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Revenue Committee February 22, 2023  
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**LINEHAN:** [RECORDER MALFUNCTION] We're moving on. If your remarks were reflected in previous testimony and if you would like your position to be known but you do not wish to testify, please sign the white form at the back of the room and it will be included in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. First, I would like to introduce committee staff: to my immediate right is Lyle Wheeler, he's legal counsel and to my immediate left is research analyst, Charles Hamilton. To my left at the end of the table is committee clerk, Tomas Weekly. Please, I would like the committee members with us today to introduce themselves, beginning at my far right.

**KAUTH:** Kathleen Kauth, LD 31, Millard area.

**MURMAN:** Senator Dave Murman, District 38 from Glenvil. I represent eight counties in southern Nebraska and the middle part of the state.

**von GILLERN:** Brad von Gillern, Legislative District 4.

**ALBRECHT:** Joni Albrecht, District 17, Wayne, Thurston, Dakota and a portion of Dixon County in northeast Nebraska. Welcome.

**DUNGAN:** George Dungan, District 26, northeast Lincoln.

**LINEHAN:** And if our pages would please stand up. [INAUDIBLE] see you. Amelia is at UNL. She's a senior studying political science and Caitlyn's at UNL as a junior studying political science. Please remember that senators may come and go during our hearings as they may have bills to introduce in other committees. Please refrain from applause or other indications of support or opposition. For our audience, the microphones in the room are not for amplification, but for recording purposes only. Lastly, we use electronic devices to distribute information. Therefore, you may see committee members referencing information on their electronic devices. Be assured that your presence here today and your testimony are important to us and critical part of the state government. And with that, we will open the hearing on LB706. Welcome, Senator Moser. Good afternoon.

**MOSER:** Thank you. Good afternoon. Thank you, Chair Linehan. And good afternoon, members of the Revenue Committee. My name is Mike Moser, it's M-i-k-e M-o-s-e-r. I represent District 22, which consists of Platte County and most of Stanton County. I'm introducing LB706, which authorizes the issue-- issuance of highway bonds under the Nebraska Highway Bond Act. My office has been working closely with the

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Department of Transportation and the Governor's Policy and Research Office on LB706. Out of that collaborative work, I offer AM450, which is a white copy amendment which replaces the bill. With the amendment, the bill seeks to authorize the issuance of bonds, not to exceed \$450 million in principal and \$35 million in annual debt service under the Nebraska Highway Bond Act, 39-2209, in order to accelerate completion of the highway construction projects identified by the Build Nebraska Act, LB84 from 2011. Senator Deb Fischer was the propelling force behind that bill. Additionally, the bill seeks to extend the sunset date of the Build Nebraska Act from 2033 to 2042, so the Department of Roads can rely on revenue to pay for the retirement of the bonds created. I appreciate your time today. The Department of Transportation and others will be following with testimony, but I'd be glad to answer any questions you have and I might just spend a minute or so talking in general about the expressway system. The expressway system is really critical to my district and most areas in central Nebraska, western Nebraska. It's an economic development thing for us, being able to get more quickly to Lincoln or to Omaha or to the interstate system to go wherever we want to go. It's something I've been working on throughout my time here in the Legislature. And Senator Walz had a bonding bill last year or last session that I signed on to, which he was the one who was the main impetus to that. And when I talked to her this session about it, she said, well, she has other things to work on and if I wanted to take it, she said, have at it. So that's how I'm here. She did sign on to the bill and there are others who have signed on to it. But progress on the expressway system has been slow. You've got funding, you've got permitting, you've got design, you've got political problems in local areas and any one of those four things can stall a project. So this bill looks to eliminate one of the potential stalling factors and that's funding, so they can shift funding a little bit into the future if it makes sense for the Department of Roads. This does not require them to issue bonds and so it's up to them to determine if it's appropriate for a project, if it's going to save the money. It's, it's not something that I or they intend to be used to accelerate construction of roads at a higher cost. We're trying to do it more economically. We're trying to, maybe, put projects in segments where the money may not be there this year to do two segments together, but the bonding could allow that project to move forward in one segment. So it, it makes some sense in some ways, as long as construction cost inflation is higher than the bond rate. If that were to flip for some reason, then the Department of Roads is a sensible bunch and they're not going to use bonding if it is counter to their purpose. And I appreciate the

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Department of Transportation working with us on this bill and also the Governor showing his support. So one quirk in the amendment that's a little bit of a wrinkle, is that it also extends the date of the sunset of the Build Nebraska Act. It takes a quarter of-- Build Nebraska Act takes a quarter of a percent of the 5.5 percent sales tax, which is a little bit less than 5 percent of that stream and puts it into this fund for roads. In 2011, the Department of Roads basically said that their revenue was going to be consumed in trying to maintain the roads we had. And so that was one of the reasons they weren't getting the expressway progress that a lot of us wanted. So Senator Deb Fischer brought this bill and that's how we've gotten where Highway 30 is under contract and, and going to be finished some this year and then the remainder next year; how we got 275 underway, at least. And so extending the Build Nebraska Act to 2042 allows them to issue bonds and have a revenue stream to pay them off, because if you, you can't borrow money if you're not going to have income to pay it. You know, if you're a research grant that, you know, you're some professor trying to do something and your research grant runs out, you're not going to be able to borrow money to continue your project. And it's the same thing with the Department of Roads. No bonding company is going to loan-- sell bonds for you if you don't have the revenue stream to pay for it. So I think that's probably more than you wanted to hear, but you can tell I'm excited about it and I appreciate you sitting through my, my discussion.

**LINEHAN:** Thank you.

**MOSER:** Madam Chair.

**LINEHAN:** Thank you, Senator Moser. Are there questions from the committee? Seeing none, thank you very much for being here. Appreciate it.

**MOSER:** Thank you.

**LINEHAN:** Welcome.

**JIM PILLEN:** Good afternoon, Chairwoman Linehan and members of the Revenue Committee. Thanks for the opportunity to be before you today. My name is Jim Pilleen, J-i-m P as in Paul, i-l-l-e-n, and I have the incredible privilege of serving as the 41st Governor of the incredible state of Nebraska. Still never going to be normal. I'm here to testify today in support of LB706 and the proposed amendment. I'd like to thank Senator Moser for bringing this bill. And maybe we just want to

hit from a great, great big conceptual perspective. I think that the one thing that every one of us would agree on is that Dwight D. Eisenhower's vision of interstate commerce post-World War II was absolutely brilliant and, and absolutely incredible on how fast that took place across this state and had a huge hand in making us a global economic power. I would say that from my seat and many Nebraskans that-- let's just say for 50 years, the state of Nebraska has really dropped the ball when we talk about intrastate transport in the state of Nebraska. So I believe deeply this, this is a really, really important issue for the state of Nebraska to compete so that we have the ability to have an infrastructure that allows us to grow this state and do it in a economically viable way. And some who have been opposed to bonding said, you know, it's not fair that our grandparent-- or grandkids pay for it. We can do this in a fiscally responsible way, just like all of us have done in business, where we borrow money in a fiscally responsible way and run it. If, if we all ran our businesses solely, solely with the cash, that, that we made from our businesses, we'd, we'd, we'd, we'd-- it would take a long-- it's a long time coming. And personally, you know, Suzanne and I moved back after-- from Kansas State in 1983. And guess what? The four lane expansion started that, that year, in 1983, on the east end of Columbus and we're still not connected to Fremont on four lane. And my math says that's 40 years. So just think, one project-- just think if that project would have been bonded and invested, it would have been done in five years instead of 40. And just think of the economic activity that's been lost and the ability for our state to grow. And I could talk about 275 going to Norfolk and then going to O'Neill. Things have to be smart, but I, I believe we've, we've really missed the boat as a state. So I believe today, LB706 provides a pathway for the expansion and, and reconstruction of state's highway system in a way that ensures the necessary projects are planned and completed on a, on a much faster timeline. Our timelines just haven't cut it. Until now, we've taken a pay as we go. This legislation, through the Nebraska-- or the Build Nebraska Act, this legislation would exercise bonding authority and ensure that the revenues exist to pay for whatever the projects that improve safety, support economic development and connect our communities. I don't think there's enough communication about the safety that, that a, a lot of our, our two lane highways that you go in on in a lot of different areas with two lane highways and the traffic's incredible. And those are safety hazards and, and great opportunities. As we watch the construction and labor costs, I think we all agree that the chances of those decreasing probably aren't very great in the near future. Just being able to have

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the ability to speed the process up just does nothing but make good economic sense. This bill does not increase the tax currently allotted to the BNA. I think that's important. It, it does change the funding paradigm to the benefit of communities which see the greatest economic impact for completion of highway projects. The amendment allows for collection of sales tax up to 2042, covering the cost of designated projects. No bonds will be issued after 2029 except for refunding. I recognize the importance of being fiscally conservative in paying our bills and I know everybody in this committee believes the same. Bonding does not alter that philosophy. You can bond and be fiscally conservative. It provides the mechanism, I believe, that we need to make sure that we are doing all we can as a state to make our expressways and highways as impactful to our communities and safe as possible and, and allow this great state to compete with anybody around us. So it's an incredibly important investment in my eyes. So I appreciate the opportunity to visit. Any questions, I'd be happy to entertain.

**LINEHAN:** Thank you, Governor Pillen. Are there any questions from the committee? Seeing none, thank you very much.

**JIM PILLEN:** Thank you very much. Thanks for all you do. See you later.

**LINEHAN:** Good afternoon.

**BRYAN SLONE:** Good afternoon, Chair Linehan, members of the Revenue Committee. My name is Bryan Slone, B-r-y-a-n S-l-o-n-e. I'm the president of the Nebraska Chamber of Commerce and Industry and I'm here to testify in support of LB706 as amended. I will only speak for 3 minutes because it dawned on me, sitting in the chair, that I probably owe you a few minutes by this point for all my misbehavior in the past. So with that, as you know, the Nebraska Chamber is the largest state business organization representing small and large businesses across the state. Highways are not only the lifeblood of our communities, but they're the lifeblood of our, of our business sectors, for our, for our business segments, including agriculture, including manufacturing and others, Our highways are, are virtually our connection to our customers, to our vendors and to our suppliers. Historically, the Chamber has taken a fairly cautious approach to bonding, but it has not been opposed to bonding. We have worked with-- within the context of saying, there needs to be some, some safeguards on bonding and, and basically three things, which I identify in my testimony. First, any bonding should be related to some very specific projects. It should not just be a general open-ended process and

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hopefully those are priority projects. Second, it should be tied to a specific funding source, preferably one tied to highway use or other funds used for highways. And third, there must be some specific end dates for the projects and for the financing associated with it. All of those concepts are sufficiently addressed in this legislation and for these reasons, the Nebraska Chamber of Commerce supports LB706 as amended.

**LINEHAN:** Thank you very much, Mr. Slone. Are there questions from the committee? Seeing none-- oh, excuse me. I'm sorry. Senator Kauth.

**KAUTH:** Thank you, Chair Linehan. Mr. Slone, can you tell me a little bit about the economic development benefits that this would actually bring? Do you see anything now or is there anything coming on the horizon that we need to be aware of?

**BRYAN SLONE:** Yeah. So I, I would say that, just as one example, manufacturing was clearly our highest growth industry, particularly during the COVID era in the last two or three years. That's going to continue. The, the-- Columbus tends to be manufacturing central for our state, but it's also important in Norfolk, it's also important in Fremont, it's also important in, in Gering and Scottsbluff, where I come from. Those highway connections are, are critical to the continuing growth of manufacturing, as manufacturing moves back from overseas and the supply chains move back from overseas. Between agriculture, manufacturing and transportation, that's about 30 percent of our GDP in the state. So very few states have as much invested in, in our transportation infrastructure as we do.

**KAUTH:** Thank you.

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

**BRYAN SLONE:** Thank you very much.

**LINEHAN:** Next proponent. Good afternoon

**DAVID COPPLE:** Good afternoon. My name's David Copple, D-a-v-i-d C-o-p-p-l-e. I am the current chairperson of the Nebraska Department of Transportation Highway Commission. I'm here to speak in support of the proposed LB706 and the amendment thereto. They'll be handing out a written statement for the record. I know, I know your time is precious, so just let me touch on a, a few points. As the chairman of the commission, it would be the Highway Commission, based on the

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proposed legislation, that would be charged with determining the-- which projects would be-- would this bonding would be used for. And one of the processes that is currently underway is developing criteria for which the bonding project, the construction project, may or may not meet. And we're working with the Department of Highway in order-- Department of Transportation in order to address that. The Highway Commission, for those of you that may not be aware, are comprised of eight districts. They are current-- there's one current vacancy there-- of the seven commissioners that are in place, I've had an opportunity to speak personally with all but one of them and she was out of state on family travel and unavailable. All of the commissioners have indicated and expressed a support of this legislation as amended. One of the primary concerns for the commissioners at the onset was a funding source. And with the amendment dealing with the extension of BNA or Build Nebraska Act, we think that that provides a reliable funding source for the department. We also believe that this legislation will provide for an efficient, economical, effective way for the department to continue to plan. As you know, roads aren't built by sitting down and thinking about it one day and starting the next. It takes months, it takes years of planning in order to bring a project to fruition and we believe that this is an effective way to continue that development. We also are of the opinion, having said at various public hearings, various commissioners, that the general public at large is generally in support of BNA and the funding for the-- for specific projects, so that those funds can be used for specific projects in each of their districts. To address some comments made earlier. I live in Norfolk. We have a very large manufacturing facility there, Norfolk Iron and Metal, Nucor, Vulcraft, AWG, which is wholesale foods, so roads are extremely important to the economic development of northeast Nebraska, to Wayne, to South Sioux City, to Columbus. I'm about the Governor's age and I can remember traveling from Norfolk to Lincoln to go to football games and the only four lanes that existed for me to travel from Norfolk to Lincoln is the seven lanes-- the seven miles south of Columbus. And that's a long time ago. That was before I had gray hair. So I would encourage you to give serious consideration for this legislation. It is a need for the state highway system, it is a need for private industry and it is a need for the safety of the citizens of Nebraska. I will defer questions to the director who has much more hands-on dealings with this than I, but I'd be happy to answer any questions that any of you may have.

