILLERN: Any other opponents? Good afternoon.

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JON CANNON: Good afternoon, Chairman von Gillern, welcome back.
Distinguished members of the Revenue Committee, my--

von GILLERN: Sorry, I missed you earlier.

JON CANNON: --name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the Executive Director of the Nebraska Association of County Officials, here to justify today in opposition to LB1094. Appreciate Senator Ballard bringing this bill. These are always good conversations. We usually have them in Government, but, you know, we had this conversation sort of last year with-- in the Revenue Committee, so I certainly understand why, why we're back here to talk about this. I'm going to be more philosophical in my remarks. I mean, I, I could get into specifics and say, you know, you clarify this and, and we're-- you know, it tends to move us more toward neutral or anything like that, but, philosophically, what, what do we have planning and zoning for? I have always understood it that, that the role of a planning and zoning board and thereafter a county board is not to say what's allowed or not allowed, it's more to say where are we going to put the stuff that's legal, right, where, you know-- and, and just as, for instance, in, in Buffalo County, they haven't outlawed wind energy, wind farms, but they have said, hey, by the way, you can't go on the flyway for the Sandhill cranes because we really like those. That's legit. They're not outlawing wind energy but they're saying there's an appropriate place to put all that stuff. Put another way, the goal is not to hinder development but to plan it responsibly. And, you know, so, so things like by right, things like a shot clock, those sort of fly in the face of measured and responsible planning. There, there's always been a dynamic tension between having statewide standards or kind of an anything-goes mentality. If you, if you start militating more toward a statewide standard, then the Revenue Committee or the Government Committee or whatever committee gets to hear the, the bills that come afterwards, you guys essentially get to sit as a super planning and zoning board. And after talking to my friends in the planning and zoning community, believe me, you don't want those calls. They get pretty heated at times. When you start moving more towards anything goes and kind of having more relaxed standards, you end up with dive bars next to churches or dive bars or worse next to churches. And if you don't believe me, go to the city of Houston. You know, local decision-making has proven to be the best way of resolving that dynamic. And so, you know, we, we favor the, the system that we have currently. This bill probably goes a little bit too far. Again, philosophically, happy to have a conversation with proponents of this bill. One other thing I would like to add is that the timelines simply

don't work for the smaller communities in our state. Smaller counties, some of those boards meet one time a month and that's it. And the 75-day shot clock doesn't really give you the time to really dive into a particular issue. And so with that, we would commit to working with Senator Ballard and other folks that are interested in moving this bill forward. I'm happy to take any questions you may have.

VON GILLERN: Thank you. Questions? Senator Jacobson.

JACOBSON: Well, I just want to hone in on your last comment and, and it kind of infuriates me because smaller counties, if you want to grow housing, then you need to make accommodations for developers to make that happen. And this idea that we only meet once a month or every other month, change that policy and meet as needed. But, but this is crazy when we're trying to make up housing shortages and we have bureaucrats that won't make accommodations to make it happen. So my encouragement to the League would be or to NACO would be let your members know that you do work for the taxpayer and if we want to lower property taxes we need to get a bigger base and we do that by growing our communities, growing our counties, and that means roll up our sleeves to do what we have to do to make it happen. The successful counties make it happen because those are the things they do so I would just encourage you to send that back to your membership.

JON CANNON: Yes, sir, I certainly will.

VON GILLERN: Other questions? Senator Bostar.

BOSTAR: Thank you, Chair. Well, I mean, completely agree with what Senator Jacobson. You, you talked about sort of inappropriate uses ending up in proximity, you know, I forget, it was bars next to schools or something like that, and, and you referenced Houston, but, but this-- I mean, that's all related to zoning, and nothing in here would prohibit local entities from exercising sort of zoning decision-making or am I misunderstanding it?

JON CANNON: And, again, Senator, and I'll apologize for misspeaking, I was, I was referring really more, more philosophically and I said, you know, when you're, you're more anything goes, then you have that, that-- those are the things that tend to happen. You know, when you're, when you're way too strict and you've got something that's a statewide standard, you know, that's when you guys-- and, and that was really only intended to address kind of like, you know, these, these are the, the big picture. And, and again, I, I didn't want to address

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anything specific and say change this line or do that line. It was more just philosophical.

BOSTAR: Sure, because the way I see it-- because I agree, if you look at Houston, there's some creatively [INAUDIBLE] decisions being made. But they functionally don't have zoning, right? I mean, they, they have kind of a different system, they don't really have zoning, but nothing in here would prevent cities and counties from exercising zoning authority to say this kind of use has to go here, this kind of use has to go there. Right?

JON CANNON: No, I, I agree. And, again, just-- it was the philosophical comment that, you know, if you're, if you're a laxer or if you're requiring something that's more of a statewide standard, then, you know, those are the directions that, that those, those conversations typically go.

BOSTAR: Perfect. Thank you.

JON CANNON: Yep, thank you, sir.

von GILLERN: Any other questions? Senator Dungan.

DUNGAN: Thank you, Chair von Gillern. Thank you for being here. And this may be a little more in the weeds than your testimony was, and if it is I apologize and I can ask somebody else. I'm still grappling with the legislation itself and to understand kind of the impact this is going to have on the actual processes. So obviously what this is essentially saying is if you are-- if you have a single-family dwelling or a housing development and you meet all of the zoning requirements, you by right shall have that granted. What else is there-- like that seems like that already would be the case. If you meet all of the zoning requirements you would be granted unless there are other things out there that you're not satisfying. What are those other things out there that you're-- that this would be circumventing that you'd have to satisfy in order to have that development granted?

JON CANNON: And just since you already gave me the out, sir, of saying I'm not the person to ask, I'll, I'll say that I'm probably the worst person to ask in this room.

DUNGAN: OK, I'm just trying to figure this out because it seems to me like this is saying if you meet all the requirements you're good to go, which to me would already be the case unless there's some other reason not to develop that development, that land, that house. And so

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does this, then, circumvent those other requirements or-- that's, that's-- for anybody else in the audience who maybe wants to talk to me about this, that's what I'm trying to understand is what is this circumventing, because the answer is something or else this wouldn't happen, this wouldn't exist.

JON CANNON: We do, we do have the public notice requirement that exists for anything related to planning.

DUNGAN: OK.

JON CANNON: And so the-- that's when the community gets an opportunity to say, well, you know, gosh, we-- even though we may not have, you know, something that, that specifically prohibits this from being in our neighborhood, we really don't want it here, you know. And, and, again, should, should the, the community be able to come together and say we're going to make sure that, that a certain legal use of property is, is not allowed? Probably not. But it's something that the community should be able to have some input on. And so by circumventing the, the public, you know, the ability for the public to weigh in, I, I, I think that is problematic.

DUNGAN: OK, and that's--

JON CANNON: But I'm-- again, I'm the worst person to ask.

DUNGAN: And I appreciate that answer. And I-- I'm just trying to fully understand that. So I appreciate your testimony. I think it's an interesting conversation. Certainly, I think we all agree we need more houses being built and housing units being built in all capacities. On that, we all agreed. It's just a matter of how do we get there, so. Thank you, sir.

JON CANNON: Yeah, 100%. I mean, I agree with Senator Jacobson, you know, that for all, all the counties, except for Lincoln County in his district, by golly, they, they really need to have more people and more housing out there. Absolutely.

DUNGAN: Yeah, thank you, sir. I appreciate it.

JON CANNON: Yeah, thank you, sir.

von GILLERN: Senator Bostar.

BOSTAR: Thank you, Chair. Sorry, real quick. Just sort of to follow up on Senator Dungan's questions. Are you aware that there are opportunities within the development process where denials can be issued purely on a discretionary basis, where you have checked every box, you have complied with every regulation, every law, every code? But there are just opportunities for people to say, well, I don't feel like you should be able to build that, and that can stop a project.

JON CANNON: You know, again, Senator, and, and I, I apologize profusely, I'm, I'm the worst person to ask that question of. I, I, I, I think the actual planning zoning directors would probably have a, a much better answer than I would. I, I can tell you the things that I've, I've heard in the wind, and that, that's probably the, the least compelling testimony that anyone could offer in this room.

BOSTAR: Thank you.

JON CANNON: Yes, sir. Thank you.

von GILLERN: Any other questions? Seeing none, thank you for being here.

JON CANNON: Thank you very much.

von GILLERN: Any other opponents? Seeing none, anyone who would like to testify in a neutral capacity? Seeing none, Senator Ballard, as you come up to close, we had letters for the record, three proponents, one opponent, and zero neutral.

BALLARD: Thank you, Chair. Well, I appreciate everyone coming in and, and testifying, those in support, those in opposition. I appreciate everyone [INAUDIBLE] beforehand. I'll just make a few comments, appreciate the city of Lincoln, Mr. Cary, I agree he is working to get better. And, yes, we can work on some definitions about multifamily use-- that, that-- I'm amenable to that. That makes, that makes sense. It's an interesting perspective of-- I always come from the mindset of what's good for Lincoln is good for the state. I'll have to think through about including our largest cities in, in this, because this is where-- in my opinion, in Senator Jacobson's district, if you want to build a house in Senator Jacobson's district they're going to figure it out. It's not the case in Lincoln and Omaha that I have heard from my home builders and my constituents. They-- people want to build houses and they're having to jump through every regulatory hoop, months and months and months to make that happen. And I think the

League correctly pointed this out, it's a discretionary review. It is that you fit all the boxes, Senator Bostar mentioned this in his questioning, you check all the boxes and a planning commission or a member of the county board of city council come back and say this is not-- you, you can't build because it's my opinion, it's a discretionary review. And in some cases, a lot of my constituents can't vote for those individuals. So that's, that's not a subject here, though. Statewide framework-- again, Blair MacDonald, understand the, the, the conversation I had with the chair about zoning and building, I think there's a path forward there on the, the shot clock provisions. But I want to talk a little bit why this is important to me. This is actually-- I went through this process a number of years ago. It was probably the worst process I've ever went through, trying to, trying to build a structure on land I already owned. It was a terrible process, took months, had to hire attorneys. Before we even put a shovel in the ground, I was already out-- we love attorneys, Senator Jacobson, I love attorneys-- but I was already out a significant sum of money. And that's the problem where we are running into is small developers maybe can't afford those attorneys, homeowners can't necessarily afford those attorneys, and so we are artificially blocking people from building, building homes. So that's why it's important. I, I hear from constituents. It was actually funny, I was, I was out for a walk walking my dog the other day and a random neighbor came, came up to me-- it's-- I'm surprised he recognized me, it's probably the 38 pieces of mail I sent out last year with my face on it, but he recognized me and said this is a problem that I am, I'm having in, in my area. This is a problem, I can't build this house. He worked in the industry and said I have gone time and time and time again and has taking me 8 months to build a home and so before even putting a shovel in the ground. And that's a problem our constituents are facing. And I think Senator Jacobson could probably close for me on this bill, I think that's exactly right. We are not going to fix our property tax problem if we don't figure out this piece. If we don't build more homes, grow our base, we're not going to fix our property tax problem. And so with that, I'd be happy to answer any questions.

von GILLERN: Thank you. Questions from the committee? I just had a couple and I hope I have a question here, not just a comment. The, the process that you described I spent 40 years doing--

BALLARD: It's not fun.

von GILLERN: --in my previous career--

BALLARD: Yeah.

von GILLERN: --and so I, I have a, a, a point of relevance in this conversation. I also have a great respect for what the city officials do and the reasons that those codes are there and what they accomplish. And I think we can all think of different-- and I don't know anything about Houston, but we can all think of communities where, where zoning has not been effectively applied or codes have not been properly applied that are a complete disaster because of that. And, and so somehow we need to strike a balance here. I understand exactly what you're trying to do. I'm a proponent for what you are trying to accomplish and it'll be, it'll be interesting just to see as you work with some of the opponents to, maybe, work out some of the bugs to make it work, so.

