JACOBSON: All right. Well, welcome to the Banking, Commerce and Insurance Committee. I'm Senator Mike Jacobson from North Platte, representing the 42nd District, and I, I serve as the chair of the committee. The committee will take up the bills in the order posted. The public hearing is your opportunity to be part of the legislative process and to express your position on the proposed legislation before us. If you are planning to testify today, please fill out one of the green testifier sheets that are on the table at the back of the room. Be sure to print clearly and fill it out completely. When it is your time-- turn to come forward to testify, give the testifier sheet to the page or to the committee clerk. If you do not wish to testify but would like to indicate your position on a bill, there are also yellow sign-in sheets back on the table for each bill. These sheets will be included as an exhibit in the official hearing record. When you come up to testify, please speak clearly into the microphone. Tell us your name and spell your first and last name to ensure that we get an accurate record. We will begin each bill hearing today with the introducer's opening statement, followed by proponents of the bill, then opponents, and finally by anyone speaking in a neutral capacity. We will finish with a closing statement by the introducer if they wish to give one. We'll be using a 3-minute light system for all testifiers. When you begin your testimony, the light on, on the table will be green. When the yellow light comes on, you will have 1 minute remaining, and the red light indicates you need to wrap up your final thoughts and stop. Questions from the committee may follow. Also, committee members may come and go during the hearing, this, this has nothing to do with the importance of the bills being heard, it is just part of the process as senators may have bills to introduce in other committees. A few final items to facilitate today's hearing. If you have handouts or copies of your testimony, please bring up at least 12 copies and give them to the page. Please silence or turn off your cell phones. Verbal outbursts or applause are not permitted in the hearing room. Such behavior may be cause for you to be asked to leave the hearing. Finally, the committee procedures for all committee hearings-- for all committee written position comments on a bill to be included in the record must be submitted by 8:00 a.m. the day of the hearing. The only acceptable method for submission is via the Legislature's website and nebraskalegislature.gov. Written position letters will be included in the official hearing record, but only those testifying in person before the committee will be included on the committee statement. I will now have the committee members with us today introduce themselves starting from my left.

RIEPE: Thank you, Chairman. I'm Merv Riepe. I represent south-central Omaha and the city of Ralston.

von GILLERN: Brad von Gillern, Legislative District 4, west Omaha and Elkhorn.

HALLSTROM: Bob Hallstrom, Legislative District 1: Otoe, Johnson, Nemaha, Pawnee, and Richardson Counties in southeast Nebraska.

WORDEKEMPER: Dave Wordekemper, District 15, Dodge County, western Douglas County.

JACOBSON: Also assisting the committee today to my right is our legal counsel, Joshua Christolear; and to my far left is our stand-in committee clerk, Laurie. Our pages for today-- I'm trying to find pages for today.

____________: They're making copies.

JACOBSON: They're making copies. All right. Well, then we won't let them introduce themselves, and we'll move on without them. With that, we'll begin today's hearing. First up is LB474, and I'm going to yield the chair to Vice Chair Hallstrom since LB474 is my bill.

HALLSTROM: Welcome, Senator Jacobson.

JACOBSON: Well, good afternoon, Vice Chair Hallstrom, members of the committee. My name is Mike Jacobson, M-i-k-e J-a-c-o-b-s-o-n, and I represent District 42. LB474 was introduced at the request of the Nebraska Department of Banking and Finance. This proposal will modernize the Installment Loan Act, Chapter 45, Article X, and the Installment Sales Act, Chapter 45, Article III. The Installment Loan Act governs persons who make, make service or participate in direct loans of less than $25,000 to consumers. An exception to Nebraska's 16% usury rate is permitted, 24% on the first $1,000 in principal and 21% on the remainder per annum as the Legislature deemed borrowers to be higher risk. As of year end 2024, the department licensed 139 installment loan companies. These licensees are examined by the department. Licenses are granted or denied upon application and a hearing is required, and a hearing is required unless the applicant does not make loans in, in Nebraska. In those cases, a hearing waiver may be granted by the director department-- director of the department, followed by publication of notice of the application. Each office of an application-- of an applicant must be separately licensed under the act. The majority of, of current licensees are loan servicers or participants. The Installment Sales Act governs persons who purchase retail installment contracts from businesses such as car dealers or furniture/appliance stores. Installment sales companies are also known as the sales finance companies. An exception to the usury is permitted for licensees and may charge a rate price differential of 18% per annum. The licensees are granted or denied after application is reviewed, no, no hearing is required. As of year end, the department licensed 92 installment sales firms and 53 branches and exam-- and examines upon compliant. The proposal would raise-- revise the-- and, and combine the two acts for a coordinated system of regulation for these consumer finance lenders. The application process for installment loans would be the same as in the Installment Sales Act, which will result in efficiencies for the installment loan industry and department as the time frame from application decision would be shortened considerably without a waiver of publication or hearings. Branches of installment loan companies would be authorized, which will allow for joint examination of multiple offices of a licensee, allowing examiners, examiners time to conduct more examinations per year, which will better protect citizens and which would save the industry the expense of separate exams. The types of examinations and surety bond requirements will not change. Reporting requirements will be updated. The proposal would carry out an operative date of October 1, 2025. There is an amendment to AM-- to the bill, it's AM307, which has been distributed. It was put together after collaboration with the department and online lenders, alliances to remove some ambiguity that might have been interpreted as creating new restrictions for some current licensees, As that was not the intent of the bill, AM307 was drafted to address that concern. With that overview, I would direct your questions to the proponent-- to the proponents of the bill, which includes Director Lammers from the department, who will likely be first up to testify. With that, I would stand for any other questions.