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

**DAVID COPPLE:** Thank you. Appreciate your time and attention.

**LINEHAN:** Next proponent.

**VICKI KRAMER:** Good afternoon. I've shortened my testimony. I want to thank my partners who have testified before me for speaking to the partnership that NDOT has had in this. We've been going through this over the last couple of days, so I'm going to start with: good afternoon, Chairwoman. My name is Vicki Kramer, V-i-c-k-i K-r-a-m-e-r, and I'm the director of the Nebraska Department of Transportation and I've come here in support of LB706. As amended, LB706 would authorize NDOT, with the support of the State Highway Commission, to issue highway bonds in the amount not to exceed \$450 million in principle, with \$35 million in annual debt service for a period of not more than 19 years. The bonds would be required to be issued before June 30, 2029, 2029 and paid off no later than June 30, 2042. Bonding when done in a fiscally conservative manner, is a financing tool that can be leveraged to take advantage of a situation where interest rates are lower than the construction inflation rates and where a program project is ready for construction if not for the funding, ultimately accelerating the project and delivering it in a more efficient manner while creating a positive impact in the state. Per LB706, the projects eligible for bonding would be expansion projects on the expressway system, federally designated priority corridors and surface transportation projects designated by NDOT as authorized in the Build Nebraska Act. The bonds are repaid using a portion of sales and use taxes already allocated to the State Highway Capital Improvement Fund by the Build Nebraska Act. Funds from BNA have been instrumental in permitting NDOT to construct capital improvement projects, including U.S. 275, U.S. 30 and U.S. 385. These important projects provide Nebraskans with vital access to commerce, emergency services and support the movement of people and goods. As amended, the bill would extend the Build Nebraska Act funding until 2042 to ensure funding for the term of the bonds and to preserve the important tool to improve the lives of Nebraskans across the state and that values the principles of fiscal responsibility and the approach of pay as you go. The money pulled from the State Highway Capital Improvement Fund to pay annual debt service is capped to protect our asset preservation program and ensure the level of service on the roadways is not negatively impacted. It also enables NDOT to continue our fiscal responsibility by avoiding construction inflation costs by spending



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money today, instead of waiting years to complete projects. LB706 would create an additional option for, for consideration to accelerate completion of some of our most needed highway capital improvement projects. Because NDOT has been fiscally responsible in the past, we can be selective about when we issue bonds and only use the authority when the conditions are right and the benefits of issuing the bonds and accelerating projects outweigh the cost of using the funding method. This bill, as amended, provides the assurances and funding necessary to persuade investors to purchase the bonds and to protect the integrity of the state's credit. The bill, as amended, will provide NDOT with reasonable opportunity to use this new tool and the conditions merit its use. Thanks for your time and I'm happy to answer any questions.

**LINEHAN:** Thank you very much, Ms. Kramer. Are there question from the committee? Senator von Gillern.

**von GILLERN:** Thank you, Ms. Kramer. Just a couple of questions and forgive me for consuming a lot of information--

**VICKI KRAMER:** Yes.

**von GILLERN:** --here very quickly. The, the-- what, what is the total project cost that's anticipated? And then-- and I'm looking through the white copy that we just got handed at the beginning of the opening testimony. And I'm seeing some, some-- normally what I would consider pretty soft words in a, in a bill. It says, conservatively utilize bond financing, may issue an accelerated completion and, and none, none of those are super specific.

**VICKI KRAMER:** So--

**von GILLERN:** And I understand in your testimony, you said this is an option for financing. Can you talk about the, the primary financing means for the project and then what the anticipated total costs are?

**VICKI KRAMER:** So the authorization for bonding is a total of \$450 million. That can be broken down over multiple issuances, so I think that's important. As we look at what the program supports, meaning what our construction program supports and what's projected out through the life of BNA, both through the next ten years and then the ten years past, it'll be what can we actually benefit from accelerating. So what projects will be ready and show that potential five-year acceleration period, which means that's what we would about

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need to recoup that cost of financing. So the, the numbers that you're referencing are the \$450 million is the total authorization. That, that issuance of bonds means that when we issue it, we cannot have debt service over \$35 million a year over the duration of 19 years. Does that help with it?

**VON GILLERN:** It, it helps, but what I'm trying to get to is the-- and I understand the, the bond issuance. You're trying-- you're chasing the inflation. You're-- you want to stay ahead of the inflation and I understand that. What I'm, what I'm trying to determine is what are the odds that we're going to have to tap all of the \$450 million? Where are the other funds coming from? Is this a \$5 billion project, a \$1 billion project?

**VICKI KRAMER:** No, it's multiple-- it's going to be multiple projects if you bond at four-- a total of \$450 million. So you're-- you'd be impacting multiple projects.

**VON GILLERN:** OK. So we're going to-- so it is a \$450 million bond issuance because it says "may issue" 450 (million).

**VICKI KRAMER:** Up to. So we have not decided whether we would need the full \$450 (million).

**VON GILLERN:** OK.

**VICKI KRAMER:** So you could do an issuance of \$200 (million). Where we've modeled it at \$200 (million), we'd model it at \$150 (million) over multiple issuances, making sure you hit that key date of the 2029--

**VON GILLERN:** OK.

**VICKI KRAMER:** --prior to.

**VON GILLERN:** And, and again, I want to make sure I understand. So the determining factor will be-- we have a project. We believe that the rate of acceleration of inflation, of construction costs is going to exceed the cost of bonding. Therefore, we're going to utilize the bonding.

**VICKI KRAMER:** Absolutely. So right now, we look at construction inflation index being about 20 percent for this 2021-2022 years. So we apply that math and we look at, OK, what are the financing charges we have? Whenever we modeled it, we took a 100-point potential increase,

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understanding where we are with interest rates and then we start to look at what projects could we be ready that we would benefit in being able to accelerate at least five years to make up that funding.

**VON GILLERN:** OK. OK. Thank you. That helps.

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

**BRIESE:** Thank you, Chairwoman Linehan, Linehan and thanks for your testimony, Director Kramer. Appreciate it. Did you say the construction inflation rate for '21-22 was what?

**VICKI KRAMER:** We estimate it to be about 20 percent.

**BRIESE:** Twenty percent. Historically, last 10 years--

**VICKI KRAMER:** Right around 9.6.

**BRIESE:** Nine point six. Well in excess of the rate of inflation--

**VICKI KRAMER:** Of inflation, yes.

**BRIESE:** --for CPI. OK. Thank you.

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

**ALBRECHT:** Thank you, Chair Linehan. And I guess I really appreciate all this information that you've provided for us. So I'm looking at my district and does this change the one in five year at all? Like, do some-- like you said in your testimony, will certain projects kind of bubble to the top?

**VICKI KRAMER:** So--

**ALBRECHT:** And how, how-- when they decide the criteria, how do they decide?

**VICKI KRAMER:** That's an important and tricky question. Right?

**ALBRECHT:** Yeah.

**VICKI KRAMER:** So it's typically-- what we say in our business is you don't want to mess with the STIP. So projects that are not currently in a fiscally constrained STIP, meaning we're not planning for them

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and the communities aren't planning for them, would not be accelerated. That was one reason to keep it within the BNA program. So these would be projects that are already identified as a need for the state and would be-- right now, I'm looking at the corridors of 77, 75 and 81.

**ALBRECHT:** Thank you. Thank you. Thank you. Yes. OK. So but again, with that said, I appreciate Mr. Copple talking about northeast Nebraska, because the farm-to-market is so important up in that section and I feel like we have been kind of left out. But having the largest Tyson food plant in the country, you know, we have a lot of traffic.

**VICKI KRAMER:** Absolutely.

**ALBRECHT:** We have a lot of big equipment, just in the, in the farming aspect of things, so just wondering-- I'll be anxious to look at the criteria that you all decide.

**VICKI KRAMER:** And as the Governor said, one of the main reasons that you can bond is when you have the tool that you don't have to separate segments, you make construction go much faster, right? If you're looking at a potential roadway where you have multiple segments, you're not paying for it over the duration of the next 15 years. You can potentially get it done in seven and create less of an impact to those major manufacturing hubs.

**ALBRECHT:** Very good. Thank you.

**LINEHAN:** Thank you, Senator Albrecht. Are there other questions from the committee? Senator von Gillern.

**von GILLERN:** Sorry. Just another quick question. What is approximately tax exempt bond rates today? What, what is the--

**VICKI KRAMER:** So we took a-- we took it at five, we added a couple and then we put a cushion of a hundred points, so I, I ran my models at 6 percent.

**von GILLERN:** OK. So even if we were at the 9 percent historical inflation rate, then the bonding--

**VICKI KRAMER:** Yes.

**von GILLERN:** --it works.

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**VICKI KRAMER:** Yes. So-- and, and with that, we obviously look at financing charges on top of that and make sure that it would be beneficial. Yes.

**von GILLERN:** OK. Thank you.

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

**VICKI KRAMER:** Thank you, Senator. Appreciate it.

**LINEHAN:** Other proponents? Good afternoon.

**TYLER HEVLIN:** Good afternoon. My name is Tyler Hevlin, T-y-l-e-r H-e-v-l-i-n. I'm current president of American Council of Engineering Companies here in the state of Nebraska, representing over 48 firms and over 3,000 employees here in the state. We are here in support of the bill as amended. The most exciting part of this bill is the extension of the Build Nebraska Act at the end of this-- at the end of the bill. Obviously, I'm in a unique position. Those that have come and testified before me have stated most of the great points that are-- we feel about this bill. However, in, in regards to the firms that I am representing today, it is a great tool to have in the toolbox for the Nebraska Department of Transportation, of which we are very supportive for. The extension of the Build Nebraska Act obviously is a major component of it that we are very excited and it obviously helps us accelerate finishing the expressway, which we've all started several, several years ago. With that, I think my predecessors have stated all the great things. So--

**LINEHAN:** Thank you.

**TYLER HEVLIN:** Any questions?

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

**BETH BAZYN FERRELL:** Good afternoon, Chairperson Linehan, members of the committee. For the record, my name is Beth, B-e-t-h, Bazyn, B-a-z-y-n, Ferrell, F-e-r-r-e-l-l. I'm with the Nebraska Association of County Officials and I'm appearing in support of just one limited piece of the amendment and that's the portion that would extend the Build Nebraska Act. That has been a wonderful tool for counties because of the money that's gone into the Highway Allocation Fund, and

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we would just encourage your support of continuing that. I'd be happy to answer questions.

**LINEHAN:** Thank you very much. Are there questions on the committee? Seeing none, thank you very much. Good afternoon.

**LYNN REX:** Good afternoon, Senator Linehan, members of the committee. My name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We're here today in strong support of this bill. This bill is not just about economic development, it's also about public safety. Many of you may remember some of the discussions that happened in 2011 when LB84 was being enacted. Senator Fischer-- former state senator Deb Fischer was the introducer of LB84, the Build Nebraska Act. By the way, she did have bonding in that original bill. This is an extremely important piece of the puzzle so that we can complete our expressway system that was long ago promised. In addition to the issues of economic development and public safety, it also deals with some of the most primary issues of just the ability of folks to get along from one place to the next. And as we've talked before at other hearings dealing with other important issues that obviously agriculture, the primary economic driver in this state and certainly the university system, our educational system, but municipalities are, too, because that's where the infrastructure is, that's where the people are, that's where businesses locate in and around. And that's where the infrastructure is. But in order to make that successful, you have to be able to connect them. And so this is such a critical piece of it. We appreciate the Governor introducing this bill, Senator Moser introducing it on his behalf. I'm happy to answer any questions that you might have.

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

**LYNN REX:** Thank you very much.

**LINEHAN:** Are there other proponents? Good afternoon.

**BRUCE BOHRER:** Good afternoon, Chairman Linehan. Bruce Bohrer, appearing on behalf of the Lincoln Chamber of Commerce in strong support of LB706. For the record, my name is spelled B-r-u-c-e, and the last name, B-o-h-r-e-r. We very much appreciate the Governor supporting this effort. I've been around long enough that bonding has been talked about for at least 20 years of our efforts on highway and road infrastructure across the state. Of course, we have strong

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interest in building a loop around Lincoln and are getting that done and have depended heavily on Build Nebraska Act. I know-- we had our annual meeting today, so I got here just about 5 minutes ago and missed all the prior testifiers, but I'm sure they probably highlighted quite a number of people who'd played a prominent role over the years in championing this cause. It is, as Lynn Rex just mentioned, infrastructure is economic development, economic growth. So we thank the Governor for championing this, thank Senator Moser for putting it in and, and would strongly urge you to advance this bill to the full, full Legislature for passage.

**LINEHAN:** Thank you very much.

**BRUCE BOHRER:** Be happy to answer any questions you might have.

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

**BRUCE BOHRER:** Thank you.

**LINEHAN:** Are there any other proponents? Any other proponents? Are there any opponents? Is there anyone wanting to testify in the neutral position? Good afternoon.

