

**LARSON:** [00:00:11] Welcome to the General Affairs Committee. I'm Senator Tyson Larson, of O'Neill, the Chair of the committee. Committee members are: Senator Carol Blood of Bellevue, Senator Merv Riepe of Ralston, Senator-- or Vice Chair Senator Theresa Thibodeau of Omaha. To my direct right is Josh Eickmeier, the committee legal counsel. To my far left: Aaron Bos, the committee clerk, Senator Dan Quick of Grand Island, Senator Lydia Brasch of Bancroft, Senator Bob Krist of Omaha, and Senator Wayne of Omaha. There is one sign-in sheet located on the tables at the back of the room. Please be sure to indicate how you would like your participation in the hearing reflected in the committee's record. The first box is for those who want their presence and position noted as an exhibit to the committee records, but not testifying. The second box are for those who are here for today's committee hearing and will also submit written testimony in lieu of testifying, which will be noted on the committee statement. The third box is for anyone testifying today. When it is your turn to testify, please give your sign-in sheet to the committee clerk, and this will help us maintain a more accurate public record. After each bill introduction the Chair will ask for testimony in support, opposition, and neutral. When you come up to testify, please speak clearly into the microphone, and state and spell your first and last name and tell us whether you are representing anyone. We are using the light system for our hearings. Testifiers will have three minutes, which will be represented by the green light when you begin, the amber light when you have one minute remaining and a red light when your time is up. Please turn off or silence your cell phones or any other electronic devices that make noise. Please keep your conversations to a minimum or take them out into the hallway. In an effort to go paperless, we accept handouts and we'll try to get them-- but prefer written testimony electronically. If you do have the handouts, please submit them and we can try to get them to the committee but we will pass them out electronically for sure. We do not allow visual aids or other display items, please. Because this committee is going paperless, senators are allowed and encouraged to use electronic devices during the hearings. Thank you for your cooperation and we will begin today's hearings with LB1102. Senator Friesen, welcome to your General Affairs Committee.

**FRIESEN:** [00:02:15] Thank you, Chairman Larson and members of the committee. I've been told that I've saved the best committee for last, so. I think I've been to most others. Look forward to this. My name is Curt Friesen, C-u-r-t F-r-i-e-s-e-n. I represent District 34. I appear today to present LB1102. LB1102 seeks to amend statutes regarding county and city lotteries. Specific-- specifically this legislation proposes the following. It changes the biennial license renewal to an annual license renewal for any city, county, or village which conducts a lottery, as well as any lottery operator or any authorized sales outlet location. The amount of the fees for a lottery operator is changed from \$500,000 to-- \$500 to \$1,000, and the fee amount of \$100 for cities, counties, and villages is unchanged. A 4 percent tax replaces the current 2 percent tax of the gross proceeds received by any county, city, or village which conducts a lottery. Half goes to Charitable Gaming Operations Fund and the other half goes to the Property Tax Credit Cash Fund. Of the 2 percent the Charitable Gaming Operations Fund receives, 40 percent is retained in the fund for administrative purposes, 60 percent is transferred to the State General Fund. This is the current language in statute. The Legislative Fiscal Office estimates that LB1102 would generate \$2,556,000 for Property Tax Credit Cash Fund in Fiscal Year '18-19 and \$5,214,000 in Fiscal Year '19-20, \$5,318,000 in '20-21, and \$5,424,000 in '21-22. And thank you for considering LB1102. And I'd be happy to answer questions.

**LARSON:** [00:04:17] Thank you, Senator Friesen. Senator Blood.

**BLOOD:** [00:04:20] Thank you, Chairperson Larson. And thank you, Senator Friesen, for your introduction. I have some questions for you. So, as you know, I have a municipal background, and so when I hear things about community betterment I'm always concerned. Can you tell me, in your districts, some ways that community betterment money has been spent where you're from?

**FRIESEN:** [00:04:40] Well, there's-- there's only a couple of keno operations that I can think of in my district. And when I-- I guess when I'm looking at diverting the revenue, I look back and it's going to be used for property tax credit relief. So in the end it comes back to the community and to the residents so they can make donations to those betterment funds.

**BLOOD:** [00:05:01] And I-- I think it's great that you're looking for unique ways to resolve property tax issues. But the one thing that I learned at the municipal level is that when the state took away funding in the last decade from the municipalities, there were projects that needed to be done. And community betterment was one of the ways to get projects done, to move these municipalities forward. And many municipalities have contracts and are planning their future based on those funds. They don't use them as a piggy bank. They use them as a way to-- to better their communities and to not take away from the bottom line. So if you-- are you concerned that if you were to take money out of community betterment that it would create a financial struggle for those municipalities?

**FRIESEN:** [00:05:49] Well, there's a large number of communities that do not have keno, so I think they seemed to be doing OK. So it's just those communities who have decided to have keno that it would impact. And again, if those projects are important to the city I'm assuming they would continue to do them.

**BLOOD:** [00:06:09] Isn't there pretty much keno in every municipality that's, say, over 30,000 in Nebraska?

**FRIESEN:** [00:06:15] What's--

**BLOOD:** [00:06:16] In the populations that have at least 30,000 in municipalities, almost every municipality that I can think of has keno.

**FRIESEN:** [00:06:24] Yeah, that's not very many operations. There's a lot of small communities that have keno too. I'm not discounting that, but there's a lot of communities that do not have keno.

**BLOOD:** [00:06:32] And so it's going to generate how much in the General Fund?

**FRIESEN:** [00:06:37] For the-- for the state?

**BLOOD:** [00:06:38] For the state.

**FRIESEN:** [00:06:41] If I remember right, it wasn't that much for the state. It would have-- so 2 percent of that-- 40 percent is retained for administrative purposes, and 60 percent is transferred to the State General Fund-- well, if that State General Fund would have been at \$168,000, I think, the first year. That's according to the fiscal note. The Property Tax Credit Relief Fund is by far the biggest beneficiary.

**BLOOD:** [00:07:12] Can I ask why community betterment?

**FRIESEN:** [00:07:18] Oh, there's no particular reason.

**BLOOD:** [00:07:20] Just, it was a lump of money and you saw the opportunity?

**FRIESEN:** [00:07:23] Well, we've been looking everywhere for property tax credit relief money and so this was just-- it happened to be an opportune moment when the charitable gaming report landed on my desk earlier this year.

**BLOOD:** [00:07:32] And that makes sense. Thank you very much.

**FRIESEN:** [00:07:34] You're welcome.

**LARSON:** [00:07:35] Thank you, Senator Blood. Senator Riepe.

**RIEPE:** [00:07:37] Thank you, Chairman Larson. I'll have to admit, when I first read this I thought of the book of "Curious George" and the high-- high power line. It would be quite a jolt, if you will, to many municipal operations just in lost revenue. And I know while the majority of my district is in Omaha, part of it is in Ralston. And of course the-- and this is not a pity plea, this is simply a statement of fact, you know-- you know, we are dependent upon, in Ralston at this time, for that tax money-- not for so much community betterment, it's kind of arena support until we can get that operationally on its feet.

**FRIESEN:** [00:08:22] When I was-- when I first saw the report I was-- I guess I was kind of surprised by how much Nebraskans wager in keno. That was a big surprise to me. I played keno over the past 20 years four or five times. You know, you make it an evening out, you go to a place that plays keno. I consider it a dinner and a movie, and we have a good time and we play some keno and help the community out a little bit and have fun. So when I saw the total amounts wagered per year, I was a little bit surprised too.

**RIEPE:** [00:08:57] Thank you.

**LARSON:** [00:08:58] Thank you, Senator Riepe. Seeing no further questions, thank you, Senator Friesen. Will you be staying for close?

**FRIESEN:** [00:09:06] I sure will.

**LARSON:** [00:09:08] All right. I will take proponents to LB1102, proponents. All right, how many opponents do I have in the room? Awesome. All right, I'll take the first opponent. Welcome back to your General Affairs Committee, Mr. Gray.

**BEN GRAY:** [00:09:32] Thank you, sir. Mr. Chairman, members of the committee, my name is Ben Gray. I live at 4942 Nebraska Avenue, Omaha, Nebraska, 68104. I am currently the president of the Omaha City Council. I'm here in opposition to LB1102 for a number of reasons, but I'm going to give them to you as quickly as I can. First of all, one of the things that we do with our-- our keno dollars is to fund the world-class zoo that exists in Omaha. That world-class zoo costs us a

little over \$2 million a year. That is a contract that we would have to pay no matter whether we-- whether you pass this bill or not, that's a contract that we are still obligated to pay up through 2020, and we're looking at negotiating another contract. But I want to talk to you about some of the smaller-- we have a number of large contracts that we have that we fund with keno dollars. But I want to talk to you a little bit about some of the smaller ones that we have. One is a reentry program, and this reentry program is for individuals who are getting out of the penitentiary who need a step up and need some help. With this reentry program that we have-- that we continue to fund is called ReConnect, Inc. And this program has a 70 to 75 percent ratio of individuals who don't go back to the penitentiary and, in fact, are working full time and keeping those jobs. The other thing is a case program that we run. And it is a police-sponsored program where they work with young people around the community. And these things may not seem important off the top, but when you look at our-- our rates of-- of crime in our community and the fact that in the summer when a vast majority of cities our size, larger and smaller, are witnessing significant problems in the summertime with young people. we are not having that problem. We have a STEP-UP program that we fund, as well as other programs that we fund as well. So there are a number of programs that we have. If we were to-- if you were to pass this legislation, it would cost us approximately \$1.4 million that we would lose. And given the fact that several years ago when we-- when we fixed the problems that we had with our budget, some people got upset with us and took away a significant portion of our taxing authority. So if you were to take that away and we had to find a way to fund programs that currently we fund under the Big Red Keno effort, the only mechanism that's pretty much available to us is the one that you all are attempting to solve and that's property tax. So to me this is a bill that would do significant damage to the city of Omaha. It would cost us a significant amount of money to replace some of the programming that we have. And all of this programming, quite frankly, is working to a large extent even better than some of us thought it would, the case program and others, just as I mentioned the reentry program, some of these other program-- and I could mention a list of about 30 programs that we fund, but I'm hoping that this body will see the error in attempting to do this. And please, do not support this bill. With that, I'll answer any questions that you all might have.

**LARSON:** [00:12:59] Thank you, Mr. Gray. Senator Blood.

**BLOOD:** [00:13:02] Thank you, Chairperson Larson. And thank you, Councilman Gray.

**BEN GRAY:** [00:13:07] Thank you.

**BLOOD:** [00:13:07] So I'm going to ask you the same question I asked Senator Friesen. Can you tell me-- I know you were talking about programs. Can you talk about projects that have been funded through community betterment in Omaha? Have you had any splash pads or park improvements, or do you just usually use your community betterment for programming?

**BEN GRAY:** [00:13:22] The community betterment is for all the things that you just mentioned, but they also include some of those other things as well. So it is a broad base. It is a broad-- Keep Omaha Beautiful, for example, is one of those that we fund through keno dollars, just as an example. And we have several other programs that we fund like that. We have neighborhood grants that we give to individual neighborhood communities for the work that they do in their communities to keep their property up. So those are--

**BLOOD:** [00:13:49] And that's a yearly program, right? They can--

**BEN GRAY:** [00:13:50] That's under-- yes.

**BLOOD:** [00:13:51] I know Bellevue has that now too.

**BEN GRAY:** [00:13:52] Yes. And those programs are funded through our community-- community betterment through our Big Red Keno. So eliminating some of those would-- would cause a burden that I think some in the community, especially those who volunteer, quite frankly, to want to better their neighborhoods, who want to better their communities. And with those little bit of resources that we give them because it's not a whole lot of money--

**BLOOD:** [00:14:17] Right.

**BEN GRAY:** [00:14:17] -- but it's enough money to help these neighborhoods move in a different direction. And with some of the things that we've already done with our land bank and our abandoned building ordinance and a number of other measures like that-- and I want to thank the Legislature for giving us the authority to do that. But with all of those things, we have a holistic approach to how we address the housing problems that we have, the abandoned building problems that we have, and we continue to support those betterment programs.

**BLOOD:** [00:14:43] So let me ask you this then, because you brought to mind another question. You have the same problem that Bellevue has, which is we have very old infrastructure.

**BEN GRAY:** [00:14:52] Yes.

**BLOOD:** [00:14:52] And so community betterment funds are an important foundation to trying to pull municipalities out of the aging infrastructure issue where we have the crime and the lower property values which, of course, affects your bottom line as well.

