

Transcript Prepared by Clerk of the Legislature Transcribers Office
Banking, Commerce and Insurance Committee January 30, 2024
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SLAMA: Are we good? Outstanding. Hi, everyone. Welcome to the Banking, Commerce and Insurance Committee hearing. I promise we are working to get the temperature turned down a little bit. No, you are not in the first layer of hell. It just feels like it. My name is Julie Slama. I'm from Dunbar and represent the 1st Legislative District. I serve as Chair of this committee. The committee will take up the bills today in the order posted. Our hearing is your public part of the legislative process, and this is your opportunity to express your position on the proposed legislation before us today. The committee members will come and go during the hearing. We have to introduce bills in other committees and are called away. It is not an indication that we are not interested in the bill being heard in this committee, just part of the process. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please silence or turn off your cell phones. Move to the front row when you're ready to testify. Our, our order of testimony on bills and confirmations today will be introducer, proponents, opponents, neutral and closing. Hand your green sign-in sheet to the committee clerk when you come up to testify. Spell your name for the record before you testify. Be concise. We ask that you limit your testimony to 3 minutes. That's enforced by a light system. The yellow or amber light will turn on when you have 1 minute left of your 3 minutes. Please wrap up by the time it turns red. If you will not be testifying at the microphone but want to go on record as having a position on a bill being heard today, there are gold sheets at each entrance where you may leave your name and other pertinent information. The sign-in sheets will become exhibits in the permanent record at the end of today's hearing. Written materials may be distributed to the committee members as exhibits only while testimony is being offered. Hand them to the page for distribution to the committee and staff when you come up to testify. We need 10 copies. If you have written testimony but do not have 10 copies, please raise your hand now so that the page can make copies for you. To my immediate right is committee counsel, Joshua Christolear. To my left, at the end of the table is esteemed committee clerk, Natalie Schunk. The committee members with us today will introduce themselves, beginning at my far right.

DUNGAN: Senator George Dungan, LD 26.

BALLARD: Beau Ballard, District 21.

KAUTH: Kathleen Kauth, District 31.

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JACOBSON: Mike Jacobson, District 42.

AGUILAR: Ray Aguilar, District 35.

von GILLERN: Brad von Gillern. District 4.

BOSTAR: Eliot Bostar, District 29.

SLAMA: Our pages today are Maddie [SIC] and later to be joined by Mia. The committee will take up the bills today in the following order: the confirmation of K.C. Belitz, LB1074, LB1075, LB991, LB955 and LB1294. And with that, we will open on the confirmation hearing for the Department of Economic Development Director, nominee K.C. Belitz. And is it Bay-litz or Bee-litz?

K.C. BELITZ: Bay-litz. You got it.

SLAMA: Thank you.

JACOBSON: I'm glad you answered it that way.

K.C. BELITZ: Good afternoon, Chairwoman Slama and committee. It is a pleasure to be here. For the record, my name is K.C. Belitz. K.C., and then B-e-l-i-t-z. Certainly appreciate the opportunity to spend some time with you today, having been appointed by Governor Pillen over the course of the summer as director of Nebraska Department of Economic Development. As a lifelong Nebraskan, I can tell you it is an honor to serve in this capacity for my home state. Certainly have had the opportunity to hit the ground running over the past 6-plus months and really has been a pleasure over that time to partner with, the, the team in the Governor's Office, the Legislature, fellow state agencies, the business community, municipalities, economic developers, utility providers, just to name a few, all with the final goal of growing Nebraska. I certainly want to say I have especially enjoyed the opportunity to work alongside the public servants who work at Department of Economic Development. We are blessed to have a talented team. We have key experience in some leadership positions within the agency. And I certainly want to call those out because they've been an extraordinary help to me, certainly in my 6 months, but before that, in, in a time of transition for our agency. Joe Fox is our deputy director of business development programs. Joe Lauber is our deputy director of operations. Dave Dearmont is our chief economist. I know many of you have known Dr. Dearmont for a long time. And I also want to take just a, a few seconds of, of privilege. As, as you look at the written testimony, you'll see Robin Kilgore is listed as our CFO.

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Robin has been a dedicated public servant, as well. And unfortunately, since we drafted this late, late last week, Robin has passed away as a result of, of, complications of her battle with cancer. And so I wanted to take the opportunity, since I have this, this platform to thank Robin, and to remember Dave and, and her family. We, we will miss Robin. I think the state will miss Robin. And so, thank you to Robin. These, these leaders and, and our team at Department of Economic Development have, have really provided excellent guidance during the department's leadership transition. Joe Fox served as, as interim. And, all of them, of course, had to, had to pick up a variety of balls and carry them during that period of time. Prior to joining DED, I served as chief operating officer at Nebraska Community Foundation for 4-plus years, working with NCF staff, volunteers, partner organizations, all across greater Nebraska in about 85 counties, where we had a presence within that organization. And prior to that, since 2000, had served as president of the Columbus Area Chamber of Commerce, in that capacity, directing business community development activities in, in our community and representing about 800 members. I am a native of Columbus, graduate of Columbus High, and what is now Truman University in northeast Missouri. My wife, Colleen, and I have a daughter, Emerson, who is a graduate of UNL and now is, is off doing her own thing. During my time with NCF and the Columbus Chamber, I really think the, the lessons and the experiences there, have led nicely into this current appointment. And I'll, I'll share with you a little bit why I say that. While at NCF, I was closely involved with statewide youth surveys that measured middle and high school students' perceptions about their hometowns. Talked to them about where do they want to be as adults. And year after year, the survey results to that question, what is going to be important to you when you become an adult, those results were very, very consistent across many different communities in our state. What they are looking for, in their future hometowns, safety, good schools, and family. Every time. That's the 3 and it's in that order. Well, what do we have in Nebraska? What can we sell in Nebraska? Safety, good schools, family. For the first time in a very long time, I believe we have this historic window of opportunity because we have what they're looking for. I've been part of those conversations for decades, where Nebraska communities talked about how we might have to reinvent ourselves to be attractive to the next generation. Today, we can have a different conversation, a much more productive one, because we don't have to reinvent ourselves. We simply have to sell ourselves and tell our story. As with most industries, of course, economic development has, has had dramatically shifted in the past decade and certainly, in the

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time that I have been practicing it. Economic developers today tackle things like housing and childcare, issues we never would have thought about 20, 30 years ago. But today, they're absolutely economic development issues. Economic development, community development, workforce development have really all become one thing, certainly increasingly intertwined. And that gives us, I believe, new opportunities to build partnerships that, that maybe just haven't been relevant before. And they are today. And that's, that's going to be, I think, a hallmark of the way we try to do the work. Certainly, it did not-- It did not take any of those jobs to teach me the lesson that Nebraska is blessed with great abundance, but certainly I've seen that in those jobs, in, in a lifetime of living in this state, many of you, the same way. We, we understand Nebraska is blessed with great abundance, bright young people, hardworking and entrepreneurial citizens, really a deep love of community across our state. Tremendous abundance, evident in the willingness of Nebraskans to take care of their neighbors, give to their communities in terms of time, in terms of mentoring others, in terms of their dollars. We, we live, we live in a really abundant place. So guided by those experiences and, and insights, and then also certainly in partnership with Governor Pillen's vision for economic development, I would propose these priorities. Number 1 is people attraction. That has to be job 1. Everything in economic development is driven by talent today. The days of, of seeking to grow our state by selling cheap land and cheap labor, just-- they just don't exist today. The game has changed. So we are primarily competing for talent right alongside competing for jobs. Both at NCF and with the Columbus Chamber, I spent a great deal of time working on people attraction efforts, making our communities the kinds of places that families would want to move to, live, work, play, raise the next generation of Nebraskans. And that placemaking happens in a lot of different forms that again, were not really relevant to this pursuit 20 years ago, but they are today. It includes supporting great schools, recreation, arts and culture, quality of life initiatives, certainly affordable housing and early childhood education. You all know, those come up in every community across our state. So you know, in the past 20-25 years, between those 2 experiences that I've had, it's, it's really been about building magnetic communities, not just attractive but magnetic, that actually bring people in to them. And certainly, that's going to be the, the focus of our agency, is helping communities do that. At DED, we're also, I think, rightfully so, pursuing homegrown economic development as opposed to the-- or I shouldn't say as opposed to-- along with the traditional model of recruiting employers from somewhere else. We're

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certainly going to do both. But growing our own is a, is a priority of the Governor. It's a priority, I think, for this time in history, and really a viable economic development strategy for our state, in a way that it maybe has not been, at least not to this degree in the past. So that means focusing on existing businesses, focusing on entrepreneurship and growing our own innovators, and certainly using our other assets that, that I've already described to create an ecosystem that supports companies at every stage of growth, from startup through expansion. And then, growing our own also relates back to that talent piece. It means developing our own people, equipping Nebraskans for the great career opportunities that exist, things we're already doing through mentorship and internships, apprenticeships, skills training. We need to continue to upskill Nebraskans. While growing our own, again, we're certainly never going to stop recruiting either. It's a core part of what the department has always done. I will say the, the evolution of that, in, in our opinion, is being strategic in that approach. We're not looking to aggressively pursue just every job for Nebraska. We're focused on recruiting high-wage, high-skilled career opportunities that really attract and keep our kids in the state. Again, we have world-class assets to, to sell in that space. We have abundant natural resources, the Ogallala Aquifer and others. We have the most sustainable agricultural supply chain on the planet. We're on the cutting edge of precision ag, produce feedstocks for the brand new and growing bioscience, biomanufacturing space. Domestic insurers in Nebraska rank number 2 nationally, in assets. We're on the leading edge of insurtech as a result. All of those strengths need to be our selling points so we are strategic and targeted in our approaches. It is hard to imagine a better time, for Nebraska, to be working in economic development. I, I am certainly keenly aware and grateful for that. The pieces are in place for some truly phenomenal growth over the next decade in Nebraska. And certainly, I am grateful, humbled, and excited, to serve Governor Pillen and work alongside all of you in that pursuit. With those comments, I'm certainly happy to answer questions from the committee.

SLAMA: Thank you, Mr. Belitz. I've got just a couple of questions for you, then I'll turn it over to the rest of the committee. First off, thank you so much for your willingness to serve and also for recognizing Robin Kilgore's years of service to the state of Nebraska. Lots of people will miss her terribly. And, yeah. It's a tough loss for the state. So last week, Brian Mastre with WOWT reported on a Mr. Richard Kelly receiving a \$50,000 grant as part of the \$234 million economic development grant program. The problem was Mr. Kelly has pled

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guilty to defrauding the federal government and is awaiting sentencing in March. How did that happen and how are we preventing that from happening in the future?

K.C. BELITZ: Yeah, certainly a valid question, Senator. I'll, I'll say this, first of all. We had become aware of that prior to that, and the process obviously had stopped. So he, he was not going to receive that grant. Frankly, it was, it was a clerical error that it was still on the list, and, and, and obviously, was, was corrected as soon as we became aware of that. That doesn't, doesn't excuse it, certainly, and it was a mistake. And we certainly fully admit that it was. The other thing I will say about that is that is the first of 3 stages of due diligence that all of those will go through. So, you know, that, that was never going to become, funds that had been expended. We have 2 more steps after that, before any funds are actually disbursed. And so, that or any other questions certainly would have been discovered. But again, I would, I would say it was a mistake that it was still on that list at that stage. And, and that shouldn't have happened. We're, we're also human. That team is human. I will say, while we will make mistakes, or I will 100% defend that team is, is they are committed and they serve with integrity. And so, that I would defend all day long, but I would also say clearly, in that case, a mistake was made.

SLAMA: Great. And I, and I appreciate you being up front on that. Something that was also raised last week was a conflict between, I believe, DED and Senator Wayne over the \$90 million north Omaha project. Would you be willing to speak to that? Has there been a compromise reached? What's the status of that?

K.C. BELITZ: You bet.

SLAMA: I, I don't want to call it a standoff, but.

K.C. BELITZ: Yeah. First of all, certainly I want to start by saying very much respect what Senator Wayne, Senator McKinney, and, and, and others in this body did last session and, and working through that process. We are working on a compromise on that, on that issue, so that we can productively move that forward. I will say, certainly, the Governor has been very clear to me and the rest of our team that, that what happens in north and south Omaha through that program and all of these, has to be impactful. We have to-- we have to change the future in those neighborhoods as a result of those, and feel very good about the work that our team has done to lead us toward having that kind of transformational impact. And certainly, want to continue that

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discussion with Senator Wayne, to, to have the airport business park be in that same category of transformational impact. Now, we believe that the team that's been put in place to execute on that will create transformational impact in that neighborhood. No question about that. But want to be, want to be as collaborative as we can be to, to get everybody on the same page, move forward with, with the narrative that really shares that, that same message across the board.

SLAMA: Thank you. Shifting gears here, obviously, I represent a rural district. Rural economic development is my favorite thing to talk about. I've had economic-- my economic-- one of my economic development directors, ask-- asked me to ask you, actually, what your approach to accepting federal funding for economic development will be. I think there's been some questions raised. I-- I'm not sure what the context is, but there might be some change, in terms of your office's approach based on the last ones. But what will your approach be to accepting federal funding for economic development, whether it be rural, urban or otherwise?

K.C. BELITZ: Yeah. I'm not sure of the context of the--

SLAMA: Me neither.

K.C. BELITZ: --question either, but I'll say this. Again, Governor Pillen has been clear that we need to get our share or more of, of federal programs that make funds available to do good work in Nebraska. And I would certainly share that. The only caveat that I can think there, is that sometimes those come with strings that, that may not make sense. And, and certainly, we're going to-- we're going to make good judgments about that. And we've obviously had experience with, you know, lots of federal funds over the years, from HUD and, and other places that, that we facilitate or administer. And, and so I've-- I know our team has seen that, where, where the strings just didn't make sense in the final analysis, but we will aggressively pursue opportunities that do make sense for rural Nebraska, whether that be federal funds or some other source.

SLAMA: Absolutely. And since you raised it, I mean, can you think of a time, at least during your last 6 months where you've had the opportunity for federal funds, but those strings just didn't make sense for the state of Nebraska to take advantage of?

K.C. BELITZ: I can't think of one. But I could give you some hypotheticals, for instance, because--

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SLAMA: Sure.

K.C. BELITZ: --I have certainly heard from our housing community, for instance, that if the Davis-Bacon rules come along with it, it may make the cost of that project not work in, in our market. So that would be a hypothetical where I could imagine that could happen.

SLAMA: Fantastic. Well, thank you very much. Other questions from the committee? Senator von Gillern.

von GILLERN: Yeah. Thank you for being here, Mr. Belitz, and congratulations on your appointment.

K.C. BELITZ: Thank you.

von GILLERN: Senator Slama's questions were, were great. I want to ask just on a little bit broader basis and not so much in particulars about the conversations last week or any of the things that are being-- any of the projects or awards. Did just more in a-- I'd like to get an understanding from you. How do you see your working relationship with the Legislature? Because this, this body-- and I think really, if you boil it down, that was more the, the frustration last week than anything. It was, it was we have-- we. I wasn't here when it happened. But the Legislature has appropriated those funds and they were supposed to go in a particular direction. And then at least it appeared that they went some-- they went in a different direction. So, again, not asking you to get into the details of that, but, but I think more about how you see your relationship with this body once those actions are taken.

K.C. BELITZ: Right. Yeah. I, I appreciate the question. I'll, I'll say this. My, my entire career, literally, Columbus and then with NCF has been about collaborating, building partnerships. That is just the way I think the work gets done best. That is just my core philosophy to doing all of this. So I, our team, are willing partners with the, with the Legislature, with the Unicameral. We will meet any time that, that there are things we should discuss. We've had the opportunity, you know, to work on the, the childcare working subgroup, the workforce working group with Senator Bostar. We partnered with Senator Jacobson on, on a rural workforce land development project. Senator Kauth and I have had the opportunity to have several conversations about projects that we're working on together. That's the way I would very much prefer to do the work. That-- that's my commitment.

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VON GILLERN: Thank you.

SLAMA: Thank you, Senator von Gillern. Additional committee questions. Senator Jacobson.