**TIM HRUZA:** Good afternoon, Chair Linehan, members of the Revenue Committee. My name is Tim Hruza, last name spelled H-r-u-z-a, appearing today on behalf of the Associated General Contractors, Nebraska chapter, also known as AGC, colloquially referred to as the Highway Contractors Association for the state. We represent a number of general contractors and others affiliated with highway road construction work. Typically, our members do this type of, of construction on behalf of the state and municipalities throughout Nebraska. I want to start today by apologizing that you have me in the chair. Most of you know Katie Wilson, our executive director. AGC's annual convention is taking place today. All of our members are down the street at the Embassy Suites, so I'm appearing in her stead and, and she would-- she wants to send her regards both to you as well as to the Governor and the director and the other proponents today. I do want to start by thanking Governor Pillen and Senator Moser for being forward thinking and thinking innovatively about how best to continue to move Nebraska's infrastructure and our highway program forward. Bonding is a conversation that's been going on for a long time now and, and I think that's maybe where I'll start my comments about our position in the neutral here today. Two years ago, when Senator Walz

introduced this bill, Katie came and testified opposed on behalf of our association. We have-- if you rewind ten years ago to where we were, we would have opposed any bonding, any use of bonding for the construction of highways and roads by the state of Nebraska. Our members have seen firsthand and, and you've heard a number of testifiers explain to it, the, the ability to use bonding and use financing to help move projects down the line, particularly in light of the high costs of inflation that we have seen, is a good tool for the state to have and I think that's why you see us moving our position over the last several years. When Katie came and testified in the opposition last time, it was really focused on one issue, one piece of this, of this conversation and that is a dedicated source of funding. You heard Mr. Slone kind of mention that in his testimony earlier today on behalf of the Chamber. That has really been our focus in doing this. When, when we issue bonds or if the state's going to issue bonds to make future payments, we think is critical that you identify a dedicated source of funding for how you're going to make those payments to avoid any situation in which you are reaching into your future annual budgets to make payments for work that is already done and then kind of losing side or losing track of the upkeep and maintenance of your existing program. With that background, when we testified before and the conversation that we've had has always focused on-- the, the existing bonding authority that sits in statute does come with a dedicated source of revenue. So-- and if you look at the bill and I'm looking at the, the amendment, but AM450-- when you look at the piece in Section 14, pages 9 and 10-- excuse me. That's the wrong one. Pages 7 and 8, it's Section 13-- Section 12 of the bill that makes an amendment to 39-2223 sub-- subsection (2) of that statute is existing bonding authority. There's a component piece to that provision in Chapter 66-4144 that ties that to an excise tax on fuels to ensure that the bond payments are made by an, an increase, I guess, or an excise tax levied at 125 percent of the bond payments plus interest. We've always felt comfortable with that as a mechanism to ensure that your bond payments into the future are covered. That is all to say that AM450 is sufficient to put us into a neutral position because of the focus on Build Nebraska Act and because of the piece that extends it for the next ten years. We have been a strong supporter of BNA. We've had conversations about ensuring that that program gets extended. What I think we have started, we've begun in a, in a conversation with the director over the last several days regarding this bill and moving forward, we've begun a conversation about whether using Build Nebraska Act funds satisfies our desire to see a dedicated source of revenue. Those conversations are ongoing. I



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think we want to continue to build a better understanding of how that will work, both from the department side and then from a big picture from our members side and how it will affect the program moving forward. So with all of that, I am happy to answer any questions that you might have and I thank you for the time. And I also want to reiterate our commitment to working with the department and the administration and, and working with them to, to get this done. We are, we are very supportive of the ideas that they have conveyed to us thus far. I think we want to continue our conversation so that we feel comfortable that, that this will put us in a good place in the future.

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

**TIM HRUZA:** Thank you.

**LINEHAN:** Are there any others wanting to testify in the neutral position? Senator Moser, would you like to close and let me see if we have a do we have letters for the record.

**TOMAS WEEKLY:** I believe so.

**LINEHAN:** Yes, I found them here. We had four proponents, one opponent and one neutral.

**MOSER:** Well, thank you, Chair and members of the committee. I appreciate your consideration of our bill, LB706. One thing I or a couple of things that I should have mentioned when I opened a component of the Build Nebraska Act is 15 percent of the revenue from the sales tax is sent directly to counties and cities. So in your paperwork, you'll see the amounts of money that your counties and cities got over the years. You can look that up, but I highlighted just a few based on what counties all the members of the committee come from. Albion last year got \$10,284, Glenville got \$1,840.21, Lincoln got \$1,000,268, Omaha got \$2.159 million and Thurston County got \$831. Basically, it's distributed on population. And so-- and each district, if you figured it out, should get around \$300,000. But since the districts are concentrated in Omaha and Lincoln, that's how come they're getting way more money than the other districts. So-- and counties and cities can already bond and they have successfully done that for years. And so far, I don't know of any catastrophes involved in cities and counties bonding. The Department of Transportation plans out 10 years. 2033 is like, tomorrow to the Department of Transportation. And when I came to them wanting to resurrect Senator

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Walz's bonding bill, they said, well, we need to look at it and update it and we might support it, but then they came back, said, well, you know, there's only 10 years left in the Build Nebraska Act. If you're going to bond, you should extend the Build Nebraska Act. Plus, there are projects coming along that are not on the plan right now that could be built if the BNA is extended. So that's kind of how we arrived at that. This is a component of the sales tax. It's less than 5 percent of the total sales tax and it raises about \$100 million a year for roads. \$15 million roughly goes to the counties and cities, \$85 (million) goes to the Department of Transportation and then \$8 million and then they allocate that out. It's sales tax rather than property tax. So if we let this expire in 10 years-- well, I'll probably be in the home by then, but anyway-- and I'll probably be eating Malt-O-Meal and [INAUDIBLE]. But 10 years to the Department of Transportation is, is tomorrow and giving them 20 years lets them plan into the future and I'm excited that they're coming forward with a plan. I think the Department of Transportation always had a plan, but they were real open sometimes about, you know, where we were at in this process and they've been very upfront about-- I said, well, why can't we build it next year? And they kind of chuckled and they said, well, 10 years from now is next year for the Department of Roads. Are there any other questions, things that I overlooked or things that are on your radar?

**LINEHAN:** Are there any questions from the committee? Seeing none--

**MOSER:** No questions. You either hate it or love it. I hope you love it. [LAUGHTER.]

**LINEHAN:** Thank you very much.

**MOSER:** Thank you. Appreciate your time.

**LINEHAN:** You bet.

**MOSER:** I also want to thank the Governor for appearing to support.

**LINEHAN:** Smart move. With that, we'll close the hearing on LB706 and open the hearing on LB584. Hello. Is this your first time on our committee?

**HUGHES:** It is.

**LINEHAN:** Welcome.

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**HUGHES:** Thank you. I didn't bring my bodyguards, but they're there. They're pretend.

**LINEHAN:** We're ferocious, Jana.

**HUGHES:** I know. Right? OK.

**LINEHAN:** Good afternoon.

**HUGHES:** Good afternoon, Chairwoman Linehan, members of the committee. Thanks for this opportunity to introduce LB584, a bill intended to begin to address a very serious problem impacting our kids that has flown under the radar for too long. I am Senator Jana Hughes, J-a-n-a H-u-g-h-e-s, serving the Legislative District 24. I would like to spank, spank-- I would like to thank my co-sponsors of LB584, Senators Brandt, Dover, Hardin, Holdcroft and Lippincott for their support of this legislation. The use of e-cigarettes or vaping has exploded among our teenagers and becoming growing problem for children even younger here in Nebraska. Vaping has reversed the decades of the gains that we have achieved in reducing the underage use of nicotine. I have provided you with copy-- copies of submitted comments from Dr. Josh Fields, Superintendent of Seward Public Schools. Dr. Fields is a constituent of District 24 that I represent. He is unable to testify today in person, but I wanted to point out one important highlight that he shared with me. According to the 2021 Student Health and Risk Prevention, or SHARP Survey, for Seward High School, which I was on the school board at Seward High School and I have a son at Seward High School, 20 percent of our 10th grade students reported using vape products. In order, in order to address this at Seward High, we have added vape detectors in the bathroom to help curb vape use. The use of vaping products has increased safe-- students' safety concerns, as well as increasing the amount of time that our administrators are spending investigating and disciplining students. The Nebraska Department of Health and Human Services survey, from 2020, found that, of youth that have ever tried tobacco, nearly 59 percent tried e-cigarettes or vaping first. In the same survey, DHHS found that over a third, 37 percent, of Nebraska youth have tried vaping. Nearly 23 percent of these kids were found to use it on a regular basis. Those are numbers from the middle of the pandemic when kids were far less social among their peers as they are today. And I am interested and more than a little afraid to see what this next set of data will show us. Let's address some facts. Vaping utilizes technology to deliver, deliver nicotine and our teens and youth are all about the latest gadget. Vaping can produce an innocuous or inconspicuous odor that is

hard to recognize, especially for our generation who we grew up knowing exactly who smoked cigarettes, pipes or cigars because you could smell it all over them. The kids are vaping and the kids are hiding it. Some are bold enough to even do it in our schools and we will hear first hand testimony from, from our friends in school administration about this. Last year, one of the biggest offenders in this industry settled for nearly half a billion dollars in Nebraska and 30 other states, after being caught red-handed marketing their vaping products to our kids. Meanwhile, that company pays no excise tax here in Nebraska. Liquor, tobacco and beer all pay these taxes, but vaping has flown under the radar while it continues to threaten the health of our children. I understand that there are some who may come to oppose this bill on the basis that these products are somehow a safer alternative to smoking or are beneficial to getting someone to quit smoking. And I say baloney on that. These are addictive products that are designed so that the consumer continues to purchase them. LB584 changes this narrative. As I introduced it, LB584 taxes vaping products at the rate of \$0.05 per milliliter of the consumable product. So, I have received some input since I introduced this last month about the methodology of how we will implement this excise tax on these products. And the Revisor's Office is currently working on amendment that I have requested to tax vaping as a percentage of the wholesale price. So the issue that we've come into is not all states are taxing vaping yet. About twentyish states are; half are doing it on a milliliter basis and half are doing on a wholesale sales price. But the bottom line is LB584 puts the vaping industry on notice that we're paying attention and going beyond just their payoffs from settlement. And we are not going to ensnare our young people and cause them decades of pain and suffering down the road. So questions, please.

**LINEHAN:** Thank you, Senator Hughes. Are there questions from the committee? Senator von Gillern.

**von GILLERN:** I have no idea-- I know what vaping is. Obviously I've seen it. I have no idea-- how many milliliters are there in a typical--

**HUGHES:** Cartridge?

**von GILLERN:** --yeah. Thank you.

**HUGHES:** Yeah.

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**von GILLERN:** Heck, I didn't even know the right question to ask.

**HUGHES:** Right. And, and so, like trying to figure out how much you should tax or whatever is hard, but like a Juul cartridge, which is-- has the equivalent nicotine to like a pack of cigarettes is 0.7 milliliters. So it's-- \$0.05 is not very much on that, if you would compare it-- like today, we tax cigarettes at \$0.64 a pack, which is equivalent to 20 percent of a wholesale price of cigarettes. So that's where, where I started with, well, do we need to tax it on percent wholesale, since that's what half the states did and the other half are doing it on milliliter-- it's, it's still a fairly new industry. Right. And that's, I think, why it's gotten kind of-- or nothing, you know, it's not across the board yet, in the United States.

**von GILLERN:** And how much-- what's the cost of a, of a cartridge? I mean, you said it's point-- about 0.7 milliliters in a cartridge?  
[INAUDIBLE].

**HUGHES:** Right. That is a good question. I don't have-- I don't actually-- I don't have that fact.

**von GILLERN:** OK. All right.

**HUGHES:** I don't know. But I can let you know.

**von GILLERN:** Somebody else will gladly testify to that, I think.

**HUGHES:** I'm sure. I would hope. Anybody vape here? How about this? Anybody here we could know?

**von GILLERN:** We'll get down to it. We'll get the answer.

**HUGHES:** OK.

**von GILLERN:** Thank you,

**LINEHAN:** Senator von-- thank you, Senator von Gillern. Senator Kauth.

**KAUTH:** Thank you, Senator Linehan. Senator Hughes, how did you come to come up with this? Did somebody bring this to you? Did [INAUDIBLE]?

**HUGHES:** Actually, thanks for asking me that. So this is-- this I brought all by myself. I, actually, as a new senator, I don't know if you guy-- there's some newbies here in with me, we got handed a little pamphlet on excise taxes that the state puts together-- I'm assuming

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it's yearly? They put that excise tax thing together by-- whatever. We got it. And flipping through and it talks about just all the other taxes, inheritance and whatever and I went to the tobacco page and I was looking and, and coming from school board, I see the issue with vaping and how strong it was. And I'm like, we are not taxing vaping. And we don't. And it just really shocked me and it shocked my legislative aide, who in fact, just the other day his sixth grader came home and asked him what vaping was, and he's like, why are you asking about vaping-- had a, a friend in class that did a TikTok video of her vaping. And so anyway, it's just-- so it's a big issue. So when I saw that it wasn't being taxed from Nebraska, on a Nebraska standpoint when we're taxing other things, that it made me think maybe we should be doing this. And so, I am navigating this all brand new. And, and, and let me tell you, the reason we did \$0.05 off the bat, we thought, let's look at what other states are doing. Kansas is they being taxed the liquid at \$0.05. And that's where that language came in, initially. But if you look at-- and I think we handed that out, it runs the gamut. States that tax it by milliliter are anywhere from \$0.05 to, I think, it's in the high nineties and with an average being \$0.47. And then, the whole-- if you, if you tax it on the, the wholesale price of the either, you know, the, the cartridges, as well as the device, it runs anywhere from 5 percent up to-- I can't remember what the top end percent was, either. So it's really kind of a wild, wild west out here for this one, right now. And there's not a lot of information. Like cigarettes, there's years and decades of data that can show this much tax on a pack of cigarettes does this, right, has this kind of effect with kids. We don't have that data, of course, yet with vaping because it's such a new concept. So that's another hard part, a little bit, to navigate, because ideally-- there was two reasons I brought this. One, I would love to see it-- even if we get a few kids to maybe not do it because it's more expensive, that would be a great thing. And then, I just think it's not right that we're letting a certain industry in that same field get by with no tax at all. So there's, there's, kind of, two folds in my approach to this. So anyway, thanks--

**KAUTH:** Thank you.

**HUGHES:** --for that question.

**LINEHAN:** Thank you, Senator Kauth. Are there any other questions from the committee?

**BRIESE:** Just--

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**LINEHAN:** Senator Briese.

