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General Affairs Committee
February 07, 2011

[LB299 LB490 LB524 LB681]

The Committee on General Affairs met at 1:30 p.m. on Monday, February 7, 2011, in Room 1510 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB524, LB299, LB490, and LB681. Senators present: Russ Karpisek, Chairperson; Bob Krist, Vice Chairperson; Dave Bloomfield; Lydia Brasch; Colby Coash; Tyson Larson; Amanda McGill; and Paul Schumacher. Senators absent: None.

SENATOR KARPISEK: Welcome to the General Affairs Committee. My name is Senator Russ Karpisek from Wilber and I am the Chair of the committee. The committee members who are present: To my far right is Senator Brasch of Bancroft; next to her is Senator Bloomfield of Hoskins; then Senator Coash of Lincoln; next to him is our Vice Chair, Senator Krist of Omaha; to my immediate right is Josh Eickmeier, committee legal counsel from Seward; to my far left is Christina Case, the committee clerk. Senator Larson will be joining us, in and out; he has bills in other hearings today--of O'Neill. Senator Schumacher of Columbus; and Senator McGill of Lincoln. The page helping us today is Lacey Schuler from Tekamah. After each bill introduction we would like to hear testimony in support of the bill, then testimony in opposition of the bill, and finally neutral testimony. If you are planning on testifying in any capacity, please pick up a sign-in sheet at either door and fill them out and bring them--excuse me, I get ahead of myself every time on this--sign in the sheet before you testify. When it is your turn to testify, please give your sign-in sheet to the pages or...yes, give it--give it to the committee clerk or the page. This will help us make a more accurate public record. If you have handouts, please make sure that you have ten copies for the page to hand out to the committee. When you come up to testify, please speak clearly into the mike. Please tell us your name, and spell your first and last name, even if you think that it is an easily spelled name. Also please tell us whom you are representing if anyone. Please turn off your cell phones, pagers, or anything else that makes noise, and please keep your conversations to a minimum or take them out in the hallway. Again, this is not a football game. We won't have cheering one way or another. Finally, while we do allow handouts, we do not allow visual aids or other display items. Thank you for your cooperation. Now we will begin with the first bill up today, LB524, which will be introduced by Senator Amanda McGill. Whenever you are ready, Senator. [LB524]

SENATOR MCGILL: Thank you. Good afternoon, Senator Karpisek and members of the committee. I'm Amanda McGill. I represent the 26th District here in the Legislature. That's M-c-G-i-l-l. I'm here today to offer LB524 for your consideration. It's become clear to me, just amongst my own peers and then in a data-driven way, that people in America aren't saving anymore. Forty years ago everyone had a cushion of some sort, and then the credit boom hit and everybody just owes money to someone, somewhere. And so I've been putting a lot of thought into how we can encourage people to once again save money, so that when they lose their job or their car breaks down or something happens to change their financial status, that they at least have some sort of

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cushion out there. So I've been traveling to many conferences over the last couple of years. I was presented with this particular idea that has led to LB524. This bill would allow credit unions to offer a savings promotion raffle, where people can earn a chance to win a prize each time they deposit money into savings. Credit unions can already conduct gift enterprises, and my bill would include savings promotion raffles under that category. This is how it works. An individual would go to a credit union and open a savings account or purchase a savings product with a low deposit of about \$25. And each time they save \$25, they'd earn a chance to win a prize from the credit union. In the pilot project you'll hear about later, people were capped at how many times, by the credit unions, they could put money in and get a chance to win, in order to make sure that those with more money couldn't go in and put in thousands of dollars and earn many more chances to win. So they did put a cap of I think it was ten deposits in a month of those \$25, to make sure that things were leveled out. But it's a great way for people to save. And yet that money is still there; it's theirs for them to take back. But the credit unions offer prizes either through a little bit of the interest off the top--and they're still earning interest--but taking a little bit off the top or, in many cases, putting their own money into those prizes. In Michigan, it was a \$100,000 prize at the end of the year, with smaller prizes on a monthly basis. But those details would be worked out by a credit union and not in this bill. This bill just gives credit unions the ability to create a savings promotion raffle like that. Doorways to Dreams, a national nonprofit specializing in expanding asset-building opportunities for American families, completed that pilot savings promotion raffle in Michigan during 2009. Remarkably, the folks of Michigan saved over \$8.5 million through the program, many of which were people who didn't have a savings account beforehand. In fact, 56 percent of the people who participated had not had a savings account before. In this past year, in 2010, Michigan...or, yeah, last year they continued on with this program, and the average account balance in 2010 was \$1,600. In that first year, it was about \$760, and now people are saving even more than they did in that first year. They found, you know, Doorways to Dreams helped create something that "incentized" savings by making it fun--you know, giving it the fun concept of, okay, I can win something. But, you know, for these families who traditionally don't save, now they have that cushion, where they don't have to be late on paying bills or use a payday lender or other options that are out there. They actually have a cushion, moving forward. So I very much encourage your consideration of this bill. I think it could be a really good addition here in Nebraska. [LB524]

SENATOR KARPISEK: Thank you, Senator McGill. Do we have any questions? Senator, you have someone here from... [LB524]

SENATOR MCGILL: Yes, from Doorways to Dreams to answer lots of your questions and tell you more about the Michigan pilot project. [LB524]

SENATOR KARPISEK: Very good. Thank you. [LB524]

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SENATOR MCGILL: Um-hum. [LB524]

SENATOR KARPISEK: The first proponent of the bill. And we are not going to use the light system today. If everyone can try to listen to other testimony and not repeat, we will try to not use the lights. If we're droning on and sounding like me, we'll start using the lights. Welcome. [LB524]

JOANNA SMITH-RAMANI: May I come up? [LB524]

SENATOR KARPISEK: You may. [LB524]

JOANNA SMITH-RAMANI: Thank you. [LB524]

SENATOR KARPISEK: Thank you. [LB524]

JOANNA SMITH-RAMANI: (Exhibits 1 and 2) Thank you so much, committee members, for having me here today. My name is Joanna Smith-Ramani, Joanna, J-o-a-n-n-a, Smith-Ramani is S-m-i-t-h hyphen R-a-m-a-n-i, and I do represent the Doorways to Dreams Fund, a nationally based nonprofit out of Boston, Massachusetts. Great. Thank you. [LB524]

SENATOR KARPISEK: Very good. [LB524]

JOANNA SMITH-RAMANI: Honorable members of the Nebraska General Affairs Committee, the Doorways to Dreams Fund--we refer to ourselves as the D2D Fund--is a national nonprofit that strengthens the financial opportunity and security of low- and moderate-income consumers by innovating, incubating, and stimulating new financial products and policies. We have over ten years of experience in this area, and we've worked with federal, state, and local governments as well as large financial institutions, both banks and credit unions, national and local corporations, and a range of nonprofits to achieve these goals. As Senator McGill mentioned, given the current recession, savings are more important to the financial security of Americans than ever. Recent research that our board chair conducted, from Harvard, suggests that half of Americans, nearly 50 percent of Americans, could not come up with \$2,000 in 30 days and therefore cannot deal with any kind of financial emergency. As we all probably expect, this is particularly true and even worse for low- and moderate-income families who have fewer safe and affordable financial options to fall back on. We've done research and tests ourselves and with colleagues that found that prize-linked savings accounts, or savings promotion raffles, as we're referring to them here, are a safe and very powerful incentive to get more families saving. While there are really great international examples to point to, we would most like to point to Michigan, where we are in the third year of what I think can no longer be considered a pilot but an actual, real product launch of a savings promotion raffle product through their credit union industry, where over 28,500

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accounts have been opened in the last two years, with almost \$37 million saved in these accounts. As Senator McGill mentioned, 56 percent of those saving never saved before. So this truly was shown to be a product that reached out to the hardest-to-reach folks--the ones that are that 50 percent without the \$2,000 to get through a financial emergency--and brought them to average accounts this past year of \$1,600. Forty-four percent were low- to moderate-income consumers and savers--so, again, the ones in our community who are least likely to have financial assets to lean on and often have to come to the government when financial catastrophe strikes. But now these families are saving upwards of \$1,600 in accounts and able to deal with their own financial circumstances in their own family finance crisis when the time arises. Prize-linked savings are now a nationally tested, not just internationally tested, successful concept in which consumers earn chances to win by saving in insured financial institutions. The accounts, as we mentioned, make savings fun, which is a good thing, considering the lack of savings in our country; certainly do provide an incentive to save more; help financially vulnerable families become more financially secure; and, the two most important things, create a no-lose proposition for savers. Everyone who saves maintains their deposits and the interest accrued on those deposits whether or not they win the prizes. So no one loses, everyone wins, because they have savings at the end of the year. Also importantly, unlike most other policies for promoting savings, allowing prize-linked savings deposits does not require any public subsidies, tax credits, or public expenditures. You are merely giving the power to credit unions to offer this product. Allowing Nebraska credit unions the ability to offer these programs could ultimately help more families across the state start saving for their futures and produce a more secure and strong state overall. While D2D, from a mission perspective, is focused on promoting savings for low- to moderate-income residents, a key benefit, of course, to this product is that it will be accessible to all residents of Nebraska regardless of income. For these reasons, we do consider it to be a really successful, safe, and secure way to encourage real savings and have impact on families' lives, and we encourage a favorable consideration of this bill. And in front of you I believe you have a short back-and-side or two-page document that details the results from the pilot years. [LB524]

SENATOR KARPISEK: Very good. Thank you very much. Any questions? Senator Schumacher. [LB524]

JOANNA SMITH-RAMANI: Yes, sir. [LB524]

SENATOR SCHUMACHER: Thank you, Senator Karpisek. Tell me a little bit about the Doorways to Dreams Fund. You say that's a nonprofit? [LB524]

JOANNA SMITH-RAMANI: Yes. [LB524]

SENATOR SCHUMACHER: And that's a...who are its members? How are its board of

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directors elected? [LB524]

JOANNA SMITH-RAMANI: Sure. We're a national nonprofit, as I mentioned, although we're based in Boston. We were started and continue to be chaired by a Harvard business professor, Peter Tufano, and our board members represent a host of both industry and community-based type groups. So we have credit union members on our board, bank members represented on our board, researchers on our board--folks from Dartmouth, folks from Harvard--as well as other sort of trade professionals. Additionally, we have some nonprofits that are local to Boston whose leadership is represented on our board to make sure we're very connected to the communities that we're trying to serve. [LB524]

SENATOR SCHUMACHER: Would that be the Professor Tufano from the Harvard Business School? [LB524]

JOANNA SMITH-RAMANI: That's correct, sir. [LB524]

SENATOR SCHUMACHER: Okay. Tell me now, how does your organization, then, interact with the local credit unions in this program? Do you administer it? Do you...so the...explain to me how the money flows. [LB524]

JOANNA SMITH-RAMANI: Sure. Absolutely. I would be happy to. To be clear, the Doorways to Dreams Fund does not profit off this product at all. We do not make money off of it. Our goal is to, again, stimulate good ideas and innovations in the financial service market to serve low-income consumers. So our role in Michigan, the first year, was that we were funded by Walmart Foundation through the Center for Financial Service Innovation. Again, this was in 2009. And we did use part of that funding to help with the prize pool that first year. The majority of funding was actually used for research and design on the product and then, of course, getting the results that you see in front of you. Going forward, we've more served as a technical advisor to credit unions. These are locally run operations, you know, run by credit union leagues and cooperatively with their credit unions. The funding going forward, both in Michigan and in other states where we're working, has all come from the credit unions themselves. So they're using marketing budget or product development budget to come up with the prize pool, you know, with the long-term kind of business prospect that this brings in, you know, keeps existing members saving, which then can lead them on, of course, to other financial assets that they may accrue through loan products or other products. But it's a mission-based product for them to get more folks saving, and so they're willing to invest their own dollars to meet their mission of getting their members to save. [LB524]

SENATOR SCHUMACHER: Do you have any statistics as to, per, say, \$1,000 of deposits, how much your commissions or fees would be percentagewise? [LB524]

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JOANNA SMITH-RAMANI: For a credit union, rather? [LB524]

SENATOR SCHUMACHER: Um-hum. [LB524]

JOANNA SMITH-RAMANI: I mean, we don't...again, we don't earn any money off of this. [LB524]

SENATOR SCHUMACHER: You don't get any money off of this system at all. [LB524]

JOANNA SMITH-RAMANI: No, not at all. We are an independent nonprofit that's funded by philanthropy to do this work. [LB524]

SENATOR SCHUMACHER: Okay. So it's a charity kind of thing. [LB524]

JOANNA SMITH-RAMANI: Yes. [LB524]

SENATOR SCHUMACHER: Okay. Now, as far as the cash flow on the money side is concerned, does any of the interest that would normally be paid to a saver get diverted into the jackpot fund? [LB524]

JOANNA SMITH-RAMANI: So there is interest accrued on these accounts. I want to also say that. And in Michigan, in fact, the first year the interest rates were set between 1 and 1.5 percent, but in 2009 that was actually pretty competitive to comparable products. It's not an outstanding interest rate environment, as I'm sure we all know. I think savings bonds are .74 percent right now. So, you know, in the...internationally, I will say, the way that they've funded this product, its scale, is that they've used the spread between the interest being charged on the accounts and then the money, you know, the financial institutions make off of deposits, which is a standard way that financial institutions earn money to invest back into their products. But what we are seeing in the U.S. in these second and third years and the first-year startups is that it isn't really the spread that's funding it. Again, it's pools of money already set aside in the credit unions to do innovation, to do mission-based work, and to do marketing, that they're using it. So the consumer isn't necessarily taking, like, a cut in the interest rate. [LB524]

SENATOR SCHUMACHER: So a little bit of the interest that would normally go to one of these savers is not being shaved off to fund the jackpot? [LB524]

JOANNA SMITH-RAMANI: We're not seeing that in the U.S. [LB524]

SENATOR SCHUMACHER: Okay. That's coming, then, from the spread between what they borrow money for and what the credit union lends it out at. [LB524]

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JOANNA SMITH-RAMANI: Correct. And also again I will say that in the startup phases, credit unions don't have the volume yet with the product to even have enough from the spread necessarily. It's also not a great lending environment, as we all know. So credit unions, again, are really using their other funds from marketing and from product development and their mission-based work to fund the product startup. [LB524]

SENATOR SCHUMACHER: Would a credit union consumer have the option to participate in this program or stay away from it? [LB524]

JOANNA SMITH-RAMANI: Absolutely. And so in Michigan, the way it is...the same way that, if you passed this law, a credit union has the option to provide this product or not. It's not a mandate in any direction. And so in Michigan, this was a separate certificate of deposit that a member made a conscious decision to open up and made a conscious decision to save in, separate from other accounts they may have at the credit union. [LB524]

SENATOR SCHUMACHER: Now, this bill refers to credit unions. Any particular reason banks and other savings institutions are not included? [LB524]

JOANNA SMITH-RAMANI: I'm not sure why in this bill they're not included. I can say that there is federal law that would preempt banks from being able to participate in this activity, even if your state law allowed for it. [LB524]

SENATOR SCHUMACHER: Would this give credit unions a one-up on other financial institutions that could not offer this product? [LB524]

JOANNA SMITH-RAMANI: You know, it's a really great question, and the way that I see it is that both banks and credit unions currently use promotions to drive traffic into their businesses and to get people to save or to borrow. And so it doesn't add an extra tool into credit unions' pockets; it's just another promotion that they can offer the same way other financial institutions can. And for credit unions, in particular, they have mission-based work to really make sure that all members of the community--moderate income, low income, and high income--have access to financial security. And so this is really a mission-based product around savings and increasing financial security. From D2D's perspective, as I mentioned, we work with banks and credit unions and both with their federal regulators; it's not in our interest to keep it one over the other. This is truly a federal issue around banks. It's not a sort of safety and soundness or a competition issue. [LB524]

SENATOR SCHUMACHER: Thank you for your testimony. I have no further questions. [LB524]

SENATOR KARPSEK: Thank you, Senator Schumacher. Senator Krist. [LB524]

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SENATOR KRIST: Joanna, thanks for coming. And in preparation for this, I went on-line and looked, and I got to tell you, I was comically skeptical about what I was going to hear. Your organization does fantastic work and you should be commended. [LB524]

JOANNA SMITH-RAMANI: Thank you very much. [LB524]

SENATOR KRIST: Thank you very much. [LB524]

JOANNA SMITH-RAMANI: Thank you. [LB524]

SENATOR KARPISEK: Thank you, Senator Krist. Senator Brasch. [LB524]

SENATOR BRASCH: Is this for any age, or is this adults only? I came briefly to your slide show and I looked at it, and it looked like it was more gaming, like a pickle card up on your screen. And I'm thinking, is that the whole approach or is that just one piece of...? Is it gaming or is it lottery or... [LB524]

JOANNA SMITH-RAMANI: I mean, it's savings first. [LB524]

SENATOR BRASCH: But is it for...can somebody be 14 years old and take chances, or do you have to be 18 or 21 or...? [LB524]

JOANNA SMITH-RAMANI: That will largely depend on your other state laws, which I don't want to say I'm familiar with. [LB524]