JACOBSON: Thank you, Chair Slama. Well, first of all, Director Belitz, I, I appreciate you being here and really do appreciate you accepting the challenge to take on this job. It's-- it-- at times, it can be a thankless job, but it's an incredibly important job. Your background is-- it makes you very well-suited to do exactly what you're doing today. I think your time with the community foundation got you across the entire state. You got a good feel for rural Nebraska, which, of course, is important to me. But I'd also tell you that your work in economic development and both, and both on the chamber side and the economic development side, you make you uniquely qualified to do what you're doing today. And, and I concur with your concerns. Certainly, we will have opportunities at times for federal dollars. But I think we're also going to be very mindful that we have a workforce that, that we need to get engaged. And, I think, probably you're mindful, I assume, that we want to be cautious of funding from the federal government that is going to encourage people to stay home as opposed to get a job. And we also want to be concerned about the strings attached in terms of ESG requirements, and also those issues in terms of making our costs significantly higher, because of some of the federal requirements that are out there. So I don't know whether you want to comment on any of that, but I just appreciate you being here and I appreciate you taking the job.

K.C. BELITZ: Thank you, Senator, I appreciate those, those comments. And yeah, again, I'll just reiterate, we, we will absolutely be mindful of, of the strings that come. Because we've, we've probably all been-- whether it's, whether it's government money or some other source, there are times where the resource just isn't worth what comes with it. And so, we will absolutely be mindful.

JACOBSON: Thank you.

K.C. BELITZ: Yeah.

SLAMA: Thank you, Senator Jacobson. Additional questions? Senator Kauth. Sorry.

KAUTH: That's OK. Hi. Contractor bailouts. I, I am fascinated and very excited about your internships and how to develop talent. Can you give

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us some description? Is it trades? Is it high tech? Is it all of those things, and kind of what, what is your strategy for keeping these kids here and giving them those skills--

K.C. BELITZ: You bet.

KAUTH: --that they need?

K.C. BELITZ: Yeah. Thank you, Senator, for the question. It's, it's certainly something that I am passionate about. Appreciate the opportunity to talk about it a little bit. I'll say this first. Given those youth survey results, again, the centennial generation is very interested in living places like Nebraska. That's the great news. The only challenge that we identified from those Nebraska high school students was they didn't think they could find the career opportunity or business opportunity they wanted in rural Nebraska. Now, everyone sitting around this table knows that's probably not true. Those do exist. We just haven't done as good a job as we should as a state of making them aware. So an internship becomes the ideal tool for that. Gets them engaged with a local employer, exposes them to those career opportunities, it's just ideal. And so, we're all in on the internship idea. Now, of course, that, that started last year, before I was in this role with the increased investment that, that the Unicameral and Governor Pillen made, in Intern Nebraska. And so, with our partners at Aksarben Foundation been rolling that out over the course of this-- the fall, and now into, into the spring. So that's one tool that exists. I think we're also, not I think, we are going to look for some other opportunities, other avenues, to expand that. And I'll give you an example or 2. Just met yesterday, for the second time, with our partners at DHHS, and have had some really good conversations with them about their SNAP/ENT [SIC] program. And they have an existing relationship with the Ignite Nebraska program, so that's providing apprenticeships with Blue Cross Blue Shield and others now. And so, agreed with them that I'm going to talk about that program with some employers in western Nebraska Monday and Tuesday, because they would be very excited about expanding that out into outstate Nebraska. And it's a model that works. So if we can-- that's a great example of upskilling, of providing those Nebraskans a wage that is going to allow them to be off of the SNAP benefits and earning a living, and filling jobs in Nebraska that need to be filled. That's the kind of partnership that, that has arisen, just in, in the last month, with our partners at DHHS. We are also approached by Beyond School Bells, an after school program that has a really cool STEM program to expose kids to, to STEM careers. We're going to try to tie that in with the

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Intern Nebraska program. So these high school students that are teaching STEM principles to younger kids in their school, then they get a guaranteed internship at a local employer using those STEM skills. So again, we're tying them into the community so they don't ever see a reason they have to leave. We're, we're really going to look for those kinds of partnerships and collaborations. And they're out there. That's just 2 examples in, in the very recent past.

KAUTH: Thank you.

SLAMA: Thank you, Senator Kauth. Senator Ballard.

BALLARD: Thank you. Thank you, Chair Slama. Thank you for being here, Director. I appreciated in the second page of your testimony, you said an entrepreneurial, entrepreneurial culture.

K.C. BELITZ: Yes.

BALLARD: How? What's your role or DED's role in creating an entrepreneurial culture? And I appreciate it. I, I do. Its-- and maybe a deeper philosophical question on what's the government's role--

K.C. BELITZ: Yeah.

BALLARD: --in creating that culture?

K.C. BELITZ: Yeah. Yeah, it is a great question, Senator. I, I think I-- my, my bias would be cautious about government's role in that, because it, it is a free market economy. That-- that's-- capitalism is what all of this is built on, and that's the way it functions best. However, I will say from my experience in, in Nebraska, we have a ton of resources, projects, programs, initiatives for entrepreneurs and startups, I would argue I'm not sure we have a functioning ecosystem yet. Those programs, projects, initiatives are not well connected to each other and they're not well connected to entrepreneurs. There's, there's actually research that shows that entrepreneurs don't know how to access those things very well in Nebraska. So I, I do think maybe there is a role for DED as a convener, to try to bring all of those things together with partners, into one functioning ecosystem. If we can do that, I think, honestly, we can change the game. Because the resources are there, the support's there. If we just connect it better, stop duplicating efforts in some cases, and then get entrepreneurs, startups, innovators connected more effectively, I think we can reduce some barriers and, and increase the impact. So,

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convener, I guess is the short answer, that goes after that long answer I just gave.

SLAMA: Thank you, Senator Ballard. Senator Dungan.

DUNGAN: Thank you, Chair Slama. Everybody else on my side of the table is asking questions so I figure I better jump in there.

K.C. BELITZ: Yeah, that's right. You're obligated.

DUNGAN: We're on the loud side, I guess, today. I similarly appreciate you being here. One of the things, I'm looking at the Department of Economic Development's website here. And one of the many things they talk about on there's the quality of life and having high quality of life and strong communities, kind of outside of just the jobs aspect.

K.C. BELITZ: Absolutely.

DUNGAN: You know, I, I guess, you traveled around the state and it sounds like you've been to all obviously different parts of the state, but you go to small communities like Ord or other places like that, and they've done a really fantastic job of creating sort of vibrant town squares. You know, they have the Golden Husk Theater out there. They have breweries, all these kind of things. And it seems like there's been a real intentional effort to create that quality of life in a lot of that more rural community area, talking about rural community investment. Where do you see DED's role in sort of partnering with and helping some of those smaller communities build out that more cultural side of things, whether it's creative districts or things like that? Just curious, your perspective on the importance of that, because I think that's key to keeping a lot of younger folk out there and attracting younger folk back to that area.

K.C. BELITZ: Yeah, there's, there's zero question about that. Could not agree more, Senator. Thank you for the comment. We, we have a role, you know, programmatically, in, in things like community development, block grants, obviously, we offer programs to, to help, with the funding for those things. But I'm, I'm really going to try both, both my own time, as well as our field staff's time, to be spent just sort of spreading the gospel on that, with small town, small community and county economic developers that-- it goes back to this transition our industry has been in. And, and there's lots of those rural economic development. Maybe not even so much the professionals as the boards, that are still looking at I got to recruit a, a

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1,000-person manufacturer to Ord to be successful. And so, I really do feel like we have an obligation as the state's economic development agency to share today's realities with those communities, to encourage them that, you know what, your economic developer's spending time. I-- it may be recruiting a brewery. It may be working on something like the Golden Husk, whatever. That's economic development. And it's, and it's impactful. And, and frankly, is a more sustainable and effective strategy today than waiting on that 1,000-person manufacturer. So, yes. We have programs that address that. I'm going to, I'm going to, I'm going to commit that we're going to try to do more than just have a program. We're going to go out and, and try and convince people that locally, they should be making those investments.

DUNGAN: Thank you.

SLAMA: Thank you, Senator Dungan. Additional questions from the committee? Seeing none, thank you very much, Mr. Belitz.

K.C. BELITZ: Appreciate your time. Thank you.

SLAMA: We'll now open it up for proponent testimony, in favor of the confirmation of K.C. Belitz. Proponent testimony. Any opponent testimony for the confirmation of Mr. Belitz? Any neutral testimony for the confirmation? Seeing none, this will bring to a close the confirmation hearing for Mr. Belitz, the Department of Economic Development. I will now turn things over to my esteemed Vice Chairman, well, relatively, Senator Jacobson, as we start our hearing on LB1074. Oh, yes. And for the record, before we close the appointment hearing, we have 2 proponent less-- letters for the confirmation of Mr. Belitz.

JACOBSON: OK. We'll, we'll open the public hearing on LB1074, a, a bill brought by Senator Slama. Senator Slama, the floor is yours.

SLAMA: Fantastic. Thank you very much, Mr. Vice Chairman, Members of the committee. My name is Julie Slama, J-u-l-i-e S-l-a-m-a, and I represent District 1, in southeast Nebraska. Today, I'm here to introduce LB1074. LB1074 is a bill that will update a number of statutes, so I will briefly break the bill's, bill's nature down to 5 categories. One, the bill contains the annual reenactment of the depository financial institution's wild card statutes to provide equal rights, powers and privileges for state-chartered banks, credit unions, and savings and loan associations with their respective federal counterparts. Updates will be to January 1, 2024. Updates references to specific federal laws and regulations affecting most of

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the entities under the jurisdiction of the department, including financial institutions, financial entities, securities firms and their representatives and agents for which the reference date is currently January 1, 2023. Updates will be to January 1, 2024. It also amends the Credit Union Act to change the designated official to whom the department sends a copy of its examination report in order to better protect the confidentiality of the report. We also amend the Securities Act of Nebraska in the following ways. We amend Section 8-1116, which authorizes the department to petition for a judicial appointment of a receiver of the assets of a person violating the act. Existing law provides that the director shall not be required to post a bond. This amendment would provide that neither the receiver nor the department would be required to post a bond. We also amend Section 8-1120 to remove obsolete language relating to prior years transfers from the Securities Act Cash Fund. Last but not least, we amend Section 8-1726 of the Commodity Code, which provides for a civil penalty, fines, and costs for violations of the code, to harmonize and clarify those terms. Thank you. And though I could try, I will defer any questions you might have to the Department of Banking's representative who is here to answer most of your technical questions. Thank you very much for your consideration. I hope you advance LB1074 to the floor.

JACOBSON: Thank you, Senator Slama. Questions from the committee? All right. Seeing none, thank you.

SLAMA: Thank you very much.

JACOBSON: I will now ask for proponent testimony. Go ahead.

DARCY BAILAR: Good afternoon, Vice Chair Jacobson, members of the committee. My name is Darcy Bailar, D-a-r-c-y B-a-i-l-a-r. I serve as deputy director of the Nebraska Department of Banking and Finance, and I'm appearing here today in support of LB1074, which was introduced at the request of the department. LB1074 proposes updates to a number of laws governing many of the industries regulated by the department through its Financial Institutions Division, the Nebraska Securities Bureau. Many of the proposed revisions contained in this bill have been adopted by the Legislature on an annual basis. LB1074 contains the annual equal rights updates for Nebraska's state-chartered banks, credit unions, and savings and loan associations. Sections 6, 8, and 21 of the bill provide our state-chartered depository institutions with the same rights, powers and privileges as those enjoyed by our federally-chartered counterparts doing business in Nebraska. Due to

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the state constitutional restrictions on delegation of legislative authority, the statutes need to be amended annually to provide a current reference date. LB1074 proposes to update all cross-referenced federal statutes, regulations, and standards affecting the industries under the department's jurisdiction by providing the new reference date of January 1, 2024. Twenty Nebraska statutes would be amended, all of which were recently updated in the 2023 legislative session by LB214. Institutions, entities, and individuals operating in the financial sector are also subject to certain federal laws and regulations. These updates avoid duplication and overregulation, and therefore, it's important that the cross-references are kept current. There are 4 additional amendments for your consideration. Section 20 of the bill would amend Section 21-1736 of the Credit Union Act, which requires the department to send a copy of its report of examination to the chairperson of the board of directors of a credit union. The amendment provides that the report is to be sent to the credit union's president, chief executive officer or manager, rather than the chairperson. The reason for this change is the chairperson is often a volunteer and may only have a generic or personal email account not associated with the credit union. This presents a security concern, as the exam report is a highly confidential document. There are 2 amendments to the Securities Act of Nebraska, which will provide civil remedies to the department when it has determined a person is violating the act. One of the remedies authorizes the department to seek judicial appointment of a receiver of the assets of the violator. The law states the director shall not be required to post a bond, and the amendment would provide that neither the receiver nor the director would be required to post a bond. This amendment would benefit any claimants to the assets when there is a-- because when there's a bond receipt for the-- required for the receiver, the cost of the bond paid out-- is paid out of the assets of the defendant. The second revision would repeal obsolete language. Section 15 of the bill amends Section 8-1726 of the Commodity Code to provide clarity and consistency. The law allows the department to impose a civil penalty, but does not make references elsewhere in-- of-- to the term. All other references are to the terms, fine and fines. LB1074 will simply change "civil penalty" to "fine" and clarify the costs of the investigation, which were permitted under the statute. I want to thank Chairperson Slama for introducing this legislation to update and clarify the laws affecting our financial industries. And I'll be happy to answer any questions.

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JACOBSON: Questions? You're getting off easy today. Thank you for your testimony. Appreciate it. Thank you.

DARCY BAILAR: Thank you.

JACOBSON: Other proponent testimony? Welcome.

BRANDON LUETKENHAUS: Good afternoon, Vice Chairman Jacobson, members of Banking, Commerce and Insurance Committee. My name is Brandon Luetkenhaus, B-r-a-n-d-o-n L-u-e-t-k-e-n-h-a-u-s. I appear before you today on behalf of the Nebraska Credit Union League in support of LB1074. I want to thank the department and, and of course, chairman-- Chairwoman Slama for introducing this important bill. I'll talk about 2 aspects of it; 1 is the parity wild-card provision for credit unions, our state-chartered credit unions. In Nebraska, we have 55 credit unions. Ten of them are state-chartered. So for those 10 credit unions that are state-chartered, it's important that they have parity with their federal counterparts whenever regulations might change at the federal level. And so the parity provision is important. What I will also say about the parity provision is, in my opinion, it's a bridge to the next session. So while the Legislature is in interim, parity provision makes sure that credit unions at the state level are kept on par until the next legislative session. And with regards to the other provision regarding bankings-- or credit union examination reports going to the present CO, this is important as well. And we support this provision because as the department testified to, credit union board members are volunteers elected by and from their membership. And so these are folks that are volunteering to direct the credit union. They have other jobs, other duties. They do not work at the credit union. They are the directors. And so, we do think this is an important change to make sure that that very sensitive information gets to the president, CEO or manager of the credit union, rather than the chairperson of the board. With that, I would be happy to answer any questions you might have.

JACOBSON: Questions from the committee? I do have one, particularly to that last point. You know, I mean, obviously, these, these bills are important every year because we do want that parity of banks, credit unions. We all share in that concern. I, I do have a, a just more of a technical question on [INAUDIBLE] with regard to examination reports. So if this goes to the president of the credit union, then I presume then, you are sharing this information with your board in the board meetings. Your board's signing off on the reports and all that. But we're just making sure that that report gets to the responsible person

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in the credit union itself. And then you're going to consequently share it at your next board meeting.

BRANDON LUETKENHAUS: Absolutely. That is exactly how it would work. And even today, there are some board members that may not make it in for-- maybe they miss a meeting, and they may not make it in for over a month. That could be sitting there, not, not being seen by the CEO or president, manager. So yes, you are correct. That's exactly how it works. And, and this change makes a lot of sense.

JACOBSON: And, and I'm assuming this would be the same with banks, but then every board member is signing that examination-- report of examination. So you're attesting that every board member who's technically-- ultimately responsible are signing that report, as well.

BRANDON LUETKENHAUS: Correct.

JACOBSON: Yeah. Thank you. Any other questions from the committee? If not, thank you for your testimony. Further proponents?