**BEN GRAY:** [00:15:09] Yes.

**BLOOD:** [00:15:09] So can you tell me how much of a financial impact-- and this may not be a number you know off the top of your head and I apologize.

**BEN GRAY:** [00:15:15] Um-hum.

**BLOOD:** [00:15:16] What will be the fiscal impact if you were to lose this money? What would happen?

**BEN GRAY:** [00:15:20] Well, you know, I don't know how-- Senator, I don't know how you would measure the physical impact because say, for example, let's just take reentry for example. We have a number of individuals that are currently in that program who are doing extremely well. If we don't have that program, what are those young men and women going to do? Where are they going to-- where are they going to go for assistance? Where are they going to go back for help? Or are they going to come back through this particular-- through our judicial system again and then cost us more money as a state to address it? So I don't-- to put a dollar total on it, I could say, simply, \$1.4 million is how much we would lose, or how much we would have to make up--

**BLOOD:** [00:16:03] Right.

**BEN GRAY:** [00:16:03] --right around that. But the fact of the matter is, with the programs that we fund and, for example, tourism at the zoo and other things, if we were to drop or to lose any of that, I don't know if you could put a price tag on what it would cost us as a city and, in fact, a state if we did that.

**BLOOD:** [00:16:22] And I hear what you're saying, too; then ultimately, even though we're trying to reduce property taxes, there's limitations on what a city-- what a municipality and a county can do. Ultimately, when money is taken away from municipalities they have very few choices as to where they can get those funds if they need them.

**BEN GRAY:** [00:16:38] Exactly. Exactly.

**BLOOD:** [00:16:38] All right, thank you.

**LARSON:** [00:16:40] Thank you, Senator Blood. Senator Thibodeau.

**THIBODEAU:** [00:16:45] Welcome back--

**BEN GRAY:** [00:16:45] Thank you.

**THIBODEAU:** [00:16:45] -- Councilman Gray.

**BEN GRAY:** [00:16:45] Thank you, Senator.

**THIBODEAU:** [00:16:45] Good to see you. My first question, I'm assuming, is the entire city council in opposition to this bill?

**BEN GRAY:** [00:16:57] Sent a letter. [LAUGH]

**THIBODEAU:** [00:16:57] OK, all right.

**BEN GRAY:** [00:16:57] We're in-- all of us are in opposition.

**THIBODEAU:** [00:16:58] Yes--

**BEN GRAY:** [00:16:58] And I am speaking for the city council. I meant to say that, I'm sorry.

**THIBODEAU:** [00:17:02] OK. Nope, that's OK. I just wanted to make sure we have that for the record. And just to comment on some of the programs that-- that you did list, obviously, the zoo is a huge one. Omaha, we are very proud of our zoo and it does attract a lot of tourism and brings in a lot of dollars to Omaha. But I understand that the city, obviously, has their obligations to fulfill.

**BEN GRAY:** [00:17:22] Yes.

**THIBODEAU:** [00:17:22] But speaking even more on the community betterment programs, obviously, we all know that, you know, with the police working with young people, if we can get

young people at a younger age, that reduces them going into crimes, you know, as they get older. It keeps them on a straight path and increases grades, reduces use of drugs. And we've seen the data show that the reentry program has reduced the rates of recidivism. So I know that you had already spoke to, obviously, it would cost you \$1.4 million, but just wanted to reiterate we don't know what the back end would be if we--

**BEN GRAY:** [00:17:59] We don't.

**THIBODEAU:** [00:18:00] -- started having all of those, you know, recidivism rates go up or not being able to offer those programs. So basically either you guys will have to try to raise property tax, which--

**BEN GRAY:** [00:18:12] Let's try not to say that too loud but-- [LAUGHTER]

**THIBODEAU:** [00:18:13] -- is a different-- is a different area. No, I'm not speaking for the city council, I know that. But it would be hard for you to find a way to make up, so really we would be looking at probably cutting those programs?

**BEN GRAY:** [00:18:29] Very likely.

**THIBODEAU:** [00:18:30] Okay.

**BEN GRAY:** [00:18:30] Very likely.

**THIBODEAU:** [00:18:31] OK, thank you.

**LARSON:** [00:18:32] Thank you, Senator Thibodeau. Senator Wayne.

**WAYNE:** [00:18:37] Does the-- thank you for being here. Does the city of Omaha currently have LB840 programs? I don't think you guys are listed.

**BEN GRAY:** [00:18:44] LB840, explain that to me.

**WAYNE:** [00:18:45] So-- no, you're not listed, nevermind. Don't worry about it.

**BEN GRAY:** [00:18:49] OK.

**WAYNE:** [00:18:51] You guys do not have that. But those are just other options you can use to fill if you have a void. My question is, how much money goes directly to the zoo?

**BEN GRAY:** [00:18:59] A little over \$2 million.

**WAYNE:** [00:19:01] OK, and how much goes to ReConnect, Inc.?

**BEN GRAY:** [00:19:07] Right now we're at about \$57,000.

**WAYNE:** [00:19:08] Fifty-seven thousand-- I was just thinking \$50,000 of Douglas County today going to a private party and just popped in my head.

**BEN GRAY:** [00:19:18] That's Douglas County, I-- [LAUGH]

**WAYNE:** [00:19:20] You guys aren't putting any money towards a private party, are you?

**BEN GRAY:** [00:19:23] A private party?

**WAYNE:** [00:19:25] Private party for the USS commission-- Omaha commission?

**BEN GRAY:** [00:19:28] No, we're not doing that.

**WAYNE:** [00:19:28] OK. Thank you, I appreciate that. But my question is also around-- all the programs that Omaha is using to fund this, the argument can be made that those same kind of programs could be used if keno was distributed in a different way. What would you say to that?

**BEN GRAY:** [00:19:50] I would-- I don't know how you would distribute it. What do you mean distributed in a different way?

**WAYNE:** [00:19:54] Well, part of the bill changes how it's-- you would obviously be losing some money, that money would go somewhere else.

**BEN GRAY:** [00:20:00] Yes.

**WAYNE:** [00:20:00] So couldn't those communities use the same-- the argument is going to be, well, we can do the same thing if we had more money in our communities. And I've given you an opportunity to respond to that on the record.

**BEN GRAY:** [00:20:10] Okay, I guess I'm not under-- I guess I'm not following you with the question. Are you asking me if we eliminate the-- if you remove those dollars, you're saying there's another mechanism that we could use, or what do you-- I'm not--

**WAYNE:** [00:20:24] Well, one, there is. But I'm saying if you remove those dollars and divert them, let's say, to other areas of the state and their argument is we can do those same programs or programs that may be needed in other parts of the state, what is the argument to that, what is your response to that, because that is part of the argument that I'm hearing. And so I'm giving you an opportunity to respond to that.

**BEN GRAY:** [00:20:46] Well, I think the state has an obligation to-- if they want to develop those programs, I think the state has an obligation to work with those municipalities to do it. But the fact of the matter is, is that Omaha, the municipality in Omaha, we have decided this is how we want to go and these are the things we want to address. And we don't address all the things that we want to, we just address some of the major things that we want to address. Keep in mind as well that the sales tax dollars from the city of Omaha fund the school districts around this state. So to assume that we can-- we have the ability to take money from someplace else, give it to the state for the state to operate other programs like this, why doesn't the state look at funding these programs through another mechanism themselves rather than using the city of Omaha and riding the city of Omaha's back to get that done?



**WAYNE:** [00:21:39] And the last question is, or a couple questions, how many kenos are east of 72nd and north of Dodge?

**BEN GRAY:** [00:21:49] How many are--

**WAYNE:** [00:21:39] How many?

**BEN GRAY:** [00:21:49] --east of 72nd and north of Dodge?

**WAYNE:** [00:21:52] So pretty much our districts, meaning your-- our districts and--

**BEN GRAY:** [00:21:54] Well, I don't know the breakdown to that, but I know that we have keno in every part of the city.

**WAYNE:** [00:21:59] Are they all Big Red Keno?

**BEN GRAY:** [00:22:00] Yes.

**WAYNE:** [00:22:01] Is there a reason why we don't let other people into the keno world besides Big Red?

**BEN GRAY:** [00:22:07] That would be-- that's contractual and I would have to look at the contract to determine why that is. But the fact of the matter is Big Red Keno-- you have to remember when keno first started there were two organizations at the time, but one fizzled out on its own--

**WAYNE:** [00:22:22] Right.

**BEN GRAY:** [00:22:22] -- bad business practices, I would imagine--

**WAYNE:** [00:22:24] Correct.

**BEN GRAY:** [00:22:24] --and that allowed Big Red Keno to stay, and so that's the operation that's working now. And I think for someone to come in now and attempt to do something to compete with that, I think, would be extremely difficult. But the other side of that is I'm not sure that's what we're talking about today. I think we're talking about taking money from the city of Omaha that we don't want you to take.

**WAYNE:** [00:22:43] I understand, but once the section is opened up, I can-- you know, we kind of have--

**BEN GRAY:** [00:22:47] I know.

**WAYNE:** [00:22:48] Like you do in city council, kind of drift off a little bit and then come back, so I appreciate it.

**BEN GRAY:** [00:22:51] All right.

**WAYNE:** [00:22:51] Thank you.

**LARSON:** [00:22:57] All right, Senator Wayne. Few questions--

**BEN GRAY:** [00:23:00] Yes, sir.

**LARSON:** [00:23:00] --in corrections a little bit. When you-- I just wanted it-- when you were talking about the Legislature taking away your taxing authority, were you referring to us when we took away your ETJ taxing authority on the wheel tax?

**BEN GRAY:** [00:23:13] Well, you did more than the wheel tax, Senator.

**LARSON:** [00:23:16] Okay. Well, I-- that's just-- was that the--

**BEN GRAY:** [00:23:16] Yeah. We can start with the wheel tax but, yeah, there were other-- there were occupation taxes that were taken--

**LARSON:** [00:23:21] OK, that-- OK.

**BEN GRAY:** [00:23:22] You gave it-- OK, because I can go down the list if--

**LARSON:** [00:23:26] Yeah. I was just double-- I just wanted the--

**BEN GRAY:** [00:23:27] Yes. Yes.

**LARSON:** [00:23:27] -- the tax-- the wheel tax is one that I would have taken exception with because it-- just going outside of the city limits and whatnot and [INAUDIBLE]

**BEN GRAY:** [00:23:35] They drive on our streets, though, Senator. They drive on our streets, Senator, every day.

**LARSON:** [00:23:38] And I-- I understand that, but then they should be able to vote for mayor if you're going to tax them. I'd say that. Second of all--

**BEN GRAY:** [00:23:46] We can agree to disagree on that but anyway, it's--

**LARSON:** [00:23:48] Second of all, I just want you to be very mindful that many of our districts across the state don't receive any state aid, TEEOSA financial aid. So I understand that many in Omaha have a feeling that your sales taxes are paying for schools across the state, but we feel it's the other way around, specifically since we're receiving no state aid, and that means our property taxes are paying for everything, and our sales and income taxes are paying for schools in Omaha and Lincoln. So I just wanted to make it very, very--

**BEN GRAY:** [00:24:19] But you're still getting aid, though, Senator.

**LARSON:** [00:24:19] We get-- very, very few of my schools, and I'm sure very few of Senator Friesen's schools receive any-- what would be-- any aid in terms of support aid. So I think I have 2 schools out of 15 that receive anything, so I think we just want to be mindful of that when-- when--

**BEN GRAY:** [00:24:42] OK, and I think we're talking about one district, but I think it's a little bigger than that, but--

