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Transcriber's Office

General Affairs Committee
January 30, 2012

[LB979 LB1067 LB1139 LR375CA]

The Committee on General Affairs met at 1:30 p.m. on Monday, January 30, 2012, in Room 1510 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LR375CA, LB979, LB1067, and LB1139. Senators present: Russ Karpisek, Chairperson; Bob Krist, Vice Chairperson; Dave Bloomfield; Lydia Brasch; Colby Coash; R. Paul Lambert; Tyson Larson; and Amanda McGill. Senators absent: None.

SENATOR KARPISEK: All right. We'll get started. Welcome to the General Affairs Committee. My name is Russ Karpisek and I am the senator from the 32nd District and Chair of the General Affairs Committee. Committee members that will be here, to my very far right is: Senator Brasch of Bancroft; to her left is Senator Bloomfield of Hoskins; next to Senator Bloomfield will be Senator Coash of Lincoln; then we have the Vice Chair of the committee, Senator Krist of Omaha. To my immediate right is Josh Eickmeier, committee legal counsel, he lives in Seward. To my far left, we have: Christina Case, our committee clerk; next to her will be Senator Larson from O'Neill; then Senator Lambert of Plattsmouth; and Senator McGill of Lincoln. And here comes Senator Coash. Welcome, Senator Coash. The page helping us out today is Lacey Schuler. After each bill introduction, we would like to hear testimony in support of the bill, then testimony in opposition, and finally neutral testimony. If you're planning on testifying in any capacity, please pick up a sign-in sheet that is on a table on the back of the room at either entrance. Please fill out the sign-in sheet before you testify. When it is your turn to testify, give your sign-in sheet to the page so they can give it to the committee clerk. This will help us keep a more accurate public record. If you have handouts, please make sure you have ten copies for the page to hand out to the committee. When you come up to testify, please speak clearly into the microphone. Please tell us your name and spell your first and last name. Also, please tell us whom you are representing, if anyone. Please turn off your cell phones, pagers, or anything else that beeps. Please keep your conversations to a minimum or take them out in the hallway. Finally, while we do allow handouts, we do not allow visual aids or other display items. Thank you for your cooperation on that. Senators will be coming and going today. Don't take it personally. We have other committees going on that have to put bills in in other committees. With that, we will begin today's hearing with LR375CA by Senator Schumacher. Senator Schumacher, you may begin when you're ready, and welcome back to the committee. [LR375CA]

SENATOR SCHUMACHER: (Exhibit 1) Thank you, Senator Karpisek. It's good to be back to the committee. My name is Paul Schumacher. I'm from District 22 in the Legislature, and I'm here today to introduce LR375CA. Let's begin with a dose of reality. The fiscal people who prepare our fiscal projections say in the 2013 to 2015 fiscal year, we are facing a shortfall from our minimum reserve of \$346 million. That's before any additional medical or Obamacare cost. That's before the cost of any tax cuts. That's

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before the shift of burden that may very well occur from the federal to the state government as the federal government struggles to cut programs and bring itself into balance. That's before any revenue loss due to the close of federal facilities or termination of federal programs due to that budget crisis. And that's before any additional child welfare costs. We have a need for money. It's no surprise to anyone. Now let's look briefly at the casino gaming world. And so as not to confuse things, let's narrow the scope of that review to an area that we can understand and very, very clearly there are statistics for. There are three casinos that are sitting on Nebraska's doorstep serving the Omaha-Lincoln-Council Bluffs metro area, roughly a radius of 60 miles from downtown Omaha. Those three casinos take from players \$428 million a year; \$321 million of that approximately comes from Nebraskans. That's about a ratio of 75 percent. That figure may be a bit on the low side. You have documentation before you from a study by the Iowa Gaming Commission which indicates that revenue in those casinos from out of state may be as high as 83 percent of its revenues. There are other studies indicating that it's between 70 and 80 percent. So basically a good guesstimate, 75 percent of the \$428 million the players lose in those three casinos or \$321 million, \$10 each and every second, every minute of the year, come from Nebraskans. What does that translate into approximate revenue? In approximate revenue, that means Iowa gets from those facilities \$93 million a year. Nebraska contributes \$70 million a year. That's a real nice subsidy to Iowa. Build a few roads, fix a few potholes, educate a few kids, string some fiber optic cables, and make them very attractive in competition with Nebraska for some of the big industries that are emerging into the future. Besides that revenue loss of \$70 million in tax money, there's that, also, what amounts to the difference between \$70 million and \$321 million, that total player loss, about a quarter of a billion dollars a year that's infused into the Iowa economy. Now a little of that dribbles back to Nebraska. Maybe they buy a few steaks from the restaurants on this side of the river or hire a few house cleaners or janitors or things of that nature. And maybe they'll make a little charitable contribution here and there. But basically in sound numbers, the real money from that whole \$321 million Nebraska loss goes to Iowa to cause them to be competitive with us and to do good things in Iowa. Let's make an observation here today. One thing you probably are not going to see is a whole list of lobbyists arguing the pro-gaming side of this, arguing for passage of this. That's unusual because in past years--and the last time it was really heavily argued here was 2004--there was an army of lobbyists. What has changed? A realization that Nebraska's gaming needs are being met. The portion of Nebraska, 60 miles of downtown Omaha, has got three very fine gaming establishments serving their needs. The barn is big enough and the herd of cattle are learning how to go over there each and every day if they want to gamble. The needs are met. There's no great jackpot to be had in Nebraska. The cash flow out of state has been established and the cash flow to the casino owners have been established. What helps to do that? Look at the little map that I have distributed to you that shows slot machine distribution. You will see that right on our doorstep...and this isn't talking about the one up at Sioux City, but right on our doorstep there are 4,233 slot machines poised. If you notice something unusual about

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that map, that is the highest concentration of slot machines anywhere in Iowa. And it's not there because Iowans do all the gambling. It is there because it is an effective way to poach Nebraska's resources and an effective way in order to further the needs of the state of Iowa. In fact, two-thirds of our population rest within 60 miles of a casino, and 90 percent of our population within about two hours of a casino. The hard, real fact is the antigambling cause has been lost. We have gambling in Nebraska for all practical purposes. The revenue streams, however that is divided, has been established. And whatever social ills may come about also exist in Nebraska, except you probably don't get any benefit of the money that Iowa puts toward compulsive gambling problems in the about 3 percent of the population that engages in excess, about the same figure as people engage in excess in anything. Statistics will indicated 2 to 3 percent of the drivers on the road are driving under the influence of liquor. Let's look then at how we might address this particular issue with some common sense. Let's look on constitutional history. Where are we at now? Back in the mid-1980s, the people who wrote constitutions kind of copied each other. It was easier than starting from scratch. And many of the constitutions had a clause in them that said the Legislature shall not authorize divorce and games of chance. Ours did too. Well, it didn't take long for the divorce part to go away, but it took a little longer for the gaming part to go away in Nebraska. Other states had an easier time retiring that as well as the divorce clause, but we retired it by nicking away at it. We said: Oh my! No games of chance except horse racing. No games of chance except charitable lotteries. No games of chance except bingo. No games of chance except a state lottery, the proceeds of which would be divided between a small amount for compulsive gambling assistance, but half to education, half to the Environmental Trust. And then that was amended to say, oh, yes, and some to the State Fair, in 2004 that amendment happened. Leaving about the only thing covered by the prohibition at this point is what has been commonly referred to as casino gambling. That still remains on the can't-do list. And that can't-do list means that even if the Legislature felt compelled to do something about it, it couldn't. Even if a poll came out saying 90 percent of the Nebraska population wanted to respond to what's going on in the loss of our revenue to Iowa, we couldn't. It stands there between us and the belief that we might come to have that we should respond to that particular situation or that that is a viable source of revenue when confronted with either a tax increase on people who work and spend their money in this state or a cut of programs that are essential to this state and our well-being. This particular amendment authorizes nothing. All it does is says the Legislature may deal with all other types of games of chance. It doesn't authorize the Indian Nations, for example, to do anything. It doesn't authorize any slot machines. It doesn't do anything. That would be for a subsequent act of the Legislature should the Legislature decide to do that. And at that point, the Legislature deals with the who, what, when, where, and everything else. Now the interesting thing about this is, because I believe this is a revenue matter more so than a gaming matter, it has an option. And the option is that if a neighboring state will share its tax revenue that it gets as a result of operating casinos--and that's just not direct tax revenue but that's also ancillary tax revenue--with Nebraska in proportion to the population within a

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60-mile circle of a casino, we will back off from that state's border 60 miles. Stay away from it by 60 miles. But it's only got a year to accept that particular offer. And if it doesn't, then we will be able to consider whether or not we want to continue on our present course. Money from this proposal, whether it's money because the state decides to ante up and share with us or money because we open, authorize a casino operation to intercept the revenue before it leaves the state, will be divided, first, to our General Fund cash reserve. Without that, we're in a world of hurts. That's where the money flows first. Once that's up to par, then three-quarters to education. Nebraskans have consistently favored education as a place to put gaming revenue. And we know that our educational system is probably the core of our future. Twenty-five percent to roads. That would be a nice supplement to the roads bill we passed last year, and it may even protect the roads bill that we passed last year from having to be adjusted downward. And 1 percent for compulsive gaming assistance for those people who are gaming now who have not been able to access help because Iowa doesn't extend a helping hand to Nebraskans. And we might expect that some of those people who are having problems gaming in Iowa will surge initially into our system here to try to get some help should we have any money to do it. So what this proposition does is it lets the people vote on whether or not they would like the Legislature to have the authority to respond or whether they wish the Legislature to remain paralyzed on these issues. Since it takes about two years to authorize a casino and get it up and running, and a casino costs in the neighborhood of \$300 million to \$400 million to build, you just can't have one instantly. And that is why there is some urgency, and I felt it necessary in my young tenure here, to bring this before the committee so that the option is there and we can get underway if the people wish. We can make our demand on the neighboring state and respond accordingly if they deny us. And now it's sometimes been said that, oh, Nebraskans don't want gambling. They don't want casino gambling. They voted it down something fierce every chance that they get. Well, that's an error. In 2004, we finally got a decent test of it and we got a pretty good approximation of the numbers. In 2006, there was a minor keno measure that our Supreme Court said it had nothing to do with casino gambling. But in 2004, there was four petitions on the ballot, and those four petition packages had to be passed in order for the thing to be implemented. The poorest performance of any of those petitions was slightly over 47 percent of the vote. Due to the dynamics of that year, the Legislature put a measure on the ballot to compete with the petition measure. And the Legislature's measure got 35 percent of the vote. It's pretty clear from looking at the results of that election that at least one out of ten of the people who voted for the legislative proposal, or 3.5 percent, did not vote for the petition proposal. Add that at least 3.5 percent to 47 percent and you get a majority of Nebraskans voting for casino gaming, just no agreement on the plan. I think that it's proper to let Nebraskans have a chance to vote, have a chance to be instrumental in deciding whether or not they want to have budget cuts, if we get in that pinch that it looks like we're going to, or whether or not we want to have tax increases. But at any rate, it's something for the people to decide, and that's why I brought this amendment. I'll be happy to answer any questions. [LR375CA]

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SENATOR KARPISEK: Thank you, Senator Schumacher. Any questions for Senator Schumacher? Senator Larson. [LR375CA]

SENATOR LARSON: You mentioned 1 percent. I'm sorry, I arrived a little late. Is it 1 percent of their total gross or 1 percent of the taxes we get? Should we have...you get the question I'm asking, I should say, to help... [LR375CA]

SENATOR SCHUMACHER: It's 1 percent of the revenue,... [LR375CA]

SENATOR LARSON: One percent of the revenue. [LR375CA]

SENATOR SCHUMACHER: ...the dollars that hit the state pocket. [LR375CA]

SENATOR LARSON: That hits the state's pocket... [LR375CA]

SENATOR SCHUMACHER: Right. [LR375CA]

SENATOR LARSON: ...will go to problem gambling and... [LR375CA]

SENATOR SCHUMACHER: Right, which is the same figure as the state lottery. [LR375CA]

SENATOR LARSON: Which is the same figure as the state lottery. Okay. Thank you. [LR375CA]

SENATOR KARPISEK: Thank you, Senator Larson. Senator Coash. [LR375CA]

SENATOR COASH: Thank you. Very interesting proposal, Senator Schumacher. I like it. It's not often you see anything that touches our neighboring states, and I was just curious. Have you heard from our neighbors to the east on how they feel about this proposal? [LR375CA]

SENATOR SCHUMACHER: They called me right away and asked me where they send the check. (Laughter) I don't think we're going to hear anything from them on any kind of official capacity until the people vote on this and say yes. There's no reason for them to respond. If we were to call them up today and say: Hey, folks! Would you please send us \$70 million? We're a little light in the cash pocket over here. I think we could hang up the phone and listen to the laughter. [LR375CA]

SENATOR COASH: Okay. All right. Fair enough. Thank you. [LR375CA]

SENATOR KARPISEK: Thank you, Senator Coash. Senator Krist. [LR375CA]

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SENATOR KRIST: Thank you, Chair. Senator, we have a situation in the metropolitan area where one city is actually, one would say, not staying true to a promise and building a civic center, digging into another city's pocket. How are we going to...if we can't do that, if we can't keep the cities from going back on handshakes and promises, how are we going to do it between states? Is there a vehicle that you would think would...? [LR375CA]

SENATOR SCHUMACHER: Well, there is a thing called compacts between states. They're binding agreements that a state can enter into. We have...we're stuck with one with Kansas, for example, in that water situation down along the Republican River. We entered into that back, I think, in the forties or thirties or something like that and we're stuck with it. So this is a fairly significant, in some respects, antigambling measure. Because should Iowa say: Okay, we will share. Please don't build a casino within 60 miles of us. Our population is moving. The eastern third of the state--no casinos. [LR375CA]

SENATOR KRIST: And the bubble...I haven't read through the whole thing, but the bubble you were talking about is within 60 miles of the actual casino on the other side of the river. [LR375CA]

SENATOR SCHUMACHER: Right. The circle, you just set a compass down at that point and swing around 60 miles. Since those things are right on our border, for all practical purposes, downtown Omaha. [LR375CA]

SENATOR KRIST: Okay. Thank you. [LR375CA]

SENATOR KARPSEK: Thank you, Senator Krist. Any other questions? Seeing none, thank you, Senator Schumacher. [LR375CA]

SENATOR SCHUMACHER: Thank you. [LR375CA]

SENATOR KARPSEK: I assume you'll close. [LR375CA]

SENATOR SCHUMACHER: I probably will. [LR375CA]

SENATOR KARPSEK: Okay. Do we have any proponents for LR375CA? No proponents. Do we have any opponents? Okay. We have about four or five. Welcome. [LR375CA]

PAT LOONTJER: (Exhibits 2-3) Hello. I am Pat Loontjer. I am the executive director of Gambling With the Good Life. [LR375CA]

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SENATOR KARPISEK: Can you spell that, Pat, please? [LR375CA]

PAT LOONTJER: L-o-o-n-t-j-e-r. And I live in Omaha, Nebraska, and I've been privileged to be the director of Gambling With the Good Life for the last 17 years. We have not ever taken a position on existing gambling, not that we necessarily like everything that's here or that we feel it's beneficial to the welfare of our citizens, but it's very, very difficult to roll anything back once it's established. So we have continuously been down here before you when there's been expanded gambling. We definitely feel that this bill would be expanded gambling. I feel this...I'm embarrassed by this bill because I think it's made us the laughing stock of the state and it's made us the laughing stock of the nation. I've even heard that we've been on talk radio that's been discussed around the country. The thought of blackmailing our neighbors, which is exactly what the first part of that bill addresses, is just ludicrous. It's...we're better than that. And to think that they would agree to this in any way, shape, or form when Iowa has a much bigger budget deficit with 21 casinos than we are looking at in the future. So for them to come up with \$70 million to \$100 million and just hand it over, so this really the...the crux of the bill is take the power away from the people. Every time that gambling, expanded gambling, has been on the ballot, the people have spoken loud and clear. The last time, 61 percent, and we were outspent 23 to 1 in that. And Nancy Osborne and I got in a rented van and travelled the state and visited every community or as many as we could and gave them information, and we wound up with 61 percent majority on that last bill that was on the ballot. Nebraskans believe in the good life. We love this state. We do not feel that expanded gambling in any way, shape, or form whether it be casinos or slots at the track or faster keno times, which is another bill you'll be addressing, would have any benefit. It's going to increase our social costs and it's going to hurt our families. It's going to hurt our businesses. And I have some information here. One is a lengthy article that was written just a few days ago by Dr. Jim Eckman who's president of Grace University. And he talks about the pernicious nature of gambling. And then I don't know if you've all seen this one, but this was the editorial on January 24 by the Omaha World-Herald which mocks the bill. And we are better than that. So I would just urge you all to take in consideration what this bill is proposing and to please vote no. [LR375CA]