SENATOR BRASCH: But is it considered gaming because it is a lottery? Or a 14-year-old could come in and play the game. [LB524]

JOANNA SMITH-RAMANI: In Michigan, the rules are that you needed to be 18 or older, because I believe their raffle rules require that. And so in the case of Michigan--so I'll just speak to that--the way that their raffle laws work is that even with this provision they are regulated first as financial institutions, of course, and then also as an entity offering a raffle. So I think the way this is written here, because it is added to an existing gift enterprise, the credit unions would have to be under and be in compliance with your existing raffle laws and whatever ages those are. I will say that we have a really exciting example of this in San Francisco, where a credit union is using the same concept to encourage youth to save. So it's not outside the concept. I think it's more a regulatory issue. [LB524]

SENATOR BRASCH: All right. Thank you, Ms. Smith-Ramani. And thank you, Chairman. [LB524]

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SENATOR KARPISEK: Thank you, Senator Brasch. Any further questions? Is it a CD that you would take out? Is it a savings account? [LB524]

JOANNA SMITH-RAMANI: In the Michigan model that you have the results from, they were using a 12-month certificate of deposit that's called a balance building CD, meaning you have an initial deposit--in this case it was \$25--and you can then continue to add throughout the year. Sixty-four percent of savers had never been in a certificate before because they could never meet these opening balances that were so high. So the product was purposefully designed to increase accessibility and make sure all potential savers could have access to it. Certainly we see examples. In Texas, there's a credit union, Community Credit Union, that it's a standard savings account. And so whatever you have saved at the end of whatever their period is, their promotion period--I believe it's a year--you know, that's the number of raffle entries you have. So if your money has flowed in and out, you only get credit for what's there at the end. You've seen in other countries where they've used savings bonds. So it's really...you know, there's a lot of really exciting ways to do it that all can incent savings and, again, bring more financial security to residents. [LB524]

SENATOR KARPISEK: And that was where my question was going, is how do you get the money out? And if, say, I've put in... [LB524]

JOANNA SMITH-RAMANI: Sure. [LB524]

SENATOR KARPISEK: ...\$500 and I... [LB524]

JOANNA SMITH-RAMANI: There's an emergency. [LB524]

SENATOR KARPISEK: ...yeah, an emergency. Can I get it out? Do I pay a penalty if I take it out? [LB524]

JOANNA SMITH-RAMANI: Yeah, that's a really wonderful question. The way this product was designed in Michigan, again because it was a 12-month certificate similar to all certificates, there is a penalty fee for removing your money early. I think it was \$25 or under, so not huge, but certainly a way to access it if there's an emergency, because no one wanted to feel like we're trapping a lot of particularly financially vulnerable consumers' money. I will say, in practice...it was an important feature to get those folks into the product. In practice, we saw very few people using it. They actually appreciated the fact that their money was essentially, in their mind, tied up, and so they weren't draining it unnecessarily, because what they wanted was to build that emergency savings account. But it's an important feature. [LB524]

SENATOR KARPISEK: Very good. Thank you. Senator Bloomfield. [LB524]

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SENATOR BLOOMFIELD: You were telling us that we would be looking at a \$25 opening or something like that. Is there anything in here that prevents you, if given that authority, to setting up another one that has a minimum of a \$5,000 deposit? Are you precluded from doing that? [LB524]

JOANNA SMITH-RAMANI: There is nothing, I believe, in the way that the bill was written that would prevent that. I will say that the market would likely prevent anyone from entering that. And certainly when I have spoken...we had several meetings with credit unions in Nebraska about this one to see if they're even interested in offering the product. There's been a really exciting amount of support. Their goal with it, again, is to make sure they can get this product out to the hardest-to-reach--the financially vulnerable--as well as their other clients. And so it's not in their both business or product-design interest to do that. But certainly the bill would allow them to design a product that had various entry level points. But you don't see those currently existing at credit unions. [LB524]

SENATOR KARPISEK: Thank you, Senator Bloomfield. Senator Schumacher. [LB524]

SENATOR SCHUMACHER: Yes. Now, is this operated on a credit-union-by-credit-union basis, or do the credit unions all pool to get the money for the big jackpot? [LB524]

JOANNA SMITH-RAMANI: It's a cooperative model, where they're pooling exactly as you mentioned, Senator, to get the jackpot, because not one of them individually could afford a prize pool as high as they could collectively. Interest rates are set individually, and there's often monthly prizes to encourage regular savings habits, not just a one-time dump of funds that come down at the credit union level. So I would say it's a mix of both. But it's certainly a cooperative model that we've seen work successfully. [LB524]

SENATOR SCHUMACHER: And then, so in contributions to this pool, how are the various credit unions assessed their level of contribution to the pool? [LB524]

JOANNA SMITH-RAMANI: That's a great question. And again it depends on the local design. The first year in Michigan each credit union gave a flat I believe it was \$10,000 towards the prize pool. After that and we got through that successful year, all the credit unions met again and said: You know what, some of us are bigger, some of us are smaller, it seems like we should come up with a better way to sort of pay into the system. And so what they do now is they pay by number of member accounts and number of raffle entries, so that if you're a credit union with a ton of accounts and a ton of savings, you are paying a little more into the pool than if you're a smaller credit union or you just don't have as many people investing in these accounts. [LB524]

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SENATOR SCHUMACHER: Do you see competing pools, competing groups of credit unions? [LB524]

JOANNA SMITH-RAMANI: You could. There's nothing, certainly, in the law that would not allow that. Again, I think the interest of the credit unions that I've heard in this state, and certainly what I've seen in other states, is that they want to pool together what they can to get an interesting-sized prize pool and to really get this product out. And so they already all work together under their league and likely wouldn't splinter off. But again, there's nothing in the design of the product that makes that bad, if they can get enough people interested in investing in it. [LB524]

SENATOR SCHUMACHER: Who or what regulates the random mechanism by which the lenders are chosen? [LB524]

JOANNA SMITH-RAMANI: Well, your laws already have in them ways that, you know, you have to make sure that every raffle entrant in any kind of game of chance, you know, has an equal chance of winning. There's all kinds of computer systems that you can use and operate. That's what we use in Michigan to ensure that it's random and that every entry receives the same random chance of drawing as someone else. In Michigan, because of the way their law is written, this is also overseen by their gambling commission--I'm not sure what it's called. But essentially, you know, again, they need to be in compliance with all parts of the law, not just all the regulation they're under for the financial institution side. Does that answer your question? [LB524]

SENATOR SCHUMACHER: Thank you for your testimony. I have no further questions. [LB524]

JOANNA SMITH-RAMANI: Thank you. [LB524]

SENATOR KARPISEK: Thank you, Senator Schumacher. Any further questions? I don't see any. Thank you. [LB524]

JOANNA SMITH-RAMANI: Thank you very much. [LB524]

SENATOR KARPISEK: We worked you over pretty well and... [LB524]

JOANNA SMITH-RAMANI: That's okay. [LB524]

SENATOR KARPISEK: ...welcome to Nebraska. [LB524]

JOANNA SMITH-RAMANI: I'm very happy to be here. Thank you so much for your time. [LB524]

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SENATOR KARPISEK: Further proponents? Good afternoon. [LB524]

BRANDON LUETKENHAUS: Good afternoon. [LB524]

SENATOR KARPISEK: Senator Larson did join us as we were in the middle of that, from O'Neill. [LB524]

BRANDON LUETKENHAUS: (Exhibit 3) Thank you, Mr. Chairman and members of the General Affairs Committee. My name is Brandon Luetkenhaus; it's B-r-a-n-d-o-n, last name L-u-e-t-k-e-n-h-a-u-s. And I'm here on behalf of the Nebraska Credit Union League as a registered lobbyist. The league represents 96 percent of the state's 72 credit unions and their 420,000 members statewide. Credit unions are not-for-profit financial institutions that are locally owned by their members/consumers. Credit unions provide modern financial services at a low cost to their members. And every account at a Nebraska credit union is federally insured through the National Credit Union Share Insurance Fund of up to at least \$250,000, much like the FDIC insures bank accounts. I appear before you today to offer our association's support of LB524. I want to thank Senator McGill for introducing what we believe to be a forward-thinking, common-sense piece of legislation. LB524, as the senator alluded to, she kind of explained what it does. I believe credit unions are uniquely qualified to offer this savings product--promotion raffles--because of our cooperative nature. Credit unions oftentimes work very close together. They tend to be less competitive than for-profit institutions are with one another. And so for that reason I think credit unions...this is a great fit for credit unions and especially for their members. These folks will be able to save...have an incentive to save; and for those times when they may have a hiccup in their finances, they'll be able to get through that without much trouble. So I think this product is very important. In the state Credit Union Act, it states that the "Credit union shall mean a cooperative, nonprofit corporation organized under the Credit Union Act for purposes of educating and encouraging its members in the concept of thrift..." And I think that's exactly what LB524 does. It encourages thrift amongst the members. And I think it will be very effective. Our credit unions, I will tell you, are excited about offering this product. We've seen what Michigan has done. It's very exciting. We are one of several states that is introducing this legislation this year, and I think if this committee would advance this it would be very beneficial to not only our members but all of Nebraska. And I will just ask that the committee advance LB524 and would be willing to answer any questions you might have. [LB524]

SENATOR KARPISEK: Thank you, Mr. Luetkenhaus. Any questions? Senator Schumacher. [LB524]

SENATOR SCHUMACHER: Thank you, Senator Karpisek. Since credit unions are nonprofit, the money that is put into the prize fund by the individual credit unions... [LB524]

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BRANDON LUETKENHAUS: Um-hum. [LB524]

SENATOR SCHUMACHER: ...where would it go otherwise? [LB524]

BRANDON LUETKENHAUS: Well, typically it could go into retained earnings, Senator. For credit unions to be well capitalized, they have to have 7 percent of capital. It could go into lowering fees. It could go into dividends. It could go into lower interest rates, that type of thing. But, of course, our credit unions do have to hold capital, so. [LB524]

SENATOR SCHUMACHER: So, basically, when we do the value judgment on this thing, we're taking those things you just mentioned and pitting them against the jackpot. [LB524]

BRANDON LUETKENHAUS: Well, I shouldn't say that, because some of the revenue that...or earnings that credit unions derive also go into marketing accounts and those types of things, where they market products and try to provide better service to their members. So it can come from a general fund; it can come from a marketing fund, all sorts of things. But, I mean, obviously, whatever earnings the credit union has, that's where the money is going to come from--the membership. But I think it's important to note that this helps the members. These members own the credit union. By being a member, you're an owner, and therefore the money that you're deriving from this savings promotion raffle is your money. You're the owner of the institution. [LB524]

SENATOR SCHUMACHER: Why not just take the jackpot money and just give a tad more interest to everybody for saving? [LB524]

BRANDON LUETKENHAUS: You could do that. But this is...this helps incentivize savings by having the opportunity to win a lump sum of money at the end of a year's term. You're incentivizing those people to have a chance to win something, and so they may be more willing to save. We just heard from Joanna that there's quite a few people out there that don't save anything, but given the chance to maybe win something they would be more likely to save. [LB524]

SENATOR SCHUMACHER: Thank you for your testimony. [LB524]

SENATOR KARPISEK: Thank you, Senator Schumacher. Any further questions? Seeing none, thank you. Further proponents? Welcome. [LB524]

JULIE KALKOWSKI: (Exhibit 4) Thank you. My name is Julie Kalkowski: Julie, J-u-l-i-e, Kalkowski, K-a-l-k-o-w-s-k-i. And, yes, I'm from south Omaha originally. (Laughter) I'm here as a proponent of LB524. I run the Financial Hope Collaborative for Creighton University. I am not representing Creighton University today. What I am is I am bringing

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my 30 years of experience of working with low-income families to really advocate for this bill today. Twenty percent of American households do not have a bank account. And when you don't have a bank account, you can't build savings. You'll need to go to a buy here/pay here place, and that's why 5 percent of Americans spend...that's why low-income families spend 5 percent of their basic, their annual income just on basic financial transactions. If you don't have a bank account, you don't have credit. You do not have the ability to get a loan from a bank, which means that if you need a car, in Omaha people pay 28 percent interest, if they don't have a bank account, to the buy here/pay here. A lot of the money that low-income families earn go to excessive fees and outrageous interest rates just for basic financial transactions. They end up paying 4 to 5 times the cost for a refrigerator at a rent-to-own place as they do if they would go to Nebraska Furniture Mart. And I'm not here to advocate for Nebraska Furniture Mart, but they are just much more economic than other places. We know that approximately 50 percent of our American families are living paycheck to paycheck, which is not good for their kids; it's not good for our local businesses; it's not good for anyone. And we also know that the Federal Reserve has done extensive research on the percentage of Americans who are severely financially stressed. And they are estimating that 15-20 percent of employees are severely enough financially stressed that they lose 15-20 hours of productivity a year...a month, for when they're worried about being called by creditors. So first I wanted to talk to you about the need, why we so desperately need people to have a savings account. Now I want to talk to you a little bit about the income and why savings works. Again, I've worked with low-income families for a really long time. And what we see is when people have a little bit of savings, it goes a long way. I had one client that I worked with, and in five months, by doing everything possible, she had saved \$237. And she came in to me and she said, "You know, I don't have a lot of money"--\$237 is not a lot of money--but she said, "I feel like I've got a million dollars in the bank." She said, "I feel like for the first time I can be a really good parent. I can set limits with my child." And her child was a disaster before she started this program. I had to kick her out of childcare, which is a pretty drastic thing to do. But it's just amazing what a little bit of savings does. It really decreases people's financial stress, frees up their energy to be better parents, to be better workers. I also think about having the savings account--you know, it really struck me, I think it was 56 percent of the folks had never had a savings account. And when people have a savings account, it really changes their heads. They also teach their children how to save. We all know that you know what you grew up with and that if you see your mom or dad saving, then you're going to save--not necessarily, not 100 percent, might be 97. But I think the thing that really, really pushes me to come and to speak with you today about this is there's a lot of research that has been done that says that children that grow up in homes that are owned by their families usually don't drop out of school, usually don't become teen parents, and don't get involved in the court system. Now that's just not good for that kid and that family; that's good for our communities, that's good for our state, and that's good for our country. And I think if you don't have a checking account, you don't have a savings account, there's no way you're going to become a homeowner. So anything that

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we can do to incentivize savings, to get families to be thinking a little bit differently--I think savings changes people's heads, and I think it's really important that we give a lot of low-income families in Nebraska that opportunity. Thank you, and I'll take any questions now. [LB524]

SENATOR KARPISEK: Thank you, Ms. Kalkowski. Senator Krist. [LB524]

SENATOR KRIST: Some of the best people I know come from south Omaha. (Laughter) [LB524]

JULIE KALKOWSKI: You're not an SOB, are you? South Omaha boy? [LB524]

SENATOR KRIST: Absolutely. Absolutely. [LB524]

JULIE KALKOWSKI: All right. [LB524]

SENATOR KRIST: I have to clarify, that's south Omaha boy. [LB524]

JULIE KALKOWSKI: Yeah. I think there's a generational thing here, you know (inaudible). [LB524]

SENATOR KRIST: I'd like to ask you a question: With the years that you've been working, are you familiar with the organization and the... [LB524]

JULIE KALKOWSKI: I am. I have worked for a lot of years with those folks. [LB524]

SENATOR KRIST: Do you have any doubt in your mind that they have their heart and their expertise in the right place? [LB524]

JULIE KALKOWSKI: You know, I am so happy that there are wicked-smart people like these folks who are figuring out how to help people save and build assets as opposed to all the other folks who are thinking of new ways to screw poor people. I mean, I have seen the creativity that goes into taking advantage of low-income people. And to have folks like D2D here--I've worked with Tim Flacke, Joanna, I've worked with a lot of these folks, go to national conferences. And they already said: It's the big mouth from Nebraska is here again--that's me. [LB524]

SENATOR KRIST: So the flip side of that: Can you think of a way that someone would use this program to take advantage of people? [LB524]

JULIE KALKOWSKI: You know, I think what I've seen with D2D--these folks always do their homework and they make sure that there are not ways...that there's no loopholes that somebody can get their feet pulled out underneath them at the last minute. So

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since it's savings, I know that there are state regulations on the credit unions. I have a lot of confidence in those regs. I don't see...I can't see a downside to this. There probably...there might be one. I really don't see a downside. And I do know that for the low-income families that I've worked with over the years, once they start savings, that family is just on a different trajectory. I had one woman say, "A friend of mine came up to me and said: Girlfriend, I want to know what you're eating because you are doing so much better. What are you doing differently? It's like everything is going better for you." And she's like, "I'm saving money." I have worked with a number of savings programs. This by far is the most inclusive savings program. Usually the savings programs I've run for low-income families, they're limited because I can only raise \$25,000 or \$30,000 to do this. This is open to everybody in our community. I don't...when Nebraskans save more money, I can't see a downside. [LB524]

SENATOR KRIST: The only thing I wish is that you would be more enthusiastic about this. (Laughter) [LB524]

JULIE KALKOWSKI: Well, I've been working on that. My daughter is here, like: Mother, please, do you have to...? They're teenagers, you know, so. [LB524]

SENATOR KRIST: Thank you so much. [LB524]

JULIE KALKOWSKI: All right. Thank you. [LB524]

SENATOR KARPISSEK: Thank you, Senator Krist. Any other questions? You talk about having a savings account. Would they have to have any other kind of account? [LB524]

JULIE KALKOWSKI: Well, my hope would be...a savings account is their first step into the economic mainstream, so that it's like a baby step. They step up. They can get in a savings account. The next one would maybe get a checking account. And then as they get more confidence, they learn how to manage their money. It's really important. We've got a savings program for low-income women right now. Average income is \$23,000. Those women are starting to save money, just a little bit. It's like \$4 this month. It's, you know, \$7 this next week. But it's just really important. They're telling their kids: We're not going to Burger King anymore because it costs \$30 to go to Burger King. We have them save their receipts. There are simple steps that we can do to help people manage their money. And then when you have a program like this...and I think...I don't know, Joanna, you folks did...but there's another study that came out that said 38 percent of Americans thought the only way they could ever get out of debt is to win the lottery. And when we have 2 in 5 families, you know--percent of our families saying that's the only way they're going to get out of debt, Houston, we're in trouble. So anything we can do, I'm there. [LB524]

SENATOR KARPISSEK: And you said 20 percent of people don't have a bank account.