HALLSTROM: Any questions for Senator Jacobson? Seeing none, thank you. Director Lammers, please. Thank you.

KELLY LAMMERS: Vice Chairperson Hallstrom, members of Banking, Commerce Insurance Committee, my name is Kelly Lammers, K-e-l-l-y L-a-m-m-e-r-s, Director of the Nebraska Department of Banking and Finance, appearing today in support of LB474, which was introduced at the request of the department. LB474 is a bill to update and modernize the Installment Loan Act. In 2019, only two companies were licensed under this act. In 2021, loan servicers and holders of ownership interests and installment loans were required to be licensed to reflect a changing industry in Nebraska. As of December 31 in '24, there were 139 installment loan licenses. We have encountered issues in utilizing the current act, and industry found some of the requirements to be outdated and burdensome. This bill takes select provisions of the current Installment Loan Act, combines them with the current Installment Sales Act, and then repeals the existing Installment Loan Act. This approach maintains the substance and policy of the current Installment Loan Act, but modernizes the supervisory process. The bill is 116 pages long, so I will focus on the key points. This update does not make any changes to the interest rate fees or other charges that these companies would be allowed to charge to consumers. Sections 1-7 and 55-62 are cross-reference updates to existing law reflecting new statutory citations or the new name of the act, which will be the Installment Loan and Sales Act. Sections 8- 54 compromise the modernized act. There will continue to be separate licenses with the distinct business activities. Installment loan licenses deal with small dollar consumer loans and installment sales licenses are those that purchase installment retail contracts, such as vehicle finance companies. Exemptions are retained and chartered banks and credit unions will continue to be able to conduct small-dollar lending activities and purchase retail installment contracts without being required to obtain a license. Section 11 details a process for obtaining either an installment loan or installment sales license. This update will remove the current lengthy and costly installment loan publication and hearing processes. Over the last 4 years, we've received zero objections from the panel-- from the public on any of the application notices that we have published on the installment loan licenses. The department will continue to conduct full background checks, require surety bonds, collect audit and financial statements, investigate applicants to-- that maintain-- to maintain the public confidence in Nebraska's financial industries. Section 13 authorizes and sets the fee for branch licensing for installment loan licenses. By allowing branch licensing for installment loan companies, licensees with more than one location will no longer be subject to a separate full company license, policy, books, or examination for each location, avoiding duplication and saving time and money for the application. Sections 64 and 65 repeal the original statutes that are changed in the update and repeal all existing Installment Loan Act. I want to thank Chairperson Jacobson, Banking, Commerce and Insurance Committee for introducing this legislation to modernize and combine the Installment Loan Act and the Installment Sales Act. Happy to answer any questions and thank you.

HALLSTROM: Any questions? Senator Dungan.

DUNGAN: Thank you, Vice Chair Hallstrom. Thank you for being here, Director Lammers.

KELLY LAMMERS: Good to be here.

DUNGAN: This is sort of a process question. I'm not-- 160 pages is a long, a long bill, so I appreciate your, your updates about what all this does. Can you just kind of walk me through how the department comes up with these proposed changes? Is this all, like, from feedback from the individual companies? Do you do surveys? I'm just trying to understand kind of how you gathered the information necessary to then turn around and make these kind of recommended changes.

KELLY LAMMERS: Senator, greatly appreciate the question. I do want to point out this removes more than 50 statutes at the end of the day. Regulatory burden is something that we consider daily, it is, it is a cost of doing business on the same time that the Nebraskans that participate in installment loans have a right to understand what is at [INAUDIBLE]. What we are looking at is a modernization that allows for branching. It is a modernization that allows for a combination of locations. It is a process that enables the industry to reflect one set of books, policies, and procedures and an examination to reflect more than one location. As a result of that, this is the industry reaching out and saying that we will do, in the state of Nebraska, a hearing when we have to. But why do we have to do a hearing on an installment loan every time that we originate small dollar loans in the state of Nebraska? While there was a place for that probably years ago and, and most certainly under public policy, we the department in working with the industry, believes this is an opportunity to modernize by pulling the Installment Sales and the Installment Loan Act together. From the applicant side, it looks like one place to go to find wherever these small loans originated and determine if there was a sale at the time or if it was simply a loan at the time and then apply for the appropriate license at the time. So this is very much a, a joint effort with the industry coming forward, and what we're proposing is modernization with regulatory, regulatory overreach reduction.