SENATOR KARPISEK: Thank you, Ms. Loontjer. Do we have any questions? Seeing none, thank you. Do we have any other...we do have other opponents of the bill. Welcome. [LR375CA]

AL RISKOWSKI: Thank you. Good afternoon. It's good to be here. Al Riskowski, it's R-i-s-k-o-w-s-k-i, executive director of Nebraska Family Council. We are also in opposition to the bill. And I will make it rather brief. Our largest contention is the fact that it takes the power from the people and puts it in the hands of a majority of the state Legislature. This bill, and most obviously we're not going to be getting money from Iowa or any other state, then allows us to place casinos in any number that we want along

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any of our borders or anywhere within the state. As a matter of fact, any type of gaming is then provided for in this bill, and it's only regulated by the state Legislature instead of in the constitution by the people. To us, that's the major sticking point. Back in 2004 when that piece was put before the people of Nebraska, it was specified that it would only be a certain number of casinos placed in a certain place in our state, and even then the people of Nebraska did reject that proposal. This proposal is so much more far-reaching in what it would accomplish or what it would do here in the state of Nebraska. And we have major concerns and, again, the major concern is the fact that it takes it really out of the state constitution. It no longer becomes a constitutional issue to change gaming in the state of Nebraska; it becomes a vote of the Legislature and a majority of legislators. Thank you. [LR375CA]

SENATOR KARPISEK: Thank you. Senator Larson. [LR375CA]

SENATOR LARSON: Al, thank you for coming in. Just one quick question. Obviously this is a constitutional amendment and my question would be, yes, we've voted on in the past and obviously decisions can be changed from person to person. Obviously politicians change. And what's so wrong with people in Nebraska deciding what they want or if this is a good idea or not? What's wrong with us at least letting the people decide? [LR375CA]

AL RISKOWSKI: The people of Nebraska have weighed in on a number of occasions, walked through this year after year. And what would be the difficulty with this type of measure would be to clearly educate the voting population of Nebraska of the far-reaching effect of what this bill, if it was passed by them, would do, how it would... [LR375CA]

SENATOR LARSON: The problem with you educating those people. I'm just asking what is the problem? I mean, yes, people have decided in the past, but what is the problem with them deciding again? And obviously I don't think it costs the state any more money because it's obviously just going to go on the ballot. It's already printed. What's...why shouldn't the people of Nebraska have an opportunity to vote on this? Why shouldn't they? [LR375CA]

AL RISKOWSKI: Well, Senator, you just also said it yourself, the difficulty for them to educate...be educated enough to... [LR375CA]

SENATOR LARSON: I didn't say that. I said it's a difficulty for you to educate. I asked why shouldn't they. [LR375CA]

AL RISKOWSKI: Is it not also your responsibility to educate? [LR375CA]

SENATOR LARSON: It's each individual... [LR375CA]

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AL RISKOWSKI: If you're going to be voting on this bill and voting it out for the general public to verify your vote, should they not also be educated by you as well as by me? [LR375CA]

SENATOR LARSON: It's each individual's responsibility to educate themselves on each one of their votes, whether it's for me or this constitutional amendment. And obviously interest groups come into play in terms of the educational value. I don't think you answered my question. [LR375CA]

AL RISKOWSKI: Okay. [LR375CA]

SENATOR LARSON: Why shouldn't they be able to vote on this measure? [LR375CA]

AL RISKOWSKI: Well, obviously people should be able to vote, but... [LR375CA]

SENATOR LARSON: On this measure, on this measure. [LR375CA]

AL RISKOWSKI: You know, the previous...the Legislature, we were trying to educate ourselves. Originally when gambling was placed into our state constitution, the Nebraska Legislature obviously felt this was such a great concern and such a weighty issue and could have such far-reaching consequences. That needs to be one of those issues placed into our state constitution so that that decision is made very carefully and slowly. If it then is taken out of the state constitution and placed simply in the Legislature, you no longer have that process which was put into place. [LR375CA]

SENATOR LARSON: Again, you...I won't ask you again. [LR375CA]

AL RISKOWSKI: Okay. [LR375CA]

SENATOR LARSON: You didn't answer my question why you shouldn't be able to vote. You've given...you've walked around...and I'm not asking for an answer. I'm done and from here on... [LR375CA]

AL RISKOWSKI: Okay. [LR375CA]

SENATOR LARSON: You still didn't say why the people shouldn't have the opportunity. [LR375CA]

SENATOR KARPSEK: Thank you, Senator Larson. Any other questions? I'll just say, the citizens would vote on this. [LR375CA]

AL RISKOWSKI: Right. [LR375CA]

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SENATOR KARPISEK: So to say that it doesn't go to the citizens is just not true, correct? [LR375CA]

AL RISKOWSKI: Correct, Senator. I'm not saying that. I was simply stating that it would go to the citizens. The difficulty is a bill of this nature, which is so much more far-reaching than the one even in 2004, and I remember the difficulty going from station to station with Pat, radio station to radio station, and even on television trying to educate the public on what this bill would or would not do, how difficult that was. And I'm relating it back to 2004. This bill is so much more far-reaching than even the 2004 proposal. The difficulty of truly educating the population and the voters as to the full extent of this bill is even much more of a monumental task. [LR375CA]

SENATOR KARPISEK: But wouldn't you say that that's for any constitutional amendment that there is? [LR375CA]

AL RISKOWSKI: Not necessarily. Some are very short and to the point. This is a very far-reaching, widespread situation where you're totally taking all the responsibility of gaming in the state and putting it in the hands of the state Legislature instead of leaving it as a constitutional amendment. [LR375CA]

SENATOR KARPISEK: But, you know, I think that the Legislature is in charge of a lot of things that isn't in the constitution, and I think that's what we have votes for which, by the way, you can run for reelection. It doesn't matter how many times you get beat by a wide margin. [LR375CA]

AL RISKOWSKI: Oh, exactly. There are certain things that are placed in our constitution though because the consequences or the importance warrants them placed in our constitution not just in statute. And I believe this is one of those pieces of legislation that needs to be in our constitution because of the weightiness of the decision and the consequences. [LR375CA]

SENATOR KARPISEK: Very good. Thank you. Senator Larson. [LR375CA]

SENATOR LARSON: I'm sorry. Decided on trying it again. [LR375CA]

AL RISKOWSKI: Sure. [LR375CA]

SENATOR LARSON: You brought up the education again. And I just...whose job is it to educate, well, let's say Joe Smith? Whose job is it to educate him on the decisions that he makes? [LR375CA]

AL RISKOWSKI: Ultimately each voter is responsible for their own education,

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however... [LR375CA]

SENATOR LARSON: Thank you very much. That's all I wanted. [LR375CA]

AL RISKOWSKI: Where do they go for that information? [LR375CA]

SENATOR LARSON: No, that's all I wanted. Each voter is responsible for their own education. And, again, that goes back to my point of they...again, I'm on my rhetoric of it's their responsibility to educate themselves and why shouldn't they be able to at least have that possibility to vote. [LR375CA]

SENATOR KARPSEK: Thank you, Senator Larson. Any other questions? Seeing none, thank you, Mr. Riskowski. [LR375CA]

AL RISKOWSKI: Thank you. [LR375CA]

SENATOR KARPSEK: (Exhibit 18) Any further opposition? And while we're waiting, I will read into the record a letter of support from the Nebraska Licensed Beverage Association. Welcome. [LR375CA]

HANNAH BUELL: Thank you, Senator Karpisek and members of the General Affairs Committee. My name is Hannah Buell, H-a-n-n-a-h B-u-e-l-l. And I come here representing Nebraska Family Council as well today. And I just want to state again that our position is to come out against this specific constitutional amendment for all of the reasons that Mr. Riskowski just brought. I'd like to remind you that Senator Karpisek on record just said that this should be up to the people to decide, and we agree the people should be able to decide. But we disagree in what they're deciding on, because what this measure effectively does is it allows the people to choose whether or not they want to sign their right away to decide whether or not gambling is a constitutional amendment, whether it's decided by a vote of the people. That's the reason why we're against this bill, because it takes away from people the right to decide. So that is a large portion of why it isn't only about the education issue; it's about the people not having the voice to decide what is in their own constitution any longer. That power would be given to the state Legislature. And all of us know that it is much easier to convince 25 state senators to vote a certain way than a majority of the state of Nebraska to vote a certain way. And that is why this should remain in the constitution because it is a very important issue and because the people in each individual community, they're the ones who are going to be feeling and experiencing the effects of this legislation far more so than simply this house and this building, this office. So that is another reason why we are strongly against this constitutional amendment. So thank you very much. [LR375CA]

SENATOR KARPSEK: Thank you, Ms. Buell. Senator Larson. [LR375CA]

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SENATOR LARSON: You point out why, because it's taking away from the people that opportunity to decide in the future. [LR375CA]

HANNAH BUELL: Correct. [LR375CA]

SENATOR LARSON: So would you testify in support of it if it was they actually, directly got to decide whether they wanted gaming or not since...I mean, that was kind of the argument you're making? If they got to actually decide yes or no on casino gambling, you would be in favor of that since the people get to directly decide? [LR375CA]

HANNAH BUELL: That would be a completely different constitutional amendment. You're correct, because if say, for example,... [LR375CA]

SENATOR LARSON: Exactly, but it's...yes. [LR375CA]

HANNAH BUELL: So for example, the... [LR375CA]

SENATOR LARSON: But if they...correct, but if they...I'm just asking kind of yes or no, if they got to decide directly, if the people got to decide directly yes or no you'd be in favor of that? [LR375CA]

HANNAH BUELL: No. [LR375CA]

SENATOR LARSON: Why not? Why shouldn't they get to decide on this? [LR375CA]

HANNAH BUELL: We wouldn't necessarily be in favor or against a proposal, but the idea of it being necessary is what comes into question, because we've had this come up before the people multiple times, even just in the last decade. It's not like constitutional amendments were proposed 20, 30 years ago. So the likelihood of the majority of Nebraskans and the culture of Nebraska changing within four, five, six years, however long... [LR375CA]

SENATOR LARSON: Presidential candidates do it all the time. (Laugh) [LR375CA]

HANNAH BUELL: True, but presidential candidates are different than the cultural views of the state of Nebraska. That takes a much longer time to change. [LR375CA]

SENATOR LARSON: So you're saying since it hasn't been a long time since the last vote they shouldn't get another opportunity. [LR375CA]

HANNAH BUELL: I'm saying that that would be an argument that doesn't exist because it's been so short. So you could argue that, well, let's give them another chance to decide because it may have changed. For example, in Puerto Rico every 20 years or so

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they have an opportunity to decide whether they want to become a state. So several decades ago they decided very strongly no. It seems like every 20 years that percentage increases by about 10 percent. So it's possible that with the passage of time the people in Puerto Rico may decide, yes, they do want to become a state because their culture is changing. So... [LR375CA]

SENATOR LARSON: So what's the problem...what's the difference between waiting 20 years or 2? [LR375CA]

HANNAH BUELL: Well, the difference is because it doesn't seem to be politically necessary of the expense, not necessary on the part of the state but on the part of the gambling interests that will no doubt be advertising, as well as those who are antigambling, and they will be educating the public as well. [LR375CA]

SENATOR LARSON: What does the state care about the expense of independent expenditures? I hear all the time we need less independent expenditures. Why don't we not worry about that and...I mean, the expense of the state is the real issue. Is it going to cost the state any more money to put this on the ballot or not? [LR375CA]

HANNAH BUELL: Right. From your perspective, yes. You're voting based on the current budgetary issue. So that isn't necessarily going to be your responsibility, but it is going to be the causes felt by your constituents. And you're going to have to answer to your constituents of whether or not you voted to bring this bill before them. And if your constituents are battle weary from hearing about gambling over and over and over again, they might not view very kindly your specific vote. So it's not from the perspective of the state budget. It's from the perspective of your individual constituents and the culture of Nebraska. [LR375CA]

SENATOR LARSON: Should they choose to donate to one side or the other, essentially. [LR375CA]

HANNAH BUELL: No, it's not whether or not they choose to donate. It's whether or not they're being constantly handed gambling advertisements or antigambling advertisements on radio, TV, etcetera. [LR375CA]

SENATOR LARSON: So should we limit the number of senate candidates or congressional candidates that we have so they don't see as many political commercials or anything of that? I just see... [LR375CA]

HANNAH BUELL: Right. [LR375CA]

SENATOR LARSON: ...you're spiraling into a very tricky zone of we...you know, we shouldn't allow this after only two years because your constituents won't like it because

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they see too many political TV commercials. Well, you know, there's a lot of other constitutional amendments...or actually I prefer just political campaigns in general of, you know, should we start limiting how many presidential commercials we see or senate commercials or attack ads because our constituents get weary of free speech? You know, that's essentially what you're saying. We don't want to...you don't want to see these groups have the ability to either campaign or educate because their constituents will be weary. I mean, that's what the First Amendment, and at its core is representing. [LR375CA]

HANNAH BUELL: Right. [LR375CA]

SENATOR LARSON: And as a state representative, you say, you know, my constituents will hold me responsible for putting these ads in front of them because I voted to let them decide. You know, we do have a representative democracy or actually republican democracy would be the... [LR375CA]

HANNAH BUELL: Correct. [LR375CA]

SENATOR LARSON: ...the better way to put it, in which they do elect us to make certain decisions for them, but decisions such as this that are in our constitution. They do have the right. [LR375CA]

HANNAH BUELL: Right. [LR375CA]

SENATOR LARSON: And that is their First Amendment. That is their free speech. [LR375CA]

HANNAH BUELL: Sure. [LR375CA]

SENATOR LARSON: And why should we not...why should we as a Legislature deny them their First Amendment to make a decision whether it's every 20 years or every 2? [LR375CA]

HANNAH BUELL: Well, let me clarify my point, so hopefully that will make a little bit more sense. My argument wasn't that you should limit by regulation or by statute the number of political commercials, any of those sorts of things, because that's obviously not okay. My comment was more on the perception that your constituents may potentially have of this body in allowing yet another proposal for gambling to come up. It may contribute to them feeling wearied by this topic, frustrated by this topic, voting yet again the same way within a short period of time, and frustrated at the representatives because of the appearance of continuing to shove gambling measures down their throat. [LR375CA]

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SENATOR LARSON: Possibly, possibly. [LR375CA]

HANNAH BUELL: Yeah. Correct, correct. [LR375CA]

SENATOR LARSON: Okay. [LR375CA]

SENATOR KARPISEK: All right. Thank you, Senator Larson. Senator Bloomfield. [LR375CA]

SENATOR BLOOMFIELD: Thank you. Would it be your understanding that even though the pro-gambling people don't mind spending the money to push this that maybe the folks that have defeated gambling over and over and over again would be getting tired of paying to fight it? [LR375CA]

HANNAH BUELL: That's potentially true. [LR375CA]

SENATOR BLOOMFIELD: Okay. Thank you. [LR375CA]

SENATOR KARPISEK: Thank you, Senator Bloomfield. Any other questions? Seeing none, thank you. [LR375CA]

HANNAH BUELL: Thank you. [LR375CA]

SENATOR KARPISEK: Further opponents? Welcome. [LR375CA]

JOHN NEUBERGER: Good afternoon, Senator, members of the committee. Senator Colby, how are you? My name is John W. Neuberger, that's spelled J-o-h-n, last name, N-e-u-b-e-r-g-e-r. I'm here primarily to give you some testimony on LB1067 but it has to do with my opposition to expanding gambling opportunities in Nebraska, and since I heard this is obviously under the guise of revenue making, an expansion of gambling opportunity in Nebraska. And so I oppose this bill on that basis. I'll speak with you later on LB1067 with some other ideas about how we've got enough gambling opportunities in Nebraska right now and what effect it's having on some of the people I've worked with. I'm a financial coach and work with people who are in deep financial trouble. So my position on this bill would be it's definitely an expansion of gambling and I am here to oppose that. [LR375CA]

SENATOR KARPISEK: Okay. Thank you. Any questions for Mr. Neuberger? Seeing none, thank you, sir. [LR375CA]

JOHN NEUBERGER: Thank you. [LR375CA]

SENATOR KARPISEK: Any further opponents? Welcome. [LR375CA]