BALLARD: Yes, I'm convinced of the path forward, willing to work with anyone on this issue.

von GILLERN: Yeah, thank you. All right.

BALLARD: Thank you, Chair.

von GILLERN: Thank you for your testimony. That closes our hearing on LB1094 and we will open on LB920 and welcome up Senator Spivey. Good afternoon.

SPIVEY: Good afternoon, late afternoon, Chair von Gillern and Vice Chair Jacobson and members of the Revenue Committee. I think I'm your-- between you and going home for the day. I'm the last one, so hopefully this is not painful. I know it's been long days for us coming back. I am Ashlei Spivey, A-s-h-l-e-i S-p-i-v-e-y, representing in the great District 13 in northeast and northwest Omaha. I want to start as we go through this hearing on LB920 and make sure it's clear and on the record upfront, because we'll have lots of conversation, that this is not how I feel about cash devices. Me bringing LB920 is not a reflection of how I feel. I don't support gambling, I myself don't gamble, but that's not my decision and role as a policymaker. I really want to make sure and have spent a lot of time working on LB, what is now LB920, to ensure that there is proper and appropriate regulation while still allowing the industry to operate. And so LB920 is a reflection of that. The conversation today that we will have is a reflection of that. It's about providing more safety, transparency, and accountability. It is not a reflection on how I feel. So I just want to make sure that was clear and on the record before we get

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started. You have a packet of information in front of you. I will go over some of that. It has an overview of the data. It has the last reports from Department of Revenue. It has some just good information that you can peruse as I go through my opening. So I want to give a little bit of a quick history on cash devices. Again, this is in your packet so that you can-- we can kind of ground ourselves in this. I did spend a lot of time in the interim with Chair Holdcroft on this on the General Affairs Committee that's where my LR was referenced as well as Senator Hughes and so I just want to thank them and appreciate their work on this and so this kind of brief history is hopefully to also provide some grounding to this committee as we are taking LB920 up here. And so skilled devices or you'll see cash devices, interchangeably, were legalized in a limited context in '97. In 2007, there were about 430 skilled games in Nebraska. And then there was a big Supreme Court case in 2011 that really decided that skilled games and how they're regulated are not the same as slot machines and casinos, that you, that you gain a skill. And so how they were permitted and the, the governance of them is a little bit different and that Supreme Court decided that. By 2016, there were a number of cash devices in Nebraska that just increased to over 1,600, and in 2019, LB538 established criteria to define and start to try to track the cash devices. By 2023 there were almost 4,000 devices across the state and they could be found in over 80 counties and then in 2004, prior to me coming into the body, LB685 passed which established, most notably established a central server to track the devices, track the cash and revenue that was actually coming in. And it implemented the 5% tax, which took effect in July 2025. And then in fall of 2025, that is when I had my LR218, which you do have a copy of, which really came from a place of inquiry to better understand some of the concerns that I heard from constituents in District 13 around age verification, marketing, supervision, and then pieces of the tax. And so in terms of understanding the actual devices, as of January, 2026, there are approximately 6,000 across the state of Nebraska. They're in 91 of the 93 counties. Just for comparison, a lot of the conversation even though they were ruled different than slot machines, they usually are compared to slot machines, like, where do you see these items where people are wagering? And so in Nebraska, there are approximately 2,800 slot machines. We are at almost a little over 6,000 cash devices. And so we'll talk a little bit more about some of that comparison, too, you also have a chart in your packet. And so when we looked, my office looked, over a kind of 10-year period of growth for these devices, it's about 14% is the average. And so you can estimate that if we continue to grow at this pace that we will see by 2036, 22,000 devices

in Nebraska. Think about the new Buc-ee's that was announced coming from Texas. Those places are about 75,000 square feet. And so based on our legislation and how it's written, if you have different operators within that space, they each could have their own cash devices up to 15 because of how large it is. And so, again, I think that this is an opportunity to ensure that we are regulating them properly, what we want for the state around these cash devices, and ensuring that there is safety, transparency, and accountability. And so I was first introduced to cash devices, my husband and I had a brick and mortar restaurant, it's in the heart of, actually, Senator McKinney's district just right around the corner from mine, and we were in a food hall. And my husband runs the restaurant day-to-day. I say I'm his glorified secretary, so I just do his invoices and operations. And so he's there every day, and we were-- he was approached to add some of these cash devices into the restaurant, because they know that-- I guess, wanted to offer it to small businesses. And so he came home, you know, hey, babe, there's these slot machines that are coming. I don't know. And I'm, like, what are you talking about, right? Like, I don't know, how-- did we make ourselves today, right, like those are the things I'm focused on. He was mentioning these to me. And so then when I started knocking doors on my campaign, stopping at businesses, talking to business owners, I saw the cash devices that he was mentioning that wasn't really clear popping up across my district. And, and that concerned me because of the associated behaviors that I saw at these businesses when I was there. And so my LR218 was to really ground me and our colleagues and our body in that-- in this seat. I, I really wanted to ensure that we could ask questions around where they come in, what is the density, what is revenue. Again, trying to remove my perception and really be rooted in the facts. And so that is what that LR sought and the questions that it sought to answer. And, again, I thank Senator Hughes for working with me on that. Some key findings from that LR was that the industry is growing rapidly. They have a strong revenue performance outweighing their projections from the original bill in 2024. And that they're, in general, they are maintaining compliance, that they are adhering to the compliance that is set. What we found was that there was an opportunity for meaningful guardrails around age verification, supervision, consumer protections, and really making sure that we are not creating risks comparable to other forms of wagering. And so from that LR, we learned around updated financial information, the average net operating revenue was significantly underestimated by LB685. The actual revenue projections are exceeding by 235.5%. Thanks to the central server, we can ensure that the revenue is properly accounted

for, including that this revenue is secondary to that business. So if I own a gas station and I have cash devices, it is secondary revenue and cannot exceed over 40% of my total revenue, which I did speak to Department of Revenue. They are going to start to look at and enforce because it seems that certain cash devices and, and business owners are exceeding that 40% allocation within statute. The central server compliance is high. That was another finding from the LR. The central reporting system is live. There were a few hiccups, I think, starting out like any big infrastructure and technology project. There's a small number of devices not yet connected. And it's about \$1 million to maintain on the state's responsibility side of the central server. And so originally through my LR, we, my office, estimated that it was about \$500,000. After talking to Department of Revenue, it's about \$1 million. There's a couple of requests in Appropriations, my committee, around the cash portion of that, and I do have an amendment to address to ensure that Department of Revenue has what they need to operate. So not at that \$500,000 mark, but that \$1 million. And so I have been working with them to ensure that they are able to do what they need to do. The LR also found the age verification and supervision gaps. And so machines cannot verify player age. And there is lack of verification for on-site monitoring. And so during the LR, there was testimony that there is technology that is available that can allow for that verification through automation versus having an on-site attendant. I did have Chair Holdcroft of General Affairs out to District 13 on 72nd and Ames. I have a Baker's, a laundromat, a vape store, two other laundromats, and a Mega Saver in a half-mile area that all have cash devices. And so we walked that area and we visited all of those places so that he could see people playing games. There were folks standing outside of those establishments that were asking for cash and went directly into play, people that were not using the establishment for their intended purpose only coming in to do wagering, and so we really got a chance to see and talk to people at those businesses how age verification are not happening, and that's what we discussed and came out of that LR as well. And then, lastly, the marketing. And so you do have in your packet a picture of Anytime Laundry in my district, that 72nd and Ames corridor of the marketing, they have a full window sign that says win big cash prizes as well as, like, the flying flags as well. And so that is consistent throughout the places that I have visited, the type of marketing. And so my bill further regulates that of what seems more appropriate to ensure that it's not targeting minors, as well as, as not creating undue hardship around the implications of having these devices in these businesses. And so there was also multiple testimony at the LR from industry

experts that talked about how consumers can often not distinguish what we-- what has been deemed as skilled games from other types of wagering or gambling. And so the experts there testified that the social cost is pretty high for these games. And you will hear from some folks today around the impacts around compulsive gambling and what does that look like on our state, because consumers are not able to distinguish that and why the marketing and advertising is also a really important piece to that. So that brings me to key provisions of LB920.

von GILLERN: Senator Spivey, can I interrupt you for just one moment?

SPIVEY: Yes.

von GILLERN: I'm sorry. I have to leave to present in another committee.

SPIVEY: No.

von GILLERN: I'm going to hand it off to Senator Jacobson. I'll let you wrap up your comments. I want to thank you for bringing the bill.

SPIVEY: Of course, Chair.

von GILLERN: You and I had great productive conversations on this. Thank you.

SPIVEY: Yeah, good luck in your hearing.

von GILLERN: Yeah, excuse me.

SPIVEY: Now, I've got you. Thank you, Vice Chair Jacobson. I'm just kidding. I love working with you, Senator Jacobson. So now this gets to, like, we've grounded ourselves, how we got here. This is around the key provisions of LB920. So there are supervision requirements. This requires a physically present attendant capable of actively supervising play. And this will start in 2026. You have a news article of a laundry mat along with pictures where there was actually a break-in. So a lot of the laundry mats that have the cash devices are operating 24 hours. There may be a camera or surveillance there, but there's no one there monitoring. This place said that they had a camera, but it seemed as if no one was monitoring because a break-in happened and no one came. And so the person that broke in, they were in the laundry mat. They broke into a device. They stole upwards of \$12,000 from that device. And that's-- you can see that, how that

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laundry mat was set up. The first kind of laundry mat area is not used. It's actually partly boarded up. The second part of the laundry map has newer laundry systems, the washer and dryers. And then there's an additional room that has all the cash devices. That's where that incident happened and I took pictures of that so that you could see. So the supervision requirements are there. Then there's also the electronic age verification for the technology, again, automating that, that takes place by 2028. There are advertising and marketing limits so, again, I have pictures of kind of the full wall of windows of advertising, the flying flags. It limits that to the poster size that can be placed for these businesses as they talk about having cash devices to be able to be operated. Next, LB920 enhances oversight and enforcement. So it allows for the Department of Revenue to have more appropriate authority around device locations, how they operate the auditor-- how they audit the operator, excuse me, review the contracts, and impose any administrative penalties for noncompliance as they so see fit. Department of Revenue is the right person to be able to provide that, and I want to make sure that they have the runway within legislation to put the appropriate guardrails there. And then, lastly, what I think you'll hear mostly about from people today are the tax components. So it does update the tax structure and revenue distribution. You all may remember I had a, a specific tax bill-- don't ask me that number, I don't remember-- last year, that was in front of Revenue and I talked to Chair von Gillern and we decided to wait to see what the report came out from being on the central server, where that was. And, again, I did the LR. And so that bill will peacefully rest here in committee. And now we're taking up this bill that has the tax reallocation. So the last two things I want to get to before I open it up for questions was just addressing a few items in the fiscal note if you had a chance to look at it. So the reason that we calculated for the 2026 tax revenue to only be \$12 million is because the tax didn't come effective until late January-- July, excuse me, early April, so it's a partial amount. So Nate in my office, who is great with the numbers, started to run a kind of an analysis around that. And we estimated about \$20.4 million actually versus 17.2, because those first quarter numbers didn't count for about 2-plus weeks or 15 days. That was due again to the implementation delay, making sure all the kinks were worked out. And so the quarter 3 numbers that you all have in that chart only reflect about 76 days of the tax as opposed to a full quarter. Finally, the fiscal note has a note about the Child Care Development Block Fund [SIC], and I think there was some confusion on that. We have talked to Fiscal. I'm not touching the cash fund for the block grant. My bill