DUNGAN: Well, I really appreciate that explanation. And you've come and spoken with me about this before and I always appreciate you coming and explaining this in a way that makes sense to us nonbankers. So I, I appreciate you, Director Lammers. Thank you.

HALLSTROM: Any other questions? Director Lammers, can, can you explain the, the amendment in more detail, AM307?

KELLY LAMMERS: Certainly, Senator. AM307 would indicate that if the loan was made by a financial institution that-- and then was later sold and is serviced by someone else. Provided that that party that is servicing it is licensed, the origination interest rate for whatever was legal at the-- by the entity at the time continues to remain in effect without consideration of the Installment Loan Act. So if it was made by-- if the loan was made by an installment-- excuse me, a financial institution in another state that had a very high interest rate above that of the Nebraska Installment Loan limitations, the rate would not be renegotiated simply because it was being serviced or managed by a Nebraska-licensed party.

HALLSTROM: Thank you. And that was my interest. It continues to recognize the most favored lender doctrine and doesn't get impacted by any of the true lender doctrines or notions that are out there. Is that correct?

KELLY LAMMERS: That is correct.

HALLSTROM: OK. And if the department, and I'll get together with you afterwards, I just have some interest in Section 10 of the bill amending 45-336, as to whether or not we ought to clarify the language that is not a financial institution in subsection (b). So if you can take some copious notes and maybe we can visit about that.

KELLY LAMMERS: We would be happy to visit about that, Senator.

HALLSTROM: OK. Thank you.

KELLY LAMMERS: Thank you.

HALLSTROM: Thank you. Next witness in support of LB474. If there are no other proponents, is there anybody in opposition to LB474? Seeing none, anyone in a neutral capacity? If not, Senator Jacobson, if you'd wish to close.

JACOBSON: I'm only going to do it because I'm coming up here anyhow.

HALLSTROM: And before you start on LB474 closing, we had no proponent letters, no opponent letters, and one neutral, and no ADA testimony regarding the bill.

JACOBSON: Well, once again, this is really-- the effect of this bill is really merging kind of two groupings together, making this a little more streamlined for examination processes for the department. I don't know if there's any other substantive changes. But, again, this is really more about streamlined-- streamlining what's already out there. With that, I would, I would take any questions that you have.

HALLSTROM: Any questions of Senator Jacobson? If not, that will close the hearing on LB474. We'll move next to LB473. Welcome again, Senator Jacobson, you may open.

JACOBSON: Well, it's great to be back. Thank you again, Vice Chair Hallstrom and members of the committee. My name again is Mike Jacobson, M-i-k-e J-a-c-o-b-s-o-n, and I represent District 42. LB473 was introduced at the request of the Nebraska Department of Banking and Finance to update the revised-- and revise the Nebraska Money Transmitters Act, MTMA. Based on the money-- the Nebraska Money Transmission Modernization Act, also referred to as the Model Act, which is a model law drafted as a result of years of collaborative work between state financial regulators through the Conference, Conference of State Bank Supervisors and industry stakeholders. The Model Act will provide greater consistency and harmonization across the nonbank financial industry through a streamlined state licensing system of money, of money transmitters. The Model Act is a set of nationwide standards and requirements designed to protect consumers and enable local innovation. Until recently, each state had its own laws and rules to license and regulate money transmission, money transmission, which, which created a complex compliance environment for companies operating in multiple states. Money transmitters are, are regulated currently under Nebraska Money Transmitters Act, Section 8-2701 to 8-2747. As of February 1, 2025, Nebraska had approximately 200 entities licensed under the act. Almost all these are companies located outside of the state. The industry is in support of the Model Act, with exception of Article XIII covering digital assets. Article XIII is not included in LB473, as it conflicts with the Nebraska Financial Modernization [SIC] Act. To date, more than half the states have adopted the Model Act in full or in part. LB473 would adopt many of the provisions of the MTMA. LB473 also retains aspects of current law not included in the Model Act, such as abandonment process for applications who do not complete an application within 120 days after a deficiency has been set on the application and the department's authority to cancel a license because of failure to maintain a required surety bond without going through a revocation procedure. The license fees would be increased with the initial application fee changing from $1,000 to $1,500 and the renewal application fee from $250 to $750, a new fee of $1,500 would be charged for change of control applications. These fees will be in line with many states while being lower than other surrounding states. The proposed bill would go into effect October 1, 2025, so it will cover license renewals for the current year 20-- current year 2026. The renewal remove-- the renewal process begins on November 1 of each year. The department will continue to utilize the nationwide registration and licensing system to process all facets of the licensing. We do not-- we do have one amendment on the bill, AM217, which has been distributed, which I've also handed out. This is a minor amendment that would allow for disclosures on websites. It's literally one line. Again, I would direct your questions to the proponents of the bill, which would be Director Lammers, but I would entertain any other questions you might have.