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[LB524]

JULIE KALKOWSKI: Households in America. [LB524]

SENATOR KARPISEK: Households. What do...why? [LB524]

JULIE KALKOWSKI: There's a number of different reasons. Some of our newcomers to Nebraska, they grew up in countries where your money was here one day in the bank and the next day it was gone. So they didn't have a lot of trust in financial institutions. Some folks have never had a history. They didn't grow up...you know, again, you know what you grew up with. Your mom and dad didn't have a bank account and you don't have a bank account; you do everything with a cash economy. Some people have bounced checks, which means they go into ChexSystems. And when you are in ChexSystems, you can't open an account at other places, a checking account at any other financial institution. There's a number of different reasons. Those three I think are the top three, but there's probably others. [LB524]

SENATOR KARPISEK: Very good. Any further questions? Seeing none. [LB524]

JULIE KALKOWSKI: Thank you very much for your time. [LB524]

SENATOR KARPISEK: Thank you. Any further proponents? Any opponents? Any neutral testimony? Welcome to the General Affairs Committee. [LB524]

BOB HALLSTROM: Chairman Karpisek, members of the committee, my name is Robert J. Hallstrom. I appear today before you as a registered lobbyist for the Nebraska Bankers Association in a neutral capacity on LB524. The Nebraska Bankers Association generally encourages thrift. We've been very active in promoting financial literacy to promote savings and to provide other educational opportunities for individuals with respect to a whole litany of financial transactions. In visiting with Senator McGill and some of the representatives of the credit union, I've indicated, perhaps much to their surprise, that I would be testifying in a neutral capacity today but that I would be making some suggestions that we believe should be considered by this committee. And from the tenor of your questions, perhaps many of you are already going down that path. Senator Schumacher adeptly pointed out that this is a one-up in terms of the authority that credit unions have that trumps what banks can do. That's pursuant to restrictions on non-credit-union financial institutions, at the federal level, that would define this type of activity to constitute an impermissible lottery if it was conducted by either a national or a state bank. So as a result, we are precluded from doing so. What we are allowed to do, on a very modest basis, is to have bonuses or promotions that, based on the amount of the account, cannot exceed either \$10 or \$20 and can only be offered on two occasions during a calendar year--so nothing to the potential expense of what is authorized under this bill. Some of the issues I have reviewed and researched, the few states, less than a

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handful of states that have adopted this type of legislation...I would call LB524 a bare-bones approach--basically just authorizing the credit unions to structure the programs however they see fit. What I have seen from the states subsequent to Michigan is that the states seem to be starting to fill in a few more of the gaps with statutory provisions that put some parameters and some limitations on how these programs ought to be operated. What I'd like to do very quickly is run through some of those issues. I will certainly share these with Senator McGill and the supporters of the legislation. A number of states make the operation of the savings promotion raffle subject to approval by the supervisory agency, in this case the Department of Banking. Some states, and in many cases the credit unions themselves, have provisions restricting who can participate. Senator Brasch asked the question about adults. I don't know whether the general Nebraska lottery statutes require it to be adults, but that is a part of the general issue. Requiring them to be Nebraska residents is something that other states have looked at as well. With regard to the operation of the raffle, some states have looked at the safety and soundness of the institution. Should there be a criteria for the institution to be well capitalized or, at least in a more generic sense, that the operation of the lottery does not threaten or harm the safety and soundness of the institution? I believe Rhode Island or one of the more recent states puts a limit on the amount of prizes at \$1,000, limits it to two raffles per year. Those are all types of things that minimize the effect on the safety and soundness of the institution. There are issues with regard to a generic provision in some statutes that say, do not mislead customers. The flip side of that would possibly be specific disclosures. You've heard today the two methods by which this program can be operated, the first of which is for the credit unions to belly up the money. The second is to provide a lower rate of interest on the accounts. One state that I reviewed has a specific provision that essentially, I think, requires the credit union to come up with the money, because it requires the interest rate to be the same as that which is paid on comparable accounts. So you've got that type of issue to look at. Or, if you are going to reduce the interest rate, perhaps a specific consumer disclosure should be given to that effect. Many of the credit unions that I've seen, in their raffle promotions, don't allow--which I think it is logical should be in the law, perhaps--no officer, director, employee, or relative thereof is eligible to participate in the raffle. Another issue, if the objective is to benefit the unbanked or the underbanked, should it be limited to new customers? Should there be thresholds put in the law limiting the amount of chances that you can participate in? Are you going to allow a wealthy person to put in many more deposits than a person that's only opening up the savings for the first time, to create an unlevel playing field? I think there are some states that require an audit by the Department of Banking or at least the ability to audit. That may already be inherent in the Department of Banking's supervisory authority. To clear up one issue, I think the last witness suggested that this would be open to everyone in the community. My understanding would, obviously, be that there would be an inherent limitation, in that the credit union would be restricted by its common bond to who would be an eligible member. With that, I'd be happy to address any questions that the committee might have. [LB524]

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SENATOR KARPISEK: Thank you, Mr. Hallstrom. Any questions? Senator Schumacher. [LB524]

SENATOR SCHUMACHER: Thank you, Chairman Karpisek. Mr. Hallstrom, your testimony brings up several thoughts. One, in the research you did with regard to other states, do they have a central fund composed of contributions from many credit unions from different states, or is it confined on a state-by-state basis? [LB524]

BOB HALLSTROM: My understanding would be that it's confined to that state. But I didn't see anything that would lead me to conclude one way or the other that that is, in fact, the case. But that's my understanding of how these are supposed to operate. [LB524]

SENATOR SCHUMACHER: Was there anything in that research that indicated that if they do pull resources either on an intrastate or an interstate basis, that there is some insurance or some check on the security of this central fund that's accumulated? [LB524]

BOB HALLSTROM: Nothing that I saw, Senator. Obviously, from the base perspective, the savings would probably be small enough individually that they would be covered by the Credit Union Insurance Fund. But for those amounts that are put together by the credit unions, the largest pooling that I saw, in Michigan at least, you know, one-shot perspective, was a \$100,000 grand prize, which would not threaten any credit union insurance amounts, to my knowledge. [LB524]

SENATOR SCHUMACHER: Did the credit unions in those cases pay into the pool in advance or just when the winner is drawn kick in their part? [LB524]

BOB HALLSTROM: That I do not know. I would assume that the nonprofit representative that testified would have more knowledge on that than I. [LB524]

SENATOR SCHUMACHER: In the language of any of those, is...if there would be problems with the central fund and an institution advertised that there would be a \$100,000 jackpot or something, was there any discussion whether or not that could be joint and several liability of the various institutions? [LB524]

BOB HALLSTROM: Nothing on the face of the statute. It could potentially be an unfair and deceptive advertising or promotional practice either under the Unfair and Deceptive Trade Practices Act or perhaps under the penalties that apply under the Nebraska lottery or raffle provisions. But I didn't see anything that addressed that specifically, Senator. [LB524]

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SENATOR SCHUMACHER: And then a final question. You mentioned that regulation by the Department of Banking...generally, gambling in Nebraska is regulated by the Department of Revenue. Why did you suggest the Department of Banking on this one? [LB524]

BOB HALLSTROM: That's who supervises the credit unions from the financial institution side of things, and that was what, in the laws that I saw, where they provided for things such as opening their books and being subject to audit; those statutes did apply to the what would be the Department of Banking counterpart in those states. [LB524]

SENATOR SCHUMACHER: Thank you, Mr. Hallstrom. I have no further questions. [LB524]

SENATOR KARPISEK: Thank you, Senator Schumacher. Senator Krist. [LB524]

SENATOR KRIST: I want to ask this question as an opinion, and I understand that you're not part of our Referencing Committee. But inherent to the charter of a credit union, they are currently allowed to do things that the banking industry is not allowed to do. [LB524]

BOB HALLSTROM: That is correct. [LB524]

SENATOR KRIST: Most of what your testimony tells me is that this particular bill, with its intricacies, may have been better placed in Banking than in General Affairs. Is that what you're suggesting? [LB524]

BOB HALLSTROM: I was not suggesting that, Senator. There's obviously--when we lock horns across the hall in the Banking Committee, we talk a lot about tax advantages that credit unions have at the federal level. This is another area where the federal lawmakers, in their wisdom, or perhaps lack thereof, have given another leg up, in the lottery area. But that's not particularly why I'm here today. I am in a neutral position. I'm offering some, what I hope is, constructive advice... [LB524]

SENATOR KRIST: Oh, absolutely. [LB524]

BOB HALLSTROM: ...if these are going to go forward, that the committee, hopefully, will consider. [LB524]

SENATOR KRIST: And given that your testimony, then--those things that have been annotated...many of us were taking notes. Would...you said you'd be available to Senator McGill to amend, to help us...I mean, obviously, when we do this, we're not trying to reinvent the wheel. So if there's things that Michigan, Rhode Island, whoever, have done to make it better from the very get-go, then I'm assuming that you'd be

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available to help us do that? [LB524]

BOB HALLSTROM: Yeah, I would, Senator. I know...and one thing I didn't mention that was...I was talking with some of the credit union representatives. Maryland has a novel approach, in that they went ahead and put provisions in authorizing financial institutions to participate. It also acknowledges that under current federal law there are restrictions that will not allow them to do so, but if the federal law would ever change, that they would be poised to be able to take advantage of the law. That certainly might be something that I would as well be interested in. And the credit unions, if I heard them correctly, didn't express any particular opposition to that approach. It's a little bit novel and unique in Nebraska, so we'll visit about that. [LB524]

SENATOR KRIST: Thank you. Thank you so much. [LB524]

SENATOR KARPISEK: Thank you, Senator Krist. Any...Senator Schumacher? [LB524]

SENATOR SCHUMACHER: One follow-up question. We've been talking in terms of a large jackpot accumulated and maybe a drawing once or twice a year. Do you see anything in this particular legislation or in other states' legislation that would prevent you from going and making a \$25 deposit and then pushing a button and having a computer generate a number and winning on the instant winner? [LB524]

BOB HALLSTROM: Hadn't thought about that, but I haven't seen anything that would so restrict it. Just from what I've read, Senator, there are monthly prizes that are granted, I think, to keep the interest in the game, so to speak. In Michigan, there was the \$100,000 grand prize. I don't know if the credit unions in Nebraska would envision that, at least initially. But there wasn't anything that I saw that would restrict any of those types of promotions. [LB524]

SENATOR SCHUMACHER: Thank you. [LB524]

SENATOR KARPISEK: Thank you, Senator Schumacher. Thank you, Mr. Hallstrom. Senator McGill to close. I should have asked: Is there any other neutral testimony? I didn't assume so. Senator McGill. [LB524]

SENATOR MCGILL: Hello. Just to wrap up, I'm familiar with the Maryland laws and the other ones. We chose to start with this basic approach just to allow the credit unions to build their own type of product that would be best for the people of Nebraska. But I'm more than happy to work out specific details with the credit unions. Doorways to Dreams worked directly with Maryland. I've spoken...actually, I learned about this at a conference where there were folks from Maryland there as well and had just finished getting this passed in their legislature. So I'm more than happy to work out and put more specific language in here in terms of whatever parameters the committee think would be

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most helpful, and work with the credit unions, since there is some interest in many of them to get this started right away. They probably have some ideas. I don't think we're talking about a \$100,000 pot at the end of the year. I think it would be something smaller than that. But that would still give them the flexibility to operate on an individual level where necessary. I also would be more than happy to put in something dealing with other financial institutions. And I'd be happy to go and help Mr. Hallstrom lobby Congress to allow them to do this. (Laugh) Because I think it's really great. And in terms of, you know, the fear of shaving off some interest rate percentage points or whatever, for these people who aren't saving right now, they're not shopping around to find out where they're going to save another five bucks on the year. What's happening is that across America, and this was a sad story that Dreams has, that people are spending more money on lottery tickets than they are on milk, as a family. And so this is really appealing to people who don't save, who are putting their money into other things and trying to encourage them, hey, you can still win over here but actually save your money as well. Yes, maybe some products will end up shaving. Instead of being 1.5 percent, it's 1.25 percent. But these particular people we're trying to appeal to, that's not what's going to "incentize" them to save in the first place. They need that hook. They need that sense of this is exciting, this is fun. I know she showed that lottery ticket earlier with the deposit slip. This doesn't look like a lottery ticket. That's just to make a point. In the presentation this morning she showed a deposit slip for a bank and a lottery ticket, and said: Which one is more fun; you know, which would you rather gravitate towards? And so that's what...it's a symbol of what this is supposed to do, is to pull people towards opening an account like this by making it seem more fun than just having a deposit slip. So it doesn't look like a gambling ticket in any way, shape, or form. It's just another type of account. But again, I'd be happy to work with the committee. I think this is a great idea, and it's a chance for Nebraska to really be on the front wave of this. There's a reason there aren't a lot of other statistics. It's because not many states have actually gotten to the point of enacting it. Maybe they put the language in statute last year but they're not actually doing it yet, so we can be on the front wave of this product. [LB524]

SENATOR KARPISEK: Thank you, Senator McGill. Any questions for...Senator Bloomfield. [LB524]

SENATOR BLOOMFIELD: Throw one out here, thank you. [LB524]

SENATOR MCGILL: Um-hum. [LB524]

SENATOR BLOOMFIELD: Have there been any tests or studies that you're aware of if you would get more interest by offering, say, a \$50,000 drawing versus \$5,000, \$10,000 drawing? [LB524]

SENATOR MCGILL: No, I haven't seen anything like that yet. [LB524]

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SENATOR BLOOMFIELD: Okay. Thank you. [LB524]

SENATOR KARPISEK: Senator Brasch. [LB524]

SENATOR BRASCH: Thank you, Chairman. And thank you so much for clarifying that... [LB524]

SENATOR MCGILL: Yeah. [LB524]

SENATOR BRASCH: ...because that did really concern me when I did see that slide, and that's why I asked about children, so children aren't confused between lottery and savings. [LB524]

SENATOR MCGILL: No, it doesn't actually look like that at all. [LB524]

SENATOR BRASCH: It doesn't. Thank you. That puts me at peace. [LB524]

SENATOR MCGILL: (Laugh) Yeah, that was just an example. And Doorways to Dreams is awesome. Like, they have these video games they've created where you manage a celebrity's credit card, you know, to help young people, in a fun way, learn to manage their money, you know. So they're really trying to come up with ways that will resonate with people. [LB524]

SENATOR BRASCH: And I do realize there's Monopoly games, there's all kinds... [LB524]

SENATOR MCGILL: Yeah. (Laugh) [LB524]

SENATOR BRASCH: ...of fun things. I just... [LB524]

SENATOR MCGILL: Teach financial skills. [LB524]

SENATOR BRASCH: Yeah. And people do enjoy that. And thank you for clarifying the one slide. [LB524]

SENATOR MCGILL: Yes. [LB524]

SENATOR BRASCH: So thank you. [LB524]

SENATOR MCGILL: Uh-huh. [LB524]

SENATOR KARPISEK: Thank you, Senator Brasch. Any further questions? If you do go to lobby Congress, I think the Chair and Vice Chair would like to accompany you--and

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legal counsel. (Laughter) [LB524]

SENATOR SCHUMACHER: Not the whole committee? [LB524]

SENATOR KARPISEK: Well, times are tough. [LB524]

SENATOR KRIST: We'll carry your bags. [LB524]

SENATOR MCGILL: We all have campaign accounts to help us get out there. (Laugh)
[LB524]

SENATOR KARPISEK: Thank you, Senator McGill. And that will end the hearing for
LB524. LB299 is next--my bill--and I will turn the Chair over to Senator Krist. [LB524]

SENATOR KRIST: Thank you, Senator Karpisek. And you can open when you're ready,
sir. [LB299]