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LORETTA FAIRCHILD: (Exhibits 4-5) Thank you. Mr. Chairman and members of the committee, my name is Loretta Fairchild, F-a-i-r-c-h-i-l-d. My expertise in this testimony comes from my Ph.D. in economics concerning this topic. Since slogans seem to dominate logic in much of our current political debates, let's put some reality into the slogan that has been attached to this legislation: Casino owners get the gold; Nebraska gets the shaft. LR375CA rests on the statement that there is economic damage to Nebraska when Nebraskans play the casinos in Iowa, and this is accurate. But the assumption that adding casinos across Nebraska will somehow cure that existing damage is totally erroneous. Two wrongs make a really huge wrong. Please keep your focus on my number one point: Any change created by the Legislature of any nature always creates extra costs as well as extra benefits. And evidence on the spread of casinos across many other states is clear. New casinos in Nebraska will add on huge additional costs. This means when you're adding up the benefits, which you should do, you put in the profits to the instate owners, you put in the taxes paid to the state, and any jobs created. You add them all together. The extra costs to Nebraska as a whole will be at least double and can be triple, quadruple, and even up to six times greater. It is never a good business idea if the extra costs exceed the extra revenues, even if a few individuals will get rich in the process. What about each Nebraska adult's freedom to choose to gamble because they enjoy it and do so responsibly? That freedom falls on the benefits side of the equation, certainly, but it already exists and no one is attempting to take it away. The opposition is only to removing the prohibition against Class III gambling in the constitution. All existing opportunities for gambling will continue to be available to those who want this entertainment. At the end of these comments I have listed the elements that economists say should be included in attempting to measure these extra costs and the extra benefits of any gambling expansion. I urge you to read the lists and ponder how much evidence you have heard at these hearings about these extra costs and begin to weigh them more heavily in your internal calculus as you vote on this and all related legislation. One example of research on costs is the study I did with Jon Krutz in Iowa. It was released in 2006. Since casinos have long been promoted as engines of economic growth, we sought to test this claim by comparing the growth rate of taxable retail sales between Iowa cities with a casino and similar ones without. The Iowa information is useful because they were early adopters of casinos in the Midwest. The data was from 1996 to 2004 and the town sizes were in the 20,000 to 50,000 population range. This study shows that the operation of a casino in a midsize city actually creates a measurable drain on the economy in general of the city. Ottumwa provides a mini-verification of these results. Unlike the other cities where casinos opened in the mid-1990s, the casino in Ottumwa did not open until 2001. Strikingly, the average growth in retail sales in Ottumwa from '96 to 2001 was 2.9 percent. But it dropped significantly to minus .9 percent from 2001 to 2004 after the opening of their casino. Putting Class III gambling in Nebraska will have the same kind of harmful impact on the surrounding economy, slowing its overall growth rate of retail sales as consumer dollars are pulled out of other businesses to enrich the owners of the new video

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gambling machines. Added costs will fall directly on state coffers, include such things as increased costs of regulating this cash-based business. Did you notice the appeal from the horse racing...from the representative of the Horse Racing Commission at last week's testimony in the Judiciary Committee that their regulatory setup is already very strapped for funds and they put in a specific request for additional funding if they have to monitor new slots at the tracks? To bring in casinos without putting in place a well-funded, extensive, and effective regulatory system at the same time is unconscionable. Will you put new gambling regulatory money into the budget? Other costs to the state budget come through impacts on our courts, judges, and police systems from the impact of rising addictions with increases in crime including embezzlement, and more incarceration into our already overcrowded jails and prisons. There are also social and personal costs to Nebraska citizens as waves of misery spread out among the families and friends of those few addicted individuals. These combined costs always will exceed the new revenues the proponents want you to focus on exclusively. Other presenters have given you concrete examples of factors contributing to what we might call the misery index generated by expanding gambling, so I won't use any more of your time on this aspect. But please keep reminding yourselves and the other legislators that the sum total is huge and will be a serious drag on Nebraska's economic growth out into the future. To give you more of the numbers on where casinos revenues go and the new costs generated I am also giving you a handout prepared by Jon Krutz for the 2003 to 2005 debates in the Legislature during that blitz on Nebraska from the national gambling industries to break Nebraska's constitutional prohibition against Class III gambling. Which brings me to my final point: Changing Nebraska's constitution should never be done by only a vote of the Legislature or without a great deal of well-researched information on the costs as well as the benefits that will flow on and on into the future. Please do not waste the Legislature's valuable time by moving this bill out of committee. Thank you for your attention. I hope you will raise some questions on the economics. [LR375CA]

SENATOR KARPISEK: Thank you, Ms. Fairchild. Senator Larson. [LR375CA]

SENATOR LARSON: The study you did on, Iowa, was it...did you say it was only communities 20,000 to 50,000? [LR375CA]

LORETTA FAIRCHILD: Um-hum. [LR375CA]

SENATOR LARSON: Do you know how many communities in Nebraska we have that size? [LR375CA]

LORETTA FAIRCHILD: The issue is that it was necessary to out... [LR375CA]

SENATOR LARSON: No, how many communities in Nebraska do we have that size? [LR375CA]

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LORETTA FAIRCHILD: I do not keep those details in my head and no one else has presented it either. The issue is that you cannot include the casinos in Council Bluffs because they do draw from a metropolitan area. [LR375CA]

SENATOR LARSON: So if we were to...what's...and you talked about... [LR375CA]

LORETTA FAIRCHILD: Since this bill is saying that they will not put the casinos in that big area, the point is they will have to be in smaller-sized areas. [LR375CA]

SENATOR LARSON: Okay. [LR375CA]

LORETTA FAIRCHILD: Therefore the data matters no matter how many they are. We are much smaller than Iowa. [LR375CA]

SENATOR LARSON: Okay. So going back to your retail sales, what would be...did you do any research in terms of the effects on the cities over 20,000 to 50,000, the Des Moines or Dubuques or the...? [LR375CA]

LORETTA FAIRCHILD: Because the point was stand-alone communities. [LR375CA]

SENATOR LARSON: Stand-alone communities. Okay. And how many communities in Iowa have casinos that are 20,000 to 50,000? [LR375CA]

LORETTA FAIRCHILD: Four... [LR375CA]

SENATOR LARSON: 4. [LR375CA]

LORETTA FAIRCHILD: ...that had matching cities that could be compared that didn't... [LR375CA]

SENATOR LARSON: So only 4 of the 19 essentially is all that you studied. You didn't study the larger ones and what the retail sales did there. So we have no information on, you know, what the retail sales in Omaha would be if a casino moved essentially three miles to the west or what it would do to those communities like that? We have no data. [LR375CA]

LORETTA FAIRCHILD: That information was raised by Dr. Goss when he reported...this is in the handout from John Krutz. Dr. Goss gave a report to the Omaha Chamber of Commerce. He concluded that putting just one average-sized casino in Omaha would lead to a 66 percent expansion in the amount of gambling in the metro area. That does mean that more dollars... [LR375CA]

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SENATOR LARSON: And do you know what methodology he was using or any of that? [LR375CA]

LORETTA FAIRCHILD: It's easy to access and I hope you all will do that. That's why I'm giving you the information. It's important. [LR375CA]

SENATOR LARSON: Do you have the report--that would be great--and the methodology that he used? [LR375CA]

LORETTA FAIRCHILD: It can be accessed from this information. I urge you to pay attention to all of these studies. [LR375CA]

SENATOR LARSON: Oh, and any study that comes across I'm sure we'll all look at. You commented, and not to...that it always leads in a decrease of retail sales and things of that nature. What would you say for communities that live off of gambling and do very good with the retail sales such as Las Vegas or Monaco or... [LR375CA]

LORETTA FAIRCHILD: Have you paid attention to the economy in Las Vegas in the current downturn? Gambling revenues are not as stable of source of revenues, even in Las Vegas, even in Atlantic City. They're the only real destination casinos and nobody is arguing. I have not heard anybody argue that putting casinos in Nebraska, they will become destination areas. You are talking the only way you get an increase in revenues in a destination area is if gamblers will come in from the outside, leave their money, and take their problems home. We are talking about putting casinos in Nebraska where the inflow of new tourist dollars has never been shown to be particularly significant. And previous studies have not assumed that there would be any additional growth. So the basic economics is, when you have a new business in town and it takes existing people's money, it's coming out of the pockets of places they would have spent it otherwise or out of their savings. That's pretty basic. [LR375CA]

SENATOR LARSON: I think there are studies on both sides, both stuff. [LR375CA]

SENATOR KARPISEK: Thank you, Senator Larson. Any other questions? [LR375CA]

LORETTA FAIRCHILD: May I speak to this issue of letting people vote, the question that was raised earlier? [LR375CA]

SENATOR KARPISEK: Sure. [LR375CA]

LORETTA FAIRCHILD: Thank you. I don't think there's a groundswell of desire in Nebraska for a California-style way of deciding major issues where direct votes replace a lot of the decision making on the part of the Legislature. It is...we use a representative system for a purpose, and that is because you all are supposed to be gathering the

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information and paying attention and doing a better job of providing leadership. That is your bubble. [LR375CA]

SENATOR KARPISEK: Okay. Thank you, Ms. Fairchild. [LR375CA]

LORETTA FAIRCHILD: Thank you. Yes. Who do I give this to? [LR375CA]

SENATOR KARPISEK: Oh, I'm sorry. I sent Lacey out to try to get a window open for us. [LR375CA]

LORETTA FAIRCHILD: Okay. I'll just leave them here. Thank you. [LR375CA]

SENATOR KARPISEK: Any other opposition? Seeing none, anyone neutral? Seeing none, Senator Schumacher to close. I would like to point out this Omaha World-Herald editorial, which of course they don't put their names on as us senators have to put on the bottom, also was done the 24th and says that Senator Schumacher is a member of the General Affairs Committee. Senator Schumacher has not been for quite a while, so good reporting though. (Laughter) Go ahead, Senator Schumacher. [LR375CA]

SENATOR SCHUMACHER: Thank you, Senator Karpisek, members of the committee. In brief rebuttal to some of the testimony we heard, the first witness I believe testified that the people's rights were being taken away. No. The people's rights are being enhanced. This is a question that removes a prohibition from the constitution that prevents both the people by petition and the Legislature from dealing with gambling. The people do not have the right to deal with gambling by statute now and neither does the Legislature. This removes that impediment and enhances the people's right as well as the right of the Legislature. I got my sheet mixed up here. That was the third one, the third testifier. First testifier said that we're blackmailing our neighbors. I ask you simply, if a burglar were in your house and you said get out of my house or I'm going to shoot you, whether that be blackmail or self-defense? It's self-defense. And the state has an obligation to defend its resources. This particular measure of the constitution served that obligation only when everybody else around us had similar obligations. But it no longer serves our obligation to defend our resources. We should have the option to think through and study and figure out if we want to and whether we should and how to defend our resources in this particular case. The second testifier indicated that it would take gaming out of the constitution. You know what? The only thing that the constitution says that the Legislature cannot rule on is gaming. The only thing. Banking, fine. Murder, fine. Kidnapping, fine. Child abuse, fine. The only thing that the people are restricted on either by petition or the Legislature is restricted on is gambling. It's a vestige provision in the constitution that stands in the way of common sense and people responding to legislative needs just as respond to every other category of legislative need in the state. It's the only one. Then we have this recitation that we've heard over and over and over again that the people have repeatedly struck down, gone against

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casino gaming or gaming in Nebraska. Let's go back to 1990. This is the history and this is all of it. There was a slot machine proposal by American Legion Clubs that failed. There was a very effective ad against it in the final days of the campaign. But there was a state lottery proposal that succeeded. The next time the people got to speak was 2004. There, two competing proposals. One by initiative. And when the Legislature saw that the initiative process was probably going to come up with a proposal, they put one on the ballot too. As I outlined before, 47 percent said yes to the initiative; 35 percent yes to the Legislature. Look at the intersect and at least 3.5 percent of those that said yes to the Legislature said no to the initiatives. A majority in favor but no agreement on the particular plan. 2006. Two thousand and six, there was a very narrow measure on the ballot--it was put there by petition--that said a particular type of keno machine could be used. Supreme Court said: That's talking about keno. That's not talking about casino gambling. It doesn't count as casino gambling. It doesn't count as casino gambling. Because it was so narrow, because people felt that it did not address the problem, it lost by that 61 percent measure. No surprise at all. As I said, this is a measure to decide if the people or the Legislature has the right to decide on casino gambling. It is simply a measure that enables the discussion that we all seek. I heard another testifier say that we have enough gambling opportunities right now. That probably is the case. Sixty percent of the population...sixty-six percent of the population lives within an hour, and most all the other population within two hours or so. We have gambling opportunities. What we don't have is the money. This is a revenue measure, not a gambling measure. And, finally, we had testimony that made a number of points. First of all, that the cost-benefit analysis can run six times--six times--what you get from gambling you have in social costs. That means the Iowa government revenue of about \$275-280 million a year is what they pull out of their gaming operations would cause a \$1.5 billion--if you multiply by six--loss to the Iowa budget. I leave that to your own common sense. Secondly, we hear--this one was good--that the Iowa towns in Iowa that don't have casino gaming perform better than towns that do. And what was cited...the study that was cited was a study from like 2003-2004. It was kind of interesting because the first publication of that study had, I believe if I remember the town's name right, Altoona, Iowa, cited as a shining example of how well a town does that doesn't have a casino compared to somebody that does. Altoona, 15 miles from Prairie Meadows, except for the Council Bluffs operations, the biggest one in Iowa. Oh, well, that kind of just disappeared from the list along with two, three, four others who fit the same category. That totally unreliable study, I'll be happy to go over that. I've got the details on that, got the before and after pictures of the Web page I believe still archived that shows that it's a totally fallacious study. Next we heard about...look at the statistics on crime and human ills. I provided you some statistics that have nothing to do with gambling, but neither does that allegation. Next we heard that we need to have well-researched legislation. Sure. This enables that. Why do we want to begin to detail research of where, when, how, and who when we don't even have the authority to do it? Yeah. I agree. We need well-researched legislation. This opens the door to well-researched legislation. Cited a study by Ernie Goss in 2003. Ernie Goss--this was before the 2004

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election--said it would be a neutron bomb, that there was going to be more gaming in the Omaha metro area. Well, guess what happened just a few days after the 2004 measures were defeated? An equivalent expansion of gambling in Iowa, massive increase in the number of machines on the east side of the river, essentially adding another casino. And I guess we're still waiting for the flash from that neutron bomb. Not a stable source of revenue we hear. Well, that's a discussion we might be able to have later if we decide we ever want to consider revenue. But guess what? Through the entire period from 2004 to today, through the entire recession, Iowa casino revenues have gone up. Stable enough for Iowa. And no matter if it went up slightly or down slightly, the check still produces green money. And then we heard the contradiction. The contradiction was that, you know, we really need the Legislature to pass on these measures because we don't want California kind of ruling with sporadic petitions coming out of the woodwork and people ruling. We need the Legislature to rule. And guess what this proposition does? Gives us in the Legislature the opportunity to rule on this issue, making unnecessary the kind of contortions that one has got to go through if the public sentiment is there on a petition issue. This is a revenue measure. There is little or no public harm from it. There is an option to produce a range of revenue probably between \$70 million and \$120 million a year. And when we're up there voting on what we can afford and can't afford, I encourage the committee to keep this one in its pocket and release it just at the right time. Thank you. [LR375CA]

SENATOR KARPISEK: Thank you, Senator Schumacher. Any questions? Senator Larson. [LR375CA]

SENATOR LARSON: Real quick, Senator Schumacher. I was just reading through it and you detailed 75 percent to education, 24 percent to public transportation, 1 percent to compulsive gambling. If I could make a recommendation possibly, what about...and actually one of the opponents brought it up, would you be against, you know, setting up a more comprehensive gaming commission to ensure that everything is done the right way or 1 percent to that or a half a percent or something to that or do we have the regulatory framework in place? [LR375CA]

SENATOR SCHUMACHER: I think you have the regulatory framework in order to do that already. Why worry our pretty little heads about regulatory commissions, how many people are going to be on them, how many they're going to be, is the Governor going to appoint them, are they going to be elected? Why worry. Say no. Let Iowa continue, then we don't have to worry. [LR375CA]

SENATOR LARSON: No, I'm saying if we had our own casinos. [LR375CA]

SENATOR SCHUMACHER: Yeah, if we would, then we will need to cross that bridge. But we right today we can't cross that bridge if the people say no to this deal, it's no. No use worrying about it. [LR375CA]

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SENATOR LARSON: Yeah, that was my question. I'm sorry. I didn't explain it clear enough. If we were to...the Legislature were to pass its own bill, if this were to pass and we were, would you be adverse getting... [LR375CA]

SENATOR SCHUMACHER: Oh, yeah, we would... [LR375CA]

SENATOR LARSON: ...or putting some of that money towards having... [LR375CA]

SENATOR SCHUMACHER: Oh, absolutely. I mean, we're going to have to flesh out a whole skeleton. But we don't even know if we're even permitted to think about such things. [LR375CA]