ROBERT HALLSTROM: Vice Chair Jacobson, members of the committee, my name is Robert J. Hallstrom, H-a-l-l-s-t-r-o-m, here before you today as a registered lobbyist for the Nebraska Bankers Association in support of LB1074. While there are not as many substantive provisions of interest to the banking industry in LB1074 this year compared to others, we were always uniquely interested and supportive of the annual update of what we call the bank wild-card or the parity provision, to give state banks and others the same powers and privileges of national or federally-chartered institutions. We're also equally interested in updating those other bank-related laws, as the deputy director noted, for the purpose of the unlawful delegation of authority doctrine, which we have to do every year. We also believe there's probably a good possibility that this could be a committee priority bill. So we want to be on record in supporting it, and hopefully integrating some other good works of the committee into this bill, if it is so designated. Be happy to answer any questions that you may have.

JACOBSON: Questions for the testifier? OK. Seeing none, thank you for your testimony. Further proponents?

DEXTER SCHRODT: Good afternoon, esteemed Vice Chair Jacobson and members of the committee. My name is Dexter Schrodtt, D-e-x-t-e-r S-c-h-r-o-d-t, president and CEO of the Nebraska Independent Community

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Bankers Association. I'm here to testify in support of LB1074. I'd like to thank the department for their due diligence in drafting and bringing this bill, as well as Chairwoman Slama and the work of legal counsel, to make sure it's workable this year. I echo the, the sentiments of Mr. Luetkenhaus and Mr. Hallstrom. It's important, at least from our perspective, that state-chartered banks receive their parity on par with the-- their federal national bank counterparts for the purposes of regulation that may come down from the federal government. And that's really the, the extent. I don't need to dive too much more into it, but I would like the record to show that it feels much better in here, Senator Slama. So thank you for that.

JACOBSON: I'm taking credit for most of that. It's all cooled down since I took over.

DEXTER SCHRODT: There you go.

JACOBSON: Questions from the committee?

DEXTER SCHRODT: Thank you.

JACOBSON: OK. Thank you. Further proponents? Any other- anyone wishing to speak in, in support? If not, any opponent testimony? Anyone wish to speak in the opposition-- in opposition? All right. Anyone wishing to speak in a neutral capacity? All right. Seeing none, Senator Slama, you're welcome to close. She waives her close. And I believe there are zero letters. Right here. No letters. All right. With that, we'll close the public hearing for LB1074. We'll move to opening the public hearing on LB1075. And we have a familiar presenter, Senator Slama.

SLAMA: Thank you, Mr. Chairman. I would say that the change in temperature is more due to what some have claimed is my cold, dead heart more than anything you contributed to this. Good afternoon.

JACOBSON: If you're looking for an argument, you're not going to get that.

SLAMA: Touche. Good afternoon, members of the committee. My name is Julie Slama, J-u-l-i-e S-l-a-m-a, and I represent District 1 in southeast Nebraska. I'm here today to introduce LB1075. This bill, brought at the request of the Department of Banking, applies to the consumer finance licensees' nondepository financial entities. There are 2 sets of amendments for these entities' statutes. The first are those related to data breaches. All consumer finance licensees, namely money transmitters, installment sales companies, mortgage bankers,

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installment loan companies, delayed deposit servicers and installment loan companies, would be required to notify the department directly when they suffer a data breach involving the personal information of a Nebraska resident. This notification would be required within 3 business days of the data, data breach, with an exception where a law enforcement agency determines that such notice could impede a criminal investigation. The second set of amendments are those related to background checks. The various acts governing the consumer finance licensees currently require background checks of insiders. The bill would make the process uniform by requiring the submission of fingerprints to the FBI, with the Nationwide Mortgage Licensing System, NMLS, serving as a channeling agent for the department. The Money Transmitters Act and the Delayed Deposit Services Licensing Act already contain the requirement. Thank you. And I would refer any technical questions you might have about LB1075 to the Department of Banking, who I hope is testifying right after me. Thank you, members of the committee.

JACOBSON: I will still ask if there are any questions from the committee. All right. Seeing none. Thank you. I'll ask for proponent testimony. And again, familiar testifiers. Welcome back.

DARCY BAILAR: Thank you.

JACOBSON: Go ahead.

DARCY BAILAR: Thank you, Vice Chair, members of the committee. My name is Darcy Bailar, D-a-r-c-y B-a-i-l-a-r. I serve as deputy director of the Nebraska Department of Banking and Finance, and I'm appearing here today in support of LB1075, which was also introduced at the request of the department. LB1075 proposes 2 updates that would apply across several laws regulated by the department. Specifically, these updates would apply to our Consumer Financial Services licensees, including money transmitters, installment sales, installment loan companies, delayed deposit service companies, and mortgage banker companies. These updates do not apply to our state-chartered depository financial institutions such as banks and credit unions. The first update is to provide uniformity in the way the department conducts and reviews background checks of consumer financial services licensees. The department uses the Nationwide Mortgage Licensing System, or NMLS, for licensing of these companies. The NMLS is an online database that states utilize for licensing and enforcement functions of CFS companies. Any companies that are on the NMLS are required by the system to have their owners, executives, and other control persons

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submit to FBI background checks. However, a state must have clear statutory authority to require FBI background checks and then to view the results. Currently, the department has statutory authority in place to conduct its, conduct its background checks for DDS companies and mortgage bankers directly through the NMLS, using FBI background checks. The NMLS uses a fingerprinting vendor, so the Nebraska State Patrol will not be impacted by these revisions. This update provides the department with statutory authority to use a consistent method, method for all licensees on NMLS. This update would work to reduce regulatory burden on our licensees and create operational efficiencies for the department. Update can be found within Sections 1, 2, 4, 6, 10 and 12. Update also corrects a subsection reference for the background check provisions of the Delayed Deposit Services Act in Section 8. The second update contained within this bill requires the same CFS licensees to notify the department directly when they suffer a data breach involving the personal information of a Nebraska resident. This notification will be required within 3 business days of the data breach, with an exception where a law enforcement agency determines that such notice could impede a criminal investigation. Currently, these companies are required to provide notice of any data breach they suffer involving a Nebraska resident to the Nebraska Attorney General's Office, pursuant to Nebraska law. However, the department seldom learns of these breaches involving our licensees until months after they occur. This update, contained in Sections 3, 5, 7, 9, and 11 of the bill closely tracks with this preexisting legal requirement, so as not to increase regulatory burden on our licensees. The reason for this update is that these licensees handle extremely sensitive and personal consumer information. When this sensitive information is compromised by an unauthorized data breach, it puts Nebraskans at a serious risk of loss. By requiring our licensees to provide notice of these data breaches directly to the department, we are able to assist affected Nebraskans and ensure that they are being provided with appropriate consumer protections. This also allows the department to better assist our licensees in dealing with these difficult incidents. I want to, again, thank Chairperson Slama for introducing this legislation to update consumer financial services laws in an effort to both reduce regulatory burden and aid in consumer protection for Nebraskans. Happy to answer any of your questions. Thank you.

JACOBSON: Thank you. Questions from the committee? I, I just had a brief one. As it relates to the notification of a data breach, is, is that consistent with your requirements for banks and credit unions?

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DARCY BAILAR: It is. As far as specific statutory language, I would have to refer to my team, but we do have similar reporting requirements. This-- consumer financial services have a very specific requirement to the-- report to the Attorney General. So oftentimes, they've made that report and we don't know about it until sometimes, further communication with a licensee or within the course of an examination or something like that. So oftentimes, a licensee in this particular consumer financial services area will think they made the report to the state. And so this just clarifies that we need the report made to us, as well, so that we can help with verifying that they're handling their consumer protections correctly, investor-- or I'm sorry, consumer education, things like that. Oftentimes, we also get it through a complaint process later on. And so hopefully-- the intent with this amendment is just simply to make sure that we can provide those services to Nebraskans in a more timely manner.

JACOBSON: And, and what mode do the-- are those data-- are those breach notifications provided to you? Is that, are they mailing a letter, or it's a phone call, it's an email. Are, are there specifics in terms of how that notification is required?

DARCY BAILAR: At this point, we do want the notification in writing, but we are accepting electronic notifications.

JACOBSON: Gotcha. OK. One last thing. I-- I'm just curious. So national banks, which, of course, are not regulated by the state of Nebraska.

DARCY BAILAR: Correct.

JACOBSON: In their case, with a data breach, I think that those are, those are some federal notifications. Is this, is this-- I'm assuming the Attorney General may have some notice, potentially, in Nebraska, or State Patrol, but I presume you, you don't have any notice if they've got a data breach.

DARCY BAILAR: We do not.

JACOBSON: Even in cases where they've got state-chartered banks that might be using data sources with -- services with them.

DARCY BAILAR: We do not have specific requirements in statute. Again, oftentimes we receive things through a complaint process. Although we don't directly regulate nationally-chartered banks, we do refer those on. And we also assist to help with that type of consumer education

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in, in-- no matter who they're dealing with, as it would be appropriate for a Nebraska resident.

JACOBSON: Great. Thank you. Any other questions? If not, thank you for your testimony.

DARCY BAILLAR: Thank you.

JACOBSON: Any, any other proponents? Anyone else want to speak as a proponent? If not, opponent testimony? Anyone wanting to speak in opposition to the bill? Seeing none, neutral testifiers? Seeing none, Senator Slama. Waive your close. There was 1 opponent testimony that was submitted in writing. Otherwise, there were no other letters sent in. With that, that will close the hearing on LB1075, and I'll yield the Chair back to Senator Slama.

SLAMA: Thank you very much, Mr. Vice Chairman. We will now start our hearing on LB991. Just for my reference, can I get a show of hands for all those who plan to testify on LB991? OK. If you are testifying, please come up to the front rows. That will help move things along and get us all out of here more efficiently. All right. Senator Bostar, you're welcome to open.

BOSTAR: Good afternoon, Chair Slama and fellow members of the Banking, Commerce, and Insurance Committee. For the record, my name is Eliot Bostar. That's E-l-i-o-t B-o-s-t-a-r, and I represent Legislative District 29, here today to present LB991, also known as the Blockchain Basics Act. This committee is no stranger to blockchain legislation. In 2021, we heard and passed the Nebraska Financial Innovation Act, sponsored by then-Senator Flood. Since the passage of that legislation, Nebraska has been identified as a leader in blockchain technology. A lot has changed in blockchain technology since 2021. This legislation seeks to build off of the previous work of this committee so Nebraska can continue to lead blockchain technology and attract the economic opportunity that comes with it. LB991 addresses the following issues with blockchain technology. First, the legislation adds definitions of various technologies that were not addressed in 2021. This includes definitions for blockchain protocols, digital asset mining, wallets for storing digital assets, as well as a few others. Second, the legislation addresses the industry of digital asset mining, which already has a footprint in Nebraska. Industry estimates have-- industry estimates Ne-- have Nebraska mining the 10th highest amount of Bitcoins in the nation, with an estimated 3,000 Bitcoins mined in 2023. At current value, that is approximately \$125

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million worth of Bitcoin. LB991 creates a framework for these businesses to be able to continue to expand and invest in Nebraska while at the same time, balancing any concerns expressed by local governments. The Blockchain Basics Act ensures the right of the people of Nebraska to engage in commerce using digital assets. The legislation specifically protects their right to hold their own digital assets and to allow them to purchase legal goods and services. It additionally streamlines tax considerations when using digital assets by providing a \$200 de minimis exemption for capital gains when digital assets are used as a method of payment. The legislation addresses outstanding questions about what kinds of traditional financial regulations apply to block-- blockchain technologies. Specifically, the legislation exempts those who are engaged in digital asset mining or operating on a blockchain from having to obtain a money transmission license. LB991 allows Nebraska to continue to expand its footprint on blockchain technology. I urge the committee to advance this legislation. I thank you for your time and I will distribute an amendment for the committee. The amendment includes the changes that were requested by the Department of Banking and Finance. And so with that, I'd be happy to answer any other questions, although there definitely are people that will be testifying that do this for a living.

SLAMA: All right. Thank you, Senator Bostar. Questions from the committee? Seeing none, thank you very much. We will now--

BOSTAR: Thank you.

JACOBSON: I'll ask the other testifiers.

SLAMA: --OK. Good idea. OK. We'll now open it up for proponent testimony on LB991. Welcome.

ERIC PETERSON: Thank you so much. Thank you, Senator Slama and the committee for hearing me today. My name is Eric Peterson, E-r-i-c P-e-t-e-r-s-o-n. I am the policy director for Satoshi Action Fund. We are a nonprofit organization who works across the country to pass pro-digital asset legislation for technology such as Bitcoin, primarily at the state level. This legislation before you, the Blockchain Basics Act, was drafted with the intent of moving states forward, like Nebraska, in digital assets. It deals with questions that are specifically outstanding in regards to digital assets and what is happening in Nebraska already. There are tens of thousands of people who own digital assets in the state of Nebraska. We're dealing

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with what those definitions are, what they're allowed to do with their digital assets, and dealing with how those are taxed. As Senator Bostar says, this legislation deals with a de minimis exemption, as it comes to capital gains for using digital assets as a method of payment. That \$200 was taken from federal law. That is a limit per transaction for dealing with foreign currency. Without that de minimis exemption, every time that you spent with digital assets, you would have to report to the state of Nebraska what your capital gain or loss on a transaction would be, making it essentially impossible for anyone to comply with tax law and deal with digital assets in the state of Nebraska. We've dealt with legislation like this across the country, passed similar leg-- legislation in Montana and Arkansas dealing with the balancing act between local governments, noise concerns and digital asset mining. As Senator Bostar said, Nebraska is in the top 10 in Bit-- Bitcoin mining and is only growing. They mined over 3,000 Bitcoin in the state of Nebraska and expect that to continue to grow, as well as the AI data Sonnet industry, which is closely aligned to this. Finally, this legislation deals with money transmission laws. Those laws will continue to apply to large cryptocurrency exchanges that you are familiar with, such as Coinbase. However, for those that are not dealing with United States dollars nor holding currency for individuals and transferring it to another person, we are clearly stating that those folks do not have to get money transmission licenses. Again, we worked with the Department of Banking and Finance to work through those rules to make sure there was broad agreement. We've also talked to a variety of stakeholder groups, including the banking association, the Association of Counties, and the municipal association, to make sure that this is forward-thinking policy so Nebraska can continue to be a leader. But again, makes sure that we have stakeholder engagement and buy-in and are not moving too fast for the technology that this committee might feel uncomfortable with. With that, I'd be happy to answer any questions about the technology, the businesses in the state of Nebraska or specific sections of the bill. Thank you so much for your time.

SLAMA: Thank you very much. Questions from the committee? Senator Kauth.

KAUTH: Thank you, Chair Slama. How many individual Bitcoin miners are there and how many-- like, you have a great graph on the back of this that shows--

ERIC PETERSON: Um-hum.

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KAUTH: --you know, big data center kind of thing.

ERIC PETERSON: Yeah.

KAUTH: And then the second part of that is how much [INAUDIBLE]do these make?

ERIC PETERSON: Yeah. That, that-- those are great questions. It's, it's hard to tell exactly how many Bitcoin miners there are in the state of Nebraska, and how you would measure that. As far as the data centers, there are some growing. You'll hear for some folks who are building them right now. But they have very large ones. Marathon, which is the largest publicly-traded digital asset mining companies in the world, just bought the facility in Kearney, Nebraska, for millions of dollars. I know there's some other ones on the border with Missouri. They're a little notoriously hard to track down exactly where they are. And there are also folks that are doing this in their basements, in their home. Again, we try to deal with any potential externalities they might create. As far as noise, that also varies widely. There are some folks that use immersion cooling, so they place them in a lisk-- a liquid, so they in fact make no noise. Otherwise, the noise is from fans that are used to cool. One of the benefits of Nebraska compared to a state like Texas is it's much cooler, especially during this time of the year, so they save on energy costs and cooling costs. Generally, they, they can be anywhere from, you know, 20-40 decibels, but folks are-- have the technology and can make the investment to make sure that those are not felt by neighbors in any way, shape or form. The balancing act we talked about, really makes sure that there's a large incentive for folks who are doing this as a business, who are investing millions of dollars, to make sure that they are zoned industrial. And we're very clear in this legislation that municipalities and other local subdivisions have the ability to continue to regulate noise in industrial areas. What they cannot do is write laws specifically targeting these businesses. We want these businesses to meet the same noise regulations and frankly, other regulations as any other business. What we're avoiding are specifically-targeted regulations at these businesses. Because frankly, they'll, they'll leave, and we believe they're generating vast benefits for especially the rural areas of Nebraska.