creates a new cash fund so that some of the tax revenue is diverted. It's not changing federal funds and not changing how the block grant runs. It's just diverted some of that tax revenue with the increase that I am saying to go there. And so we did let Fiscal know, and talked to them, and I think that cleared up some of the confusion. And then, lastly, before I open it up for questions, I really want to just talk to what I know some of the opposition will say. I try to be really collaborative, that is my approach. Hopefully, you all as my colleagues feel that way. And it's no secret around this bill, I've had my tax bill that was here before, I had my LR, and I've always opened up to say, hey, even if we don't disagree, what does it look like to work together to see if there is a happy middle? And so there were three folks that pulled me this week. Just one earlier today and two earlier this week to tell me that they were coming in opposition as a heads up, which I can appreciate. And there was also no compromise. Hey, this part of your bill I don't like and this is what I would like to see. That has not been brought to me at all yet. Also in the interim, I worked with-- one operator stopped by my office. We set up a meeting. We discussed the bill. But, again, there was no follow up around, hey, this is what we would like to see and so I am open to working with the operators and folks on this. I have made that door open and made that very clear with no additional follow up. The work has been through stakeholder meetings, as I mentioned earlier, with Chair Holdcroft, Department of Revenue, and then now Chair van Gillern on this bill. And so I think kind of the biggest opposition that I have heard in my limited conversations in reaching out was that this bill is going to drive businesses out of operation. A lot of small businesses are leveraging this. And I would say that any store that would go out of business if they lost this wagering revenue is admitting that they're not really an enterprise, but they're a casino with a gift shop, right? So in, in all seriousness, I have worked really hard and created a policy agenda that is rooted in supporting small business. Coming into this body, that is what I have brought and introduced is the work that I did outside of the seat. I myself am a small business owner and I understand how hard it is to make ends meet and actually turned down having these devices in our brick and mortar because it didn't align, and I didn't think it was appropriate. But, again, if someone chooses to, that's their business and it should be, it should be regulated properly. I have spent my time on Appropriations since coming into this body working on balancing different interests with limited funds. Since coming into Lincoln, I've introduced legislation around a dedicated economic development task force that I'm proud to work with Vice Chair Jacobson and Senator

Ibach on looking at reducing burdensome red tape for forming new LLCs. I have that bill in this body now. I had a bill last year to form an office in the executive branch around business and innovation also looking at securing grants and supports of small business, so I think my track record really speaks for itself that I care about small business. I care about economic development. However, I do not believe cash devices are a strategic intervention or policy approach to supporting small business. I want to make sure that is clear. The tax and regulation of this bill is making sure that the social cost of cash devices is balanced. And that's what I have brought before you today in LB920. A balanced approach that I think is commonsense measures that I've worked really intentionally on in the interim for proper regulation and proper tax framework. The, the increase in the tax is intended to address activities that may carry recognized consumer and public health risk rather than severe purely as amusement. These devices are widely accessible. So when you look at the chart that you have compared to slot machines the accessibility of these devices are very different. Again, you have slot machines, about 2,800 statewide. We're about approximately 6,000 for cash devices. For slot machines, they're in 8 locations statewide. Cash devices are at around 1,700 locations where you can find them. The types of locations for slot machines is a dedicated location. It's a casino. These devices are at gas stations, bars, vape shops, laundry mats, truck stops, retail locations. When you go to a casino, you're there to gamble, that person must be there, the person is age verification, you can't be, you know, less than 21 to get in. There's also the problem gambling screening that you have. We don't have that for cash devices. There's no age verification. There's no screening or self-expulsion. And gambling occurs-- literally, you can drive down the street and stop at multiple types of establishments to place your wager on the cash devices. At casinos, you have on-site supervision. There's not an employee present that is inherently dedicated for the supervision with cash devices. The casino tax rate is about 20%. We have skilled games at 5%. There is a 1.5% fee, and that goes to the central server. So you'll also hear that Department of Revenue has imposed a new fee that's outside of statute. It is not Department of Revenue. That is the cost of doing business for the central service. So Department of Revenue is only enforcing the 5% fee. The cost of business is 1.5 for their central server. And then, again, regulatory oversight is very vastly different. And we are seeing the increase of the revenue projected at \$134 million this year. And so I appreciate your time in hearing this. Hopefully, the information was able to catch you up a

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little bit from the work that was done with General Affairs. And I will be happy to answer any questions about LB920.

JACOBSON: Thank you, Senator Spivey. Questions? Senator Sorrentino. I almost forgot what your name was.

SORRENTINO: Yeah, thank you, Vice Chair Jacobson. Thank you, Senator Ashlei-- Senator Spivey. It's late in the day.

SPIVEY: It's a late day.

SORRENTINO: Oh, I tell you what. First of all, thank you for caring about our children enough to maybe alleviate us of one more temptation. They've got enough. Glad I'm not a kid anymore. Secondly, I certainly appreciate the potential of \$12 million more to the, to the state. If Senator von Gillern were here, I'm sure he would offer a ceremonial seat on the Revenue Committee, but in his place, I won't do that. So I do have a couple questions.

SPIVEY: Yes.

SORRENTINO: And if there's any question that I ask, somebody testifying after you would be better, that's fine. As you dig into the fiscal note, which is sadly where I start on everything, the bill drops the funding of the current Charitable Gaming Operations Fund from 20% down to 2.5%. And my understanding of that bill is that it covers the cost for investigators who monitor compliance, investigation, report all the violations for the gaming operation. So doing some math based on the fiscal note, and I've just done some rough math here, so bear with me, if tripling this levy from 5% to 15% generates about \$17 million in succeeding years, a third of that would be right now it must be generating in the neighborhood of \$5.5 million or so. If you're tripling it, it makes it 17. And that particular gaming operation fund gets 20% of that. They must have about \$1.2 million to do their job of investigating and monitoring compliance. If I step forward and now we increase the levy to 15% or triple that, \$17 million comes in, but only 2.5% goes to that Charitable Gaming Operations Fund means they now have about \$425 million for their monitoring of compliance and investigation. So they drop from \$1.2 million to, we'll call it, \$425,000.

SPIVEY: I know where you're going with this, Senator Sorrentino.

SORRENTINO: Pardon me?

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SPIVEY: I said I know what you're doing with this.

SORRENTINO: My, my question, real simple, how do, especially-- I believe Senator Jacobson earlier this week declared January 2026 as no unfunded mandate month, if I remember correctly--

SPIVEY: I didn't get that notice, but I like it.

SORRENTINO: --do we have an \$800,000 gap in funding compliance?

SPIVEY: Yeah, absolutely. And we do with that. And so that originally came from my LR. I misunderstood that they could operate the compliance and machinery and all the things for \$500,000.

SORRENTINO: Close to 425, OK.

SPIVEY: Yep. And so I have talked to Department of Revenue and I do have a pending amendment, it's at Drafters, so, they are swamped, so I don't have it in front of you today, that looks at-- I am proposing that we raise the tax to 15%. With that allocation, I actually have it at 5%. And when we kind of redid the numbers, that puts them at about \$1 million for what they're actually needing to do the compliance piece from the state. So I did talk to the Department of Revenue around that. There are-- and there were some adjustments in a couple of line items in Appropriations that we held off on because I want to make sure I understood what they were needing and can include that in this regulatory bill. And so you are absolutely right, what I currently have proposed in LB920 would not work. And I do have a pending amendment that would adjust it to meet what they are needing for the, the implementation and enforcement.

SORRENTINO: So I'll look for that amendment.

SPIVEY: Yes.

SORRENTINO: Secondly, I won't go on too long here. You mentioned this would go to 15% and not 20% like the slot machines. I think most of those reasons were casinos have a whole different environment. They're catering to a different customer. There's less of them. There's lots of these. I, I, I think I kind of get that.

SPIVEY: Yes.

SORRENTINO: When it comes to-- I mean, I understand the logical nexus between protecting minors, which is what this was about originally,

from gambling temptations, but I guess I would like a more exhaustive, if you will, explanation of the use of the new fund being the Nebraska Child Care Aid Fund. It looks like in '27 it could receive around \$8.6 million, about 11.8 in '28, another 12.2, so \$32 million over the next 2.5 years or so.

SPIVEY: Yeah.

SORRENTINO: What exactly is this fund created for? And, I guess, why not-- why create a new one?

SPIVEY: Yeah, absolutely. So because the amendment is not-- my amendment is not ready for primetime, and I anticipated that this committee would negotiate with me around what the money would go to. And so--

SORRENTINO: Just a general [INAUDIBLE].

SPIVEY: Yeah, so currently we know that childcare is vitally important to economic development workforce, small business, and just the growth and, and care of our next futures, right, like that age. And so we know that there is a sunset that will be coming in front of us, Senator DeBoer's bill, LB304, which we need to address. We need to find funding for. Again, I sit on Appropriations, choices are finite in how we spend our dollars. And so I mentioned this earlier that we know the negative impacts that cash devices have. And so your tax and what you're using the money for when you have that tax helps to provide some sort of balance to that, right? And so I added more money into charitable-- or to the Compulsive Gamblers Assistance because we're seeing an increase in that. And so I, I, I did try to think about how do we use this tax in order to address some of those. In the amendment, which I will have for you as soon as it's ready, I have a portion of that going to that childcare fund. So that's what that is for, helping to address that sunset that we are seeing in LB304. And then I also looked at the public health implications of wagering or gambling. And so there is a percentage that would go to community health centers funded through the federal Health Centers Consolidation Act. I do have a line item for the innovative-- Innovation Hub Cash Fund, because I do want small business to be supported. And then also for the Behavioral Health Services Fund. And so my amendment does align to, again, the impacts and ripples that we're seeing from cash devices, putting dollars back into that. And that childcare fund is specifically to that, but-- so when you'll see the amendment, you'll

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see a little bit of difference of a allocation, but that is what will be in front of you all as a committee.

SORRENTINO: Thank you.

SPIVEY: Thank you, Senator.

JACOBSON: Senator Dungan.

DUNGAN: Thank you, Vice Chair Jacobson. Thank you for being here, Senator Spivey, and for the very thorough introduction. I think it's really helpful. This is more like an inside baseball question, I guess, but big picture, were you wanting this bill to go to Revenue or were you expecting this originally to go to General Affairs, where the groundwork had kind of been laid?

SPIVEY: Yeah, I thought this bill would have went to General Affairs because my LR was referenced there. The number of statutes that I'm changing, only one-- only two of the three that are not like General Affairs related of the seven were about Revenue. One was establishing a fund and then the rest were all really in the purview of General Affairs. LB685 or 35 that established the tax and regulation of the cash devices that was former Senator Lowe in 2024, that was heard in General Affairs as well. And so, again, I spent a lot of time with that committee and Chair Holdcroft coming out to visit having-- we had probably six or seven meetings in the interim, hour and a half long with Senator Hughes talking about this and, and really doing that groundwork. And so I thought that would have been in front of General Affairs, but I'm here in Revenue. So my thorough opening, and hopefully wasn't too burdensome, was to try to catch you up on a lot of that groundwork and intentionality that was done with that committee. I try to be intentional from my approach. I try not to be reactionary with my policymaking, and so I wanted to make sure, because this is a new set of policymakers and, and colleagues that I'm now working with, that you all had at least some opportunity to understand the work that I really try to put in for, for this.

