

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

LINEHAN: Good afternoon. Welcome to the Revenue Committee public hearing. My name is Lou Ann Linehan. I'm from Elkhorn, Nebraska, and represent District 39, Legislative District 39. I serve as Chair of this committee. The committee will take up bills in the order posted. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. If you are unable to attend the public hearing and would like your position stated for the record, you must submit your res-- written testimony by 5:00 p.m. the day prior to the hearing. To better facilitate today's proceeding, I ask that you abide by the following procedures. Please turn off your cell phones and other electronic devices. Move to the chairs in front of the room when you are ready to testify. The order of the testimony is introducer, proponents, opponents, and neutral testimony and then closing remarks. If you will be testifying, please complete the green form and hand it to the committee clerk when you come up to testify. If you have written materials that you would like to distribute to the committee, please hand them to the page to distribute and I'll introduce the pages in a moment. We need 11 copies for all the committee members and staff. If you need additional copies, please ask the page to make copies for you now. When you begin to testify, please state and spell your names for the record, both your first and last name. Please be concise. It is my request that you limit your time-- how many testifiers do we have today-- plan on testifying, raise your hand. OK, we'll go with four minutes total, so you'll have three minutes on a green light and then one minute on the yellow light, and by time the yellow light's done, you should be finished. If your remarks reflect-- reflected in the previous testimony or you would like your position to be known but do not wish to testify, please sign the white form at the back of the room and it will be included in the official record. Please speak directly into the microphones so our transcribers are able to hear-- hear your testimony clearly. I would like to introduce the committee staff. To my right is our legal counsel, Mary Jane Egr Edson. And to my left is our research analyst-- analyst Kay Bergquist. At the far end of the table at my left is our committee clerk, Grant Latimer. And now I would like the senators on the committee to introduce themselves. Senator Kolterman will be late as he's introducing a bill in another committee, so we can start with Senator Groene.

GROENE: Senator Groene, District 42, Lincoln County.

LINDSTROM: Brett Lindstrom, District 18, northwest Omaha.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

FRIESEN: Curt Friesen, District 34, Hamilton, Merrick, Nance and part of Hall County.

McCOLLISTER: John McCollister, District 20, Omaha.

CRAWFORD: Good afternoon, Senator Sue Crawford, District 45, which is eastern Sarpy County.

BRIESE: Tom Briese, District 41.

LINEHAN: Our pages are-- if they would stand up. Noa from Central City, Nebraska. She's at Doane majoring in history and political science. And Erin, who's from Lincoln, Nebraska, and she's also at Doane majoring in political science, law, politics and society. Please remember that the senators may come and go during our hearing as they may have other bills to introduce in other committees. Please refrain from applause or other indications of support or opposition. I'd also like to remind our committee members to speak directly into the microphones. Also for our audience, the microphones in the room are not for amplification, but for recording purposes only. Lastly, we are an electronics equipped committee and information is provided electronically as well as in paper form, therefore, you may see committee members-- members referencing information on their electronic devices. Be assured that your presence here today and your testimony are important to us and are critical to state government. So with that, we will open on the nomination of James Kuhn. Is James here, there he is. Sounds like a fun position with the Tax Equalization and Review Commission.

JAMES KUHN: That's exactly what it is. Oh, thank you, Senator Linehan, and thank you, members of the Revenue Committee. You would might already know, my name is James Kuhn, J-a-m-e-s K-u-h-n, and I'm here today asking for your confirmation of my reappointment to the Tax Equalization Review Commission. I started on the TERC Commission, September 1, 2017. I finished up the balance of retiring Commissioner Nancy Salmon. So I finished up her two years and now going for reappointment. So I'm currently the Vice Chair on the Tax Equalization Review Commission. I'm-- a little bit about me. I live in Grand Island, District 34, the small piece of Hall County that Senator Friesen has, although my neighbors across the road are District 35. So I'm right on the line. Prior to being appointed commissioner, I worked at Adams County Assessor's Office in Hastings, Nebraska. I've worked there for 15 years as appraiser. So I do have quite a bit of the appraisal and assessment background for the job that this has. I've enjoyed my time as commissioner in the short time I've been here for the two years, holding hearings as a single commissioner, and being

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Revenue Committee January 30, 2020

second chair on the panel hearings in Lincoln and also throughout the state. I believe the commission plays an important part in the property assessment process by providing an avenue of appeal of decisions of the county boards for not only the taxpayers but for the assessors as well should either party disagree with what the county board has done. So we make sure that every person that comes before the commission gets a full and fair hearing and in front of an impartial body. And I will continue to provide such a forum for our citizens of Nebraska. So with that, I'd be happy to take any questions that you might have.

LINEHAN: Thank you very much, sir. Are there questions from the committee? Senator Friesen.

FRIESEN: Thank you, Chairwoman Linehan. So in your short amount of time there, are there things that could be done to make the process go quicker, because I know there is a pretty good backlog. I'm not sure what causes it. I mean, we talked of raising fees, so what do you see as a process to speeding up that?

JAMES KUHN: Well, actually kind of implemented something this year to kind of help. You mentioned the backlog and it kind of seems like there is, but basically by the time we get somebody's appeal, we're already a year behind before we get it. We get it at-- they-- they protest in June and July of 2019 say, we don't get that in our system or actually in the mail until September and then we have to make sure the filing fees there, the correct forms are filled out, and just verify everything and then get it in our system. So it's-- it's later in the year before we even get to the 2019 appeals, so. And then there's also the given notice, 90 days on the panel hearings, 30, 45 days on the single commissioner hearings. So there is a backlog but there's a number of them that comes in and hits us all at once, and we're trying to-- we're trying a couple little different things to get those in our system faster. Whatever you do, faster on one end kind of clogs up at the other end a little bit, so we're still refining the process, but we're doing everything we can coming up with something new-- new ideas to get that done.

FRIESEN: And do most people show up for their appointment?

JAMES KUHN: A good number do. We still do have quite a number that do not show up. Last week I had one day with one county that was seven appeals in one day and only two people showed up.

FRIESEN: OK. Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

JAMES KUHN: Sure. Thank you.

LINEHAN: Thank you, Senator Friesen. Senator McCollister.

McCOLLISTER: Yeah, thank you, Madam Chair. In that same regard, if there's things that you could see that would change the operation of your board statutorily, let me know, because we have a bill that-- on the docket right now that would-- if you've got some ideas that would improve the operation, I'd love to hear from you.

JAMES KUHN: Absolutely. We would-- and we would-- we actually do kind of talk amongst each other and see if there is something new, and we do listen to the outside as well should anybody else have any ideas and some are plausible and some just aren't, but we would definitely-- definitely get with you and see if we could make the system a little better.

McCOLLISTER: Great.

LINEHAN: Thank you, Senator McCollister. Senator Groene.

GROENE: Thank you, Madam Chairman. When you rule that the valuation is too high, the county then must reassess it, is that correct?

JAMES KUHN: Yes, they-- they-- we have a number that we put that-- that it needs to be valued at and then the county will go to that value that we--

GROENE: But then the following year the assessor can just do it again, right?

JAMES KUHN: The assessor each year stands on its own. So if we only have one year before us, that's all that we have the jurisdiction to take care of.

GROENE: Do you have any authority over making-- how does the taxpayer get his refund if he was overtaxed for a year? Do you have any authority to mandate that the county refunds then tax dollars?

JAMES KUHN: Well, you're talking to the appraiser on the commission, the other two are attorneys. I don't believe that we have any jurisdiction over the refund or anything like that in how they get--

GROENE: Or you don't follow up on that, your TERC doesn't follow up on to make sure the taxpayer is made whole?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

JAMES KUHN: No, we don't-- we don't let-- follow up on anything like that.

GROENE: Thank you.

JAMES KUHN: Thank you.

LINEHAN: Thank you, Senator Groene. Are there other questions from the committee? Thank you very much for being here. Appreciate it.

JAMES KUHN: Thank you for your time. Appreciate it.

LINEHAN: Thank you. Are there any proponents for this appointment? Are there any opponents? Is there anyone wishing to testify in a neutral position regarding this appointment? If not, I would close the hearing on the appointment of Mr. Kuhn to the Tax Equalization Review Commission and we will open the hearing on LB905, Senator DeBoer's imposed sales tax, excuse me, provide for a fee on single use checkout bags and for a program to provide reusable checkout bags to the public.

DeBOER: Good afternoon, Chair Linehan, and members of the Revenue Committee. It's an honor to be before you for the first time. My name is Wendy DeBoer, W-e-n-d-y D-e-B-o-e-r. I represent District 10 in northwest Omaha and Bennington. Today, I'm pleased to introduce to you LB905, a bill about plastic bags. This bill came to my attention through the work of a class of extraor-- extraordinary students at one of the high schools in my district, Northwest High School, whose specialty is law, government and international diplomacy, so. You may see I have some folks here with me today. I spoke to Rachael Arens and her enviro-- AP environmental science class early in the year and they presented to me their concerns about the thin, filmlike plastic bags such as the ones you get in a grocery store. My understanding is that some of them were involved in the efforts around plastic bags in Omaha and they were disappointed when the law was not enacted. I brought this bill to give them an opportunity to help-- to let them help shape our understanding of the issue here in Lincoln in their state government. After talking to the class the first time, I decided one morning to count the plastic bags I could see on the side of the road as I drove between Omaha and Lincoln. I stopped counting at 32 and I hadn't even gotten very far. We all know that plastic bag litter is a problem, whether stuck on trees or fences, blowing around on the road, or just on the ground. There are environmental consequences of too much plastic bag usage, and I've learned since starting this project that livestock and horses can be killed from ingesting the bags. In my house, I have a bag of bags in my pantry cub-- cupboard at home and I

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

don't know what to do with them. I bet almost everyone in this room has such a collection. I've often forgotten to bring my reusable bags to the grocery store, I admit, and sometimes I end up with an extra hour and go to the grocery store unplanned and unprepared. We don't want these things hanging around in our house or littering our street, but it's hard to change against the convenience of having those plastic bags available when we want them. This is an attempt at a first step to alleviate the problems from overuse of plastic bags. This bill is not trying to ban outright plastic bags. I understand that some folks have good secondary uses for the bags that they get at the grocery store. And the students told me from their research that the better way to go was to charge a small fee for plastic bags to offset the cost of things like having to clean up the litter, to encourage consumers to make another choice, and to help stores transition to more sustainable choices. The fiscal note on this bill proves out the students' belief that this sort of fee will lead to long-term changes in our consumer behavior. If you look at the fiscal note, you see that the first year's revenue collected will be biggle-- bigger than the following years as consumers choose to use fewer bags. Under LB905 there is a five-cent charge for each particular bag, each bag of a particular thickness, with some exceptions charged at the point of sale, three cents of which will go to the General Fund, one cent each goes to a fund to pay for canvas or other reusable bags to be given free of charge to the public administered by the Department of Environment and Energy, and one cent to the stores who collect the fee for their costs to administer the program. Some folks-- some folks have voiced concerns to me about low-income folks and this sort of fee, but under LB905, paper bags are still a choice with no fee and reusable bags would be available to folks who want or need them. The issue of public-- of plastic litter and excessive use of these thin, filmlike plastic bags is one which I believe will be increasingly problematic. We have here an opportunity to begin to address the issue. Thank you for taking the time to consider this bill, and I'll be happy to answer any questions now or at the end of my closing.

LINEHAN: Thank you, Senator DeBoer. Are there questions from the committee? Seeing none, you'll be here to close?

DeBOER: Yes, I will.

LINEHAN: The first proponents.