SENATOR KARPISEK: Thank you, Senator Krist. Members of the General Affairs
Committee, for the record, my name is Russ Karpisek, R-u-s-s K-a-r-p-i-s-e-k. I'm from
Wilber, W-i-l-b-e-r, Nebraska. I represent the 32nd Legislative District. Under LB299, an
existing racetrack licensee may contract with another racetrack to conduct a live race
meeting on its behalf. The issue for the horse racing industry is that live horse racing is
more profitable at some racetracks than others. This bill would allow a racetrack where
live horse racing is less profitable to contract with another racetrack where live horse
racing is more profitable in order to meet its requirement for live horse racing dates. The
racetrack that has less profitable live horse racing would still be able to conduct
simulcast. That, in a nutshell, is the bill, and I'd be glad to take any questions. [LB299]

SENATOR KRIST: Any questions? Senator Coash. [LB299]

SENATOR COASH: Thank you. Thanks, Senator Karpisek. Where does the decision
power lie in one racetrack saying, you know what, we want to contract ten of our race
days to the next one? Who gets to make that decision? [LB299]

SENATOR KARPISEK: I would say that it's the State Racing Commission. [LB299]

SENATOR COASH: It's not the individual track? [LB299]

SENATOR KARPISEK: Well, I would think that they would be able to do it. And there,
hopefully, will be someone behind me that can clear that up better, but I think that they
can work it out on how many days, and then the commission would verify it. [LB299]

SENATOR COASH: Okay, because that would be a concern of mine. I mean, I know we

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have certain tracks that because of the place that they're in generate more money, because they are closer to more people, and so I wouldn't want to inadvertently kill a small community's racetrack because they maybe, by not their choice, had to give all their race days to another big track. [LB299]

SENATOR KARPISEK: I understand now what you're saying, Senator. That is not the intent here, but I...that is a good question, and if it's not answered behind me, we'll find that out later. [LB299]

SENATOR COASH: Okay. That's my question. [LB299]

SENATOR KRIST: Any other questions for the senator? Senator Schumacher. [LB299]

SENATOR SCHUMACHER: Thank you, Senator. I assume this means conducting the racing at the other racetrack's location. [LB299]

SENATOR KARPISEK: Correct. [LB299]

SENATOR SCHUMACHER: It's not a management team coming in or anything to do this? [LB299]

SENATOR KARPISEK: No. [LB299]

SENATOR SCHUMACHER: Okay. I have no further questions. [LB299]

SENATOR KRIST: Thank you. Any other questions? I assume you'll be here to close, sir. [LB299]

SENATOR KARPISEK: I will close. Thank you. [LB299]

SENATOR KRIST: Anyone in support of LB299? Good afternoon. [LB299]

LYNNE SCHULLER: Good afternoon, Senator Krist. Members of the committee, my name is Lynne Schuller, L-y-n-n-e S-c-h-u-l-l-e-r. I am here on behalf of the Nebraska Horsemen's Benevolent and Protective Association in favor of LB299. Just to clear up what I think are maybe some misconceptions. Live racing is extremely expensive for racetracks to conduct. We have a dichotomy between the racetracks and the HBPA. The HBPA's sole mission in life is to preserve live racing in the state of Nebraska. The racetrack's mission, obviously, is to try to make money. They make a tremendous amount of money on simulcasting. Live racing is a money loser for them only because it's extremely labor intensive. They have to hire about 100 people to conduct a live meet. You've got to have, you know, eight people just on the starting gate alone. So what has happened is in the state of Nebraska, there's statutory requirements about

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how many live days you have to run in order to have a racing license for the year, meaning you're able to conduct simulcasting. The problem has come in, in particular, in Columbus, where they are legally required to run 23 days of live racing. With their population base and their fan base, it has now become almost unaffordable for them to be able to do the 23 days and still have simulcasting. People have approached the HBPA and said: Listen, instead of doing this, why don't you just try to reduce the number of days statutorily that they're required to race. That's against our charter, if you will. We have to do everything we can to preserve live racing, because that's how our members are able to make a living. As an alternative to just flat out reducing the number of days, what we'd like to do is give those tracks that have found it to be unaffordable to run those minimum number of days to be able to transfer those days to another racetrack who are willing to take it, namely, probably Horsemen's Park in Omaha or Fonner Park in Grand Island. They would be able to transfer, let's say, five days to another facility, be able to more evenly distribute the days, and everybody would still be able to run their mandatory minimum but yet be able to make it affordable. That's what this bill is about. [LB299]

SENATOR KRIST: Questions? Senator Coash. [LB299]

SENATOR COASH: Thank you. Did you hear the question I asked Senator Karpisek? [LB299]

LYNNE SCHULLER: Yes. [LB299]

SENATOR COASH: I don't know if you are the right person to answer this, but... [LB299]

LYNNE SCHULLER: I'm probably the person to answer it. [LB299]

SENATOR COASH: ...who gets to make the decision...at what level, is it the local level or the State Racing Commission... [LB299]

LYNNE SCHULLER: Here's how it goes. [LB299]

SENATOR COASH: ...gets to make the decision to say, you know, we're going to see if Columbus will go down eight days and we'll send four here and four here? [LB299]

LYNNE SCHULLER: Here's the way it works. For example, I'm racetrack A, you're racetrack B. In Nebraska, all of the tracks collectively, all five tracks, have to come to a decision to run 72 days statewide. That's the mandatory minimum. If you don't come up with 72 days, then nobody is able to simulcast. It's an all-or-nothing proposition. From that basis, then each individual track has a mandatory minimum number of days. So if I'm track A and I've got, let's say, 5 days, you're track B, you've got 37 days, and you've

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decided you can no longer afford to support those 37 days, the way we envision it working is you call me up and say: Lynne, you know, I'd really like you to take five or six of my days; can we figure out some way for you to take those days so that I can make it more affordable to run on my end? We then would have to go to the date-setting meeting in November--it's usually in November--to the Racing Commission. The Racing Commission has the final say on scheduling of all days for the following season. We would do our presentation to the Racing Commission. The Racing Commission would say yea or nay. And if they say nay, we have to go back to the drawing board and come up with a more workable plan and re-present to the Racing Commission. That has never happened as long as I've been working for the HBPA. I have heard that when Ak-Sar-Ben was still running sometimes it would become very contentious and they would have to have two or three meetings before they could come up with a schedule. But that's basically how it works. [LB299]

SENATOR COASH: Okay. This bill, if enacted, this would end racing in Columbus, right? I mean... [LB299]

LYNNE SCHULLER: Oh, I don't think so at all. [LB299]

SENATOR COASH: You don't think so. [LB299]

LYNNE SCHULLER: No. [LB299]

SENATOR COASH: I mean, I know Columbus...you know, I've been here three years, we always...and Senator Stuthman used to bring bills to talk about the number of racing days specific to Columbus. And I've heard, you confirmed it today, that they struggle to make it work... [LB299]

LYNNE SCHULLER: They're struggling to make it work. [LB299]

SENATOR COASH: ...in that community. [LB299]

LYNNE SCHULLER: And, actually, I think Senator Schumacher probably has some experience with that. He's had dealings with them, and I think he's got some knowledge that they're struggling. In my opinion, this is to try and keep them running. I think if they went down to a more manageable number of live days, I think that they'd be doing fine. I'm afraid that if we don't do this, that they're just going to go away, because they can't afford to run those days anymore. That's my fear. [LB299]

SENATOR COASH: Okay. [LB299]

LYNNE SCHULLER: I want them very much to keep live racing. They have one of the strongest fan bases in the state of Nebraska right now for horse racing. Friday nights,

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they're packed. I would like to be able to continue to offer that entertainment alternative in that community, because they really do support it. [LB299]

SENATOR COASH: What's confusing to me, Lynne, is the amount of support they have and they can't keep it...and your explanation about the labor-intensiveness of the industry, but... [LB299]

LYNNE SCHULLER: The uplink fees have gone up considerably. You have to write contracts with each individual track to be able to receive their signal. For example, I was told by the CEO at Horsemen's Park that certain fees, including the Breeders' Cup and Churchill Downs, have basically become nonnegotiable. You pay their signal, or you don't run their signal. There's no negotiation there anymore, because they know their signals are strong enough that you have to agree. Those costs have all gone up exponentially in the past few years, and there's really no way in the formula to be able to make up that kind of a loss, so. [LB299]

SENATOR COASH: Okay. Thank you. No further questions. [LB299]

SENATOR KRIST: Other questions? Senator Larson and then we'll come back to Senator Bloomfield. [LB299]

SENATOR LARSON: Thank you. In your estimation, you'd have to...or I guess what I'm getting...but this would be good for not only the breeders but the horse owners and everybody involved with the racetrack? [LB299]

LYNNE SCHULLER: That's who I represent, are the owners and trainers on the track. [LB299]

SENATOR LARSON: Thank you. [LB299]

LYNNE SCHULLER: And we're very closely aligned with the breeders. They have a separate organization, but we work together a lot. [LB299]

SENATOR LARSON: Um-hum. Thank you. [LB299]

SENATOR KRIST: Senator Bloomfield. [LB299]

SENATOR BLOOMFIELD: Thank you. If horse racing were to leave Nebraska altogether, how much would that cost the state of Nebraska? [LB299]

LYNNE SCHULLER: We did an economic development...economic impact study--I take that back--in 2007, and at the time, I think, cumulatively it was around \$50 million, I believe. [LB299]

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SENATOR BLOOMFIELD: Thank you. [LB299]

SENATOR KRIST: Any other questions? Thank you, Lynne. [LB299]

LYNNE SCHULLER: Thank you very much. [LB299]

SENATOR KRIST: Any other supporters of LB299? Anyone in opposition of LB299? Welcome. [LB299]

PAT LOONTJER: (Exhibits 5-7) Hello. I'm Pat Loontjer; it's spelled L-o-o-n-t-j-e-r. I reside at 2221 South 104th (sic) Court in Omaha, Nebraska, and I'm the executive director of Gambling with the Good Life, which for the past 16 years has opposed any expanded gambling in the state of Nebraska. And we're very concerned about this piece of legislation, because I think it's being deceptive. It's being deceptive because it's being presented as a way to save horse racing, when in reality it's just the opposite. When simulcast was allowed in the state, it was given to the horse racing industry as a "remedy" to save the horses, and every attempt is made to keep those licenses in those city...and to make horse racing available to those who wish to participate. And we see this bill as being just the opposite of allowing those that do want to participate in that form of entertainment or gambling, by allowing these days to be traded. Because currently Horsemen's Park has four days of racing; they have 300 television sets broadcasting simulcast every day. So the vast majority of their income is coming from the simulcast. I have an article here that I'll leave with you that says that they very much would like to get rid of their horse racing days, because they lost quite a bit of money in the past years that they've run those four days of racing. So if those days were traded to Columbus or Grand Island or something, then horse racing would be gone as far as Omaha is concerned. And so I have that article there for you. And then there's an article in the Wall Street Journal that I wanted to leave with you, too, that says that basically the tracks are just a gateway to casinos. If the tracks would lose their simulcast licenses, they would not be available, then, to become casinos. So they want to retain those five licenses no matter what; even if they're only running one day a year, they're still going to get to keep their licenses--and, I believe, in the hopes that someday the law will be changed to allow slot machines and casinos, and they would be the first five up and running in the state of Nebraska. So I'm going to leave that article with you, too, and then also talk about what it's meant to Omaha to have that Ak-Sar-Ben racetrack closed and moved to Horsemen's Park. And this was...happened 15 years ago, and now if any of you have an opportunity to go to Omaha and to take a look at that land and what has become of it and the prosperity that it has brought to the city of Omaha compared to having the track there, it's just phenomenal. And it's being recognized around the nation as a comparison to what a racetrack will bring to a community as opposed to other forms of business. They have--the university is over there now; the dormitories are over there now, condominiums, housing for students; First Data is over there; I believe Blue

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Cross Blue Shield just moved over. There's business all over the place at that--bringing in a great deal of tax revenue in property taxes and sales tax and other things that they are not getting from anything coming from simulcast or from the horse track. So I would just like to urge you to be very, very cautious of this piece of legislation. It's extremely vague. I believe that the reason that they want it is solely to protect their licenses. They don't have any interest in promoting the horse racing industry, I believe. It's just...it's all about the gambling; it's not about the live racing and the entertainment that that provides. (Laugh) Any questions? [LB299]

SENATOR KRIST: Are there any questions for Pat? Thank you so much for coming down and testifying. [LB299]

PAT LOONTJER: Thank you. []

SENATOR LARSON: One question. One question. [LB299]

SENATOR KRIST: Oh, I'm sorry. Senator Larson. [LB299]

SENATOR LARSON: You say it's not about keeping the live racing. Under the bill, they would still be required to still run a live race, though, correct? [LB299]

PAT LOONTJER: Yes. They'd be trading days, but the two tracks that only have--you know, one day in South Sioux and four days in Omaha; it would be very easy to just wipe us out. [LB299]

SENATOR LARSON: But they would still have to run a live race somewhere else, so there still would be a live race. [LB299]

PAT LOONTJER: Somewhere. There would still be a live race, but it wouldn't be available to that section of the state. [LB299]

SENATOR LARSON: Okay. But they are ensuring that they keep the same number of live races in the state to ensure that the horses and those people involved in this economy have a place to run their horses, correct? [LB299]

PAT LOONTJER: Well, I believe it's 72 days one way or the other, how it's shuffled. It's just that by moving those days, it could very well be taking it away from a community that does enjoy that form of entertainment, and there's no guarantee that that wouldn't happen. It's not saying... [LB299]

SENATOR LARSON: But my question was just that there's going to be the same number of live horse racing days, no matter what. [LB299]

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PAT LOONTJER: Yes. [LB299]

SENATOR LARSON: Okay. Thank you. [LB299]

SENATOR KRIST: Any other questions for Pat? Thanks, Pat. [LB299]

PAT LOONTJER: Thank you. [LB299]

SENATOR KRIST: Anybody else in opposition of LB299? Hi. How are you? [LB299]

AL RISKOWSKI: Hi there. Al Riskowski, it's R-i-s-k-o-w-s-k-i, executive director of Nebraska Family Council. I am from south Omaha. [LB299]

SENATOR KRIST: Another S.O.B. (Laughter) Like I said, a lot of good people come from south Omaha. [LB299]

AL RISKOWSKI: We're a popular group here today. [LB299]

SENATOR KRIST: That's right. [LB299]

AL RISKOWSKI: (Exhibit 8) Just as a quick follow-up to the question about the dogs in Iowa. The dog racing in Iowa was in deep trouble, and thus a similar scenario started playing out in Iowa, to the point now where there are no live dog races, that it's all simulcast. And part of what I've proposed here or brought forward to you is a Lincoln Journal Star article about the history of what's been taking place in regard to the horse racing over the last few years. There have been quite a few number of different attempts to try and support the horse racing industry, because it is a dying industry. It is getting more and more expensive to run the horse races, because it is a dying industry and the interest level of an actual horse race is becoming less and less. And in the article in the Lincoln Journal Star, I thought it was interesting, this was a quote in the center of the article, by, actually, Mike Kelley, who lobbies for the horse racing industry, and a quote by him says: The general public does not seem interested in this issue. And they go through the number of bills and proposals that have been attempted since 2004, and each of them have been turned back because the general public is not interested in supporting the horse racing industry. This bill that's before you today does not support the horse racing industry directly, but it's another attempt...and it's obvious that that industry is in big trouble, and shuffling horse racing around to the various tracks is not going to solve the problem. The problem is much deeper than that, and I think that should be considered as senators in this committee also consider this bill. The other piece of information I have is from the Omaha World-Herald, and it's about Ak-Sar-Ben, which Pat Loontjer made reference: how that the horse racing has left Ak-Sar-Ben, that initially it was such a wonderful income for Omaha, paid out \$7.4 million originally, but within two years it dropped to \$1.67 million, and now, of course, it's totally gone. It was

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very painful to go through that transition; however, Ak-Sar-Ben now is an example across the country of transition and is very profitable for the state of Omaha. But it was painful to go through that process. And I think what we're seeing here is that same process happening across the state. This is an industry that is losing interest in our state. So I encourage senators not to support this bill. Thank you. [LB299]

SENATOR KRIST: Thank you, Al. Any questions for Al? Thank you so much. [LB299]

AL RISKOWSKI: I thank you. [LB299]

SENATOR KRIST: Any other...those that would like to speak in opposition of LB299? How about neutral testimony? Welcome. [LB299]

TOM SAGE: Good afternoon, Senators. My name is Tom Sage, S-a-g-e. I'm the Executive Secretary of the Nebraska Racing Commission. Our chairman, Dennis Lee, sends his apologies for not being able to be here. He's tied up in court. The commission is aware of LB299. We've not taken a stance on the bill. We haven't discussed it as a body. We just want the committee to be aware of that. One point, though, I'd like to make after listening to some of the discussion. Horse racing in Nebraska did wager \$86...just about \$87 million last year. We were down about 3.5 percent, beat the national average. The national average is about 8 percent down. So we still have some interest here in this state. I'll try to answer any questions, but, again, we haven't taken a stance on LB299. [LB299]

SENATOR KRIST: Any questions for Tom? I have one. [LB299]

TOM SAGE: Yes, sir. [LB299]