**LARSON:** [00:24:46] So--

**BEN GRAY:** [00:24:47] -- you know.

**LARSON:** [00:24:48] All right, any further questions? Seeing none, thank you, Mr. Gray, for coming.

**BEN GRAY:** [00:24:52] Thank you, appreciate it. Thank you all for listening.

**LARSON:** [00:24:53] I'll take the next opponent. Welcome to your General Affairs Committee.

**LYNN JOHNSON:** [00:25:03] Good afternoon, Senator Larson and members of the committee. My name is Lynn Johnson, L-y-n-n J-o-h-n-s-o-n. And I am the director of the Parks and Recreation Department here in Lincoln. Thank you for the opportunity this afternoon to comment on LB1102. I'll be testifying in opposition on behalf of the city of Lincoln and Lancaster County. LB1102 proposes to double the Nebraska county/city lottery tax from 2 percent to 4 percent. If passed, this bill would significantly reduce the funding available to important local community projects and programs. Based on the 2017 gross keno wagers, the proposed tax increase is expected to reduce the amount available for city projects and programs by nearly a half a million dollars and to reduce the county's share by nearly-- excuse me-- \$200,000. Lincoln and Lancaster County have been strategic about how keno funds are used to support important projects and programs. Community needs are increasing at the same time that LB1102 would substantially decrease funding available to meet those needs. The city's share of keno revenue supports parks and recreation, libraries, and human services. Lincoln Parks and Recreation receives 65 percent of the city's keno revenue. And for more than 20 years this funding has been a source that has been relied on to help build new and renovate existing improvements that support a quality parks and recreation system which we believe is fundamental to youth development, active living, and strong neighborhoods. In your handout there is a pie chart on page 3 that shows the funding distribution for Lincoln Parks and Recreation's infrastructure repair and replacement program. About \$1.3 million of keno funds are directed to our capital improvement program, and that makes up about half of the available funding. I'd like to note that you'll see that there's a gap, an unfunded gap, of about 27 percent. So we only have that program about three-quarters funded. The likely impact of LB1102 would be to shift the burden to property tax, or to defer critical repairs as a result of inadequate funding. In addition, 30 percent of the city's keno revenue goes to Lincoln City Libraries. Demands on developing library collections are increasing as a result of the need to provide both a printed collection and electronic materials, such as e-books and audiobooks. Thus, technology and media costs are both increasing, and keno funds are an essential source for our community to meet those needs. The majority of Lancaster County's share of keno funds are being directed to support right-of-way acquisition to protect the corridor for the future East Beltway-- East Beltway road improvement project. Prior to directing keno funds to this project, the county used keno funds to provide property tax relief. Importantly, about 5 percent of both the city and the county share of keno funds are set aside for human service-- pardon me-- for the Human Services Prevention Fund to provide a wide variety of important programs for children and families in an effort to prevent crisis situations through early intervention. In closing I'd like to emphasize that the point of this bill is to assist with property tax relief, but keno funds already shift the burden from property tax at the local level. This bill would

work against that by creating a gap in funds for cities and counties. We urge the committee to keep the current state tax rate unchanged at 2 percent. And I'd be happy to answer any questions that you may have this afternoon.

**LARSON:** [00:28:28] All right, thank you, Mr. Johnson. Seeing no questions, thanks for coming today.

**LYNN JOHNSON:** [00:28:34] Thanks very much.

**LARSON:** [00:28:36] Take the next opponent. Welcome back to the General Affairs Committee, Ms. Rex.

**LYNN REX:** [00:28:41] Thank you, very much. Thank you. Senator Larson, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We're here today in strong opposition to this measure. I know, Senator Riepe, you've met with Mayor Groesser of Ralston. And Ralston, of course, wants to communicate to you the importance of the keno funds in their community just like all the other communities. I'm handing out to you a handout that talks about basically the many municipalities across the state that actually have keno already. And you'll note that of those, they are using it for all kinds of community betterment projects. There are 11 counties and the rest are all municipalities. And you'll note the volume of the wager business in municipalities across the state. I want to underscore for those of you that are newer to the committee that, in fact, municipalities across the state, as do counties, had to have an election before they could have keno. The city council itself or the county board do not have automatic authority to make this happen. It went to the voters. And these funds are extremely important to municipalities. The community betterment practices, I know you've already heard from Omaha and Lincoln, everything from, again, supporting the arena and Ralston to supporting other infrastructure projects all across the state as well as meeting the definition of community betterment in 9-504 dealing with benefiting persons to enhance their opportunity for educational advancement. Many of the programs, as you've already noted, help police, fire, and help them do certain things that are important, libraries, as well as just the infrastructure and trying to do those things which government itself otherwise would not have the funds to do. So we really understand the importance of property tax relief. We just don't think this is the way to accomplish that. And I think that some of the other references in terms of municipalities receiving property tax dollars and how this has happened over a period of years is, of the 529 cities and villages across the state, there were-- all the second-class cities and villages across the state basically had to reduce their tax asking, their levy, from a \$1.05 per \$100 of valuation to 45 cents plus 5. And they had to do that in a period of two years, between 1996 and 1998. They had to cut by over half what their tax asking was. So we have programs like this that's extremely important. First-class cities like Grand Island, Bellevue, other communities, they were at 87.5 cents as a maximum levy limit, and they also had to go to 45 cents plus 5. Of course, Omaha and Lincoln did too. But the cities that were most impacted at that time were the smaller ones because they were just cut in half. So these types of programs are extremely important just for the quality of life-type programs that cities are able to do-- again, libraries, police, fire, EMT training-- so that we can try to deal with enhancing and encouraging more folks to go into EMT services by getting kids when they are in high schools and trying to get them interested in that. So with that, I'll be happy to answer any questions that you have. We strongly oppose the bill. We also support property tax relief efforts, just not in this way.

**LARSON:** [00:31:48] Thank you, Ms. Rex. Ms.-- Senator Blood. I'm sorry.

**BLOOD:** [00:31:52] Senator Larson, thank you. Thank you for this, Lynn. Last year I had a list, and I'm hoping that you still have it and maybe you can share it with us after the hearing--

**LYNN REX:** [00:32:01] Okay.

**BLOOD:** [00:32:03] -- that listed every community betterment project that was something you could touch. I know in Bellevue of splash pads, American Heroes Park. I mean the list is very long--

**LYNN REX:** [00:32:13] Yes.

**BLOOD:** [00:32:13] --especially after the floods, when NEMA wasn't giving us our money.

**LYNN REX:** [00:32:18] For several years.

**BLOOD:** [00:32:18] For several years. We were heavily dependent on community betterment to make things better in our community. Do you have access to that? Do you have a list that's--

**LYNN REX:** [00:32:29] We can get you information by either going on the list or with the clerks and finding out city by city how they're using those funds now and getting that to you. Happy to do that.

**BLOOD:** [00:32:36] Because I think the programs are fantastic, that Omaha has. But I think that the parks that people go to, the-- the ball fields, I think those sometimes speak more because you see people physically using them. And I know with Bellevue, our population has grown and the pools haven't been able to keep up and it's too expensive to keep maintaining the pools and so splash pads were the answer. And I know community betterment just helped our most recent splash pad go up, so.

**LYNN REX:** [00:33:04] And that's true in other communities too. And then also you've got the funds, the keno funds that are actually used for programs, in other words, organizations that are also out there doing things that they otherwise would not have the ability to do. So you've got the hard, you know, keno dollars being used for hardcore-type infrastructure programs like you're talking about, the kinds of things you can touch and feel, as well as those types of programs that deal, a lot of them, with kids out there, trying to make sure that we don't get them in some type of correctional system but rather that they are involved in things that really help them benefit the community.

**BLOOD:** [00:33:37] Well, and I know it's been used in Bellevue, Habitat for Humanity.

**LYNN REX:** [00:33:40] That's right.

**BLOOD:** [00:33:41] We used to waive-- we-- they would take properties that we wanted them to take and they would make that property better and--

**LYNN REX:** [00:33:47] Yes.

**BLOOD:** [00:33:47] -- we would pay the taxes for that property so they could have the money to build up that house and make that neighborhood nicer. I mean, community betterment has been used for nothing but community betterment in Bellevue.

**LYNN REX:** [00:33:58] That's correct. And in addition, as you know, many of our municipalities in dealing with Habitat for Humanity and other kinds of efforts like that, they partner with the high schools so they get kids involved in helping to do a lot of that, too, so. And again I just want to underscore the fact that these are very, very important dollars to municipalities, because again over a period of years-- and now your predecessors, none of you, but when the Legislature decided to narrow the tax base dramatically over a period of years, literally, this Legislature did not reimburse local governments for the tax base that was lost. They put together a woefully inadequate program, and then that was just cut, cut, and cut and so there was nothing left in the column of state aid to municipalities. It's a very important thing to understand that the Legislature has hired three different-- at three different times, studies to be done: What do you do with property taxes? And I know Senator Brasch is more than familiar with this, because you are on the Revenue Committee, and many of the rest of you are, too, just by virtue of your service in the Legislature and certainly your committee counsel as mayor. So what happens here is that we're in a situation where the Legislature has three times been told if the state of Nebraska wants to address property taxes, you need to do the single most important thing that other states have done: reimburse local governments for the tax base that was taken away. That has not been done. That is why we're in the situation that we're in.

**LARSON:** [00:35:16] Thank you, Senator Blood. Any further questions? Senator Brasch.

**BRASCH:** [00:35:19] Thank you, Chairman Larson. And thank you, Ms. Rex, for coming forward. I'm looking at your material, the gross wagered by licensee, and is-- this is the total amount of dollars wagered or total dollars received by the community?

**LYNN REX:** [00:35:43] No, no, this is the total amount wagered.

**BRASCH:** [00:35:45] Wagered.

**LYNN REX:** [00:35:45] Yes.

**BRASCH:** [00:35:47] And so, of the amount wagered, we're also saying that Big Red Keno, or whatever entity, they're taking some of this too?

**LYNN REX:** [00:35:59] They are.

**BRASCH:** [00:36:00] This is not 100 percent that goes back to the community.

**LYNN REX:** [00:36:03] That is true. But what is happening here, by increasing the amount that you're taking from municipalities and counties here, it would go from 2 percent to 4 percent. The additional-- you're already doing 2 percent to the Charitable Gaming. The additional 2 percent would go into the Property Tax Relief Fund. We would be opposing this bill if it was going to the Property Tax Relief Fund, Charitable Gaming, or the state's General Fund. We'd be opposing it because the operative-- the operative result of this bill is that it doesn't just take 2 percent--

additional 2 percent from the city or the county. This is going to take what would amount to 20 to 30 percent of their entire keno take. That's the concern, Senator.

**BRASCH:** [00:36:39] OK. And I do understand that and can appreciate that concern. The concern that-- that I have as I see these numbers is it's not by charitable giving of individuals, but by gaming. So there is a loss of someone's income but it is going into the betterment of a program. And when I see the numbers, my-- my concern is I don't take away from the needs of the city but if they have a reliance on charitable or on gaming or gambling or whatever, what if that trend turns around? Then what does the city do, then what do the municipalities-- I mean, so do their programs fold should individuals decide they can no longer afford to pay their taxes, therefore, they can't go pay their-- the recreational gambling or gambling that may be habitual, even, is-- I hear what the cities are saying.

**LYNN REX:** [00:37:49] Well, I know that Big Red Keno is here today and I don't know that they intend to testify, but I know from cities sometimes the keno money goes up higher than other times. Sometimes it doesn't go up higher. And obviously Big Red Keno is not the only operation in the state that does keno across the state of Nebraska; there are other entities as well. But I just want to underscore the fact that--

**BRASCH:** [00:38:09] What percentage do you see of this, do most municipalities, of these total dollars wagered?

**LYNN REX:** [00:38:15] Well we can-- you--

**BRASCH:** [00:38:16] What comes back?

**LYNN REX:** [00:38:17] OK. What I-- I've actually got some of those numbers--

**BRASCH:** [00:38:19] OK.

**LYNN REX:** [00:38:19] -- and I will get those to you because--

**BRASCH:** [00:38:20] OK.

**LYNN REX:** [00:38:20] -- I think that might be valuable to you. But the bottom line is that when we're looking at a 20 to 30 percent reduction in what the take is, that would have-- that would have a huge loss. For example, if you look at the sheets that I provided you, which we got off the Web site for the Department of Revenue, Councilmember Gray said that Omaha would lose \$1.4 million. That gives you some idea. If you look at the total amount wagered in Omaha, the \$1.4 million dollars is the actual amount that they would lose, which must approximate roughly 20 to 30 percent of what their keno take would be.

**BRASCH:** [00:38:52] So looking at the chart that you gave out, right now there's over \$65 million and they would lose--

**LYNN REX:** [00:39:00] He estimated, if I understood his testimony, \$1.4 million of keno dollars would be a loss for them. And in Lincoln, my understanding is it would reduce the city of Lincoln's,

based on what Lynn Johnson testified before me, to approximately \$500,000, and then also an additional \$200,000 for the loss of Lancaster County.