GRACE CARPENTER: Good afternoon, Chairperson Linehan, and members of the Revenue Committee. My name is Grace Carpenter, G-r-a-c-e C-a-r-p-e-n-t-e-r. I am here to support my voice for LB905. All of us here come from different parts of Nebraska, some rurals, some city,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

and some suburban. However, we are all united in our common love for our beautiful state and the people who are-- live in it. We have come today to help our state and its citizens from the effects of plastic. We all are used to receiving the free plastic bags at the checkout counter, but many states are moving towards a fee for the single use bags. In this bill, we are proposing just that, a five-cent fee for single use plastic bags at retaining stores. The five cents is broken into three different sections where these funds will be used. The first is one cents will be kept at the store for each bag purchase. The aim of this one cent is to help give back to stores for any inconvenience or fees of implementing this new policy. Also, retailers spend about 4 billion to plastic bag producers, so this funding can help retailers reduce that amount and incentivize their buy-in to the program. Next, three cents will be placed into the Nebraska General Fund. This will help increase the income for the state to reduce Nebraska's deficit to use to improve Nebraska and make it a better place for its residents. Finally, the last cent will be given to the Plastic Bag Reduction Fund, which will be created within the Department of Environment and Energy. The goal of this fund is to produce reusable plastic bags to be given out to Nebraska residents to help encourage a sustainable lifestyle no matter their economic status. Each of these five cents is influential into continuing Nebraska's development into a better future. So you may be wondering what a single use plastic bag is defined, and we define it as a plastic bag with a thickness of less than four mills that is provided by a for-profit store to consumers at point of sale. These bags do not include a bag to provide-- provided to contain meat, seafood, loose produce and other unwrapped food items and newspaper bag, a laundry or a dry-cleaning bag. We then define reusable bags as those provided by a store to a customer at point of sale having handles that is designed and manufactured for a minimum lifetime capability of at least 125 uses carrying 22 pounds over a distance of at least 175 feet being capable of being washed, cleaned, or disinfected at least 100 times, at least two mills thick and then contains recycled content materials. The handout contains these details that I just described. If you have any questions, feel free to ask. Thank you.

LINEHAN: Thank you very much for being here. Are there any questions from the committee? Seeing none, thank you very much.

GRACE CARPENTER: Thank you.

LINEHAN: Next proponent, please.

VICTORIA CLAY: Good afternoon, Chairperson Linehan, and members of the Revenue Committee. My name is Victoria Clay, V-i-c-t-o-r-i-a C-l-a-y,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

and I am testifying in support of LB905. There are two considerations, fees or bans. Which one is better for Nebraska? Due to the previous experience of other states, we decide that the best way to reduce plastic bags in Nebraska is through the implementation of a fee. Chicago is the best example yet. The state first implemented a plastic bag ban on thin plastic bags, but the ban resulted in stores offering thicker bags as an alternative. Along with that, the sales of thicker plastic rose as people began to purchase them from stores. Due to this problem, Chicago later repealed the ban and switched to a fee. Through the fee the usage of plastic bags in Chicago decreased by 40 percent. Switching to a fee was an obvious success compared to the automatic bag ban on the thin plastic bags. We know for a fact that many have become dependent on plastic bags, so eliminating the usage of plastic bags overall would just result in a bigger mess. Some have asked us, does the one cent fee for retail stores cover bag costs? Right now, plastic bags cost one and two cents per bag to make and paper bags cost four to five cents per bag, according to the New York Times. Right now, this cost is paid for by the retail stores and stores are not getting any return back. This one cent will help them make a return on their costs. Also, the entire point of this program is to encourage the use of reusable bag, not switch to paper. The Department of Energy and Environment will have to address this behavior change in stores through outreach. However, we must not only focus on the internal cost of bags, but also the external costs. Bags end up costing the state a lot of money because they get jammed in recycling equipment, clog storm drains and must get transported to landfills. According to the Wall Street Journal, the city of San Jose saved one million after implementing a plastic bag fee because the reduction in plastic bags made it so they did not have to fix a jam, recycling meant-- machinery ended and had to pay for the clog storm drains. They also save an estimated 318,000 in landfill costs. If Nebraska implements a fee, though, the state will not only become a cleaner and more environmentally friendly place, but it will help the growth of Nebraska economy with the money that is being collected. The money would definitely benefit Nebraska more than it does to damage it. One of the way the fee is a better alternative than a ban is that the state can use the money in sectors that are financially burdened. This way, the state is not only gaining smart money, but helping the citizens throughout the entire process as well. It is a win-win. If you have any questions, please feel free to ask. Thank you.

LINEHAN: Thank you very much. Are there any questions from the committee? Senator Crawford.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

CRAWFORD: Thank you, Chairman Linehan, and thank you, Ms. Clay for being here. Do you know if any other-- do you know-- what other states have a fee?.

VICTORIA CLAY: Currently right now it's just Chicago, Washington, and then I know that California just have a ban so far.

CRAWFORD: Thank you.

LINEHAN: Other questions from the committee? Thank you very much for being here today. Next proponent.

ALANA FREEBURG: Good afternoon, Chairperson Linehan, and members of the Revenue Committee. My name is Alana Freeburg, A-l-a-n-a F-r-e-e-b-u-r-g, and I am testifying in support of LB905. The financial implications of LB905 are important to consider. In 2012, Boulder, Colorado, they saw population of 102,053 people implement a 10-cent fee on plastic bags. In 2013, they saw a 70 percent decrease in the use of plastic bags and had raised one million dollars in one year. In contrast, a 10-cent fee per bag, programs implemented in Connecticut. In 2019 there was \$7 million versus an anticipated 27.7 million because so many people were not purchasing and using single use bags. A third example documents, Washington D.C. generating around 2 million per year in revenue while customers-- or consumers reported a reduction in plastic bag use by 75 percent. The factors of population bags thrown away versus recycled and bags not purchased due to the imposed fee can vary widely between states and communities that have implemented fees. Based on the averaging of existing data, we estimate potential initial revenue of 5 to 10 million per year in Nebraska. Since the fee is an incentive to not use the bags, the revenue should drop over time as it did in Connecticut, but the highest amounts will be generated at the beginning when the payback to the stores needs to be highest to gain support for participation. And the plastic bag fund will produce reusable bags and educate the public on benefits of the program. The financial impacts of any new legislation are obviously important to Nebraskans, especially if they cause citizens more money or create financial or physical burdens. We believe that LB905 will be successful in helping Nebraskans switch to single-- switch from single use plastic bags to reusable bags. The fee is relatively low. Stores will be paid for their participation and ultimately save money purchasing fewer free bags. Lastly, Nebraskans will have a choice in their store bags, purchasing reusable bags, free bags as they have now, or free reusable bags developed through the Plastic Bag Reduction Fund. I'd be happy to answer questions. Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

LINEHAN: Thank you very much for being here. Are there questions from the committee? Senator Crawford.

CRAWFORD: Thank you, Chairman Linehan, and thank you for being here. Can you tell me just a little bit about how you came up-- how-- how the class came up with the idea of five cents. You mentioned some other places have ten.

ALANA FREEBURG: Yeah, originally, we had a seven cents fee and we were going to give 5 percent to the revenue, 1 percent to the stores, and then 1 percent to the education fund. But after talking with DeBoer, she suggested the 5 cent fee and we knocked it down a little bit.

CRAWFORD: Thank you.

LINEHAN: Other questions from the committee? Seeing none, thank you very much for being here. Next proponent.

NAKYA SHERROD: Good afternoon, Chairperson Linehan, and members of the Revenue Committee. My name is Nayka Sherrod, N-a-k-y-a S-h-e-r-r-o-d, and I am testifying in support of LB905. When we think about plastic bags, we don't normally see them as a threat due to their many positive uses. The truth about plastic bags though is that they aren't as safe as we may think. Plastic bags are harmful to our environment as well as the life within it. Studies have found that 25 percent of all fish being sold in supermarkets contain plastic debris. The bags not only harm our environment, but they also cause retails a great deal of money with the industry bringing in roughly \$4 billion per year, not including the \$80 per ton landfills make to dispose of the bags. Also, the University of Nebraska at Lincoln conducted a study and found that microplastics are heavily found in Nebraska wastewater treatment. After speaking with a Nebraskan civil engineer, we learned that most wastewater treatment plants are out of date in Nebraska, especially within rural areas, and will have to accommodate removing microplastics in the future. This may cause small towns a lot of money if they have to update their wastewater facilities to screen for microplastics. Therefore, we recommend a fee with the five cent minimum because research has shown that five cents is the minimum amount that keeps people from becoming immune to paying for the bags all while further in reduction by changing human behavior. To promote the program, the one cent towards free advice in education could allow the Department of Environment and Energy to advocate the use of reusable bags in social media, state TV commercials, and posters that can be put up in local schools and stores as well as around the neighborhoods to inform the public of this ongoing worldwide problem.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

If there are any questions you wish to ask, I'll be happy to answer them.

LINEHAN: Thank you very much. Questions from the committee? I have one. You said it, but I just want to go back and repeat it about what it-- the costs for the small towns, the water, I think is about halfway through your testimony. Can you just repeat that part?

NAKYA SHERROD: Doesn't really say like the amount.

LINEHAN: OK, I'm not-- I didn't hear-- it was the effect of microplastics. Are they saying that water treatment plants are having difficulty with them?

NAKYA SHERROD: No, not really. It's just the towns in their funding.

LINEHAN: I'm sorry.

NAKYA SHERROD: Just the towns in their funding. It's not really affecting--

LINEHAN: Right. OK. All right. Thank you very much for being here. Are there other questions from the committee? Thank you very much. Did a good job. Other proponents? Good afternoon.

LILLIAN HUGHES: Good afternoon, Chairperson Senator Linehan, and members of the Revenue Committee. My name is Lillian Hughes, L-i-l-l-i-a-n H-u-g-h-e-s, and I am testifying in support of LB905. Right now in America, we are using more plastic than ever before, and one of the largest reasons for that is the use of plastic bags. They're nearly everywhere at our local grocery stores, major department chain, and even in restaurants. These bags are considered single-use plastics, meaning that they're intended to be used once and simply thrown away. The more unfortunate fact about them is that they degrade over extremely long periods of time and ultimately become pollutants. As they make their way to landfills, waterways, animal habitats, and even our beautiful streets they cause significant damage to wildlife, people and the environment. But what if I said we could take a stand to stop this from happening, to improve the quality of life for our wildlife and people? By taking action today, we could reduce the amount of plastic being put to waste. Nebraska can be part of a larger effort to clean up our planet. To be clear, our bill would not harm those who cannot afford the fee because they would be offered free bags. It can only benefit our citizens. There are many reasons organizations, cities and entire countries around the world are pushing to reduce their plastic bag use. These reasons range from

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

keeping their cities clean by reducing potential litter to preventing harm to wildlife who may eat or get caught in the bags, to even lowering costs associated with plastic bags such as ditch and storm drain cleanup and fixing-- sorting machinery at recycling plants. To further explain that plastic bags cannot be recycled because they get caught in recycling machinery, workers must then manually remove the bags, which costs money, time and their safety. And now that there are multiple viable alternatives to plastic, it's easier than ever before to make the switch. As a state, we have a responsibility to do our part in reducing pollution, habitat degradation, loss of wildlife and ultimately harm to people. And we can do that with just one piece of legislation. Thank you for your time this afternoon. I would be happy to take any questions.

LINEHAN: Thank you very much. Are there any questions from the committee? Senator Friesen, and then Senator Groene.

FRIESEN: Thank you, Chairwoman Linehan. So do you know if there is any biodegradable plastic bags available?

LILLIAN HUGHES: I do know that there are biodegradable plastics. They've been using them in straws and even like water bottles. These little water pods that they just degrade on their own. So I imagine it's very easy to translate that technology. I don't specifically know if they've worked in plastic bags using them to carry items, but I do know that there are biodegradable plastics.