SENATOR LARSON: That was just my one question, should we put some of that money towards... [LR375CA]

SENATOR SCHUMACHER: Yeah, yeah. No, we will have a lot of work to do... [LR375CA]

SENATOR LARSON: ...oh that was just the compact where...that's just the compact you're saying, that 75, 24, and 1 percent. That was my question. Thank you. [LR375CA]

SENATOR KARPISEK: Thank you, Senator Larson. Any other questions? Seeing none, thank you, Senator Schumacher. [LR375CA]

SENATOR SCHUMACHER: Thank you. [LR375CA]

SENATOR KARPISEK: You can go back to the committee that you are on now. [LR375CA]

SENATOR SCHUMACHER: You maybe released me from that because I understand the last measure was taken up there. (Laughter) Thank you. [LR375CA]

SENATOR KARPISEK: That will end the hearing for LR375CA. I do apologize for it being so hot in here. When it's nice outside, it really heats it up in here. Of course, since we don't deal with many controversial issues, it doesn't get heated up anyway. (Laughter) We will now open the hearing for LB979 by Senator Lambert. Welcome, Senator Lambert. [LR375CA]

SENATOR LAMBERT: (Exhibit 6) Thank you. Thank you, Chairman Karpisek and members of the committee. I'm Paul Lambert, L-a-m-b-e-r-t. I represent the 2nd Legislative District. I'm here today to introduce LB979 and AM1803, which strikes Section 1 of the bill and replaces it with a new section. Last week, committee counsel

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Josh Eickmeier, questioned the intent of LB979. Our response to his questions prompted a drafting of AM1803 and most likely an improved solution to the issue addressed by LB979. Josh, thanks to you and to others who sought to improve this legislative proposal. LB979 and AM1803 would amend Section 9-326 regarding pickle card licenses to clarify the law regarding volunteer fire companies or volunteer first-aid, rescue, ambulance, or emergency squads. Under current law, a 501(c) nonprofit corporation or a volunteer fire company or volunteer first-aid, rescue, ambulance, or emergency squad may apply for a license to conduct a lottery by the sale of pickle cards. A nonprofit corporation has to be in existence for five years to be eligible for such license. LB979 and AM1803 would provide that a nonprofit corporation that supports a volunteer fire company or a volunteer first-aid, rescue, ambulance, or emergency squad is eligible for a pickle card license immediately and does not have to wait five years to be eligible for the license. Recent changes in government accounting rules require that funds raised by volunteer firefighters using the city's federal ID number are city funds and not under the control of the volunteers. Because the volunteers raise the funds, they should be the ones who control how the funds are used to support their fire, rescue, ambulance, or emergency services department. In most cases, these funds as far as I'm aware have been used to buy new equipment, upgrade equipment, and things like that, so it should be under their control. Because of these recent changes in accounting rules, volunteer firefighter associations are organizing in various ways so their finances remain independent from municipality or fire district. LB979 and AM1803 would allow the volunteer association to obtain a pickle license to support the volunteer fire company regardless of the form of organization that they form. I would be happy to answer any questions if I can, however, others with expertise on these issues are here today and will explain more fully the need for the changes proposed in LB979 and AM1803. Thank you. [LB979]

SENATOR KARPISEK: Thank you, Senator Lambert. [LB979]

SENATOR LAMBERT: And you're welcome. [LB979]

SENATOR KARPISEK: Any questions? Seeing none, you will stay to close I assume. [LB979]

SENATOR LAMBERT: Yes, sir. [LB979]

SENATOR KARPISEK: Any proponents for LB979? Welcome. [LB979]

GARY KRUMLAND: Senator Karpisek, members of the committee, my name is Gary Krumland, it's G-a-r-y K-r-u-m-l-a-n-d, representing the League of Nebraska Municipalities, appearing in support of LB979 and the amendment that Senator Lambert offered. As he mentioned, this bill has to do with the timing of when a group of volunteer firefighters are eligible for a pickle card license. As you know, in Nebraska we have

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volunteer firefighters all across the state and not only do they fight fires on a volunteer basis, but they also raise money to support the department. It's been the policy of the state that the funds raised by the volunteer firefighters remain under their control so that they can determine how they're spent on equipment or whatever. And there's even legislation, it's Section 35-901, which provides that the volunteer firefighters can create a trust fund that the money that they raise goes into so that that's where it goes and then they can determine how it's paid. As you mentioned, because of some accounting rules, volunteer firefighters have looked to other ways to organize and some of them have decided to incorporate as a nonprofit corporation, which solves the problem of getting it out of the city control but it raises the problem of who's eligible for a pickle card license. And that's where this amendment comes in. If you look on page 1 of the amendment, lines 5 through 10, this shows that there are two groups that are eligible for pickle card licenses. One is nonprofit organizations and the other, on line 8, is any volunteer fire company or volunteer first-aid, rescue, ambulance, or emergency squad. And the difference is that if you look on page 2, lines 2 through 12, if it's the volunteer fire company, they can get the license immediately. They're eligible for the pickle card license when they apply. If it's a nonprofit corporation, they're only eligible after five years after they're established. And I think part of that was at the time they didn't want a lot of companies just forming up to get pickle licenses; they wanted those that were really there to support it. The problem with the volunteer firefighters now is, as they're looking at other ways to organize because of these accounting rules, they're suddenly...were eligible to get a license immediately but now they are not eligible for five years. So just by changing the form, the same people now have to wait. And there's even situations where a group has a pickle card license but because they're organizing as a nonprofit they're going to have to wait five years to transfer that over. So that's what we're trying to do here is to allow a volunteer firefighter group who decides to incorporate as a nonprofit to raise money for the volunteer fire department to be eligible for the pickle card license immediately. And I'd be happy to answer any questions. [LB979]

SENATOR KARPSEK: Thank you, Mr. Krumland. Any questions from the committee? Is this a widespread problem or just kind of one...? [LB979]

GARY KRUMLAND: It has been sporadic. Because of the new accounting rules, we're afraid it's going to become more and more prevalent and I think we'd like to take care of it now before it gets too widespread. [LB979]

SENATOR KARPSEK: Thank you. Senator Krist. [LB979]

SENATOR KRIST: Are we trying to solve a local problem at the state level? I mean, if the rules have changed and the real purpose of raising money was to buy new equipment and try and keep the firefighters up to speed, and now the cities are intervening and taking the funds, are we trying... [LB979]

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GARY KRUMLAND: Well, I don't want to say they're intervening, taking funds, and I'm saying that the accountants are saying the cities, these funds have to be treated as city funds, they have to be under the budget, and they have to do everything that a city would have to do with the money because of the change in the accounting rules. So I guess what we're doing is reacting to that. It is a state problem in the fact that that's the way the pickle card license application process is set up. And so we're just trying to tweak that so that we basically can continue operating the way we are. [LB979]

SENATOR KRIST: So...okay. Thank you, Gary. [LB979]

SENATOR KARPISEK: Thank you, Senator Krist. Seeing no other questions, thank you, Mr. Krumland. Further proponents to LB979. Welcome. [LB979]

ERVIN PORTIS: (Exhibits 7-8) Thank you, Mr. Chairman. I'm Ervin Portis, city administrator of the city of Plattsburgh. And let me begin here just by thanking Senator, former-Mayor, Lambert. And Mayor/Senator, it's good to see you here. It really is. The city of Plattsburgh supports LB979 and thanks you for your consideration of this bill. This would solve the problem not just for Plattsburgh but for many other communities. I'm going to give you a little bit of background. In 1991 or '92, thereabouts, state Charitable Gaming Division issued a pickle license to the Plattsburgh Volunteer Fire Department. Those revenue arrays from those pickle cards is deposited in bank accounts and historically been used...been deposited using the city's taxpayer identification number, the IRS-issued taxpayer identification number. The city's auditor...as the city has worked for the last six, seven years to gain full compliance with the generally accepted accounting principles and, you know, governmental accounting standards board rules, the auditor has consistently advised the city that if the city's taxpayer identification number is used, the city must show those pickle card accounts on our financial statements and the expenditures, even though there are conflicting statutes must be approved by the mayor and council. So this is the intent to solve the problem not just for Plattsburgh but the problem that we know exists elsewhere in this state. There's a conflict in statutes. The city wants very much to give the pickle card money, as we've done recently with the donation funds, to the volunteers for use as the volunteers determine. Volunteers cannot open a bank account under their own name without a taxpayer identification number or social security number. Frankly, nobody can since post-9/11, adoption of the PATRIOT Act. So now that, with city encouragement, they've formed a not-for-profit organization and recognized by the IRS solely for the purpose of administering their donation or their pickle card accounts, and been recognized by the city for that purpose. We want to give them the funds from the pickle cards; we can't unless we can change this statute. [LB979]

SENATOR KARPISEK: Thank you. Senator Krist. [LB979]

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SENATOR KRIST: So you're the guy I should ask the question to. Prior to 1990, you said when did the...? [LB979]

ERVIN PORTIS: No, '91 or '92. [LB979]

SENATOR KRIST: Okay. Prior to that time, the fire department was selling pickle cards. They were putting the money into? [LB979]

ERVIN PORTIS: Historically, they've been putting them into an account using the city's taxpayer identification number. [LB979]

SENATOR KRIST: Into their account, okay, using your tax ID. And then they've been regulated or monitored in terms of their expenditure out of that account to provide services, buy equipment, training, etcetera, for the fire department. [LB979]

ERVIN PORTIS: Yes. [LB979]

SENATOR KRIST: Okay. So the way that it changed was they were no longer...they could no longer use your tax ID number because you had to report it as income into the state, into the city. [LB979]

ERVIN PORTIS: Yes, yes. [LB979]

SENATOR KRIST: So the city can't give the money back so that they can maintain their fire equipment for the firefighters. [LB979]

ERVIN PORTIS: Yes, we want to. [LB979]

SENATOR KRIST: You were. [LB979]

ERVIN PORTIS: Yes. [LB979]

SENATOR KRIST: You were. So that's my question. I mean, what's changed? [LB979]

ERVIN PORTIS: Generally accepted accounting principles of the governmental accounting standards board. [LB979]

SENATOR KRIST: So you can't just give the money back to them as a 501? [LB979]

ERVIN PORTIS: We cannot give that to them because the Charitable Gaming Division of the Department of Revenue says they can't receive it because they have not had that taxpayer identification number for five years or more. [LB979]

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SENATOR KRIST: I don't want to get too far into this but I'm understanding that they can use your tax ID, they can run a pickle account, the money can come into the city, the city can give it back to the firefighters and put it in their 501, and the tax ID number that's being used to run the pickle account is still the city's. [LB979]

ERVIN PORTIS: No. We have encouraged them, and they have done so, to form an IRS designated 501(c)(3) solely for the purpose of administering their donation and pickle card accounts. [LB979]

SENATOR KRIST: Okay. And who then are they accountable for, for their 501(c)? [LB979]

ERVIN PORTIS: To the IRS, and they've got, you know, their board. [LB979]

SENATOR KRIST: So they can do anything they want to. [LB979]

ERVIN PORTIS: Yes, they can. [LB979]

SENATOR KRIST: The city has nothing to say about it. [LB979]

ERVIN PORTIS: Not on the donation of pickle accounts. [LB979]

SENATOR KRIST: Okay. I'm going to have to talk to Senator Lambert, I think, more about it. I don't understand. To me, there was better accountability before, but... [LB979]

ERVIN PORTIS: That would require a different statutory change. [LB979]

SENATOR KRIST: Well, let's change them all. What the heck. No, I just don't understand the change, the reason for the change, but I'll get there. [LB979]

ERVIN PORTIS: Okay. [LB979]

SENATOR KARPISEK: Thank you, Senator Krist. Senator Bloomfield. [LB979]

SENATOR BLOOMFIELD: Thank you. You said the...my understanding is that the fire departments and rescue squads have to be incorporated now. How long has that been going on? [LB979]

ERVIN PORTIS: I don't know that they have to be, but if they want to file...if they want to have a bank account with those proceeds in something other than the city's taxpayer identification number, then they need to do something. [LB979]

SENATOR BLOOMFIELD: How long has that process been in place that they needed to

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do something? [LB979]

ERVIN PORTIS: Frankly, I'm not sure I know the answer to that. It would not be new. [LB979]

SENATOR BLOOMFIELD: So they could have done this three, four years ago and we would have been done with it by now? [LB979]

ERVIN PORTIS: Yes. Yes, we've encouraged them to do that. [LB979]

SENATOR BLOOMFIELD: Thank you. [LB979]

SENATOR KRIST: Thank you, Senator Bloomfield. Any other questions? I guess not because we're the only people that are here. (Laughter) Thank you, Mr. Portis, for your testimony. [LB979]

ERVIN PORTIS: Thank you. [LB979]

SENATOR KRIST: And I will get a better understanding of it. I'm just a little confused right now. [LB979]

ERVIN PORTIS: You're also welcome to give me a call if you'd like. [LB979]

SENATOR KRIST: Oh, thank you very much. Anyone else here want to testify in support? How about in opposition? Going once? Going twice? How about neutral? All right. Senator, would you like to close? [LB979]

SENATOR LAMBERT: In light of you and I talking later and going over things, I'll waive closing. [LB979]

SENATOR KRIST: (See also Exhibit 19) Thank you very much. And thank you for your testimony today. That concludes the testimony on LB979 and the underlying amendment. I believe we have an issue because the next one is Senator Karpisek's. Do you want to skip? Mello is not here either. Okay. We are now into LB1067, change restrictions on keno. And the boss just walked in the door, just in the nick of time. Senator Karpisek, you're welcome to open at your convenience. [LB979]

SENATOR KARPISEK: Thank you. I apologize. Always something going on. Thank you, Senator Krist and 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, that's a "Karp-e-shek" just for the record also. I am here today to introduce LB1067 that would enable municipalities to lower the time between keno games from five minutes to one minute. I'm sure everyone, almost everyone remembers last year I attempted to do that statewide, go down to the one

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minute but the localities, the municipalities could go back up to the five. This is kind of the other way around. It would stay at five unless the municipality wanted to go down to one minute. I think it's a better way to go. The ones that want to go faster can; the ones who don't want to don't have to. I'm sure we will hear some opposition, but I will address that in my closing. Any questions? [LB1067]

SENATOR KRIST: Senator Lambert. [LB1067]

SENATOR LAMBERT: The one to five minute, how would that be decided? I mean, would it be a vote of the council, a vote of the people? [LB1067]

SENATOR KARPISEK: I would assume it would be a vote of the council, which could probably go to a vote of the people if they really wanted to. [LB1067]

SENATOR LAMBERT: Just the governing body basically. Okay. All right. Thank you. [LB1067]

SENATOR KRIST: Thank you, Senator Lambert. Any other questions for Senator Karpisek? Thank you. [LB1067]

SENATOR KARPISEK: Thank you. [LB1067]

SENATOR KRIST: Okay. Let's hear the first testimony that supports LB1067. Proponents of LB1067. Mr. Gray, how are you? [LB1067]

BEN GRAY: I'm good, sir. How are you today? [LB1067]

SENATOR KRIST: I'm very good, thank you. [LB1067]

BEN GRAY: Good. Good morning, Senators. I mean, good afternoon, Senators. After a while it gets to be...when you're doing what we all do, it gets to be you don't know when it gets to be morning or late sometimes, but good afternoon. I'd like to thank you all for giving me the opportunity to be here today. My name is Ben Gray. I reside at 5425 Fort Street in Omaha, Nebraska, that's 68104. I'm also the city council representative for city council District 2. [LB1067]

SENATOR KRIST: Can I ask you to spell the name, just for... [LB1067]

BEN GRAY: G-r-a-y. [LB1067]

SENATOR KRIST: A-y. [LB1067]

BEN GRAY: Yes, sir. [LB1067]

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SENATOR KRIST: Thank you very much. [LB1067]

BEN GRAY: And I'm also the city council representative for District 2. I'm here today in support of LB1067, and I'm here in support, quite frankly, because I'm interested in the city council having local control to address this issue. I think it's an opportunity for us to take a look at and hear on the local level from individuals, but it's also an opportunity to let the Legislature know and others know what we do with the keno dollars that we use. More specifically I would like to address a couple of things in particular. We have one of the world-class zoos not only in the country but in the world. As a result of that, that's the result of us expending keno dollars into that particular area. We have also areas where we have domestic abuse situations where we have contributed money as a result of the keno dollars. Most recently what we have done is with the Building Bright Futures program and several of the summer jobs programs that we have managed to use resources for to provide summer jobs for young people in our community. And I think that's the most important, one of the most important areas recently that we have used those keno dollars for. We're asking for a potential speed up of the game in an effort to hopefully increase revenue. The only other choice we have to address some of these really difficult issues is by raising taxes, and we don't want to do that unnecessarily if we don't have to if there are other ways to do it. With the Building Bright Futures initiative, what was done, what \$300,000 was used for to address truancy in our community. As you know, across the city of Omaha as well as across the state, we have significant issues of truancy that need to be addressed with young people. I don't need to tell you what the dollar factor is going to be by keeping people in school, allowing them to progress, make sure they get there, make sure they stay in school, make sure they graduate, hopefully provide opportunities for them to go to postsecondary education. It is immeasurable the amount of money that can be saved by getting our young people in school and so forth. More specifically, though, as it relates to the summer jobs programs that we have been able to engage in for the last two years as a result of having some of these keno dollars. As you all know, there are serious issues with gang problems, with violence, specifically in my district and around the community. I can tell you and I can show you the statistical data that every year for the past four years when we have had a summer jobs program, while most other urban areas are experiencing serious problems in the summer, we have had periods for example last year where we had one homicide in four months in the city of Omaha. One homicide as a result of people going to work. We can show you directly the correlation between young people having jobs and violence in our community. And when we talk about whether or not that's going to save money, save resources, and I know some of the opponents are going to be concerned about expanded gambling. But I can promise you the numbers of individuals who will be arrested for various other crimes are going to far outweigh those that may have additional problems. And to assume that anyone that has an addiction is not going to try and fix their addiction, I think we need to really consider that and think about that because I don't think anybody with an addiction is going to let that addiction go away.