**BRIESE:** Thank you, Chair Linehan. Thank you for bringing this and being here today. You said 0.7 milliliters in a cartridge, did you say, in a cartridge? Don't know anything about it. What's a cartridge cost retail?

**HUGHES:** That-- so that is what Senator von Gillern asked. I don't, I don't know. I will have to get that to you. I will get that to you.

**BRIESE:** We don't know the wholesale price of a cartridge?

**HUGHES:** Yeah. I'll have to-- I'll get the-- more information.

**BRIESE:** I look at the fiscal note and the revenue they're talking about--

**HUGHES:** So that-- the fiscal note is clearly on the \$0.05 per milliliter.

**BRIESE:** --yes, and I'm trying to compare that, if we went 20 percent or 30 percent of wholesale, trying to decide what that'd be.

**HUGHES:** Fair and-- right. Fair enough.

**BRIESE:** But anyway-- and you wouldn't object to directing this revenue to tax relief, right?

**HUGHES:** So I didn't direct it to anything because again, new. And I thought, let's just start off here and see where we go. But no, I'm not-- I, I suppose-- I'm going to call the newbie card here. There's probably a lot of things this could go to, too, whether it be-- the other piece to it, right, is you can do this to help underage smoking, but also prevention things can help. And I know we've got pockets of funds out there for that. And I'm all about helping property tax, as well. So, I mean, there's, there's options.

**BRIESE:** Thank you.

**HUGHES:** OK. Thank you. Thanks for the question.

**LINEHAN:** Thank you. Senator Briese. Any other questions from the committee? Seeing none, thank you very much.

**HUGHES:** OK. I'm staying.

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**LINEHAN:** OK. Do we have any proponents? Don't be shy. Good afternoon.

**SETH FORD:** Good afternoon.

**LINEHAN:** Good afternoon.

**SETH FORD:** Chair Linehan, members of the Revenue Committee, I am Seth Ford, S-e-t-h F-o-r-d. I'm here today to speak in support of LB584. I'm the superintendent of Centennial Public School in Utica, Nebraska. Centennial is a consolidated school district that serves Beaver Crossing, Cordova, Gresham, Thayer, Utica and Waco. Vaping, as Senator Hughes stated, has become a significant issue in our schools across the state. Over the last five years especially, we've seen an uptick in suspensions for vaping in, in our school and then hearing from other administrators, too. Schools are searching for solutions to the vaping problem. As the testimony from Superintendent Fields from, from Seward said, schools have tried installing vape sensors in bathrooms because it is-- you can't smell vape like you could smell cigarette smoke. So we tried to install those expensive detectors and they don't always work, tried some software systems to manage and track when students are in and out of a classroom to try to, try to control it as best we can. We also have continued other education efforts, like the DARE program, to try to discourage use of these addictive products. These efforts all help, but we would definitely be in support of the legislature placing an excise tax on these products to discourage their further use. As you know, students make decisions that are reckless or rebellious and it's nothing new in our society. In the past, students did smoke cigarettes or chew tobacco, but vape-- excuse me, these, these activities, we feel, have largely been supplanted by vaping in our schools. Vaping is particularly addictive and what's worse, it seems to be a gateway substance for students. Many school leaders have noticed instances-- noted instances where students start out vaping and then they transition to marijuana or other drug use, too. The other issue schools face is that it's difficult to tell the difference between a regular vape device and one that can be used for THC products. And then there was also a report that I just read this morning, actually, that there was instances of-- there's eight students that overdosed in Kentucky in this last week, that there was fentanyl that tested positive in vapes that the students had. So that's also a major concern that we have. But this-- it all causes extra expenses for schools because we have to purchase test kits to try to test for THC in vapes that we confiscate. And it's easier, as I mentioned earlier, it's easier for students to get addicted to vaping than other tobacco products. You know, the vapes are made with fruit



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flavors and seem to be marketed to young people. And I did mention cigarettes and chewing tobacco because past efforts by the Legislature to place excise taxes on these products, we believe, played a part in decreasing their usage by teenagers. In the mid-90s, the American Lung Association did a survey and about 36 percent of teenagers were using tobacco products at that time. And in 2015, that number was down to 9 percent. And one of the factors that contributed to this improvement was the increased cost of tobacco products. And hearing the numbers from Senator Hughes, we've-- you can see that we're almost to that same mid-thirties range of usage of this type of product. So we believe economics can work in our factor to curb the substance abuse. Having higher prices should lower the demand. These vaping products are new enough it's difficult for us to gauge the long-term effects of the students that use them and so, we don't have those long-term studies to see what it does to someone's lungs. But we do know that it's addictive and this alone has long-term financial and social consequences for the people that become addicted. And we support the Legislature's effort to discourage the use of this product through an excise tax. I'd also add, just through my research as I was sitting, it looks like the average cartridge is about 10 milliliters and the price is somewhere between \$10 and \$15 for that. So, kind of gives you an idea where that tax might land. But I want to thank you all, thank Senator Linehan and the Revenue Committee for this opportunity to testify. And thank you for serving the state of Nebraska. And if you have any questions, I'll answer them as best I can.

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

**SETH FORD:** Thank you.

**LINEHAN:** Are there other proponents? Good afternoon.

**MAGGIE BALLARD:** Good afternoon, Chairperson Linehan and members of the Revenue Committee. My name is Maggie Ballard, M-a-g-g-i-e B-a-l-l-a-r-d, and I am here as a prevention specialist at Heartland Family Service, which is based in both the Omaha and Council Bluffs area. I'm testifying in support of LB584 and want to sincerely thank Senator Hughes for not only introducing this bill, but just for starting the conversation this session around how much of a problem our state has with vapes and Juuls and other nicotine products. As a prevention specialist, my team and I do presentations around the area, particularly with middle school students, talking about how addiction happens, the brain development, how making low risk choices with

alcohol, tobacco and other drugs will protect what they care about and what is considered high risk and what's considered low risk. So to be clear, at this time, there is no known low risk amount of nicotine that can be consumed. I'd love to, probably, bore some of you to death but intrigue others talking to you about what is considered high risk and low risk with other substances like alcohol. There are low risk amounts, but again, that isn't a thing with nicotine. If it is, great, we will change what we say because that's what happens with science. You learn better, you know better, you do better. But at this time, we don't know of anything. So almost every school we go into, vaping, as you heard, is reported as, overwhelmingly, the number one problem. That's what I hear from teachers. That's what teachers are hearing from parents. That's what happens when we go to health, health fairs. Community members are saying, oh my gosh, we are seeing so many vapes. And of course, as other people have said before me today, we've seen that cigarette use has continued to go down in our country over the years. As it happens, we've seen vaping become such a problem that it was declared an epidemic. So I cited some data that was from just a little bit different source than what Senator Hughes cited, but the takeaway is still the same. You can see that our youth, high school age, the rates are increasing incredibly, even though cigarette use continues to go down. We're talking from like, 2015 to 2021, going from 9 percent to 14 percent. That's over a 50 percent increase. Same thing with those-- the number of youth that have tried it. So there's also the issue with what the flavors are. And so, I'm just hoping-- I know a lot of you said you're not really familiar with vapes and like how many milliliters are in a cartridge and things like that, but I hope that you're understanding what an epidemic this really is and how many people are concerned about it. Adult e-cigarette use in Nebraska is also on the rise, with the number of adults that are using also increasing about 50 percent. So going to my last paragraph on this first page, if you're following along, which I went off script a little bit-- and you may remember that of course, when e-cigs and vapes first came out, back in like 2007, 2009, 2010, they were marketed for people to stop smoking. And back at that time, e-cigs went for like \$40 to \$50. While we still hear radio ads encouraging people to make the switch, which, of course, is not an evidence-based practice recommended for cessation, one interesting thing has occurred: that the price of vaping products, products has dropped significantly, but the, the profits have continued to go up. And that's because that's very purposeful by this industry, not a surprise with what we've heard from the Juul settlement, that they started marking it at a price that is affordable for kids' allowance and lunch

money. So again, I talk to this-- I talk to middle school students about this. And I say, when an industry is saying, quoted, as we want people to afford this with their lunch money, who were they talking about? And they know. They say, oh, us. I don't have lunch money. You all don't have lunch money, right? It's something that young people get and they don't appreciate being targeted. So I, I would love to spend all afternoon talking about this. It's something I feel very passionate about. Again, I appreciate Senator Hughes's willingness to look at taxing it off of a percentage rather than price per milliliter. And ideally, we would like that tax to be at least 10 percent, because that has been shown to reduce the use by 12 percent and 19 percent, which is in that last paragraph I have. So again, nicotine continues to be a really major health problem. LB584 gives you an opportunity to choose to be part of the problem or part of the solution. So I really ask that you be part of the solution and vote to tax our nicotine products. So I'd be happy to answer any questions.

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

**LAURA McDOUGALL:** Good afternoon, Senator Linehan and the Revenue Committee. My name is Laura McDougall, L-a-u-r-a M-c-D-o-u-g-a-l-l. I'm the health director for the Four Corners Health Department, which hails from Senator Hughes's district. I am testifying on behalf of Friends of Public Health in support of LB584, which imposes a tax on electronic nicotine delivery systems at a rate of \$0.05 per milliliter of consumable material. I would like to thank Senator Hughes for addressing this public health issue. Electronic tobacco product use has grown in popularity, as you've heard, over the last several years, reigniting the pattern of nicotine addiction in youth and young adults. The Youth Risk Behavior Survey, completed in 2021, for Nebraska high school students, showed 33.7 percent had tried electronic vapor products. Current use among high school students, meaning at least one day in the last 30 days, reached 14.7 percent in 2021. Among Nebraska adults, current vapor product use is at 5.9 percent. Passing this bill would add Nebraska to the five other states, including Delaware, Kansas, Louisiana, North Carolina and Wisconsin, that have implemented the same taxation of \$0.05 per milliliter, in addition to the 26 other states with higher statewide vapor product excise taxes. Increased taxes have been shown to reduce tobacco use and deter initiation of tobacco use in young adults and youth. It is our desire that taxation rates higher than \$0.05 per milliliter of vapor products will be considered, as well. As research

shows, vapor product taxation rates are more effective when equivalent with the rates used to tax tobacco products. In order to prevent young people from the lifelong consequences of addiction and associated negative health consequences and to protect the public's health, we strongly support the state legislation increasing the tax on electronic nicotine delivery systems. We thank Senator Hughes for bringing this legislation forward. Friends of Public Health looks forward to working with Senator Hughes to identify and implement the best public health practices to increase the taxes on electronic nicotine delivery systems. Thank you for your attention. I'm happy to answer any questions.

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

**LAURA McDOUGALL:** Thank you.

**LINEHAN:** Are there any other proponents? Are there opponents? Good afternoon.

**SARAH LINDEN:** Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Sarah Linden. S-a-r-a-h L-i-n-d-e-n, and I am president of Nebraska Vape Vendors Association and also owner of Generation V, a Nebraska-based business with 15 stores in the state. We kindly ask that you oppose LB584, which would impose a \$0.05 milliliter tax on vape liquids, which adds \$6 to the price of a \$30 bottle of e-liquid, the equivalent of 20 percent retail tax and 100 percent wholesale tax. This overly burdensome tax will make it less affordable for smokers to make the switch to a less harmful alternative. Studies show that vapor products are less than-- 95 percent less harmful than smoking and are twice as effective at helping smokers quit than all other nicotine replacement therapies combined. Because vapor product-- products mimic the hand-to-mouth habitual aspects of smoking that other NRTs don't. The proposed tax structure of \$0.05 is a logistical nightmare for retailers to execute, as our point of sale doesn't allow us to track the milliliter content of vapor products and many times, as shop owners, we don't even know the milliliter content of the vapor products because it's not on the packaging. In Kansas, where they have a similar law, a friend of mine who owns a shop there confided to me that retailers are skirting the system and not paying the tax because there's no way for auditors to know, because they don't know the thousands of vapor products on the market and what milliliter content is in each. Additionally, this tax structure favors highly addictive products, most popular with teens,

and penalizes adults who are trying to taper down their nicotine levels so they can quit vaping. As shown on the top of page two of the handout, you can see that there are several types of vapor products at different nicotine strengths and the estimated tax for each of those. Lower nicotine products are typically used in higher product devices that heat at higher temperatures and use up more liquid. And then the reverse is true for lower nicotine-- or sorry, higher nicotine vapes are at lower temps and use less liquid. This means that companies like the Juul that Senator Hughes was speaking about, will have advantage over e-liquid companies because the tax is only \$0.07 per pack of pods versus as high as \$6 for a bottle of e-liquid. Since teens use higher nicotine content products that heat at lower temps, this tax structure actually punishes adults trying to quit smoking, while doing absolutely nothing to discourage youth vaping because \$0.07 is not going to matter. Lastly, vapor taxes will drive revenue out of the state. Half the population lives within 15 minutes from Iowa, where there is no tax on vapor products. And with such an excessive tax on vapor products, consumers will be encouraged to drive across the border. Throughout history, excessive taxation has only created more black and gray markets. In states with high taxes on cigarettes like New York, more than 50 percent of all cigarettes consumed in the state are from illicit sources. Additionally, I'm a multi-state operator and I will be forced to move my business out of state. This will take this 27,000-square-foot building I'm-- just broke ground on in Lincoln and my 145 jobs to Iowa. We work extremely hard to prevent sales to minors. We train our staff to ID every single customer that comes through our door, even turning away 60-year-olds because they don't have their ID. We decline sales to parents we suspect are buying for their teens, so we don't allow minors to enter our stores at all. We limit the quantity each customer can buy to prevent straw purchases. We're very proud of the fact that vaping rates among teens have fallen 49 percent since 2019, on page three, back down to pre-2015 levels. And currently, less than 4 percent of high school students are vaping more than 20 days out of the month. So we think things are headed in the right direction and we want to support anything that we can do to prevent teen usage further, other than things that will hurt adults trying to quit smoking. So we-- I respectfully ask the committee to make-- to not make it less affordable for adults to use this 95 percent less harmful alternative to quit smoking and a request that you oppose this bill. I'd be happy to take any questions, as I am an expert in the industry.