FRIESEN: If a company then would create a biodegradable bag, would you exempt that from the fee?

LILLIAN HUGHES: I don't know for sure the details of that. I would assume so, but I don't know for sure.

FRIESEN: OK. Thank you.

LINEHAN: Thank you, Senator Friesen. Senator Groene.

GROENE: Thank you. Four mills, how did you come up with that measure?

LILLIAN HUGHES: Four mills?

GROENE: Thickness of the bag. Your class put this bill together with Senator DeBoer--

LILLIAN HUGHES: Yes. I would have to direct you back to one of my classmates. They worked more on that specific part than I did.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

GROENE: Well, with that a smart manufacturer, why wouldn't he start making these bags 4.1 tenths mills?

LILLIAN HUGHES: That is a good question. You know, they could probably try doing that. And then we would--

GROENE: Well, they would do it. [LAUGHTER] And wouldn't it have been more defining if you'd had said, made out of polyethylene. That's the petroleum base.

LILLIAN HUGHES: Yes.

GROENE: All right, you need to clarify what bags you're after.

LILLIAN HUGHES: All right.

LINEHAN: Thank you, Senator Groene. Other questions from the committee? You did a great job. Thank you very much. Next proponent.

BU MEH: Good afternoon, Chairperson Linehan, and members of the Revenue Committee My Name is Bu Meh, B-u M-e-h, and I'm testifying for the support of LB905. The Plastic Bag Reduction Fund was created to help provide equality in those affected by the bill. Those who are unable to purchase reusable bag will be assisted by the plastic bag reduction fee. The plastic bag reduction fee will provide the public with bags that met the criteria of reusable. The replacement bags will be supplied and will be able to withstand 150 uses while carrying 25 pounds. These bags are also able to wash to disinfect them and contain recycled content. These standards are based on legislation in California as well as communities in Washington. The plastic bag reduction fee allows for our low income to be environmentally friendly while saving them five cents for each plastic bag of use and are creating a financial burden. In addition, paper bags will be available for free use at all stores. Many cities have placed fees on paper bag as well as single-uses bags due to the environmental costs of producing transporting bags, but we believe that paper bags should be available to provide additional choices for consumer as the bag fee is implemented. Several types of other plastic bags, including vegetable bags, newspaper bags and more have been excluded from the free program to allow consumers to continue access to free plastic bags. Finally, nonprofit organizations have been excluded so that they don't have to invest time and resource in implanting the bag when they have resource-- when they have their resource that could be better spent on potentially helping people in need. I would be happy to answer any questions you have. Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

LINEHAN: Thank you, Ms. Meh. Are there questions from the committee? Senator Crawford.

CRAWFORD: Thank you, Chairman Linehan, and thank you, Ms. Meh, for being here. Did you discuss how the bags would be distributed? Did you have any conversation about what that might look like?

BU MEH: No.

CRAWFORD: OK. I see you-- you give that responsibly to the Department of Environment Energy, so they're the ones that would ultimately have to decide how to do that. I just wondered if you had had any conversation about that. Thank you.

LINEHAN: Thank you, Senator Crawford. Other questions from the committee? Seeing none, thank you very much for being here. Oh, I'm sorry, did you have one.

GROENE: What class-- what class were you in that organized this? Was it a biology class?

BU MEH: AP environmental science.

GROENE: Environmental science.

LINEHAN: AP.

GROENE: AP, thank you.

LINEHAN: Thank you, Senator Groene. What grade are you in?

BU MEH: I'm a senior.

LINEHAN: Other questions from the committee? Thank you very much for being here. Next proponent.

ANNIE NELSON: Good afternoon, Chairperson Linehan, and members of the Revenue Committee. My name is Annie Nelson, A-n-n-i-e N-e-l-s-o-n, and I'm testifying in support of LB905. We are here today because plastic bags have negative consequences. They create garbage, and this garbage presents itself in our day-to-day as either litter, which is a bit of an eyesore, or trash filling up the limited space in our landfills. Beyond the most apparent issues, though, people are unaware of the true harm that plastic bags pose to the environment. Plastics are unable to biodegrade, meaning that this material, which is being produced and distributed at a rate faster than ever before, will persist in our environment for centuries to come. This lack of

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

foresight will ensure that the toxic materials that plastic bags are made out of will contaminate not only the aesthetics of our surroundings, but our wildlife and ecosystems. An example of this occurring is the recent research and evidence found to support the rise in microplastics. Microplastics are pieces of plastic that have degraded from a larger piece of plastic into a microscopic size and concentrate within our water sources, namely oceans, rivers and even Nebraska groundwater. Recent research suggests that the concentration of these substances has risen significantly since years prior and are becoming more and more pervasive in our water sources. Microplastics have been found to be present in our soils, potentially affecting soil biota such as earthworms and nematodes impacting the soil's health that grows Nebraska's crops. These microplastics have also been documented in cow milk and fish, where the toxic chemicals within plastics have bio accumulated. The full range of consequences of microplastics within our water and soils is not yet apparent, but presents an alarming future that our plastic usage is dangerous to both our food and water supply impacting our financial and physical well-being. This is just one example of the many dangers plastics cause. Taxing plastic bags to change consumer behavior is the first step in supporting healthy and sustainable practices within our environment and is crucial to the well-being of people and wildlife in Nebraska. I'm happy to answer any questions you may have.

LINEHAN: Thank you very much for being here. Are there questions from the committee? Senator Briese.

BRIESE: Thank you, Chairman Linehan. Thank you for your testimony here today. Why do retailers use plastic-- single-use plastic bags?

ANNIE NELSON: It's the least expensive option, most convenient.

BRIESE: Convenience and price.

ANNIE NELSON: Yeah.

BRIESE: OK. OK. Thank you.

LINEHAN: Thank you, Senator Briese. Are there other questions from the committee? Senator Friesen.

FRIESEN: Thank you, Chairwoman Linehan. I heard you make the comment that they're finding this in our groundwater. Could you tell me what part per million they're finding and where they're finding this?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

ANNIE NELSON: I don't remember the exact study, but there has been a recent study that found it within our groundwater. And I remember one specifically that had tested samples around local lakes that have found a rise.

FRIESEN: OK, I just mean that would be information I'd be interested in if you can find out more about specifically groundwater. Thank you.

LINEHAN: Thank you, Senator Friesen. Senator McCollister.

McCOLLISTER: Thank you, Madam Chair. I want to thank you for your amazing testimony. Very well done.

ANNIE NELSON: Thank you.

McCOLLISTER: I would like to receive the syllabus of your class. It sounds like an amazing class. I would love to see what subjects that were included in that and how it came about. So shoot me an email if you would. That would be great. Thank you.

LINEHAN: Thank you, Senator McCollister. Other questions? Senator Lindstrom.

LINDSTROM: Thank you. Thank you, Chairman Linehan. As you were giving your testimony, I was looking up when you talk about human behavior and ultimately trying to change it through a fee, was there any discussion in the class with regards to incentivizing businesses, maybe it's through a tax credit or maybe business incentivizing their consumers using reusable bags. So, for example, maybe Whole Foods or Hy Vee, Target, that the company itself would give a discount say of 5 percent, 10 percent discount on the purchase, because long term I would think that the business would save money. They would not have to invest in buying plastic bags if their customers were coming in and using reusable bags. Was that a discussion that came up in the process?

ANNIE NELSON: Yes, we did discuss that and we just decided that the one cent back to the stores would be the most beneficial for them and the fee.

LINDSTROM: And for the state as well. OK, thank you.

LINEHAN: Thank you, Senator Lindstrom. Senator Groene.

GROENE: Thank you, Madam Chairman. There are a lot of reusable checkout bags out there ready. I think Whole Foods, I don't even know if they offer plastic bags. Why did-- why did your class believe the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

government should be the one that designs the bag and makes a bag available to the public? Wouldn't you have faith in the free market system that they wouldn't do that?

ANNIE NELSON: Yes, but at the same time, the rate of plastic usage is at a concerning level, so.

GROENE: Do you think the government would have the answer by manufacturing bags and designing a bag?

ANNIE NELSON: Potentially, yes. And this could also benefit the state as well with the fee, so.

GROENE: You might want to do some research when the government ever makes something better than free enterprise. Thank you.

LINEHAN: Thank you, Senator Groene. Other questions from the committee? Thank you. Did a great job. Next proponent.

ZACHARY VACURA: Good afternoon, Chairperson Linehan, and members of the Revenue Committee. My name is Zachary Vacura, Z-a-c-h-a-r-y V-a-c-u-r-a, and I'm testifying in support of LB905. My family is one founded on the basis of farming. My family holds four original homesteads, two on my mom's side and two on my dad's side. They're both located in small towns and take part in both the livestock and agricultural production. As everyone's familiar with, the farming industry is one heavily reliant on Mother Nature and the environment. I remember a few years ago when there was an overabundance of rain, that was very detrimental to my family's wheat and milo production that year. With the large amounts of rain, the crops became oversaturated and most of them ended up dying off. My family sold large amounts of agricultural money that were lost that year and it became financially stressful for my family to decide how they were going to make up that income and create a profit that year. They decided that they were going to sell off their livestock before they were ready, because they had to make an income, they wanted to make a profit that year and they wanted to save the homestead. The farm to this day, though, has still not recovered. My family is still seeing the effects of the overabundance of rain and the weather. There are many things that farmers have to worry about without microplastics in our surface and our groundwater or livestock's milk and our soil. As mentioned previously, microplastics have led to harming soil nematodes, earthworms and impacting soil PH. With the increase of pollutants such as microplastics, salts and nitrates, small family-owned farms like mine that are just trying to make it day by day are going to see a detriment to their yield and production and

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

continue to suffer. This is going to impact the small family-owned farms more than the large private business farms. Mother Nature is harmful enough to the farming industry without people's adding help on harming our soil, water and livestock through pollution. Because of this, I ask you, Chairperson Linehan, and members of the Revenue Committee, are you supporting the people of Nebraska in their needs or are you supporting the corporations? I'm happy to answer any questions you may have. Thank you.

LINEHAN: Thank you very much for being here. Are there questions from the committee?

GROENE: Young man, could you come back and give that speech the next time we have our property tax bill, [LAUGHTER] family incomes, and I would really appreciate it. Thank you.

LINEHAN: Thank you, Senator Groene, but he is in front of the right committee it seems to me.

GROENE: We heard the message, maybe property tax relief.

LINEHAN: Thank you very much. Are there other questions from the committee? Thank you. You did a very good job. Thanks. Other proponents.

RACHAEL ARENS: Good afternoon, Chairperson Linehan, and members of the Revenue Committee. My name is Rachael Arens, R-a-c-h-a-e-l A-r-e-n-s, and I am testifying in support of LB905. Before I begin my speech, I want to actually direct you guys' attention to the handout you guys received. A lot of the questions that have been asked are found in this handout. Specifically, I know you guys were wanting research. A lot of that is found in the references page. When it comes to microplastics found in the groundwater, you can find the research that that correlates to as well as some of the research being conducted by engineers here at UNL. OK? So I am a born and raised Nebraskan. I grew up on a rural farm in Pierce, Nebraska, and spent the first 18 years of my life growing corn, soybeans and cattle while I attended school at Pierce High. I have completed several science degrees and education degrees at UNL and have a doctorate in science education in progress at UNL, home of the Huskers. Needless to say, I'm passionate about science education and I'm deeply invested in the future of Nebraska as I work with high school students at Omaha Northwest and team with students from UNL through service learning. My history resides in Nebraska and my future resides in Nebraska. I stand before you today incredibly proud of all of my students who have just testified on behalf of LB905, a bit-- a bill co-written by them for all of us. For

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

the past year, they have read countless articles, reached out to state resource-- resource organizations, spoken to engineers and water resource professionals. They have researched other states' plastic bag initiatives and found what works and what doesn't. They learned about the controversial gray areas and how to ensure that their bill did not marginalize and harm financially burdened people within our state. They also thought about the potential revenue gained for the state by implementing a fee, making it a win-win for all residents. After collecting this data, they reached out to Senator DeBoer to co-write a bill that protected both our land and people within our beloved state. Schools nowadays struggle to teach the civic process. We do a great disservice to our students when we simply only teach the steps of government, but we don't actually allow them to actively engage with their policymakers. By doing so, we stifle their voices and allow them to become impacted by policies that may either negatively or positively impact them. I support my students' voices. I support their desire to become leaders who actively engage in their civic duties as Nebraskans. I support LB905 and their platform of reducing single-use plastic bags to improve not only Nebraska, but also our world. On behalf of students who are a vote to 8-- who are of age to vote or will be within a few months, I hope you strongly consider their voices and really hear them. After all, it is they who are inheriting our Nebraska. So I'd be happy to answer any questions, including any previously questions asked of the students that may have been beyond the scope of their individual testimonies. Thank you.