KAUTH: Thank you.

ERIC PETERSON: Thank you so much.

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SLAMA: Thank you, Senator Kauth. Senator Jacobson, and I will briefly also turn over the hearing to you. I will be back shortly.

JACOBSON: All right. Thank you. Well, I've got 2 or 3 questions. And, and we've spoken in the Rotunda. And I'm not a-- I'm not an avid Bitcoin fan. And I would tell you that many in my district would be adamantly opposed to this bill. But, but in fairness, I, I do have several questions. First, starting with we talk a lot about bringing rural development, and this is always supposed to resonate with rural people. But the Kearney facility, I'm fairly familiar with. I would gather it's maybe the largest in the state?

ERIC PETERSON: To my knowledge, though, I would say I'm not-- I, I couldn't say that for certain.

JACOBSON: How many employees do they have?

ERIC PETERSON: I don't know off the top of my head. I know--

JACOBSON: Less than 10?

ERIC PETERSON: I, I couldn't tell you. I know Matt Carson will talk a little bit more about his hiring in the industry and what those typically look like for the size facility. Those can be extrapolated out, but I can't speak specifically to that Kearney facility.

JACOBSON: To put it in perspective, the electricity consumption, my understanding, the facility in Kearney uses more electricity than the entire city of Kearney. Would that be true?

ERIC PETERSON: I-- again, I'm not familiar with the specifics of that facility.

JACOBSON: Who-- is there someone who will testify to be able to answer these questions?

ERIC PETERSON: There's nobody from that company here.

JACOBSON: OK. Well, I would tell you that's-- I, I would believe that to be true. OK. So-- and I also see in the bill that we're suggesting that we're going to create an impediment for municipalities to provide any restrictions that specifically target these companies, that we know use a massive amount of electricity, create noise, and, and just like-- we just got done approving a packing plant in North Platte. I can tell you that there are specific ordinances targeted to them in

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order to be able to do what they're doing. I can tell you that there are gentlemen's clubs and other activities that occur in municipalities that I adamantly oppose any restrictions that they may be able to place on businesses that they want to locate in those communities if they legally can do so. So I do fundamentally have some problems with those restrictions. You know, and, and I, I guess my other concern is we're looking at the home digital mining. And there may be some concerns down the road here. At what point do we have a consumption of electricity that, that really takes over the industrial availability of electricity for other activities, both agricultural and business activities. Just as we found in some areas of northeast Nebraska, where we really are limited on what our natural gas supply is because of the amount of usage there. So, so those-- for those reasons, I have a lot of concerns. And I would have, would have liked to have had someone here to testify that could deal with those issues. But, but I, I guess if you've got any comments, feedback for me on those issues, I'd appreciate it.

ERIC PETERSON: Yeah. I-- I'd-- let me try to take those one by one. Number one, I, I understand the noise. My, my mother worked in local government for 30 years. I believe in zoning. Our goal here, right, is, again, to move these large digital asset miners, which are defined in the legislation using, using over 1 megawatt of electricity. So if you're looking on back, right, that's going to require a whole rack of computers and a, a separate building. We want them in those areas. The-- any sort of restrictions on passing specific noise ordinances for digital asset mining businesses are only if they are in industrial areas. They do not-- those protections do not apply if they are zoned for rural, agricultural, residential, commercial. We are trying specifically to make sure that they do not cause any potential noise concerns to neighbors, to livestock, to anything of that sort. That is why we try to move them into industrial areas where there are like things, like in-- like data centers, like manufacturing facilities, anything like that. To the power consumption. In general-- and again, the-- some of these folks who will-- who are in the industry-- I'm not in the industry, right, I, I work on legislation-- can talk about their business practices, but they go to places with stranded energy. Because energy remains such a vital input, they don't want to be competing with higher value uses of that energy, for example, an ammonia plant or agricultural facility. They're willing to pay more for that energy. And because the energy costs makes up the margins for these digital asset miners, that's why they go to rural areas that have extra substations, extra stranded energy. One of the reasons

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Nebraska is so high in Bitcoin mining is because it has so much stranded energy that's unable to be used. And so when they purchase that energy, it actually drives down rates for consumers, because otherwise that energy would otherwise be wasted and not go to the power producers, or it's sold to states like Kansas and Oklahoma for less than it's generated. Bitcoin miners will pay more than it's generated, thus driving down those costs. So in general, we find them to be complementary, not adversarial towards Nebraska and the energy needs that it would like to reach.

JACOBSON: Well, I, I would just counter that a little bit with, I would tell you that there are several agricultural producers who are on load control in their center pivots in the summertime that would probably disagree with that statement. Because I would assume in the summertime is when you're massive load-- when you're needing the most amount of, of electricity to cool those units in the heat of the summer, and that's when center pivots need to run, irrigation wells need to run, and that's when the load is at the highest peak demand. So they seem to run in conflict with each other. And so, I, I get a little concerned at times, when we, we can send this out in the country, in rural Nebraska and nobody out there cares, and I would just tell you they do. They care about the noise, they care about the energy consumption. They appreciate the economic benefit it brings, but there's trade-offs. And so, I would just keep that in mind as you work through that process.

ERIC PETERSON: Could, could I address that real quickly?

JACOBSON: Sure.

ERIC PETERSON: So, again, I think you raise-- raised a very important point about energy needs. Right. One of the benefits of, of Bitcoin or digital asset mining compared to any other industrial load is their ability to curtail load at a moment's notice. So as you might have noticed, it was very cold in Nebraska a few weeks ago. I was actually down in Texas, and it got all the way down to 15 degrees. Texas has, if not the majority, a large plurality of Bitcoin mining in the United States, far outpacing states like Nebraska. As that cold came down, obviously there was more energy need and demand for, for heating. Because of the characteristics of Bitcoin miners, they actually shut off all of those facilities. And they can do so much more quickly than traditional data centers, again, agricultural production facilities, because they're essentially just shutting down computers. And it has no impact on the Bitcoin network, people's ability to run Internet, or

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stopping production lines. And so, there, when it gets hot in the summer, Bitcoin miners are going to be the ones who will be first available to shut down and be good neighbors during those periods.

JACOBSON: And you're exactly right and I appreciate that. And that, that is a great point. I guess with that, I would just say then would you, would you be supportive of municipalities being able to put those in as conditions, that they can shut them down during peak load demands, and that there's not going to-- that that would not be prohibited.

ERIC PETERSON: As far-- nothing in this legislation that's written would prohibit that. To my understanding, again, I'm not in the, the industry, but to my understanding, as the Bitcoin miners come up with their agreements wit-- to purchase power, there is almost always a condition that during those periods of peak demand, that they can be first to shut off. And again, this is something Bitcoin miners are happy to do because it doesn't cause them problems with their network, and they can do so, frankly, more cheaper and easily than any other business. And the folks that are going to be here and want to make long-term investments, their most important relationship outside of their municipality is going to be with their power provider. So keeping them happy, which is buying power when there is excess power and shutting off when there are times of high demand, is where they want to be as an industry.

JACOBSON: Yep. And that makes sense. Well, thank you very much. Any other questions for the testifier? If not, thank you very much for your testimony.

ERIC PETERSON: Thank you, sir.

JACOBSON: Further proponents?

SLAMA: And I'll take it from here, Mr. Vice Chairman.

JACOBSON: Yes. Oh, Madam Chair, I'll hand the chair back to you.

SLAMA: Thank you very much. Can't have a coup.

JACOBSON: I was holding onto it, but I'll give it back [INAUDIBLE].

SLAMA: You can take it from my cold, dead hands. Welcome.

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CARTER SMITH: Good afternoon, Chairwoman Slama and members of the committee. My name is Carter Smith, C-a-r-t-e-r S-m-i-t-h. I serve as a constituent services representative for Congressman Mike Flood. The Congressman asked me to appear before you today to read the letter of support for Senator Bostar's bill, LB991, Blockchain Basics, into the official record. Dear Senator Slama and members of the committee, I write to express my support for LB991, the Blockchain Basics Act, sponsored by Senator Bostar. Blockchain technology could rapidly change different aspects of our modern world. While many think of blockchain as synonymous with cryptocurrencies like Bitcoin, its potential use goes beyond that of a store of value. Blockchain will change payments, but it also has the potential to radically reform the Internet, drive efficiency in the supply chain, and provide consumers greater control of their own data. The vast potential of blockchain has been a source of interest for me, not only because of its impact on the future of technology, but because I believe Nebraska can benefit from blockchain technology's future and the economic growth that will come with it. That is why I worked with many of you in the past-- to work on the Nebraska Financial Innovation Act of 2021. And that is why I hosted the event "Flyover Fintech" in Lincoln last year, to showcase Nebraska as a potential hub of the innovation economy. The Blockchain Basic Act built upon the work the Legislature has already done to position Nebraska as a good place for blockchain innovation. The bill adds definitions of blockchain-related terms that will help clarify how blockchain should be treated by our regulators. It also creates a framework for digital asset mining, clarifies tax treatment of digital assets, and makes it easier for Nebraskans to transact in digital assets. I believe these changes will help position Nebraska as a hub for future innovation in the blockchain economy, and I support the bill's passage. Yours very truly, Congressman Mike Flood. And if there is any questions, I'll happily take them down and our office will get back to you in a timely manner.

SLAMA: Thank you very much, Mr. Smith. Are there any questions from the committee?

JACOBSON: I guess I just have one. I'm still kind of curious as to-- we hear a lot about the how it's going to be a big employment boom to Nebraska. What are those numbers, so far?

CARTER SMITH: I, I can't comment on that, but we'll get back to you.

JACOBSON: OK. Thank you.

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CARTER SMITH: Yeah.

SLAMA: Thank you, Senator Jacobson? Additional committee, committee questions? Seeing none, thank you very much, Mr. Smith. And thank you to Senator Flood, I-- Congressman Flood, as well. Let's not give-- additional proponent testimony for LB991? Welcome.

MATTHEW CARSON: Thank you. Good afternoon, Chair Slama and members of the committee. For my record, my name is Matthew Carson, M-a-t-t-h-e-w C-a-r-s-o-n. And I am here today to speak in favor of LB991, the Blockchain Basics Act. My current role is of chief communications officer of AAIM DataCenters, Inc. I'm proud to say that I come from a long family of Nebraskans and Cornhuskers. I'm actually the first Carson to not graduate from UNL, although I was accepted. And a lot of my family still calls Nebraska home. Probably a third of my family lives within 30 miles of where we are right now. So I have many memories of coming to Nebraska over Christmas, getting together with the family. So my company is currently investing and actively constructing a cryptocurrency mining project in Aurora, Nebraska. While we are also looking at several other locations in and around the state, I would say that 100% of our locations would be considered to be in the more rural areas. It brings me great pleasure to build our projects here in Nebraska and contribute to the place that gave birth to a good portion of my family, and continues to do so. Let me tell you a little bit more about Bitcoin mining and the benefits it can bring to these communities. The facilities we build here in Nebraska, and in fact, around the country, are designed and built to be able to handle a wide variety of computing equipment. Although they're primarily currently used for cryptocurrency mining, nothing would stop us in the future from processing high-performance computing, AI, GP [SIC] rendering. All of these facilities, all of these types of businesses need the same sort of resources that we are using, and are very highly adaptable. Speaking about jobs, I will be the first to admit we will not create the same number of jobs as a ammonia processing plant or an agricultural processing facility, but the jobs we do create are very well paying. Where we're currently located in Missouri, we are paying over 40% above the county median wage. We pay all benefits: health, dental, vision. We hire 100% local, including management. We provide all training, in-house to our employees, up to and including-- actually, we're waiting on 2 of our employees to get their first-ever passports so we can send them to training overseas, so they can come back, bring that knowledge, and allow us to train more in-house. During the construction and operational phases of our business, we hire as local as possible, everything from electrical

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contractors to groundwork to the security company who puts up the fence. We will start with as local as possible and then, you know, given some of the rural locations, we may have to go hire in Grand Island or hire in Lincoln or hire in Omaha, but it's very much a "local community first" standpoint. We found that that's worked very well for us compared to some of our larger competitors, who like to bring in outside teams and outside expertise. We found that especially in these smaller communities, the locals know best. And if someone tells us this is not the right way to do it, there's probably a good reason why. Our current project in Aurora is using-- will use 100% local employees. It's all local contractors. And we really have a strong preference to keep as much of our investment money within the community as possible, as that's really the best way to put your foot forward, not coming in, saying, I'm going to create 60 jobs, and you end up bringing in 59 people from out of state to take those jobs. That's not really creating new jobs. That's just shifting them around. My partners and I all come from a diverse international background. I'll-- I will go quickly. We're here today with only 1 message for the committee. We really just wish to be treated equally to other large, electricity-consuming industrial businesses, such as data centers and factories. We're not looking for any special exemptions or special rules. Just knowing that when my company comes in and plans on investing millions of dollars, that we know we'll be held to the same standard as existing businesses that are already operating around the state. We believe that the legislation by Senator Bostar will give us that regulatory certainty to continue our expansion in the Cornhusker State. We want to be in Nebraska to help the people of Nebraska to continue and grow and flourish along with our businesses for years to come. Please support LB991.

SLAMA: Thank you very much, Mr. Carson. Questions from the committee? Senator Kauth.

KAUTH: Thank you, Chair Slama. So can you tell me a little bit about Bitcoin? And I know you said that you have Bitcoin and data center products. So at a certain point in time, Bitcoin will be completely mined out. Is that correct?

MATTHEW CARSON: Based on how good the algorithm works, we will never technically mine the last Bitcoin. It just becomes exponentially smaller and smaller. So--

KAUTH: OK.

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MATTHEW CARSON: --the Bitcoin blockchain has 21 million Bitcoin. Eventually, we will get to 20.99999, effectively repeating. But all of the Bitcoin will not be mined.

KAUTH: OK. And so, I'm at-- kind of my follow-on to that is if Bitcoin is no longer being mined or if you don't have-- if it's not financially viable after that, what do you do with your data centers? Are you using them for other projects or do you foresee them being something that will be used for a time, 10, 15, 20 years, and then you'll move on?

MATTHEW CARSON: So I'd actually answer that question in 2 parts. The one would be, once all the Bitcoin has been mined, so to speak, the network will continue to function based on transaction fees. So similar to Visa, Mastercard, American Express, when the merchant pays a fee when you swipe your card, the same thing will happen in the Bitcoin and other blockchain networks that operate on what we call proof of work, which is those that require these large data centers filled with servers. Effective, we will be acting somewhat similar to a bank auditor/a Visa or Mastercard network.

KAUTH: Thank you very much.

SLAMA: Thank you, Senator-- oh.

MATTHEW CARSON: Sorry. To answer your second question, the way we design and build our facilities, most of the rest of my management team comes from a data center background. We designed them to be very easily changed between these various businesses, HPC, what we call HPC AI Rendering and cryptocurrency mining all use relatively similar infrastructure, similar cooling requirements, similar network requirements, similar electricity requirements. So that the, I guess the amount of capital or time that would be needed to pivot if we needed to pivot the entire business, would be minimal compared to, say, new entrants needing to build from the ground up.

KAUTH: Thank you very much.

SLAMA: Thank you, Senator Kauth. Senator Jacobson.

JACOBSON: I just want to maybe double back again here. Aurora facility. Where would that be located in Aurora?

MATTHEW CARSON: It's going to be located in the new Mission Critical, I guess, economic development district that's being created.

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JACOBSON: Is that the one south of town?

MATTHEW CARSON: Yeah.

JACOBSON: OK. How big will that facility be?

MATTHEW CARSON: In terms of acreage or in terms of power consumption?

JACOBSON: Power consumption.

MATTHEW CARSON: The initial phase will be 15 megawatts.

JACOBSON: How many employees?

MATTHEW CARSON: We will directly employ between 3-- sorry, between 4 and 5 employees directly for that business, not counting back office, HR, payroll. So those will be employees working on-site.

JACOBSON: Right. So on-site, you're going to need to hire about 4 people.

MATTHEW CARSON: Yes.

JACOBSON: OK. Thank you.

SLAMA: Thank you, Senator Jacobson. Additional questions from the committee. Seeing none, thank you, Mr. Carson.

MATTHEW CARSON: Thank you very much.