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**LINEHAN:** Thank you very much. Are there questions from the committee?  
Senator von Gillern.

**von GILLERN:** Thanks for being here.

**SARAH LINDEN:** Thank you.

**von GILLERN:** You, you stated a lot of things that aren't going to work here. What, what will work? What should work? What-- how should this product be taxed? Because it's certainly not right that it's not being taxed today.

**SARAH LINDEN:** A percentage is much better than a \$0.05 per milliliter.

**von GILLERN:** A percentage of what?

**SARAH LINDEN:** A wholesale tax or a retail tax. Either one. Obviously, if it's at retail, it needs to be a much lower tax. But either one of those works much better, is more logistically sound and more fair, I believe. But I mean, we prefer no tax because we do think that we're different than cigarettes. We don't kill people. Half a million people die every year from cigarettes and we're just trying to help them and our products are designed to help them taper off of cigarettes and then off of vaping products altogether.

**von GILLERN:** OK. How-- a couple of other questions. If, if it was a percentage tax, would that do anything to limit or to reduce consumption by teens? Because that would-- it would basically be applied across the products equally, correct? It would do nothing--

**SARAH LINDEN:** Yeah. I think it would be more fair.

**von GILLERN:** --it would do nothing to limit teen use or further.

**SARAH LINDEN:** I think it would be more fair, but as other people spoke about, you know, you can pay \$12.99 for a pack of pods from Juul and \$30 for a bottle of e-liquid from us. So, like, our products are already more expensive that we sell at our stores than what you can find in gas stations. So, you know, if they're using lunch money to buy products, they're definitely not buying ours, because I don't know anybody who can buy lunch with 30-- you know, who's spending 30 bucks on lunch as a high schooler? So I think that, you know, those particular products are already much less expensive and much more accessible.

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**von GILLERN:** OK. For my last question, you say you have 145 employees in Nebraska that you would take to Iowa?

**SARAH LINDEN:** Yeah, because my headquarters, I'd have to move my warehouse and everything to Iowa because I have stores in other states outside of Nebraska. I'm not going to bring product to Nebraska and pay the tax, while it's sitting in my warehouse, to then go send it to Iowa.

**von GILLERN:** Is there any movement in Iowa to do, to do a tax on vape products?

**SARAH LINDEN:** The tax comes up probably every single year in every state, but I don't think it's going to happen in Iowa for a very long time, because I'm also the president of Iowans for Alternatives to Smoke and Tobacco. And just with our relationships there and knowing what's going on, I don't see it happening.

**von GILLERN:** Thank you.

**LINEHAN:** Thank you, Senator von Gillern. Senator Bostar.

**BOSTAR:** Thank you, Chair Linehan. And thank you, ma'am, for being here.

**SARAH LINDEN:** Thank you.

**BOSTAR:** You talked about how teenage usage, usage is being driven primarily by high nicotine products. Is there a system where taxation could be tied to the nicotine quantity that would, perhaps, be more targeted in addressing, I think, what we all agree on is a problem?

**SARAH LINDEN:** I feel like, idealistically, that would be amazing because I'm all for people lowering their nicotine consumption and trying to help people actually stop vaping altogether. So I would love to reward people who like, trim down their nicotine and I would love to prevent teens from using the products. However, it's still, unfortunately, a logistical nightmare because it's very difficult for us to track. OK, these products are this nicotine, these products are these-- this nicotine, we ordered this many-- I mean, I'd have to hire someone, at least one person, just to do that job, just to track the nicotine level of every SKU that we brought in and what the equivalent tax is for that. So it doesn't solve the logistics problem, but I think it solves the other problem, perhaps.

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**BOSTAR:** Thank you.

**LINEHAN:** Thank you, Senator Bostar. Senator Kauth.

**KAUTH:** Thank you, Senator Linehan. Do you sell the, the-- you said the kids are more attracted to the Juuls. Do you sell the Juuls?

**SARAH LINDEN:** I do not sell the Juul.

**KAUTH:** Where are they ordering? Online? Are they--

**SARAH LINDEN:** So, so no vape shop that, in my understanding, in Nebraska, sells the Juul or the Alto or-- we do sell disposable products that sometimes teens use, but usually adults and we, of course, only sell them to adults. The teens and the Juul and Alto and then other, sometimes, disposables that teens use, are mostly provided at gas stations. And unfortunately, I mean, we don't even-- we're not even allowed to have underage people enter our stores, so there's no way for us to sell them to minors because we can't even allow anyone under 21 in. But I don't know how they get them. I do know-- I mean, this is kind of off subject, but my stores get broken into once like every other month. So, I mean-- and we're, right now, spending hundreds of thousands of dollars to put security gates in. And I don't care about the cost, and I'm not whining about the cost of whatever's taken or the glass that I have to fix. What bothers me the most is that, I think, because the age has been raised to 21 and it's harder for teens to get them, they're breaking into places to get them. And what bothers me about it is that those products are then getting into the hands of minors, which I'm really trying hard to prevent. But we'll have security gates up in two months and then they won't be able to steal them anymore.

**KAUTH:** Thank you.

**LINEHAN:** Thank you, Senator Kauth. Any other questions from the committee? Senator Briese.

**BRIESE:** Thank you, Chair Linehan. Thank you for your testimony here today, I believe you indicated earlier you would prefer a percentage of wholesale, as opposed to based on the content here. I think Senator Hughes suggested that cigarettes are taxed at about 20 percent of wholesale. I see here that Colorado is 50 percent of manufacturers' list price on these products, Wyoming's 15 percent of wholesale price. What percentage could you live with?



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**SARAH LINDEN:** I like zero, but I also know that might not be realistic. What I would like is, I know Senator Hughes said that, you know, cigarettes are about equivalent to 20 percent in Nebraska, I would like it-- the committee to consider that vaping is less harmful than smoking, so I'm not OK with 20 percent--

**BRIESE:** OK.

**SARAH LINDEN:** --because I think that there needs to be some consideration given to the fact that these products are better for you than cigarettes. And we really are trying to help people stop smoking and I want them to remain as affordable as possible so that people don't think, oh, vapor products are too expensive, I'm going to go back to smoking. That would be the worst thing that could happen and our products are already more expensive than cigarettes.

**BRIESE:** You would suggest look at 20 and work our way down a little bit, maybe.

**SARAH LINDEN:** Yeah.

**BRIESE:** OK. OK. Thank you.

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

**ALBRECHT:** Thank you, Chair Linehan. Can you tell me what other states that you're in and do you pay any tax in those states?

**SARAH LINDEN:** So I am in South Dakota, Iowa and Nebraska.

**ALBRECHT:** OK.

**SARAH LINDEN:** I don't pay any excise tax in South Dakota or Iowa.

**ALBRECHT:** Um-hum.

**SARAH LINDEN:** I pay regular sales tax, income tax. I do pay a 3 percent retail tax in Omaha--

**ALBRECHT:** Um-hum.

**SARAH LINDEN:** --on vapor products.

**ALBRECHT:** Imposed by the city.

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**SARAH LINDEN:** Yep, municipality.

**ALBRECHT:** OK. Thank you.

**SARAH LINDEN:** Yep.

**LINEHAN:** Thank you, Senator Albrecht. Are there other questions from the committee? Is there any city but Omaha that charges the 3 percent?

**SARAH LINDEN:** Um-hum.

**LINEHAN:** All of them? Can you-- Lincoln?

**SARAH LINDEN:** Oh no. Omaha is the only city that we pay a special tax in. I'm in, like, 17 different cities, I think.

**LINEHAN:** OK. All right. Thank you very much, Senator Kauth.

**KAUTH:** Sorry. So Omaha's the only one that has a 3 percent tax. Have you seen-- your sales have gone down. Have you also seen a decrease in kids using it on par? Do you have that data?

**SARAH LINDEN:** I don't have that data. I kind of would guess that 3 percent isn't-- it's so low that I don't really see that that's going to make a huge impact. We did initially see some-- we have a store in Council Bluffs and we did see Council Bluffs increase and some of our Omaha stores decrease right after the tax, but I haven't really noticed that to continue to be the case. And I don't have, unfortunately, the data on teens in that area. But I would just guess, you know, \$6 might be worth the gas money to drive across the bridge. It really just depends, like if it's, if it's \$2, it might not be. So.

**LINEHAN:** Thank you. Senator Kauth. Any other questions from the committee? Seeing none, thank you very much for being here. Appreciate it.

**SARAH LINDEN:** Thank you. I appreciate it.

**LINEHAN:** Are there any other opponents? Good afternoon.

**NICK STAUDENMAIER:** Good afternoon, Chairwoman Linehan and members of the Revenue Committee. Thanks for giving me the opportunity to sit before you today. My name is Nick Staudenmaier, N-i-c-k S-t-a-u-d-e-n-m-a-i-e-r. I currently live in Norfolk, Nebraska. I own and operate 15-plus retail stores in Nebraska, Iowa and South Dakota.

Sorry. I don't usually speak in front of a lot of people, so I'm kind of nervous. It's my first time. I have recently gathered some information. I've converted 30,000 individuals from smoking cigarettes to now using vapor products over the past seven years that I've been in business. I own a family-run business, as well. It's called Chasing Clouds. My business partners are my mother and my father. We are adult-only vape stores. It's 21-plus to even step in the store. It's a-- it's, it's a very, very unique atmosphere to where, you know, we have a family style system, to where everybody understands it. And we sell larger bottles, to the 100 mills and, you know, we-- at 60 mills. So if you impose a tax like this-- I'm up in the Norfolk, Nebraska area, too, so we're a little bit lower income. Most of my stores are actually in kind of the, I guess you could say, lower demographic areas as well. So it'd be kind of difficult for a lot of these consumers that I have to be able to afford it with this added tax. Honestly, they have a hard time affording it still, just to be honest with you. Coming from a consumer myself that was addicted to cigarettes, I became passionate about vape and I started a vape shop by myself in Norfolk, a little 500-square-foot store. I continued to grow that and now, like I said, I have 15 locations. I employ 82 people, most of them, over 42 percent of them have been with me since I started, since the inception of us starting our business. You know, we've built a lot of lives for our employees and everybody around us. And, and I really hope that this doesn't, you know, affect their families or my own family. We all kind of live off of vape and, you know, it's our, it's our passion and we love converting people. Like, you know, when somebody comes in and they want to quit smoking, we'll trade them a pack of cigarettes and, you know, tell them, like hey, we'll give you a vape for free. So we give them a disposable for free, obviously, after we ID them. We use professional ID scanners as well. And we just go from there and, you know, we give them a free disposable and hope they come back and we put their cigarettes in the trash. We used to put them up on the wall, but then we got too many and it just looked tacky. So, you know, we, we don't have any straw buying, anything like that. We're very good with making sure that our employees are very educated on being able to sell these products, educating the individuals that want to use these products. Also, I loved hearing that previous bill and thank you for keeping our roads and family safe because I'm from Norfolk and that kind of supports me. And you know, it's a, a beautiful thing to kind of see that kind of all coming together now. As a local business owner, you know, it's nice to see when our, our customers can get to our, our shops, you know, often, safely as well, too, with those roads. So I also wanted

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to kind of touch base on-- I guess that's about it. So I kind of went over it all.

**LINEHAN:** OK. Thank you.

**NICK STAUDENMAIER:** Any questions?

**LINEHAN:** Thank you very much.

**NICK STAUDENMAIER:** Thank you very much.

**LINEHAN:** Are there any questions from the committee? Senator Murman.

**MURMAN:** Thanks a lot for testifying. You say you converted 30,000 from smoking to vaping?

**NICK STAUDENMAIER:** Yeah.

**MURMAN:** How did you keep track of that?

**NICK STAUDENMAIER:** So, through our loyalty system, so when they come in and we first convert them, they throw their pack of cigarettes away. We give them a disposal, they sign up for our loyalty system and then, we track them from there with points, things like that. So we make them and reward them for buying, you know, every 10 vapes they'll get, you know, a \$15, \$18 store credit. So they can use that and make it a little bit more affordable for them, so they can keep coming back and we can keep helping them.

**MURMAN:** So they turn in a pack of cigarettes when they first buy and then--

**NICK STAUDENMAIER:** When they first start, we give them a free vape, yep.

**MURMAN:** --oh, free. And then--

**NICK STAUDENMAIER:** Yeah, a free vape just for trading it in and giving it a shot and hopefully, doing some harm reduction. So.

**MURMAN:** So that many return customers--

**NICK STAUDENMAIER:** Yeah.

**MURMAN:** --and they also still--

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**NICK STAUDENMAIER:** Yep. Yeah, and we continue to keep them.