**BRASCH:** [00:39:18] OK.

**LYNN REX:** [00:39:18] And I know that when you look at the kind of numbers that you look at as a State Legislature, those numbers don't look that big, but those are big numbers. It's roughly about \$400,000-- \$400,000 to \$500,000 in Ralston. So these numbers are important.

**BRASCH:** [00:39:29] I agree, they are big numbers.

**LYNN REX:** [00:39:31] They really are.

**BRASCH:** [00:39:31] They-- they are huge numbers.

**LYNN REX:** [00:39:32] Yes.

**BRASCH:** [00:39:32] But I always think of the give-and-take side. Somebody's--

**LYNN REX:** [00:39:35] I do understand. Yes.

**BRASCH:** [00:39:36] Somebody gained but somebody lost, and what is the impact of the loss?

**LYNN REX:** [00:39:41] Those are always considerations, too, Senator.

**BRASCH:** [00:39:42] All right, I have--

**LYNN REX:** [00:39:42] Appreciate the questions.

**BRASCH:** [00:39:43] -- no other questions, thank you.

**LYNN REX:** [00:39:46] I appreciate that. Thank you, very much.

**LARSON:** [00:39:47] Thank you, Senator Brasch. Any-- Senator Blood.

**BLOOD:** [00:39:51] Thank you, Senator Larson. And, Lynn, you may not know this and I think it's unfortunate Big Red is not here to answer questions, so just in case, I'm going to ask you.

**LYNN REX:** [00:39:57] They are here so they may want to answer, but--

**BLOOD:** [00:40:01] OK. Isn't true that keno is actually going down as far as how much money it's making because of technology, we have so many of the young people now that can gamble on their phones that things like Nebraska Lottery, keno, Big Red Keno, is losing its demographic?

**LYNN REX:** [00:40:21] There are also-- yes, and in addition to this there are also some games-- we've talked to some of our mayors across the state. There's also another game that's out there that has been deemed by the Nebraska Supreme Court, I guess, or whatever the prototype is-- I'm sure committee counsel can give you the details of it, I can't say that I know all the details of it-- but



something called BankShot, I think that's what it's referred to. And so that has a keno-- that has keno on it, it has other gaming on it as well. That is penetrating and cutting down in keno dollars too.

**BLOOD:** [00:40:50] So I think that's an important-- I wish I knew the numbers. I think that that's important to point out, is that I know there's a lot of concerns about gambling and I don't say that I'm a big supporter of gambling, but I'm a big supporter of community betterment funds done through keno. And no offense to keno, but I think it's one of the most boring games ever. But they do wonderful things for communities, so.

**LYNN REX:** [00:41:12] It absolutely does great things for municipalities and the counties.

**BLOOD:** [00:41:14] I think there's a lot of people that are just kind of bored, kind of like when they go to the casinos and they play slot machines with their retirement. It's just something to do during the day and that's kind of how I see keno. It's not like horse racing where it's super exciting or-- it's just kind of a leisurely, fun activity. But the concern that I have is that if we were to do this in addition to already losing revenue, I fear municipalities would be doomed.

**LYNN REX:** [00:41:37] This is a huge hit. There are programs that would not be offered across the state if this would happen. And these are vital programs.

**BLOOD:** [00:41:47] Thank you.

**LYNN REX:** [00:41:48] Thank you for the questions.

**LARSON:** [00:41:48] Thank you, Senator Blood. Seeing no further questions, thank you, Ms. Rex.

**LYNN REX:** [00:41:51] Thank you so much. Appreciate it.

**LARSON:** [00:41:53] Welcome to the General Affairs Committee.

**DON WESELY:** [00:41:55] Mr. Chairman. Mr. Chairman, members of the General Affairs Committee, for the record my name is Don Wesely, D-o-n W-e-s-e-l-y. I'm here representing the Greater Nebraska Cities in opposition to the bill. And I, for one-- and I know many of us admire Senator Friesen's passion for trying to reduce property taxes, obviously, a high priority for all of us, but this particular program has done a lot of good for the cities and in Greater Nebraska Cities. And we raise our opposition to the proposal. The GNC is a unified group of communities in central Nebraska. This includes the cities of-- excuse me-- Grand Island, Hastings, Holdrege, Kearney, Lexington, Minden, and Aurora. And the total number of residents in those communities total 127,964 people. The GNC opposes the LB1102 specifically for the increase of the 2 percent in taxes on keno, and then the transfer to the Property Tax Credit Cash Fund. Many of the GNC communities enacted citizen-approved keno more than 28 years ago for the purpose of funding quality-of-life programs and local nonprofit endeavors. Citizens approved these measures with the purpose of providing a meaningful local benefit. Seizing an additional 2 percent jeopardizes this commitment. Local keno funds have made a lasting impact by improving the lives of our citizens, specifically in Kearney. Approximately \$9.7 million of keno funds have been granted to 94 different projects since 1990. Again, the longevity of this activity goes back quite a ways. I have attached-- given to you a letter from the GNC and then also attached to that are keno projects in

some of those cities. I don't know if it's comprehensive, but it is a long list of different projects. The additional increase of 2 percent and transfer would dramatically impact our ability to fund future projects, services, and negatively impact those who rely on this funding. LB1102 would decrease available keno funds by 30-plus percent annually or about \$313,000 from the GNC communities. GNC communities maximize keno funds to provide the greatest local control and the local good. The GNC respectfully opposes LB1102 and its negative impact.

**LARSON:** [00:44:18] Thank you, Mr. Wesely. Any questions from the committee? Seeing none, thanks for coming today.

**DON WESELY:** [00:44:23] Thank you.

**LARSON:** [00:44:24] Do I have any further opponents? Seeing none, do I have any neutral testimony? Seeing none, that will-- Senator Friesen. Sorry, I almost closed it on you. I'll be in front of your committee tomorrow, so.

**FRIESEN:** [00:44:44] I'll return the favor. It was-- it was good to hear a little bit of-- it'd be good to hear some more details of actually how many dollars go to some of these programs. But when I look at them and when I listen to testimony and when I look at what keno has done and how much people wager, if you-- if you look at the report, you know, we talk about \$245 million is the total amount wagered in Nebraska in '16-- or in 2017. But when you look at the profit, and I think that's what goes to these community betterment programs, you're talking about 7.84 percent. The keno operator, his commissions are 12.98 percent. So you want to talk about a money-making machine here, I think the keno operators are doing rather well compared to the good deeds they're doing. So either I've made a good case for Senator Larson to expand gambling in the state, because we could probably cure all our ills if we depended upon these funds--

**LARSON:** [00:45:53] Some of them.

**FRIESEN:** [00:45:53] You know, I look at cities and they do have multiple sources of revenue available to them. This isn't something, I don't think, that would break anyone's back as far as doing good deeds. But again, this isn't an extremely important bill to me. It was interesting, I guess, to learn a little bit more about it. But when you look at the revenue that we spend here and if gambling truly is detrimental to the poor, I think keno is something that usually it's the low- to moderate income people who love to play keno. And keno is relatively boring, I do agree with that, but it can be an entertaining night. So when you look at the dollars and where it goes, I mean, you might be a little bit surprised about who wins out of keno. It's not necessarily the city. So with that, I would be open to any further questions.

**LARSON:** [00:46:54] Thank you, Senator Friesen. Senator Brasch.

**BRASCH:** [00:46:56] Thank you, Chairman Larson. And thank you, Senator Friesen. I do have a question on your saying that 2 percent will go to the Charitable Gaming Operations Fund. What goes to them now? What percent? Is it like 9-- is-- because you have 2 percent and 2 percent, which would be 4 percent of--

**FRIESEN:** [00:47:21] Oh, yeah. The 2 percent gets split up amongst those different organizations. But since I was just doubling it, the 2 percent came to the Property Tax Credit Relief Cash Fund there, basically.

**BRASCH:** [00:47:55] Correct.

**FRIESEN:** [00:47:55] So the other is, you know, there's taxes to be paid; 2 percent of the total revenue is taxes. There's expenses of 0.58 percent, if you look at the chart on-- well, you can access the charitable gaming report that was issued earlier this year. In there, it's spelled out where those dollars go.

**BRASCH:** [00:47:55] And you're believing they are in need of a 2 percent of this?

**FRIESEN:** [00:48:00] Well, when I-- when I-- when I look at the lottery commissions that the operator receives of, you know, 12.98 percent-- or 13 percent of total gaming goes to the operator? And so the good deeds that we're all talking about here is--

**BRASCH:** [00:48:15] Profit, yeah.

**FRIESEN:** [00:48:15] -- less than 8 percent?

**BRASCH:** [00:48:16] Yeah.

**FRIESEN:** [00:48:17] And expenses, they're listed here, they're fairly low, too, so.

**BRASCH:** [00:48:21] So you want to put it back in-- you want to put some money back into that agency?

**FRIESEN:** [00:48:23] Really the big winner here is the operator.

**BRASCH:** [00:48:28] All right. OK, I have no other questions. I just was questioning the 2 percent to the Charitable Gaming Fund, your--

**LARSON:** [00:48:35] Thank you, Senator-- oh, sorry. Go--

**BRASCH:** [00:48:36] I have no other questions. Thank you, Chairman.

**LARSON:** [00:48:39] Thank you, Senator Brasch. Senator Blood.

**BLOOD:** [00:48:40] Thank you, Senator Larson. And sincerely, I do mean this. I really admire the fact that you're looking for these ways to cut property tax. I-- this is probably going to be one time we're going to agree to disagree, which I hate to do because I like you so much. But did you hear what Lynne Walz-- Lynne Walz-- Lynn--

**LARSON:** [00:48:57] Rex.

**BLOOD:** [00:49:00] --thank you-- too many Lynns in this building-- about how much money has been taken away from municipalities over the last decade? It's been considerable. And I can tell you

that when I came on city council in Bellevue, they were \$10 million in the hole and had no rainy-day fund, and it was because they had lost both state and federal funding. And they tightened their belt and tightened their belts, and continue to do so. And community betterment provided a respite, provided an opportunity to do things that they couldn't afford to do in their budget because they didn't want to raise taxes any more, and unlike Omaha, which has a restaurant tax and tried to do the wheel tax, which we fought, by the way, as well. There's a lot of fiscal constraints that aren't going to get any better unless there's more creative things that happen, like community betterment, for these municipalities. And so isn't-- when you are worried about how much the keno people make, isn't that just kind of like the cost of doing business? Isn't it free market, isn't it their right to make a profit?

**FRIESEN:** [00:50:09] Oh, sure. But we dictate here, I guess, what goes where. And by allowing keno to operate we set the parameters of how it operates. I'm sure there's a contract between the keno operator and the city and all those, and without digging into some of those details we don't know if there's sometimes preferential treatment given there to operators or not. It seems like we have quite a bit of consolidation in the industry. But when I look at cities, I've been involved in municipalities also, and I-- I, for one, would support taking the lid limits off of municipalities. If they have upkeep to do and maintenance of their streets and sewer and water and all those roads and stuff, I mean, I think they should have access to unlimited amounts of property taxes because those services are directly related to the property taxes that are levied to those units.

**BLOOD:** [00:51:02] Right.

**FRIESEN:** [00:51:02] So I'm not opposed to the cities having that. I would be interested in kind of cross-referencing keno to see ones where-- if those cities were up against the lid. There's a lot of municipalities right now that are not against the lid. This is just another source of revenue. But I'm sure there are some cities that are up against the lid and this is extra revenue for them.

**BLOOD:** [00:51:25] Well, and not even as much revenue as much as a way to get things done that-- that wouldn't be in the budget that are-- but does take care of people that are impoverished and helps with public safety. And so, I mean, if I hear you correctly-- and I don't mean to phrase this in a rude way, I don't mean this-- I can't think of another way to phrase it though. If you take away this money, then it's-- they just kind of have to buck up?

**FRIESEN:** [00:51:47] Let's put it a different way. Let's say that if you tax the citizens specifically for that project, there wouldn't be that third party taking 13 percent of it and put in his pocket for running a charitable gaming operation. You could help people with a direct tax that you put on the individuals to help your community.

**BLOOD:** [00:52:05] But you know what's wrong with that sentence, right?

**FRIESEN:** [00:52:06] There's a vicious circle here--

**BLOOD:** [00:52:08] Right.

**FRIESEN:** [00:52:08] -- where a lot of money gets spent and sometimes it's-- I've called gambling a tax on the poor. It's a voluntary tax on the poor. They are generally the ones who pay it, so.