HALLSTROM: Any questions of the committee? Senator von Gillern.

von GILLERN: I have one I bet you can answer. We're talking, like, Western Union, Wells Fargo-- a money transmitter, put it-- who are these people?

JACOBSON: Wells Fargo would be probably-- or, or excuse me, Western Union would be one of the classic ones out there.

von GILLERN: OK. All right.

JACOBSON: Yes.

von GILLERN: Money orders, wire transfer. OK.

JACOBSON: Correct.

von GILLERN: Thank you.

HALLSTROM: Any other questions?

von GILLERN: See, I had confidence in you.

JACOBSON: That's good. I was a little nervous there for a minute.

HALLSTROM: Any other softballs for Senator Jacobson? Seeing none, thank you.

JACOBSON: Thank you. And I will stay for close.

HALLSTROM: Welcome, Director Lammers.

KELLY LAMMERS: Vice Chair Hallstrom, members of the Banking, Commerce and Insurance Committee, my name's Kelly Lammers, K-e-l-l-y L-a-m-m-e-r-s. I'm Director of the Nebraska Department Banking and Finance, appearing today in support of LB473, which was introduced at the request of the department. The purpose of LB473 is to adopt updates to the Money Transmitters Act in order to harmonize regulation of the payments industry, which engaged in the transmission of money, including electronic payment instruments, stored value, and remittances. LB473 would update the Money Transmitters Act based upon a multiyear collaborative process with Conference of State Bank Supervisors and extensive input from state regulators and industry stakeholders, which resulted in the model Money Transmitter [SIC] Modernization Act. So far, 27 states have enacted the Model Act in whole or in part. LB473 incorporates much of the Model Act's language while tailoring the statutory approach to the unique circumstances facing Nebraska consumers and businesses for the purpose of effectively and efficiently regulating the payments industry. The bill would effectively repeal and replace the current Nebraska Money Transmitters Act, although certain provisions of the current act have been incorporated into proposed, proposed updates to the Money Transmitters Act. These include exemptions from other regulated industries such as debt collectors and the ability for the department to issue notices of cancellation or abandonment rather than going through the formal processes for revocation or denial. LB473 clarifies the authority of the department to enforce the act through examination and administrative action and codifies the department's existing practice of coordinating with other states to provide more efficient approach to regulating the rapidly growing payments industry. The bill increases the application renewal fees for companies seeking to do business with Nebraska customers to be in line with many states while remaining lower than surrounding states. LB473 addresses a substantial increase in the volume of oversight required as this industry continues to expand. As of 6-30 of 2015, the department licensed 73 money transmitters, with that number more than doubling in 10 years to 190 money transmitters licensed to do business in Nebraska as of February 5 of '25. Considering the substantial increase in the volume of oversight required as this industry continues to expand, these updates will be a benefit to the department in regulating the industry more efficiently and a benefit to the industry as a result of coordinated set of laws adopted by many states. LB473 carries a delayed effective date of October 1 of '25 to allow the changes to the act take effect in time for the renewal period for the 2026 licenses. Wish to thank Chairperson Jacobson, the Banking, Commerce and Insurance Committee for introducing this legislation to update and modernize the Nebraska Money Transmitters Act. Be happy to answer any questions. Thank you.

HALLSTROM: Thank you, Director Lammers. Any questions by the committee? I just have one. Are digital asset depositories-- I was looking through the, the bill, I thought a few years ago when we adopted that legislation that they were exempted from the Money Transmitters Act.

KELLY LAMMERS: Yes, under the Nebraska Financial Innovation Act, a digital asset depository would not be included as a money transmitter in the state of Nebraska.

HALLSTROM: So it's not required to be in the act, it's separately noted in the Innovation Act?

KELLY LAMMERS: It is separately noted in the Innovation Act. As they qualify-- as an institution, they would qualify as a financial institution, and as a department, the party that they're working with would qualify as a financial institution. So they are excluded as a money transmitter in the state of Nebraska.

HALLSTROM: OK. Thank you. And with regard to the fees, Senator Jacobson indicated that the fees were in line with other states, but they are being increased. Is that correct?

KELLY LAMMERS: That is correct. We are in-- offering a, a modest increase of that, going from $1,000 to $1,500 for the initial license, introducing a fee for a change of control. Each of those fees that are referenced in the fiscal note reflect consideration of surrounding states, and they do reflect an increase, but they are not in excess of those-- of surrounding states.

HALLSTROM: And, and those fees are paid by businesses or entities that the department regulates or supervises?

KELLY LAMMERS: They would be paid by those parties that wish to be regulated under this act. Yes.

HALLSTROM: And so there's a possibility that the department will have excess funds that then may be subject to being swept through the appropriations process?