SENATOR KRIST: Would it be...I know you may not be able to speak for the entire commission, but would it be fair to say that none of our tracks would go raceless? There would have to be at least a minimum number of days that are run? [LB299]

TOM SAGE: I think from the discussions that I've had with the industry that's supporting the bill, that would be the case, that there would be live racing at all five of our tracks. I can't tell you that 100 percent for sure at this point. [LB299]

SENATOR KRIST: Any other questions? Senator Brasch. [LB299]

SENATOR BRASCH: Thank you, Chairman, and thank you, Mr. Sage. Do I understand that simulcast racing--the operations create the revenues to help sustain, or underwrite in some cases, our five tracks in the state? Is that correct, that basically...? [LB299]

TOM SAGE: From not being a track manager, it'd be very difficult for me to answer that

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directly, but that is my understanding, is the simulcasting is where the tracks make their money. As what was mentioned earlier in testimony, there's a lot of personnel costs during live racing. [LB299]

SENATOR BRASCH: And even off-season simulcast, you still have a facility, you have the... [LB299]

TOM SAGE: You still have a facility, you still have some costs, but you don't have the hundreds of employees to run simulcast that you do live racing. [LB299]

SENATOR BRASCH: And my understanding would be that there would be a minimum number of live days. [LB299]

TOM SAGE: Well, right now, through statute, there's a minimum. It's 70 percent of the days ran in 1988. That magic number, as we call it, is down to 72 days. So there has to be 72 days' live racing throughout the state. Whether it's at two tracks or it's five tracks, we have to run 72 days. We have two tracks that fall under that statute from 1988, and that would be Fonner Park and Columbus. They have absolute minimum numbers of days that they have to run, unless LB299 would go through. [LB299]

SENATOR BRASCH: Do you know how many horsemen we have in Nebraska? How many people...? [LB299]

TOM SAGE: We issue approximately 2,500 occupational license. Now those occupational license aren't only horsemen, but those are tellers, those are food and beverage, security, admissions, all gamuts of the industry. So it still employs a lot of folks in our state. [LB299]

SENATOR BRASCH: Very good. Thank you. [LB299]

SENATOR KRIST: Any other questions? Senator Bloomfield. [LB299]

SENATOR BLOOMFIELD: What's the status of Atokad in South Sioux? [LB299]

TOM SAGE: Atokad runs simulcast racing and runs one day of racing. [LB299]

SENATOR BLOOMFIELD: And that one day, it's... [LB299]

TOM SAGE: Meets their statute, because Atokad--as it is now, is it's Atokad Horsemen's Downs. It was a corporation started in approximately four or five years ago--could be off a couple of days--or years. So that doesn't fall under the 1988 statute. [LB299]

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SENATOR KRIST: Senator Schumacher. [LB299]

SENATOR SCHUMACHER: Thank you, Senator Krist. This 72 days, that's a statutory requirement? [LB299]

TOM SAGE: What the statute says is the tracks have to run 70 percent of the days they ran in 1988. So as of today the only two tracks that we have that ran in 1988 are Fonner Park and Columbus. Now, we obviously have racing at State Fair Park, but it's not State Fair Park anymore; it's Lincoln Race Course. So they move away from the 1988 requirement. But also the 1988 requirement indicates we have to run at least 70 percent of our days, which, again, the magic number is 72. [LB299]

SENATOR SCHUMACHER: But that's something the Legislature could change. It's not some interstate compact. [LB299]

TOM SAGE: That's correct. That's correct. [LB299]

SENATOR SCHUMACHER: All right. I have no further questions. [LB299]

SENATOR KRIST: Any other questions? Senator Brasch. [LB299]

SENATOR BRASCH: Now, you're testifying in the neutral. [LB299]

TOM SAGE: Correct. [LB299]

SENATOR BRASCH: So the Nebraska Racing Commission can live with or without this bill, where at the same time the Benevolent Horsemen really need this bill. So where...? [LB299]

TOM SAGE: As I stated when I began, our chairman was going to be here to discuss it. We, as a commission, have not gotten together and discussed exactly our stance on LB299. [LB299]

SENATOR BRASCH: Okay. Very good. Thank you. [LB299]

SENATOR KRIST: When do you anticipate the commission would actually meet on this subject? [LB299]

TOM SAGE: Well, we have a meeting on the 23rd of December. I was hoping to have input before then. [LB299]

SENATOR KRIST: The 23rd of December? [LB299]

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TOM SAGE: Excuse me, February. December! Oh, God! That's a long ways away.
(Laughter) [LB299]

SENATOR KRIST: I was just going to remind you of that. [LB299]

TOM SAGE: Yeah, you should have reminded me of that. The 23rd of February.
[LB299]

SENATOR KRIST: Okay. And the official release of that commission meeting could be made available to us immediately afterward? [LB299]

TOM SAGE: Correct. Um-hum. [LB299]

SENATOR KRIST: Okay. I'd make that request of you at this time, if you would, please.
[LB299]

TOM SAGE: Okay. [LB299]

SENATOR KRIST: Any other questions? Seeing none, thank you for coming. [LB299]

TOM SAGE: Thank you. [LB299]

SENATOR KRIST: Any other testimony in the neutral capacity? Okay. I'd like to get something on the record. Lynne, could you come back to the mike for just a second for me, please? In your testimony...thank you for coming back. [LB299]

LYNNE SCHULLER: Sure. [LB299]

SENATOR KRIST: In your testimony you said that you represent the horsemen. [LB299]

LYNNE SCHULLER: Yes. [LB299]

SENATOR KRIST: And that it...this is on their behalf. [LB299]

LYNNE SCHULLER: Yes. [LB299]

SENATOR KRIST: Okay. Comment for me, if you will, because I didn't ask you when you were up here, and I apologize for asking you to come back, but is it your intention ever to have a track with no events, live events? [LB299]

LYNNE SCHULLER: The only way I can see that happening is, for example, Atokad is for sale right now... [LB299]

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SENATOR KRIST: Okay. [LB299]

LYNNE SCHULLER: ...because we can't afford to keep it going in its current form. If this bill passes, then we've got some options. Now, you know, if tomorrow some factory comes and says we want to buy your facility, (laugh) you know, I can't make any promises that they wouldn't accept an offer. The other situation is, you know, we're in a difficult situation in Lincoln right now. You know, we're on a lease with the University of Nebraska that's running out and we need to still arrange financing to build a new facility. [LB299]

SENATOR KRIST: Okay. Thank you so much. [LB299]

LYNNE SCHULLER: Okay. [LB299]

SENATOR KRIST: And I apologize for not asking these the first time around. [LB299]

LYNNE SCHULLER: That's all right. Thank you. [LB299]

SENATOR KRIST: Senator Karpisek, would you like to close on LB299? [LB299]

SENATOR KARPISEK: I would. Thank you, Senator Krist. As Lynne brought up, the Lincoln situation is a big part of this bill. When the university decides that it's done, it will be done. The negotiated date was 2012. As I understand it, that is not negotiable anymore. That will be it. What will happen when one of the biggest markets is gone from the horse racing world? Obviously, that's going to be a lot of money that's not around to keep the rest of them all going. I don't see that this bill in any way would make it so we force someone out or they don't run anymore. If they don't run anymore, as Lynne said, if Atokad goes out, then there won't be simulcasting there unless they can transfer. My main goal here is to keep the horse racing going for the horse owners and for the people who work in these areas. I've got a couple more bills here that will deal...or one that will deal with horse racing. Horse racing is in trouble. It absolutely is in trouble. And I don't think that I've ever denied that, nor has anyone else, and that's why we've brought these bills, and it keeps getting in more trouble all the time. But my question is, is we have a lot of other things in trouble in this state, especially this year. We do a lot of things business-incentivewise. LB775 money--or now the Advantage Act puts out a lot of money that we don't really even know. We don't even have a handle on how much money we give there to get companies to come here. That's how we try to get businesses here. This is another way to try to keep a business. So to say that it's dying and just kill it dead isn't my idea of how we want to run the state. If we're going to do that, I think we better do that with a lot of other industry, a lot of other business, and I don't think that's a wise move for any of us. I'd be glad to take any other questions. [LB299]

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SENATOR KRIST: Any questions for Senator Karpisek? Thank you, sir. (See also Exhibit 24) That will conclude the hearing on LB299. Let's just run right to LB490. Senator Karpisek, you're welcome to open. [LB299]

SENATOR KARPISEK: Thank you, Senator Krist and members of the General Affairs Committee. Again for the record, my name is Russ Karpisek, R-u-s-s K-a-r-p-i-s-e-k. I chair the General Affairs Committee, and I represent the 32nd Legislative District. LB490 says...under current law a keno operator must wait five minutes after the conclusion of the previous game before the next game can start. LB490 would set the time requirement between games at one minute. But the local political subdivision could increase the time requirement to any time longer than one minute. So if Lincoln didn't want to do the one minute, they could say: no, we want the five minutes; no, we want ten minutes. So it would be a local issue for them. LB490 also eliminates the requirement for an attendant to write keno tickets. So we would be talking about a self-activated kiosk that would still make a printable ticket for gaming. It would just help out with the revenue. People wouldn't have to have someone there actually taking the tickets. That is the extent of the bill. I'd be glad to answer any questions. [LB490]

SENATOR KRIST: Any questions at this time for Senator Karpisek? And I'm sure you'll be...okay, Senator Schumacher. [LB490]

SENATOR SCHUMACHER: Thank you, Senator Krist. Senator Karpisek, would the player then be able to pay his own ticket too? [LB490]

SENATOR KARPISEK: No. [LB490]

SENATOR SCHUMACHER: So at the end, he'd have to come up to a cashier? [LB490]

SENATOR KARPISEK: Yes. [LB490]

SENATOR SCHUMACHER: How would the player deposit money into these kiosks? [LB490]

SENATOR KARPISEK: I assume it would be kind of like a pop machine type thing, where you would stick it in there and punch your own numbers in. There will be someone behind me that will...can talk about those, or (laugh) maybe you can tell yourself. (Laughter) [LB490]

SENATOR SCHUMACHER: Any limit to the number of these machines? [LB490]

SENATOR KARPISEK: I'm sorry, what? [LB490]

SENATOR SCHUMACHER: Any limit to the number of these machines on the

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premises? [LB490]

SENATOR KARPISEK: Not in this bill, but I would not be opposed to putting a number in. [LB490]

SENATOR SCHUMACHER: I don't have any further questions. [LB490]

SENATOR KRIST: Thank you. Any other questions for the senator? I'm sure you'll be here to close. [LB490]

SENATOR KARPISEK: I would like to say, too--I guess I missed a part--that LB490 is tied to LB681 in the sense that if LB490 were to increase keno tax revenue, then LB681 would create a portion of that increase to the--credit, I'm sorry, credit a portion of that increase to the Live Horseracing Endowment Fund that is created in LB681. Currently, the keno tax revenue is averaging approximately \$4 million. Thank you. [LB490]

SENATOR KRIST: You're very welcome. All right. Is it your intention, potentially, to take testimony for both of these together, or should we just reference this as a tie? [LB490]

SENATOR KARPISEK: I think that we should just reference it as a tie. [LB490]

SENATOR KRIST: That's what I thought, but I wanted to confirm with my Chairman before I went any further. [LB490]

SENATOR KARPISEK: Oh, well, boy, if we both agree...(laughter) [LB490]

SENATOR KRIST: We're in trouble. [LB490]

SENATOR KARPISEK: Yeah. [LB490]

SENATOR KRIST: Okay. Thank you, Senator. [LB490]

SENATOR KARPISEK: Thank you. [LB490]

SENATOR KRIST: Could I have any supporters for LB490? Welcome. [LB490]

BILL HARVEY: (Exhibits 9-14) Thank you. Senator Karpisek and Senator Krist and members of the committee, my name is Bill Harvey, B-i-l-l H-a-r-v-e-y, and I'm general counsel for Big Red Keno. Big Red is the largest of the 501 Nebraska businesses that are licensed by the Nebraska Department of Revenue to operate keno games. Thank you, Senator Karpisek, for introducing LB490, and thank all of you for the opportunity to speak here today in support of the bill. I'd like to make just three points here today, which I'll summarize as follows: First, keno has been good for Nebraska; second, LB490

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makes keno better; and third, I urge your support for LB490. Keno has been good for Nebraska. We are providing you--and I think has been handed out to you--a booklet prepared for this hearing, and we call it a keno pay book. But this isn't the kind of pay book that you'd be used to seeing if you've ever been at any of those 501 businesses across the state that offer keno. Those pay books tell players what they would win if their numbers came in; this pay book tells you, by legislative district, what cities, counties, and villages throughout Nebraska are winning and have won for the past 20 years by sponsoring keno games in their communities. Keno is a local-option lottery game that was authorized by this Legislature in the 1980s. One hundred fifty-five communities across the state currently have keno, and every one of those communities had a local election where the voters authorized the game. Keno is about local control and local revenue. The local community controls every aspect of the game, from whether it will be offered at all to who will operate it, what equipment will be used, hours and locations, and prizes. Cities can make all of these decisions themselves or delegate them to their keno provider, a Nebraska business licensed to run the game. The provider receives a fixed percentage to pay all of the expenses, and the community gets all of the net proceeds after payment of prizes. Those net proceeds are required by law and our constitution to be used for community betterment. I'd like to give you just a few highlights from the pay book: \$314 million raised for community betterment since 1990. That's the total amount that's been raised, \$314 million. Where has that money gone? Each community decides, and the choices are as varied as our Nebraska landscape. A new park in Beemer; tax relief in South Sioux City; rest rooms for the softball complex in Fairbury; grants for human services in Lincoln and Lancaster County; in Omaha, money for police cruisers; in Hadar, just north of Norfolk, they give money for books to any high school graduate from the village who goes on to college; and in Clarkson, they renovated and put a new roof on the city hall. Keno dollars have also supported some of the institutions that help to define the culture of our state: \$16 million for the Henry Doorly Zoo; Hall County pledged half a million dollars from keno to help bring the State Fair to Grand Island; Kearney recently pledged a million dollars of their keno revenue to help create the long-awaited interstate exit near the Archway Monument; in Lincoln, Star City Shores and the Antelope Valley Project received millions from keno; and keno is also providing the largest source of public funding for TD Ameritrade Park, the new home of the College World Series. The projects listed in this pay book are the tip of the iceberg. Keno has supported thousands of worthwhile projects across the state. If you want to learn more, I urge you to talk to the elected and appointed officials in the communities in your district that have keno; and there are, in fact, elected and appointed officials in every district that have keno, because, as we show in the book, every district does have keno games. I think it's fair to say that nearly every Nebraskan has been affected by the good works made possible with keno revenue. Keno also supports jobs: 6,617 Nebraskans are licensed keno lottery workers, and the pay book that was just handed out shows that the number of keno-related jobs in each legislative...shows the number of keno-related jobs in each legislative district. Keno has been a success story for Nebraska communities, but the continuation of that success

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requires constant diligence by everyone involved: the cities; the counties; the businesses involved in keno; and the Department of Revenue, which regulates the game; and this Legislature, which provides the legal framework for the game to exist. Revenues have been down somewhat for the last two years, and we believe it is important for this Legislature to take reasonable steps to help secure keno revenue for the future of Nebraska communities. LB490 is aimed at keeping those keno dollars flowing to Nebraska communities. The bill would make two changes to the existing game, involving time and access. Regarding time, Nebraska law currently requires a minimum of five minutes between keno games. LB490, as you've been told, would change that to a minimum of one minute, and the local community would be free to set a longer time requirement, just as they are now. This would...the one-minute requirement would ensure that keno games are not instantaneous, but it would allow the local community and the marketplace to determine how often keno should be played, rather than having an arbitrary state limit. If a community wants to retain the five-minute limit or a longer limit, they're free to do so, as Senator Karpisek mentioned. That question can be decided in consultation with the people of that community and the local keno provider. Nebraska law also currently prevents players from accessing keno equipment. The effect is that the player must go to another person, a keno writer, to have their wager entered into the keno system. LB490 would eliminate the restriction on player access. Players would be allowed to get their paper keno ticket from either a human being or a machine. This wouldn't change the basic nature of the game; it would simply allow players another option for participating. This change would be similar to allowing banks, which one time had only live tellers, to now have tellers and ATMs. Horse racing tickets and pickle cards can already be purchased from a machine rather than a person, so this change would bring keno in line with those industries. And we believe this change is an integral part of changing how often the game can be run. Reducing the time between keno games won't mean much if players are stuck in line waiting for the bartender to be able to write their keno ticket. LB490 would keep the restriction on activation. No player could tell the machine to start the selection of winning numbers. That's very important. It would have to be a licensed keno lottery worker, just as it is today. That restriction would stay in place under LB490. Keno has been good for Nebraska. LB490 would help to keep that record of success moving forward, and I urge you to support it. I also have a written copy of my testimony here today, and I have copies of four resolutions that have been passed by cities in support of the bill or in support of reducing the time between keno games. One of these is from the city of Kearney. We also have one from the village of Cedar Creek; one from the village of Oxford; and one from Otoe County. And I know that there are a number of other communities that are considering similar resolutions, and as we receive those, we'll certainly make those available to you. [LB490]