LINEHAN: Thank you very much. Are there questions from the committee? Senator Groene.

GROENE: Just a quick one. Did your class research where these bags are made? Are they foreign made or mostly made in the United States?

RACHAEL ARENS: We did not research that.

GROENE: Or companies that make it?

RACHAEL ARENS: No.

GROENE: Thank you.

LINEHAN: Thank you, Senator Groene. Other questions from the committee? Senator Crawford,

CRAWFORD: Thank you, Senator Linehan, and thank you for being here and thank you for leading your students through this process. I wonder if you could just speak briefly to the impact on wastewater treatment

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

plants. I saw there was a mention to a site referencing that. I just wondered if you could expand on that for a minute.

RACHAEL ARENS: Yes, and this is actually also given to us by civil-- civil engineers within the state. We are aware that microplastics have been found in surface waters in Nebraska. That research has been conducted within the past couple of years at the University of Nebraska- Lincoln. And eventually they might have to screen out microplastics as perhaps being a criteria pollutant. And so if that is the case, wastewater treatment facilities will have to update their facilities. And in rural areas, that is going to be a great concern considering a lot of their facilities are already outdated.

CRAWFORD: Thank you.

LINEHAN: Thank you, Senator Crawford. Other questions from the committee? Seeing none, thank you very much for being here.

RACHAEL ARENS: May I add one of the answers to the biodegradable bag questions. In order for those bags to biodegrade, they do need bacteria, so it's not always a better option. Also, one of the questions was, why don't we just incentivize grocery stores? There was a research article just done this past year, 2019, that said customers were more likely to have a change of behavior and reduce their reusable bags if they had to pay extra rather than receiving the refund that stores provided. So they saw a greater change in behavior due to that.

LINEHAN: Thank you.

RACHAEL ARENS: Thank you.

LINEHAN: Thank you very much for being here. Are there any other proponents for LB905? If there are more proponents, it's helpful if you move up to the front row here. It goes real quick.

KAREN KLUG: Hi there. My name is Karen Klug, K-a-r-e-n K-l-u-g. I am in support of LB905. A couple of things, my first job was working at a pretty big grocery store chain in Nebraska, as a cashier and bagging groceries. So I've gone through thousands and thousands of plastic bags. And from what I've seen people, like they're free, so they're not going to like use less, or, you know, stop using them. People will get things senselessly double-bagged or get like one apple in four bags. You know, just silly things. There's no reason for it, but with like a little fee it would incentivize them to, you know, not do that as much, be more mindful, which what's wrong with that? Also, I am a

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

college student and along with other college students, we kind of want greener policies. We want to live and bring our resources as being educated to a state that has, you know, better policies so things like public transportation and, you know, more fees on plastic bags. We don't have as much litter, are things we want. So we have the opportunity after we graduate to kind of work anywhere. Our degrees are pretty useful most of the time, so there's quite a few greener places we could go. You know, there's Washington, there's New York, but we kind of like Nebraska, so why would we not support something that would keep all of these-- all this education, all of these resources, the next generation entrepreneurs in Nebraska. So, yeah, that's all I have.

LINEHAN: Thank you very much, Ms. Klug. Are there-- yes, Senator Friesen.

FRIESEN: Thank you, Chairwoman Linehan. So you mentioned, you know, we do throw a lot of plastic bags out the window and they're everywhere, especially when you get around large urban areas. But doesn't this kind of go back home to where you're raised? I mean, my mother told me you never throw anything out of the car and you never dump things in the ditch. You clean up. You go camping, you leave the campground cleaner than when you came. And so if we would all just keep things clean and they would-- I think plastic bags could be recycled to some extent if there was a process of collecting them, but if we're going to throw them out the window, I agree. So would education also help in just telling people that throwing them out the window is-- is causing a lot of harm versus just the use of them.

KAREN KLUG: Yeah. So my answer to that is like the Lorax movie is shown in most public schools, but it hasn't stopped us from chopping down trees. So they're not the perfect solution all the time.

FRIESEN: OK.

LINEHAN: Other questions from the committee? Thank you for being here. Next proponent.

MICHAEL J. O'HARA: Senator Linehan, members of the Revenue Committee I am Michael J. O'Hara, M-i-c-h-a-e-l, middle initial J, last name O'Hara, O, apostrophe, capital H-a-r-a. I represent the Sierra Club and we're appearing as proponents for LB905. The Sierra Club always urges reduce, reuse, repurpose, recycle. LB905 accomplishes all of that. By having a fee, it will reduce the frequency of using this type of object. The very purpose of the bill is to increase reuse. If the bag is reusable, it is quite predictable that it will be repurposed as

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

part of that reuse, and the bill itself requires that the bags made by-- to satisfy this bill contain recycled content. As an economist, I really like that because it's creating demand and demand will create its own supply in some context. I'm an economist and so I'll turn to the fee. You have five cents, one dollar, one penny for the store, three pennies for the General Fund and one penny for the reusable bags, which goes to the Department of Environment and Energy. But I will note importantly, those bags are being distributed by the store. And that raises the question, how are they going to get there? The one penny for design, creation and distribution, the design is a one-time expense. It'll be less than a penny. And then-- but the creation and distribution will be more than a penny so you will not be able to use all three of those pennies in the General Fund for property tax relief, although you will have some to use for property tax relief. In terms of the penny to the store, that's a very good thing because it is going to cost the store something to interface with the government as the government is distributing those bags. But more importantly, when the fee gets too small, the stores will stop using those bags-- reduce. And many times stores will say this is too expensive. Well, if you start seeing them trying to increase bag use because they're making profit, then you know to increase the fee if you're actually got a reduction and help on that property tax relief. LB905 is better than LB861 and Natural Resource Commission-- Committee, which is a ban on bans. It-- and the reason we have that is because Sierra Club was successful in Omaha in persuading the city council to adopt a ban on these plastic bags, but were not successful in overcoming the mayor's veto. The ban is not as good as a fee. I'm economist, I'm biased. Fees are better than bans, but the ban on bans doesn't provide a local solution to a local problem, it prevents a local solution to a local problem. This provides a solution throughout. One of the other questions was about four mills the size of the bags that are to be taxed. That's on page 2, line 8, and you want to compare that with page 3, line 31 that says two mills. You're trying to capture two different concepts, what is your tax base and then what is a reusable bag? And you go, well, how could a four mill bag not be reusable and a two mill bag is? Contains recycled content. If you design it with just plastic, then two mills will not be enough, but if you start including things like fibers from recycled paper, you'll increase the strength. You know, you're Glad bags, it is flex strong and those are about 8 mill. Why do they use these bags? Mostly it's out of habit. Was shopping when teaching overseas and I walked up to the store to get my groceries and I asked for a bag and everyone looked at me like I was crazy because they had the habit of bringing a bag and I did not. Also, it tends to be the only option offered by the store. Once the store has to collect a fee if their time sens-- or if they're cost

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

sensitive, they won't. And in many of the cost sensitive stores they've stopped offering all bags.

LINEHAN: You're on your red light.

MICHAEL J. O'HARA: And I'll stop.

LINEHAN: OK. Thank you very much.

MICHAEL J. O'HARA: If you have any questions, of course I'll answer them.

LINEHAN: Thank you. Are there questions for the testifier from the committee? Seeing none, thank you very much for being here. Are there other proponents? Any other proponents? Are there any opponents? Good afternoon.

KATHY SIEFKEN: Good afternoon, Chairman-- Chairman, Chairwoman Linehan, and members of the committee. My name is Kathy Siefken, K-a-t-h-y S-i-e-f-k-e-n, and I am the registered lobbyist and executive director for the Nebraska Grocery Industry Association, and I'm also representing the Nebraska Chamber of Commerce, the Nebraska Retail Federation, and the Nebraska Restaurant Association in opposition of LB905. There really isn't anything in this bill that we like, but we would be more than happy to visit with Senator DeBoer going forward to find some solutions as this issue continues to pop up. We have also met with students for sustainability in Omaha. We met with them earlier before the session start this fall. I thought that they were all part of the same group, but apparently they are not. And we are talking to them about what some of the solutions are. So we do take this very seriously. But retailers across the state actually purchase these bags. We pay for them and we provide them to our customers for our customers' convenience, and what this bill does is, it turns this into a revenue stream for the state of Nebraska. We don't really approve of that concept. The five-cent penalty on those who use plastic will actually push people to using paper bags. Paper bags are not as environmentally friendly and they are probably triple the price of the plastic bags. When the price goes up, so does the cost of food. Single use bags are more envir-- vire-- environmentally friendly because they use fewer resources and when they are actually reused, consumers are using those bags to pick up their-- their-- pick up after their pets and to line their garbage cans. So if they have to purchase those plastic bags to do those things, the mill in the bags that they have to purchase is much thicker and therefore it causes more problems for the plastic that goes back to the landfill because it's not being recycled. Plastic bags really aren't the problem. The

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

problem are the people and the way they are disposing of the plastic bags. So the plastic bags end up in the wild. They end up clogging waterways and they end up hanging out in trees and even though they are very visible, they are only 10 percent of the plastic problem. We have a problem with plastic in this nation and we are trying to find ways to-- to get that under control. One of the things that we're doing or that-- that is happening out there is, there is a pyrologist center that is being planned in the metropolitan area. Pyrologist systems can actually recycle contaminated and dirty plastic and nonrecyclable plastic and turn it into diesel fuel, fuel and other things that that can be used. So once that market is developed, there will be value to these plastic items, and when there's value, just like the aluminum cans, people are motivated to go ahead and do something and do the right thing. And then the bags that are out there, the reusable bags, the woven polypropylene bag has to be reused 25 to 33 times and a cotton bag 71 to 88 times. And if you actually use them and wash them so that you don't cost-- cross contaminate your food, there is-- it's not a bad idea, but a lot of people simply don't use them that many times. So as an industry, we appreciate what is going on. We're willing to work with Senator DeBoer, including helping her get rid of those bags that she's hoarding in her house.

LINEHAN: Thank you. Are there questions from the committee? Senator Groene.

GROENE: Would you agree there's more plastic in the bag and the wrappings of the food I bought than in the bag?

KATHY SIEFKEN: Oh, I can't argue with that.

GROENE: Yeah, I would say it's 20 times higher the waste of the containers in my bags.

KATHY SIEFKEN: And since you-- since you asked that question, there are also things happening on a national level among some of our manufacturer members. And they are reducing the packaging and they are turning it into recyclable items. And so, as I said, plastic bags are just a tip of the iceberg. There are so many other things out there that we can do a better job and we are in the process of finding those new systems.

GROENE: And I don't know what I would do with my used oil filter if I didn't have a plastic bag to put it in from the grocery store. But anyway, thank you.