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The other thing that I will say about that is that the significant number of people that we can save, young people that we can save, the kinds of supports that we provide for like domestic violence, for like the zoo, for like truancy abatement, for like job training and job placement and so forth. We're looking at attempting to do something that will turn a community around that has been "disinvested" in for over 40 years--over 40 years. And we need to try and do all that we can, and we can't put that on the backs of taxpayers. What we have to do is try and find as many ways as possible to raise revenue to continue to fight these significant fights that if we don't are going to weigh down our society, they're going to increase the number of individuals that populate our jails, they're going to be there for a longer period of time, and we will not have accomplished much of anything except build more jails and cause more problems in a community that's already devastated. We're asking you to give us the authority to establish some local control and decide what that time frame ought to be like in terms of keno gambling. Because we think that as a result of that, there may be some additional revenue increased and that revenue can go a long way towards solving some of the problems that I've just talked about. Our city council president is going to be coming to you fairly soon, but I just wanted to close by saying I hope you will consider this measure. It's a measure that does not require the Legislature to do anything, to make any movement other than to give municipalities local control and the ability to decide for themselves how fast the game ought to go and give us the opportunity to use that revenue to do something significant in our community, especially in my district. Thank you, and I'll answer any questions that you all might have. [LB1067]

SENATOR KRIST: Any questions for Councilman Gray? Great. Thank you for coming. [LB1067]

BEN GRAY: Thank you so much. [LB1067]

SENATOR KRIST: Thanks for your testimony. Next proponent, LB1067. Mr. Mulligan, how are you today? [LB1067]

THOMAS MULLIGAN: Good, sir. How are you? [LB1067]

SENATOR KRIST: Good. Thank you. [LB1067]

THOMAS MULLIGAN: Senators, good afternoon. My name is Thomas Mulligan, T-h-o-m-a-s M-u-l-l-i-g-a-n, and I am the president of the Omaha City Council and I represent District 7 in the city. I thank you in advance for the opportunity to address you today in support of Senator Karpisek's LB1067 relating to the Nebraska County and City Lottery Act. First, let me say that the oversight and monitoring of the keno game in the city of Omaha and Big Red Keno, our contractor, if a shorter time is allowed and our contractor chooses to do so would not affect the safety and soundness of the city of Omaha's governance. And that is our first concern and responsibility with regard to

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keno. As my colleague, Mr. Gray, has just testified, the keno lottery proceeds in the city of Omaha is used for a number of very worthwhile causes for community benefit. The Omaha Zoological Society, the Nebraska Humane Society, Building Bright Futures truancy program, and most importantly, in my opinion, a major portion of the city of Omaha's financial responsibility for the TD Ameritrade ballpark through the downtown stadium lease purchase program at \$2.2 million a year annually from our keno proceeds. The TD Ameritrade Park allows the state of Nebraska to host the College World Series. Having said that, I am sure that we all understand the importance to the state of Nebraska and the local communities that operate keno to keep keno a viable and competitive gaming activity. It is not the only gaming activity legal in our state. Keno faces competition from offtrack simulcast horse betting, the Nebraska lottery featuring lotto tickets as well as scratch tickets worth up to \$20 each, and bingo. Horsemen's Park, located in Omaha, features pari-mutuel horse betting 364 days a year and averages approximately 2,000 players daily. The one common thread to all of the above mentioned legal gaming activities is that there is no time restriction, except to keno. Pari-mutuel betting, purchasing of lotto tickets and scratch tickets, or bingo games--no time limit. It is, as should be, up to the discretion of the legal player involved. Also in Omaha, as we have heard numerous times today, we face fierce competition for waging activities from the casinos located across the river in Iowa, a short trip from Omaha. The equality that LB1067 could provide to local communities if they so choose that sponsor keno is to put keno operations on the same playing field as other legal gaming activities in Nebraska. And as we say in Nebraska: equality before the law. I thank you for your time today and would appreciate your consideration in support of this legislation. [LB1067]

SENATOR KRIST: Thank you. Any questions for Councilman Mulligan? Just one quick one, not that it bears on anything here, but how would the city of Omaha make its decision to go forward? Would it be a council vote? [LB1067]

THOMAS MULLIGAN: In my opinion, yes, it would be something that would be decided by the city council. [LB1067]

SENATOR KRIST: Okay. Thank you very much. [LB1067]

THOMAS MULLIGAN: Just the same way that we decided on the 2:00 a.m. closing hour for the bars. [LB1067]

SENATOR KRIST: Right. We enabled; you did. [LB1067]

THOMAS MULLIGAN: Yes, sir. [LB1067]

SENATOR KRIST: Right. Great. [LB1067]

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THOMAS MULLIGAN: Yes, sir. [LB1067]

SENATOR KRIST: Thank you, sir. [LB1067]

THOMAS MULLIGAN: Thank you. [LB1067]

SENATOR KRIST: Thanks for your testimony. Any other proponents? [LB1067]

JIM PETERSON: Good afternoon, Senator Karpisek, senators of the General Affairs Committee, most certainly Senator Lambert. It certainly is a pleasure to have this first opportunity to testify in front of you. My name is Jim, J-i-m, Peterson, P-e-t-e-r-s-o-n. I am currently the chairman of the Cass County Board of Commissioners and represent the 3rd District in Cass County. The Cass County Board of Commissioners has asked me to represent them as a proponent in full support of LB1067. We recognize that many communities within our county currently have keno operations and the citizens of Cass County overwhelmingly voted a few years ago to form the Cass County keno lottery. In light of the fact that the Unicameral in the last couple of years has cut some budgets on municipalities and on counties, our revenues are...our revenues from keno by no way, shape, or form can reach what the city councilmen from Omaha have been speaking about. But I can assure you that the money that we have received we have been using wisely. One of the major projects that we've placed this money with is the CASA program, as an example, and then also to the Veterans Affairs Office. We recognize that in light of the fact that there may be some additional cuts this year as the Governor and the Revenue Committee has proposed, we just strongly urge this committee to take this forward and we offer our support of LB1067. Thank you. [LB1067]

SENATOR KRIST: Any questions for Mr. Peterson? Senator Lambert. [LB1067]

SENATOR LAMBERT: I'd just like to make one comment. I know in the case of Cass County, I personally know the money is well used. And I understand what you're saying and hopefully, if this passes, you will get more money as Omaha will and things could move forward and you can do more good. [LB1067]

JIM PETERSON: I think we both are in agreement that from the citizens of both Cass County and of Plattsmouth that the players of the game would like to see the game pick up in its action and to speed up. [LB1067]

SENATOR LAMBERT: Thank you. [LB1067]

SENATOR KRIST: Thank you, Mr. Peterson. [LB1067]

JIM PETERSON: Thank you. [LB1067]

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SENATOR KRIST: (Exhibits 20-21) I'm sorry. Any other questions? Thank you, Mr. Peterson. Let me welcome Senator Brasch who has joined us from testifying or introducing in another committee. While you're coming up, Gary, let me enter into the record a letter from general counsel Mr. James Moylan in support of as well as Lance Hedquist, city administrator for South Sioux, and Mr. Moylan represents the Licensed Beverage Association, so thank you. Go ahead, Mr. Krumland. [LB1067]

GARY KRUMLAND: Senator Krist, members of the committee, my name is Gary Krumland, G-a-r-y K-r-u-m-l-a-n-d, representing the League of Nebraska Municipalities appearing in support of LB1067. We do support this and it's not just something that's going to benefit the Omaha area. There are cities and villages across the state who now have keno. Out of the 530 municipalities, 140 have...their voters have voted to adopt keno. So about 26 percent of the cities and villages across the state have keno. These cities and villages have used it for all sorts of community betterment, generally special projects, parks, buildings, those sorts of things where they don't have a long-term reliance but they can use it for special projects. And, as has been mentioned, with the funding of other programs, decreasing any funds right now are very important. This bill does allow local control. It allows the local elected officials to make the decision on the timing. We think that's appropriate. We think that they are the ones that should make these kind of decisions. It would be made by either the city council or the village board, but they would have to do it at a public meeting, give notice, so it would be done in the open. People would have an opportunity to come and comment on it. But this would help cities. It would help them. Those that are losing revenue and not getting as much revenue from keno as they have, it may help them maintain it and maybe even increase it a little bit if the game is a little more exciting for the player. So we do support LB1067. [LB1067]

SENATOR KRIST: Thank you. Any questions for Mr. Krumland? Great. Thank you, sir. Thanks for your testimony. Any other proponents, LB1067? Welcome. [LB1067]

JOHN HASSETT: (Exhibit 9) Senator Krist and members of the General Affairs Committee, I'm John Hassett. I'm with Advanced Gaming. We're licensed to operate keno in nine cities, and three counties in Nebraska. And I'm here on behalf of all the keno operators. We just decided one guy should speak rather than have everyone come up and attest to basically the same thing. But we meet on a regular basis and this is something that would help all the keno operators. The main reason to support LB1067 is in the pay books that we just circulated. You'll notice that the updated totals have the tax revenue now is over \$70 million generated to the state and over \$330 million raised for the cities and counties, the projects that have been previously mentioned. There's some wonderful projects in there. You know, a lot for parks, playground equipment, fire trucks, police trucks. One of the favorite ones they did down in Bellevue--that's one of the games I run--they used the money to buy the land for the veterans retirement facility there, so. There are some excellent programs in the book

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and that's the main reason to support this bill. The concept of having the self-service machines, which you passed last year, and increasing...decreasing the times between games came about mainly after the cities asked the operators, is there anything can be done to maintain this revenue stream, which did dip a bit after the smoking ban. And this is the proposal that came out of those meetings. And I know last year they passed the self-service kiosk. But I think it's important to note if you look at the fiscal note for last year's bill, it was similar to the one for this year where you see a substantial increase for keno, but last year after the time reduction was amended out, the fiscal note, the updated fiscal note showed no impact on keno revenues. So while the development of the self-service machines are going well, the final regs are not quite ready yet from the Department of Revenue but they're close. They've...everybody is aware of what they will be. There's one or two issues they have yet to finalize. Without a decrease in time between games you're going to have us more in like a hurry-up-and-wait position. You know, we'll be able to get tickets sold quicker, but without being able to run the games a little quicker it won't generate the revenues that are projected by your fiscal note. And this approach of allowing the communities the option to run games faster is a much better piece of legislation than what we proposed last year. The Legislature is not reducing the five-minute rule. And the keno operators won't decide how fast the games will be run. You know, it just gives the option for the cities and the counties, if they wish the ability to raise more revenue that they can run their games faster. And I think that option worked well with the 2:00 a.m. closing because I know some of our communities did go to the 2:00 a.m. closing and others chose not to. So I see this as a similar type of issue. The other point I'd like to make. I don't feel like this is expanding the forms of gambling. Everything that's allowed currently for keno will still be allowed after this passes and everything that's restricted, like player access, will still be restricted...or player activation, I'm sorry. So the players can't activate the games. They'll still be run by the...back behind the keno counters. And all our requirements are still in place, paper ticket and any other requirement. So it's the same form of keno; we just want to run faster, and by doing so we should be able to substantially increase the revenue. I think, too, I'd like to point out I think that the cities have an excellent track record on running their game in conjunction with the Department of Revenue. I don't know how many calls you guys get on...from constituents about your keno game, but...and if you did get some, hopefully they were handled quickly and the response was good. But I think the local enforcement and local control really works well for keno. So the...I know Mr. Mulligan mentioned the five-minute rule is, to my knowledge, the only form of gambling in the state that has any kind of time limit. And I'd like to just for a minute bring up why that...where that originally came from. I don't know if maybe you guys are wondering, you know, why do we even have it, why do we have the five-minute rule. But it was part of the legislation that was passed in around '91, and they were writing legislation to prevent player activated instant keno machines. And...because prior to that time there was no restriction on time, there was no paper requirement, no restriction on player activation. But I think by preserving the ban on player activation and keeping at least one minute time interval between game and

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requiring your paper ticket, you're still accomplishing that goal that they initially established the five-minute rule for. And when that rule was put into effect in '91, the games were played mainly at main parlor locations where all the players would be in one facility and five minutes between games really was not an issue. But as the game has evolved, now you see more satellite-type setups where you have a couple of players in each location, not quite as many like a concentration in one main parlor. And that combination with the fact that the equipment is so much faster than it was 20 years ago, it just seems like when they put the five-minute rule in, it served its purpose at the time. But it's no longer needed. Now it's more of an anchor for our games. And it does restrict us from being able to raise the maximum amount of revenue. So with that, I'd be happy to answer any questions. [LB1067]

SENATOR KRIST: Thank you, Mr. Hassett. Senator Coash. [LB1067]

JOHN HASSETT: Yes, Senator. [LB1067]

SENATOR COASH: Thank you. I'm glad that somebody from the industry came up because I...this kind of a logistical question came to mind here. [LB1067]

JOHN HASSETT: Sure. [LB1067]

SENATOR COASH: Here in Lincoln, the bigger kenos roll...the numbers are rolled out there in West O and it's broadcast to all the operators. But isn't it also broadcast to other communities as well? [LB1067]

JOHN HASSETT: If you have an interlocal agreement you could. [LB1067]

SENATOR COASH: Okay. [LB1067]

JOHN HASSETT: And I think Lincoln does with Lancaster County. Don't they? Yes. [LB1067]

SENATOR COASH: Right. Okay. So if this were to go through, I'm just trying to figure out how this would work, and Lincoln...the city of Lincoln said we're going to go to three minutes... [LB1067]

JOHN HASSETT: Okay. [LB1067]

SENATOR COASH: ...but the community with that interlocal agreement said, we're going to stay with five, how do you logistically operate your business when you've got to send...when you've got one community that's expecting a new game every three minutes and a different community that's expecting a game every five and maybe you've got a third community that says we're going to go to one? So how do you...how

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would you logistically, if you have one operator serving multiple communities, how would you make that work? [LB1067]

JOHN HASSETT: I think the same way that all the interlocal issues work currently. Whenever there's an interlocal, there's one licensed community, like say there's an interlocal between Lincoln and Lancaster County. Lincoln is the licensed entity and they do all of the reporting, all the regulatory issues, and basically they run the game. So I think it would work the same way it does now where whoever is the licensed controlling entity would be the decision maker. [LB1067]

SENATOR COASH: So if that were the case using Lincoln and Lancaster County, because I know you can go out to Waverly, Waverly may be a good example of... [LB1067]

JOHN HASSETT: Well, Waverly has their own game. [LB1067]

SENATOR COASH: Oh, they have their own game. Okay. [LB1067]

JOHN HASSETT: And there isn't too many games that are connected even though they're run on interlocal agreements. The ones I'm familiar with, they run separate games. [LB1067]

SENATOR COASH: Do they? Okay. Because I'm trying to figure out if this works from the perspective of, you've got one community who wants to move it up or down or keep it the same but you've got another community that would like to do something different, is that community that's kind of on the hook, are they at the mercy of the community where the numbers are rolled? So if...do you see what I'm saying? Like if you've got one community that wants to go down or if Lincoln wants to go down and one of the communities that it's hooked into wants to stay with the same, does that community that's hooked into have to...do they not have a choice whether or not the time goes down? [LB1067]