DUNGAN: No, I, I really appreciate that, and I think that was really helpful to get that background. Not being on General Affairs, I know there's been multiple years of legislation and conversation that's happened, so I think it is helpful to situate us. It reminds me of when we had the special session and Revenue was the only committee that was meeting and we were listening to, I think, it had to do with liquor taxes and we were all asking a bunch of questions of how liquor

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tax worked and all of my friends on General Affairs were watching and sending us messages being like you guys have no idea what you're talking about. So I think committees of jurisdiction do matter. And so I appreciate sort of this background to make sure that we're kind of up to speed. So I, I appreciate that. I also was curious, many parts of this bill catch my attention. The one that I think stands out the most and sort of just a, sort of sensational, sort of shocking thing to me is this laundromat that's running these, these games of skill 24/7. So to the best of your knowledge, running those unsupervised doesn't currently run afoul of any legislation?

SPIVEY: Correct. That is correct.

DUNGAN: And did-- was there any argument when that came out that the video camera counted as supervision or anything like that?

SPIVEY: So during the LR, the conversation was, and also when we visited so we have like kind of qualitative data from asking the staff there, that if they are ran for 24/7 in a 24-- or 24/7 operating facility like those laundry mats, someone is watching the tape. So while there might not be a physical attendant, say, from 9 to 6 a.m., 9 p.m. to 6 a.m., that there is a security person that's watching that tape and then can come if there is an issue. I think with the, the kind of case study and article that I, I provided for you all, no one came. The news ran it, the police came the next morning because of the break-in and the burglary. And so I think, you know, it just, again, offers an opportunity for us to get ahead of this. We know that-- and I have seen especially in my district that navigating complexities is a poverty, right, addiction, folks struggling to make ends meet and I would like to assume and guess at the person that broke into that device they're trying to figure it out. And so what does having those cash devices in a row in an, in an area that is navigating extreme poverty, what does that create and breed, right? And so I think having that attendant, like if you have a security guard at a gas station, the police at a bank, right, will hopefully lessen that type of behavior and that it can have more monitoring to ensure more safety.

DUNGAN: Yeah. Well, I really appreciate your, your work you've done on this and I think you raise a lot of really concerning issues so I look forward to the rest of the hearing. Thank you.

SPIVEY: Thank you, Senator.

JACOBSON: I know it's been raised a couple of times on how bills get referenced and I know Senator Ibach and I are on the Referencing Committee and it's probably important to note that when you have bills that have many different subject matters, then the Referencing Committee has got to figure out which one is the best fit as opposed to does it completely fit one committee or another and that's how sometimes you'll end up in Revenue or you'll end up in General Affairs or Banking, Commerce and Insurance, and so on, is it really is kind of a judgment call as to how much does it impact this. I, I would tell you that I know Senator Sorrentino alluded to my proclamation on the floor about unfunded mandate day. Ironically, Senator Ballard's bill that I was talking about, he was talking about an unfunded mandate for defibrillators in schools. But I'm wondering if we have one here because I know the former chair of the General Affairs Committee is back here and I thought he was going to need paddles when you mentioned going from 5%, 20% or 15% on the tax. So it all comes around.

SPIVEY: Yeah, so what I clearly heard you stating, Vice Chair Jacobson, is that you wanted me here with the bill, and I am appreciative of that. And, yeah, I think-- I mean, it's going to be an interesting conversation around and, and I know that the tax has heartburn for folks and I hear that and I feel like it's properly taxing and regulating cash devices and so--

JACOBSON: Well, I appreciate your very thorough opening. Are there any other questions from the committee? If not, I'm anxious to hear what the public has to say. If not, thank you again. I presume you're going to stay for the close?

SPIVEY: I wouldn't miss it.

JACOBSON: I expect to get to it before midnight.

SPIVEY: Yeah, I, I think-- yeah, I think, we'll be here, maybe 11:58.

JACOBSON: All right. Thank you. All right. Appreciate it.

SPIVEY: Yeah.

JACOBSON: OK, with that, are there any-- I'll ask for the first proponent.

DAVID GEIER: Yes.

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JACOBSON: You're on. You've been here a while.

DAVID GEIER: I've been here, so have you.

JACOBSON: You're welcome to proceed. We started your clock. Go ahead.

DAVID GEIER: Yes, thank you, Vice Chair Jacobson. David Geier, D-a-v-i-d G-e-i-e-r. I am the Director of the Nebraska Gamblers Assistance Program, testifying today on behalf of the Nebraska Commission on Problem Gambling in support of LB920. Now, you've got a transcript of my testimony that is mislabeled. It says it is LB620. I can't read very well when I do this. So pretend that it refers to LB920. You have two handouts in addition to my testimony. And I'll just skip to the chase here. The first one I want to talk to you about is the one that has the logo the Light and Wonder in the upper left corner. If you can find that, I think he's bringing it around to you now. One of the things that's perplexing about the activity that goes on with these devices, you heard Senator Spivey talk about gambling. And you'll hear the proponents of the devices tell you that these are not gambling devices. They're games of skill. Well, LB920 gives you a little bit of inside information about that. The Light and Wonder is a Las Vegas company that recently came to Nebraska to bring their game devices into our communities. Go to the third page of the Light and Wonder press release and I highlighted for you the little box in the center of the page that shows you how the software works that operates these devices. What Light and Wonder tells people that if they use the device and is run using pay table, the pay tables are in the far left column there, that it will produce paybacks ranging from 86.9 to 91.9. Those are very specific percentages of money to be paid back to the person playing the game. The pay table is like a spreadsheet inside the computer, so when the person playing the game touches the image on the touch screen, the computer moves them to a place on the pay table. The pay table is calculated very carefully to be sure that the players win no more than the amounts that are shown in that column.

JACOBSON: I'm going to have to ask you to wrap up your comments.

DAVID GEIER: I'm going to wrap it up right now. This shows you that winning or losing is based on the operation of the computer, not the skill of the player.

JACOBSON: So just to be clear, holding your mouth a certain way isn't going to help win one way or another.

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DAVID GEIER: Certainly not.

JACOBSON: All right. Thank you.

DAVID GEIER: I was in a facility one time where they had a bank of these devices and I saw a grandmother type, approximately my age, come up and sit down at one of them and put her \$10 bill in it, pushed the button and sat there and watched. A man came running up and said you've got to touch that button there. So there was an illuminated triangle. When she pushed the button, the triangle lit up. If she touched it, she won a couple of dollars. So now did you win \$2 or did you lose \$8? That's the question.

JACOBSON: Thank you. Questions from the committee? All right, seeing none, thank you for your testimony.

DAVID GEIER: You bet. Thank you.

JACOBSON: Next proponent.

GLEN ANDERSEN: My name is Glen Andersen, G-l-e-n A-n-d-e-r-s-e-n. I'm probably going to be a little shorter-winded than some others here tonight. I've testified on gambling bills before, but I think this is the first time I'm a, I'm a proponent. But if you look at this, the business plan of these legal skilled slot machines is the same as the slot machines in the casino, isn't it? In both cases, the player or the gambler puts money or chips in the machine. They fiddle with the machine, sometimes they win and sometimes they don't. I don't see very much difference in those two and the results of the way those machines work. And the point of the whole, whole game is for the operator to extract as much as possible from these playing machines in order to cover the cost of the machines and make a profit for the owners who-- of these skilled machines. That's, that's the ball game right there. And I suggest that net operating revenue should be taxed just the same as the casinos. It's the same game plan. Why, why are-- you know, if, if we have to stay with 15 in this bill, that's the way it has to be. But seems to me like 20 would be a better number. And we got to recognize that the location of these slot machines we go to is-- every day is an advantage that the casinos do not have. They give everyone a chance to invest their hard-earned money very casually. Another point I'm concerned with, and I don't know what, what wording might be on, on these machines, but children should not be allowed to play or observe or play on these machines. A warning involved children with play, play of these machines should be prominently displayed on each

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machine. It should warn that allowing children under 20 to play or observe and play the machines is forbidden and punishable by law. And that's my suggestion for tonight.

JACOBSON: Thank you. Questions from the committee? I am curious, I, I, I get the fact that you're saying you're normally on the opponent side. What do you like best about this bill? Why are you testifying for the bill?

GLEN ANDERSEN: Excuse me, what?

JACOBSON: What, what is the best attribute on this bill that you like?

GLEN ANDERSEN: Well, quite frankly, I'm not as familiar with the rest of the bill. I was concerned with, with this--

JACOBSON: Is it, is it safe to say that you're liking the fact that we're looking at raising the tax amount of the-- of what would be claimed?

GLEN ANDERSEN: Well, I think that Nebraska needs the taxes. But it puts a little more hindrance-- from my standpoint, it puts a more hindrance on the operators of the machine. There's not quite as much profit there. It's a, it's a negative way of looking at it.

JACOBSON: The curve-- the number of machines

GLEN ANDERSEN: Yeah.

JACOBSON: Gotcha. Thank you.

GLEN ANDERSEN: Yeah.

JACOBSON: Other questions from the committee? If not, thank you for your testimony. Other proponents for the bill?

PAT LOONTJER: Senators, I'm Pat Loontjer. I'm the Executive Director of Gambling With The Good Life. We've been organized for 30--

JACOBSON: Can you spell your first and last name?

PAT LOONTJER: Oh, I am sorry. P-a-t L-o-o-n-t-j-e-r.

JACOBSON: Thank you.

PAT LOONTJER: And for the past 30 years, we have organized businesses, churches, and individuals who also share our passion for no expanded gambling in Nebraska. For 25 years, we succeeded. We kept the casinos out of Nebraska. And then in 2020, the election, they were on the ballot. They proposed that it was going to be our answer to property tax relief, which it's not. But it passed, and we wound up with six casinos. But since then, we've continued to fight all forms of expanded gambling. And I was in the Supreme Court a number of times, and we won every case except this one. And for some reason, the Supreme Court judges found that this was a game of skill and not chance. We disagreed with that completely, but they found that the BankShot machines were skills, not chance, and as a result, these shot, shot, shot machines have proliferated all over the state, up to 6,000 as we know now, to the detriment of many of our citizens. These machines look and act exactly like a slot machine, yet they're not taxed as such. Casinos pay 20% and we, we ask why do these only pay 5? They also, the machines are not well supervised, and LB920 addresses that issue. So that's the reason we're here today to testify.

JACOBSON: Thank you very much for your testimony. Questions from the committee? If not, thank you very much. Next proponent. All right, seeing none, I'd ask for opponents. Is there opponents wishing to speak in opposition?