SENATOR KRIST: Thank you, Mr. Harvey. Any questions for Mr. Harvey? [LB490]

SENATOR BRASCH: Just... [LB490]

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SENATOR KRIST: Go ahead, Senator Brasch. I'm sorry. [LB490]

SENATOR BRASCH: Thank you, Chairman. I'm a little surprised by your fact book here and, in fact, I'm curious. I'm from Bancroft, District 16. Is there a place where I can find out where these 44 jobs are in Beemer and Bancroft? I mean, I would like to...yeah. [LB490]

BILL HARVEY: Certainly. Absolutely. That would be from information supplied by the Nebraska Department of Revenue. I actually took that information...it's a secured site on their Web site, so we'd have to figure out how to get you access to that, but I'm sure the Department of Revenue could accommodate that. [LB490]

SENATOR BRASCH: Yeah. And are the keno, again...and I'm very familiar with Bancroft and Beemer. We live exactly nine miles between both. And would the keno...I'm not that familiar with keno, are they in the bars or in the gas stations, or where do you find keno? [LB490]

BILL HARVEY: Keno is primarily played in taverns and lounges and bars, yes. [LB490]

SENATOR BRASCH: Okay. Because there's, like...I know there's two bars in Bancroft. You can't go to...they're not in the, like, Ru-De's, the gas stations, but they're in the bars; that's where they have to be? [LB490]

BILL HARVEY: Generally, keno has not been located in gas stations. [LB490]

SENATOR BRASCH: Okay. And I would definitely like to find out more about this, because I don't recall...you know, maybe I just don't go into the bar that has keno in it, but...and most of the bars are restaurants, too, so you frequent them, you know, often. But I guess that is my question, is, can we find out who these jobs are? And when was this done? Is this like 2010 numbers or...? [LB490]

BILL HARVEY: Yeah, I actually pulled it off of their site... [LB490]

SENATOR BRASCH: Just recently? [LB490]

BILL HARVEY: Yeah, yeah, a couple of days ago, so. [LB490]

SENATOR BRASCH: Okay. That's just my... [LB490]

BILL HARVEY: What it is, is the number of...it's the number of people who are licensed keno lottery workers, so that's the number of people who have actually filed application with the department to work...to be able to work on the keno lottery in conjunction with

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that community. [LB490]

SENATOR BRASCH: That's good. I just have some research to do. [LB490]

BILL HARVEY: Okay. [LB490]

SENATOR BRASCH: Thank you. [LB490]

SENATOR KRIST: Any other questions for Mr. Harvey? Are there any other proponents for this bill? Okay. One quick question. Could you respond, because obviously we get lobbied all the time, could you respond, from your position, on the charge or the fact that this is a slot machine because it's a stand-alone machine? [LB490]

BILL HARVEY: I see. Well, I would strenuously argue that this is not a slot machine. What this would do would simply allow players to buy a paper keno ticket. We didn't do anything with the paper ticket requirement. You still have to have a paper ticket to play the game. It would allow players to buy a paper keno ticket just like they can buy a paper racing ticket today. If you went over to the track here in Lincoln or you went to the track in Omaha or any of the other tracks, you'd see a machine, a kiosk, if you will, where you can put your money in and you could enter your racing bet and you could get a paper ticket out. Same thing with pickle cards. You can go in any of the places that sell pickle cards and you'll see a machine that you can put your money in and it will dispense a paper pickle card to you. [LB490]

SENATOR KRIST: Do these machines exist? [LB490]

BILL HARVEY: Do the machines exist for keno? I would have to say at this point that they don't, and the reason for that is simply because there's not a...you know, this legislation doesn't exist, so there's not a market for it. Most of the keno equipment in Nebraska is actually made specifically for Nebraska by Nebraska companies. There are a few outside companies doing it, but I would venture to say that most of the equipment is made, is assembled here locally. And this would be similar. We've...I know as Big Red Keno, we've talked to our equipment supplier, which is an Omaha company that helps us with that, and they have plans, you know, that they would be able to quickly implement...you can obtain kiosks that accept money and issue tickets and, you know, basically for a variety of purposes--airports. I mean, you see these--you see similar machines used in a variety of business contexts. And so that would be the idea, is we would implement something like that. [LB490]

SENATOR KRIST: Thank you, Mr. Harvey. [LB490]

BILL HARVEY: Thank you. [LB490]

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SENATOR KRIST: Any other questions at this point? Senator Schumacher. [LB490]

SENATOR SCHUMACHER: Thank you, Senator Krist. Mr. Harvey, just so Senator Brasch isn't misled when she looks at the numbers and says, I think, 44 people employed in Bancroft and Beemer: that's the total number of people who registered for a keno license in the last basically two-year recycling period. And at any given time, employed part time along with any other bar duties in those towns, there may be a couple or three people at each location licensed. So it's not 44; it's probably less than 10. [LB490]

BILL HARVEY: What I tried to do...and I know this varies by community, if I may speak to that, Senator... [LB490]

SENATOR SCHUMACHER: Yeah, sure. Sure. [LB490]

BILL HARVEY: ...what I try to do in going through the numbers, at least with the locations I was familiar with, is to try to pull out some of that excess. I can tell you that the numbers for the communities that I've recited would be pretty close to a current number of licensed people who are cycling in and out of that job. I know that there are some of the smaller communities where they do do a practice more like what Senator Schumacher is saying, and it's everybody who's applied in a two-year period, where they're not culling out the current people, so. [LB490]

SENATOR SCHUMACHER: And those are not necessarily new jobs... [LB490]

SENATOR BRASCH: And they're not there for just... [LB490]

SENATOR SCHUMACHER: ...they are supplemental jobs to cooking eggs and breakfast and everything else, so they happen to pick up a license so they can run the keno machine. [LB490]

BILL HARVEY: It's part of what they do. [LB490]

SENATOR KRIST: Any other questions? Thank you, Mr. Harvey. [LB490]

BILL HARVEY: Thank you. [LB490]

SENATOR KRIST: Any other questions, or are there any other supporters for LB490? Hi. Welcome. [LB490]

GARY KRUMLAND: Senator Krist, members of the committee, my name is Gary Krumland, my last name is spelled K-r-u-m-l-a-n-d, representing the League of Nebraska Municipalities in support of LB490. The league executive board took a stand

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and voted to support the bill both for the time factor and because of the putting the numbers--self-generating the numbers...for both parts. They think that the bill will probably benefit cities and villages all across the state. There are...the last numbers I saw were 155 communities--that would be cities, villages, and counties--who have keno. So that includes...of the 530 cities and villages, that's probably a little over 25 percent of them who have a keno operation within the community. And, you know, some of you are familiar with this: In order for a city or a village to implement keno, you have to submit it to the voters, and the voters have to approve it. So it's not something that the city council or village board can do by themselves; it has to be approved by the voters. And, as has been mentioned before, the proceeds can be used or have to be used for community betterment, and that's defined in the statutes as benefiting individuals either through educational opportunities, protection from disease, or their well-being. The second issue is public works or public projects--construction, infrastructure. The third would be lessening the burdens on the city or village for some of the services they provide. And then the fourth is property tax relief. So those are the things in the statute. It's actually a fairly broad list of things that cities can do. But we do think that this will help maintain keno. Right now, some of the proceeds are decreasing across the state, especially as we get close to some of the casinos in Iowa, and we think it would be--help to maintain the revenue they're getting. It's important revenue for the cities and villages for special projects, for things that they want to do and need to do, in light of certain things cities right now are facing with state aid cuts and the economy and things like that. Any revenue source is vital and very important, and keno is one of those revenue sources that they use. So anything that will help maintain and possibly even increase those revenue sources would be a benefit to cities and villages across the state. [LB490]

SENATOR KRIST: Thank you, Mr. Krumland. Any questions for Mr. Krumland? Senator Schumacher. [LB490]

SENATOR SCHUMACHER: Thank you, Senator Krist. Mr. Krumland, in the early 1990s, I believe 1991, in Ralston they had a thing called an automated writer station, which the keno writer or the keno player could enter their own numbers in, a clock clicked off every ten seconds or so a winning number draw, and the player could then play back his money again to continue to play. That was subsequently outlawed by the Legislature. Instead of this particular approach, why not just go undo that outlawing, and would the league support that? [LB490]

GARY KRUMLAND: This is probably a small step, updates the game a little bit, makes it a little more modern, with everybody using, you know, computers and video games. I think this would be a step in the right direction. I don't know that the league board would support going as far as those machines, at least the way I understand they worked. They'd be closer to what people are concerned about, video slot machines, and I don't know if they would support that. And I guess there's always questions about whether

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those would... [LB490]

SENATOR SCHUMACHER: What do you see as a meaningful difference between what is described here and--which does require a scrap of paper, apparently, to be delivered at some point to the player--and those machines, that it's such a big difference? [LB490]

GARY KRUMLAND: And I'm not real familiar with what those machines did. I think the paper seems to be a significant part of the process; that's, at least, according to Attorney General and some other people. [LB490]

SENATOR SCHUMACHER: But that Attorney General's Opinion has never been tested in the courts. [LB490]

GARY KRUMLAND: No, as far as I know. Yeah. [LB490]

SENATOR SCHUMACHER: I have no further questions. [LB490]

SENATOR KRIST: Thank you. I'd make the point that these are not...this is not a stand-alone gaming machine, that the distribution of the numbers, in terms of the keno, still relates to the general draw of keno. So whether you go to a human being or you go to the machine, it still is dependent upon the keno, while the machines that you're describing paid out on an individual basis? [LB490]

SENATOR SCHUMACHER: No, they were ten-second draws instead of minute draws. That's my understanding, at least. [LB490]

SENATOR KRIST: Okay. Interesting. Any other questions for Mr. Krumland? Thank you, sir. [LB490]

GARY KRUMLAND: Um-hum. [LB490]

SENATOR KRIST: Any other proponents for LB490? Welcome. [LB490]

JACK CHELOHA: (Exhibit 15) Good afternoon, Senator Krist and members of the General Affairs Committee. My name is Jack Cheloha; the last name is spelled C-h-e-l-o-h-a. I'm the registered lobbyist for the city of Omaha. I want to testify in support of LB490 today. The city of Omaha has formally passed a resolution, which the page is handing out right now, to enhance keno play in our city. It specifically talks about the five-minute rule. At the time that we passed this resolution, we did not know whether or not there would be the player self-play and the paper requirement on that, but generally I'd like to testify just in terms of the five-minute rule and along those lines, as that's all my elected officials have authorized at this point. But, nevertheless, we're supportive of the bill, LB490. Keno in the city of Omaha has been a wonderful tool in

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terms of community betterment, much like it is defined and identified in statute. We have utilized the funds from our local keno game for a number of community-betterment-type projects. Just most recently, in 2010, we funded our public libraries, our Omaha Zoological Society, our Humane Society, which has been incredibly helpful in terms of animal control in our community. We've done protective custody. We've done some economic development with it through Target Omaha and the Greater Omaha Chamber of Commerce. We've supported local neighborhood grants. We've bought police cruisers with it. We've done other activities relative to the city of Omaha through the years, and it's always been a crucial and an important part of our budget. As Mr. Krumland pointed out, due to the economic times, we've seen the numbers in our community drop with play recently. We don't have any tangible data to say what was the drop caused by, but we've speculated, obviously, that a number of the play has declined due to casino gaming across the river in Iowa. Also, when Omaha first enacted its indoor smoking ban, that had an effect on play. And then, as you know, it became a statewide smoking ban since then, and it still has, if you will. Maybe that's been part of affecting play in our community. So those are some things. I just wanted to point out in terms of a percent of where we might be. In 2008, we declined by roughly 6 percent; 2009 was very significant, that was about 11 percent under where we projected we would be, and the variance in terms of actual play was over 6 million down; and even for 2010, it looks like we've decreased anywhere from 2 to 3 percent. So if it's attributed to the economy, we haven't recovered there from that. If it's attributed to other factors, you know, those factors are still going on. In a sense, I've been lobbying for Omaha for 16 years and there's been various keno bills before the Legislature in the time that I've been here, and I must say that this is the most active I've ever seen my elected officials be in terms of trying to take a position on a bill. So I think they're mindful of the fact that something has happened and we need to do all that we can to try and enhance the game and continue to make our communities better. So I'll try and answer any questions. [LB490]

SENATOR KRIST: Thank you, Mr. Cheloha. Any questions? Senator Coash. [LB490]

SENATOR COASH: Thank you. Hey, Jack, I just have two questions. Do you know, the resolution that you passed out that's from Omaha, was that a unanimous...was the vote on that from the council unanimous, on passing that? [LB490]

JACK CHELOHA: Yeah. Yes, sir. Senator, thank you for the question. It was a unanimous vote. We have seven elected members of our city council. The vote was 7-0. It went to the mayor, and our mayor signed it and ratified it. There was no--no back and forth; they're all in agreement, all of our elected officials. [LB490]

SENATOR COASH: Okay. And then with regard to the revenue that Omaha gets, can you...I'm just trying to figure out how that revenue fits into your overall budget scheme. Do you...when the city of Omaha does their budget planning, are they looking at keno

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revenue as a way to support their budget, or is keno revenue something that comes in outside of the budget process and then they do great things with that keno revenue? [LB490]

JACK CHELOHA: Okay. Another great question and I appreciate that. When I'm not down here lobbying, I wear a second hat and I'm on our city council staff for Omaha. And so likewise over the last 16 years, I've done budget research and analyzation on behalf of the city council. And I can tell you with certainty, in previous years prior to 2010 and maybe 2009, keno was always outside of the main general budget and it was utilized for true enhancement of the community. But as the recession hit and the economy got tougher and various things happened relative to aid from other sources, we've had to look at the keno funds to actually start implementing more what I would call core-city-type services. That's why in 2010 we actually purchased police cruisers with that money, and we spent \$476,000 of keno money to buy police cruisers. [LB490]

SENATOR COASH: So you've just in the last year decided...or the city of Omaha has decided to use those funds to plug in the core services of the city rather than enhance... [LB490]

JACK CHELOHA: Right. Right, and I anticipate that it'll be looked at even more so along those lines. [LB490]

SENATOR COASH: Okay. Thanks, Jack. [LB490]

SENATOR KRIST: Any other questions for Mr. Cheloha? Senator Schumacher. [LB490]

SENATOR SCHUMACHER: Thank you, Senator Krist. Mr. Cheloha, as I understand your resolution, Omaha generally supports the shortening of time but is undecided as to whether or not it supports the player access to the equipment for purposes of writing and paying tickets. [LB490]

JACK CHELOHA: That's correct. [LB490]

SENATOR SCHUMACHER: Okay. Looking at the mathematics of the shortening of the period of time, if it proves that a shorter game cycle requires a higher payout to the players in order to retain the players' interest and keep them from running out of money too fast, would the city of Omaha then be agreeable to taking a lesser share? Who should pay if you have to--the city or the operator--if you have to raise the payout to the players to hold their interest? [LB490]

JACK CHELOHA: I appreciate that question too. I think we'd have to look at the whole sum, if you will, of the payouts, in terms of the revenue, you know, the share that goes to the operators, the overall game management that the cities--or whether you have

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interlocal agreements. For the longest time, we had an interlocal agreement in Omaha with Douglas County in terms of how we shared revenue from keno. But I think it would be fair to look at that, but we'd have to look at some data to see what effect it would have based on shortening it first. [LB490]

SENATOR SCHUMACHER: Well, there's a mathematical problem that arises, though, because if the state takes a fixed 2 percent, that's not variable, that's not altered, so the higher you push that payout, the greater the proceeds shift to the state from the city. Do you have any trouble with that? [LB490]

JACK CHELOHA: I don't know. I'm not prepared to answer, I guess. I mean, we're trying to enhance our local take, so I'd have to look at it then later on as well, so. [LB490]

SENATOR SCHUMACHER: City council didn't consider that consequence. [LB490]

JACK CHELOHA: No, not at this point. You know more about it than I do. I apologize. [LB490]

SENATOR SCHUMACHER: Okay. No further questions. [LB490]

SENATOR KRIST: Thank you. Any other questions? Thank you, Mr. Cheloha. [LB490]

JACK CHELOHA: Thank you. [LB490]

SENATOR KRIST: Any other testifiers in support of LB490? Any in opposition to LB490? Welcome back. [LB490]

AL RISKOWSKI: (Exhibit 16) Thank you. Al Riskowski, R-i-s-k-o-w-s-k-i, executive director, Nebraska Family Council. These issues have come up before and we've addressed them before. Again, Nebraska Family Council is not trying to do away with the existing monies that are coming in from keno, etcetera, or even the horse racing industry. Our concern is about expanding it additionally. Our first concern about this kind of legislation speeding up the process is exactly, Senator McGill, what you were referring to earlier and why your bill was here--discretionary income. And the faster you spend that discretionary income, the less you have to put in the bank. This is one issue...and Senator Chambers would probably shudder if I mentioned him here and me in the same sentence, because we're often on the opposite sides, but this was one area we agreed on, that any kind of expanding of gambling is especially hurtful to the poorer in our communities. Where is this money coming from? Where is this expansion, this faster gambling, this faster keno, this money that's coming in--what level of society is it coming from? And there's a disproportional amount that comes from those who can least afford it. And I believe that many studies that have been done very clearly bring that out, that that happens. Warren Buffett--obviously that's one of the articles I included