**MURMAN:** --claim to not be smoking.

**NICK STAUDENMAIER:** Absolutely. They continue to keep staying off and they keep coming back. And, you know, I feel like this has put a detriment to that. And, you know, just like Sarah said, I have stores in almost every area that she does. I know she's following me and I'm following her. You know, we've been doing that for a while. We'll-- cat and mouse game. But no, it's-- we've, we've stayed in communication about making sure that we know and we hold the precedent for our stores and making sure, you know, that we don't have underage people buying our products. I mean, it's a very, very big deal to us. I mean, you know, we don't like-- we, we feel very concerned when things get brought up about, you know, having \$30 for lunch money, stuff like that, when, you know, it's-- we, we have a very rigorous process. So it's, it's very difficult. And you-- if you're not a member of our loyalty system, you go through a second ID check, because that's after we do the first one, because then you haven't been shopping with us. We don't know if you're using a fake ID. And then, we have the, the scanner. So, you know, it's pretty legit, so thank you.

**MURMAN:** Comprehensive. Thanks a lot.

**LINEHAN:** Thank you. Senator Murman. Are there other questions from the committee? Seeing none, thank you very much for being here. Appreciate it.

**NICK STAUDENMAIER:** Thank you.

**LINEHAN:** You're welcome.

**NICK STAUDENMAIER:** Thank you for your time, everyone.

**LINEHAN:** You're welcome. Are there other opponents? Are there any other opponents? Is anyone wanting to testify in the neutral position?

**ROGER DONOVICK:** Good afternoon, Chairwoman Linehan, and members of the Revenue Committee. My name is Dr. Roger Donovan, R-o-g-e-r D-o-n-o-v-i-c-k. I'm the executive medical officer for the Department of Health and Human Services, DHHS. I'm here to testify in a neutral capacity for LB584, which will impose a tax on selling or dealing with electronic nicotine delivery systems. The state Tobacco Prevention and Cessation Program, Tobacco Free Nebraska, TFN, is housed within the

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DHHS Division of Public Health. TFN has received a state appropriation, since 2001, to prevent tobacco and e-cigarette use, reduce exposure to secondhand smoke and aerosols and provide access to services to help Nebraskans quit smoking. LB584 addresses the tax rate for ENDS devices, more commonly known as e-cigarettes or vapes. E-cigarettes produce an aerosol by heating a liquid that usually contains nicotine, the addictive drug in regular cigarettes, cigars and other tobacco products, also flavorings and other chemicals that help make the aerosol. Users then inhale this aerosol into their lungs. Bystanders can also breathe in this aerosol when the user exhales it into, into the air. According to the Centers for Disease Control and Prevention, the CDC, e-cigarettes are not safe for youth, young adults, pregnant women or adults who do not currently use tobacco products. Most e-cigarettes contain nicotine, which is highly addictive. The nicotine in e-cigarettes makes them just as addictive as traditional cigarettes. Many e-cigarette users get more nicotine than they would from a traditional cigarette. Nicotine has known health effects included-- including increased blood pressure, which increases heart rate and the likelihood of having a heart attack. A study by the National Institute of Health shows that long-term use of e-cigarettes can significantly impair the function of the body's blood vessels, increasing the risk of cardiovascular disease. Nicotine can also harm adolescent brain development, which continues into early to mid-twenties and nicotine is a health danger for pregnant women and their developing babies. Besides nicotine, e-cigarettes' aerosol also contains substances that harm the body, including cancer causing chemicals and tiny particles that reach deep into the lungs. Among youth, e-cigarettes are more popular than any traditional tobacco product. According to the 2021 National Youth Tobacco Survey, more than 2 million U.S. middle and high school students reported using e-cigarettes in 2021, with more than eight in ten of those young youth, youth using flavored e-cigarettes. Youth e-cigarette use in Nebraska has increased over the last few years. And according to the Nebraska Youth Tobacco Survey, youth grades 9-12, e-cigarette use rates have increased from 9 percent in 2015 to 14 percent in 2021. And grades 9-14 [SIC] youth who have ever tried an e-cigarette has increased from 19 percent in 2015 to 30 percent in 2021. Of those youth who have never used e-cigarettes, 38 percent reported that they were curious to try them in 2021. Seventy-eight percent of youth who are current users used a flavored e-cigarette. The most popular flavors were fruit, menthol, mint, chocolate, desserts and other sweets. Adult e-cigarette use in Nebraska is also on the rise. According to the Behavioral Risk Factor Surveillance system, 5.9

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percent of adults reported currently using e-cigarettes in 2020, an increase from 3.8 percent in 2017. The same survey shows that 24 percent-- 24.9 percent of adults in Nebraska, in 2020, reported ever using e-cigarettes, an increase from 20.7 percent in 2017. Over the last few years, Nebraska lawmakers have taken some steps to address the growing e-cigarette trend. In 2019, the Legislature passed LB387 [SIC - LB397], which requires retailers to obtain a license to sell e-cigarettes. In 2020, the Legislature passed LB840 and LB1064. LB840 added e-cigarette use to the Nebraska Clean Indoor Air Act and LB1064--

**LINEHAN:** Sir. Sir. Red light.

**ROGER DONOVICK:** --OK. Let me just [INAUDIBLE]. We appreciate the opportunity to share this information with the committee today. Thank you for the opportunity to testify and I'd be happy to answer any questions.

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

**MURMAN:** Thanks for testifying. It seems like everything you said in here is, is bad for e-cigarettes, compared to tobacco. Why are you neutral on it rather than opposed?

**ROGER DONOVICK:** We're, we're here to testify as a public-- the public health risks and, you know, sort of, lay out the public health risks.

**MURMAN:** OK. Thanks a lot.

**ROGER DONOVICK:** Yeah.

**LINEHAN:** Thank you, Senator Murman. Are there other questions from the committee? Seeing none, thank you very much for being here. Is there anyone else who wants to testify in the neutral position? OK. Do we have letters? We do have letters. Senator Hughes, would you like to close? We had five proponent letters, no opponents and no neutral.

**HUGHES:** All right. Thank you guys, for your time today. I appreciate it. So we-- I know, historically, that there has been a couple efforts to tax vaping before. However, those attempts were tied with other legislation on taxes on other products and ultimately, failed to advance. That is why we're just-- I just really tried to keep this as clean and simple-- although simple is-- there's never simple here. There's still-- there's debate and discussion over the rate of

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taxation. And as I stated in the opening, I'm willing to work with everyone on those items. Again, that debate of is it per milliliter, maybe it's difficult to track, is it by wholesale. But I think that some will say this bill isn't perfect, so I can't support it and I don't think that's acceptable. The status quo is unacceptable and doing nothing is unacceptable. Even in the testimony from the vape store owners, people are breaking in that they're surmising are kids. Well, this is happening because they're addicted to nicotine. It is super addictive. Thank you for the testimony from Dr. Donovan. But he even testified, testified that with e-cigarettes, you're actually getting more nicotine than you would on a traditional tobacco cigarette. And you are getting a whole group of people to come and still be addicted to the nicotine. The fact is, we impose an excise tax on every other product that we have with nicotine and we impose these taxes on other products that we don't want our kids getting a hold of, like alcohol. Chair Linehan and members of the Revenue Committee, you've heard the testimony today. The threat to our children is literally occurring right under our eyes and our noses. If you've ever walked by a group of kids and smelled strawberry or whatever, chances are it was a little puff of their vape. Social media is today's Marlboro Man, for us older folks that remember that. And the viral influence of these products on online posts and videos have pushed it to a significant portion to our next generation of kids. We cannot give up on our kids. Governor Pilleen has stated that repeatedly. Placing a tax on these products is a signal that we're not giving up and it's just the first battle we are going to fight on this. I urge this committee to advance LB584, but also to keep it free of other legislation. Our kids deserve attention on this issue. Taxing vaping products is only the first step in combating the problem with our kids. And thank you for your time.

**LINEHAN:** Thank you. Are there questions from the committee? Is this a priority?

**HUGHES:** I don't have my priority picked yet, Chair Linehan.

**LINEHAN:** OK. I just asked. OK.

**HUGHES:** Possibly.

**LINEHAN:** No other questions.

**HUGHES:** All right.



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**LINEHAN:** Thank you very much.

**HUGHES:** Thank you, guys [INAUDIBLE].

**LINEHAN:** That brings LB584 to a close and we'll open the hearing on LB97. Senator Clements. Good afternoon.

**CLEMENTS:** Good afternoon. Thank you, Madam Chair and members of the Revenue Committee.

**LINEHAN:** She can wait for the noise to [INAUDIBLE].

**CLEMENTS:** I'm Senator Rob Clements, R-o-b C-l-e-m-e-n-t-s. I represent Legislative District 2, and I'm here to introduce LB97. LB97 amends Section 77-2015, which was passed in LB310 last session, then effective 1/1/2023. It required the collection of inheritance tax information, through reporting at the county level, that would then be reported to the Department of Revenue and made available to the public. LB97 would amend the reporting requirements to clarify when the inheritance tax report is required and by whom. Moreover, it would specify reporting periods when the county report is due and when the Department of Revenue's report is due. Here are the changes. One, adds the term petitioner in an independent proceeding as a required reporter when there is no personal representative. Two, revises the reporting trigger from, upon the distribution of any proceeds from the estate, to entry of an order by the county court determining inheritance tax, if any. Three, adds that the reporting form for the County Treasurer would be created by the Department of Revenue and what should be on that report. Four, sets the first county reporting period to be January 1, '23 to June 30, 2023. It would be due to the Department of Revenue by August 1, 2023, which shall publish the compiled aggregate county reports by September 1, 2023. Five, it clarifies that county reports shall be an annual report, thereafter, covering July 1 to June 30, due August 1 of each year and September, September 1 of each year, respectively. These changes were worked out with NACO. After this bill was introduced, the Nebraska State Bar Association contacted me regarding reporting inheritance tax owed to multiple counties. We have an amendment to LB97 that appears agreeable to all the parties involved. I'm handing out a 504 for your consideration, which I believe would better clarify the reporting requirement. I thank you for your willingness to hear LB97. I will try to answer any questions at this time.

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**LINEHAN:** Thank you, Senator Clements. Are there questions from the committee? Why would it be that several counties? Can't you just live in one county?

**CLEMENTS:** For example, my father lived in Lincoln, but he owned a farm in Cass County. And so, his inheritance tax was partly due in Lancaster County, partly in Cass County. It's if you have property in multiple counties.

**LINEHAN:** So it's where you-- where the property is, not where you live.

**CLEMENTS:** Yes, for real estate, it does.

**LINEHAN:** What about other things you own? So it's just real estate?

**CLEMENTS:** No. Bank accounts-- his bank account was in Cass County, but he lived in Lancaster, so that's taxed in Lancaster.

**LINEHAN:** OK. Thank you.

**CLEMENTS:** Yeah. It's only real estate that crosses over county lines that I-- I'm aware of.

**LINEHAN:** OK. Thank you. Are there other questions from the committee? Seeing none, thank you very much. Are there proponents? Good afternoon.

**CANDACE MEREDITH:** Good afternoon. My name is Candace Meredith, C-a-n-d-a-c-e M-e-r-e-d-i-t-h, and I am the deputy director of the Nebraska Association of County Officials, also known as NACO, and I'm here today as a proponent for LB97. Thank you to Senator Clements for working with NACO on this bill. Last year, a county inheritance tax report was added in legislation to start collecting reliable data on several factors related to inheritance tax, to better analyze the impact on beneficiaries in Nebraska. In addition to the county treasurer's responsibility to collect the inheritance tax, legislation added that the county treasurer shall report their-- this data collection to the Department of Revenue. However, through their interactions through this last year with those who filed the inheritance taxes at the treasurer's office, it has been recommended that there is clarification for county treasurers to successfully carry out the legislation as intended. The clarification of timeline in LB97 for treasurers to submit the county inheritance tax report, as well as who is responsible for filing the estate county inheritance

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tax report to the county treasurer, is a step in that right direction. And as, as Senator Clements mentioned, the Nebraska Bar Association has shared that amendment with Senator Clements and we, we also support that, as well. And I'd be happy to answer any questions that you may have.

**LINEHAN:** Thank you very much. Are there questions from the committee? Seeing none, thank you very much. Are there other proponents? Good afternoon.

**RYAN McINTOSH:** Chairperson Linehan, members of the Revenue Committee. My name is Ryan McIntosh, M-c-I-n-t-o-s-h, and I appear before you today as a registered lobbyist for the National Federation of Independent Business in support of LB97. NFIB is generally more concerned with seeking to lower or eliminate the inheritance tax altogether. However, we recognize the practical issues that resulted in passage of LB310 at the last session. and LB97 makes corrections to the reporting process that were described by Senator Clements and will help create a better picture of what inheritance taxes are actually collected. Primarily, the primary issue was failure to include independent inheritance tax proceedings as part of LB310. We worked with Senator Clements' office on the amendment that's already been referenced, AM504, that we hope will satisfy all parties. and we urge the committee to advance LB97.