**BLOOD:** [00:52:20] But you said that three-lettered word.

**FRIESEN:** [00:52:22] Tax.

**BLOOD:** [00:52:23] Right, you're not supposed to say that. And ultimately-- and I'm very much about the impoverished, as you know. But there comes a time to-- to a certain extent, some of that's their own responsibility. I-- that's why you don't see me-- like I don't want casinos in Nebraska, but I don't have trouble with keno. I think a lot of this is just like drinking and drugs and there comes a time when some of that's that person's responsibility.

**FRIESEN:** [00:52:52] Keno can be an entertaining game, also. I mean, it's something to do.

**BLOOD:** [00:52:55] Something really boring to do, yeah. Thank you.

**LARSON:** [00:53:00] Thank you, Senator Blood. Seeing no further questions, we will close the hearing on LB1102.

**FRIESEN:** [00:53:08] Thank you.

**LARSON:** [00:53:08] At the Chair's discretion, I'm moving Senator Quick's bill to second, since he said he would like to go there. And we'll do mine third. So welcome to the General Affairs Committee.

**QUICK:** [00:53:27] Thank you, Chairman Larson, and thank you, members of the General Affairs Committee. My name is Dan Quick, D-a-n Q-u-i-c-k, and I represent District 35 in Grand Island. I'm bringing today LB984. LB984 makes two changes to the Nebraska Lottery and Raffle Act, which governs lotteries and raffles that are conducted by nonprofit organizations, volunteer fire companies or volunteer fire, first-aid, rescue, ambulance, or emergency squads. LB984 allows for nonprofit organizations, volunteer fire companies or volunteer first-aid, rescue, ambulance, or emergency squads to apply to the Department of Revenue for two 90-day special permits or one 180-day special permit. The bill lessens the amount of proceeds in both a lottery or a raffle that must be used for prizes from 65 percent to 45 percent. This change would allow split-the-pot lotteries that organizations use to award the winner 50 percent of the proceeds to occur lawfully without the-- to occur lawfully without the organization first obtaining the special permit. This bill is streamlined-- is a streamlined version of the bill I introduced last session, LB541. Our committee advanced LB541 and AM216 last session, but the bill was not taken up on the floor. LB984, the bill we're considering today, reflects the amendment our committee advanced last year and allows us to get more-- in a more recent fiscal analysis, which we can-- which now shows no fiscal impact. And on the fiscal note, you'll see that the Department of Revenue estimates no fiscal impact to the General Fund and minimal cost to the department to implement the provisions of LB984. So with that, I'll answer any questions you may have.

**THIBODEAU:** [00:55:26] Thank you, Senator Quick. Any questions from the committee? OK, thank you. Are there any proponents to the bill?

**STEVE WILSON:** [00:55:47] My name is Steve Wilson, S-t-e-v-e W-i-l-s-o-n, testifying today on behalf of Ducks Unlimited. Thank you, Senator Quick, for introducing this legislation. I've been working with Ducks Unlimited for 27 years, first as a volunteer and the last 11 years as a staff-- as a

regional director of the state of Nebraska. Over this entire 27 years, I've been conducting or helping conduct fund-raisers that are-- are governed under the Lottery and Raffle Act. As you heard already from Senator Quick, this bill represents a slimmed-down version of LB541, which I testified in support of last year. Our organization supports this bill because it contains two important changes that will help our many chapters across the state. The most important change suggested by this legislation is the change to special permit section, in section 3 of the bill, that would allow an organization to obtain two special permits valid for 90 days or one 180-day permit. An example is a statewide calendar raffle that we run as an organization; 90 days from beginning to end is pretty difficult for our 14,000 members or 1,600 volunteers to run a raffle such as that which is quite long. So that's from the printing to the drawing has to be 90 days, 180 days would help greatly in operating those types of endeavors. The bill also changes the award amounts groups can give as proceeds from raffles or lotteries. These changes proposed by the bill are important steps to updating the Nebraska Lottery and Raffle Act to 2018 standards and help ensure groups like ours can comply with the laws and make it easier for our volunteers to adhere to those. We appreciate your consideration of the legislation and I ask the committee to advance the bill to General File. Happy to answer any questions on that.

**LARSON:** [00:57:50] Thank you. And I missed your last name, I'm sorry.

**STEVE WILSON:** [00:57:53] Wilson.

**LARSON:** [00:57:53] Mr. Wilson, thank you. Senator Riepe.

**RIEPE:** [00:57:56] Thank you. Chairman Larson. One of the questions that I have, would organizations be limited to the number of raffles that they could conduct in any 12-month period of time?

**STEVE WILSON:** [00:58:08] Right now, on a special permit you're allowed one.

**RIEPE:** [00:58:12] OK.

**STEVE WILSON:** [00:58:12] You're allowed one and we're asking to have two 90-day permits. And a portion of that reason is generally our committees, regardless of conservation organizations, we all run relatively the same one 90-day period, or one quarter. Our volunteers sometimes would like to operate two different raffles throughout the year as they become engaged. Right now under the current legislation, and we have since met with the department since last year and hammered this all out, but 90 days is-- is not-- is not reasonable. And on the special permit, it was over 80 percent of every raffle run in the state of Nebraska for conservation organizations or fire departments are run under a special permit. And that is just due to the business practices we run under, and a portion of that is the percentages. That 45 percent, especially when you're doing larger raffles, 45 percent net revenue is sometimes not worth doing, you know, on the 65 percent on the prize value. Moving it to 45 percent would be a little bit more current with business principles and practices.

**RIEPE:** [00:59:31] So that was a 90-day period of time opportunity. And so there would be two times to run in that 90 days?

**STEVE WILSON:** [00:59:41] Correct, under a special permit.

**RIEPE:** [00:59:43] And would that 90 days then be repeated, if you will, over the years-- over the years? [INAUDIBLE]

**STEVE WILSON:** [00:59:49] So it would just allow you-- you have-- you have your license that you would operate under. Two things in the bill that I believe would help is moving the standard to 45 percent would open it up to most organizations to under-- to operate under their current license without having to get special permits. It would also allow you, when you're getting a special permit, to have a longer period of time to do it or to be able to do it two times during the year under the-- under the special permit.

**RIEPE:** [01:00:23] So the 45 percent would be 45 percent of the gross take?

**STEVE WILSON:** [01:00:26] Correct.

**RIEPE:** [01:00:27] OK.

**STEVE WILSON:** [01:00:27] And right now we pay tax, 2 percent of the gross.

**RIEPE:** [01:00:31] OK. Do you have a reinsure? I know sometimes on like a hole in one, you know, they-- for a million bucks they reinsure, pay a premium.

**STEVE WILSON:** [01:00:40] No, we don't--

**RIEPE:** [01:00:40] OK, just curious.

**STEVE WILSON:** [01:00:40] -- we don't do that. I have one event that does-- does a reinsure under that and that's-- that's a golf tournament.

**RIEPE:** [01:00:51] OK, thank you very much.

**STEVE WILSON:** [01:00:52] You're welcome.

**RIEPE:** [01:00:52] Thank you, Mr. Chairman.

**LARSON:** [01:00:56] Thank you, Senator Riepe. Seeing-- any further questions? Seeing none, thanks for coming today, Mr. Wilson. I'll take the next proponent.

**STEVE WILSON:** [01:01:02] Thank you, Senator.

**LARSON:** [01:01:02] Welcome back to the General Affairs Committee, Mr. Smathers.

**SCOTT SMATHERS:** [01:01:05] Thank you, Chairman Larson, members of the committee. My name is Scott Smathers, S-c-o-t-t S-m-a-t-h-e-r-s. I am the executive director of the Nebraska Sportsmen's Foundation. We are a 501(c)(3) nonprofit with roughly 13,000 members in the state of Nebraska. I'm here today in support of the LB984 and thank Senator Quick and our partners, DU, and several other folks that have worked over the last two years to bring this bill to the committee and your work on advancing a slimmed-down version of last year's bill. According to several

different sources that track nonprofits and charities, roughly in Nebraska, over 19,000 charities and nonprofits in our state. And a wide range of those exist from foundations to fraternal orders to conservation groups, which is primarily one of my focuses. I currently have been spend-- have spent the last 12 years involved with nonprofits in the conservation, environmental and youth education communities. I sit, presently, on five boards, so I know a thing or two about fund-raisers with our nonprofits. In fact, I'm going to meetings every night this week in regards to three that are coming up in the next 45 days for those different boards. I'm going to speak specifically on the percentage of going from 65 to 45 percent of the-- of the prize value and lowering that for a raffle. Senator Riepe, you asked a question in regards to a regular raffle. We typically hold one banquet fund-raiser a year for either geographically put, if we're a statewide organization with several locations and/or chapters. In addition to that, we'd like to hold additional raffles throughout the year. My-- my organization, for example, we do raffles that we may sell 100 tickets at \$20 apiece. That extra 20 percent is a significant amount for our nonprofits, especially when you're a smaller nonprofit. That can pay the light bill for seven months, that can help you put your money to other parts of the mission as opposed to operating costs. So we'd like to urge the committee to continue to advance this bill to the floor for debate so we have an opportunity to continue to add to the mission statements for our nonprofit organizations in this state, which in turn will help our volunteers. Keep in mind, most treasurers for all nonprofits are volunteers. And the simplification of the law helps them to comply and work with the Gaming Division so we don't have any issues going forward. With that, I will end my testimony and take any questions.

**LARSON:** [01:03:16] Thank you, Mr. Smathers. Do I see any questions from the committee? Seeing none, thank you for your time today.

**SCOTT SMATHERS:** [01:03:23] Thank you.

**LARSON:** [01:03:23] Do I have any more proponents? Seeing none, do I have any opponents? Seeing none, neutral? Seeing none, would you like to close, Senator Quick?

**QUICK:** [01:03:36] I'll waive closing.

**LARSON:** [01:03:36] Senator Quick waives closing. That will bring us to our last hearing of the day, LR294CA.

**BLOOD:** [01:04:02] Chairman.

**LARSON:** [01:04:03] Yes, Senator Blood?

**BLOOD:** [01:04:04] Thank you, Senator Larson. I just want to say before the hearing starts, I do appreciate the fact that you spoke with the members of the committee stating that you would, again, not be presenting your own bill. I just want to say for the record that I believe hearings give citizens a chance to contribute to the discussion and it gives them a way to establish representative legitimacy. So, by the sponsor of a bill running the meeting I feel we undermine this process. And I would request that-- it's fine that you run the meeting-- but I would ask that you ask no questions during the public hearing.

**LARSON:** [01:04:39] You're noted for the record. Thank you, Senator Blood.



**BLOOD:** [01:04:41] Thank you, Senator Larson.

**LARSON:** [01:04:41] Mr. Eickmeier, please continue.

**JOSHUA EICKMEIER:** [01:04:44] Good afternoon, Chairman Larson and members of the General Affairs Committee. Name is Joshua Eickmeier, J-o-s-h-u-a E-i-c-k-m-e-i-e-r. And I am the legal counsel for the General Affairs Committee. I'm here to introduce LR294CA on behalf of Chairman Larson. Article III, Section 24 of the Nebraska Constitution prohibits the Legislature from authorizing any games of chance or lottery or gift enterprise except for what is specifically permitted in the Nebraska Constitution. In addition to horse-racing, examples of authorized gaming include Powerball, Mega Millions, scratch tickets, keno, pickle cards, bingo and raffles. LR294CA would place two questions on the November 2018 general election ballot. The first question would allow the Legislature to authorize any games of chance or lottery or gift enterprise. The second question would provide that 98 percent of the revenue would go to the Property Tax Credit Cash Fund and 2 percent to the Compulsive Gamblers Assistance Fund. This new distribution of revenue would only apply to the gaming authorized under LR294CA and would not alter the current distribution of gaming revenue outlined in the constitution. So why two questions instead of one? In past sessions there have been constitutional amendments where the revenue distribution was in the same question as the gaming being authorized. However, the Nebraska-- Nebraska Supreme Court has since ruled that separate ballot questions are required. Finally, as a reminder, a constitutional amendment passed by the Legislature does not go to the Governor, but is instead sent to the Secretary of State to be placed on the ballot. Be happy to answer any questions.