KELLY LAMMERS: I, I do not anticipate excess funds. The department operates at a, at a very near break even to the best of our capacity, Senator.

HALLSTROM: I understand you do. Thank you. Any other proponents for LB473? Seeing none, any opponents? Anyone here in the neutral capacity? Senator Jacobson, you may close. Oh, excuse me, Mr. Lindsay. Welcome.

JOHN LINDSAY: Thank you, Senator Hallstrom, members of the committee. I am apparently not as nimble as I used to be.

HALLSTROM: Take your time.

JOHN LINDSAY: Thank you, Senator Hallstrom, members of the committee. For the record, my name is John Lindsay, J-o-h-n L-i-n-d-s-a-y, and I am appearing today on behalf of the Independent Payroll Providers Association. It was a small member-focused-- member-focused association with no government affairs staff. It was not aware of the CSBS, the Bank Supervisors' work on a model law and the payroll processors were being considered for inclusion. Once a model was formally introduced in some state legislatures, they learned that a handful of the large national payroll companies were involved in discussions with CSBS. We have since attempted to engage with CSBS and were instructed by CSBS to make our case to individual state governments. Small payroll companies have been around for over 100 years. In practice, small-- and so have many of the regulations. In practice, small payroll companies acting solely as agents for employers have not been regulated. The CSBS model was designed to address the explosion of financial technology and money movement business that were never contemplated years ago. These are not the traditional payroll processors we represent. Additionally, due to the explosion in work from home, small payroll companies are suddenly finding themselves supporting employer payrolls all over the United States. This happened overnight. If small companies had to register in all of the states that adopt this act, they would close their doors. I do not believe that any state has adopted the act is still including payroll processors. Several states have adopted it and exempted the small payroll processors. We have been discussed-- have been in discussions with the department. The department has not agreed with us to make that clear. But we hope to continue to visit with the department about it. And that's why I'm appearing in a neutral capacity. We have no objection to the model bill, but we would like to see the, the small payroll processors exempted from that requirement.

The idea of having to pay the registration fees in states all over, if it's adopted all over, would be-- would, would kill these small businesses. And these small businesses that we represent are typically 20 employees or less, and they handle the payroll, again, for small companies who, who outsource that as a way to, to control their own costs. We believe to give an idea of the scope-- I don't believe-- I believe there are no in-state companies of payroll processors that have been registered. There are out-of-state companies that have registered under the act at this point under current law. But we believe that there are a total of using Census Bureau NAISC [SIC] reports, we believe there are a total of approximately 680 businesses offering payroll services, with most all of them under 20 employees. And that's just using the Census Bureau information. It's not a list that we have access to. But to give an example, payroll companies have to, in order to deal with the IRS, they have to register with the IRS. And there are those reporting agents with the IRS, there are approximately 28,000 of those across the United States. So I think it's a, it's a big, it's a big lift for these small companies. And with that, I'd be happy to answer any questions.

HALLSTROM: Any questions of Mr. Lindsay?

von GILLERN: I, I--

HALLSTROM: Senator von Gillern.

von GILLERN: Thank you. I'm sorry, I missed on the roll call, you're in opposition to LB473--

JOHN LINDSAY: We're actually--

von GILLERN: --or are you neutral?

JOHN LINDSAY: --we're actually neutral.

von GILLERN: OK. I wanted to make sure I understood.

JOHN LINDSAY: Yeah. We, we have no position on the model bill. We understand--

von GILLERN: OK.

JOHN LINDSAY: --where it's coming from and why it's being done. We just think it's inappropriate to apply it to small-- these small payroll--

von GILLERN: Thank you. Appreciate the clarification.

JOHN LINDSAY: Yeah.

HALLSTROM: Any other questions? Mr. Lindsay, the, the proponent letter is from the nation's largest payroll service provider strongly urging us to retain coverage of payroll processing services as money transmitters, would you-- is that a competitive factor why the larger payroll processors would want to retain the coverage when you're in here hoping that you'll get an exemption?

JOHN LINDSAY: We-- we're looking for small payroll processors with limited number of employees that act as an agent for the, for the employer, but do not provide any other type of a, of a money transmission service. And I would guess that the difference is a matter of scale, that if you're a large company, you can afford to be paying the registration fee. You've got a staff that can watch all over the country for changes in laws, etcetera. So I'm, I'm guessing that's the--

HALLSTROM: And the letter has noted some notable incidents of payroll processor fraud. One of them involved a shortfall of $120 million, another one, losses of roughly $100 million affecting 4,000 businesses. Those would not likely be the size of activities that your small processors would be involved in?

JOHN LINDSAY: I-- yeah, I doubt 20 employees could handle $120 million. At least, I couldn't.

HALLSTROM: Thank you. Any other questions? If not, thank you.

JOHN LINDSAY: Thank you.