SLAMA: Additional proponent testimony for LB991? Seeing none, any opposition testimony for LB991? Seeing none, anyone here to testify in the neutral capacity on LB991? Seeing none, Senator Bostar, you're welcome to close. And as you approach, we did have 1 letter submitted for-- in opposition to LB991, but it has been withdrawn by the submitter.

BOSTAR: Yes. Thank you, Chair Slama and members of the committee. And that letter of opposition was from NACO--

SLAMA: Yeah.

BOSTAR: --and they have withdrawn their opposition to the bill. And I think that's probably a good place to talk about-- fundamentally, what this bill is, is about prohibiting discrimination within business enterprises on behalf of government. It makes sense for government,

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local and otherwise, to regulate externalities like noise, like pollution, like anything that can have an impact on the state or the locality. But what doesn't make sense is to set different standards for that, depending on what the business is. Right? So if we're going to say, we're going to set a noise regulatory standard at 40 decibels, we don't want anything to be louder than that. OK. But that, that should apply evenly to everything. And that's what this is about, right? This isn't asking for incentives or better tax treatment or anything like that. This is simply saying that we should treat these businesses consistently with, with all the other businesses that, that we end up regulating. I'd be happy to answer any final questions. And I appreciate all the testifiers coming in for this. And, and, yeah. I will, I will also just, I guess, finally note that, you know, the local governments, who this is putting those restrictions on, do not oppose this bill. The League of Municipalities is not here. NACO withdrew their letter. So I hope the committee will find favor upon this legislation.

SLAMA: Thank you, Senator Bostar. Any questions from the committee? Seeing none, thank you very much. This brings to a close our hearing on LB991. We will now move into our next hearing, which is LB955.

BOSTAR: Hello, again.

SLAMA: Hello. And just a heads up, if you are planning to testify on LB955, I ask that you come to the first couple of rows, just so we can expedite this process. I'll just wait a second, while, while we have some room turnover. You're a very popular person today.

BOSTAR: Well, I do what I can.

SLAMA: God bless. All right. Senator Bostar to open.

BOSTAR: Good afternoon, Chair Slama, fellow members of the Banking, Commerce and Insurance Committee. For the record, my name is Eliot Bostar. That's E-l-i-o-t B-o-s-t-a-r, and I represent Legislative District 29, here today to present LB955, a bill that would require any person, firm, partnership, association, limited liability company, corporation or other business entity that sells gift cards or gift certificates to provide notice at the location where the sale occurs alerting customers to protect themselves from gift card scams. According to the Federal Trade Commission, consumers reported losing \$8.8 billion to fraud in 2022, an increase of more than 30% from 2021. More and more, people are falling prey to criminal actors through gift

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card and imposter schemes. Nearly 65,000 consumers filed complaints last year related to gift card scams, accounting for a total loss of almost \$228.3 million. In Nebraska, the Federal Trade Commission data reported 19%, or 2,249 of the 6,411 fraud reports in Nebraska were due to imposter fraud. Gift card scams can take many forms, including incoming phone calls, emails or text messages, all generally targeting consumers and particularly vulnerable populations. The scammer claims to be someone from a large company or government agency. They convinced the victim that there's a security problem with their account, or their bank account will be frozen for an investigation. They claim the only way to fix the issue is to buy gift cards and send the caller pictures of the back of the card, or provide them with the numbers off of the card itself. The victims purchase gift cards, unaware they are being taken advantage of, and out of fear for repercussions. Reports also show that scammers are asking for gift cards impose-- posing as a love interest, employer, sweepstakes or lottery company, or family member in trouble. Often, scammers specify gift cards to buy, many times, keeping their victims on the phone while they complete the task. As soon as the gift card number and security code are provided to the caller, the scammer immediately has access to those funds. Scammers favor gift cards because they are easy for people to find and buy, and they have fewer protections for buyers compared to some other payment options. Unlike other forms of fraud, where bad actors might access money through your bank account, credit card or debit card, gift card scams make the victim do the work for the scammer, making it harder to catch the real culprit. LB955 proposes to curb this problem by requiring a notice to be posted in the location where the sale of gift cards or gift certificates occurs, alerting customers to protect themselves from gift card scams. This notice will inform consumers and will encourage individuals to alert law enforcement if they believe they are being scammed. My office has worked with the Attorney General's Office, so I want to distribute these. My office has worked with the Attorney General's Office on an amendment that's being distributed now, that will eliminate the fiscal note for the bill and allow the Attorney General to initiate civil action, seek penalties for \$1,000 for each violation and payment of attorney's fees. Additionally, there is another amendment that is being distributed with that, that is-- came from working with the Nebraska Banking Association to make some tweaks that they were looking for, as well, that read-- addresses general use prepaid cards from financial institutions, to make sure that we weren't capturing things within the bill that were unnecessary. And so, with that, LB955 takes necessary steps forward to warn and protect consumers against

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growing number of fraudulent scams. I urge the committee to advance legislation. Thank you for your time this afternoon. Happy to answer any questions you might have.

SLAMA: Thank you. Senator Bostar. Are there any questions from the committee? Seeing none, thank you very much. And we will now open it up for proponent testimony on LB955. Welcome.

SUZAN DeCAMP: Thank you. Good afternoon, Chair Slama and members of the committee. My name is Suzan DeCamp, S-u-z-a-n D-e-C-a-m-p, here today as the state president of AARP Nebraska to testify in support of LB955 on behalf of AARP. Gift cards are a hot commodity for today's criminal. Gift card sales have rapidly increased over the past few years, with market projections estimating that sales will reach \$221 billion by 2024. With this rapid growth, the Federal Trade Commission has seen the number of reported gift card scams increase every year since 2018. In 2021 alone, consumers reported losing \$233 million to scams using gift cards. The average loss has also increased from \$700 per victim in 2018 to \$1000 in 2021. Gift card scams are one of the most pervasive scams in the country. According to the Federal Trade Commission, gift cards are one of the most popular ways for scammers to request payment because they are hard to trace and currently have less oversight. Criminals are increasingly targeting older adults for fraud, using a variety of financial products and services. The Federal Bureau of Investigation found that in 2021, nearly 168,000 people aged 50 and older reported being victims of fraud, losing a total of nearly \$3 billion. The average amount lost per person was over \$17,500. AARP's Fraud Watch Network conducted a survey-- they actually conducted a couple of surveys, one in 2022, related to gift card fraud. Some of the findings were: slightly more than 34% of U.S. adults have been targeted by scams seeking payment by gift card. And of those that were targeted, 24% followed through by purchasing gift cards and sharing the numbers off the back, believing that they were taking care of a financial obligation. 89% of all consumers agree that lawmakers need to do more to protect consumers from fraud and scams. About 1 in 4 consumers who purch-- purchased gift cards to pay a supposed financial obligation were warned by a store member that it might be a scam, and previous AARP research has also found that more than half of potential scam victims avoid losses when a third party intervenes. The notice to consumers provided by LB955 will alert customers about potential gift card scams, helping them to identify potential warning signs and encourage reporting when they are targeted by scammers. Will this legislation end gift card scams? No, but it could make a significant difference. If we can educate and assist

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consumers in spotting a scam, we can further empower them to stop a scam. We have an epidemic of fraud plaguing Americans, particularly older Americans, and we all need to do our part. We strong-- strongly encourage the committee to support and advance LB955. Thank you for the opportunity to testify. And thank you to Senator Bostar for introducing this important legislation.

SLAMA: Thank you very much, Mrs. DeCamp. Are there any questions from the committee? Seeing none, thank you so much for being here today. Additional provided testimony on LB955? Welcome.

JOSHUA PLANOS: Thank you. Good afternoon, Chair Slama and fellow, fellow members of the committee. For the record, my name is Joshua Planos. It's J-o-s-h-u-a P-l-a-n-o-s. I'm the vice president of communications and public relations for the Better Business Bureau of the Midwest Plains. I'm here today to testify in support of LB955, which would require any person, firm, partnership, association, limited liability company, corporation, or other business entity that sells gift cards or gift certificates to provide notice at the location where the sale occurs alerting customers to protect themselves from gift card scams. The International Association of Better Business Bureau's International Investigations Initiative released a comprehensive scam study about gift card fraud in 2021. At the time, gift cards had been the most popular gifts for 14 consecutive years. Unfortunately, the issue only intensified in subsequent years with the advent of digital gift cards. So an update to the 2021 study was issued in November of 2023, after our BBB Scam Tracker tool monitored a 50% increase, year over year, in scam reports involving gift cards. These reports are wide ranging. They involve the impersonation of government agencies and popular retailers. They are perpetrated on social media and over the phone. Ultimately, many of the frightened victims enter a store to purchase these gift cards under threat. Each of these reports has its own story, but many involve a similar end of losses never returned. In 2022, there was not a single consumer who reported to BBB Institute for Marketplace Trust that they recovered the money that was sent in a gift card scam. Public education remains the number 1 method of deterrence in this arena. If consumers can spot a scam before any money changes hands, they can alert others to protect themselves. The goal of the International Investigations Initiative is to equip consumers and business owners with the knowledge to combat scams when confronted, because they will be confronted. LB955 is a necessary step to provide that knowledge and help those to protect themselves against the

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growing number of fraudulent scams. And I urge the committee to advance it. Thank you.

SLAMA: Thank you very much, Mr. Planos. Are there any questions from the committee? Seeing none, thank you for being here today. Additional proponent testimony for LB955? Welcome.

CYNTHIA KOENIG-WARNKE: Thank you, Chair Slama and members of the Banking, Commerce and Insurance Committee. My name is Cynthia Koenig-Warnke, C-y-n-t-h-i-a K-o-e-n-i-g-W-a-r-n-k-e. I'm an investigator with the Lincoln Police Department Technical investigations Unit, which is our financial crimes unit. I'm a 26-year law enforcement veteran, and I have investigated financial crimes for the past 18 years. I'd like to thank Senator Bostar for sponsoring this bill, and I'm here testifying in support of LB955. I have worked with victims of gift card scams throughout my career. These scams may involve an employment opportunity, a lottery or prize winning, or to pay an outstanding debt or taxes or to satisfy payment for a fine or warrant issued by law enforcement. The victims are contacted by email, phone or text, and are directed by the scammers to go to a specific retailer and purchase, purchase a specific dollar of gift cards. During the contact, the victim-- the scammer-- with the victim, the scammer uses high pressure, threatening, and scare tactics to get the victim to comply with the request. The scammer will tell the victim that the gift card payment has to occur immediately or there will be an unwanted consequence. The scammer will keep the victim on the phone while they are purchasing the gift cards, and upon purchase, will direct the victim to provide the gift card number or PIN, or a photograph of the gift cards purchased with the number. The scammer knows that there is a potential the victim may contact a friend, family member, or law enforcement and learn the scam-- learn about the scam and not forward the gift card number as requested, and that is why they have constant voice contact with the victim. The challenge for law enforcement investigating these scams is the money is difficult to trace due to the immediate transaction of funds from the victim to the scammer. In addition, a money mule or a middle person often may be recipient of the gift card funds for the scammer, so the money can't be associated with the scammer. The money mule, often a victim themselves, and the individual who doesn't realize they assisted with perpetrating the scam until contacted by law enforcement. If law enforcement follows the money, it might be out of the jurisdiction of the law enforcement agency to pursue the suspect or the scammer may be out of the country. The scammers will spoof calls and utilize unidentifiable or disposable phones so the source of

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the call cannot be discovered. There are many ways scammers may contact victims, but recently, scammers have been utilizing public police accident reports to identify victims. The scammer will use the personal information of the drivers in the accident report and contact them, and they'll use an actual officer-- police officer's name. The scammer informs them that they owe an outstanding fine or have a warrant for their arrest due to nonpayment for a ticket related to the accident. The victim is then directed to stay on the line, go to the retailer to purchase the gift card and pay the outstanding amount owed. All Nebraskans deserve to be protected from these scams. This legislation will provide security measure to possibly prevent victimization from the scams.

SLAMA: Thank you very much. Questions from the committee? Senator Ballard.

BALLARD: Thank you, Chair Slama. I'm just curious, how much of your time is dedicated to addressing scam cases, or I guess, the department's time? Is this a heavy burden on the department?

CYNTHIA KOENIG-WARNKE: Yes. I don't have an actual number, but I do have some numbers from last year regarding gift card scams alone. LPD took 184 reports, with an estimated loss of \$723,213. The victims include businesses, which was 12% of the reports. Victims under the age of 65 was 53% of the reports, and victims over the age of 65 was 33% of the reports.

BALLARD: And then, if I may, Chair, oh, what, what, what remedy do you give these individuals? I mean, is it-- you kind of touched on that in your testimony, but is, is there anything you can do as a department?

CYNTHIA KOENIG-WARNKE: We're limited with what we can do, depending on we try to follow the money, we try to educate, and we try to protect.

BALLARD: OK.

CYNTHIA KOENIG-WARNKE: If we can't follow the money, we try to partner with other law enforcement agencies to-- that have the jurisdiction, when we followed the money, to determine if they can collaborate with us, to help us further the investigation, to see if we can identify the perpetrator.

BALLARD: OK. Thank you.

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SLAMA: Thank you, Senator Ballard. Additional questions from the committee? Seeing none, thank you very much for your testimony. And thank you for your service.

CYNTHIA KOENIG-WARNKE: Thank you.

SLAMA: Additional proponent testimony for LB955? Welcome.

DEXTER SCHRODT: Chairwoman Slama, members of the committee, my name is Dexter Schrod, D-e-x-t-e-r S-c-h-r-o-d-t. I'm president and CEO of the Nebraska Independent Community Banker Association, here to testify in support of LB955 as amend-- amended. We'd like to thank Senator Bostar and his staff, as well as the AARP for working with the banking industry on this amendment. I'd like to think that their agreement to it is in recognition of all the work that banks do put in to prevent scams and inform their customers about scams. So we are appreciative of the amendment, and we can keep doing our work as we've been doing it, in regard to, to scams. And I think, you know, the, the first people that victims approach after law enforcement is their local bank. And as community bankers, our employees are usually very close with these customers that are getting scammed. So it does have an impact on our customers, as well. So, you know, anything that we can do to prevent them from getting scammed elsewhere, we are in support of, for the benefit of our customers. And that wraps up my testimony. Thank you.

SLAMA: Fantastic. Short and sweet. Any questions from the committee? Seeing none, thank you very much, Mr. Schrod. Additional proponent testimony for LB955? Welcome, Mr. Hallstrom.

ROBERT HALLSTROM: Chairman Slama, members of the committee, my name is Robert J. Hallstrom, H-a-l-l-s-t-r-o-m. Excuse me. I appear before you today as a registered lobbyist for the Nebraska Bankers Association in support of LB955. The banking industry has been a leader in Nebraska in combating elder financial exploitation, not only in the adoption of protective financial elder exploitation legislation, which we actually worked with AARP on that endeavor, but also in training our frontline employees to identify potential scams and abuses. We, too, appreciate the fact that AARP and other supporters of the bill, along with Senator Bostar and his staff, have worked with us to provide an amendment that exempts what we would call open loop or general use prepaid cards that are issued by banks, redeemable or usable at multiple unaffiliated merchants. I think what we've read and what we've seen in the testimony and heard in the testimony today is that a

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lot of these issues arise in closed loop transactions that are for single merchants and that type of thing, where the, the folks are being asked to go buy gift cards at Walmart, Best Buy, etcetera, as opposed to these type of debit cards or other prepaid types of cards that are issued by banks. So with that, we appreciate the amendment. We support the bill with that amendment. I'd be happy to address any questions that the committee may have.

SLAMA: Thank you, Mr. Hallstrom. Any questions from the committee? Seeing none, thank you very much.

ROBERT HALLSTROM: Thank you.

SLAMA: Additional proponent testimony.

CARTER THIELE: Hello.

SLAMA: Welcome.