CHARLIE BOSSELMAN: Hello, Senators. Good afternoon. My name is Charlie Bosselman, C-h-a-r-l-i-e B-o-s-s-e-l-m-a-n, and I'm president and CEO of Bosselman Enterprises, headquartered in Grand Island, testifying today on behalf of the Nebraska Operators of Musical-- Mechanical and Amusement, NOMA, we call it. It's a new association we just put together. Our family business has operated in Nebraska for more than 75 years and, and employs hundreds of Nebraskans across convenience stores, travel centers, and hospitality operations. We also own and operate Vision Comm Vending Incorporated, a company that incorporates skilled games in many of the convenience store locations and suppliers, and we also supply skilled games at other locations throughout the state. As the industry has developed into a regulated industry in our state, it has become clear that a thoughtful and transparent regulatory framework is needed to ensure fairness, integrity, and accountability in this business, which led to the revival of the Association of Skill Game Operators and Distributors, NOMA, what we call it, which is committed to professional standards, best practices, and constructive engagement with policymakers. While members of the association I'm representing support reasonable regulation, LB920 raises serious concerns. First, the tax burden

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established in LB920 is simply too high and should not be accepted as a reasonable tax increase. While the bill and supporters of the bill mention the statutory rate of approximately 5%, the actual cost to operators is significantly higher. Once you add in mandated fees, additional taxes, and the [INAUDIBLE] payment fee of 1.5%, required sticker fees, distributor fees, and other nondiscretionary charges, when these costs are taken together, the effective tax burden on our businesses approaches close to 9%. Proposing to increase these businesses by another 10% materially impacts the viability of small, locally operated businesses and deserves careful consideration. It is also important to note that neither LB920 nor current practices of the department, they do not accrue for losses. Machines that operate at a loss, or as we call it, being upside down in a given quarter, receive no credit now or in the future. This departs from standard business practices and disproportionately harms smaller operators, especially those serving rural and generally low-volume locations. Third, the bill assumes that real-time technology and identity matching technology are available. The truth is this technology is not widely available today and would create an immense burden on many operators. I believe that the policy should not be built on technology assumptions that are unrealistic at this time. In reality, managing this component with supervision by the staff is much more effective. If this were not the case, then you would have ID scanners at the doors of night clubs and you could buy a six pack of beer in one of my convenience stores without interacting with a cashier. From what I have seen by being in the business as long as I have, this seems like a solution looking for a problem. There will be many others to follow--

JACOBSON: We'll note that your red light's on, so if you could wrap up your comments.

CHARLIE BOSSELMAN: Sure. And I guess nothing major, but that was the, the fine points, I guess.

JACOBSON: Thank you. Questions? Yes, Senator Dungan.

DUNGAN: Thank you, Vice Chair Jacobson. Thank you for being here.

CHARLIE BOSSELMAN: You bet.

DUNGAN: I appreciate your input, just being part of the industry, and you and I have had conversations in the past about similar things. I, I brought a bill, I know, a couple years back that I think was pushed

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again this most recent year with regards to vending machines for lottery tickets to try to alleviate the burden on cashiers. And, and part of why I felt comfortable doing that is it struck that balance between ensuring there are those age-verification provisions and also convenience for the stores and the operators. When we're talking about some of the requirements that are being put in place by LB920, do you have any issue with some of the supervision requirements that are being in place here? Because I imagine many of these games in your stores are supervised, it sounds like, because you're not running 24/7 stores without people working there. So I don't--

CHARLIE BOSSELMAN: Correct, yeah.

DUNGAN: --so is-- in, in terms of those kind of requirements, are there any that you have a bigger issue with than others or is it primarily the tax increase that you are objecting to?

CHARLIE BOSSELMAN: Of course, taxes are important. I don't think as an association we have any problem with not allowing unattended sites. I mean, I don't know if the bill was originally set in place. I don't think any of us really thought about that. But there's other things in the bill regarding signage. I don't think a lot of us have a problem with that either. Taxes are a big deal. I mean, the central server and everything surrounding that in this industry started in July. And I think this is the third time I've come down here to talk about increases in the tax. And we've barely been in business after spending millions of dollars. So it, it does have a material impact because there's-- people want to correlate a lot of this to a casino. It's not the same thing as a casino, it's not-- the games don't operate the same way, there's a skill component to them, there's everything surrounding that. The operating costs that we have are substantially higher and the revenues going through most of these machines are substantially lower. The real impact is going to come, if a lot this comes into play, the VFW in Ainsworth or the Elks Club, who has, has barely been able to keep the doors in, they put some machines in, gave them some extra income to keep their facilities operating, and you increase the tax rate by that amount, it's going to come out of their end for the most part, because a lot of our costs are fixed, so.

DUNGAN: No, and I appreciate also your input with regards to sort of the, the margins that we're talking about here. I just-- you know, it seems like obviously a lot of stores aren't going to be operating with these unless they provide a value add.

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CHARLIE BOSSELMAN: Yeah.

DUNGAN: And I, I-- you know, I think that Senator Spivey's made a lot of really good points about some of the adverse social outcomes that we see, especially in certain parts of the state based on some of these things. And I think we're walking that fine line. So are you willing to continue working with Senator Spivey to come up with language that you--

CHARLIE BOSSELMAN: Oh, yes, yes. In fact, our lobbyist has contacted her office, and I think there's areas that we can have some discussions. I will tell you that as far as I'm aware, we've got-- the Department of Revenue's enforcement has a budget of \$1.2 million, I think it was, and I don't think I've heard yet of a single violation of age restrictions on the machine. So what we're doing now for the most part, the vast majority of everything we're doing is right on-- spot-on on where it needs to be. If we need to clean up maybe some bad players or some bad environments, then I think as an association we can, we can lean on that, so.

DUNGAN: Thank you for being here. Appreciate it.

CHARLIE BOSSELMAN: Yeah.

JACOBSON: Other questions from committee? All right, seeing none, thanks for making the trip from Grand Island to the Unicameral.

CHARLIE BOSSELMAN: You bet. Thanks.

JACOBSON: Other opponents? Anyone else wanting to speak in the opposition? Senator-- former Senator Lowe.

JOHN LOWE: Former is good.

JACOBSON: Welcome to the committee.

JOHN LOWE: Thank you, Vice Chair.

JACOBSON: I'm sure you realize that chart does not adjust.

JOHN LOWE: No, it sits down really low, too.

JACOBSON: By design.

JOHN LOWE: By design. By design. Vice Chairman Jacobson and members of the Revenue Committee.

von GILLERN: Just in time.

JOHN LOWE: And Chairman von Gillern.

von GILLERN: Just in time.

JOHN LOWE: Just in time, the roast will now begin. This is my first time testifying in front of the Revenue Committee. I've never come to do that.

von GILLERN: We'll make sure you remember it.

JOHN LOWE: Time for me to leave. Thank you for the opportunity to speak today. For the record, my name is John Lowe, that's J-o-h-n L-o-w-e, and I had the privilege of serving in the body and during my tenure worked really closely with colleagues and stakeholders to broker the compromise that modernized the Mechanical Amusement Device Act with LB685. That compromise was negotiated by me and my staff mostly, as all you know, your staff does most of the work, in the fall of 2023 and passed by the Legislature in 2024. I appear, appear before you today in opposition of LB920. When we negotiated that legislation, taxation was one of the most carefully balanced elements of the agreement. At the time, these devices were operated in a gray area. There was little structure, inconsistent enforcement, and no modern revenue framework. Our goal was to bring order to the system, not to punish the operators, not to drive out small Nebraska businesses, but to ensure the state received a fair share while allowing legitimate establishments to remain viable. The tax rate we ultimately agreed upon was not accidental. It was the product of extensive negotiation among senators, the Nebraska Department of Revenue, small tavern owners, veterans organizations, and industry representatives. It reflected the recognition that many of these businesses and organizations operate on thin margins. For some rural bars and community establishments, revenue from these devices helped keep the doors open by covering, like, the utility bill. An increase in the tax may appear modest on paper, but, in practice, these changes compound quickly, especially when combined with the licensing fees, regulatory compliance, costs, and local overhead. A significant increase risks "disabilitating" the very balance we work so hard to achieve. The objective is accountability and revenue stability. I would urge caution, dramatic tax increase can have unintended consequences, fewer legal operators, less transparency, and potentially return to the unregulated activity that we worked hard to rein in. Stability encourages compliance. Predictability encourages investment. Excessive

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tax pressure can do the opposite. The original compromise was designed to create a structure without overreach. I respectfully encourage the committee to carefully consider whether increasing the tax disrupts that balance. Thank you for your time and consideration.

von GILLERN: Thank you for being here. Questions from the committee? Senator Dungan.

DUNGAN: Sorry, I looked at Vice Chair Jacobson. I apologize.

JACOBSON: Long, long, long day.

DUNGAN: Thank you, Senator Lowe.

von GILLERN: [INAUDIBLE]

DUNGAN: Thank you, Senator Lowe for being here, appreciate that. I know you put a lot of work into this over the years and before you testified, I think you were here, I, I mentioned there'd been a lot of work in the General Affairs Committee, so I appreciate us getting up to speed. A lot of your testimony surrounds the tax portion of this and sort of the agreement that came to be where that came from. Do you have any thoughts on the supervision requirements? Because obviously we can, you know, have the best laid plans, but as things come to light and we realize there may be additional need for supervision that can sometimes require additional legislation. Do you have any input on those parts of LB920?

JOHN LOWE: Supervision should always be taken into consideration when we're looking at machines of this sort. But we're also looking at small businesses that's across the whole state with maybe one, maybe two of these machines. So we also have to take into consideration of that, that it may be harder to hire a person to watch those two machines when it's running on a slim margin anyway. So I, I think you have to look at, at consideration for what's happening.

DUNGAN: OK. Thank you, sir. Appreciate it. Good to see you again.

JOHN LOWE: Good to see you.

von GILLERN: Senator Jacobson.

JACOBSON: Well, I'm just-- I'm a little bit curious when I look at these devices as to what the goal is when they first were envisioned and put in places. We've got some that are into businesses that are

supervised and, you know, you can go into convenience stores and VFWs and different places and they have ostensibly supervision. And then we hear about these locations where there's just no supervision at all, just the machines, yet they're all taxed the same, they're all otherwise same regulation. How do you reconcile the difference between a slot machine at a 20% tax and a game of skill at 5?

JOHN LOWE: I, I-- you know, when I look at it, I'm not a gambler.

JACOBSON: Nor am I.

JOHN LOWE: I, I don't go to casinos. I, I don't play these machines. I, I don't even play games on my phone. So when I look at this and you have a casino with slot machines, they may have 50, 60, 100, 200 slot machines, they can make that 15%. Where you have a, a, a bar, a veteran's establishment, and they have one or two of these machines, that 15% makes a big or that extra 10% makes a big difference to those, those fellows.

JACOBSON: Well, just to follow up, I, I was always kind of curious, because when the vote went out on gambling, which I opposed, and I say I don't gamble, I, I farm, so technically, but, and I'm not sure how much that's a skill game.

JOHN LOWE: That's a skill game.

JACOBSON: Yeah, I'm not even sure it's a still game. I'm, I'm about ready to just say I'm just, I'm destined to lose so much money a year, but. But with that said, I, I look at-- we, we agreed on certain casinos to, you know, that it had to be racetracks and, and this is where the gambling was going to occur. And I, I was just glad because we weren't going to have one-armed bandits in every convenience store and truck stop and every place, but yet we seem to have a substitute. We have these skill games instead. And that's part of what I contemplate as terms of do we really want and what did the voters really vote to put these machines everywhere when it's really hard to discern, as we've heard from an earlier testifier, is this really a game of skill or is this really kind of a quasi slot machine?

JOHN LOWE: That's a question to take up with the Supreme Court, again.

JACOBSON: What's your opinion?

JOHN LOWE: I don't gamble. And, you know, Senator Briese, back when Senator Briese started LB685 and, and I took over, we had this

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discussion over and over and again in his, in his office on what is this really?

JACOBSON: Yeah. Well, it's, it's a, it's a question that still remains in my mind as, as to what are we doing and where does it stop and, and then what's the right taxation? One thing we do know is the casino owners make a lot of money and it comes from somebody which is money leaving our state and so I would say that the opponents of gambling do understand how that works if it isn't a net-- it may be a net positive on the tax rolls but it's not a net positive for the state. And, and I-- that seems to cover all kinds of different [INAUDIBLE], just another story. There's a question in there probably, but I'm not going to try to find it.

von GILLERN: We, we won't dig for it.

JACOBSON: All right.

von GILLERN: Other questions? Senator Ibach.