HALLSTROM: Now, before we have Senator Jacobson, one proponent letter, no opponent letters, no neutral letters, and no letters involving written ADA testimony on LB473. Senator Jacobson, you may close.

JACOBSON: Thank you, Vice Chair Hallstrom and committee members. I, I guess as it relates to really the last neutral testifier, it is my understanding that, that other states do include the small money transmitters. Many of them still include them. And I believe that they've been included, you know, at this point with the department, so. I think one of the slippery slopes that we always enter into is when you start making exceptions, but yet you look at the need for oversight so that we don't have even a small provider who's reallocating funds or not distributing funds the way they should be done, that's one of the reasons that we have this oversight no matter how big you are. And there are certainly situations where perhaps you need to consolidate with a larger provider, maybe other solutions, or you end up paying the fee. But I know the department has had the conversation, I believe, with those that are concerned and, and are reluctant to make the change. I'm certainly willing, from my standpoint, to continue to give consideration to any compromises that they may come up with. But I would just tell you that, that from my perspective, there's-- when you start making exemptions, people look to try to walk-- drive through those loopholes and some-- in some cases create bad outcomes. And that's part of what regulators are about. Far be it for me as a banker to come in here and testify for the regulators, but there is a need for regulation. So with that said, I'd answer any questions you might have.

HALLSTROM: Any questions? Senator Riepe.

RIEPE: Thank you, Chairman. I would just like to say it made my eyes happy to see a fiscal note that talked about revenue coming in, something I don't see often.

JACOBSON: I did attend the budget hearing this morning, so I'm taking it to heart.

RIEPE: OK. Thank you. Thank you, Chairman.

HALLSTROM: Any other questions?

JACOBSON: I just do want to note that this isn't the Revenue Committee either, but we're kind of standing in for the Revenue Committee.

RIEPE: Are you going to take them over?

von GILLERN: Bring it on.

JACOBSON: Thank you.

HALLSTROM: With that, I'll turn it back to Senator Jacobson-- Chairman Jacobson for LB201.

KAUTH: Good afternoon, Banking Committee. I miss being in here with you guys. Good afternoon, Chair Jacobson, members of the Banking, Commerce and Insurance Committee. My name is Kathleen Kauth, K-a-t-h-l-e-e-n K-a-u-t-h. I'm here to present LB201 with AM282 as a white copy. The amount of money transmitted out of the country, often referred to as remittances, is quite substantial. In 2024, the United States alone sent out around $29.92 billion in remittances. Currently, Oklahoma is the only state in the U.S. that imposes a specific tax on remittances. Oklahoma charges a $5 fee for remittances under $500 and a 1% tax on transfers above $500. LB201 had a significantly higher remittance fee suggested. But after reviewing Oklahoma's law, AM282 was introduced as being more feasible. So that's what you have in front of you. Other states, such as Georgia and Iowa, considered implementing similar taxes, but no concrete laws have been passed yet. Additionally, states like Florida, Ohio, Pennsylvania, and Arizona are reviewing proposals to attach remittances. Remittances are typically sent by migrants who work in a foreign country and send money back home to their families. This practice is common among people from developing countries who move to wealthier nations for better job opportunities and higher wages. Remittances sent out of the country equate to money that is earned in the United States but not being spent or invested here. Here in Nebraska, money transmission transactions through the end of the third quarter of 2024 totalled $376,080,834. The Nebraska Department of Banking and Finance estimates a fairly high fiscal note. But even with the lower tax amount per the amendment, the amount collected would more than pay for the fiscal note. I'm hoping that this is the start of a conversation about keeping more of the money that is earned here in Nebraska used here in Nebraska. And so I'm introducing this bill to see what kind of discussion we can get around it and see about the feasibility. So thank you.

JACOBSON: Thank you. Questions for the testifier? Yes, Senator Dungan.

DUNGAN: Thank you, Chair Jacobson. Thank you, Senator Kauth. So the white copy amendment replaces obviously--

KAUTH: Yes.

DUNGAN: --what we had. Do you have an idea of what the fiscal note would be for AM282?

KAUTH: It, it would be significantly-- as far as the fiscal note on how much it would cost to implement, probably similar, because, again, we're talking about the processes for doing it. But the fiscal note on what-- for the original bill that I had, which we did it and said, well, that's a nice big number. It was about, I think, a--

DUNGAN: It's like $137 million or something like that.

KAUTH: --like $137 million.

DUNGAN: Yeah.

KAUTH: So it would be significantly less than that. I think we would be looking at bringing in around $3.5-$4 million, but the costs of doing it would remain the same, about $700,000 to $800,000.

DUNGAN: Do you know right now how much or generally do these transmitters already charge a fee?

KAUTH: They do. They charge individual fees, and that's how they run their business, they're charging fees.

DUNGAN: They have to make a profit--

KAUTH: Right.

DUNGAN: --somehow.

KAUTH: They, they are a business. So this would be, essentially, a tax on that service.