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

**RYAN McINTOSH:** Thank you.

**LINEHAN:** Again, thank you. Are there other proponents?

**TIM HRUZA:** Afternoon, Chair Linehan and members of the Revenue Committee. My name is Tim Hruza, last name spelled H-r-u-z-a, appearing today, today on behalf of the Nebraska State Bar Association in support of LB97, as amended by AM504. As has been indicated by Senator Clements and a couple of other testifiers, the Bar Association has helped work on this amendment. We put together a committee of attorneys to kind of review this, led heavily by Bill Lindsey, who's an attorney and, and professor of estate law. He adjuncts up at Creighton University-- him and a number of other attorneys practicing from across the state, both in rural and urban areas. I can tell you that since LB310 passed last session, there has been a ton of consternation from lawyers about what that bill, as it sits, as it, as it currently drafted means and how it impacts their practice. As

Senator Clements mentioned in his opening, the reference directly to a personal representative leaves out a number of folks who would otherwise file an inheritance tax return. So sometimes you have trustees who file a petition for determination of inheritance tax. Personal representatives would not be involved in that. There was also concerns about the distribution of certain assets, as the language in the statute had, as being the triggering for that report. Sometimes you distribute assets from the state during the pendency of that-- of the process at various times. So you may be paying bills or you may be giving different bequeaths or certain things throughout the, the actual estate process before any inheritance tax actually becomes due or is paid. You also might have an estate that goes well beyond that first or the, the deadlines for making payments on the inheritance taxes. So you might pay inheritance tax well before the full estate is actually distributed and some of that timing stuff was pretty concerning for lawyers. There was also a reference made to multiple counties. And I can say that I think that issue has, has become more problematic, problematic recently. So the current statute also directs the Department of Revenue to issue a form. That was issued-- actually, I think the notice from DOR came out like on December 29 of last year, to be effective on the first of the year. And lawyers-- we had been working on-- with NACO on a form. The DOR form that came out was a little bit different than I think we thought it might look. It's been a little bit troublesome for lawyers who have multiple properties in their-- an estate that they're handling that has multiple properties across various counties and how you allocate the inheritance taxes in that reporting form. So I will say that 504 handles all of the issues that we had. And, and we think this is a, this is a critical piece of, of, of legislation that should get passed, so that we have clarification about what we need to do for our clients. One other piece that I have been working on and I don't have for Senator Clements because I don't know what the best way to do it is, but we have discussed whether or not it would be a good idea to develop a form to put in an amendment that would go in the statutes for DOR that kind of clarifies how-- some of-- like I said, some of these estates get very complicated, right? You can have properties that straddle county lines, in some instances. You might have an estate that has ten properties across four or five, six different counties. One attorney I talked to from here in Lincoln was like, I was handwriting on the DOR form, trying to explain what to do and I finally just threw it out. Lawyers use a very well-known worksheet for their inheritance tax filings. And I think that there's, maybe, a structure where we can use that existing worksheet or some version of it, put it in the statute

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and, and use that as clarification, but I don't, I don't know where we have that. 504 at, at least addresses the language issues in the statute. And then, we would intend to continue conversations with NACO, with DOR, other stakeholders and the Senator's office, to make sure that we get the form situation worked out. So with that, I, I, I do think this is important legislation to pass. I take no position on the policy of the reporting. The lawyers want to be very clear that we're here for the technical purpose only, but, but we really need this bill. Consent calendar would be fantastic, something along those lines to, to ensure that we have clarification moving forward, because, at least for the last six months or so, since that went into effect and all of the questions have-- I spent a lot of time talking about this bill. It's just-- I just tell you that much. But thank you very much for your time. I'm happy to answer any questions you might have.

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

**TIM HRUZA:** Thank you.

**LINEHAN:** Are there other proponents? Good afternoon.

**NICOLE FOX:** Good afternoon. Chairwoman Linehan, members of the Revenue Committee, Nicole Fox, N-i-c-o-l-e F-o-x, representing the Platte Institute. So as many of you already know, Nebraska is just one of six remaining states to impose the inheritance tax. And as of 2025, Iowa's will phase out, making Nebraska one of five remaining states. Additionally, what makes Nebraska extremely unique, as far as the inheritance tax, is that we're the only state that imposes the inheritance tax locally, as opposed to at the state level. Transparency is a core principle of sound tax policy. And until the passage of LB310 last year, the documentation of inheritance tax collections lacked both standardization and transparency. There had never been an accurate reporting of how much total revenue was collected by counties, nor the breakdown by each class of beneficiary. When the Platte Institute was preparing to publish our inherent tax policy paper, as many of you are aware of, when we were trying to track those collections over time by county, that information was not centrally located. It wasn't readily available. And, and we actually spent countless hours on the phone calling county treasurers trying to get the information. LB97 builds off the proposed reporting requirements. The counties annually report the amount of inheritance tax revenue for each class of beneficiary and the number of recipients

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paying the tax. It adds to the county treasurer report the name and state of residence for recipients and requires that the Department of Revenue shall compile all county reports and make them available to the public on the DOR website. It also goes on to require that the DOR compile and make available online, a straight-- a statewide aggregate report of inheritance tax revenues, annually. So we support LB97. We also thank Senator Clements for his work on LB310 previously, and we feel it just-- that this bill helps to make this information more readily available, as the Legislature pursues policy work to modernize our tax code. So with that, I conclude my testimony and I'm happy to take any questions.

**LINEHAN:** Thank you. Are there any questions from the committee? Seeing none, thank you very much. Are there other proponents? Are there any opponents? Anyone want to testify in the neutral position? We did have two records, two records-- two letters, one, one proponent and one in neutral. And with that, would you like to close, Senator Clements?

**CLEMENTS:** Thank you, Chairwoman Linehan. Just briefly, thank you for hearing this and the-- LB310, in that bill, I was focusing on the rate of tax and not so much the details of the reporting. And it has been, as you heard, brought to my attention that it was hard to find what the amount of tax is really been-- was being paid and what the-- to determine the effect of a change in the rate on county revenues. And so this is to clean up LB 310, so the reporting is known by the counties and the Department of Revenue more clearly.

**LINEHAN:** Thank you. Are there questions from the committee? I have one. So we'll be able to tell with this reporting, when we get it all figured out, if-- what group of people are paying the inheritance tax. Like--

**CLEMENTS:** Yes.

**LINEHAN:** --I can't remember what we all did, but there's-- we raised the minimum, right, or the maximum [INAUDIBLE].

**CLEMENTS:** The exemption amount was raised.

**LINEHAN:** Exemption amount. And then--

**CLEMENTS:** And then, the tax percentage was decreased.

**LINEHAN:** --OK.

**CLEMENTS:** And there are three classes. There are-- basically, children, 1 percent; then nieces and nephews were 15 percent, now they're 11 percent; and non-relatives were 18 percent, now, 15 percent. And the reporting will identify each of those categories separately, which currently, it's not being done. All we had, all we had was aggregate data, how much total, but not the amount of tax at each rate, which made it hard to precisely figure what the effect of a tax change was.

**LINEHAN:** Right. OK. Thank you very much. Any other questions from the committee? Seeing none, thank you very much. And that brings the hearing on LB97 to a close and we will open the hearing on LB126. [INAUDIBLE]. Good afternoon.

**DAY:** Good afternoon. Good afternoon, Madam Chair Linehan and members of the Revenue Committee. My name is Jen Day, that's J-e-n D-a-y, and I represent Legislative District 49 in Sarpy County. I'm here this afternoon to introduce LB126, which creates a straightforward way to extend our state's homestead exemption to veterans who were partially disabled while serving our country. At the moment, Nebraska only provides a homestead exemption for disabled veterans who have a 100 percent service-connected disability. Currently, Nebraska offers homestead exemptions to the following categories: persons over age 65, veterans totally disabled by a nonservice connected accident or illness, qualified disabled individuals, qualified totally disabled veterans and their surviving spouses, veterans whose home was substantially contributed to by the VA and their surviving spouses, excuse me, or individuals who have a developmental disability. Given the challenges that disabled veterans face, LB126 is consistent with Nebraska's existing homestead exemption categories and an exemption for partial service-related disabilities has already been implemented in other states, including Alaska, Illinois, Kansas and Vermont. As many of you may recall, last session, this committee unanimously advanced LB853, which was a homestead exemption based on VA disability rating for those with a 50 percent to a 90-- 90 percent service-related disability, with the disability percentage, percentage corresponding with the same percentage of overall relief provided. So, for example, an 80 percent service-related disability would have provided an 80 percent homestead exemption. However, when calculated like this, the fiscal note came out to \$64 million and eventually grew to 74 million by 2026. Obviously, that number was larger than we expected, so LB126 is an attempt to provide relief in a way that can help all disabled veterans, but in a manner consistent with being good fiscal stewards of our state revenue. LB126 has the same goal as

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LB853: providing relief for those who have been disabled while serving our country. However, it takes a different approach. Rather than providing an amount based on the home value, it provides a flat amount of relief that corresponds to the level of disability. So if you look at the income table in the bill or fact sheet, a 90 percent or higher rate, excuse me, or higher rate of disability would equal a \$1,000 exemption. An 80 percent or higher rate of disability would equal a \$900 exemption and so on, down to a 10 percent or higher disability being a \$200 exemption. When calculated like this, it serves the goal of giving every disabled veteran in the state with at least some amount of relief, while creating a significantly more manageable fiscal note of around \$19 million, assuming every disabled veteran in the state owns a home and claims the credit. The disability percentages in LB126 are determined by a graduated rating system under the VA schedule for rating disabilities. The ratings range from 0-100 percent and higher ratings may reflect a single serious disability or a combination of several smaller disabilities. The basis for these ratings from the VA are the average impairment of earning capacity that results from the service member's injury. In practice, injury severity is often greater than the injury rating, because the percentages of each disability are averaged together. So for example, a separate 30 percent disability from a different 20 percent disability does not equal a total 50 percent disability rating. Instead, combined ratings are calculated by a formula and rounded down to the nearest 10 percent, meaning veterans often have a rating that is less than the sum of their injuries. Furthermore, while these are partial disabilities under the VA's rating system, to most of us, these would be considered life-altering disabilities. I mentioned this in my testimony last session, but a case of 70 percent impairment for post-traumatic stress disorder involves suicidal thoughts, near-constant panic attacks, inability to manage stressful situations, and a projected 70 percent loss of earnings. To take another example, most arm amputations, unless they're done all the way to the shoulder, are below 90 percent and considered partial disabilities. So there's a divergence between the true severity of these disabilities and the rating system, especially in the 50-90 percent range. These are major and significantly life-changing injuries. When you get down to the lower levels of the disabilities table, an example of a 10 percent service-related injury would be a disc syndrome that has incapacitated someone for at least one week, but less than two weeks, in the past 12 months. Another example would be a variety of different hearing-related issues, like moderate hearing loss or tinnitus. So under LB126, these life-altering but less serious injuries would



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constitute a much lower amount of relief. Although it can often be lost when we're staring at percentages and injury descriptions on a table, I would urge everyone in this room to consider the life-altering changes that those with service injuries go through and consider the physical and psychological loss as if they suddenly happened to ourselves or a loved one. For roughly 40,000 Nebraska veterans who have a service-related injury, this is their daily reality, a life forever altered by the courage they showed in serving our country and our way of life. I know that this committee takes the responsibility to look out for our tax dollars seriously and that there are many competing priorities this session. However, it is my hope that we can look at this lower fiscal note and include our disabled veterans as those that benefit from the strong fiscal position that our state is in. As I said last year, I'm not going to pretend that this is anywhere near what veterans have sacrificed to defend us and our way of life, but it is an attempt to make things just a little bit easier for those who have done so much for us. And with that, I'm open for questions. Although, I will note that we have James Shuey from Disabled American Veterans of Nebraska Chap-- excuse me, Nebraska chapter, testifying behind me who could probably answer more technical questions.

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

**KAUTH:** I, I have one.

**LINEHAN:** Senator Kauth.

**KAUTH:** [INAUDIBLE] for James.

**DAY:** Yes.

**KAUTH:** Is the original disability rating ever changed as they get older or have more issues come to light? Is there a process that they can go and get it increased or adjusted?

**DAY:** That is a fantastic question and I will let--

**KAUTH:** [INAUDIBLE].

**DAY:** --someone else try to answer that.

**KAUTH:** [INAUDIBLE] over here. So OK. Thank you.

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**LINEHAN:** Thank you, Senator Kauth. Are there other questions from the committee? I'm trying to read the fiscal--

**DAY:** Yep.

**LINEHAN:** --note really quick. Do you know if they took into consideration that the number of disabled vets would already be over 65, that were already on the homestead?

**DAY:** I'm not sure if they deducted that from the total fiscal note or not. Jim may have more information about that because I know we kind of had worked together on that, but.