IBACH: I just have one, and I, I think Senator Spivey has done a lot of leg work, a lot of ground work. I visited with Senator Holdcroft a little bit about this. Do you recall any of the return on investment numbers? And I should have asked Mr. Bosselman that. But when you look at the investment that, that small business owners, medium-sized business owners-- I think we know casinos, but what-- do you have any idea in your mind what a percentage of return on investment would be?

JOHN LOWE: No, I don't. And, and when we did LB685, it was kind of a crapshoot on, on what it was because--

von GILLERN: I even gambled. Sorry, it's on the record.

IBACH: No pun intended.

JOHN LOWE: --and the-- because we really didn't know the numbers, and the one way we could figure out the numbers was to have them hooked up to a central server.

IBACH: All right, thank you very much. Thank you, Mr. Chair.

von GILLERN: Thank you. I have a few questions and forgive my previous outburst. And thank you-- I mean the work you did on LB685 was significant and I remember that when you were here and Senator Spivey brought a version of this bill last year and, and, she and I had a

great conversation. I said, you know what, the terms of that have not even been fully implemented at that point. I think we owe it to, to you and the work of the committee and, and to the industry to at least let that, let that take place and, and so we, we know more. And we do know more now and I, I am going to respectfully push back on your comment about slim margins because we've seen the number of machines increase by a third in the last 2 years and the, the revenue is 3X what it was projected to be and I, I have no idea and maybe-- forgive me for missing, I was in another hearing, maybe this was brought up before, but I've got to believe these machines are thousands of dollars to purchase and they seem to be throwing them in anywhere and everywhere that they can. So the ROI, to, to Senator Ibach's question, must be phenomenal. I'm, I'm, I'm, I'm challenged to understand your comment where you say these are slim margins.

JOHN LOWE: A slim margin for the, the businesses, the, the bars, the restaurants.

von GILLERN: OK. All right. So this is supplementing the slim margins--

JOHN LOWE: It, it is supplementing the slim margins.

von GILLERN: --of the home of the resident businesses that are-- where they are housed. OK. All right. So it would cut into that, what is supplementing their primary business form.

JOHN LOWE: Yes.

von GILLERN: OK, that's more helpful to understand. So I did have the same questions that were asked about the-- I, I still struggle and I'm not going to take on the Supreme Court about the definition, but from what I've seen, what determines a game of skill versus the slot machine is, in my mind, nearly undefinable. But, anyway, again, thanks for the work that you've done on this and thanks for being here today, so. Seeing no other questions.

JOHN LOWE: Thank you.

von GILLERN: Thank you. Always good to see you.

JOHN LOWE: Always.

von GILLERN: Next opponent. Good afternoon.

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DeLONE WILSON: Thank you, Chairman von Gillern and members of the committee. My name is DeLone Wilson. I'm the President and part owner of Cubby's convenience stores based in Omaha, Nebraska. We operate 39 convenience stores, small grocery stores in Nebraska, Iowa, and South Dakota, and employ 450 of Nebraskans today. And so I have a long drawn-out statement that I was going to read, but Mr. Bosselman covered a lot of that already, and Senator Lowe covered a little-- of a lot that already. So I'm going to just hone in on a few points that I'd like to make.

von GILLERN: Before you enter your points, can I ask you to spell your name real quick?

DeLONE WILSON: D-e-L-o-n-e W-i-l-s-o-n.

von GILLERN: Thank you.

DeLONE WILSON: Thank you. So as Senator Lowe said, our convenience stores, our grocery stores operate on slim margins and this is supplemental income to our business. And I'm going to push back on one thing that Senator Spivey said in her opening statement is that if you have a, I'm, I'm paraphrasing this, so if you a store that is dependent on this revenue to stay-- remain open, you have a gift shop with a casino or a casino with a gift shop. So I have 4 stores out of the 39 that I mentioned that if we did not have these games in there, I would have closed. One of those is in her district. So I just want to make that statement. Senator Jacobson and Senator von Gillern, I think the difference in the taxation and the difference in the revenue between the skill games and the games-- the slot machines that you see in the casino, are the speed of play. And that's related to the skill component that it takes to win, actually win the game. So that decreases the revenue tremendously in the skill games versus the games in the casino.

von GILLERN: Very good.

DeLONE WILSON: So I'll open it up for any questions and, and, and I would like to make one more statement. I know my red light's going off here. Senator Spivey, I'm in your district, our office is in your district, we have stores in your district, happy to work with you on any of this and talk to you about it. So open for that

von GILLERN: Thank you. Questions from the committee? Senator Jacobson.

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JACOBSON: Quick question on, do you also sell gas at your Cubby's?

DeLONE WILSON: Yes, sir.

JACOBSON: So gas prices are down substantially, so I know my experience with financing C stores is that when price of gas is down your margins increase and, and--

DeLONE WILSON: Sometimes, but not, not this time.

JACOBSON: It's hard to believe, but I'm also back to Senator Spivey's comment, which I thought was, was kind of cute, but I, I would ask that-- there must be tremendous margins in what you're doing with these games of skill. If you're telling me that's the difference of keeping your C store open, and it wouldn't be if you didn't--

DeLONE WILSON: Certain C stores, not all C stores.

JACOBSON: Yeah, I, I just-- that, that baffles me as to what the margins must be then off these machines.

DeLONE WILSON: Happy to sit down and show you our numbers, so.

JACOBSON: I was just curious. Thank you.

von GILLERN: Other questions? Seeing none, thanks for being here.

DeLONE WILSON: Thank you.

von GILLERN: Next opponent. Good evening.

STACY LOSTROH: Good evening.

von GILLERN: It's after 5:00.

STACY LOSTROH: Good evening, Chairman von Gillern and members of the Revenue Committee. My name is Stacy Lostroh, S-t-a-c-y L-o-s-t-r-o-h. I am here today in opposition of LB920. I'm testifying on behalf of Whitehead Oil Company and U-Stop convenience stores. I would be parroting a lot of what we have already heard. There's several aspects of this bill that we oppose. Obviously, the tax rate increase. As DeLone said, the supplemental income is helpful towards things such as store improvements, community engagement, improving our security systems, things like that within our stores. The increase in that would definitely impact those, those areas that we're using this income from. Secondly, this bill could create a substantial additional

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burden on our staff. Currently, we do have multiple signs posted in our gaming locations stating that games of skill are restricted to individuals age 21 and older. Our employees are also instructed to monitor the gaming areas to ensure compliance. As written, this bill would require staff to continuously monitor customers prior to play, have customers scan their identification at the game itself before playing, and then require another scan in order to print and-- to print a ticket and redeem their winnings. We understand and support ensuring that only those of legal age are permitted to play and collect winnings, but this level seems a little excessive. It would be comparable to carding somebody who's around the beer cooler and then again at the point of sale. It kind of creates an unnecessary burden for staff and an inconvenient experience for our customers. We do have a few things regarding the marketing restrictions. Limiting the advertising, advertising to three exterior signs measuring 11 by 10 inches seems a little restrictive, especially when casinos can have billboards, mailers, all that kind of stuff. So for those reasons, we do respectfully oppose LB920 and ask the committee to consider the unintended consequences this legislation would have on businesses, employees, and consumers.

von GILLERN: Thank you.

STACY LOSTROH: Thank you.

von GILLERN: Questions from the committee? Senator Dungan.

DUNGAN: Thank you, Chair von Gillern. Thank you for being here.

STACY LOSTROH: Yes.

DUNGAN: I understand, I guess, and you've heard me ask questions, you probably know that I'm conflicted about some of these things,--

STACY LOSTROH: Sure.

DUNGAN: --but I understand that there's a concern about sort of the onerous burden this might be placing on employees, but, you know, to, to your last point, though, about the, the signs, in particular, is your goal to compete with casinos? Because if that is the concern, I guess it, it sort of undermines the point.

STACY LOSTROH: I think we all know we can't.

DUNGAN: Right.

STACY LOSTROH: I mean, that's, that's not, not a-- it's, it's more or less, you know, just not-- restricting the advertisement, it, it kind of goes along with the tobacco stuff. You know, we had to get rid of Marlboro Man and all of that kind of stuff, you know, you can't use cartoon things and stuff like that. It's more along those lines of getting kind of restrictive in that-- in just this one area.

DUNGAN: I've certainly been in gas stations around Lincoln and elsewhere where there's been these games of skill that have been installed. You know, sometimes they're off in a corner and they're sectioned off by actual partitions where it feels like a different part of the store. Other times they're kind of just right in front of the counter.

STACY LOSTROH: Yes.

DUNGAN: I have personally seen, and I don't think it's great to legislate based on anecdote, but I've personally seen people, you know, sitting at those, kind of being loud, kind of-- I don't want to say causing problems because they weren't, like, causing an issue, but it did seem as though they were there, as Senator Spivey pointed out, to just do the games and not actually to shop at the store. Do you think there's any ancillary benefit to limiting the amount of folks that are coming into your store, sitting there, hanging out, spending an hour, 2 hours, without purchasing anything in terms of the customer experience or helping your employees?

STACY LOSTROH: I, I would say that we have some of our stores that are the 24/7, and there are third shift employees that actually like having people in there with the games. It's kind of a sense of security. They have somebody else in the building with them. So I would say-- I mean, yes, you're going to have your times where people are causing a ruckus and, you know, that happens with normal shoppers as well. But, yeah, we have some employees that do like having it-- having those in there because there are other people in the stores with them, you know, odd hours of the day.

DUNGAN: And then, lastly, you've obviously heard the other testifiers talk about the margins and how if these were to-- if the tax were to increase on this, it would or could potentially result in C stores being closed. I guess, I will third the curiosity about whether or not that's actually the margin that you're existing on. Do you know for your stores, in particular, what the impact would be and whether or not you'd be able, be able to keep the stores open?

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STACY LOSTROH: I, I can't say that we would necessarily look at closing any, but there are definitely things that we have been doing. You know, like I said, store improvements, security improvements, things like that, that, you know, may have to be put off because you don't have the income to fund those types of operations, so.

DUNGAN: Got it. Thank you for being here.

STACY LOSTROH: Yes.

DUNGAN: Thank you for being on behalf of U-Stop. The U-Stop jingle lives rent free in my head to this day, so I appreciate it.

STACY LOSTROH: Thank you. Thank you.

von GILLERN: Any other questions?

IBACH: I have one.

von GILLERN: Oop, oop.

STACY LOSTROH: Sorry.

von GILLERN: Don't go anywhere. Senator Ibach.

IBACH: Sorry, George kind of stole my question. But just to kind of play off his question, do you think that raising that tax to 15% would cause you to rethink having those games of skill in your establishments?

STACY LOSTROH: No.

IBACH: No?

STACY LOSTROH: We would maintain them.

IBACH: OK. Great.

STACY LOSTROH: Yes.

IBACH: Thank you.

STACY LOSTROH: Mm-hmm.

IBACH: Thank you, Mr. Chair.

von GILLERN: Thank you. Seeing no other questions, next opponent. Good evening.