DUNGAN: So I'm trying to just wrap my head around the act-- the actual implementation, I guess, of this. So this applies to any and all money being transmitted outside of the United States, correct?

KAUTH: From the, the tax transmitters, the people-- and so it would be, like, Western Union and those types of businesses. I believe there are 189 in the state who are, who are licensed.

DUNGAN: But it doesn't specifically just apply to migrants, it would apply to any money that's being transmitted.

KAUTH: Correct.

DUNGAN: OK. So, I guess, is there a concern that you have-- big picture-- let's zoom out. The United States spends a lot of money every year as a country on foreign aid, right, we provide foreign aid to other countries in a number of different ways. My understanding from just a very cursory research that I've done is we spend almost three times as much money in other countries in remittances as we do foreign aid. And so, to me, it's arguable that these remittances are essentially voluntary private foreign aid that's being done in excess of what the U.S. government provides, and it does so in three times as much. Are you concerned that if we tax this, it's going to de-incentivize that sort of private foreign aid that's being provided right now to other countries?

KAUTH: Well-- and that's, that's one of the reasons that I went with the, the Oklahoma model to be lower. I think that, that is much more feasible. I don't think that it's going to de-incentivize money going out. I think it's just saying, OK, if, if you're earning it here, you've come to this country and you're earning the money here, we would like it if you were actually spending it here, investing it here, because we want people if you're here to really be here. So the process of sending it out of the, the country or out, you know, it, it takes away taxable base for us.

DUNGAN: And I get, like--

KAUTH: I don't know that it would-- I don't know that people would make that choice on what is really a fairly level amount.

DUNGAN: And I think that gets to my next question is, is the intention of this bill, as you see it, to simply raise revenue off of a decision that's being made or is it do you see this as trying to de-incentivize the practice in general? Is it, is it--

KAUTH: I think it's raise revenue off a decision. I mean, again, it's, it's-- this is money that is when you live and work here, you buy your groceries here, you buy your things here, you, you spend and invest usually where you're at. If your goal of being here and working and earning money is strictly to send it somewhere else, you're not spending as much here. So I think it is, it is more of a, a service fee on being here.

DUNGAN: And this is money that, hypothetically speaking, has already been taxed once. Right?

KAUTH: Correct.

DUNGAN: So this is essentially creating a double tax on that money just based on the usage they want to--

KAUTH: Correct.

DUNGAN: OK. You said Oklahoma is the only state that has done this?

KAUTH: Um-hum.

DUNGAN: How long has that been in effect?

KAUTH: I don't know for sure. Only a couple years, I think.

DUNGAN: Do you know if there's been any legal or constitutional concerns raised about that?

KAUTH: Not that I saw, so. I will find out what year it went into effect.

DUNGAN: Thank you. Thank you, Chair Jacobson.

JACOBSON: Thank you. Other questions from the committee? Senator Hallstrom.

HALLSTROM: Senator von Gillern had a question.

JACOBSON: Oh, Senator von Gillern.

von GILLERN: Doesn't matter.

JACOBSON: All right.

von GILLERN: Thank you, Chair Jacobson. This-- to Senator Dungan's question, this only applies to money transmitters, correct?

KAUTH: Correct.

von GILLERN: So if I'm a-- let's say I'm a manufacturer and I'm building a, a vehicle and I'm buying some of my parts from China and I wire money to China to pay my accounts payable bill, does it, does it--

KAUTH: That should be, that should be a business expense, it's not a actual transmitter.

von GILLERN: Help me out, and I know Senator Dungan asked this question, I'm not sure I tracked it. Regarding the, the amendment, the revised cost estimate on the revenue on the revised fiscal note, did you say $2-$3 million?

KAUTH: Yeah, we don't have the, the revised fiscal note out yet.

von GILLERN: OK.

KAUTH: So I'm, I'm guessing based on how much less the Oklahoma model is than what we had originally said, it will be much less, and we're only talking 1% versus the, the $10,000.

von GILLERN: With some multiple of the dramatic expenditures it--

KAUTH: Yes.

von GILLERN: --takes to--

KAUTH: Yeah.

von GILLERN: --implement.

KAUTH: Yeah.

von GILLERN: OK. And then my last question, and you may or may not know the answer to this, are there not-- and I'll, I'll probably use the wrong term-- if you earn money in-- if you, if you earn money in a different country and send it back to the states, is there a repatriation fee or a tax or--

KAUTH: That I don't know. And, and I was, I was trying to look at that, so do other countries do this if money gets sent back to here? There's not a lot of money being sent back to the U.S.

von GILLERN: OK.

KAUTH: So I, I wasn't able to find one.

von GILLERN: OK. All right. Thank you.

JACOBSON: Senator Wordekemper.

WORDEKEMPER: Thank you, Chairman Jacobson. So if you are Armed Services, a family member on vacation, lose your card, your account gets whacked, and I would have to send money to my family member over there to get them by, I would also be susceptible to this fee?