KATHY SIEFKEN: I can't help you there.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

LINEHAN: Other questions from the committee? Seeing none, thank you very much for being here.

KATHY SIEFKEN: Thank you.

LINEHAN: Are there other opponents? Again, if you're going to testify, it's quicker if you come upfront.

MARK WHITEHEAD: Senator Linehan, for the record, my name is Mark Whitehead, Whitehead Oil Company. The name is spelled W-h-i-t-e-h-e-a-d. I'm here actually representing the Nebraska Petroleum Marketers Convenience Store Association. First of all, I would like to commend the high school students that showed up today and testified and likewise helped introduce the bill as well. I think the intent and the measure is incredibly well-founded. There are some serious concerns that do need to be addressed in terms of plastic usage and in how we best deal with it. But as was stated a couple of times through here, it goes to the individual user as much as it does anything else. And as we build awareness like this, the amount of plastics that are disposed of irresponsibly continues to increase, and-- and hopefully it goes a long way along those lines to address the problem. Convenience store industries does use plastic bags quite a bit and quite often it's a default of use because of space requirements where our star-- stores are incredibly concise. Plus, we don't go through a whole lot of bags in and of itself, as-- as you might know from your own experiences, the significant number-- the significant number of our transactions do in fact go out the front door without a bag at all. And I think most of our consumers are conscious of that. And as well, we typically do not offer a bag unless it's pretty obvious if one is-- is needed. Implementation becomes an issue that I can see on this. If you-- if you view the transaction and-- and accountability. I read the bill and it looks like the implementation is a nickel on to the consumer on every bag that is rung in through the register. How do we know how many bags are actually running in through the register? How do we know that that's a level playing field or is there an audit process that goes through to make sure that everybody is on a level playing field? Labor is a significant part of our overhead within our own organization. For the limited number of bags that go out the door in trying to make sure that one gets rung in every single time, and as well as the fact that the question of bag or no bag happens after the transaction's already been rung in. And that single bag, double bag, well, I thought it would be a single bag, it's double bag now and we got to go back and correct the transaction. If in fact it is solely a consumer-based fee, as I mentioned accounting might be an issue that we would-- some of

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

our members would absorb that fee as a matter of convenience and does that really address the problem? And as well, if it's not rung in at all, how is that accounted-- accounted for in the process of accountability through the process? So I can see some several issues here that would need to be addressed. I think the fundamental issue here is public awareness of a very realistic issue of plastics and the problems associated with that. Be glad to answer any kind of questions you might have.

LINEHAN: Thank you for being here. Are there questions from the committee? Seeing none, thank you, Mr. Whitehead.

MARK WHITEHEAD: Thank you very much.

LINEHAN: Thank you. Are there other opponents? Good afternoon.

DUSTIN ANTONELLO: Good afternoon, Chairwoman Linehan, and members of the Revenue Committee. My name is Dustin Antonello. My last name is spelled A-n-t-o-n-e-l-l-o. I am here today speaking on behalf of the Lincoln Independent Business Association. LIBA is testifying today in opposition to LB905. Charging a five-cent fee for the use of plastic bags is an unnecessary inconvenience to small businesses and their consumers and leads to minimal environmental benefits. According to data from the EPA, retail plastic bags make up just 0.3 percent of municipal plastic waste and studies have found several unintended consequences associated with regulating plastic bags. For one, regulating the use of plastic bags leads to more consumers bringing in their own bags into stores, making it difficult for shop owners to spot incidents of theft. A study by the Neighborhood Market Association estimates that shop-- shoplifting losses at local grocery stores rose from 25 percent to 30 percent in the three years after a plastic ban became law in California in 2016. These losses ultimately lead to higher prices for consumers. Substituting plastic bags with reusable bags has also led to unintended health consequences. Since most consumers do not wash their reusable bags, they become an incubator for bacteria and lead to increased incidences of food-borne illnesses. A 2014 study found that after San Francisco enacted its plastic bag ban in 2007, deaths and emergency room visits related to food-borne illnesses from bacteria such as E. Coli spiked with deaths increasing as much as 50 to 100 percent relative to other counties in California. The environmental benefits of regulating the use of plastic bags are also in question. A study by University of Sydney economist Rebecca Taylor analyzed 139 California cities and counties that regulated plastic bags prior to the statewide ban taking effect in 2016. According to the study even though Californians use less plastic bags after they were banned from stores, the amount of plastic

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

used as a whole did not necessarily decline. For example, instead of reusing retail plastic bags for trash can liners or pet waste, people turned to thicker garbage bags to make up for the loss supply. In fact, in areas where plastic bags were banned, the study found there was a 120 percent increase in sales of small four-gallon bags. The study also found that plastic bags and these caused consumers to turn to paper trash bags, which led to an estimated 80 million pounds of extra paper trash per year. Paper trash bags may be biodegradable, but they are also more environmentally harmful to produce than plastic bags. They require cutting down and processing trees, which involves lots of water, toxic chemicals, fuel and heavy machinery. Furthermore-- furthermore, single use plastic bags have the smallest carbon footprint in terms of single bag production. And they are recycled with many large grocery stores which they are melted and turn into pellets. A paper bag would have to be used three times to neutralize its environmental impact relative to plastic, while a cotton bag would have to be used 131 times to compensate for higher miss-- emissions on the production side. Finally, this bag is essentially a regressive tax that will disproportionately impact low-income and middle-income families. A five-cent fee may not seem like much, but it adds up for anyone who does a large weekly shop for his or her family. Thank you. I'd be happy to answer any questions.

LINEHAN: Thank you. Are there questions from the committee?

DUSTIN ANTONELLO: Thank you.

LINEHAN: Seeing none, thank you very much. Are there other opponents? Are there opponents? Are there anyone-- is there anyone wishing to testify in a neutral position? Seeing none. Letters for the record, we have proponents: Mary Ruth Stegman, Omaha; Karen Dageforde, Blair; Charlie Krolikowski, Omaha; Kathy Jeffers, Omaha; Molly Mayhew, Lincoln; Elaine Wells, Omaha; Rachel Stewart, Omaha; Christie Abdul-Greene, National Association of Social Workers; Pete Festersen; Omaha City Council; Ben Gray, Omaha City Council. Opponents, there were none and neutral there were none. So with that, would you please like to close, Senator DeBoer?

DeBOER: Thank you so much, Senator Linehan. Thank you all for hearing this bill today. Apparently, I inadvertently skipped a line in my opening, so I would like to also mention that the UNO Service Learning Academy helped and brought some students today. They--I think they're together with the class at Northwest. So you heard testimony today from two UNO students and five Omaha Northwest students. Although there have been five UN-- or I'm getting this wrong. Five Omaha Northwest-- seven Omaha Northwest students and three UNO students,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

finally got it right, who've been working on this project since last fall. So I want to say thank you very much to all of them for helping me with this bill and for coming down to testify today. And then just generally, I want to say I'm happy to work with all of those who have concerns about this bill to try to make it better. We know that there are some things that we would need to work on with this bill and so I'm happy to have those conversations and do that.

LINEHAN: Thank you, Senator DeBoer. Are there questions from the committee? Seeing none, thank you very much.

DeBOER: Thank you.

LINEHAN: And that brings to close the hearing on LB905 so we will open the hearing on LB810. Senator McCollister. Good afternoon, Senator McCollister. Can somebody grab the door? Yep, they got it.

McCOLLISTER: Good afternoon, Chairwoman Linehan, members of the Revenue Committee. My name is John, J-o-h-n, McCollister, M-c-C-o-l-l-i-s-t-e-r, and I represent the 20th Legislative District in Omaha. Today, I'm introducing LB810 to eliminate the exemption from sales tax on purchases of candy and soft drinks. As introduced, LB810 also eliminated the exemption for bottled water. You just received AM2161, a white copy amendment to LB810, which would remove the bottled water from the bill. Apparently some small Nebraska communities have unsafe drinking water and the residents need to use bottled water regularly, so taxing it would create a hardship. LB810 would add candy and soft drinks to the list of products that are excluded from the definition of food and food ingredients. The effect would be the purchases of these products would be taxed at the effective sales tax rate. In my view, there is no reason for special sales tax treatment for these nonfood items. I call your attention to the definitions of products that would be taxed. Candy is defined on page 4, lines 16 through 20. Soft drinks are defined on page 6, line 4 through 7. These definitions are in the streamlined sales tax and use tax agreement. Nebraska's been a full member of the state of the agreement since 2005. Taxing these products is one way to expand the sales tax base rate. The handout you received shows that in truth-- in July of 2018, the Tax Foundation reported that 32 states and the District of Columbia exempt groceries from their sales tax base. By January 2019, Bloomberg Tax analysis reported the same data. The Tax Foundation and Bloomberg Tax also noted the definition of groceries varies state by state. Candy, soft drinks or both-- are excluded from the definitions of groceries in 22 states-- 22 states. Nebraska is one of only 11 states that consider soft drinks and candy to be in a category of nontaxed food items. The provisions of LB810 would credit

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

all sales tax collected on the-- to the Nebraska Healthcare Cash Fund. The fiscal note-- note points out that 25 cents of each dollar should be credited to the State Highway Capital Improvement Fund and the Highway Allocation Fund. I recommend that LB810 be amended to provide a 20-- that these 25 cents of additional sales tax be redistributed to the two highway funds in order to eliminate the General Fund impact of this bill. LB810 includes an operative date of October 1, 2020. To comply with the statutory requirement, their sales tax rate can only be changed at the start of the calendar year. Thank you for your attention. As we discussed at great length last year, these-- these particular items, pop and candy, are low-hanging fruit. I think it makes very good sense for us to eliminate these items as food items. Thank you, Madam Chair.

LINEHAN: Thank you, Senator McCollister. Are there questions from the committee? Senator Groene.

GROENE: Why-- you know, you lost me the minute you said healthcare's savings account, or-- so they owe property tax relief.

McCOLLISTER: Well, all money is fungible. And as we well know, the Healthcare Cash Fund has been running into serious problems, and there's always the risk that we'd have to put General Fund monies into that Healthcare Cash Fund. So it would relieve some funding issues in that fund and I think ultimately save money on the-- the General Fund.

GROENE: I just want to correct you on something, too, about small town water. I bring water from my well out of the ground at home down here in plastic bottles because I think Lincoln's water is unsafe. I haven't tasted anything so bad in my life. So thank you. It's not all small town water. Thank you.

McCOLLISTER: Thank you, Senator Groene.

LINEHAN: Other questions from the committee? I, too-- I'm sorry I didn't read this ahead of time. I don't understand why you said you were going to fix this. What does the fiscal note show-- show a negative under the General Fund?

McCOLLISTER: Well, because a sales tax-- now there's 25 cent or .25 of every sales tax doll-- dollar goes to the highway-- the Highway Fund.

LINEHAN: Oh, so--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

McCOLLISTER: So, somehow or another, that ended up in a-- with a fiscal note, and I think we decided to move this bill forward we need to eliminate that-- that particular problem.

LINEHAN: OK. That's what I thought you said, just wanted to clarify. Are there questions from the committee? OK, thank you very much for bringing this. Are there proponents for LB810? Proponents? OK, opponents. If you're going to testify, I'm going to ask once again if you, maybe if I do this all year you'll all do this, move to the front.