JOHN HASSETT: I think they would from the standpoint--we get requests from cities and, like take Bellevue for instance, they don't want any outside signage. So it's not in our contract. It's not in the...I shouldn't say any; they allow us to have some. But they come to us first with requests and say...you know, basically they say it's our keno game and, you know, we don't want this done. And the operator has to abide by any of their requests in my mind because that's who you get your contract renewed from, so. I would think that from that standpoint they would still have input over how quickly their game was run. [LB1067]

SENATOR COASH: I understand what you're saying about still having an input, but what it sounds like is that the city where the numbers are rolled is the city that the

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operator has the contract with. So in Lincoln, Lincoln has got a contract with Big Red Keno, for example. [LB1067]

JOHN HASSETT: Yes. [LB1067]

SENATOR COASH: But Big Red Keno's numbers are also broadcast to some of the smaller communities in Lancaster County. [LB1067]

JOHN HASSETT: I believe that's correct. [LB1067]

SENATOR COASH: So I'm just trying to figure out how we would negotiate if the community where the contract is has one idea about how frequently they want the games played but the community outside of the city that is hooked in through an interlocal agreement doesn't agree with what Lincoln is doing, how we would negotiate that, would it be a procedural thing? [LB1067]

JOHN HASSETT: Yeah, I... [LB1067]

SENATOR COASH: That's the nature of my question. I just, you know, I want to know how it's going to work for those outside communities. [LB1067]

JOHN HASSETT: I think it'd work the same way any interlocal issue like that would work currently, and I don't know if they're all negotiated separately. I think they would take their concerns to the city of Lincoln, Lancaster County would. But Bill is here so he can speak since he runs that game. (Laugh) [LB1067]

SENATOR COASH: All right. I see him come up here. He's probably got an answer for my question and I'm glad. [LB1067]

JOHN HASSETT: Yeah. And if I could comment on that. I can't imagine that's a big problem because there's very few games that are connected. Even though there's interlocal agreements, they run separate games. So there's very few games. I can't think of many, that actually run off the same game through an interlocal. Maybe a couple locations. [LB1067]

SENATOR COASH: Okay. Thank you. [LB1067]

SENATOR KRIST: Thank you, Mr. Hassett. [LB1067]

JOHN HASSETT: Any other questions? Yes, Senator. [LB1067]

SENATOR KRIST: Any other questions? Senator Brasch. [LB1067]

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SENATOR BRASCH: Thank you. Mr. Hassett, correct? [LB1067]

JOHN HASSETT: Yes. [LB1067]

SENATOR BRASCH: Thank you so much for coming to testify today. [LB1067]

JOHN HASSETT: Oh, thanks. [LB1067]

SENATOR BRASCH: I have a few questions here, and they are a little...I asked these questions last year. [LB1067]

JOHN HASSETT: Okay. [LB1067]

SENATOR BRASCH: I represent Legislative District 16. And when I look in the book it says licensed keno workers... [LB1067]

JOHN HASSETT: Yes. [LB1067]

SENATOR BRASCH: ...in Bancroft and Beemer are 44. [LB1067]

JOHN HASSETT: Okay. [LB1067]

SENATOR BRASCH: Last year after this committee meeting the next day you amended that. Are these new figures? Are these...and are these people that pay you or you pay them to be keno workers? Do they have to be a licensed...do they have to pay for a license or are they earning a wage from the keno company? And explain the role there please. [LB1067]

JOHN HASSETT: Sure. Any one that writes keno or even does the paperwork, handles the deposits, they have to have a keno license. So in most of the situations it is someone who works at the location, so it'll be a bartender will be writing the keno tickets. And in those instances, they're paid by the bar and the keno company pays the commission to the bar owner. And that's a pretty typical setup. I mean, you would...that's one you would likely encounter. And the reason you get a fairly high number of licensed workers is that in...if you're open seven days a week and two shifts and with the part-time people, yeah, you get a pretty large number of licensed workers. [LB1067]

SENATOR BRASCH: In Bancroft, usually it's the same people rotating shifts. [LB1067]

JOHN HASSETT: Same people. [LB1067]

SENATOR BRASCH: You really...I would again like I guess some documentation on

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those numbers please. [LB1067]

JOHN HASSETT: Yeah, sure. Yeah, we get them from the Department of Revenue. [LB1067]

SENATOR BRASCH: And then does that mean that Burt County has no keno because Burt County is a part of District 16? They do not have a keno license in, let's say, Tekamah or Oakland. Their bars do not have keno. Is that correct? [LB1067]

JOHN HASSETT: I don't have a location in Tekamah or... [LB1067]

SENATOR BRASCH: Oakland. [LB1067]

JOHN HASSETT: I can research that. [LB1067]

SENATOR BRASCH: Because that's a part of District 16. And I also noticed that... [LB1067]

JOHN HASSETT: And we could change that. (Laugh) [LB1067]

SENATOR BRASCH: I would just like an accurate...you know, and then also it said that this book is prepared January 2012. May 26, the Governor signed into effect redistricting. [LB1067]

JOHN HASSETT: Okay. [LB1067]

SENATOR BRASCH: And now the communities of Blair and Fort Calhoun have moved to District 16. So these numbers are no longer reflective... [LB1067]

JOHN HASSETT: Okay. [LB1067]

SENATOR BRASCH: ...for accuracy, that they are now a part of District 16. But I would like to take into account an accurate number I believe. And if this is accurate, that's very surprising because... [LB1067]

JOHN HASSETT: Well, I'm pretty sure it's accurate but I'll check on it, sure. [LB1067]

SENATOR BRASCH: I would appreciate that. [LB1067]

JOHN HASSETT: It's on their Web site. It's pretty easy to access. Yeah. [LB1067]

SENATOR BRASCH: The people who are actually physically there, because I don't even think that all the bars in Bancroft have a keno op. I think there might be just one

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maybe or maybe they...I would be very interested in learning that. [LB1067]

JOHN HASSETT: Yeah, and the other issue could be is, you know how current some of those are, they...you reapply every two years, so. [LB1067]

SENATOR BRASCH: Reapply every two years... [LB1067]

JOHN HASSETT: Yes, with the department. [LB1067]

SENATOR BRASCH: Maybe the licenses are not on the same as the district. [LB1067]

JOHN HASSETT: There might be somebody that's not working there that's still on the books, yeah. [LB1067]

SENATOR BRASCH: That would explain that, so. I have no other questions. Thank you. [LB1067]

JOHN HASSETT: Yeah, okay. [LB1067]

SENATOR KRIST: Thank you, Senator Brasch. Senator Bloomfield. [LB1067]

SENATOR BLOOMFIELD: I'd like to follow a little further down that line. [LB1067]

JOHN HASSETT: Yeah. [LB1067]

SENATOR BLOOMFIELD: Do you know how many keno games there are in District 16? I happen to sit next to her in District 17... [LB1067]

JOHN HASSETT: Okay. [LB1067]

SENATOR BLOOMFIELD: ...which is a... [LB1067]

JOHN HASSETT: I'd probably have to research it to get you an exact number. [LB1067]

SENATOR BLOOMFIELD: Well, I look at her number 44 and I'm just as questionable as she is who you're counting there. Then I go up to Dakota County, Wayne County, and Thurston County supposedly and see there's only 24, and I'm sure there's more keno machines up there than there are in Bancroft. I look at your numbers too when they come out, I'm a suspect of them. [LB1067]

JOHN HASSETT: Yeah. No, I'll research them. But, again, a person would get a license and some places will license, you know, the waitresses and everybody because the licenses are free, just to make sure they're not out of compliance, and other people will

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just license the three people that actually, you know, are directly involved in the keno, so. But... [LB1067]

SENATOR KRIST: Thank you, Senator Bloomfield. Mr. Hassett, I guess you've got a homework assignment, sorry. [LB1067]

JOHN HASSETT: (Laughter) Yeah, it looks like it. [LB1067]

SENATOR KRIST: Thank you for your testimony, sir. [LB1067]

JOHN HASSETT: Okay. Thank you. [LB1067]

SENATOR KRIST: Appreciate it. [LB1067]

SENATOR BRASCH: Thank you so much. [LB1067]

SENATOR KRIST: Next testifier in support of LB1067. [LB1067]

BILL HARVEY: My name is Bill Harvey, 11248 John Galt Boulevard in Omaha, and I represent Big Red Keno. And... [LB1067]

SENATOR KRIST: Could you just spell it for me please? [LB1067]

BILL HARVEY: Yeah, certainly, H-a-r-v-e-y. And I just really came up to answer Senator Coash's question. He had to step out for a second, but I will answer it for the benefit of the committee, which is what happens if you have an interlocal agreement and you have two cities who might disagree on what that time frame is. And I can give you...specifically the question he asked was on Lincoln and Lancaster County, which as Mr. Hassett indicated, I think along with Omaha and Douglas County are probably two of the only places in the state, maybe also Grand Island and Hall County I think might have a linked game. But there's very few places in the state where they have a game that would span two different jurisdictions with the same ball draw. I can tell you what we would do in our communities to try to accommodate the governing bodies in our communities if we did run into that situation is we'd find a way to accommodate them. We'd either establish a second ball draw for the county locations or we would, you know, do something similar to that so they would...so they could each run the game at the speed that they selected. We don't want to be in the business of, you know, making communities do things they don't want to do. And so in those situations, I think it would be incumbent upon the operator to accommodate those municipalities with what they...and counties with what they wanted. [LB1067]

SENATOR KRIST: Great. Thanks, Mr. Harvey. Thanks. [LB1067]

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BILL HARVEY: So if you could relate that to Senator Coash, that would be... [LB1067]

SENATOR KRIST: He's watching his television in his office I would guarantee you. [LB1067]

BILL HARVEY: Great. Fantastic. [LB1067]

SENATOR KRIST: Thank you, sir. [LB1067]

BILL HARVEY: Thank you. And I'd...any other questions? [LB1067]

SENATOR KRIST: Any questions for Mr. Harvey? I'm sorry. Thank you, sir. [LB1067]

BILL HARVEY: Thank you. [LB1067]

SENATOR KRIST: Any other testifiers in support of LB1067? Okay. How about opposition to LB1067. Yes, sir. Welcome. [LB1067]

DAVE WIMMER: Mr. Chairman and the committee, my name is Dave Wimmer. I'm from West Point in Cuming County, District 16. I serve on the Gambling With the Good Life board and I have been involved in a 42-year career in the meat processing industry, specifically I make hot dogs and sausage, and I've heard all the jokes about laws and sausage. And I guess I'm here to tell you that those of us in this room that are familiar with both, and I don't know about the senator but I do know some of his relatives made great sausage, and those of us who are familiar with both realize that it is in fact a messy process but the outcome can be delightful if it's done right. And so that aside, I'm here in opposition to LB1067. If it was a...I guess if it was a sausage recipe, I'd stick with the old one. But what...the reason...there's two reasons that I'm in opposition. And as I've said, I've been in business for many years selling a consumer product, consumer food product, and in essence I compete with keno and lots of other venues for the consumer dollar. An issue was made earlier in the testimony about equality and fairness, and I guess I am under the impression from prior testimony, some things I've read, that keno is on the decline in some if not many venues. I find it hard to believe that if my business or many other consumer products, dependent business, consumer or income dependent businesses, were on the decline in the state that somebody in the Unicameral would try to figure out a way for me to potentially increase my business by fivefold. It just seems not too logical to me on the outside looking in. So I guess just from a competitive standpoint and to address the issue of equality and fairness that was mentioned, I don't see this as being particularly fair for the huge number of other businesses that the Unicameral and all the senators represent in the state. The other part I guess I wanted to address has more to do, again, from a business perspective. Businesses need good employees. I've spent time in casino venues. I've spent time in tracks. I spent time in keno parlors. And as I stand and watch what goes on there, I

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struggle to figure out how making it possible to do one of those activities, namely keno, five times faster is going to be good for the employees I rely on, good for those employee's families. I just don't quite get that piece of it. And so my encouragement would be to leave things as they are. As I've said, we're not here to try to roll back the clock on gambling but we are here to say let's leave it where it is, let's don't expand it. Any questions? [LB1067]

SENATOR KRIST: Thank you, Mr. Wimmer, for your testimony. [LB1067]

DAVE WIMMER: Thank you. [LB1067]

SENATOR KRIST: Any questions? Senator Brasch. [LB1067]

DAVE WIMMER: Yes. [LB1067]

SENATOR BRASCH: Thank you. Thank you, Mr. Wimmer, for coming to testify today. We see a booklet here that we were given of all...it says, "Find out what keno has done for your legislative district." I'm aware that West Point does not have keno, correct? [LB1067]

DAVE WIMMER: That's right. [LB1067]

SENATOR BRASCH: And the community itself without keno has built a community center, you know, name the projects, that West Point has been able to do without... [LB1067]

DAVE WIMMER: Well, West Point is a very competitive small town. We find ways to do things like a community center to the tune of \$5 million, all private money. We do things with...we've got a project right now that's in the works on a community theater that is done with volunteers that brings huge numbers of people to downtown West Point three nights every weekend to watch second-run movies. They do five or six live performances every year. They invite a lot of arts-related things to the community. Those are a couple of examples. We've got a wonderful hospital that's very strongly supported. But it takes a lot of community input and all communities look at that a little bit different. West Point hasn't chosen to look at keno as a way to do that, but we've been competitive and successful without it. [LB1067]

SENATOR BRASCH: I just wanted to give you an opportunity to... [LB1067]

DAVE WIMMER: Thank you. [LB1067]

SENATOR BRASCH: ...say what is done without keno dollars in a public best interest. So thank you for your testimony. [LB1067]

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SENATOR KRIST: Thank you, Senator Brasch. Thank you, Mr. Wimmer, for your testimony. Next opponent for LB1067. Welcome back. [LB1067]

HANNAH BUELL: (Exhibit 10) Thank you, again, members of General Affairs Committee. My name again is Hannah Buell, H-a-n-n-a-h B-u-e-l-l, and I'm here again representing Nebraska Family Council. And I wanted to kind of change up what testimony is like for you guys, because typically you have opponents and proponents talking about what are the facts, what is the status quo, what are the disadvantages and advantages of taking this proposed legislation. I wanted to take a step back and actually encourage you to think about why are we even here today. Why are you here, as senators, as representatives of the citizens of Nebraska? Each of you have, I'm sure, been asked what is your role in creating laws that affect the lives of your constituents. What are you required to do and what should you not do in order to impede on the lives of your constituents? That's a very valid question. How we answer that question actually hinges on how we answer a different question, which is what is the purpose of law and government? Well, it's clear to me that the purpose of law and government is to provide for the peaceful, productive function of society. Can agree with that. We want Nebraska to be peaceful and productive. It's to create and enforce appropriate laws and regulations to build an environment for society to flourish. Well, then what is society? Webster's dictionary defines society as the association of individuals or social groups with patterns of relationships. So society then is simply groups of people that have connections with each other. Pretty straightforward. And the purpose of law is to preserve and protect these connections from abuses. It doesn't matter how big these groups are, whether it's from the individual level, to families, to neighborhoods, cities, counties, and even up to our state. The role of government is to create laws protecting the connections between these groups of people from abuses. The state's role is not to mandate the quality of these connections. We're simply supposed to remove the barriers from creating them. This is why we have laws against child abuse or spousal abuse. But we don't require parents to tell their children they love them a specific number of times a day. The law is not prescriptive. The law simply separates from abuses. We also don't...we have laws against our counties stealing each other's natural resources, but we don't tell our counties every single year you have to have a festival and all hold hands and sing Kum ba yah around a campfire. We don't require them to do that because the purpose of law is protect against abuses. The law does this so that the connections between members of society can grow unhindered. In other words, we need to get out of the way so that can go along as necessary. It should never encourage these abuses or become the source of fracturing or tension between the groups in our society, because this undercuts the growth of society and runs counter to the purpose of the law. Therefore, when each of you as senators are presented with a piece of legislation, the first question each of you ought to ask is, does this proposal harm or benefit the connections between members in society or in my specific legislative district? When we ask this question about the proposal that's before you,