**LARSON:** [01:06:29] Thank you, Mr. Eickmeier. Do I see any questions? Senator Blood.

**BLOOD:** [01:06:32] Thank you, Senator Larson. Thank you, Josh. Well done, you should run for the Legislature.

**RIEPE:** [01:06:36] Or mayor.

**BLOOD:** [01:06:43] He is the mayor, yeah. So can you tell me who brought Senator Larson this bill?

**JOSHUA EICKMEIER:** [01:06:47] I don't know if anyone bought it to him. He-- this was at his direction.

**BLOOD:** [01:06:50] Can you tell me what the motivation was for the bill?

**JOSHUA EICKMEIER:** [01:06:54] No, other than Senator Larson was the one that asked me to draft this.

**BLOOD:** [01:07:00] All right, thank you.

**JOSHUA EICKMEIER:** [01:07:00] Yeah.

**LARSON:** [01:07:01] Thank you, Senator Blood. Any further questions? Seeing none, thank you, Mr. Eickmeier.

**JOSHUA EICKMEIER:** [01:07:04] Thank you.

**LARSON:** [01:07:04] Take the first proponent to LR294CA. Seeing none, I'll take the first-- how many opponents? Two opponents? Thank you, Ms. Loontjer. I'll take the first opponent. Welcome back, Mr. Grasz.

**NATE GRASZ:** [01:07:27] Thank you, Senator. Good afternoon, Chairman Larson and members of the committee. My name is Nate Grasz, that's N-a-t-e G-r-a-s-z. I'm the policy director for Nebraska Family Alliance and represent them in my testimony. The proposed constitutional amendment before the committee today is attempting to use a politically expedient issue, property tax relief, to open the door for a politically unpopular one, gambling. Nebraska Family Alliance opposes expanded gambling because it harms businesses and families. If approved, LR294CA would allow the Legislature to substantially expand gambling in ways not currently permissible under our State Constitution. We understand that property tax relief is critical for Nebraskans. We also know it matters how the state approaches this issue if we don't want to make our tax system even more burdensome. The facts about state-sanctioned gambling show that taxpayers end up paying higher taxes and states are left with worse budget problems in the long term. Since casinos opened, Council Bluffs has raised taxes at least four times, including raising property taxes three times. While gambling doesn't create new wealth, it does increase social ills to such a high degree that economists have concluded casino gambling creates \$3 in social costs for every \$1 generated in tax revenue. These social consequences include increases in crime, bankruptcy, addiction, child abuse, domestic violence, divorce-- excuse me-- divorce, and suicide. In Deadwood, South Dakota, the state attorney's office reported that within two years of legalizing casino gambling, child abuse cases increased 42 percent and domestic violence increased 80 percent. And when casinos were introduced in Indiana, in a period of just over a year, 72 children were found abandoned on casino premises. Regions with casinos also see increases in sex trafficking, including of minors. These facts and more explain why Nebraskans have continued to reject expanded gambling. We believe our State Constitution is properly written and the Legislature should not advance to the people an amendment giving the Legislature more authority to expand gambling. Thank you.

**LARSON:** [01:09:40] Thank you, Mr. Grasz. Do I have questions from the committee? Senator Thibodeau.

**THIBODEAU:** [01:09:44] Thank you, Mr. Chairman. Hi, Mr. Grasz. I know you had stated that Council Bluffs has seen an increase in taxes after the casinos. Would you-- this probably in your opinion or maybe you have the data for it. Do you believe that is-- that the increase in crime and gambling addiction or any other addictions is directly related to the casinos?

**NATE GRASZ:** [01:10:07] Thank you for the question, Senator, I appreciate that. I think it's certainly at least contributed to it. I can't say for certain that it's, you know, directly 100 percent of it or a certain percentage of it. But I think there's no question that, due to the economic and social impacts we know that gambling causes, it's probable that Council Bluffs has needed more money to pay for the increases in those costs due to the casinos.

**THIBODEAU:** [01:10:32] And another testifier later may have the answer to this question, but do you, by chance, have a rough dollar amount that they have needed to spend in order to, obviously, fight crimes or the state have to put in to fight gambling addiction?

**NATE GRASZ:** [01:10:47] No, Senator. That's a good question. I don't know the direct amount in Council Bluffs but I know there are several studies, some showing as much as a 10 percent increase in crime directly related to the presence of the casino.

**THIBODEAU:** [01:11:00] OK, thank you, Mr. Grasz.

**NATE GRASZ:** [01:11:00] Thank you.

**THIBODEAU:** [01:11:02] Thank you, Mr. Chairman.

**LARSON:** [01:11:02] Thank you, Senator Thibodeau. Senator Wayne.

**WAYNE:** [01:11:04] How much money does Council Bluffs currently receive from casinos?

**NATE GRASZ:** [01:11:08] Off the top of my head, I'm not sure what that number is, Senator.

**WAYNE:** [01:11:12] So you know the negative but not the-- the negative consequences of the cost but not the positive?

**NATE GRASZ:** [01:11:17] Sure. Well, I think a general concept of gambling is that it's not creating new wealth, it's just redistributing it. So whatever-- whatever increase in revenue you see from gambling, that's just a dollar that has not been spent elsewhere.

**WAYNE:** [01:11:35] So since 60-- 70 to 80 percent of Nebraskans live within an hour of casinos, how much does Nebraska spend on casinos, as far as the social ills?

**NATE GRASZ:** [01:11:47] You know, Senator, I'm not sure how we would know how to answer that question. But again, this bill, if it were approved, would allow the Legislature to authorize any game of chance anywhere in the state.

**WAYNE:** [01:11:59] So how do you know that the-- this-- the dollars that you claim spent on social ill are directly related to gambling in the other situation when we're only an hour away from-- in Omaha, ten minutes away from gambling?

**NATE GRASZ:** [01:12:12] There was a reputable study in 2003, I believe, by a Creighton University professor that found that creating-- or building one casino in Omaha would increase gambling losses in the area by over 60 percent. And that was just from one casino if it were constructed in Omaha.

**WAYNE:** [01:12:31] So going across the river is such-- is that big of a deterrent?

**NATE GRASZ:** [01:12:35] I would agree so. And again, this would allow casino, slot machines and any other gambling mechanism to be placed anywhere statewide.

**WAYNE:** [01:12:44] So let's focus a little bit about not going across the river. What about Council Bluffs, what about Carter Lake?

**NATE GRASZ:** [01:12:49] We are very much opposed to the construction of the casino in Carter Lake.

**WAYNE:** [01:12:52] What are you doing to ensure that?

**NATE GRASZ:** [01:12:55] We are working with other anti-gambling groups as well as encouraging our Attorney General's Office and the Governor to support efforts and hopefully file a lawsuit trying to reverse the decision that allows the Ponca tribe to build a casino in Carter Lake.

**WAYNE:** [01:13:11] Have you contacted the Governor's Office about possibly moving Carter Lake into Nebraska so you don't have to fight the fight anymore?

**NATE GRASZ:** [01:13:20] No, we have not, but we would certainly be open to that discussion.

**WAYNE:** [01:13:24] So back to the gambling issue, do you believe that Nebraska suffers from the social ills of gambling as a-- because 80 percent of the people live within an hour?

**NATE GRASZ:** [01:13:40] Certainly.

**WAYNE:** [01:13:41] So you don't think we should get any benefits to offset that current social ill?

**NATE GRASZ:** [01:13:46] Again, I think the costs would outweigh any-- any benefits that you would see. And there's not-- you know, Senator, it sounds like we maybe just fundamentally disagree on this issue. But there's not a-- there's not a dollar amount that proponents could throw out that would cause us to drop our opposition because we're not willing to sacrifice, you know, anyone to the harms and social ills of gambling.

**WAYNE:** [01:14:14] So are you against keno?

**NATE GRASZ:** [01:14:17] So, we-- we oppose the expansion of gambling. We do not actively try to repeal existing gambling mechanisms. And I think keno is a good example, as well as the others that we've heard, that there are plenty of opportunities for Nebraskans to gamble if they so desire.

**WAYNE:** [01:14:33] So if we-- if the city council puts up a new keno parlor, do you go down there and oppose that?

**NATE GRASZ:** [01:14:40] We have not, Senator.

**WAYNE:** [01:14:41] But it is expanding gambling though.

**NATE GRASZ:** [01:14:44] Right, so I'm here today to put our organization on the record as opposing LR294CA. If there were a hypothetical like that we would certainly evaluate it and consider our options.

**WAYNE:** [01:14:54] Well, it happens all the time, so I'm just trying to figure out what is-- what is being against expanding gambling truly mean for you. That's what I'm trying to figure out.

**NATE GRASZ:** [01:15:02] Sure.

**WAYNE:** [01:15:04] So are-- so you're against the state being able to do it but you're-- you haven't taken a position on any of your local city councils or villages who have added keno?

**NATE GRASZ:** [01:15:14] Not since I've been here, Senator.

**WAYNE:** [01:15:16] And how long have you been there?

**NATE GRASZ:** [01:15:18] This is my third year.

**WAYNE:** [01:15:19] OK, so the last three years. So what about the BankShot? Did your organization write a brief in that lawsuit?

**NATE GRASZ:** [01:15:39] I am not entirely sure on that, Senator. We very well could have.

**WAYNE:** [01:15:45] OK. And did-- have you guys, again in the last three years, been against any city council authorizing or bar authorizing-- allowing BankShot into-- into their establishments?

**NATE GRASZ:** [01:16:00] No, Senator. Primarily our efforts are focused on the Nebraska Legislature.

**WAYNE:** [01:16:09] No more questions.

**LARSON:** [01:16:09] Senator Blood.

**BLOOD:** [01:16:10] Thank you, Senator Larson. You were referring to the 10 percent increase in crime. Were you referring to the, maybe, The Washington Post story from about three years ago? Does that sound familiar? Because I've read the same thing, that there's-- that they've looked at casinos across the United States and of those areas where there were casinos there was a 10 percent increase in crime, so.

**NATE GRASZ:** [01:16:32] You know, I'm not sure, but I will-- I will certainly follow up on that and be happy to send you the study I was referring to.

**BLOOD:** [01:16:39] And so for the information for Senator Wayne, in reference to the economic impact they have in Iowa, I guess Iowa casinos bring in \$2.5 billion. Oxford Economics said that without the tax impact of \$726 million annually from Iowa's casinos, Iowa households on average were paying an additional \$594 in taxes each year. And the \$726 million is equal to the starting salaries of nearly 22,000 Iowa school teachers. So if you could remember all that, you have an answer next time for Senator Wayne.

**NATE GRASZ:** [01:17:12] Certainly, and I appreciate the input, Senator.

**LARSON:** [01:17:15] Thank you, Senator Blood. Senator Brasch.

**BRASCH:** [01:17:17] Thank you, Chairman Larson. And thank you, Mr. Grasz, for coming forward today and presenting information before this committee. You know, we-- we value our second house that comes forward. And your organization has spent many years in coming before

this committee. Sometimes it's not the easiest committee to be in front of, but hopefully today your experience here is a positive one. My question for you is, your organization, over my eight years, has had, you know, hosted a meeting or a luncheon where individuals have shared with senators hardships they've "incrued." We've heard the Commission on Problem Gambling, if that's the correct name, come forward too. Do you also hear from families individually on their hardships or experiences? You know, I-- you know, you see advertisements for the big winners, but the big losers sometimes are a lost population or lost voice.

**NATE GRASZ:** [01:18:32] Thank you, Senator Brasch. I appreciate your comments and questions. And absolutely, we are a statewide organization that represents thousands of Nebraskans. And we're also a non-profit, which means I'm able to be here today because our supporters are willing to take their own money that they worked for and donate it to us because they so strongly believe in what we do. And that includes opposing gambling. And we continue to hear from people whose families have been affected very severely by the harms of gambling. And that's why we're here today.

**BRASCH:** [01:19:11] Very good. I have no other questions. Thank you for coming forward.

**NATE GRASZ:** [01:19:14] Thank you, Senator.

**LARSON:** [01:19:15] Thank you, Senator Brasch.

**WAYNE:** [01:19:19] I do have a follow-up question.

**LARSON:** [01:19:20] Senator Wayne.

**WAYNE:** [01:19:22] Just so I can make sure that the record is clear, are you a registered lobbyist?

**NATE GRASZ:** [01:19:24] Yes, Senator.

**WAYNE:** [01:19:29] OK, thank you.

**LARSON:** [01:19:29] Real quick, Mr. Grasz. So in your opening you-- in your testimony you commented that Nebraskans are on your side. Then what would be the problem with this going to the ballot to-- to see that they are on--

**NATE GRASZ:** [01:19:43] Sure.

**LARSON:** [01:19:43] --because I run poll numbers in my district and a number of other senators, who might be switching on this issue, have recently as well. And the numbers show differently, so, with us.