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as well--is very opposed to gambling, to these type of issues, because they do not help the general public. I have another study here, where people who are in trouble financially often will go to a keno to try and somehow make up the difference; but exactly what happens is two years later just as high a percentage go bankrupt that won it as those who didn't win it, if they were already in economic trouble. So speeding up the experience may be a scheme at which we're going to exact more money from our citizens that we're not going to take from taxes to support city infrastructure; however, it isn't helping our citizenry. This is the type of legislation where we need to be careful with and protect our citizens, because they can be hurt by these kind of schemes, especially in a bar, where the more you drink, probably the more you'll spend and the more the money goes. The more you drink, the more you will spend. I want to make two quick last comments. One, so I don't have to come back again, I would oppose LB681 as well, if I can tie that just together quickly. We're not trying to, again, kill the horse racing industry, by any means. I have friends who have horses in that industry. Again, it's clear that money, then, that goes from keno for infrastructure would then have to go to the horse racing industry instead, to support that; and as we have seen in other attempts to shore up the horse racing industry, they have all been pushed back in the past. And so I would oppose supporting it even from this...in this way. And one last one that's probably a little sensitive but I should mention it. I think it's important. Just...Senator Schumacher, you're the founder and president of the Community Lottery Systems, and Accountability and Disclosure should certainly look at your connection in considering this type of legislation because of your close connection with the lottery system, whether that's appropriate or not. So I... [LB490 LB681]

SENATOR SCHUMACHER: A disclosure statement has been filed. [LB490]

AL RISKOWSKI: Oh, it has. [LB490]

SENATOR SCHUMACHER: Oh, yeah. Oh, yeah. Oh, yeah. [LB490]

AL RISKOWSKI: Okay. Very good. Thank you. I'm glad to hear that forwardness, because--just so it's for the record that... [LB490]

SENATOR SCHUMACHER: As well as with the Internet company and my legal clients, yes. [LB490]

AL RISKOWSKI: Okay. Very good. Thank you. I'm glad to hear that. [LB490]

SENATOR SCHUMACHER: Okay, just as, probably, bankers do and other people do too. [LB490]

AL RISKOWSKI: Okay. [LB490]

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SENATOR KRIST: Okay. And with that, are there any other questions for Mr. Riskowski? Senator Schumacher. [LB490]

SENATOR SCHUMACHER: Thank you, Senator Krist. I noticed that you quote Warren Buffett from the year 2004. [LB490]

AL RISKOWSKI: Right. [LB490]

SENATOR SCHUMACHER: "The modern slot machine is one of the best ways to remove money from suckers known to man." [LB490]

AL RISKOWSKI: That's what he said, not me (laugh). [LB490]

SENATOR SCHUMACHER: Okay. (Laugh) I take it you recall 2004? [LB490]

AL RISKOWSKI: Yes. [LB490]

SENATOR SCHUMACHER: And you recall this particular issue and this particular Buffett comment? [LB490]

AL RISKOWSKI: Yes. At that point, we were looking at casinos here in the state of Nebraska. [LB490]

SENATOR SCHUMACHER: Right. And you recall then that I believe it was Berkshire owned a company in Britain that made slot machines. [LB490]

AL RISKOWSKI: Right. (Laugh) [LB490]

SENATOR SCHUMACHER: Okay. No further questions. [LB490]

AL RISKOWSKI: That's for him to deal with. [LB490]

SENATOR SCHUMACHER: No further questions. [LB490]

SENATOR KRIST: Thank you. Any other questions? Thanks, Al. [LB490]

AL RISKOWSKI: All right. Thank you. [LB490]

SENATOR KRIST: Any other in opposition that would like to testify to LB490? Welcome back, Pat. [LB490]

PAT LOONTJER: (Exhibits 17-20) Thank you. I'm Pat Loontjer, representing Gambling with the Good Life. And, like I say, for 16 years we've opposed expanded gambling and

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we certainly, certainly think that this bill represents expanded gambling. Any time you take a time limit from five minutes to one, you're increasing the chances of addiction. There already is addiction at five minutes; what is it going to be like at one? And we've heard former testimony that said that this is good, it's good for the state of Nebraska. Well, it may be good as far as tax revenue coming into the communities and to the state, but where is that coming from? This is coming from sometimes the poorest of the poor. And I'm going to leave you an article by The Consumerist that tells that 9 percent of gambling money is spent--or 9 percent of poor people's income, 9 percent of their income, if their income is \$13,000 or less, is spent on gambling. And so this really becomes a tax on the poor, and is that what we're all about? I was disappointed to hear that Omaha had signed this resolution, because I know every city and the states are just desperate for funds and they don't want to raise taxes; you know, that is a definite no-no. But here they're endorsing this because it would produce more revenue for the cities and the state. But it is a tax. It is a tax on the poor. That money is coming from somebody. They're gambling with the hope...and it's usually those that have the least amount of money who are the most desperate. And I think that's a sad commentary that we would want to increase the speed at which they could lose their money. In 2008, I'm sure Mr. Schumacher can correct me if I'm wrong, but I believe it was on the ballot regarding the keno machines. 2004? Oh, it was one of those two. Yes, it was. [LB490]

SENATOR SCHUMACHER: Try 2006, you might... (laughter) [LB490]

PAT LOONTJER: Okay. Get it in the middle. I was pretty close. But it was soundly defeated. And so I think, you know, the state realizes that we...they've been exposed to expanded gambling on every bill that's ever come before the voters, and this is definitely expanding. You're increasing the time from five to one. Oh, and the other thing is that this is good, you know, it's good for the state, good for the communities. I want to leave you just a summary of some of the embezzlements that have been caused by gambling and what it's done to the people and the communities and the businesses that have been embezzled as a result of this. And then I've got you quoted in here, Mr. Schumacher, (laugh) about keno wagering that was down in Nebraska. But Mr. Schumacher says it's doing pretty good, it got back up there again. So there's not a whole lot of (laugh) suffering being done in that part. And the last article that I want to leave you is from the New York Times, July of 2010. And it's entitled, "States Hooked on Gambling Revenue." And that's exactly what's happening all across the country, and it's a very dangerous slope to tie our budgets and our revenue into gambling dollars. So I would like to urge you to, please, please, consider this carefully. I think it's not only the time limit but it's the fact that it's a machine and it's going to get around it by saying it's producing paper, but it's speed, it's all about the speed. Slot machines are always considered the crack cocaine of gambling, and it's because of the speed. And who is going to be affected by this? Who's going to be increasing these revenues? I believe it's going to be the ones of us, our citizens, who can least afford it. And who's going to benefit? Yes, I believe the state will get their percentage, the communities will, but the

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operators are the ones that are pushing this. And I think we need to consider all of that. And ask you to vote no on this piece of legislation. [LB490]

SENATOR KRIST: Any questions for Ms. Loontjer? No? Thank you very much. [LB490]

PAT LOONTJER: Thank you. [LB490]

SENATOR KRIST: Any other testimony in opposition? Any in neutral? I was going to save this for Exec but I'm going to say it now because some of our same cast of characters and players are here. If I'm chairing this committee, the questions aren't asked from that chair to this chair or this chair, and the responses from the senators will go through a normal process and--just so you know. That's the way I'd like to run it, and my Chair can run it any way he wants to when he's up here, but it needs to be said. I thank you all for being here, and I ask the senator to close, if he wishes. And I mean no disrespect from anybody. [LB490]

_____: Neutral. [LB490]

SENATOR KRIST: Oh, I'm sorry. Neutral. [LB490]

_____: Yeah, there were a couple of neutral. [LB490]

SENATOR KRIST: Oh, I'm sorry. Please, come forward. Neutral capacity. See, now I need to learn how to chair something, don't I? Hi. Welcome. [LB490]

JOHN ADAMS: Senator Krist, thank you. My name is John Adams, J-o-h-n A-d-a-m-s, and I'm the vice president/general counsel for International Gamco. International Gamco is a manufacturer of charitable gaming tickets, pickle cards, promotional tickets, things of that nature. We're located in Omaha, Nebraska; have about 200 employees. My comments with regard to this bill: As I see measures moving forward, nothing exists in a vacuum. And as...I just wanted to remind the committee of charitable gaming that's out there that's subject to this committee's approval for any legislation, and everything is down. The charities that rely on bingo and pickle cards for nonprofit purposes and community betterment purposes, that's down as well. So I just wanted to make sure the committee is not unmindful of that and would recommend perhaps an interim study be conducted of different ways to look at ways that charitable gaming in Nebraska could be benefited in the future. Be happy to answer any questions. [LB490]

SENATOR KRIST: Any questions? Senator Schumacher. [LB490]

SENATOR SCHUMACHER: Thank you, Senator Krist. Mr. Adams, as I recall, you were...what position did you hold with the Department of Revenue back in the early nineties? [LB490]

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JOHN ADAMS: I was the administrator of the Charitable Gaming Division. [LB490]

SENATOR SCHUMACHER: Okay. Do you recall the...I think they called them automated writer stations that were in Ralston? [LB490]

JOHN ADAMS: I do. [LB490]

SENATOR SCHUMACHER: Do you recall much of the facts about how they operated? And if so, share those with the committee. [LB490]

JOHN ADAMS: Not specifically. I think there was a beta test at first, and they were running at a very rapid rate, where people were sitting at a terminal, I believe, and numbers were being drawn very quickly, and the wagering was fairly rapid, and it drew a lot of people. [LB490]

SENATOR SCHUMACHER: And then that's about the extent of your recall there? [LB490]

JOHN ADAMS: It is. [LB490]

SENATOR SCHUMACHER: Were you involved at all or cognizant of the mechanisms in what was called the video keno initiative in 2006? [LB490]

JOHN ADAMS: Somewhat. [LB490]

SENATOR SCHUMACHER: Could you describe what that machine did and how it might differ from the present proposal? [LB490]

JOHN ADAMS: My recollection is that that would be more of a player terminal in which keno would be drawn, and the present proposal shortens the draw period, as they said, from five to one minute and allows player access to the machine. [LB490]

SENATOR SCHUMACHER: So basically the difference would be the one minute as versus maybe a quicker than one minute. [LB490]

JOHN ADAMS: That's one of the differences. As Mr. Harvey said, there's no actual, I think, prototype developed yet, so we haven't seen what the actual... [LB490]

SENATOR SCHUMACHER: So when the player entered his ticket, he could have instant results. If the minute clock was about done--or he might have to wait a minute under the present proposal, whereas in the instant keno machine it always was right away. [LB490]

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JOHN ADAMS: It seemed to be, yes. [LB490]

SENATOR SCHUMACHER: I don't have any further questions. [LB490]

SENATOR KRIST: Any other questions? Thank you, sir. [LB490]

JOHN ADAMS: Thank you. [LB490]

SENATOR KRIST: Thanks for your testimony. [LB490]

JOHN ADAMS: Sure. [LB490]

SENATOR KRIST: Any other in the neutral capacity? Okay. I think now I'm in line to say, Senator Karpisek, would you like to close? [LB490]

SENATOR KARPISEK: I would. [LB490]

SENATOR KRIST: Thank you. [LB490]

SENATOR KARPISEK: (Exhibit 21) Hand this out. It's never any fun when you get bad news in the middle of one of your hearings, but anyway. Well, that's all right. Thank you. Thank you, Senator Krist and members. I'd just like to say that we are looking at cutting budgets--the city/counties, all sorts of other things. This is one way for them to try to recoup some of that money. I'll be completely honest about that. It is. And I think there's going to have to be some way for some of those cities and counties to regain some of that money. I'm handing out a map showing where Nebraska's population is compared to casinos within 60 miles--one hour driving. Sixty-six percent of the state's population is within that one-hour drive. So when we talk about who are we going to take this money from...I agree, there's people that can't gamble, that have problems with it. We know that. There's also people that have problems with every other thing. If these people are going to be addicted gamblers, they're less than one hour away from a casino. This is not a tax. I love it when we get the buzzwords going for scare tactics. This is not a tax on anyone. It's not expanded gambling. Expanded gambling is a different kind of gambling. This does not expand gambling. Ms. Loontjer and I have a different dictionary often. This does not meet my definition of "expanded." It's faster; that it is. I think a lot of places you go to, they might not even run the machine every hour. I know where I bowl they have keno; it doesn't always run all the time, because nobody is playing it. I'd also like to say that not every gambling bill has been defeated. We've heard that time and time again. If that were true, we wouldn't have the lottery, we wouldn't have keno, we wouldn't have any of the gambling things that we have. So not all of these things that we hear are always...I get accused of not being on the up and up. It's very true that gambling can be a problem, we know that. But there's a lot of things that this money has

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done. I don't know about the numbers of people being hired and if that's new jobs or not, I would have to really doubt that. I'd probably agree with Senator Schumacher; however, you can look at what has been bought with those funds, and that is very true. I know that that has happened. Being a mayor, I know what those funds have done, what they've built--ball fields, swimming pools, things for kids. Get a buzzword: it's all for the kids. (Laugh) It is not all for the kids, of course. But this is important, I think. Something has to be important to help these communities out, especially if we're going to cut their funding from the state level, we put it on their backs. This is a little local control. Again, none of these places haven't voted keno in. If the local community doesn't want it, they don't have to have it; they vote it out or don't vote it in. And also we are giving a little bit of local control where it doesn't have to be the one minute. If Lincoln, again, doesn't like one minute, thinks that's way too fast, then it won't be one minute; it'll be whatever the city council decides. With that, I would be glad to take any questions. [LB490]

SENATOR KRIST: Any questions for the senator? Senator Bloomfield. [LB490]

SENATOR BLOOMFIELD: Senator Karpisek, who decides within that city whether they're going to stay with the five or go with the one minute, if this were to be passed? [LB490]

SENATOR KARPISEK: The city council. [LB490]

SENATOR BLOOMFIELD: It's done by the city council not by a vote, then? [LB490]

SENATOR KARPISEK: No. [LB490]

SENATOR BLOOMFIELD: Okay. Thank you. [LB490]

SENATOR KRIST: Any other...Senator Schumacher. [LB490]

SENATOR SCHUMACHER: Thank you, Senator Krist. Senator Karpisek, very interesting-looking map here with a bunch of pretty yellow dots showing, I guess, the casinos that are very, very close to us. Do you have an estimate on the amount of Nebraska dollars that leave for those yellow dots in other states each year? [LB490]

SENATOR KARPISEK: I do not, Senator. I'm sure that we can get that for the (laugh) next one. Let's just say it's a lot. [LB490]

SENATOR SCHUMACHER: Thank you, Senator Karpisek. [LB490]

SENATOR KARPISEK: Thank you. [LB490]

SENATOR KRIST: Any other questions for Senator Karpisek? Seeing none, that

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concludes our hearing on LB490. Senator Karpisek, would you like to open with LB681?
[LB490]

SENATOR KARPISEK: I would. Thank you, Senator Krist. Members of the General Affairs Committee, for the record, my name is Russ Karpisek, R-u-s-s K-a-r-p-i-s-e-k, and I represent the 32nd Legislative District. LB681 creates the Live Horseracing Endowment Fund. Five percent of the fund may be used for administrative costs, and the remainder of the fund is to be used for thoroughbred horse racing purses. The state of Nebraska would receive annually the first \$4 million of keno tax revenue; the next \$2 million would be credited to the Live Horseracing Endowment Fund. Any additional keno tax revenue would be split 50/50 between the state and the Live Horseracing Endowment Fund. LB490 is tied to LB681 in the sense that if LB490 were to increase keno tax revenue, then LB681 would credit a portion of that increase to the Live Horseracing Endowment Fund that is created in LB681. Currently, the keno tax revenue is averaging approximately \$4 million. So my hope is that by cutting down the number of minutes in between keno games we can increase the take from \$4 million to whatever. If it would be \$6 million, that next \$2 million would go to the Live Horseracing Endowment Fund. Anything over that would be split 50/50, again, with the state and the Horseracing Endowment Fund. I'd be glad to take any questions. [LB681]

SENATOR KRIST: Any questions? Seeing none...oh, I'm sorry. Senator Coash. I thought you were just... [LB681]

SENATOR COASH: Thank you. Thank you, Senator Krist. Senator Karpisek, you want to tap the first \$2 million after \$4 million. [LB681]

SENATOR KARPISEK: Yes. [LB681]

SENATOR COASH: And I was trying to figure out from the fiscal note, are we hitting \$4 million already? [LB681]

SENATOR KARPISEK: By what...last year was about \$3.8 million, the year before that was \$4 million, and the year before that was \$4.2 million, so. [LB681]

SENATOR COASH: So we're hovering around \$4 million. [LB681]

SENATOR KARPISEK: Yes. [LB681]

SENATOR COASH: And the funds, this \$4 million just goes back in the General Fund, is that...for the state? [LB681]

SENATOR KARPISEK: Yes. [LB681]

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SENATOR COASH: Just goes back in the General Fund. Okay. I understand. Thank you. [LB681]