CARTER THIELE: Thank you. Chair Slama and members of the banking, Commerce and Insurance Committee. My name is Carter Thiele, C-a-r-t-e-r T-h-i-e-l-e. I am the policy and research coordinator for the Lincoln Independent Business Association. On behalf of LIBA, we would like to express our support for LB955. This bill, which requires businesses to provide specific notice about scams to purchasers of gift certificates and gift cards, is a step forward to protecting consumers from prepaid card scams. By mandating businesses to warn purchasers about these scams and instruct them not to provide any prepaid card information to somebody that they don't know, we can ensure a safer and more secure shopping experience for all Nebraskans, especially our older patrons, who are more susceptible to these sorts of scams. Furthermore, we appreciate the flexibility that the bill provides, in terms of the method of providing the notice, whether it's through an electronic payment system screen or a conspicuous posting in the location where the sale occurs. Businesses can choose the method that best suits their operations. This creates a more trustworthy business environment while not asking all that much from business owners. We also commend the enforcement measures outlined by the bill, which entrusts the Attorney General with the power to enforce this section and recover a civil penalty of up to \$1,000 for each violation. In conclusion, LIBA fully supports LB955, and urges this committee to pass it to General File. We believe that it will not only help protect, protect consumers, but also enhance the reputation of businesses that prioritize the safety and security of their

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customers. Thank you for considering our position and I would be happy to answer any questions.

SLAMA: Thank you, Mr. Thieie. Are there any questions from the committee? Seeing none, thank you very much.

CARTER THIELE: Thank you.

SLAMA: Additional proponent testimony for LB955? Seeing none, is anyone here to testify in opposition to LB955? Welcome, Mr. Otto.

RICH OTTO: Thank you, Chairwoman Slama, members of the Banking, Commerce and Insurance Committee. My name is Rich Otto, R-i-c-h O-t-t-o, and I'm testifying on behalf of the Nebraska Retail Federation, the Nebraska Grocery Industry Association and the Nebraska Hospitality Association, making up restaurants and hotels. All 3 associations are in opposition to LB955, which would require notice to be provided to purchasers of gift cards. First of all, thank you to Senator Bostar for bringing attention to this problem. First of all, we agree with all the proponent-- proponents about the problem. We're not denying the problem. These scams are targeting individuals. They are going up. Scammers are becoming increasingly sophisticated with their tactics. As we've heard, online and phone scams are very common. Often, we see selling and buying item-- items on social media as a prime target of scammers, when people reach out to others, wanting an item or trying to sell an item. It starts the communication cycle. And the scammers utilize that in order to entice you into, potentially, gift cards or other monetary benefits. Scammers, again, use other things besides gift cards. We see digital currency and peer-to-peer payment apps as other ways of notification. Again, in the previous bill we saw, consistency is what they wanted. The other thing we are wanting is consistency. There's nothing in this bill that targets payments through Bitcoin or other digital assets, peer-to-peer payments, nothing that targets social media sites that are complicit in the process of the scammer being able to reach out to the customer and those getting scammed. Businesses that sell gift cards want to help customers from being scammed. You heard in the proponents' testimony that 1 in 4 are often caught in the retail establishment or stopped at the retail establishment by the clerk or whoever's asking questions, why are you buying such a large amount of gift cards? We want to be part of the solution on this iss-- on this issue. The association, again, represents restaurants that sell gift cards through drive-thrus, to large merchants that have multiple aisles. We have reached out to Senator Bostar's office with pass forward-- we see

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the path forward with more flexible language in regard to the notice, and removing the civil penalties. We know that notifications-- or if this notification law were to be on the books without civil penalties, you would get a large, vast majority, probably 90% of businesses to comply. That is the goal, to get the notice out to consumers so that there's one more chance where you have pause, where there's a sign that says, hey, are you getting scammed? And maybe that notice will, in fact, deter the customer from buying these gift cards. If that's the goal, we don't see the civil penalties being necessary. With that, happy to answer any questions you may have.

SLAMA: Thank you, Mr. Otto. Quick question. Is there anything stopping businesses from just doing this on their own already?

RICH OTTO: No, but we see many of that voluntarily do it. And I think, from a retailer's perspective, I know large retailers will do it. We're aware-- the only state I'm aware of that's done this is New York. They have more flexible language. We did provide that language to Senator Bostar, as well, saying that would be a definite step in the right direction. And then, some of the concerns are how do we-- I think from the proponents' testimony and I don't want to speak for them specifically, we see where large retailers are typically the ones that are asked for, because you can spend it online, you can spend it in any fashion, good in all states. Those retailers would absolutely comply where they have had notice, they can add Nebraska to that list.

SLAMA: Great. Thank you. Additional questions from the committee?
Senator von Gillern.

von GILLERN: Thank you, Mr. Otto. You mentioned the unequal application of this to gift cards versus other payment-- potential payment platforms. Could this bill be a platform that you could build upon to, to expand that to, to meet something that, that will--

RICH OTTO: Well, absolutely.

von GILLERN: --serve better?

RICH OTTO: We, we see that could be definitely utilized again. We want to move forward with this. We see this increasing, and notice probably does need, need to be done. We just are concerned with the civil penalties, specifically for our smaller retailers and restaurants that may have more difficulty complying with the law. Again, we would like to see it done across the board, because these scams will evolve. And

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gift cards won't only be the medium utilized, you know, all the others. So yes, I would agree completely, that if notification is the answer to deter scammers, that this could be then applied to other platforms.

von GILLERN: But, but it sounds like-- well, aren't you saying the penalties are the, are the biggest concern?

RICH OTTO: Correct. And the flexibility in how the notice is done. There's some concerns about, you know, drive-thru. Do you have to have a, a sign on your drive-thru window? Because we sell gift cards through drive-thru windows. If a person pays with cash, they said, well, you could have a notice on the screen that you're paying. But yes, 90% of transactions are done with credit and debit cards. For those 10% that are done with cash, then do we still have to have the manual notice or is that-- are we in compliance with just the digital one?

von GILLERN: Would, would it be safe to say that this is similar to the requirement at a liquor store to card someone, and there's a civil penalty related to that if they failed to do that and they sell to a minor? Is that a similar-- am I-- did I compare--

RICH OTTO: I would say there's a bigger level of requirement for a alcohol purveyor to, to card.

von GILLERN: OK. OK. All right. Thank you.

SLAMA: Thank you, Senator von Gillern. Any additional questions from the committee? Senator Ballard.

BALLARD: Thank you, Senator Slama. You mentioned flexibility. I'm still trying to wrap my, my head around when you say flexibility. What is that?

RICH OTTO: Well, gift cards can be purchased online, in store. We also have-- a lot of times, you'll go into a large retailer and you'll see where they're selling 50 gift cards, where it may be selling gift cards for other businesses [SIC]. Can the notice be at the gift card section? And we put the notice there and then it wouldn't have to necessarily be in each and every aisle? If it's in the credit card terminal, do we also need one for cash? Do we also have the ability to just do it for online sales and add Nebraska to the list of states that are doing this? We have given language in New York that provides

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the flexibility we need. And then, if that would be agreed to, it's the penalties that's the other concern.

BALLARD: Yeah. So, so in your interpretation, it's not as simple as putting up a, like a tent notice or something?

RICH OTTO: Right. Well, that could be. That could comply. But then, is it, is it every aisle in the grocery store has to have that same tent. Is it every place-- is-- so typically in a grocery store, you may have 20 or 30 places you could purchase a gift card, where you could transact the business. Is it each and every aisle? Is it just the credit card terminal? Is it both to, to catch for cash? And so, we have language that basically simplifies it, makes it broader, and doesn't allow, if we have notice, then we've, at, at some level, that complies with this more flexible language, then we don't think we'd be caught in, we got you. You didn't do it quite good enough.

BALLARD: OK. And I have one more question, if I may, Chair. And so when you poll your members, do they see this as a problem or do they have experience or some kind of--

RICH OTTO: Absolutely. It is definitely a problem. We know that, again, big box retailers tend to be the gift card that is most commonly asked for. You know, they aren't going to ask for Valentinos if, if you can't get pizza in New York or wherever. So they want to be able to instantly go online, spend that cash or spend that-- the monetary value on that gift card before the person realizes they've been getting scammed, so time is of the essence for the scammer.

BALLARD: Yeah. And have they shared any, any experience they've had that maybe we can help form legislation?

RICH OTTO: Again, we have provided the more flexible language of New York, is the example that I've been aware of that we like.

BALLARD: OK. Thank you.

SLAMA: Thank you, Senator Ballard. Additional questions from the committee? Seeing none, thank you, Mr. Otto. Additional opponent testimony for LB955? Seeing none, anyone here to testify in the neutral capacity on LB955? Seeing none, Senator Bostar to close. And as you approach, we did have 1 proponent letter for the record on LB955.

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BOSTAR: Thank you, Chair Slama. Thank you, members of the committee. You know, when I was approached about this legislation-- well, in that conversation, we, we talked through what the problem was, the scale of it, how people are being victimized, some truly horrible stories about what's going on. And, and I was sold, you know. Yes. I'm on board. What can we do? What, what can we do to try to help? And they said, well, we'd like this legislation that would ask the retailers to put up a notice that just gave people a warning, so that they could, they could pause, they could consider whether or not they were about to take all the money, maybe, they have in their bank account and, and lose it to fraud. And I thought, wow. That's it? That's, that's what we-- it's-- it seems like such a minor thing. And the truth is yes. That's it. That's what this bill is, because people think that that will have-- that will make a difference, that that alone will help. And it will save some people from being victimized. It's remarkable to take a piece of paper, just any piece of paper and just write the words on it and to put it up somewhere. Yet, of course, that apparently is a bit of a burden for some. Society, you me, everyone here pays taxes, is paying law enforcement to deal with this issue. We all have skin in the game. I don't think this is an unreasonable request to make. You all know how I feel when closing after opposition testimony. I appreciate that it comes right there at the end, too, so I'm fresh. And I like Rich. And I just want to point that out. I think he's being unreasonable. I think this-- I think the opposition is unreasonable. I think that posting a notice is not a significant burden, considering what investment we're all making with our tax dollars already to try to address this. Let's all get on the same page here. Do what we can. I'm a little concerned that one of the-- like, we-- and we can have some flexibility. We can figure that out. That's not the problem. I'm concerned about the request to remove all of the civil penalties, which, by the way, the penalties aren't a lot, but I'm, I'm concerned about that because that's, that's requesting to remove the accountability. And, and I appreciated Chair Slama's question about well, couldn't they just do it now? The premise being that why don't we take out the all the penalties, all the consequences for not doing it and pass this because then surely most of them will do it? Well, most of them could do it now. They they could have done it yesterday. They're obviously aware of the problem. They said so. Law enforcement's here. They work on this, but they aren't doing it, so maybe accountability is a good thing. Anyway, with that, I appreciate the committee's time. Be happy to answer any questions.

SLAMA: Thank you, Senator Bostar, for telling us how you really feel.

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BOSTAR: You got it.

SLAMA: Any questions from the committee? Senator Kauth.

KAUTH: I have one about the civil penalties. It says \$1,000 for each violation. Does that mean each time a person comes in and buys a batch, is the batch of cards a violation or is it per card? That's-- because that could be a pretty extreme difference.

BOSTAR: I, I mean, it's a good question. I can-- I think the transaction is, is the, is the violation, but I mean, I can, I can obvious-- I can get you an answer to that. Thank you.

SLAMA: Additional questions from the committee? Seeing none, this will bring to a close our hearing on LB955. Don't go anywhere, Senator Bostar. Your last but not least bill for the day is LB1294.

BOSTAR: I do need to grab the binder, but thank you.

SLAMA: Good for you. And again, if you're planning to testify on LB1294, we ask that you come to the first couple of rows. This is not church. We encourage front row seating.

JACOBSON: It's kind of like church.

SLAMA: I guess.

JACOBSON: Did you ever know that I preach?

SLAMA: Bless you. Bless you, my child.

BOSTAR: Would you give me one of those?

SLAMA: All righty. Senator Bostar, whenever you're ready.

BOSTAR: Thank you. Good afternoon, again, Chair Slama, fellow members of the Banking, Commerce and Insurance Committee. For the record, my name is Eliot Bostar, that's E-l-i-o-t B-o-s-t-a-r, and represent Legislative District 29. Today, I am presenting LB1294, which adopts the Data Privacy Act. The amount of online information collected about consumers has grown over the years. There is a data point for nearly every activity we do. And since data collected by many companies in states like Nebraska is unregulated, these companies can sell, use, or share the data without notification or permission. Data privacy has grown increasingly important with the acceleration of generative AI,

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which is built and trained on more than a trillion data points. Unsurprisingly, consumers want more control over their data. LB1294 addresses concerns by providing robust, commonsense, consumer data protection. The Data Privacy Act provides consumers the right to know whether a controller is processing the consumer's personal data, the right to receive a portable copy in digital format of the consumer's personal data processed by the controller, the right to request deletion of personal data provided by or obtained about the consumer, the right to request a correction of inaccurate personal data, the right to opt out of sales of personal data, targeted advertising and profiling in furtherance of a decision that produces a legal or similarly, similarly significant effect concerning the consumer, the right to appeal and the right to appeal any refusal to take action on any of the affirmation requests. LB1294 would also require a controller, which is a person or entity that would determine the purpose and means of processing personal data, and would apply to any entity doing business in Nebraska that is not exempted by size or type of personal data collected, to practice data minimization and take reasonable measures to ensure that data cannot be associated with an individual. The United States Congress has failed to enact any comprehensive national solution for consumer data protections. While we do have federal laws that deal with elements of consumer privacy, HIPAA, for example, they are limited in scope and sector. These narrowly tailored protections mean that an omnibus solution to privacy concerns across all industries has yet to pass. Because of Congress' continued inaction, states have now stepped up to address these concerns. 15 states, as of 2024, have enacted privacy legislation, and several hundred privacy bills have been introduced in state legislatures across the country. Nationally, state privacy bills have been supported by consumer groups, tech companies, chambers of commerce, as well as bank- banking and finance advocates. LB1294 follows the same pro-consumer, pro-business approach as the Texas Data Privacy Act, which gives consumers more control over sensitive personal information, but without the legal complications and intricacies that states like California have enacted. The legislation gives the Nebraska Attorney General the exclusive authority to enforce the bill and does not afford a private right of action for violations under the act. Additionally, LB1294 provides guardrails for the release of vital records from state agencies. Nebraskans have shared increasing concerns about the amount of data that is not only created, but is shared, analyzed, and stored by tech companies and other businesses. LB1294 is a commonsense proposal that will not only grow consumer trust, but allows for data to be used in ways that are

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ethical, responsible and innovative. I urge the Committee to support LB1294. I thank you for your time. And also, I distributed a letter of support from a coalition of large tech companies, as well as an amendment that makes a number of changes in order to get the legislation more in line with language that exists nationally, especially since this legislation is targeted mostly at very large companies. These are companies that have to comply with these laws across the entire country. So without compromising the substance of the protections that the bill would create, we wanted to, as close as possible, mirror the particular lines other states are having in order to make compliance easier. This bill is modeled after what was passed in the state of Texas. With that, I thank you for your time. I'd be happy to answer any initial questions.

SLAMA: Thank you, Senator Bostar. Questions from the committee? Seeing none, thank you very much. We will now open up proponent testimony on LB1294.

BOSTAR: Thank you.

SLAMA: Thank you. Welcome.

MATTHEW LENZ: Awesome. Good afternoon, Chair Slama and members of the Banking, Commerce and Insurance Committee. Thank you for the opportunity to testify today in support of LB1294, the Data Privacy Act. My name is Matthew Lenz, M-a-t-t-h-e-w L-e-n-z, and I represent BSA, the Software Alliance, as well as Microsoft, who is a member of BSA. At the forefront. I want to apologize that you're going to hear this very thick accent that I have. I am from the tiny state of Rhode Island where we do not always pronounce our Rs, and then we stick them in words where they don't belong. So as you're listening to me and if you're like, I don't think that word is in the English dictionary, please let me know and I am happy to, to clarify. At the outset, I would like to applaud Senator Bostar for his work on comprehensive data privacy. It is an important one and we support your efforts. BSA is the leading advocate for the global software industry. Our members are business-to-business companies that create the technology, products and services that other companies use, including cloud computing services and workplace collaboration tools. BSA members are in the business of providing privacy protective products and services. Businesses entrust some of their most sensitive information, including personal data, with BSA members, and our companies work hard to earn that trust. For that reason, BSA strongly supports a comprehensive, national framework that provides consumers with meaningful rights over

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their personal data and requires businesses to use that data in line with consumers expectations. And in the absence of that, we support the ongoing work of state legislatures to advance data protection for consumers. 15 states have thus far enacted comprehensive consumer data privacy. Side note on that, we are still waiting for New Hampshire's governor to sign that bill, so it will be 15 states. We fully expect that, and we hope that Nebraska joins them in becoming the 16th. As currently proposed, LB1294 imposes strong obligations on all companies that handle consumer data, both controllers and processors, and ensures that the rights given to consumers and the obligations placed on businesses function in a world where different types of companies play different roles in handling that data. Every state to enact a comprehensive consumer privacy law has incorporated this critical distinction. This long-standing distinction is also built into privacy and data protection laws worldwide, and is foundational to leading international privacy standards and voluntary frameworks that promote cross-border data transfers. BSA applauds the incorporation of this globally-recognized distinction into the legislation. BSA also appreciates the sponsors efforts to ensure that LB1294 creates privacy protections that are interoperable with protections created in other privacy laws. Privacy laws around the world need to be consistent enough that they are interoperable, so that consumers understand how their rights change across jurisdictions and businesses can readily map obligations imposed by a new law against their existing obligations under other laws. Finally, we also support the legislation's approach to enforcement, which provides the Attorney General with exclusive authority to enforce the bill, which we believe will help promote a consistent and clear approach to enforcement. In conclusion, we thank you and your colleagues for your thoughtful work on protecting consumer privacy and for your consideration of our perspective. With that, I would be happy to answer any questions that you may have.