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LB1067, it's clear that this bill fails at every single level. First of all, at the individual level. Gambling of any type has addictive qualities. This is understood. And the shorter you make the interval between when you stake the money and how quickly that play takes place, the more addictive the game is. This is from Dr. Rachel Volberg, a sociologist from Albany, New York. And all of my citations are included in the handout that I gave to you. Okay. So it's damaging on the individual level. What about the family level? Problem gambling often leads to the destructive breakup of close relationships with partners, friends, and family. Families with a problem gambler are more likely to experience divorce, domestic violence, and child abuse. Children of problem gamblers are more likely to do poorly in school, become depressed, have drug problems, or become problem gamblers themselves. So it's obviously fracturing and causing tension and encouraging abuses in not just individuals but families. This also extends to the business level. Problem gamblers are more likely than the general population to commit crimes such as theft, embezzlement, writing bad checks, or even prostitution to pay for their habit. Gamblers are more likely to lose their jobs, be demoted, or be underemployed, fall deeply into debt and file for bankruptcy, and lose their homes and other personal property. One in five homeless individuals attribute gambling as a cause. Now Mr. Wimmer and Ms. Fairchild have already testified before you today about the fact that other businesses are also dramatically harmed by the increase of gambling in a given area because those dollars that these buyers or potential buyers would spend in retail go to other...go to the gambling owners. And that is a detriment to those businesses themselves. And, finally, before cities and counties, this damages cities and counties because the proposal would allow the possibility of a city or a county that speeds up the rate of play in their jurisdiction. Okay. If this occurs, then the neighboring communities may see an increase in tax revenue and feel pressure to speed up their keno games. You guys have one minute, we still have five minutes, therefore they're feeling the pressure because of the tax increases. However, we have to remember that these tax revenues are not small and they are parasitic in nature because they only come to the state if the citizens lose that money. And that is a problem for us as citizens of the state of Nebraska. Because these tax monies are parasitic, we...I can imagine how this would look in a negative type of press release. I noticed that one of the other testifiers today said that we can't take our cash-strapped communities and put this on the back of the taxpayers, so we should have local control. Well, what that local control amounts to is enacting a city- or county-focused tax on alcoholics, working families, the poor, and seniors, because these are the people who are frequenting these establishments. They're typically found in bars. I know some of the other people that are opposing this bill will be talking more about these points later on. But I doubt any of you want to put your name on that press release because your constituents would probably not see that favorably. As state senators, you are entrusted with passing laws that protect the growth of peace and prosperity in our society in this state. I urge you to vote against this bill. We already have the good life here in Nebraska and we don't need to improve it. I stand open for questions. [LB1067]

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SENATOR KRIST: Ms. Buell, I appreciate your review of logical analysis 101 and civics 101, but at this particular stage in the legislative process, you're wrong. My job is to sit here and listen to 39,000 people that want to come to talk to me from my district or 108 people that want to talk to me from the state. So that's what we're doing. We're gathering testimony. [LB1067]

HANNAH BUELL: Right. [LB1067]

SENATOR KRIST: And I'm not going to take any more questions with regard to your testimony. Thank you. [LB1067]

HANNAH BUELL: Okay. [LB1067]

SENATOR KRIST: Next opposition for the bill, please. [LB1067]

AL RISKOWSKI: (Exhibit 11) Thank you, senators. It's good to be here. Once again, Al Riskowski, executive director of Nebraska Family Council. Riskowski is R-i-s-k-o-w-s-k-i. In regard to LB1067, we are opposed to it, but I would like and encourage this committee to look at LB1067 certainly from the view of the family. All of the proponents spoke only of how it's helping a city or a local community and I'm looking at how it could affect an individual, that is a family member or a person. When Section 9-607 was enacted, the Legislature was concerned about keno games taking place too quickly, thus, a minimum time limit of five minutes between games was stipulated. What I'm asking for is that perhaps the General Affairs Committee would consider the affect that LB1067 may have on keno players. In order to understand the affect on the general public, I'm asking for a study to be made. And the type of questions that I would recommend that could be investigated would be, i.e., will the current keno players be the primary ones losing additional money? And, of course, I placed this in my testimony long before any of the proponents came forward, but I heard that from two different proponents that those people who are currently playing want to play faster. Well, in fact, will they be the ones carrying the bulk of the loss of money to keno? How many new players will actually be attracted through a shorter time? Do we have any idea if, in fact, it will attract new players and, if so, how many? Another question, since most keno machines are played in bars, how does the use of alcohol affect the number of games played by an individual? Even a more important question, are more keno games played later in the evening, indicating alcohol tends to deteriorate one's judgment, thus, leading to excessive losses? Those are the type of questions that I believe would be important to be answered before we quicken the time of keno playing. We certainly at Nebraska Family Council would be willing to work with General Affairs Committee to honestly, fairly take a sincere look at the effect or potential effects that LB1067 could have on the general public. And of course I listed a couple of studies that I believe are relevant here but they're not Nebraska studies. And so it would be interesting to look in our state of Nebraska how something of this nature would truly affect individuals and families before

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we enact this type of legislation. Thank you. [LB1067]

SENATOR KRIST: Thanks for your testimony, Mr. Riskowski. Any questions for Mr. Riskowski? Seeing none, thank you, sir. [LB1067]

AL RISKOWSKI: Okay. Thank you. [LB1067]

SENATOR KRIST: Appreciate it. Next testifier in opposition of the piece of legislation, LB1067. [LB1067]

JOHN NEUBERGER: (Exhibit 12) Good afternoon, again, Senator Krist... [LB1067]

SENATOR KRIST: How are you? [LB1067]

JOHN NEUBERGER: ...and acting chairman I guess, members of the committee. My name is John Neuberger, that's spelled J-o-h-n, last name is N-e-u-b-e-r-g-e-r. I volunteer much of my time with families who want to avoid bankruptcy and begin living their life on their income, to begin living within their income. We use a money map system that we've developed. It helps folks assess where they're at, helps prepare a monthly spending plan, and helps them to get back on the road to financial freedom. I'm not here to oppose legalized gambling in Nebraska, but I do oppose efforts to expand it or even speed it up. And I'm asking you to help in a couple of areas, and that's to help the individuals and the families. After working with over 300 families to date, they've been struggling with financial woes and many of them are caught up in a gambling addiction. I come...I offer this premise to you that gambling spending or gambling dollars should come out of a family or a single person's discretionary funds, discretionary income. Well, what's that, you say. Well, according to Investopedia.com that's the amount of individual income that's left for spending on like investments or savings or gambling after taxes and personal necessities such as food, shelter, and clothing have been paid. So discretionary income includes money spent on luxury items, vacations, nonessential goods and services. Some people even use credit cards or borrowing to purchase nonessential goods like gambling. But increasingly, personal debt with revolving credit is not the same as having discretionary money in your monthly budget. But we're attracting more and more of borrowing to gamble, even in our legalized gambling systems that we offer, gaming. By doing so, you would help financial coaches like myself and financial professional, financial counsellors that even have a better chance of helping Nebraska families avoid bankruptcy. In many cases the marriages are at stake. It's because of all these forms of gambling are addictive, and we already have many legalized gambling games to spend one's discretionary money on, I'm opposed to LB1067. Because I see allowing five transactions of gambling where you were limited to one as an expansion of the gambling operations. And I heard testimony in the proponents that they're actually driving this is to raise more money, to get more money away from these folks that are gambling. Many of these people are unemployed,

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they're on welfare assistance, and there's really no discretionary money in their budgets, and yet we're going to make that available to take it away from them five times as fast. Well, having said that, I'd urge this committee to help me in two ways. Please don't expand gambling or make it more easy and rapid. Send a message to our citizens that gambling dollars that are used should come from discretionary money. They should have it available and they're not taking it away from the kid's shoes. And then don't borrow to gamble. We've got a lot of money being borrowed to go to these gambling places. So if you'd help us in that way, Mr. Chairman, I'd really appreciate it. And, again, vote no on LB1067. [LB1067]

SENATOR KRIST: Thank you, Mr. Neuberger, for coming to testify. Any questions for Mr. Neuberger? Senator Larson. [LB1067]

SENATOR LARSON: Thank you, Mr. Neuberger. You and a number of people before you have come up and said that...how the social ills of gambling and the stress that it causes on families and the work environments and everything else. And you're not opposed to keeping what is, just not the expansion. And I guess moving on to my question, I think there's a lot of other things that could be said for the same thing. So are you also not for the expansion of...or the new types of alcohol or just the...getting rid of all alcohol or other products such as that that can be likened to gambling? Or do you not see the difference or the comparison between the two? [LB1067]

JOHN NEUBERGER: Well, I think obviously in many cases tied together that...and I like the idea of us studying this and the keno parlors just to find out kind of what is happening here in the keno parlors and what the... [LB1067]

SENATOR LARSON: So you would support, you know, limiting new types of other things that are addictive such as alcohol or tobacco or new products like that that are also shown to be addictive and cause harm to families and things of that nature. It's the state's responsibility to limit those types of... [LB1067]

JOHN NEUBERGER: Well, if somebody introduced a bill in that regard, I'd probably be here testifying on it and I don't know...hypothetically exactly what you're thinking of in the alcohol area, but it's damaging families. [LB1067]

SENATOR LARSON: I guess my question is, is it... [LB1067]

JOHN NEUBERGER I know it's damaging families, so I see it...there's a lot of things out there in addition to gambling that are causing people to go bankrupt and things. But we're dealing strictly with this bill right now. [LB1067]

SENATOR LARSON: I was just trying to draw conclusions. [LB1067]

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SENATOR KRIST: Thank you, Senator Larson. Any other questions? Thank you very much. Thank you, Mr. Neuberger, for coming. [LB1067]

JOHN NEUBERGER: Thank you for your time. [LB1067]

SENATOR KRIST: Any other opponents for LB1067? Welcome back. [LB1067]

LORETTA FAIRCHILD: (Exhibit 13) Thank you. Mr. Chairman and members of the committee, my name is Loretta Fairchild, F-a-i-r-c-h-i-l-d. I'm speaking on behalf of the citizens of the state of Nebraska based on my Ph.D. in economics regarding LB1067. First, in my opinion, it would be substantially irresponsible of the Legislature to turn this decision over to local governments, and especially without providing them substantially more information on which to base their decision about increasing the frequency of games per minute in keno. This must now be a responsibility of the Legislature or this legislation would not be required. If a majority of the senators believe that the change called for in LB1067 might, in fact, be beneficial to the state's whole economy, then much more information is needed, both to substantiate the extra costs and the extra benefits that will come from this action. So I'm seconding the proposal for more information. No such data has been provided by the sponsors, so you would need to substitute a proposal funding a serious, detailed study of the impact of keno so far on each local region and the state as a whole. Good questions have already been provided. I would add, what has been the damage to other local businesses, as measured by the growth of taxable retail sales, for example? How many keno players, here and in other states, have requested help from the state's gamblers assistance programs? And are those numbers rising? Many more such questions need to be answered before you act on this legislation. Second, why was the five-minute time limit included in the first place? As you know, such provisions are part of the efforts to enable legal forms of gambling to be done in a more responsible fashion, to enable players time to get back in touch with their surroundings, think about the size of their accumulated losses or wins, and consider how much more money they wish to put into that gambling session. Making the games move five times faster lowers the boredom rate and increases the likelihood that the gamblers will continue putting their money with less thought and longer time periods. While this pleases keno owners by likely increasing their take in a given day, it is also part of the mechanics that makes it harder for each individual to bring critical thinking to the experience and increases the probabilities of addiction and all the problems and costs that have been mentioned. I have provided more detail on what goes into those costs and benefits in my comments regarding LR375CA. Third, why is it irresponsible of the Legislature to abdicate its responsibilities to the local governments in this case? Because all the problems caused by big money from special interests to politicians at all levels of government will be compounded in this case. One of the pernicious effects of having more and more gambling of any kind in any state is that fact that the state itself becomes more and more addicted to the relatively small percentage that flows to the government, small in

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comparison to the profits flowing to the owners, and the gambling industry gains increasing control over all aspects of governmental decisions. In the current recession as economic times have gotten harder and harder for all levels of Nebraska government, it becomes harder and harder for local decision makers to consider the well-being of their constituents objectively and they simply bow to the wishes of the owners, in this case, keno, in the hopes of increasing or at least not losing the tax revenues they are getting as keno loses popularity to newer forms of gambling. At the moment, the Legislature is in an odd position of considering denying estate tax revenues to counties but then in this legislation encouraging communities to exploit their citizens via ongoing and rising addictions to keno. In fact, all tax legislation should be based on sound economic principles, not just on the profit motive of some individuals. Please do not waste the Legislature's valuable time by moving this bill out of committee. Thank you for your time and attention. I hope you will raise some questions on the economics. [LB1067]

SENATOR KRIST: Thank you for your testimony. Any questions? Seeing none, thank you again for coming. Next opponent for LB1067. Welcome back, Pat. [LB1067]

PAT LOONTJER: (Exhibits 14-16) Thank you. I'm Pat Loontjer. I'm executive director of Gambling With the Good Life. That's spelled L-o-o-n-t-j-e-r. In listening to all of the testimony that came before me, I can understand why the operators were here to testify because it's a question of feathering their own nests. They're looking out for their financial interests, not necessarily the interests of the communities or of their patrons. If the time was lowered by five, they would expect a tremendous financial gain. It would only make sense. Their profits would grow substantially, so I can understand their testimony. I am disappointed with the cities that have testified. I'm especially disappointed with the Omaha City Council members that testified. When it was voted on, it was not unanimous in the Omaha City Council. And as Mr. Gray said that...mentioned all the good things that they've done with the keno money, that he would not like to put the burden of financing these worthy projects on the backs of taxpayers, well then does that mean he's comfortable with putting it on the backs of the gamblers? Because that's where it would come from, those that could least afford it. And when we look at...I'll give you some statistics from other states. Nebraska alone has the average gambling...problem gambler's debt is \$28,000. And in Iowa, by their own estimates, they said that the problem gambling experience in the previous 12 months was approximately 18 percent of those who had gambled during that time were problem gamblers--18 percent who had gambled. And their study showed that one in five adults in Iowa had been negatively affected by the gambling behavior of friends or relatives. So, you know, we're talking families here, we're talking our neighbors. This is a problem that's going to cause tremendous social costs. The fast...it's all about speed with gambling. It's all about speed. The faster, the faster. We've heard testimony at another hearing about historic horse racing because it's fast, it's fast. And it's the same with the slot machines that we've opposed for 17 years. It's fast. It's the crack cocaine of

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gambling. The faster you gamble, the faster you lose. And it does become, puts you in what they call the zone. If you...now this is not the case with the five-minute rule, but if you ever do go to a casino, there will never be a window, there will never be a clock. The carpeting is designed to be so atrocious that your eyes are forced to come up. The sounds are being piped in. It's all being played upon the speed and upon your emotions, and to get you to continue to play. And I don't know that that's what the government and the cities and the counties want to do to their own citizens is to get them into that kind of position. In Kansas, the Problem Gambling Coalition reports--and this was only...this was in January of 2012, just a few days ago--that since the state opened their latest casino, the hot line received 526 calls regarding gambling addiction in November and that increased to 993 in December, almost twice. And it's all about the speed. And I have copies here of just case studies with documentation of what...how it's affected Nebraska currently, what we already have, and the embezzlements that have come in from...60 percent of gambling revenue by studies proves that it comes from problem gamblers. Those are the people. So by increasing the speed from five minutes to one minute, you're just going to increase the problems and the social costs. And if we use the scenario that, okay, we're going to give power to the people, we're going to let each community decide, what if we took that farther and said each community could then decide what their drinking age would be and they lowered that to 18 in one community? What kind of animosity would that build within the state of Nebraska for the next community to have to do the same thing and the same thing and the same thing? And if we wound up with the whole state with an 18-year drinking age, is that good for the state as a whole? Is that good for our people and for our citizens? What we saw happen in Iowa way back in the early '90s, probably '85s was that when the gambling interest came in and took over that state, they came in with two river boats saying that's all we want. It's going to bring tourists to your state. It's going to help your educational system. And what happened? The minute that happened, it was playing one county against the next and next until now we have 21 in the state of Iowa. There's, I think, 19 owned by the cities and the counties and 2 or 3 by the Indian community. So is that what we want to do by opening this can of worms and pitting our people against each other? I would just hope and pray that you would vote against LB1067 and Larson is going to ask me a question. (Laugh) And I'll close. [LB1067]

SENATOR KRIST: Thank you, Ms. Loontjer. Any questions? Senator Larson. [LB1067]

SENATOR LARSON: You brought up Councilmember Gray and the city of Omaha. And obviously I'm not from Omaha. But I think I have two questions for you. They're simple yes/no answers. The first one is, do the citizens, whether it be the state...citizens of the state of Nebraska or the city of Omaha, do they have a choice on whether or not they pay their taxes? [LB1067]

PAT LOONTJER: No. [LB1067]

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SENATOR LARSON: Do they have a choice on whether or not they can choose to gamble or play keno? [LB1067]

PAT LOONTJER: Yes. [LB1067]

SENATOR LARSON: Thank you. [LB1067]

PAT LOONTJER: Any other questions? [LB1067]

SENATOR KRIST: Wow. Thank you, Ms. Loontjer. Any other questions? I'm sorry. Okay. Thank you very much. Any other testimony in opposition to LB1067? Okay. Anybody in the neutral capacity? That ends the hearing on LB1067. Oh my gosh, you're going to close. (Laughter) [LB1067]