**LINEHAN:** OK. All right. OK. Other questions from the committee? Seeing none, are you staying to close?

**DAY:** Yes.

**LINEHAN:** OK. Thank you very much.

**DAY:** Thank you.

**LINEHAN:** First proponent.

**JAMES SHUEY:** Good afternoon.

**LINEHAN:** Good afternoon.

**JAMES SHUEY:** Good to see you again. Some familiar faces on the panel and some new ones. It's a pleasure.

**LINEHAN:** And you're going to have 5 minutes, but somebody, probably, will ask you questions.

**JAMES SHUEY:** OK.

**LINEHAN:** OK.

**JAMES SHUEY:** My name is James Shuey, J-a-m-e-s S-h-u-e-y, and I'm here today to represent the DAV, Disabled American Veterans Department of Nebraska. We thank you for the opportunity to submit testimony on LB126 and ask for your consideration and inclusion of some form of homestead exemption for Nebraska's disabled veterans. You've got a copy of the-- my testimony here, but I'm going to skip around, try to shorten it up as much as possible. You heard that Senator Day said LB853 didn't make it out last year, didn't get voted on and again,

because of the \$64-\$75 million physical [SIC] notes that it-- was attached to it. We found fault with that physical [SIC] note then and we believe ultimately, that the decision not to advance it. That is why today I'm here before you, representing the DAV, to support LB126 and urge you to give it full study and consideration. A flat-rate homestead exemption for disabled veterans would rule out any of the existing hypotheses, assumptions and conjecture that were incorporated in LB853. You could also take out of the equation [INAUDIBLE], constantly changing variables of property valuations, mill levies and changing household incomes associated with the already existing homestead exemption and any future updated property exemptions from household, household income or marital status guidelines. It would be based on two facts only: one, a number of disabled veterans by percentage of disability and two, the predetermined reduction in taxes for the percentage of disability, ranging from 10 percent to 90 percent. I've taken the liberty of submitting two attachments to the-- my testimony for your consideration. Attachment A is a spreadsheet, based on the latest available data we could obtain from the Nebraska Department of Veterans Affairs, as to the number of disabled veterans based on a present disability rating and a sliding scale exemption from \$1,000 for 90 percent down to \$200 for a 10 percent rate of veteran and a resulting loss of revenue. This is a worst case scenario and is based on 100 percent of all disabled veterans that are presently living in and owning their home. Every one. It is also based on the fact that there are no disabled veterans presently receiving or qualified for an already existing homestead exemption. Not a one. As a point of personal privilege, we didn't necessarily believe that last year and we don't believe it again today. It is also pointed out that the U.S. Department of Veterans Affairs indicates that 48 percent of Nebraska veterans are over the age of 65 and at again, according to their data, 38 percent of Nebraska veterans' household income is less than \$50,000. These are two of the qualifying criteria for an already existing homestead exemption. I bring this forward because there was reluctance last year to even consider this data in the physical [SIC] note. In our worst case scenario attachment, "A" projects a loss of revenue of \$16 million, compared to the \$65 million physical [SIC] note in LB853 last year. In an attempt to obtain a more accurate and possibly reflective and realistic physical [SIC] note, we've also would offer attachment B, which is based on a very conservative 10 percent reduction in a number of veterans who may not presently be residing in a dwelling that they own. As you can see, attachment B projects a loss of revenue of \$14.4 million, compared to \$16 (million). Please understand that I am neither an accountant nor an

actuary. I'm a concerned veteran who, hopefully, has an understanding of my fellow veterans and their needs. Also, this L-- LB126 will apply to all veterans, not just a 50-90 percent of LB853. We, we further believe that the strength of LB26 [SIC - LB126] is in its simplicity. Basing an exemption on a flat rate will lend itself to making easier adjustments and modifications, such as COLAs and incremental increases, in exemption tables. And again, we deem the fact that it would apply to all disabled veterans-- Nebraska veterans, would keep us from having to revisit this issue again in the future. It is our hope that the Revenue Committee will agree to advance LB126 from the committee to the floor and that they could and most importantly would support LB126, which would actually provide a meaningful, beneficial and truly helpful homestead exemption for Nebraska's disabled veterans.

**LINEHAN:** Thank you. Thank you, Mr. Shuey. Are there questions from the committee? I will have some. So you're saying, what I asked Senator about previously, that you don't think the fiscal note takes into consideration the fact that we've already probably got several veterans on homestead exemption?

**JAMES SHUEY:** Under attachment A, attachment A takes in all veterans, all disabled veterans. It came in as-- our projections came in at \$16 million. Their-- the physical [SIC] note that came in at \$19 million. We believe the difference, the best I could discern on that, was the fact that, in the number of veterans, their projection for veterans was like 39,000. The latest data we were able to get from the Nebraska Department of Veterans Affairs indicates it's 36,000 now. So we're down over 3,000 disabled veterans in Nebraska. So that would be-- if you put in the 39,000, then it comes almost to the-- identical to what the physical [SIC] note is [INAUDIBLE].

**LINEHAN:** Do you know how many veterans are living in veterans homes?

**JAMES SHUEY:** I can tell you that, in the state of Nebraska, because I'm on a veterans home ward, we have four veterans home wards in Nebraska or veterans homes in Nebraska. We have a capacity of almost 700-- will have almost 700 beds there. Unfortunately, right now, we're probably at our capacity. Our census, I think, is somewhere in the neighborhood of 400, primarily because we can't get staff. And it's been a decision by the chair of the-- or the director, Hilgert, and the members of the home board that we won't-- if we can't take care of them, we will not admit them.

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**LINEHAN:** OK.

**JAMES SHUEY:** So yeah, we have a capacity for them, if we can get the, if we can get the care, the staff.

**LINEHAN:** OK. OK. Are there other questions from the committee? Seeing none, thank you very much for being here. Appreciate it very much.

**JAMES SHUEY:** Thank you. Always good to see you.

**LINEHAN:** Good afternoon.

**GREG HOLLOWAY:** Good afternoon, Senator, and the committee here. My name is Greg Holloway, G-r-e-g H-o-l-l-o-w-a-y. I am here representing the Nebraska Veterans Council. I wear a lot of hats. I am actually the co-- vice chair of the Nebraska Veterans Home Board, so if he's got some veterans home boards, I should be able to answer them. I was a county veterans' service officer back in the nineties, so any questions that involve progressional service-connected disabilities, I surely can answer those for you if you want. But basically, I'm here to-- representing the Nebraska Veterans Councils and we, actually, we do approve of this bill 100 percent. Every single solitary disability, no matter how slight it is, actually hampers your ability to earn income, whether it's 10 percent for hearing loss, it does hamper your ability to earn income. And any money saved will go back into, into the economy of the state of Nebraska [INAUDIBLE]. I know I don't have a lot of money stashed away. And I was 100 percent service-connected right out of Vietnam, but as, as a-- I didn't fill out a paper right and so, they dropped me for 100 percent for-- to 80. So I was 80 percent for most of my career, until 1995, then I went and got back on 100 percent service-connected disability. When I was-- back-- there were days I couldn't afford to own a home to start with, but now I can. So. This, this is a good, good way to take care of the veterans in the state of Nebraska. Actually, February 22, 1968, I was at Fort Lewis, Fort Lewis, Washington, waiting to go to Vietnam. I left February 28, so that was my starting of my progression to become a disabled veteran. It is not just to honor the service of our service-- servicemen, but every single one, even a 10 percent service-connected disabled veteran, has given part of themselves to keep this country to the point where we could have these discussions and we could sit and visit about how we can help other people. And helping a veteran is not just helping the veteran himself, it's helping his spouse-- their, their spouse-- I always try to make sure. It's-- used to be male veterans when I was going through. We had a lot more male veterans

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than we have female veterans, so-- helping a spouse and their dependents survive and be able to become good citizens for the state of Nebraska. So I urge you to get this out of committee, give us the opportunity to discuss it on the floor and let-- the senators. And I hope every single one of you support it. So if you have any questions, I'll sure answer them.

**LINEHAN:** Thank you very much. Are there questions from the committee? Seeing none [INAUDIBLE] everybody.

**GREG HOLLOWAY:** Thank you.

**LINEHAN:** Thank you very much. Other proponents? Good afternoon, again.

**RYAN McINTOSH:** Good afternoon, Chairperson Linehan, members of the Revenue Committee. My name is Ryan McIntosh, M-c-I-n-t-o-s-h, and I'm here today as a registered lobbyist on behalf of the National Guard Association of Nebraska. I don't have anything else to add other than what's already been said. So with that, we looked at this, I know, at a legislative resolution hearing this last fall and, and this was the compromise that was proposed by the DAV. And so, we certainly stand behind that and support it. So with that, we'd ask that you advance LB126.

**LINEHAN:** So I've got a couple of questions that I'm going to ask you and that gives a heads up to others. Would this be-- OK. So let's say I am over 65 and I'm earning less than \$50,000 and my house is under the amount according to the average county-- whatever-- how that all works. Do I get this thousand dollars on top of that? And is it refundable or is it-- I get, I get that for-- because-- let's say my property taxes are \$2,000. And under the old homestead exemption, I'm going to get \$900. Then, I would-- this thousand would go on top of that?

**RYAN McINTOSH:** I-- so in my, my other job of being a practitioner of both estate planning and other things, in filling out a homestead exemption, you, you would only make one election. I don't imagine that this would change that--

**LINEHAN:** OK.

**RYAN McINTOSH:** --but I can certainly take a look at that like, you know, but you can only claim one exemption--

**LINEHAN:** OK.

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**RYAN McINTOSH:** --under current law and practice.

**LINEHAN:** OK. All right. Thank you. Are there other questions from the committee? OK. Thank you very much.

**RYAN McINTOSH:** Thank you.

**LINEHAN:** Are there other proponents? Are there any opponents? Hi.

**BETH BAZYN FERRELL:** Hi. Good afternoon, Chairperson Linehan, members of the Committee. For the record, my name is Beth, B-e-t-h, Bazyn, B-a-z-y-n, Ferrell, F-e-r-r-e-l-l. I'm with the Nebraska Association of County Officials. I'm appearing in what's really kind of light, conditional opposition to the bill. We support the concept. We support giving veterans who are disabled a homestead exemption. We're big fans of the homestead exemption program. That's one of the few times you'll hear this-- hear us say this very often. It's one of the few times that people like to come into the county assessor's office because it is a good benefit to them. Our only concern is with the technical implementation of it. The bill, as it's written right now, would provide a flat exemption for the homesteads. So an individual who lives in Sioux County and has a lower value on their property would receive the same thousand dollars that a person who lives in Douglas County and has a higher valuation on their property would get. And so, we really preferred the percentage that was in Senator Day's bill last year. And so, we think, maybe, there's a way to, perhaps, decrease the percentage that's in last year's bill to make the fiscal note lower. And that's something that we've, we've not talked to Senator Day about, but we'd be happy to have that conversation. So with that, I'd be happy to answer questions.

**LINEHAN:** Thank you very much. Are there any questions from the committee? So the state reimburses the county and all the subdivisions for the cost, so this is completely on the state, as far as the fiscal note. It doesn't cost counties anything.

**BETH BAZYN FERRELL:** Correct. The state reimburses counties.

**LINEHAN:** OK. So. You just-- you like-- you're concerned about the difference between counties.

**BETH BAZYN FERRELL:** Right. We're concerned about making it equitable for veterans in different parts of the state. So if it's--

**LINEHAN:** I get it.

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**BETH BAZYN FERRELL:** OK.

**LINEHAN:** All right. Any other questions? Seeing none, thank you very much for being here. Is there any other opponents? Anyone wanting testify in the-- as an opponent? Anyone wanting to testify in the neutral position? OK, then. We have letters for the record. We have nine proponents, no opponents and one neutral.

**DAY:** Thank you, to the committee, for listening to testimony. I appreciate the wonderful group of humans I have behind me that has come in the last two years to talk about this bill and the importance of it. I think we answered your question about the fiscal note and whether or not over-65 veterans were taken into account. We do not believe that they were taken into account. And we see the current fiscal note for the upcoming year to be even lower than what they gave us. And I also wanted to mention, too, within the fiscal note, they have, in subsequent fiscal years, the fiscal note is going up. We discussed that with the Fiscal Office and they said that that's because they said they could see a higher usage in, in future years. But what we know, based on data, is that the number of veterans in the state has seen a consistent decrease over the years. So considering we have all of those veterans wrapped into this current fiscal note and we see that number going down in future years, we actually see the fiscal note decreasing in subsequent years. Yeah. I'm happy to answer any questions you have.

**LINEHAN:** Thank you very much, Senator Day. Are there any questions from the committee? Senator von Gillern.

**von GILLERN:** Thank you, Senator Day, for bringing this. This is actually an idea I had, back during the campaign and I was kind of bummed to find out that you already snagged it. So it's a great idea. Anything we can do for veterans--

**DAY:** Yes.

**von GILLERN:** --is awesome. Actually, what I want to ask you is a question that Mr. Holloway raised and that is, considering the current strategy that's being deployed on the floor-- he made the comment, I'd--

**DAY:** Sure.

**von GILLERN:** --like to see this get to the floor for debate.



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**DAY:** Right.

**von GILLERN:** Do you think there's any odds this is going to make it to the floor for debate?

**DAY:** I mean, it's definitely a consideration for my personal priority.

**von GILLERN:** OK.

**DAY:** I mean, I wouldn't be opposed to putting it in some kind of committee package, you know--

**von GILLERN:** OK.

**DAY:** --if you guys were so inclined to do that. I mean, I would be happy to, to find a vehicle for it. Yes. If we could get it out of committee. This was my personal priority last session.

**von GILLERN:** OK.

**DAY:** And we just ended up running out of money towards the end of session and so, it didn't get beyond General File, I believe. But yes, I would, I would find some place for it to go if we could get it out of committee.

**von GILLERN:** Thank you.

**LINEHAN:** Thank you, Senator von Gillern. Other questions? Senator Briese.

**BRIESE:** Thank you, Chair Linehan. Thank you for bringing this.

**DAY:** Um-hum.

**BRIESE:** You suggested earlier, the first year fiscal note is hopefully somewhat lower than what the actual fiscal note--

**DAY:** Yes.

**BRIESE:** --would be lower than what's been presented so far. Any guess or estimate what it--

**DAY:** So--

**BRIESE:** --might be if you tried to do that?

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**DAY:** I know that Jim Shuey-- you mean in, in future fiscal years?

**BRIESE:** How about first year?

**DAY:** So Jim Shuey had handed out his testimony that included a couple of different--

**BRIESE:** Yes.

**DAY:** --derivations, I guess, of, of what we think the actual fiscal note would be for the upcoming year.

**BRIESE:** Well, when one factors in those that might already be over 65--

**DAY:** Correct.

**BRIESE:** --lessen the income limit.

**DAY:** Yes.

**BRIESE:** We don't have any guess on that, what that could do to it?

**DAY:** Well, I think--

**BRIESE:** I don't think his did.

**DAY:** --I, I think some of his includes that, I believe, the o-- the potential overlap. But I can find out for sure and, and I'll let you know.

**BRIESE:** Just, just, just curious if you had a guess on [INAUDIBLE].

**DAY:** Yep. It looked like it would be closer to \$14 million, is what I understand.

**LINEHAN:** Thank you, Senator Briese. Are there any other questions from the committee? Seeing none, that brings us to a close on hearing on LB126. Thank you very much.

**DAY:** Thank you.