JOHN FOX: Good day. My name is John, J-o-h-n, Fox, F-o-x. I'm going to deviate the whole bunch from the, the packet, but I want to say the LB685 and its impact on the industry, the, the number of distributors decreased by 45% from 2024 to 2025. You'll find that in the packet under the, the revenues document. And, and speaking of the, of margins, I'm going to answer that. For the C store or, or, local bar, they don't pay for the machine. They receive 50% of the revenue or, or more. They, they provide the electricity and the floor space, clearly, the machine has to perform enough to, to keep the floor space. But their, their ROI is high because they don't pay for the machine. They don't service the machine, they don't pay for parts, they don't pay for gas, they get-- for someone to service it. And that's also a part that you're missing in the comparison between how the casinos are taxed and how these games are taxed, 50% of the net money goes to the business that it's, that it's located in and a minimum That's clearly not the case with you with the casinos. Casinos don't pay sales or use tax. The people when they buy machines when they're \$4,000 or \$18,000 pay sales tax. So we're, we're missing a whole bunch of the key. Senator, I'm, I'm happy that you, that, that you have an affinity for children as I think we all do, we care about their welfare. I will, however, note that BankShot, BankShot didn't have an age limit until 2019. And it was, and it was BankShot, that we have no, we have no BankShot-- excuse me, we have no age limit in Iowa and we have no age limit in Kansas. And I really don't-- and nobody thinks that's a problem, we didn't an age limit here until 2019. Addressing the litigation, I was in the courtroom for 4 days in the courthouse down the street. There was things that the, that the court said that we couldn't do, ultimately, what we could do. Ultimately, the Supreme Court in a unanimous decision upheld that. With no disrespect, I think that's important. I'll also say that that case was about BankShot and no other. I don't speak for any-- for anybody else's product and I know time is running down here. Oh, also, the-- this bill has-- it is taxed on appearance. You'll find in your packet a settlement agreement between us and the Department of Revenue on appearance, so we litigated the appearance before. And that's all I have.

von GILLERN: Thank you, Mr. Fox. Questions?

JOHN FOX: Skipping the whole packet.

von GILLERN: Senator Dungan.

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DUNGAN: Thank you, Chair von Gillern. Thank you for being here, sir. I know you've been helpful in past conversations we've had on this to understanding some of the differences. Without going into all the details, but I do know you are an expert on this or at least have a lot of experience, can you summarize in sort of layman's terms what the Supreme Court decision was with regards to the differentiation between a game of skill and a game of chance? I, I have the case up in front of me, but don't want to sit here and just talk at you. So could you give us at least a brief summary as to what that differentiation was?

JOHN FOX: In, in [INAUDIBLE], BankShot was more in control by the player than by chance, therefore, BankShot was not gambling. And I'll think you'll find that quote.

DUNGAN: Right, so that's kind of the difference is whether or not the game is predominantly skill or predominantly chance. It can involve both, but it's the predominance test.

JOHN FOX: There's some, some chance and some skill, but the test of character in the game is the dominating which determines the outcome.

DUNGAN: And BankShot, if I remember correctly from that case, I just think this is fascinating, there was actually expert testimony about the average person's reaction time--

JOHN FOX: That's correct.

DUNGAN: --compared to the reaction time needed in order to score on the game of skill. Is that correct?

JOHN FOX: That is correct.

DUNGAN: OK.

JOHN FOX: And Dr. Sean Green [PHONETIC] who testified to United Nations, had done a study for the Marine Corps on whether [INAUDIBLE] has actually performed-- actually did anything, he did a study for the TSA on how many-- how much contraband they would miss. So with a, with a couple of PhDs under, under his belt reached the conclusion that the time was sufficient.

DUNGAN: Got it. And I just-- I ask that so it's clear on the record because I do think it's just fascinating how that differentiation happens because a lot of folks, including myself, were confused by

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this whole thing because aesthetically I can see the similarities. But thank you for being here today and I appreciate your, your experience.

JOHN FOX: Well, thank you.

JACOBSON: I'm just curious.

von GILLERN: Other questions? Oh, Senator Jacobson.

JACOBSON: I'm just curious, if you had some really highly skilled players come in for a month, would it impact your revenue off these games?

JOHN FOX: Absolutely.

JACOBSON: Really? It, it would have how big of an impact?

JOHN FOX: Absolutely. Absolutely. People-- the people ask me all, all the time, what percentage is the game of BankShot? Well, there is none. It really depends on a great deal on the experience or the, the, the note or the, the player's ability. There was a, a woman, and I, and I won't say her name, that, that won somewhere in the neighborhood a \$15,000 jackpot herself, because she was better at the game than the average player.

JACOBSON: She's, she's never been found since.

JOHN FOX: Actually, she has been, but a-- so very definitely there are, there are people that play the game better--

JACOBSON: Thank you. Well, I, I was just curious. Thank you.

JOHN FOX: --and, and some of playing the game is, is laborious if you're going to use the tools that, that the game allows you to use and some people are, are more patient than what, probably, you and I are.

JACOBSON: I hear you. Yeah.

von GILLERN: Any other questions? Seeing none, thank you, Mr. Fox, for being here.

JOHN FOX: Thank you very much.

von GILLERN: Other pro-- or other opponents? Good evening.

KEVIN JAGLOWSKI: Good afternoon, Chairperson and members of the committee. My name is Kevin Jaglowski, K-e-v-i-n J-a-g-l-o-w-s-k-i. I represent Husker Gaming and I respectfully oppose LB920. I want to start by clearing up a key misconception. Skill games in Nebraska are not the same as casino slot machines, legally, economically, or operationally. The first issue affects businesses in every district here. As drafted, the tax raised from 200% from 5% to 15%, as previously mentioned, and it significantly reduces funding for the enforcement of current laws, which was pointed out earlier. And shifting 70% of revenue to a newly created fund will require new administrative infrastructure. That's a major change on its own how gaming revenue supports committees in our state and deserves considerable consideration at a minimum. So let's be clear about what skill games are and what they're not, skill games in Nebraska are legal, they're regulated, and they're monitored. They have been since 2011, as we heard earlier. And through passage of LB685 with Senator Lowe bringing a 5% tax and a central monitoring system, taking effect less than 7 months ago. Importantly, skill games are not casino slot machines. They exist in bars, restaurants, fraternal organizations, C stores, and truck stops as a small supplement to a primary retail business. State law already requires that 60% of the revenue comes from nongaming stores. Customers come to these locations to eat, drink, shop, get gas. Playing a skill game is a secondary form of entertainment for them. The comparative economies of scale also matter. A slot machine in Nebraska's casinos average about \$250 per day per machine, while skill games average only about \$50 per day. Casino slots are faster, more immersive, and heavily marketed. Skill games are minimally marketed, and the revenue is split between local business and operator and the state, unlike casinos, which retain 80% of the revenue for themselves. LB920 would also impose restrictions on skill games that go far beyond what any other state requires and are onerous to small businesses. First, the marketing restrictions effectively ban all advertising while casinos face no comparable limits and continue to advertise through billboards, TVs, mailers, and the Internet. These provisions also give the DOR broad authority to further restrict advertising in the future. The imbalance is punitive and not regulatory. Meanwhile, the proposed age-verification mandates add layers of cost and complexity for local skill game operators that do not exist in any other regulated states today, or even casinos for that matter. The technology you're asking to be placed on these games simply does not exist. All of our 275 locations in Nebraska already take precautions to prevent underage players. They all have clear 21-and-over signs posted, ensure trained staff are present, and have

redemption systems that require an ID. The age-verification requirements proposed here are excessive and are looking to solve a problem that doesn't exist. The bill requires continuous employee monitoring, ID scans before play, and ID scans again before redemption. In closing, we all share a goal of responsible regulation, but LB920 goes beyond refining the system, it overcorrects, it destabilizes small business and community organizations, and redirects revenue away from enforcement itself before the current regulatory framework has even had time to work. I respectfully ask the committee to oppose LB920. Thank you.

von GILLERN: Thank you. Questions from the committee? Seeing none, thank you for being here. Next opponent. How many more testifiers do we have? Can I see a show of hands? Oh, OK.

KEN SCHILZ: Good afternoon, Chair von Gillern and members of the Revenue Committee. My name is Ken Schilz, spelled K-e-n S-c-h-i-l-z. I'm here today as a Registered Lobbyist for the J&J Ventures Gaming, or JJVG, in opposition to LB920. We'd like to take the opportunity to thank Senator Spivey for the opportunity to participate in the LR this last summer and the opportunity to be here today. JJVG is a licensed distributor with approximately 35% of the market share in Nebraska. We operate in multiple states and are subject to a wide range of regulatory framework. Across all jurisdictions, their company presides-- prides itself on adhering to best practices and maintaining a strong record of compliance. We strive to be a leader in responsible operations and regulatory accountability. We support thoughtful, effective regulation of the industry. Proper regulations can help ensure bad actors are excluded and creates a clear driven path forward to help optimize revenue generation. Good actors such as JJVG support regulation to ensure minors do not have access to these skill games and it is not in the interest of our company or the industry as a whole. There are proven models in other states that Nebraska can look to. Models that strike an appropriate balance between public protection and healthy, sustainable industry. We believe collaboration with an industry stake-- with industry stakeholders is essential to achieving that balance and we would welcome the opportunity to work with Senator Spivey, this committee, and the full Legislature to develop a framework that protects the public while supporting a robust gaming industry in Nebraska. At this time, however, we must oppose LB920. While we agree in principle with some of the concerns raised by the Legislature and Senator Spivey's bill, we believe that there has not been sufficient discussion and industry input about how to effectively address these concerns. We are also opposed to the tax

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increase. We're concerned about the detrimental impact this tax increase would have on the industry and our various partners in the state. These devices are integral to the profitability of Nebraska-based small businesses. Looking ahead, JJVG is willing to engage in the meaningful discussions about a path forward, one that allows the industry to earn its way out of a tax increase, potentially by addressing key issues such as eliminating coins, resolving the 1099 reporting challenges, and establishing appropriate limits on the number of gaming systems allowed in a single location. We hope to have the opportunity to work collaboratively with the Legislature and other stakeholders to refine this bill. We believe there is more work to be done to reach a solution that benefits both the state of Nebraska and the regulated gaming industry while promoting safe and responsible gaming. And with that, I'd try to answer any questions you may have.

von GILLERN: Thank you. Questions from the committee? Seeing none, thank you, Mr. Schiltz.

KEN SCHILZ: Thank you.

von GILLERN: Are there any other opponents?

ARSHAD NAZIR: Dear members of the committee, my name is Arshad Nazir. I own NP Mart--

von GILLERN: Can you spell your name please for the record?

ARSHAD NAZIR: A-r-s-h-a-d N-a-z-i-r, Nazir.

von GILLERN: Thank you.

ARSHAD NAZIR: So we own and operate [INAUDIBLE] 30 locations all over Nebraska and we have about 120 employees all together. I had a long statement but pretty much everybody addressed all the issues we have. The few things nobody addresses, we just have a-- from \$13 an hour, we went to \$15 an hour, you know, on the employees. So the wages are going up, that these things kind of offset the costs of-- sorry, my accent, you know, and so I, I hope you guys understand.

von GILLERN: You're fine.

ARSHAD NAZIR: Yeah, so you go across the bridge in Iowa, we still [INAUDIBLE] an hour. In Nebraska, we have \$15.00 an hour, you know. So we employ almost 120 employees right now. If these machines are not helping the business, almost like 30, 40 people will have to, you

know, lose the jobs like that, even the taxes go high. These-- that kind of things kind of helps, you know, and we are in the favor of more regulations and especially unattended where, you know, we should sport like any job has up-- there's a job attached to these games. They're supposed to be allowed-- of course, unattended games, yes, we are in favor of having these regulations and all that. But, overall, of course, there is a, a business benefit that it benefits all the small businesses, especially in the smaller community or lower income neighborhoods and all that where, you know what I mean, where jobs are hard to find. So we-- currently, I can tell on my behalf that out of 100 or 120 employees I have, if they are, you know, the taxes go high or something, because we just are offsetting the cost of \$15 an hour, we began from 13 to 15. And then taxes go high as well. So, you know what I mean, we are already kind of struggling with that because it just happened this month. So you know what I mean, with the tax and all that going. So, of course, what will happen to me is this, I will fire 30 people, you know what I mean, and just offset the cost of that. So we really don't want to be like people losing the jobs that are attached to this. I mean, I'm not saying like all 100 people are, but at least 20, 30 people are going to have the job effects because of that. So I appreciate it, but, you know what I mean, there is, you know, a lot of the people's employees because of this [INAUDIBLE]. So appreciate it. Any questions?

von GILLERN: Thank you. Questions from the committee? Senator Dungan.