SENATOR KARPISEK: I'd hate to not close. Thank you, Senator Krist and committee. [LB1067]

SENATOR KRIST: It was a good try. [LB1067]

SENATOR KARPISEK: It was. I thought that Senator Schumacher's bill would take a little more heat than this one, but imagine that. This bill is not increasing the maximum bet on keno. And why is that? Because there isn't a maximum bet. You could go in and drop \$1,000 I suppose on one game. So that hasn't been talked about. This got spun by the opposition, casinos. How many times did you hear casinos in this? This is not a casino. This is a keno place. In Wilber, it's the bowling alley. (Laughter) You know, that's what we're talking about. These are not casinos. We heard about the lighting and the carpet and all those things. Stay on point. This also is not expanded gambling. That is the crack cocaine of the scare tactics. Expanded gambling. This is not expanded gambling. The 2:00 a.m. closing. It's worked. One community has it; one doesn't have it. It's okay. Nothing is falling apart. I don't think to have different rules, different times in different towns...I mean, if that were the case, some cities don't have it now, don't have keno now and some do. I think that's the same argument as different times. And what is magic about five minutes? I don't know where that came from. I suppose it was some negotiation somewhere that said, well, let's do five minutes. We heard keno is on the decline. I don't know that that's true everywhere. I didn't see any statistics showing that, but I don't think it's true at all. There's a lot of other competition for the gambling dollar, that's for sure. Excuse me. I thought that Ms. Loontjer said she knew why the keno people were here, because it's their bottom dollar. Seems like Mr. Wimmer talked about that. He feels that it's taking away from his bottom dollar, feathering his nest. And, yes, I did make hot dogs for 20 years, and so I know. But that is a lot better. At least you know what you're putting into that, not these things that we're not...people don't have to tell the truth when they get up here. But he talked about West Point not having a keno system. And, Senator Brasch, you asked about other things going on. Everybody has

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things going on, whether it's keno or not. In Wilber when I was mayor, we built ball fields with it, did other things like that. But we have tens, hundreds of other projects going on. But we keep cutting the cities and the counties from this statehouse and they're just trying to get some money. All hobbies take money, if gambling is a hobby. I don't know. I'm not...I don't have enough money to make it a hobby of mine because I never win. But my dad raced cars for years. IMCA modified. Do you know how much money that took? Tens of thousands of dollars. We're not going to make racing illegal I hope. There's all sorts of things. People buy lake houses. People buy boats and campers and things. Not all of them can afford it. Not at all. Stock market. We talked about people losing money. I've seen...I've heard a lot of people complain about losing money in their 401(k)s. So they lose money there too. The best one I thought though was that the local control is irresponsible. On Senator Schumacher's bill it was irresponsible not to let people decide, but now it's irresponsible to let them decide. A little bit different. And on the part of having a study to do this, I've been trying to do this study for years on when you win more, lose more, if it takes more beer or not. And it depends on the price of the beer and how much you win while you're doing it. So I guess if we do a study I want to sign up to be one of the participants. (Laughter) I don't think this is a huge deal to try to move the time down. I don't think that the wheels are going to fall off the bus with this. It's just another attempt to try to raise some money for the locals to do something good with it. We've heard the good things. Obviously there's bad things that happen with gambling. There's bad things that happen with everything. I hope that we have a good talk about it. And it's been a good hearing. Thank you, Senator Krist. I'd take any questions. [LB1067]

SENATOR KRIST: Any questions? Senator Bloomfield. [LB1067]

SENATOR BLOOMFIELD: I have one. And we'll probably get more to it in Exec. But if I go into my friendly neighborhood establishment and leave \$100 lay next to the keno machine, where does that money end up? How much of it goes to the bar owner? How much of it goes to the guy with the...that brought the keno machine in? How much goes to the city? Do we have those numbers? [LB1067]

SENATOR KARPISEK: I don't have that split on me but we can certainly get it. [LB1067]

SENATOR BLOOMFIELD: We'll discuss it. [LB1067]

SENATOR KARPISEK: Right. Maybe Senator Lambert... [LB1067]

SENATOR LAMBERT: I think we got 15 percent. [LB1067]

SENATOR KARPISEK: ...being more closely split from that will know. [LB1067]

SENATOR LAMBERT: I think 15 if I remember right, and I'm just going off memory, 15

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percent of the profits went to the municipality. [LB1067]

SENATOR BLOOMFIELD: How much went to the bar, do you know? And we can discuss this in Exec. [LB1067]

SENATOR LAMBERT: Yeah, I don't know what win/loss and I'm sure that varies. [LB1067]

SENATOR KRIST: I'm sure we can get that information. [LB1067]

SENATOR KARPISEK: Yeah. [LB1067]

SENATOR LAMBERT: Yeah. [LB1067]

SENATOR KRIST: Senator Karpisek, thank you. Can I close? [LB1067]

SENATOR KARPISEK: Now you can close. (Laughter) [LB1067]

SENATOR KRIST: The hearing is closed on LB1067. Next hearing, Senator Mello would like to present LB1139. Senator Karpisek, if you want to come back up here and take this gavel, you can have it. (Laughter) [LB1067]

SENATOR KARPISEK: Welcome to the General Affairs Committee, Senator Mello. [LB1139]

SENATOR MELLO: Good late afternoon, Chairman Karpisek and members of the General Affairs Committee. My name is Heath Mello, H-e-a-t-h M-e-l-l-o, and I represent the 5th Legislative District in south Omaha. LB1139 is being introduced on behalf of a major employer in Nebraska and in the Omaha metropolitan area--the Omaha Exposition and Racing which operates racetracks in south Omaha, South Sioux City, and Lincoln. While business at these three tracks is the busiest during live racing session each July, the majority of horse racing revenue comes from year-round simulcast wagering. As the committee no doubt knows, in Nebraska the only legal place to wager on horse racing is at a licensed racetrack. Since the inception of the Internet, however, Web sites have been accepting pari-mutuel wagers on-line in violation of many state laws. These on-line wagering systems are often operated using what is known as an advanced deposit wagering where an individual sets up an on-line account with a set amount of money in an account, let's say \$100. The account holder can then immediately start placing wagers on horse races with wagers debited from and payouts credited to their account. These on-line advanced deposit wagering systems not only violate Nebraska state law but they also harm existing racetracks who rely on simulcast racing to keep their operations going. In other states where racetracks have faced intense competition from these on-line wagering systems, the horse racing industry has

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been able to deter this illegal behavior by increasing criminal penalties. Currently, conducting pari-mutuel wagering outside of a licensed racetrack is a Class I misdemeanor. LB1139 would provide an increased penalty for operating an advanced deposit wagering system of pari-mutuel wagering so that accepting wagers from Nebraska residents on-line would be a Class IV felony. The representatives from Horsemen's Park and the horse racing industry who will testify after me give more specific details about these systems. But otherwise I'd be happy to answer any questions the committee may have. [LB1139]

SENATOR KARPISEK: Thank you, Senator Mello. Any questions? Seeing none, thank you. [LB1139]

SENATOR MELLO: Can I waive closing now? [LB1139]

SENATOR KARPISEK: You can. [LB1139]

SENATOR MELLO: All right. [LB1139]

SENATOR KARPISEK: We'd appreciate it. (Laughter) Do we have any proponents for LB1139? Welcome. [LB1139]

GREG HOSCH: (Exhibit 17) Afternoon, senators, Mr. Chairman. My name is Greg Hosch, G-r-e-g H-o-s-c-h. I'm the general manager of Horsemen's Park. I oversee Lincoln Race Course and Atokad Downs at South Sioux City. I want to thank Senator Mello for introducing LB1139 pretty much on our behalf. First, I'd like to enter this letter from the Nebraska Horsemen's Benevolent and Protective Association in support of LB1139. We got to this point because our...my customers were coming to me and telling me that so-and-so has got an on-line account. And I'm saying no that can't possibly be, it's illegal in this state. No, I'm telling you. I had a lady today at lunch telling me that...she asked me why I was coming down here and I told her to testify about LB1139 and what it represented. And she said, well, I have a friend that has an account and he was grandfathered in. And I'm like, grandfathered into what? I mean, how did he get grandfathered into an illegal activity? Anyway, so the bottom line is we're forced to go by the law. The constitution says the wager has to be made within a racetrack enclosure. We have account wagering cards at Horsemen's Park, a form of an ADW. They can fund this card, come up to a teller or go to a self-serve and fund their account and play all day with their account wagering card. They have to be within the licensed racetrack enclosure. They can't go home, dial in, on-line. It has to be within the racetrack enclosure. So what I did when...back up a second, I went to the Racing Commission and the AG's Office was there as well for this particular Racing Commission hearing, and I asked who regulates this? I mean, do we have to regulate it or does the AG's Office regulate it? Does the Racing Commission regulate it? The answer I got was, well, you need to regulate it. If you want to put a bill in, put a bill in. I'm like, okay. So this is

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one bill that I think Gambling With the Good Life would probably get behind because this would outlaw it or make it a felony to do that activity. But I think the problem is when I contacted the Racing Commission, the Racing Commission says, well, we'll get ahold of the AG's Office and the AG's Office will send them a letter. So without naming any names, I'm like so you're going to send a letter to TwinSpires. And they said, well, yeah. So why would TwinSpires, a corporation in Kentucky that's probably done in Delaware, why would they quit? You can open an account with TwinSpires. As a matter of fact, because I wanted to prove that the people really couldn't do it from Nebraska, I opened a TwinSpires account. Tried to fund the account with a Visa card and it wouldn't take it. So I called their customer service. I said, I'm trying to fund my account. I'm from Omaha, Nebraska. It won't take my Visa card. Oh, Visa is not on-line. You have to use MasterCard or stop and get a "green pak money card" from Walgreens or you could use your bank account. So I called my wife. I said give me the bank account number. She said no, (laughter) so that was the end of that. So I stopped at...so I wanted to take this all the way to the end and...and rightly so, she's a smart woman. Anyway, so I stopped at Walgreens, got the "green pak money card," funded the account. I'm sorry, you're...there's a disconnect here. Okay. But, anyway, so I funded the account, went home, got on-line. Sure enough, you know, it took the \$30. And so I got on, started making wagers and kept losing. Had about 60 cents left and I thought, you know, I want to do something that we can't even do in Nebraska. I mean, it's not legal. It's not authorized. I bet on a harness race. Sure enough, took it. I mean, we can't do it here. It's not legal or it's not authorized. I guess we could but the HBPA doesn't allow us to do that, so. So, anyway, so not only are they taking wagers on-line from our customers, they're also taking wagers on things that we can't even bet on here. You can bet on England, races from England, Sweden, Australia, wherever you want to bet, anywhere in the world through this on-line account. We're losing a lot of revenue. The AG's Office is sending them a letter saying, you know, hey, you need to quit this activity. Probably isn't going to make them quit. Arizona and Iowa both passed laws that make it a felony to do that. I asked the lady--when I had the customer service lady on the phone, I said, well, are you sure that it's...when I couldn't get it funded, that it's not because I'm from Nebraska? Oh, no, we're licensed to take wagers from Nebraska. I said, you are? I said, well who licensed you? She said, well, I don't know. I just know we're licensed. You can take them. And I said, well, then somebody must have licensed you. Well, you need to call corporate if you want to find that out. I said, okay. I said, well, what about Arizona because I know Arizona has a law on the books that says, you know, it's a felony. Oh, absolutely not, we can't take wagers from Arizona. So they're not supposed to be taking them from here but they do take them from here. I think this would give the AG's Office some teeth to get them to stop taking them. And if it is legal, then we want to open an ADW. I mean, we want in on the action. But I just think that this is something important that needs to happen. It also I think calls for a Class I misdemeanor for somebody that is engaging in the illegal activity. I just hope that you'll see it our way and pass this on. Thank you. [LB1139]

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SENATOR KARPISEK: Thank you, Mr. Hosch. Senator Krist. [LB1139]

SENATOR KRIST: Thank you for bringing it to our attention. There's a State Patrolman in the back like to talk to you. (Laughter) [LB1139]

GREG HOSCH: I was afraid of that, but I've only got 20 cents in my account left. I keep thinking I'm going to get a letter that will say, you know, your account has been closed. But I don't use it anymore. [LB1139]

SENATOR KRIST: That's a good thing. [LB1139]

GREG HOSCH: Yeah. I'd take... [LB1139]

SENATOR KARPISEK: Thank you, Senator Krist. Any other questions? Seeing none, thank you. Next proponent. Welcome, sir. [LB1139]

MIKE KELLEY: Mr. Chairman, members of the committee, Mike Kelley. I'm appearing here as a registered lobbyist for Omaha Exposition and Racing. Mr. Hosch... [LB1139]

SENATOR KARPISEK: Can you spell Mike Kelley for us? [LB1139]

MIKE KELLEY: Kelley is K-e-l-l-e-y. And Mr. Hosch already basically made all the points. It's basically the Attorney General is saying to us, well, there's really no law on the books precisely. We think it is illegal. We agree with the constitution and all the Supreme Court cases, but it would be better if we had a law. So we modeled this after Iowa just to make sure that we mean it. In the...on page 3, there was maybe a...which was probably my fault, there was a slight...we probably should have said, "nothing in this thing shall stop...nothing in this subsection shall prohibit an association or public benefit corporation licensed by the state of Nebraska Racing Commission." We just say state. We probably should have said Nebraska just to be clear because that's what we're talking about. This would not authorize anything new. This would just make sure that out-of-state companies would be prohibited from doing by law what we think they're already prohibited now. Open to any questions. [LB1139]

SENATOR KARPISEK: Thank you, Mr. Kelley. Senator Larson. [LB1139]

SENATOR LARSON: So just a quick question, and Greg touched on it real quick at the end. If you, yourself, were to open an account and do it, are we putting a Class... [LB1139]

MIKE KELLEY: And I'm smarter than Mr. Hosch. If I did, I wouldn't admit it. (Laughter) [LB1139]

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SENATOR LARSON: Yeah, but if you were to do that, is that...is this bill classifying that as a Class I misdemeanor then? [LB1139]

MIKE KELLEY: I think it already is a Class III. This doesn't say Class I. We could put that...that would be a good suggestion, if we put it in. [LB1139]

SENATOR LARSON: Well, I see it at the end of... [LB1139]

MIKE KELLEY: Is it in there? I didn't... [LB1139]

SENATOR LARSON: ...page 2, it would...Section 1, paragraph 1 at the very bottom. I just read Class I. I didn't read through it real close. I was just wondering if that... [LB1139]

MIKE KELLEY: Correct, correct, correct. The felony was for the out-of-state company. [LB1139]

SENATOR LARSON: The felony is for...but if you as an individual... [LB1139]

MIKE KELLEY: And it should be. You know, you could argue about that, but I...it ought to be...the first problem is it's not enforced now at all. So we ought to make somebody at least consider...and people openly talk about the fact that...I mean, I... [LB1139]

SENATOR LARSON: My concerns are just...you know, I guess I can see the point of holding the company that is doing the practice, but not everybody has their own lawyer to know that what they're doing in trying to open an account or what they're doing is possibly a misdemeanor. [LB1139]

MIKE KELLEY: Yeah. It's something I think the nation and the states need to address. [LB1139]

SENATOR LARSON: And what happens if I live in Kansas and move to Nebraska and have an account of mine? [LB1139]

MIKE KELLEY: We're short of revenue. We're not going to stop this activity. We really need as a nation, as a country what you can't do anything about, but what we really need to do is have an Internet system of taxing this with a portion coming back to the states. It would be substantial revenue. I was relating to Senator Larson I was with a gentleman the other day who was just...who was at a tavern. He was betting on-line. He was playing casino games--excuse me, Pat--playing casino games right from his...and nobody is regulating this. He was \$12,000 ahead. And we're all in here tearing, you know, our hair, wringing our hands about five minute, one minute, this, that, historic horse racing. And there's a guy playing blackjack in a local tavern in west Omaha right

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on his phone. Now, of course, it's illegal, but there's absolutely no enforcement of this. This is an attempt to at least do something and get the conversation started. [LB1139]

SENATOR KARPISEK: Thank you, Senator Larson. Any other questions? Seeing none, thank you. [LB1139]

MIKE KELLEY: Thank you. [LB1139]

SENATOR KRIST: That only happens at Irish pubs though. (Laughter) [LB1139]

SENATOR KARPISEK: Any other proponents? Any opponents? Any one neutral? Seeing none, Senator Larson waived closing. I'm sorry. I've said Larson so many times...Senator Mello waived closing. So that ends the hearing on LB1139 and the hearings for today. [LB1139]