BRIAN GILLILAND: OK. Chairperson Linehan, and members of the Revenue Committee, good afternoon. My name is Brian Gilliland, it's B-r-i-a-n G-i-l-l-i-l-a-n-d. I'm a general manager for the Chesterman Company. We're the state's largest local distributor of Coca-Cola products. I'm appearing before you today as the president of the Nebraska Beverage Association in opposition to LB810. The Nebraska Beverage Association has represented the nonalcoholic beverage industry and local distributors of Coca-Cola, Pepsi, and Dr. Pepper products in this state for over 30 years. In that 30 years, the beverage industry has contributed substantially to our neighborhoods, communities, and the Nebraska economy by providing good-paying jobs, charitable donations and a substantial amount in tax dollars. Last year, our industry provided 1,474 jobs in the state. Our members also contributed 75.2 million in state taxes and donated 8.2 million in charitable causes across the state. In response to the historic flooding last year, our national and local distributors donated bottled water, soft drinks and direct financial relief. PepsiCo., LinPepCo, Chesterman Company, and Keurig Dr Pepper donated over 13,000 cases of bottled water and the Coca-Cola Foundation pledged \$100,000 to the Red Cross. Our companies made these donations because we understand safe drinking water is a necessity. So my comments will be briefer because the amendment to the bill so I want to address the water issues. The Nebraska Beverage Association opposes the imposition of sales tax on soft drinks and bottled water and the exclusion of our products from the definition of food. Our products are food. We do not believe they should be singled out and taxed differently than other groceries. Our products also vary widely in their ingredients from juices, coffee, soft drinks, tea and dairy. Categorization of what would and wouldn't be taxed, it's very complex. We don't believe the states should further complicate the process of buying groceries for Nebraska families or increase their grocery bills. We object to the imposition of a tax on our products, which increases bills for Nebraska families for the purpose of increased spending. For these reasons, we are opposed to LB810. I thank you for your time and I'll be happy to answer any questions.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

LINEHAN: Thank you very much for being here. Are there questions that-- Senator Briese.

BRIESE: Thank you, Chairwoman Linehan, and thank you here for being here and providing your testimony. I should know this from all the research we've done last couple of years on this, but how many states exempt soda from sales tax?

BRIAN GILLILAND: There are about 23 that exempt the soft drinks from sales tax exemptions. Most of those are in the northeast part of the United States.

BRIESE: OK, and so there are a few states that don't have any sales tax, correct? Are they included in those 23?

BRIAN GILLILAND: There are-- there are some states-- states that don't have sales tax. Now, let me correct myself. There are 23 states that remove the exemption on soft drinks. There's-- I think Senator McCollister said there are 11 states that have no tax on soft drinks. There are-- there are--

BRIESE: OK, so I guess maybe that's a better question. How many states do tax soft drinks, how many states don't?

BRIAN GILLILAND: There are about 35 where tax--where soft drinks are taxed. Some of that is part of a general grocery tax. So Kansas, South Dakota, for example, tax all groceries, soft drinks are included in that. Iowa, Colorado remove the exemption for the soft drinks.

BRIESE: OK, and so those-- we have 35 that do tax, roughly 15 that don't, but of those 15, then some of those don't have a sales tax to begin with.

BRIAN GILLILAND: Correct.

BRIESE: And so--yeah, we are something of an outlier then when you look at sales tax on soft drinks,

BRIAN GILLILAND: I think there's about seven states that exempt groceries and beverages are included in that.

BRIESE: OK. Thank you.

LINEHAN: Thank you, Senator Briese. Are there other questions? Senator Groene.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

GROENE: I like your deal about all the jobs that come from your company, but here's this product, but are you inferring that if the consumer has to pay a sales tax that these jobs wouldn't exist?

BRIAN GILLILAND: No. I am saying that a sales tax certainly wouldn't be beneficial to our industry. So our industry, like every other industry, is dependent on growth to continue to grow. Our cost to deliver goes up every year. Our expenses go up every year. We need to grow our sales. There's no reason to believe that a sales tax would help us improve our sales.

GROENE: When I go into a convenience store and buy a fountain drink I pay sales tax on it. Some days because I'm going to be more mobile, I'll go over and grab a pop. I don't pay sales tax on that because it's not sealed. Makes no difference to me on my marketing decision what I bought. So you believe five cents or five and a half cents or seven cents on a dollar will make a difference on if people buy the pop or not?

BRIAN GILLILAND: I--I can't answer that.

GROENE: I mean, is the toilet paper industry in trouble because in a grocery store the people have to pay 7 percent tax on it?

BRIAN GILLILAND: I assume they've always paid that--

GROENE: Then they go buy pop instead because it doesn't have a sales tax on it.

BRIAN GILLILAND: Well, my concern is--

LINEHAN: Questions.

GROENE: That's why I'm asking these questions.

BRIAN GILLILAND: My concern is that groceries are exempt from tax. Now we're picking winners and losers by removing a few products from that exemption. I think it's up to consumers to decide what they--

GROENE: You know, if I buy a rotisserie chicken at Costco and it's warm, I pay sales tax. If they-- if it's a day old they repackage it and it's cold, I don't pay sales tax.

BRIAN GILLILAND: Yes.

GROENE: You think if a store computer can figure that out, they could figure out pop.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

BRIAN GILLILAND: I-- I can't answer that. I think Kathy will probably speak to that.

GROENE: I understand what you're coming from.

LINEHAN: Thank you, Senator Groene. Other questions from the committee? Senator Briese.

BRIESE: Thank you again, Chairwoman Linehan. And similar to what Senator Groene asked, you don't have any data that would suggest that imposition of sales tax here would negatively impact your sales.

BRIAN GILLILAND: I've reached out to bottlers in states that do have a setup where the soft drinks have been exempted from sales tax or lost their exemption for sales tax, I haven't gotten a response. So it's been several years that some of the bottlers, so the data is probably not yet up to date.

BRIESE: OK. Thank you.

LINEHAN: Other questions from the committee? Isn't some of it price point like where people--

BRIAN GILLILAND: It is.

LINEHAN: --if it goes over a dollar over two dollars, a sales tax can do that.

BRIAN GILLILAND: That's a very good point. Thank you. It's a-- it's an extremely competitive business. And price points make all the difference in the world. So if you can go over a dollar, we see a big difference in sales. If we go over two dollars on a product, we'll see a decline in sales. It's a fact.

LINEHAN: And I don't expect you to have this information, but on your chart here, I would just be interested because this is very good. On-- under you're making an economic impact, you have 75.2 million contributed in state taxes. If you could provide the committee with a breakdown on that, if that's OK.

BRIAN GILLILAND: Sure.

LINEHAN: Because it's obviously a considerable amount of taxes and I'm assuming there's taxes for gas and everything's added up, but if we could just get kind of a feel for what that breakdown would be, I'd appreciate that. Are there other questions from the committee? Seeing none, thank you for being here.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

BRIAN GILLILAND: Thank you.

LINEHAN: Other opponents.

KATHY SIEFKEN: Chairwoman Linehan, and members of the committee, my name is Kathy Siefken, K-a-t-h-y S-i-e-f-k-e-n, representing the Nebraska grocery industry as the registered lobbyist and associate-- and executive director. I'm also here representing the Nebraska Chamber of Commerce and Industry and the Nebraska Retail Federation in opposition to LB810 for a number of reasons. We believe that a tax exemption on candy, soft drinks and bottled water is a tax increase on food. We believe that carving out specific items to tax is complicated and burdensome for those that are selling these products. USDA prohibits taxing food purchases with tax-- with SNAP benefits, resulting in a single item that will require multiple tax options. So a Snickers bar is going to be taxable for those that pay cash, it will not be taxable for those that are paying with SNAP benefits. We believe that carving out specific items to be taxed is viewed by experts to be poor tax policy because it is confusing. All POS systems would be required to update their software to tax items that have not previously been taxed. Some point of sale systems may not be able to handle this upgrade as our smaller retail stores have systems that are more like calculators when we get out into rural Nebraska than the software-based systems that are here in our larger cities. When Colorado began taxing candy, soft drinks and water, they discovered that 50 percent of the convenience store POS systems could not break out separate categories and they all required system upgrades. Nebraska stores, we believe, will lose sales to surrounding states that do not tax food, candy, soft drinks or water because 80 percent of our population does live within 50 miles of the state line. But most importantly is the perennial handout that you all have in front of you now. It is not new. It is the same thing that we handed out the last couple of years. And I believe that a picture is worth a thousand words, and this is why-- this is the main reason why we are opposed to taxing these items. It is confusing. It is burdensome. There is software that can be purchased, but when you talk to the software owners, they will admit that only 50 percent of the products that could be taxed are included in that tax base which means that our people would have to go through and read the labels in the bakery aisle, in the beverage aisle and in the candy aisle. And if you miss a label, you would be in violation. If you are audited by the Department of Revenue and at that point, if you failed to tax Snicker bars, what the Department of Revenue is tasked with is they will come up with a number that they think you would have sold and-- and their formula will result in every candy bar that you should have sold or that they

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

think you sold, that you should have charged a tax on, you will be responsible for that tax and that penalty. And we really don't want to be put in that position. And then the last thing I want to talk about is occupation taxes. Senator Burke Harr helped us pass legislation that prohibited local communities from assessing an occupation tax on food or anything that already has an excise tax assessed. So if we remove candy, soft drinks and water from the definition of food, what that really means is local governments would be able to assess a prop-- an occupation tax on those products. That's a major concern. With that, if you have any questions, I would be happy to answer. Thank you.

LINEHAN: Thank you very much. Are there questions from the committee? Senator Briese.

BRIESE: Thank you, Chairwoman Linehan, and thank you for your testimony here today. Is your prediction that if we would implement something like this, the Department of Revenue is just going to say you're on your own, figure it out yourself and we'll come back and second-guess you. They're going to be helpful and try to categorize things for you, aren't they, and probably have a master list of these products upon which stores can-- retailers can rely on?

KATHY SIEFKEN: Just going from what they do currently, I would say, I would not agree with that assessment. And a perfect example is the example that Senator Groene gave about the rotisserie chicken and the definition of that as a prepared food and then as a food that is not taxed. What the Department of Revenue does is they put together the definitions, they give you a few guidelines and then you're on your own. So we as grocers have to figure out what is taxable and what is not taxable as a prepared food. They will do the same thing for these items. So if, in fact, you think that that could be done and that the Department of Revenue would do that, I would love to see a fiscal note on that.

BRIESE: Well, it doesn't seem like--

KATHY SIEFKEN: If they would do that, it would be, in my opinion, it could be a game changer.

BRIESE: OK, fair-- fair to say that retailers in Iowa face the same-- same situation, the same scenario that we're talking about here?

KATHY SIEFKEN: Yes, they do.

BRIESE: And they seem to manage, correct?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

KATHY SIEFKEN: And what they do is they tax things that they don't know whether it should be taxable or not. And so the citizens in the state of Iowa are being overly taxed because they're being taxed on products that are not necessarily taxable--

BRIESE: OK, so they--

KATHY SIEFKEN: --and they're using the same definitions that this bill has.

BRIESE: So they err on the safe side, you're saying-- the retailers do.

KATHY SIEFKEN: They do. And then the consumers are the ones that get caught short, because the only way the consumer can get those dollars back, those-- those tax dollars that they paid in, they have to file a claim with the Department of Revenue, and I don't know how many people are going to file a claim for 10 cents.

BRIESE: So it sounds like what you're saying, if the retailers err on the safe side, the retailers are protected.

KATHY SIEFKEN: No, they're not. Oh, yeah, if they overtax their customers--

BRIESE: Retailers are protected.

KATHY SIEFKEN: --but-- but here in town, there is a hardware store that is selling barbecue sauce and they are assessing a tax on it. We don't buy their barbecue sauce anymore. And as a matter of fact, it has limited the items that we purchase in that store because they tax everything because it's their easy way out. Grocery stores are very, very competitive. We have a margin of 1.5 percent. That's our average. So when you are that competitive, the last thing you want to do is chase your customers down the street to the competition because they're going to charge-- they're not going to overcharge you on taxes.