SLAMA: Thank you very much, Mr. Lenz. Just a side note, if the Transcribers need a translator, I went to school in Connecticut and I'm happy to translate, even though slightly different dialects. But we are very grateful you're here and your accent is welcomed. Questions from the committee? Senator von Gillern.

von GILLERN: Thank you for being here today. I was going to ask who your member companies are, but I see you footnoted that on your letter. So it's some of the-- I mean, Adobe, IBM, Microsoft, Dropbox, Zoom, some of the biggest in the-- in the industry, which, forgive me if I'm, I'm always suspicious when companies are asking to be

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regulated, particularly some of the-- obviously, the largest tech firms in the company or in the country, in the world. Can you share a little bit about your motivation?

MATTHEW LENZ: Yeah, there's a-- that's a great question. And there's a, a few different reasons for that. As, as Senator Bostar noted, California, you know, created a privacy legislation that is very different than what the other states have adopted. And a lot of that, I think we learned you have to be at the table when discussing this legislation, proposed legislation. Otherwise, you know, you could get solutions that are very hard to work with. That being said, BSA members understand that consumers are demanding privacy protections. That's something we hear loud and clear. And we can do that certainly without legislation, and we do. Our members do take a lot of what's in this legislation and do that already, prior to there being a law. But what that does is creates an uneven playing field, if not everybody is abiding by the same rules and regulations. That creates a little bit of an uneven, uneven playing field. And, and, and then finally, I think, there's some reputational concerns by not having this as a law. I think tech sometimes is considered a giant monolith and that they all operate the same way. And that's not entirely true. So we think by having these, these laws within the states that are consistent, provide consumers with, you know, they'll know what, what they're getting themselves into when they are, are considering adopting a-- and using, you know, some of these products, there's some consistency there.

von GILLERN: Thank you.

SLAMA: Thank you, Senator von Gillern. Additional questions from the committee? Senator Jacobson.

JACOBSON: I have one self-serving question here that I'd like for my colleagues to think about tomorrow, when I possibly have a bill coming up. So I understand from your-- from what you're stating here, that sometimes, businesses need to be regulated in order to make certain that we're all going to protect the consumer along the way.

MATTHEW LENZ: Yes.

JACOBSON: Thank you.

von GILLERN: Was there a question in there?

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SLAMA: Thank you, Mr. Vice Chairman. And additional questions or pretend questions from the committee? Senator Ballard.

BALLARD: I'll ask a pretend question. Can you-- I mean, you said that we'd be the 16th, if enacted. Can you explain the discrepancies between-- or is this-- is it model across the board? Because I'm assuming the legislature in Oregon sees the world differently than the legislature in Florida. I'm assuming.

MATTHEW LENZ: They, they very much, do, Senator, and that's a great question. I will say that this is a unique piece of legislation that has bipartisan support. So data privacy, as a whole, is supported on both sides of the aisle, which is great. Privacy has had a very interesting way of developing within the states. They, they all take the same basic framework, with the exception of California, which was done by referendum. But they all take this same basic framework that was adopted by Virginia. They were the first to adopt it. And, and then they've either added or subtracted from it, based on values or, or, or different, you know, intricacies of their various states. So for the most part, they are all in line with-- well, they all have the right to access your data, the, the right to delete, portability, the right to opt out of sale. But then some states take that a step further, and they have that, as this one does, has that right to correct data, that, that right, for, for businesses to enact data minimization policies, you know, data protection assessments. So some go further. This one is one of the strongest consumer privacy laws that you can, that you can enact.

BALLARD: Thank you.

SLAMA: Thank you, Senator Ballard. Additional committee questions? Senator Kauth.

KAUTH: Thank you. Mr. Lenz, so as, as I'm reading through the bill, one of the questions I have, and maybe you can talk about how other states have done this, is, is there a way- I mean, if you opt out, say, I don't want my stuff sold, are there any states that say, OK, fine, then you don't get to participate in this product? Or, you know, are, are the majority of the bills out there keeping that separate and saying, OK, if you don't want to participate in your data being sold, we'll segment that, but you can still use our service.

MATTHEW LENZ: Yeah. That's-- yeah. So there's-- there shouldn't be any penalty towards not, not-- now the exception is, you know, in certain

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circumstances where you absolutely have to use some type of like, maybe, biometric or some type of provision. I'm thinking of, for example, if you get banned from playing a video game, for example, you can't just go in there and say, all right, I'd like to delete this information so that you can then go on and do the same stuff that you were banned or discontinued from doing. So there's different exemptions for that. But yeah, you should be able to use those products without any type of retribution or what have you from, from exercising your rights.

KAUTH: Thank you.

SLAMA: Thank you, Senator Kauth. Additional questions from the committee? Seeing none, thank you very much, Mr. Lenz.

MATTHEW LENZ: Thank you.

SLAMA: Additional proponent testimony?

CHARITY MENEFEE: I feel like I should, too, speak to my accent, but it's further south.

SLAMA: All accents are welcome and embraced here.

CHARITY MENEFEE: Good afternoon, Senator-- or Chairman Slama and members of the Banking, Commerce and Insurance Committee. My name is Charity Menefee, C-h-a-r-i-t-y M-e-n-e-f-e-e, and I'm the director of the Division of Public Health within the Department of Health and Human Services, or DHHS. I'm here to testify in support of LB1294, which will change provisions related to the preservation and use of vital records certificates, information relating to Nebraska vital records, and to provide certain records to be exempt from public disclosure. I would like to thank Senator Bostar for including DHHS's language in his bill. LB1294 is intended to enhance and protect vital element-- event records, my apologies, for possible fraudulent use, maintain the integrity of records and reduce government redundancy by allowing for the redaction or withholding of personally identifiable information when appropriate. First, LB1294 removes the requirement for DHHS index-- to index our records. This activity was necessary when vital events were documents-- documented manually on paper prior to modern technology systems, and when search and storing of scanned documents were not available and reliable. The removal of this requirement will not hinder the division's ability to search for past, current or future records, but will allow for the removal of duplicate

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and unnecessary work. Second, this bill allows indexes previously created from vital records to be withheld for 100 years after the date of the vital event. This change would bring Nebraska into alignment with current practice in many states. The information provided in the indexes is created to help locate the paper or micro-- microfilm vital record for issuance of certified copies. The information in these indexes can include full name, parents' name at birth, state file number, date of birth, and date of death if there is a death record. This information, if made public, could allow a person to potentially create a fraudulent record. By withholding indexes for 100 years, an additional safety measure is added to protect Nebraskans' privacy and will help prevent information from being used for fraudulent purposes. Finally, LB1294 allows for vital records to redact certain information from vital records, such as the certificate number and personal identifying information when appropriate. Withholding this personal identifying information for vital records benefits all Nebraskans by protecting their privacy. This is essential in preserving the integrity of the records, while also protecting Nebraskans from fraudulent use of their information if it is made public. We respectfully request that the committee advance the bill to General File. Thank you for the opportunity to testify today. I would be happy to answer any questions on this bill.

SLAMA: Thank you, Director Menefee. Are there any questions from the committee? Seeing none, thank you very much for your testimony. Additional proponent testimony. Welcome back, Mr. Hallstrom.

ROBERT J. HALLSTROM: Thank you. Chair Slama, members of the committee. My name is Robert J. Hallstrom, H-a-l-l-s-t-r-o-m. I appear before you today as a registered lobbyist for the Nebraska Bankers Association in support of LB1294. I think you, too, will find that I have a different accent than the first witness, but I firmly believe that we're looking at the bill through the same lens.

von GILLERN: Oh, geez. Wow.

ROBERT J. HALLSTROM: LB1294 would create a statutory framework in Nebraska to regulate and provide protections regarding the use of consumer data. Banks are strong proponents of protecting data and the privacy of consumers. Unlike most other industries, federal and state-chartered banks have been subject to extensive federal privacy and data protection regulations for many years. I refer in my testimony to the Gramm-Leach-Bliley Act, GLBA, that requires banks to do a series of things that are designed to protect the security and

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confidentiality of customer information. Without going into every detail about what we're required to do, we have to have strong incident response programs in place and notification of data breaches that may occur. We are required to disclose our financial institution policy and privacy practices, identify the circumstances under which a financial institution shares personal information and how it protects that information of their customers. And it also, importantly, prohibits the disclosure of customer information to unaffiliated third parties unless we have given specific notice and the right to opt out of that sharing. So, all in all, we've been doing this for many years. We're not in a misery loves company type of position, but we certainly believe there should be some standard regulation, regulation that provides privacy protection to customer records and information. We have worked with Senator Bostar both in advance of the bill being introduced. As he indicated, he followed the, the law in Texas quite closely. There are specific exemptions or exclusions for Gramm-Leach-Bliley financial institutions and data, both on an entity and a data basis. Subsequent to introducing the bill, we had some questions raised as to whether or not the bill, excuse me, the bill clearly covered affiliates of financial institutions. And we have an amendment that Senator Bostar has agreed to, that will cover affiliates as well. So with that-- and, and those, those exemptions are fairly similar to what's occurred in, in virtually every other state that's adopted state privacy legislation. I'd be happy to address any questions.

SLAMA: Thank you. Mr. Hallstrom. Are there any questions from the committee? Seeing none, thank you very much.

ROBERT J. HALLSTROM: Thank you.

SLAMA: Additional proponent testimony for LB1294. Welcome.

BRUCE BOHRER: Well, good afternoon, Chairman Slama and members of the Banking, Commerce and Insurance Committee, Bruce Bohrer. For the record, my name is spelled B-r-u-c-e B-o-h-r-e-r. I'm a red-- I'm the registered lobbyist for the Lincoln Chamber of Commerce, and I'm also appearing here on behalf of the Lincoln Chamber of Commerce and the Greater Omaha Chamber of Commerce in support of LB1294, which, as you've heard, would adopt the Data Privacy Act. First of all, we appreciate Senator Bostar bringing this legislation and including business in this discussion around a very important topic. And actually, the topic of data privacy and protections popped up this morning on my drive into work. Listening to Morning Drive, the host

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brought up a recent letter that a U.S. senator sent to the director of National Intelligence about agencies purchasing personal data of American citizens. The discussion continued on to TikTok and worries there. We've all heard of data collection concerns, how people are concerned about their personal data being collected, how widespread this is, that we've already heard. And one of the hosts mentioned I think people are just kind of overloaded a little bit and don't know where to go and they don't feel like they have any control over. Which brings me today's hearing, and efforts under LB1294 to provide consumer protections and some control. And this bill gives consumers more control over sensitive personal information. It gives data controllers a framework to work within. It gives the Nebraska Attorney General, as you've, as you've heard, exclusive enforcement authority, which we, we view as a very positive means of securing enforcement. So in closing, I'll go back to the discussion I heard on the radio this morning. Because at its heart, it really was a discussion about trust. And we view LB1294 as a way to encourage consumers to build more trust in online services with private businesses and government, while also providing a framework for data to be utilized in ways that are ethical, responsible and innovative. We do have members who are specifically excluded under the bill. And I would just mention that we support this. And these are-- exclusions are important to our support, as well. That will conclude my remarks. And I'd be happy to answer any questions you might have.

SLAMA: Thank you, Mr. Bohrer. Are there any questions from the committee? Seeing none--

BRUCE BOHRER: Thank you.

SLAMA: --thank you very much. Additional proponent testimony for LB1294. Welcome.

KYLE SKIERMONT: Good afternoon, Chair Slama and members of the Banking, Commerce and Insurance Committee. My name is Kyle Skiermont, K-y-l-e S-k-i-e-r-m-o-n-t, and I am a vice president of operations at Nebraska Medicine. We are testifying today in support of LB1294 and specifically, to the intent of creating appropriate consumer protections for both genetic and biometric data. We are about to embark or are embarking on an exciting statewide project right now, to detect health problems earlier and improve the health of people across the state, called the Genetic Insights Project. This project is a partnership between UNMC, Nebraska Medicine, and an outside partner called Helix, which is a nationally-known organization that leads

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population genomics across the United States. As you all likely know, each person's DNA is unique to them and may provide insights into the risks for potentially serious health conditions to which they may be genetically predisposed. The intent of the Genetic Insights Project is to enroll and provide free testing to 100,000 people over the next 5 years, making it likely the largest population health program in Nebraska. Health insurance is not required to participate, and the testing is done by just a small tube of blood. The screening that we're doing is-- it focuses on 3 conditions, hereditary breast and ovarian cancer and some other cancers that are associated with BRCA1 and 2, Lynch syndrome, which predisposes you to colorectal cancer and a number of other cancers, and then familial hypercholesterolemia, which is a hereditary form of high cholesterol that is-- increases your risk of, of early, early coronary artery disease and, and heart attacks. Now, we know, because finding these genes can help diagnose and prevent disease early, they are part of the CDC Tier 1 genetic screening recommendations. Essentially, what this means is if you discover you have one of these conditions, there are specific actions that you can take to reduce your risk. And so this project presents a tremendous opportunity for both the patient-- from a patient care perspective but also research. Many people have changes in their genes that we know if we find them early, we can take steps to avoid disease and have them be more treatable. Preventative care will, will maximize this person's health and lifespan, and in many cases, it reduces the healthcare costs to patients' families and the communities. And while we know that many changes to genes that are associated with disease have been found, there's also many more that have been yet to be discovered. And this database that we'll be creating will help researchers to learn about the causes of certain diseases and how to treat them more effectively. And as we increase the enrollment, we hope to unlock additional DNA trends at the population level, allowing them-- allowing us to discover more ways to protect people with heart related issues, cancer, and other diseases. The new knowledge we create from this study is going to help to-- doctors and researchers at UNMC and other institutions across the state to develop new tests to detect diseases earlier and to find new treatments for patients. We support Senator Bostar's intent to protect the privacy of biometric and genetic data. Because health information is protected under, under a substantial federal regulatory scheme of HIPAA, we appreciate the exceptions in LB1294, for data that is collected in this way. However, one important consumer protection that is not addressed in LB1294 is the use of genetic and biometric data as, as it relates to coverage and rate decisions for insurance, disability insurance, and long-term

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care insurance. Federal law already prohibits health insurance companies from using genetic data. However, such protections do not extend to other types of insurance. So we would like to specifically request that this committee advance LB1294 with the inclusion of an amendment to clarify that biometric and genetic data cannot be used to discriminate against the consumer in the process of these types of insurance. We think that this is going to be important, that, that patients can, can obtain this genetic information without fear that the knowledge may put them at additional risk or additional costs. So I thank you for allowing me to testify and would, would answer any questions.

SLAMA: Thank you very much, Mr. Skiermont. Are there any questions from the committee? Senator Kauth.

KAUTH: Thank you, Chair Slama. So this Genetics Insight Project, Helix, what group is that?

KYLE SKIERMONT: So Helix is, is as, is an outside company that we have essentially contracted with to, to help us to run the study.

KAUTH: And will they be sharing the information of Nebraskans with other entities around the globe? Are we [INAUDIBLE]?

KYLE SKIERMONT: Not around the globe, but yes, there is a, a, a federated, de-identified database that we will partner with other health systems across the country.

KAUTH: And when you say de-identified, what does that mean specifically?