**NATE GRASZ:** [01:19:55] Sure, that's-- yeah, that's a good question. You know, I think we would say there's a number of proposals that have been introduced in the Legislature this session, that all deal with trying to attain property tax relief. And due to the fact that we're in a short session and time is very limited and the likelihood that this bill would be debated for the full length allocated, it seems that there are, in our opinion, better and more appropriate proposals that deserve that time.

**LARSON:** [01:20:23] All right, thank you, Mr. Grasz. Seeing no further questions, have a nice day.

**NATE GRASZ:** [01:20:29] Thank you.

**LARSON:** [01:20:29] Take the next opponent. Welcome back to the General Affairs Committee.

**GLEN ANDERSON:** [01:20:36] Good to be here. My name's Glen Anderson, G-l-e-n A-n-d-e-r-se-n. And based on what I've heard today about keno, I'm changing my testimony a little bit. The arguments we were discussing on keno points out the insidious nature of gambling. These organizations come to you wanting all these funds from gambling, so these organizations are not connected with gambling but they become proponents of gambling. It just doesn't seem like a good situation. But that's the way it is with keno. And now we're dealing with a completely different issue that is quite-- quite a bit of expanded gambling is the possibility. And what we're looking at is a constitutional amendment to be presented. And this is an innocuous change, giving the Legislature authority to allow gambling. OK, well, the voters will say, well, it's-- this doesn't allow gambling, it just allows the Legislature to work; after all, isn't it the Legislature's job to legislate; isn't that what it does? But that-- it seems to me like if the first step happens, the second will automatically happen. And like I say, nothing happens until the Legislature has 25 senators and a Governor with an inclination to allow gambling, and gambling is suddenly part of Nebraska. And things never change when it comes to gambling. And so I'm saying it makes-- if this constitutional amendment is passed, it makes gambling basically inevitable sometime in the future because it's going to happen. Then back to the basic course of gambling 101, we have enough-- first of all, in Nebraska we have big budgetary problems, granted. But it seems to me like we have enough problems without gambling industry siphoning off money from our economy. The gambling industry does not help the state of Nebraska, it siphons money away from-- from good uses of that money. The net effect of the wealth in our state is negative again. Gambling-- the gaming industry is not a business for-- are not in the business for the fun of it. Casinos and all the advertising are ultimately bought and paid for by people: moms and dads and grandparents. The method of the gaming industry is not to sell a product, but to figure out how to more effectively attract more people to and more efficiently harvest paychecks and Social Security checks.

**LARSON:** [01:24:06] Please wrap it up, Mr. Anderson. We've got the red--

**GLEN ANDERSON:** [01:24:08] One more sentence.

**LARSON:** [01:24:08] We've got the red light.

**GLEN ANDERSON:** [01:24:08] This would be a way to not only let the-- the camel's head into the tent but it would guarantee that that camel would be there to eat our lunch for the rest of our days.

**LARSON:** [01:24:19] Thank you, Mr. Andersen. Do I see any questions from the committee? Seeing none, thanks for coming today.

**GLEN ANDERSON:** [01:24:27] Thank you.

**LARSON:** [01:24:28] Take the next opponent. Welcome back, Ms. Fairchild.

**LORETTA FAIRCHILD:** [01:24:44] My name is Loretta Fairchild, F-- L-o-r-e-t-t-a F-a-i-r-c-h-il-d. Thank you to each of you for your willingness to serve Nebraska as a senator. A

key part for viewing any piece of legislation is this: Every action taken by the Legislature will create losers as well as winners. And every action not taken by the Legislature will also create losers and winners. You all know about the so-called law of unintended consequences. Would it be possible to get each of you to start using that as a central focus as you deliberate on all proposals, including this one? The key problem to focus on for this proposal is that it is really bad tax policy to put where the money will be spent into the bill that creates the tax itself. And it is bad in any regular bill, but it is supremely bad to build such percentages into the constitution, which you all know very well is to contain bedrock principles not the flavor of the month on spending needs or tax policies. Do any of the rest of you remember when casinos were moving across lots of states back in the '90s? The sweetener was the three E's: education, elderly, and the environment. Property tax is the flavor du jour. Just remember, all references to taxes when in gambling bills are marketing ploys. They are used as sweeteners to get you to vote for something that lacks its own inherent worth. As a culture, we need to remember that all profit-making opportunities are not created equal, which is the essence of the keno discussion earlier. Thirty-odd years ago we still remember that taxes were put on things like alcohol and tobacco to help decrease their usage, not to raise revenues to close a budget shortfall. The common term was "sin taxes" but since then, could it be that we've sort of erased sin from our understanding of human nature? So if I can make money doing this, then it's a great business opportunity and no further questions need to be asked, regardless of how many get hurt. The taxes on gambling are still sin taxes. "Sumptuary" is the official term, if you like that better. These are not a wonderful, costless way to raise revenues. I'll come back if you have-- still have time. I personally am very interested in promoting genuine and creative economic development for more rural areas. How can we break down the glass wall that seems to exist between rural and urban groups in order to improve the willingness among those in Lincoln and Omaha to substantially increase funding for both rural and tribal needs? I think there's a desperate need. In conclusion, please leave this proposal in committee until you have received lots more information from experts on who the likely losers will be and who are those hoping to be the winners. Thank you. Reactions?

**LARSON:** [01:27:58] Thank you, Ms. Fairchild. Senator Thibodeau.

**THIBODEAU:** [01:28:02] Thank you, Chairman Larson. Thank you, Ms. Fairchild, for your testimony. I know you were speeding up there at the end. So I wanted to ask, because part of your testimony talks about costs of regulation, and so I just wanted--

**LORETTA FAIRCHILD:** [01:28:02] Yes.

**THIBODEAU:** [01:28:02] --to give you the opportunity to speak on that.

**LORETTA FAIRCHILD:** [01:28:19] Thank you. The cost of regulation will be huge and growing. This is an issue that Nebraska has yet to address at all. The-- again, the degree of regulation that is needed for running a farm operation is significant, but it's nothing compared to what the degree of regulation that's needed in a cash-based business, which most of this is. And as gambling is moving on, casinos are pretty old hat, frankly; the younger generation isn't too interested. The wave of the future, which is already here, is Internet gambling. The-- the necessary framework to regulate all of that is massive. Our existing horse-racing operations and the keno-type things are not adequately regulated. It's very, very minimal because Nebraskans are loath to put any money into that. But we need serious look at what is the regulatory framework? All the previous gambling legislation that has come through has just said Revenue Committee will take care of this.



They don't have the staff. They don't have the expertise. They know nothing about regulating Internet gambling. We have to get serious about those costs, which will fall on the state. Cities-- all levels of government become addicted to whatever tax sources are existing. The first-- the first dialogue here was a totally beautiful example of why it will be detrimental to the functioning of government in this state, including costs of regulation, as well as the detrimental impact to the economics. The issue here when you simply say, hey, this business is making X dollars, you have to look at-- and it's the hypothetical, which is what you can't come up with. What would be going on in Iowa if that money that went through casinos were, in fact, spent on community betterment projects, better tourist efforts? There's all sorts of other things that could be being done. And we-- but we tend to focus on the money that's coming in.

**THIBODEAU:** [01:30:48] Thank you.

**LARSON:** [01:30:48] Thank--

**THIBODEAU:** [01:30:49] I have no further questions, Mr. Chairman.

**LARSON:** [01:30:50] Thank you, Senator Thibodeau. Seeing no further questions, thank you for coming today, Ms. Fairchild.

**LORETTA FAIRCHILD:** [01:30:56] Thank you.

**LARSON:** [01:30:59] Welcome back, Ms. Loontjer.

**PAT LOONTJER:** [01:31:11] Good afternoon, Senators. Hopefully this is our last gambling bill that we'll be discussing for awhile. But I represent Gambling With the Good Life. And Gambling With the Good Life has been in existence since 1995. We drew the line in 1995 and said we, as a grass-roots organization, would be opposed to any expanded gambling. Things that we heard talked about today, keno and horse racing and pickles and all of that, was already in existence before 1995. And it is extremely difficult to roll anything back after it's been put into effect because, just like we heard from the testimony today from the different cities and communities, they almost become addicted to that revenue that comes in. And if it doesn't come in, then it's going to be higher taxes for the community. And this bill, this constitutional amendment, is just "Katy, bar the door." It-- it just opens us up to everything that would be available at the time, you know, that it would pass. It is a constitutional amendment. Many Nebraskans almost believe that our constitution is a sacred document. If it ain't broke, don't fix it. It's a very serious thing to change the constitution, which is the reason it needs to go to the ballot for the-- for the people to decide. This issue has been on the ballot twice and it was soundly defeated both times. And then in 2015, there was another attempt to put it on the ballot and they raised a million dollars to gather the signatures to put that on the ballot and they fell far short. It did not arrive. They could not get the signatures. So we believe the people have spoken. And you could talk about the money and you can talk about, well, Council Bluffs is getting the money from Nebraska. But, you know, we're talking about the lives, you know. We don't believe it's a financial advantage. The three to one is not the financial advantage we'd like to see, but we're talk-- we're more concerned about the families and the lives that are going to be affected by expanded gambling. We have files of calls and letters and people who have told us of experiences where they've been devastated. You know, businesses have been embezzled and so many things. So that's our main purpose of Gambling With the Good Life is we care about the quality of our life in Nebraska. I believe we are "The Good Life" state. We'd like to see it stay that way. And we don't

believe that a constitutional amendment of this magnitude is necessary. We hope and pray that you will keep it in committee. It's a short session, you've got a lot on your plate. You know it's going to be filibustered, it always has been. You've got better things to do. You know, I-- you wouldn't be here if you didn't care about your constituents and the people and that's what we're asking you to think about when you-- when you vote for this particular--

**LARSON:** [01:34:12] Thank you, Ms. Loontjer. Any questions from the committee? Senator Wayne.

**WAYNE:** [01:34:16] Thank you for being here today. It goes back to the original question I asked. With us in Nebraska living so close to places that can gamble, particularly in Omaha, would you agree that we get the social issues from--

**PAT LOONTJER:** [01:34:37] Oh absolutely. Absolutely. You know-- well, the example that we use is that if-- if your garage was on fire, would you pour gasoline on your house? Because we do have the problem of Council Bluffs, and all three of those are owned by Las Vegas, so the money is just being filtered through. But to change-- what this intends to do, and to spread that all the way across the whole state of Nebraska, is just unthinkable.

**WAYNE:** [01:35:04] So would you be in favor of limiting it to just Omaha?

**PAT LOONTJER:** [01:35:07] I don't believe it can be. And no, because we are opposing the Ponca casino in Carter Lake also.

**WAYNE:** [01:35:13] So I don't agree with the same analogy. But if we're feeling the social ills of Council Bluffs, why not reap some of the benefits of the dollars that we already are feeling from gambling? For example, there's a whole bunch of north and south Omaha kids who go over and play at the Iowa West-- Iowa West Center six-lane basketball court, basket-- foot-- volleyball court every day, especially on Saturdays and Sundays. You can go over there and see over 100-plus kids over there. They're getting benefits that could-- easily we could have in Omaha.

**PAT LOONTJER:** [01:35:45] OK, let me question that, because the Iowa West Foundation was, from what I've been told, was grandfathered into Council Bluffs. It cannot be done again. This particular bill that we're talking about today, any profits from gambling that were reaped would go into General Fund, whereas the Iowa West Corporation receives a percentage. They get to be Santa Claus--

**WAYNE:** [01:36:06] Correct.

**PAT LOONTJER:** [01:36:06] -- and they do get to do nice little things like the baseball teams and the, you know, different things which they have their name all over. That's not the question with this. This is General Funds. This is not going back to community betterment or--

**WAYNE:** [01:36:20] I'm having a conceptual conversation with you, yes. It's because I'm trying to figure out where-- because the bill can be amended to be presented however it looks on the floor. So are you just adamantly opposed to, nothing in-- nothing in expansion gambling, even if we can frame it to where you're within a current-- of 20 miles of a current casino?