SENATOR KRIST: Any other questions? Amanda. [LB681]

SENATOR MCGILL: Just to clarify... [LB681]

SENATOR KRIST: Senator McGill. I'm sorry. [LB681]

SENATOR MCGILL: Oh, that's okay. (Laugh) That's what I normally tell people to call me. So \$4 million stays there, the next \$2 million, the Live Horseracing Endowment Fund, and then additional keno tax 50/50. So that's after \$6 million it goes to that? [LB681]

SENATOR KARPISEK: Correct, correct. [LB681]

SENATOR MCGILL: And then is it that \$2 million every year--and I just--that's added into that? [LB681]

SENATOR KARPISEK: Yes, yes. [LB681]

SENATOR MCGILL: Okay. I'm just...I haven't read all the language yet, but I just wanted to clarify the \$6 million. [LB681]

SENATOR KARPISEK: Um-hum. Yes. If it would be...this would be every year. [LB681]

SENATOR MCGILL: Okay. [LB681]

SENATOR KRIST: Anybody else? Senator Schumacher. [LB681]

SENATOR SCHUMACHER: Yes, thank you, Senator Krist. Senator Karpisek, in 18 years it doesn't look like we've moved very far. In 1992, we were...I believe the Legislature debated paper ticket, five-minute rule, player activation, and a thing called the "Racetrack Assistance Fund," which was later struck down by the Supreme Court as being unconstitutional because it contributed money into private hands and not for public purpose, something like that. How does this supplement to the racing industry differ from that one? [LB681]

SENATOR KARPISEK: Now in this one, we would put it to the Racing Commission, to the endowment fund. I think in that situation it was going to go to the HBPA or to the breeders directly. [LB681]

SENATOR SCHUMACHER: And the endowment fund is going to give scholarships, or

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what's it going to do? [LB681]

SENATOR KARPISEK: It's going to mainly be for purses and for racetrack construction. [LB681]

SENATOR SCHUMACHER: And racetracks are owned by the state or by private? [LB681]

SENATOR KARPISEK: Private. Well, maybe. (Laugh) We'll see how this one goes, but I assume it would be private. [LB681]

SENATOR SCHUMACHER: So a lot of similarities between this and the 1992 one. [LB681]

SENATOR KARPISEK: It's similar. I think that we're a little different because we're not giving it directly to the breeders, that we are giving it the Racing Commission to... [LB681]

SENATOR SCHUMACHER: The Racing Commission is kind of acting as a conduit. [LB681]

SENATOR KARPISEK: Yes. [LB681]

SENATOR SCHUMACHER: I have no further questions. [LB681]

SENATOR KRIST: Thank you. Any other questions? Going to be here to close? [LB681]

SENATOR KARPISEK: I will. [LB681]

SENATOR KRIST: Okay. Testimony in support of LB681. Welcome. [LB681]

JAY VAVRICEK: Senator. Good afternoon, Senator Krist and members of the committee. It's a pleasure to address you. My name is Jay Vavricek, last name spelled V-a-v-r-i-c-e-k, here representing the city of Grand Island, the people of Grand Island as mayor, and in support of this bill before you, LB681. And I think you can appreciate why, but let me just remark. My community has had horse racing for almost 60 years. It's shown betterment of our community. Undoubtedly it's an economic driver in a lot of respects--when you look at employment, when you look at employees there. But also, within another 30 days we'll have 1,200 head of horses in the number of stalls that will operate during the race meet. And when you look at the resources that could be allocated here if there is sufficient support to the horsemen--ultimately you have to have livestock, you have to have people in the industry to be able to drive that engine. So Fonner Park is a foundation in our community in so many ways that I would also

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indicate that it's really a foundation to the people of Nebraska. And I'll elaborate on that, because Fonner Park, while it operates a race meet and has simulcasting, does provide facilities: Nebraska fire marshals school, cheerleading clinics, on and on and on. But it's linked in a management agreement with the city of Grand Island, which is the Heartland Events Center. So we have...the city of Grand Island has a lease-purchase agreement with the Heartland Events Center. So during the course of 25 years, they're entrusted to operate that facility. So when you look at the success of horsemen, the economics, but also Fonner Park, I think this legislation is well serving. The other part, members of this body here a couple of years ago approved a relationship and a partnership with Fonner Park, and the people of Grand Island have the Nebraska State Fair. So Fonner Park during the course of ten months outside of the State Fair manage a number of facilities. So once again the integrity and the financial wherewithal driven with horse racing in that facility I think needs to be noted and why I can ask you for your support in advancing this to the floor. So employment, sure, community facilities, partnership, but when you look at also this portion, in that the horsemen is really an industry, to some degree maybe unappreciated, but without that investment and encouragement, when you look at the number of challenges that the horsemen have in other cities...other states that might have larger purses, I think also this is showing signs of relevance. It's important to the people. So with that, I conclude my testimony. But, once again, I appreciate the opportunity to weigh in on this and answer any questions, if I can do so at all. [LB681]

SENATOR KRIST: Does Fonner run during the State Fair? [LB681]

JAY VAVRICEK: Fonner Park live racing does not; the simulcasting does. Also, keno operation does during the State Fair. And it's segregated. The only location for those operations is in an enclosed clubhouse portion of the Fonner Park facility, so it's outside the scope of the balance of the State Fairgrounds. Um-hum. [LB681]

SENATOR KRIST: Why doesn't it run during the State Fair? [LB681]

JAY VAVRICEK: Well, there's been some suggestions to think that--if that might be a great consideration. And I can't speak for...of course, for Fonner Park, but with the live race meet, there's a lot of different expenses that come with that. And, obviously, Fonner has to operate in harmony with the Nebraska State Fair Board, because, actually, during that 45 or 60 days of the State Fair run, the State Fair itself really has the authority to use those facilities. Personally I think it would be a neat attraction, but to what degree you'd do that in harmony with all the other attractions is why those folks make the big bucks. (Laugh) [LB681]

SENATOR KRIST: Thank you so much for taking the time out to come down to us. Any other questions? [LB681]

JAY VAVRICEK: My pleasure and thank you for your leadership. [LB681]

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SENATOR KRIST: Senator Schumacher. [LB681]

JAY VAVRICEK: Yes, sir. [LB681]

SENATOR SCHUMACHER: Yes, thank you, Senator Krist. Tomorrow we might begin the process of cutting \$22 million in state aid to cities, counties, and, I think, NRDs. To the extent any of this brings any more money into the state, why is a horse industry more deserving of that aid than cities and counties? [LB681]

JAY VAVRICEK: Well, with all due respect, I think we're maybe talking apples to oranges. And so under the testimony here I'd be happy to talk about the state aid, because I'm on the record in the testimony before the Revenue Committee, and I said at that time that would be a reduction of \$350,000 from the city of Grand Island's budget. And if that's the only thing that we would be threatened in terms of revenue sources, I mean, we'll make it work. But when you look at the other, different potential things that could impact the revenue at my city, which is about a \$36 million general fund budget, to what degree can you make up those resources? So in terms of the horse racing industry, it's a private, free enterprise system governed by the state of Nebraska, but I also know it's very important to my community because of the things that I expressed. [LB681]

SENATOR SCHUMACHER: No further questions. [LB681]

SENATOR KRIST: Thank you, sir. Any other questions? Senator Larson... [LB681]

SENATOR LARSON: No. [LB681]

SENATOR KRIST: ...did you have... [LB681]

SENATOR LARSON: No. I'm just... [LB681]

SENATOR KRIST: Okay. [LB681]

_____: I don't know what that was. Sorry. (Laughter) [LB681]

SENATOR KRIST: Thank you, sir. [LB681]

JAY VAVRICEK: Thank you so much. Appreciate it. [LB681]

SENATOR KRIST: Any other testimony in support of LB681? Welcome. [LB681]

JERRY FUDGE: Thank you. Good afternoon, Senator Krist and members of the

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General Affairs Committee. My name is Jerry Fudge, J-e-r-r-y F-u-d-g-e, and I'm the president of the Nebraska Horsemen's Benevolent and Protective Association. I'm appearing today in support of LB681. Live thoroughbred racing has a proud history in the state of Nebraska for almost 80 years. Unfortunately, a series of events have occurred to erode not only the financial base of racing but has taken away our physical locations as well. Our best racetrack in Nebraska, Ak-Sar-Ben, is now a shopping mall in the middle of Omaha, and State Fair Park will soon be gone to make way for Innovation Park. Horsemen were able to rebuild a replacement track in Omaha, now known as Horsemen's Park, and we are hoping to do the same in Lincoln. Unfortunately we lack adequate funding to make this a reality. In addition, the horsemen in this state now run for some of the lowest purses in the country. And we desperately need new funding to be able to continue to employ over 2,000 people across the state. This bill would provide increased funding for jobs and communities with live racing and the ability to begin new construction in Lincoln. The Nebraska HBPA supports this bill in conjunction with LB490. Thank you, and I'll try to answer any questions you have. [LB681]

SENATOR KRIST: Any questions for...thank you. Senator Coash. [LB681]

SENATOR COASH: Thank you. The money above the \$4 million goes to purses. Is that what the horsemen need? They need bigger purses, or do they need more marketing? I mean, I'm trying to dig into what is it the purses get you that helps your industry? [LB681]

JERRY FUDGE: Well, the purses are what support the people that are making a living racing. You know, the bigger the purses are, the better chance the owners and trainers have to making a decent living. And bigger purses also attract better horses, which, hopefully, will increase the mutuel handle, which will increase purses more. [LB681]

SENATOR COASH: Okay. Thanks. [LB681]

SENATOR KRIST: Any other questions? Thank you, sir, for your testimony. Thanks for coming down. [LB681]

JERRY FUDGE: Thank you. [LB681]

SENATOR KRIST: Any other supporters of LB681? Welcome back. [LB681]

TOM SAGE: Thank you. Good afternoon, Senators. Tom Sage, S-a-g-e, the executive director of the Nebraska Racing Commission. Again, as I mentioned earlier, our chairman would like to have been here, but he put the task on my shoulders. (Laugh) Anyway, we're supportive of LB681. Anything that may help the horse racing industry, better the industry, is obviously going to make our state better, our economics better. A

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lot of money, again, has been generated through horse racing. Not only, as we mentioned earlier, 2,500 employees or license issued, that doesn't count the farmers, the delivery people, the Coke vendor, the popcorn vendor. There's a lot of other income that is brought in with horse racing. We feel we have some additional funds, as Mr. Fudge had mentioned earlier, to increase our purses. We're going to, hopefully, get better horses, better racing, more horses. The more horses you have in a race, the more the pari-mutuel goes up. So we are in support of LB681 not only to help the horsemen but help fund our cash-strapped cash agency and keep our regulatory duties as they should be. [LB681]

SENATOR KRIST: Thank you, sir. Any questions for Mr. Sage? Senator Brasch. [LB681]

SENATOR BRASCH: Thank you, Chairman. Thank you, Mr. Sage. Years ago I was the marketing director at the Nebraska State Fair Park, and during that time I enjoyed horse races, never wagering, but as the contest, as the sportsman, the industry. I mean, it was phenomenal, healthy, great fun. What I would love to see is--the question came up of putting the horse racing with the State Fair. Doesn't the horsing commission do the racing dates? You know, I did not work for the racing part directly, but I thought that came from your group, is you could actually put the two together. [LB681]

TOM SAGE: I'd like to answer that in two ways to you. [LB681]

SENATOR BRASCH: Okay. [LB681]

TOM SAGE: First of all, you're correct. The Racing Commission does govern the days. Again, that is governed by statute, as we mentioned earlier... [LB681]

SENATOR BRASCH: Right. [LB681]

TOM SAGE: ...where we have to run 70 percent of the dates in 1988. We had a previous bill we talked about, LB299. That could be a mechanism--for instance, a racetrack that would want to send some dates to Fonner Park, if they agree upon it, and run them during the State Fair. That would be a good avenue. It would have to be, as mentioned earlier, State Fair Park and Fonner Park...or the State Fair and Fonner Park would want to have the live racing dates out there. But I believe with the LB299 may be a mechanism to see that come to life. [LB681]

SENATOR BRASCH: And we--thank you--and we heard from Mr. Adams that gaming in general is down, that from our economy we see there's less money altogether. And my question, you know, to you would be that is it, do you believe, essential that we have keno down to every minute on the minute to get...to help horse racing survive? I mean, would every five minutes also be helpful? At this point, do you get any keno money? Is

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that the deal here, that it has to be every minute on the minute for the horsemen to receive the benefit of keno dollars? [LB681]

TOM SAGE: Currently, horsemen receive no keno money. I'm not here to speak about LB490. I don't know about the time. I don't know if five minutes, ten minutes, one minute, whatever, is the best. I'm here to say if the two bills go through, the revenue would be great. It would help our industry. It would help the commission regulatory procedure. I can't answer your question directly what's better or not. [LB681]

SENATOR BRASCH: But any keno funds in general would help (inaudible) this. [LB681]

TOM SAGE: Any funds in general, period, would help. [LB681]

SENATOR BRASCH: Right, right. Thank you, Mr. Sage. [LB681]

TOM SAGE: Thank you. [LB681]

SENATOR BRASCH: Thank you, Chairman. [LB681]

SENATOR KRIST: You bet. Any other questions? Senator Schumacher. [LB681]

SENATOR SCHUMACHER: Thank you, Senator Krist. In your position, do you review the reports of the Iowa Racing and Gaming Commission at all, relative to the casinos across the river? [LB681]

TOM SAGE: I don't on a regular basis. I have. I can't tell you I do it every week or every month. [LB681]

SENATOR SCHUMACHER: With respect to the gaming levels there in 2004 versus 2010, was there much change? [LB681]

TOM SAGE: Again, Senator, I couldn't answer that directly. Just knowing the state of gambling throughout the country, the horse racing aspect of it, with the economy, everything is down. When I took over in the current position in 2008, we wagered \$103 million in the state; we're down to \$86 million last year. So I would assume there's a decline over there, but. [LB681]

SENATOR SCHUMACHER: Do you have any estimate of how many hundred million is leaving Nebraska for those Iowa casinos a year? [LB681]

TOM SAGE: I wouldn't know any concrete numbers, Senator, but, being originally from Council Bluffs and still have parents that live not too far from the racetrack or the casinos, there's a lot of Nebraska-plated vehicles. [LB681]

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SENATOR SCHUMACHER: Thank you. [LB681]

SENATOR KRIST: Any other questions? Thank you again for coming forward. [LB681]

TOM SAGE: Thank you. [LB681]

SENATOR KRIST: Anyone else in support of LB681? In opposition to LB681? Welcome back, Pat. [LB681]

PAT LOONTJER: (Exhibits 22-23) I'm Pat Loontjer, executive director of Gambling with the Good Life, and our concern is the conjunction of LB681 with LB490. I think a senator brought up that, you know, you're looking at a tremendous deficit, that you're going to have to cut expenses all over the board to very worthy, worthy causes. Why in the world would we want to give part of General Fund, if it is \$2 million, and then split 50/50 to a particular industry? I think that's a very hard sell to make in this day and age and with the deficit that you're facing. This is an industry that already has an unfair advantage over any other business in the state of Nebraska. And I'm going to leave with you copies of that. This is the NRS Section 2-1208.01 that gives the horse racing industry: the first \$10 million of gross wagers is exempt from taxation; and the race meets that are conducted at the Nebraska Fairgrounds, all the wagers were exempt from taxation. Then they have a graduated tax rate of 2.5 percent on taxable wagers from \$10 million to \$73 million; after that it's 4 percent, the taxes, over \$73 million. Now this is an advantage that no other business in the state receives. They're already getting that. That's not been challenged. And you have to ask yourself, how much more do we have to give to an industry that is suffering, like many other industries in the state are? But they already receive that advantage. And then there's an article that I want to leave with you written by Randy Ferlic, who's a University of Nebraska Regent, and he talks about the industry and that there are unfair subsidies and should not be considered. So in view of everything that's happening today, I think this is the worst time in the world to start taking money that possibly could be added to the General Fund and to give it to a particular business or industry. [LB681]

SENATOR KRIST: Thank you, Pat. Any questions for Ms. Loontjer? Did you have one, Senator Larson? [LB681]

SENATOR LARSON: Yeah, real quick. Do any other businesses in the state get any other exemptions or whatnot, special exemptions? [LB681]

PAT LOONTJER: I'm not aware... [LB681]

SENATOR LARSON: Sales tax exemptions or the Nebraska Advantage Act that, you know, we gave a lot of...this Legislature gave many exemptions for growing businesses.

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I'd just have to say on the record I think we offer as a Legislature many other exemptions to a lot of different organizations and businesses to move here and grow in this state, and we may offer that to horse racing as well, but it's definitely not the only one. [LB681]

SENATOR KRIST: Okay. Any other questions for Ms. Loontjer? Thank you for your testimony. Any other opposition to LB681? Anyone neutral on LB681? Okay. That will end our discussion of LB681. Senator Karpisek, did you want to close? Senator Karpisek waives closing. That concludes the hearing on LB681 and our hearings for today. Thank you. We're going to be going into Exec, so if you could let yourself out...(recorder malfunction). [LB681]