KYLE SKIERMONT: So there, there would not be a way to-- so it will have clinical information paired with the genetic information, but any patient identifiers would be removed from it.

KAUTH: Are you able to aggregate? So, say gosh, looks like Nebraskans have higher rates of, of heart disease. So I mean that's--

KYLE SKIERMONT: Absolutely. So the thought is--

KAUTH: --and is that published and made public?

KYLE SKIERMONT: Yes. So the thought is, is, is not only that, but that we may identify certain genetic markers that would identify earlier screening or earlier treatment options for those patients, as well.

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KAUTH: So it's a-- but what I'm-- I guess what I'm getting at, is that something that is made public or is that something that just let that person know?

KYLE SKIERMONT: So the person would be known and it would be made known to researchers, as well.

SLAMA: Thank you, Senator Kauth. Senator Jacobson.

JACOBSON: With regard to this concern, I, I understand the concern. I guess I'm thinking a little bit on, as it relates to health insurance and life insurance providers. You know, that challenge is out there that I would assume we would want to certainly have the privacy so that we're not going to discourage people from being able to go in and have this done, and then run the risk that they're going to be required to turn this over-- information over. So if there-- I'm guessing there will be some evolving legislation down the road, in terms of will insurance companies be allowed to require this testing to be done--

KYLE SKIERMONT: Correct.

JACOBSON: --before they underwrite the policies.

KYLE SKIERMONT: Yeah. Yes. I think-- so our concern is that if-- that someone may not get this screening, which may help the care of them, for fear of, that it may be used to increase a rate, for example, for life insurance.

JACOBSON: Right. And I guess the-- probably the secondary part of that is at, at what point, whether it's voluntarily turned over or not, would it become a prerequisite for getting a policy--

KYLE SKIERMONT: Correct.

JACOBSON: --and therefore, turn over the inform-- get the, get the test done and turn over the information or we're not going to underwrite the policy. So that's probably an issue for another day--

KYLE SKIERMONT: That's the-- yes. Yes.

JACOBSON: --but I hear your concern.

KYLE SKIERMONT: Yes, Senator Jacobson.

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SLAMA: Thank you, Senator Jacobson. Additional questions from the committee? Seeing none, thank you very much, Mr. Skiermont. Additional proponent testimony on LB1294. Delightful to see you here today, Mr. Davis.

JEFF DAVIS: Thank you. Chairwoman Slama and members of the committee, Jeff Davis, appearing here on behalf of BNSF Railway to testify in support of LB1294. BNSF uses biometric data for security purposes. We use retinal scans and fingerprints for drivers entering and exiting our intermodal yards. We also have our own police force. They are-- have statewide license. We do not sell, share or transfer data. Our security has never been breached. BNSF did not have a good experience with the Illinois Biometric Information Privacy Act or BIPA. We were sued. We were found guilty of 45,000 violations and were hit with a \$220 million-plus verdict. So we do have experience with these laws in other states and have given it a great deal of study. LB1294 is patterned off the Texas law, and it is a significant improvement over what we have seen in Illinois, Oregon, Washington and the other states that we operate in. Two specific items that we really like about this bill, the exclusive jurisdiction to the Nebraska Attorney General, no private right of action, and the safe harbor provision that gives violators 30 days to cure. So we like that formal notification and the clock starting, where we have an opportunity to, to self-correct. Please don't change these provisions. That being said, we'd like to see an exemption added for businesses who use biometrics for security purposes, along with a couple of changes to the definitions. I'll briefly summarize. I mean, security purposes, I mean, we are trying to prevent theft, fraud, misappropriation of our goods, trespass, and just control access to our property, keeping people from harm, keeping our employees from harm, and I think we've laid out a fairly good test of how that can be applied and safeguarded. With regard to the definition of confidential or sensitive data, you know, this should be a no-brainer, but writing samples, signatures, photographs, other things that we might use in the course, course of a police investigation should, should not be considered sensitive data to a person. Likewise, information captured and converted to a mathematical representation, including but not limited to a numeric string or similar method, that cannot be used to recreate the biometric data. We don't want to be sued, you know, for maintaining people's photographs, as well as-- this fingerprint technology is used widely. But most en-- most enterprises, what they do is they capture the fingerprints and they convert it to a mathematical formula for purposes of identification. Once again, nobody is selling it. Nobody is

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transferring it. And then the other-- and this is-- this is just us being picky. But you know, when it gets down to the definition of a controller, you know, where we're hiring contractors or vendors, whatever you want to call them, and we're, you know, delegating these people, it's like, we're going to be responsible but yet, we want to make sure that everybody that is responsible gets apportioned their share of, of the fault. Madam Chair, thank you. Appreciate your time and happy to answer any questions.

SLAMA: Thank you, Mr. Davis. Are there any questions from the committee? Senator Jacobson.

JACOBSON: I'm beginning to wonder-- I'm thinking there's a conspiracy on testing us on accents today, because we've got a pretty good variety. But, but I've heard you a few times before, so, the-- I guess the question with regard to your proposed-- you're testifying here today as a proponent, but you're, I'm assuming it's you're a proponent with these changes?

JEFF DAVIS: We'd really like to see, see these changes.

JACOBSON: That's a strong maybe then, is what you're saying.

JEFF DAVIS: Yes, sir. I'll go along with that.

JACOBSON: Great. All right. Thank you.

SLAMA: Thank you, Senator Jacobson. Additional questions from the committee? Seeing none, thank you, Mr. Davis.

JEFF DAVIS: Thank you.

SLAMA: Additional proponent testimony for LB1294. Seeing none, we'll now open it up for opponent testimony on LB1294.

ANDREA NEUZIL: Hello, Senators.

SLAMA: Welcome.

ANDREA NEUZIL: Thank you, Senator Slama. My name is Dr. Andrea Yeager Neuzil, N-e-u-z-i-l, and I am from Papillion, Nebraska. I really appreciated what Senator Bostar was saying about, in LB995, about the imposter scams and all the fraudulent actions that are happening with our financial data. I guess my question for you is what could possibly go wrong with our biometric data being for sale? If you look at this

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bill, titled Data Privacy Act, which content directly contradicts its name. If you look at page 18, line 16, it states, if a controller engages in the sale of personal data that is biometric data, the controller shall include the notice posted in the same location and in the same manner as the privacy notice described in subsection (1):
Notice: we may sell your biometric data. So what happens if my username or password or credit card information is exposed in this fraudulent scams or this imposter scams? I can change my credit card information and I can change my username and password. But I cannot change my iris. I cannot change my genetics. I cannot change my biometrics. This bill is called the Data Privacy Act, but it's really-- it's "protect the tech companies additional funding structure of selling this data." If we return to the bill, on page 19, line 22, it's at the controller's discretion to delete or return all personal data. This bill leaves it up to the company that owns the product that you're interacting with to bury this in a privacy notice. Today, when I went to go park, I had to download an app. Did I read the privacy notice? No, I needed to park. And if I didn't read the privacy notice and agree to it, can I park there? No, not without getting a ticket. Let's be honest. When was the last time that you read a user agreement when you were starting up your new Apple? Or when did you last read the user agreement that's often 300 pages long and written at a Lexile that only college graduates or legal scholars could read. And when you talk about anonymized data, there was a study done by UC Berkeley. It involved 100 seconds of gameplay using a VR headset and 55,000 participants. Their data was collected for only 100 seconds, and they fed that anonymized data, that de-identified data into a language learning model, which was the original ChatGPT-- now we're on number what, you tell me, 3, 4, 5? 4. We're on 4. This language learning model was able to identify, with 94% accuracy, each identifiable unique user. Again, on page 2, line 18, Senator Bostar's bill states, data that is used to identify a specific individual through automatic measurement of biological characteristics of an individual, including fingerprint, voiceprint, retinas image, iris scan, or information derived from wastewater. No controller needs that level of access to my person. Your passionate remarks on LB995 state that you're--

SLAMA: Doctor, we do--

ANDREA NEUZIL: Sorry.

SLAMA: --testimony directed towards--

ANDREA NEUZIL: Sorry.

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SLAMA: --the committee. It's helping us collect information. And we do have the light system. So I'll ask you--

ANDREA NEUZIL: Sorry.

SLAMA: --give us a final thought.

ANDREA NEUZIL: Yeah. So, I just ask that you table LB1294 until February 27th, when an alternate bill on biometrics can be read, which is LB954. Do you have any questions?

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

ANDREA NEUZIL: Thank you.

SLAMA: Additional opponent testimony for LB1294? Seeing none, is anybody here to testify in the neutral capacity on LB1294? Hello again, Mr. Otto.

RICH OTTO: Hello again. Thanks, Chairwoman Slama, members of the Banking, Commerce and Insurance Committee. My name is Rich Otto, R-i-c-h O-t-t-o. I'm testifying on behalf of the Nebraska Retail Federation and the Nebraska Grocery Industry Association in a neutral capacity on LB1294. We have seen bipartisan support for data privacy in Nebraska. This started with the introduction of LB746, in 2020, by Senator Carol Blood, which was modeled after California's data privacy concerned. That bill had many concerns for retail. Then again, we saw a new model introduced in 2022, by Senator Mike Flood, introducing LB1188, which was drafted by the Uniform Law Commission. This was kind of a new model that we hadn't seen in other states. Also had concerns. And now, in 2024, this is data privacy's third attempt in, in, in the Nebraska Legislature. And it looks like the third time's the charm. We agree this is the best model to move forward with in Nebraska, in regard to data privacy. We have just two suggestions. We have given these to Senator Bostar, and we think this would make a good bill better. And re-- regard to the right to cure, obviously we want to keep that in and I'm not trying to take that out. We, we like it. So when he said, don't change it, one thing we'd like is that you get more than 30 days when there's multiple businesses involved. We've seen when multiple businesses are involved, that 30-day threshold can be tight. The second is, also on page 24, there's a blanket statement that says future instances won't occur. We would prefer something down the lines of suff-- sufficient steps have been taken to prevent future

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violations. We feel it's difficult to say future instances won't occur, and that's a, a difficult standard to meet. Those are the two suggestions we gave Senator Bostar. We would encourage the committee to also take those suggestions and put those into the data privacy bill, but we do support the advancement of the bill.

SLAMA: All right. Thank you very much, Mr. Otto. We appreciate those recommendations. Any questions from the committee? Seeing none, thank you very much. Additional neutral testimony on LB1294. Welcome.

KORBY GILBERTSON: Good afternoon, Chairwoman Slama and members of the committee. For the record, my name is Korby Gilbertson. It's spelled K-o-r-b-y G-i-l-b-e-r-t-s-o-n, appearing today as a registered lobbyist on behalf of Media of Nebraska Incorporated. And I first want to thank Senator Bostar for talking to me. And I had originally intended to oppose the bill, but he knows what a pushover I am and asked me to go neutral, so I agreed. But we do not want to stop the, I think, the overall intent of this leg-- legislation, but we think there might be a couple things that need to be addressed that perhaps were unintended. And they don't have anything to do with the bulk of the testimony, but rather, what DHHS talked about in the realm of vital statistics, vital records. In the bill, it says the following records unless publicly disclosed in open court, administrative hearing, open meeting or by a public entity may be withheld from the public. And so what does that include? Vital event records, which isn't defined anywhere in the bill. And then also, the other language was-- I'm skipping all around, information or records from historical indexes within 100 years after the point of the event of the date of the information or record. So when I read this bill my little, dorky self that watches PBS and Finding Your Roots, with Henry Louis Gates, every Tuesday, said, oh my gosh, they won't be able to do any record searches for genealogy anymore. And so we think that would be one potential downside to this. A second concern is that many times, media outlets use vital records to double check information they have received. And if these are no longer public, that would be an issue for news, news organizations to make sure that they are giving the public accurate news. We, like I said, do not want to try to stop the overall intent of this legislation. Our concern is that there has not been a compelling state interest shown for removing these records from the public, which generally is the standard for a long-standing public record. In order for the government to then remove it from public records, there needs to be a compelling state interest. The potential of something happen-- happening does not, in our opinion, equal that. So I'd be happy to answer any questions.

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SLAMA: Thank you, Ms. Gilbertson. Are there any questions? Seeing none, thank you very much.

KORBY GILBERTSON: Great. Thank you.

SLAMA: Additional neutral testimony on LB1294. Seeing none, Senator Bostar, you're welcome to close. And as you approach, we did receive 1 letter for the record in opposition to LB1294.

BOSTAR: Thank you, Chair Slama and fellow members of the committee, for your attention and, of course, your patience. I just want to kind of go through a few of the things. You know, there's been a number of places where some additional tweaks and recommended language have been brought up. Obviously, we're going to go through all of those. As you can tell, there's a large number of stakeholders when it comes to putting together legislation like this. So we will continue to circulate proposed tweaks among all interested parties, and, and come up with something that's, you know-- I think where we're at is generally fairly acceptable for the bulk of things now. But, you know, if we can make small improvements here and there for, for people then, then we should, without compromising the, the continuity that this legislation offers to businesses for what they have to deal with across the country. I mean, that's really important. The-- you know, Ms., Ms. Gilbertson testified on specifically the HHS provisions that were added into the bill. I-- you know, from all my conversations with HHS, a lot of the-- those-- the concerns that were described on behalf of Media Nebraska, I mean, I don't-- I certainly don't think it's HHS's intent to stifle some of these things. So I'm sure that there's a way to address concerns around protecting the privacy of Nebraskans and some of the requests that I think that have come into the state that have prompted some of this, to address that without necessarily having some unintended consequences. So we're going to continue to work on that. And, I think, you know, one thing that I'll, I'll talk about, you know, based on the opposition to the bill, the bill doesn't give anybody-- this bill wouldn't allow any company to use your data in any nefarious way that they don't already have the ability to do. So selling your biometric data or you name it, you name it, they can I mean, within the realms of the law as it stands now, they can. They can share your data, they can sell your data. They can make public your data. They can do whatever they want. Everything in this legislation is focused on putting in restrictions on what companies and entities and organizations can do with your data. There is no part that expands what's allowed. None at all. So if there are provisions in here that, that sounds scary, which there could very well be-- and

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honestly, if I was designing privacy legislation from scratch, I probably would have made it stricter, if I'm honest. But I want to make sure Nebraska has something. Something that we can do to help people, to protect people. And right now, from the work that I've done at least up to this point, this is what that looks like. And so, yes, if there are things in here that are concerning because of what it, what it implies could be done with your data, I assure you, without this legislation, it's much, much worse. With that, I'd be happy to answer any questions.

SLAMA: Thank you, Senator Bostar. Senator Jacobson.

JACOBSON: Yes. Senator Bostar, thanks for the testimony today and for bringing the bill. I, I must say, this is kind of one of those instances where hearings are important. And, and I certainly, Doctor Neuzil, I, I do appreciate your testimony. And I, I think it raises some questions about other issues we need to consider. I know LB954 is Senator Kauth's bill, and that will be coming, as well. So we'll have an opportunity to hear that, and I'm hopeful that we can maybe look at the 2 bills and kind of work through any of the objections. I agree with you that time is of the essence, but yet, at the same time, we need to get it as close to right as we can, because some of the wholesale changes are kind of hard to fix later. So, I assume you're open to maybe working with us and Senator Kauth's bill to come up with something that's maybe going to fit some of the objections that maybe we heard today?

BOSTAR: I'm certainly open to working with anybody. My--

JACOBSON: Even Senator Kauth.

KAUTH: Especially. Especially.

BOSTAR: Especially Senator Kauth.

KAUTH: Thank you.

BOSTAR: And, and honestly, Senator Kauth and I have actually had a lot of conversations about, about this sort of subject area already and even going back to last year. I think we want the same-- I mean, here's what I'll say, what I'm interested in doing. I'm interested, I'm interested in pursuing the strongest data privacy legislation that we can, that we can pass. That's it. Within-- those, those are my guardrails, right. I want to protect Nebraskans to the absolute best of my ability while still being able to get it done. Because if we

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fail at passing it, it doesn't matter how wonderful the bill looks to all of us, it doesn't do anybody any good. But with that, yes, I want to work with everybody.

JACOBSON: Thank you.

SLAMA: Fantastic. Thank you, Senator Jacobson. Additional questions from the committee? Seeing none, thank you, Senator Bostar.

BOSTAR: Thank you.

SLAMA: This brings to a close our hearing on LB1294 and our hearings for the day. But I will ask--