**PAT LOONTJER:** [01:36:40] No. I don't think there's anything you could do that would sweeten the pot of expanded gambling, as far as our organization is composed. We are opposed to expanded gambling. We believe that it hurts families, it hurts businesses, and we don't-- we see no benefit in expanded gambling.

**WAYNE:** [01:36:56] And I don't necessarily disagree with you. I'm just trying to figure out-- if we have those social ills in my district, I have nothing on the other side to offset it, according to you.

**PAT LOONTJER:** [01:37:06] And I suggested that we take the bridge down and they couldn't-- they'd have to swim across the river. But then there was a senator that accused me of terrorism, so.

**WAYNE:** [01:37:15] I'm trying to build a new bridge across the river, so it's OK.

**PAT LOONTJER:** [01:37:15] I-- you know, it's unfortunate they're there, you know. We're separated by a river and that's it.

**WAYNE:** [01:37:22] Thank you.

**LARSON:** [01:37:23] Thank you, Senator Wayne. Seeing no further questions, thank you for attending, Ms. Loontjer. Do I have any further opponents? Seeing none, neutral? Welcome back, Mr. Geier.

**DAVID GEIER:** [01:37:43] Thank you, Chairman Larson. My name is David, D-a-v-i-d, Geier, Ge-i-e-r, director of the Nebraska Gamblers Assistance program. I'm testifying today neutral on this proposal. The Commission on Problem Gambling is not an advocacy organization. One of our statutory duties is to gather facts about gambling and gambling addiction in Nebraska and report to this committee, the Governor, and the Legislature and the Nebraska public. I want to make two points today for you. First of all, it takes a lot of gambling to produce any substantial amount of government revenue. Secondly, more gambling will mean more problems. It will take more than 2 percent of gambling revenue, the amount suggested in this resolution, for the Commission on Problem Gambling to deal with the consequences. My first point, gambling to generate government revenue, the expanded gambling would likely be in casino. We can look to Iowa and Kansas for examples. Iowa has had casino gambling for 25 years. They have 19 casinos run by for-profit companies, 16,000 slot machines in Iowa. Kansas has four casinos; first one opened in 2009, fourth one just about a year ago. The gambling commissions for these states publish annual reports. Iowa: \$9.6 billion gambling in one year, \$1.45 billion lost by gamblers, that is, the amount kept by the house after the winnings are paid out. The gamblers leave \$1.45 billion behind; out of that, \$332 million government revenue. Kansas; \$4 billion a year gambling in those four casinos; gamblers left \$400 million in the house; Kansas state government got \$107 million. In order to generate \$300 million of government revenue in Iowa, they had to have \$9.6 billion of gambling in 19 casinos. Nebraskans who have lost a lot of money gambling and cannot staff-- stop, no matter the cost, come to us for help. The Gamblers Assistance Program is the only source of paid counseling for Nebraskans diagnosed with gambling disorder or gambling addiction. Payment for counseling for this disorder is not covered by health insurance, Medicaid, Medicare, or any other source. We are the only source. There is no typical Nebraskan addicted to gambling; they come from all over the state, all ages, levels of education, employment, occupation, income, across the board. It is a cross-section of Nebraska. We ask our clients when they first gambled. Over half of them started by the age of 20, some, 11 percent, as young as 10 or 12 years of age. We believe that a consumer

protection initiative is necessary. We cannot do it with our current budget. You'll hear LB679 in two weeks. We'll be asking you to consider increasing our budget so that we can provide what we need to provide at the direction of this Legislature in the bill that created the Commission on Problem Gambling. Before any major expansion occurs in Nebraska, problem gambling services has to-- have to be in place ahead of time. We're there to do that. So when you consider LB679 in two weeks, consider our budget problem. Secondly, tonight at 9:00--

**LARSON:** [01:41:25] Please wrap it up.

**DAVID GEIER:** [01:41:26] -- Nebraska Public Television, watch "Growing Old Gambling," a documentary about gambling in Nebraska. That's all.

**LARSON:** [01:41:32] Thank you. Thank you, Mr. Geier. Questions? Senator Thibodeau.

**THIBODEAU:** [01:41:35] Thank you, Mr. Chairman. It'll be a short question. What is your current budget?

**DAVID GEIER:** [01:41:38] \$1.8 million.

**THIBODEAU:** [01:41:40] Thank you.

**LARSON:** [01:41:40] Thank you, Senator Thibodeau. Senator Blood.

**BLOOD:** [01:41:43] And so the second part of that question, then how many do you serve with that \$1.8 million?

**DAVID GEIER:** [01:41:47] Right now, typical month, we'll be seeing about 250 clients for outpatient counseling.

**BLOOD:** [01:41:54] So all those 250 clients in a month, what does that add up to a year? Are they repetitive? Are you saying that you average two-- 250 new clients per month?

**DAVID GEIER:** [01:42:03] People cycle through. They come in, they go out, they drop out. There are a lot of dropouts. Over a year's time, it'll run about 300 to 350 that have come through the doors. Some stay for prolonged periods, some leave shortly.

**BLOOD:** [01:42:17] So, \$1.8 million, anybody have a calculator? What is that per person?

**DAVID GEIER:** [01:42:22] Well, the \$1.8 million covers a lot of things. The budget that we have today has an earmark, \$1.1 million earmarked for counseling services. We also have \$300,000 earmarked for prevention education activities. We've also got some overhead for the office and the staff. So \$1.1 million is covering the counseling services that we give over a year's time.

**BLOOD:** [01:42:45] And how much is the counseling and the staff? How much is the staff? I'm sorry.

**DAVID GEIER:** [01:42:50] That's me, \$71,000 a year--

**BLOOD:** [01:42:54] Wow.

**DAVID GEIER:** [01:42:54] -- and Anne McCollister, \$40,000 a year. And then we have to pay rent for our space and technology and that sort of stuff too.

**BLOOD:** [01:43:04] What do you pay for rent?

**DAVID GEIER:** [01:43:06] We pay the rent out of our budget.

**BLOOD:** [01:43:08] How much?

**DAVID GEIER:** [01:43:10] Five hundred and twenty-five a month.

**BLOOD:** [01:43:12] You know what your square footage is?

**DAVID GEIER:** [01:43:14] It's-- it's a room in the Ferguson House owned by Game and Parks Commission of the State of Nebraska. I haven't calculated the square footage. We've got a little porch that's been destroyed, but--

**BLOOD:** [01:43:30] And how much of an increase are you asking for?

**DAVID GEIER:** [01:43:33] The increase that we're asking for in LB679 would be an increase to come out of the Charitable Gaming Operations Fund, the Charitable Gaming Tax. You heard about that with the keno proposal that was before you earlier today. The-- that tax generates today about \$5.3 million per year; 60 percent of that goes to the General Fund, 40 percent to Charitable Gaming Operations. We get \$50,000 out of that \$5.3 million. We'd like to increase that share without changing the rate of tax or without changing the-- anything about the other operations, keep the Charitable Gaming Operations going the way they are. If our proposal were accepted, the budget for our program would be increased by about \$800,000-- or the revenue, I mean, the revenue, not the budget.

**BLOOD:** [01:44:27] So you said that this was neutral testimony. Was this really neutral or was it a plug for LB679?

**DAVID GEIER:** [01:44:38] It's a plug for the Gambler Assistance Program, of course it is. I'm not going to try to tell you otherwise. On this proposal here, though, the proposal to expand gambling by adding-- by authorizing the Legislature to get into further gambling activities, the commission does not take a position, pro or con.

**BLOOD:** [01:44:57] Can I ask how many hours a week you work?

**DAVID GEIER:** [01:44:59] I'm sorry?

**BLOOD:** [01:45:00] May I ask how many hours a week you work, you personally?

**DAVID GEIER:** [01:45:05] Oh, 40 to 50, something in there. It's full-time.

**BLOOD:** [01:45:11] Do you also get benefits?

**DAVID GEIER:** [01:45:12] State standard employee benefits, health insurance, retirement, yes.

**BLOOD:** [01:45:15] In addition to the \$70,000?

**DAVID GEIER:** [01:45:18] Yeah, the state benefit package is provided by the personnel standards for the state of Nebraska.

**BLOOD:** [01:45:27] When people were asked to make budget cuts, did you make any budget cuts within your organization?

**DAVID GEIER:** [01:45:34] Well, we cut back on some of the spending. We have adhered to the Governor's request, for example. Let's say, for example, no unnecessary travel; I cut out a couple of convention trips that I might have gone on. The rest of it has been based upon the fact that we're-- we're performing what the Legislature wanted us to do in 2013, which was to expand counseling services, add new counselors, train new people to come into the field. We've continued to do that. We haven't stopped training. We haven't stopped trying to get people to seek help when they need it. We haven't tried to do that at all. Now if we have to cut back, we'll start rationing services. That's what we'll do.

**BLOOD:** [01:46:23] Not cutting back on wages-- or you'd do-- you'd cut services before wages?

**DAVID GEIER:** [01:46:27] Well, I'll volunteer for a pay cut if that will-- if that will satisfy the Legislature. The pay-- the pay for the position of the director of this program is commensurate with the pay for director positions in other small programs around the state.

**BLOOD:** [01:46:47] But our cost of living in Nebraska is exceptional, so you have to make sure you compare it to programs that have a comparable economic base.

**DAVID GEIER:** [01:46:54] I'm talking about comparability among state agencies in the state of Nebraska.

**BLOOD:** [01:46:59] I don't want to get us off task, but I was just curious that you were coming in as neutral and why. And To me it didn't sound like you were coming as neutral.

**DAVID GEIER:** [01:47:06] Well, the Commission on Problem Gambling realizes that gambling is here to stay. A lot of people gamble. And as a matter of fact, most people gamble with no problems. The ones who come to us are the ones who are in serious trouble. The-- for example, 25 percent of the people who come to our program are contemplating suicide. That's about six times the rate in the general population. It's an-- it's an extremely serious situation. The problem gamblers, 39 percent of their household debt is gambling debt. These people are borrowing money to gamble. They borrow money to play keno. Keno produces nearly as many addicted gamblers as the casinos in Council Bluffs. Keno addicts score worse on the gambling severity scale than slot machine addicts.

**BLOOD:** [01:47:59] So if I hear you correctly, you oppose this bill.

**DAVID GEIER:** [01:48:04] My personal opinion is not an issue here. What counts--

**BLOOD:** [01:48:07] But it is because you keep saying-- you keep listing the reasons you oppose this bill. So I-- with all due respect, sir, this is not neutral testimony.

**DAVID GEIER:** [01:48:15] Well, it's neutral from the standpoint that it is up to the Legislature to decide what to do about proposals like this. The Commission on Problem Gambling is an executive branch agency. Executive branch agencies do not, or ought not, try to tell the Legislature what to do. Senators decide what to do. Agencies provide information and answer questions. We do not promote Legislation, we do not oppose Legislation. We are here to answer questions and inform the Legislature. And that's it.

**BLOOD:** [01:48:49] But you said more gambling will mean more problems. That's a statement of opinion.

**DAVID GEIER:** [01:48:54] It seems to be almost self-evident that if you offer more of an addictive behavior there will be more addiction.

**BLOOD:** [01:49:01] I hear what you're saying, sir. I still say I view this as an opposition, not as a neutral.

**DAVID GEIER:** [01:49:06] I understand your point of view, Senator.

**LARSON:** [01:49:10] Thank you, Senator Blood. I understand what you're trying to get at. Any further questions?

**WAYNE:** [01:49:18] Can you-- I don't have a question, just more follow-up.

**LARSON:** [01:49:20] So you do have-- Senator Wayne.

**WAYNE:** [01:49:20] Can you send more information on some of the stats you were just saying about the type of individuals you treat, the causes of it, like about the keno and all-- I would just like to-- if you could send it to general-- legal counsel and we can-- I'd just like to read it, that's all. Thank you.

**DAVID GEIER:** [01:49:40] I have some graphs I'll send you.

**LARSON:** [01:49:44] Thank you, Senator Wayne. Seeing no further questions, thank you, Mr. Geier.

**DAVID GEIER:** [01:49:46] Thank you.

**LARSON:** [01:49:50] Do I have anybody else in a neutral testimony? Seeing none, that will close the hearing on LB-- or LR294CA and it'll also the hearings for today. Senator Quick has asked me to Exec on his LB984 in the next few days, so-- that's the one he introduced today, so legal counsel will get something to you guys, or committee clerk, and it will be either Wednesday or Thursday morning. I don't like to do it without 24 hours' notice.