BRIESE: OK. Thank you.

LINEHAN: Thank you, Senator Briese. Senator Friesen.

FRIESEN: Thank you, Chairwoman Linehan. If I come with a bill next year that has a solution for every one of your concerns, would you support it?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

KATHY SIEFKEN: I'd have to run that by my board. [LAUGHTER] But I would like to talk to you about what those solutions are because I cannot see them.

FRIESEN: Tax it all, except bottled water and your cash registers could handle it. You wouldn't have to go through the list. Just do it all.

KATHY SIEFKEN: I would have to check my-- with my board of directors.

FRIESEN: Thank you.

LINEHAN: Thank you, Senator Friesen. Other questions? Senator Groene.

GROENE: On your handout here--

KATHY SIEFKEN: Yes.

GROENE: --I would-- it looks all like junk food to me. So should maybe we should come with instead of candy-- sales tax on junk food. I think everybody knows what junk food is. It's something you can live without.

KATHY SIEFKEN: Junk is in the eye of the beholder, and so is beauty. So I wouldn't call it junk food. There are some people actually, and you can talk to the guys in the construction industry and they will tell you that sometimes their lunch is nothing more than a big Snicker bar and a bottle of coke.

GROENE: Yeah, the other guy dropped the hammer on their head. Anyway, thank you.

LINEHAN: That was not a question. Any other questions? We will-- it's a long week this week, all five days. Little punchy. Any other questions from the committee? Thank you very much for being here.

KATHY SIEFKEN: Thank you.

LINEHAN: Other opponents?

MARK WHITEHEAD: Mark Whitehead, W-h-i-t-e-h-e-a-d, representing Nebraska Petroleum Marketers Assoc-- Convenience Store Association. Senator, I appreciate your comments. That's-- that's what we deal with every day. It's-- it's an interesting quagmire having many item-- you know, some items taxed, some items aren't taxed. And it-- I think our biggest issue happens to be is that the gentleman from Chesterman indicated that picking winners and losers. Our consumers make choices

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

each and every day, and-- and separating these particular items out from other grocery items that are-- that are on-- on our shelves creates and even furthers that complication in terms of what we're taxing, what we're not taxing. And it's-- it's complicated. It 's-- as you all well know, the-- the asset rule here is that if it's-- can be immediately consumed or if it is designed to be immediately consumed, it's sales tax. Can somebody take a can of coke out and drink it immediately? Certainly they can. And then quite often they do, especially out of a convenience store, but it-- that is not taxed. And fountain drink, obviously, is sales tax because that by design is-- is designed to be immediately consumed. Question-- you know, the problem is, is we cannot measure intent from every customer that comes in. If that particular product is designed, that it can be consumed days later, it is by statute designed-- it is not to be taxed. And that creates the dilemma that we're in right now. And this creates kind of an unlevel playing field and in a quagmire as to especially, and I guess I shouldn't separate myself out from convenience-- or from the grocery stores, but it creates an awful lot of problems in our case because we sell an awful lot of items that are taxed and many that aren't taxed, and that's where we're at. And Senator Friesen, to answer your question from earlier, I cannot speak to our board of directors, but me personally, if it was revenue neutral, I would not be opposed to sales tax on groceries. But the 800-pound gorilla in the room is revenue neutral. So you lower the overall sales tax rate and it creates-- it eliminates many of the decisions that we've got within our industry on what gets taxed, what doesn't get taxed. But I certainly wouldn't want to see that done as a revenue generator, overall. And I'm probably going to get a lot of trouble from Tim Keigher for bringing that up and planting that seed, but you asked the question earlier so I thought I'd respond.

LINEHAN: Very brave.

MARK WHITEHEAD: Any questions?

LINEHAN: Questions from the committee? You're very brave. Thank you. Other opponents.

NICOLE FOX: Good afternoon, Chairwoman Linehan, members of the Revenue Committee, my name is Nicole Fox, N-i-c-o-l-e F-o-x, director of government relations at the Platte Institute. I'm here today to testify in opposition to LB810. It's the Platte Institute's position that any policy expanding Nebraska's tax base should be used primarily to reduce state and local tax rates. In 2016, Nebraskans were already paying the 15th most-- paying the 15th most in state and local taxes per capita, according to the Tax Foundation. If the Legislature is

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

going to ask taxpayers to pay additional taxes they are not paying now, it should use the new revenues to reduce barriers imposed by our current tax structure by reducing Nebraska's property, income or sales tax rates, for example. Just as granting sales tax exemptions can encourage more lobbying for similar treatment for other goods and services, earmarking sales tax revenues, as this bill proposes, can lead to more bills that make spending decisions through the tax code. Going outside of the appropriations process limits the ability of the Legislature to set priorities in the General Fund and it erodes its ability to address tax reform. Of course, adding these-- only these types of goods to the sales tax invites not-- not entirely unfair accusations that the Legislature would be picking winners and losers. Choosing only a small set of exemptions to end when many-- when many goods and most services remain exempt, adds complexity to the tax code and makes compliance more difficult for some retailers. This committee has worked very hard to present a solution that delivers more state revenue for school districts. But by make-- by making this earmark, the committee would automatically dedicate funds to the Healthcare Cash Fund, which would be used for state aid to education-- or which could be used for state education. Finally, it's worth considering that by earmarking taxes from the sale of specific goods to the Healthcare Cash Fund, the receipts for the fund will track with the fluctuations in the sale of candy, soft drinks, rather than overall General Fund receipts. With that, I conclude my testimony. I would be happy to take any questions.

LINEHAN: Thank you very much. Are there questions from the committee? Seeing none, thank you much for being here. Next opponent.

DUSTIN ANTONELLO: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Dustin Antonello, D-u-s-t-i-n A-n-t-o-n-e-l-l-o. I'm here today representing the Lincoln Independent Business Association. The main reason LIBA opposes this bill is because a tax on pop and candy will hurt the sales of convenience stores and supermarkets throughout the state. After a tax on pop took effect in Philadelphia in 2017, supermarkets saw their total sales of beverages, food and household products decline by 8.1 percent, according to a report in the Journal of the American Medical Association. Smaller stores are also going to take an unfair hit because they will have to pay employees extra to deal with new accounting and inventory issues caused by these taxes. In addition, the gress-- the regressiveness of these taxes will have a greater impact on low- and middle-income households who have a more difficult time absorbing the higher costs to purchase these products. Further-- furthermore, although it seems sensible to put the additional revenue

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

to the Nebraska Healthcare Cash Fund, studies have shown that taxing sugary products have failed to deliver promised health benefits. In 2017, the New-- New Zealand Institute for Economic Research analyzed 47 case studies investigating the effectiveness of sugar taxes. According to the authors of the study, they were unable to find evidence that any sugar tax actually implemented anywhere in the world has led to improvements in health. Finally, removing the sales tax exemption on pop and candy may result in a temporary increase in revenue for the Nebraska Healthcare Cash Fund, but it likely would be followed by a revenue decline as consumers shift their spending habits away from these products. Policymakers may face tough decisions in the future if they use the additional revenue to expand services in the short term, only to see the budget gap-- only to see a budget gap once the additional revenue disappears. Thank you. Be happy to answer any questions.

LINEHAN: Thank you for being here. Are there questions from the committee?

BRIESE: Thank you--

LINEHAN: Senator Briese.

BRIESE: --Chairwoman Linehan. Thanks for your testimony here. Regarding the Philadelphia data, do you know what the sales tax rate was there by chance?

DUSTIN ANTONELLO: No, I don't, off the top of my head. But I believe it was different in what's being proposed today and that it would be a tax on top of a sales tax. It would be by-- by the ounce.

BRIESE: So what was that again? What happened in Philadelphia?

DUSTIN ANTONELLO: It's-- it was similar to the proposal that was put forth in New York City not too long ago, where in order to combat obesity, they were-- I believe it's a one and a half cent tax per ounce--

BRIESE: OK.

DUSTIN ANTONELLO: --that they were putting on soda products.

BRIESE: OK, so it wasn't-- it wasn't a sales tax implementation there.

DUSTIN ANTONELLO: No, it was on top.

BRIESE: OK, I missed that. Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

LINEHAN: Thank you, Senator Briese. Other questions from the committee? Senator Groene.

GROENE: Thank you, Chairman. Following up on Senator Briese, I'm confused here. In Philadelphia, after raising the taxes, the folks got so depressed they quit-- they dropped buying household goods and everything by 8.1 percent because their pop and candy taxes went up?

DUSTIN ANTONELLO: What was happening was that people were going outside of the city limits in order to buy their groceries. So they were-- the grocery stores were suffering because people in order to avoid the soda tax and taxes on candy were shopping just right outside the city limits.

GROENE: That makes more sense. But in New Zealand, if they tax the sugar, apparently sugar is more addictive than cigarettes, because if you tax the sugar, consumption stays high, but if we tax cigarettes, consumption goes down. So wouldn't this be a very stable tax. They could really tax it really high because folks are so addicted to sugar, their consumption levels will stay?

DUSTIN ANTONELLO: Well, I think, as you mentioned earlier, that it's not enough of a deterrent to keep people away from consuming these products. And if they're willing to go outside the city limits to continue purchasing soda at a cheaper rate, I don't think it's going to have the same impact we saw with cigarettes because, you know, there's-- the taxes on cigarettes become so high that in some cases it has so much, a lot of people quit.

GROENE: I know what you're saying, but in New Zealand, their consumption of sugar products was still as high after they taxed it.

DUSTIN ANTONELLO: Uh-huh. Well, this was actually-- this study was-- it was done by a New Zealand research organization and they analyzed 47 cases throughout the world where sugar tax had been-- been implemented.

GROENE: I would agree there would be flight. People do avoid taxes when possible. Thank you.

DUSTIN ANTONELLO: You're welcome.

LINEHAN: Thank you, Senator Groene. Other questions from the committee?

DUSTIN ANTONELLO: Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

LINEHAN: Seeing none, thank you very much. Are there other opponents? Is there anyone wishing to testify in the neutral position? Senator McCollister, would you like to close? Let me see, letters for the record. Proponents. Ali Khan, Omaha; Todd Hlavaty, Nebraska Medical Association; Nebraska Association of Regional Administrators; David Corbin; Jordan Rasmussen. Center for Rural Affairs. Opponents: Julia Tse, Voices for Children; Liz Clark, National Confectioners Association; International Bottled Water Association; Zoe Olson, Nebraska Restaurant Association. No one was neutral. Thank you, Senator McCollister.

McCOLLISTER: Yeah, thank you, Chairwoman Linehan. I'm sorry, my-- my good friend Mark Whitehead left because with tax policy, we are picking winners and losing-- losers. Special exemptions like food and like our candy and pop have, we are picking winners and losers already. And I would contend that the distinction that we make whether it's a food item or a candy or a pop is completely arbitrary-- completely arbitrary. Let's go through-- through some of the things. Pizza. If you go in and buy a cold pizza in the grocery store, that's not taxable. But if you go to their-- their little food area and buy a hot piece of pizza, that's taxable. Fountain drinks. You compare that with going into the cooler and buying a can of pop. It's completely arbitrary. I still don't know about potato trips [SIC]. Is that a taxable item or is that a nontaxable item? It's a-- doesn't make any sense and I think that we could add a lot of clarification to things by simply making these products taxable like other-- like other restaurant items and things like that. And I think that map that we-- I showed you-- this map, you can see Nebraska is becoming an outlier. Only eleven states don't tax these items, so I think that we ought to recognize that. And you look at Nebraska, the-- the states around Nebraska, we truly are an outlier. There was the contention that this would provide a burden to those retailers selling these products. And Nebraska does belong to the streamlined sales and tax agreement, so I contend that would not be a burden to some of those retailers. And finally, Healthcare Cash Fund. We talked about that. As we conducted our studies last year, we know that we're probably talking about somewhere between 20 and 25 million dollars that would go into the Healthcare Cash Fund. And that's a fund that's been depleted. All miscellaneous bills seemed to be directed to that fund and take cash out of that fund, but this would, for a change, add money to that fund. So I think that's noteworthy as well. And that's not in-- not inconsequential. The money with the 20, 25, perhaps even close to 30 million dollars. So that's not chicken feed. With that, I would be happy to answer any questions.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

LINEHAN: Thank you, Senator McCollister. Are there questions from the committee? Seeing none, thank you very much. With that, we'll close the hearing on LB810 and open the hearing on LB923. Senator Lindstrom. Good afternoon.