DUNGAN: Thank you, Chair von Gillern. I just want to-- thank you for being here. I really appreciate it.

ARSHAD NAZIR: Well, thank you.

DUNGAN: I just want to clarify your statement to make sure I totally understand. So, you know, you're saying that if LB920 goes into effect and there's this increased tax that these 20 or 30 people might lose their jobs. I'm trying to understand is that because of the monetary impact or do you employ 20 to 30 people who watch or observe these games of skill and you'll have to get rid of them so they won't have a job? Does that make sense? I'm trying to understand why those people might lose their jobs.

ARSHAD NAZIR: I mean, of course, it's, it's the trickle-down effect, you know what I mean, and everything will have a trickle-down effect. Like I said, you know what I mean, there's already-- we are already struggling with the increased wages, because we were only \$13 an hour

and now we're going to \$15 an hour, I mean, that's also kind of given us and the businesses-- you know what I mean, everything kind of, you know what I mean, tie down together. So, I mean, a lot of the people have the jobs because-- you know what I mean, of course, skill games are not full source of our business, but it helps, you know what I mean? It's like-- it, it helps you, you know what I mean, balance your budget and all that on your [INAUDIBLE].

DUNGAN: And to that exact point, my follow up and last question is, do you, off the top of your head, ballpark, know how much of your revenue as a company comes from these games of skill?

ARSHAD NAZIR: We are a gas station, so not even 5, 10%, you know, because we, we, we don't own the machines. We make, like, 50, 60% because 50, 60% goes to the company who put the machines there. But, again, it's just everything helps, you what I mean, in a small business where you're living, maybe, like a few bucks a day, you know, especially as a, a small business, you know what I mean, everything helps, you know.

DUNGAN: Thank you for being here. I appreciate it.

ARSHAD NAZIR: Yeah, no, thank you very much.

von GILLERN: Thank you. Senator Sorren-- hang-- did you have-- just one moment-- did you have a question?

SORRENTINO: I do not.

von GILLERN: Oh, I'm sorry. I, I had a question.

ARSHAD NAZIR: Yeah, sure.

von GILLERN: Just be, be comfortable. I want to make sure I, I, I heard you properly. Did you say that the increase in the minimum wage has caused you-- has caused challenges for your business?

ARSHAD NAZIR: Huge challenges.

von GILLERN: Have you, have you let people go because you can't afford--

ARSHAD NAZIR: No, I mean, so far we are trying to, you know what I mean, balance our budget, but again, you know what I mean, if there's

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another tax coming from the skill game side, of course, then some people will be on the edge of, you know--

von GILLERN: All right, I wanted to make sure I heard you properly.

ARSHAD NAZIR: Yeah, because, you know--

von GILLERN: Thank you.

ARSHAD NAZIR: --like across the street in Iowa, we're still at \$8 an hour. So we are \$15 an hour, so it's a huge difference, which we love, you know what I mean, we have tremendous people who are working in our organization, you know what I mean, 100 people, you know what I mean, so they work. But, again, you know what I mean, everything has small impacts on it.

von GILLERN: Got it. Yep. No, I understand completely what you're saying. Thank you for being here.

ARSHAD NAZIR: Thank you.

von GILLERN: Any other opponent testimony? Seeing none, anyone who would like to testify in a neutral capacity?

JULIANA TABER: Looks good, and a nice neutral tone.

von GILLERN: Are you testifying in neutral or opponent?

JULIANA TABER: Neutral.

von GILLERN: OK. All right. Welcome.

JULIANA TABER: Thank you. Ready?

von GILLERN: Yeah, go ahead.

JULIANA TABER: My name is Juliana Taber, and I live in Omaha.

von GILLERN: Could I get you to spell your name, please?

JULIANA TABER: J-u-l-i-a-n-a,--

von GILLERN: Thank you.

JULIANA TABER: --last name, T-a-b-e-r.

von GILLERN: Thank you.

JULIANA TABER: And I actually live in Senator Spivey's district. And I respect her so much because of the work that she did in, in helping many foundations and charities that I work with in north Omaha. So I wasn't going to say anything, but law school taught me to be so neutrally analytical. So I respect Senator Spivey and I-- and her work and I, I understand her motivations and intent behind this bill, but-- and I personally, I don't gamble. I could live without these amusement devices, they, just like phones and slot machines, are bright and shiny and they're distractions and, and they have really no upside. However, I do, I do know people that are not the Venetian and they're not Jack Binions, and I know that as far back as, like, 2005, these organizations-- these, these casinos have been trying to, you know, have casinos here in Nebraska and sending millions of dollars to influence things that way. But I know personally people that are not the Venetian, they're not the Jack Binions, they're not the big money casinos. And I learned just today, in fact, that they don't pay tax when they buy the machines, but these guys do. And I thought that was interesting that they don't even count that sales tax on the machines that cost like 11 to-- up to 20 grand apiece. And so that's revenue that they're already being taxed at. But the only thing that really just struck me enough to speak was that when Senator Spivey said said that the 40, 60 rule as far as the business income that's hosting the machines, otherwise, they'd be a casino with a gift shop, is that-- and, personally, I would just say there, there's like-- for example, there's many businesses, Aussie's Pub, right up there on 72nd Street, the owner Eric at 2326 North 72nd Street, has 3 games in the back of his pub that he's owned since 1991. And I don't know how it came up, but he was brought to tears when he told me that without those games and the revenue from those games, he wouldn't be able to pay his workers and he wouldn't even be able to pay his electricity bill. So, I mean, that was make or break for him. And so I would share that with you and I just don't think that any of those people are aware of the law and what is going to change and then they will be financially impacted and they're definitely not operating to be like a casino in any way. And there are other small businesses like that, too. And if Mr. Fox, who testified earlier, was being truthful about the 50% going to the locations which-- and my, and my-- to my knowledge, it's more like 40, 60 on a generous side. I, I would encourage, maybe perhaps, Mr. Fox to reach out to that local pub owner and give him that 50% deal, but there are, there are some businesses, and they're mostly

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restaurants and pubs that, that they, they get a lot of money from these machines, so. That's all.

von GILLERN: Thank you for your testimony. Any questions from the committee members? Seeing none, thank you for being here, Ms. Taber.

JULIANA TABER: Nice to meet you. Thank you.

von GILLERN: Good to see you. Any other neutral testimony? Seeing none, Senator Spivey, would you like to waive your close?

SPIVEY: [INAUDIBLE]. No, just kidding.

von GILLERN: Do you have a brief close for us?

SPIVEY: You know, I'm going to take less than 5 minutes.

von GILLERN: OK, before you-- I invited you up and then I stopped you. On the record, we had 12 proponent testimonies, 26 opponent, and 1 neutral position comments for the hearing record. Thank you.

SPIVEY: Thank you. Thank you, Chair von Gillern and members of the Revenue Committee. I appreciate you all staying later today to have this dialogue so I will keep this short to wrap up. So I just want to kind of reiterate a couple points to make sure that it's on the record and we can continue to have this conversation. This is secondary income to small businesses. And as I mentioned, I am a proponent of small business. My policy agenda reflects that. And there are programs like BIA, grant programs, I actually have a, a tax credit bill that will come in front of you all for small businesses, and so I hope all of these folks that are testifying now around supporting small business come back for that, because I have created strategies to ensure that mom-and-pop restaurants, which I operated, a brick and mortar, we now just have a food trailer, are able to be successful. However, I do not think hinging the success of those types of industries on skilled game is appropriate and that we have to do the right things from a regulation standpoint as policymakers around skilled games. And so those-- that conversation is not mutually exclusive for me. We were looking at, during the testimony, around the smaller kind of-- VFWs came up a lot around those are struggling. I'm going to dig more into it, but Section 77-3012, subsection (5) does have a carve out for fraternal or recognized veteran organizations to being exempt to the tax. And so I wanted to just call out that section. I'm going to dig into it to make sure that I am understanding it correctly, but that was a lot of the commentary that these veteran

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and fraternal orgs are using these and I believe that there is a carve out for that. And so I also want to be clear that these cash devices are optional. And so there was statements around having to let staff go if the tax is raised. You also just don't have to have them. And so I don't think your staffing model, again, in my understanding, the intent of the regulation of these frameworks is to not have your business model that is not aligned from an industry or product perspective to be dependent on this type of revenue. So I just also wanted to uplift that. And then there was a lot of conversation around verification that there's not a problem. And so I have visited laundromats. There was no kind of mention of the types of businesses. They are in 24-hour laundromats. And I went out with Chair Holdcroft and we sat for, like, half a day at these laundromats. And we talked to some of the attendants that are there-- bless you-- during the day, and they said, you know, when people come in, there have been kids that have sat there or a mom has had a kid on her lap while playing the game. Right now, there is no age verification. So you don't know if there's a problem if you're not monitoring and regulating it. Just because there is a sign posted doesn't mean that it's not a problem. And so, again, if we want to create spaces that are safe, that have consumer protections, we need to ensure that that regulation is there. I appreciate former Senator Lowe being here and, and respectfully disagree on some of those compromises that were made. I think we all as policymakers talk to different stakeholders and constituents and there's a deal made and I can tell you coming into this body now going on 2 years, there were deals and compromises made that my predecessor worked on that are being revisited. There are things in the budget that are being revisited and so times change, markets change, right, things evolve and iterate. And so this is not to uproot the hard work that former Senator Lowe did with stakeholders. That is not to be dismissive of that work. But I do think it is an appropriate revisit and conversation around transparency, regulation that meets this moment. If you-- and I would invite any of you all to come out to District 13, I would be happy to take you around probably in a car, not walk because it's cold, so that you can see the impacts that these skilled games are having outside of laundromats, the Mega Savers, the vape and cigar stores, there are folks with no shoes sitting down playing, folks asking for cash outside of these businesses and then going into play. And I know that because I visit, I'm in my community day in and day out when I'm-- especially not when I am in Lincoln. And so I would say geography does matter. And when you talk about the impacts where there are densities of population and what we are seeing that it is creating some social ills that we as a body need to really

weigh and consider. And then the last thing that I will say around this, Vice Chair Jacobson asked this question and I wanted us to provide some insight. From the Department of Revenue statistics, not mine, on average, the cash devices are making \$23,000 a year. And so that's if, you know, divide it out for a day, on average it's upwards of \$63. And that's taking the average of devices that are-- may not be making any money and devices that have high-end revenues coming in. And then most places have an average of three devices. So you can do the math around the revenue and what you're seeing and what does it look like. And so I, I appreciate all of the testimony today. I've said, I, I like discourse. I think it makes us better. And I'm willing to sit in it and find a solution for it. I take this very serious and I've put in a lot of effort and intention around what is an appropriate regulation. This is not a knee-jerk reaction. This is not to stifle the industry. I think what I have presented is appropriate to meet this moment where we are, and I look forward to working with stakeholders and this committee on how we can move LB920 forward. And so with that, I will answer any lingering questions.

von GILLERN: Thank you. Any other questions from the committee members? Thank you, Senator Spivey.

SPIVEY: Thank you, Chair, I appreciate the time.

von GILLERN: Yeah, appreciate you. That will close our hearing on LB920, close our Revenue hearing for the day. Thanks, everybody.