LINDSTROM: Good afternoon, Chairwoman Linehan, and members of the Revenue Committee. My name is Brett Lindstrom, B-r-e-t-t L-i-n-d-s-t-r-o-m, representing District 18 in northwest Omaha and today, I'm introducing LB923, a bill to change the sales tax provision relating to gross receipts. In 2019, introduced and passed LB218 at the request of Omaha Public Power District to combat an interpretation by the Department of Revenue that the utility poles and assorted infrastructure are considered personal property and subject to sales tax. LB218 clarified that any generation, transmission or distribution facilities, infrastructure or street light structures owned by public power districts are not personal property and are considered real property. By classifying public power utility poles as real property, the revenue obtained from lease rental of these poles, pole attachments is not taxable, and the contracted labor charge for working on these poles would not be subject to sales tax. LB218 corrected the Department of Revenue's interpretation for public power districts, but did not cover the state's electric cooperatives. Electric cooperatives pay property tax and depreciate their infrastructure. Therefore, their infrastructure cannot be deemed real property and must continue to be defined as personal property. Requiring electric cooperatives as electric-- or electric memberships associations to collect sales taxes on lease revenues, or requiring a contractor to collect the sales tax for the construction of or services provided for-- provided on electric infrastructure has the potential to greatly increase costs to the electric utility. LB923 would ensure electric cooperatives continue to receive the same tax treatment they have had for decades. The measure-- excuse me, the measure protects these entities from paying and/or collecting a sales-- new sales tax while maintaining their existing tax obligations under personal property tax law. One comment regarding the fiscal note. My office has been in contact with the Fiscal Office and they have determined that there wasn't necessarily enough information to accurately place a number on lost revenue. They indicated that they will revise the notes, however, the-- that note has not yet been available prior to this hearing. There will be more testimony following my introduction that can speak more about that. Thank you for your consideration and I'd be happy to answer any questions you may have.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

LINEHAN: Thank you, Senator Lindstrom. Are there questions from the committee? Senator Crawford,

CRAWFORD: Thank you, Chairman Linehan, and thank you, Senator. So just a-- has the Department of Revenue changed the way they're taxing these services, or is this a pre-- preventative measure to keep them from changing that interpretation?

LINDSTROM: Well, they had established a policy, I believe it was back in the '70s that they hadn't been collecting on some of these transmission lines and personal property. In the last couple years, they have been reaching out and trying to collect that, and so we were just trying to maintain the status quo or what-- what these power districts were doing. If you remember, we did have the cooperatives in there originally. They're treated a little bit differently in their personal property tax versus real property, so instead of jumping the gun and including them in the final bill in LB218, rather than do that, we did our due diligence over the last year to make sure that we were doing it properly and that's why we have the bill today.

CRAWFORD: All right. Thank you.

LINEHAN: Thank you, Senator Crawford. Other questions from the committee? Seeing none, thank you, Senator Lindstrom. Proponents.

JOHN HOKE: Chairperson Linehan, members of the Revenue Committee, thank you for your time today. My name is John Hoke, J-o-h-n H-o-k-e. I've been the manager at Niobrara Valley Electric Membership Corporation for the past 30 years. I am speaking today on behalf of the cooperative members of the Nebraska Rural Electric Association and the Nebraska Power Association. Last year, in response to an interpretation change by the Department of Revenue, LB218 was introduced on behalf-- behalf of the state's power districts to clarify that the power district lines and poles were real property, and as such, line attachments were not subject to sales and use tax. We're talking about a similar treatment through LB923 today. Rural electric cooperatives are viewed as nonprofit private corporations under state law. Our lines on poles are and always have been viewed as personal property. Last year, our cooperative paid 138,000 or about \$50 per member in property taxes. Midwest Electric Membership Corporation paid \$48 per member and Panhandle Rural Electric Cooperative, that figure was about \$80 per member. It's interesting to note that the fiscal note for LB923 was 3,383,000 for 2020. I'm glad they're going to take another look at that. I've been told that that's more than the revenue impact for LB218, which included all of the power districts and municipals in the state. What's the impact of

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

the-- on the cooperatives? There's only nine electric cooperatives operating in Nebraska, three of those are headquartered in Nebraska. That represents about 21,123 members-- cooperative members, I would say. If that fiscal note estimate was correct, the average cost per member to cover that fiscal note would be \$160 per member in 2020, more than twice what they're paying in property taxes now. I can only speak for our cooperative but those averages will require an additional \$435,000 in revenue per year to cover the costs. That's about a 3 percent rate increase. We would expect that the fiscal note for our co-op on average would be closer to 20 to \$40,000 annually, and if you multiply that by the other eight electric cooperatives in the state, I think that might give you a more accurate picture of what the fiscal note would be on this bill. In the past, we've never been charged sales tax on pole attachment revenue. In the case of our cooperative, that charge would be relatively small since we have so few poles that are attached to it. I think in our case, we probably have 40 on our entire system. What is concerning is the new interpretation would also cause us to pay tax on line construction done by contractors, pole replacement testing and tree trimming. For example, in the recent ice storm of 2018, we had to bring in about \$50,000 in contract work to restore power. The real change would have added about \$25,000 to the cost of the storm. So why is that important? Our cooperative has 2,765 miles of line in the service and 2,722 members. So we have one family paying for each mile of line that we support. The other cooperatives in the state range-- range actually from about a half family per mile to-- to one. In contrast, when you look at Lincoln Electric System, Omaha Public Power District, and Nebraska Public Power District, they have somewhere between 34 to 70 families supporting that mile of line. Simply put, any additional cost on rural electric cooperatives are spread over far fewer paying customers. What we're asking for today is simply to be treated the same way we've been treated for the past 40 years. So please help us avoid higher electric costs for low-population areas of the state by maintaining the same track-- tax treatment that was recognized last year under LB218. With that, that's my testimony. I would be glad to answer any questions you have.

LINEHAN: Thank you. I didn't see, I let you go over the red light, I was reading along here. Are there questions--

JOHN HOKE: I think I just barely snuck in there.

LINEHAN: Are there questions from the committee? Senator Groene.

GROENE: To clarify we-- thank you, Madam Chairman. To clarify, we exempted OPPD and L-- LES and--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

JOHN HOKE: Well, actually-- actually, all of the power districts and municipals in the state were exempted last year, yes.

GROENE: For their transmission lines and their sales tax on the poles and stuff.

JOHN HOKE: Well, they-- I can't-- it's hard for me to speak to power districts. I'm a co-op manager, but we pay sales tax and I believe they also pay sales tax on-- on poles, lines and material. What they-- what they don't pay on is would be attachments now or labor that is done to-- on those lines like contract labor, that kind of thing, as I understand.

GROENE: And you still do.

JOHN HOKE: We will now. We haven't historically. We will in the future.

LINEHAN: Thank you, Senator Groene. Other questions from the committee? So this may be a better question for-- excuse me, Senator Lindstrom, but-- I'm sorry, but they're not collecting this money and they haven't been collecting money previously.

JOHN HOKE: No, they have not.

LINEHAN: So I don't really understand how there's a fiscal note because it doesn't-- it's not taking money away. So I'm going to not be able to do. So anyway, you can maybe address that. But thank you for being here.

JOHN HOKE: Sure. Thanks.

LINEHAN: Other proponents.

KRISTEN GOTTSCHALK: Thank you, Chairman Linehan, and members of the Revenue Committee. My name is Kristen Gottschalk, K-r-i-s-t-e-n G-o-t-t-s-c-h-a-l-k. I'm the government relations director and registered lobbyist for the Nebraska Rural Electric Association. And today, I'm here to testify in support of the bill on behalf of NREA and on behalf of Panhandle Rural Electric Membership Association. First, I want to say thank you to Senator Lindstrom for this follow-up legislation that we didn't want to impede the process for the political subdivisions of the state last year and we wanted to be sure language was very clean to address the same issue for electric cooperatives. So we-- we appreciate his patience and his willingness to do this. I'm not going to report any-- or repeat any of the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

testimony that John Hoke, he is experiencing this directly and his testimony speaks for itself. But I did want to just make a couple comments on the fiscal note. And we're glad that the-- the Fiscal Office has decided that they need additional information to make a decision on what, if any, fiscal impact the bill should have. And I should-- I'll mention, we did have a conversation with Department of Revenue trying to determine how they came up with those numbers. And DOR did use megawatt information. And in their analysis of the input-- limited information that they had, they determined that these nine very small co-ops would account for 30 percent of all tax revenues across all electric utilities in the state of Nebraska, which we don't believe that could possibly be true when you consider, you know, you've got NPPD, OPPD, LES which are generators and these are simple distribution co-ops with lower costs. In fact, when we did a cursory or a preliminary review of that same information applied to co-op, it seems that those numbers would be closer to 2 percent for all utilities. So we do appreciate the Fiscal Office taking a closer look. My second role is to represent Prima. I did hand out a letter that they supplied. I don't feel the need to read that. So that would conclude my testimony and I would be happy to address any questions you may have.

LINEHAN: Thank you very much. Are there questions from the committee? Seeing none, thank you very much. Are there other proponents? Are there any opponents? Is there anyone wishing to testify in the neutral position? Letters for the record. Proponents: Rocky Weber, Nebraska Cooperative Council; Dennis Herman Highline Electric Association; John McClure, Nebraska Public Power District; Duane Highley, Tri-State Generations and Transmission Association, Inc.; Tim Burke, Omaha Public Power. There were no letters opposing and no letters in the neutral position. So with that, would you like to close, Senator Lindstrom?

LINDSTROM: Sure. I'll make it brief. With regards to the fiscal note, I mean, technically there was a policy change. So if we were to maintain the status quo of how they were treated since the '70s, this-- there shouldn't be a fiscal note, right? But this would be on the projection that if this bill does not pass, what would we end up collecting? And even with that, it's off a little bit so we could revise that. Again, we're just trying to maintain how they've been treated over the last couple of decades. We did it with the public powers last year, and we're just trying to make sure we're doing it in-- comes out of fairness issue. And so that's-- that's why I'm back to make sure we're maintaining that fairness.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 30, 2020

LINDSTROM: Thank you, Senator Lindstrom. Senator Crawford.

CRAWFORD: Thank you, Chairwoman Linehan, and thank you. So I think the fix we did before was to say something was real property and that just doesn't work because they have to pay property taxes. So we have to do a different fix for them, is that correct?

LINDSTROM: Right. There-- so, yeah, we changed it from property, personal property to real property. The co-ops are treated a little bit differently, but the underlying issue with regards to attachments and what they'd be charged on sales-- sales tax would be viewed the same. And really how it's always been viewed, it just didn't in the last couple of years with the policy change from the Department of Revenue. I remember-- if I remember correctly, they were in the room but didn't necessarily testify on it, so, yeah, like I said, we're just trying to make sure it's an even-- even across the board.

CRAWFORD: Thank you.

LINEHAN: Thank you. Senator Crawford. Are there other questions from the committee? Seeing none, that brings the hearing on LB923 to a close and we are finished for the day. Thank you all for being here.