KAUTH: Yeah, and we can, we can look at that. I don't know if-- and that, that is one of the concerns with doing it is how do we differentiate that kind of-- you know, certainly military members. Generally speaking, I would think that you would just put money into someone's bank account here because they would have access to their bank accounts. I mean, it's, it's a lot different now than it used to be when you had to have traveler's checks and you would wire, you know, traveler's checks to whatever destination you were at. Most service members, I believe, still have their accounts in the United States. So if you needed to send money to them, you could just deposit it into their bank.

WORDEKEMPER: Unless their card was stolen or they lost it or something like that.

KAUTH: Sure.

WORDEKEMPER: So I, I appreciate it. I know what the intent is so I just wanted to check.

KAUTH: Yeah. And, and certainly we can, we can-- again, this is, this is a-- we're going to introduce this and see what comes of it and see if this is something that we need to pursue or can pursue. So I appreciate your question.

WORDEKEMPER: Thank you.

JACOBSON: Senator-- yes.

KAUTH: It's like I'm playing ping-pong.

RIEPE: Thank you, Chairman Jacobson. Thank you for being here. I'm trying to work off of the white paper, the replacement. So I'm looking at the original bill and it talks in there, it says on line 6, page 1-- page-- that's it. It talks about a person, but a person, obviously, at times can be a corporation or it can be a trust or is that intended to be any of those other things? Do they qualify, a trust, a corporation, a LLC?

KAUTH: Well-- and that's, that's why we went with the Oklahoma model because it seemed to be much, much cleaner.

RIEPE: OK. What about tu-- my question I had was, what about tuition payments or donations? You know, some people have children that are studying abroad, you know, are you going to-- if you have to pay the tuition at an expensive school.

KAUTH: Generally speaking, you wouldn't wire cash to pay a tuition payment.

RIEPE: You don't know my son.

KAUTH: I'm so sorry. You know, and that's-- but, again, if that, if that's an issue and that's, that's why I want to hammer this out and say, OK, are there issues that might come up that we would need to make those adjustments for.

RIEPE: Another question I have is, did-- let me play this back, see if I heard right. Oklahoma and several other states are concerned, but Oklahoma, as I, as I heard it, I think I heard $5 and 1%.

KAUTH: Yeah, $5 for the first $500 and then at-- over $500, $5 plus 1%.

RIEPE: Plus 1%. And you're looking at 10%.

KAUTH: That's, that's what the original bill was. So that's-- we have significantly-- the amendment is Oklahoma's.

RIEPE: OK. My other concern would be is, particularly coming as an Omaha senator, you know, my guess is south--there's a South Omaha Bridge, as it's called over at Iowa, my sense would be is, that would be the logical place for anyone living in south Omaha, which is a lot of Hispanics, would instead of driving north or west, they're going to go east. And if we avoid it, we, we miss out on everything.

KAUTH: And certainly--

RIEPE: That wouldn't happen so much in Lexington, where you're out in the middle of the state.

KAUTH: Certainly a potential.

RIEPE: Yeah. OK.

KAUTH: As with any of the, the things that we look at doing in Omaha, there's always that chance that they cross the bridge.

RIEPE: Yep. Thank you.

JACOBSON: Thank you, Senator Riepe.

RIEPE: Thank you. Thank you, sir.

JACOBSON: Senator Hallstrom.

HALLSTROM: Thank you. Senator Kauth, I just checked quickly, I think Oklahoma passed their law in 2009.

KAUTH: OK, so it's been 15, 16 years.

HALLSTROM: Yeah, there are, there are a lot of opponent letters that were submitted online. But one ray of light amongst all the opponents is the Center for Rural Affairs indicates that the single other state with any remotely comparable law is Oklahoma, which imposes an extra fee of just 1% on wire transfers made to a recipient outside of the United States. So thank you.

KAUTH: Thank you.

JACOBSON: Senator Dungan.

DUNGAN: Thank you, Chair Jacobson. Sorry, I--

KAUTH: That's OK. This is great. I'm getting my exercise.

DUNGAN: Yeah, we're having a conversation. I want to follow up a little bit on something Senator von Gillern said just from a policy perspective. So to his point, if a company decides to do business outside of the United States of America, we don't penalize that. But what we're talking about here is a potential penalty, essentially, an extra tax for an individual who is trying to remit money to, say, a family member. Does that seem like a policy goal that we should want to push forward? If the goal is to continue to, I guess, have people operate in the United States and not send money elsewhere, it just-- it seems like we're going after the wrong people in this circumstance. I mean, the business is doing business in China to that point or spending a lot more money than people who are doing remittances back home for grandma who need some cash.

KAUTH: And, and we are seeing that, actually, on the federal level right now with the tariffs, the discussion on the-- our products are "tariffed" going to foreign countries. We're starting to look at tariffs for things coming here so that-- this is kind of a micro tariff.

DUNGAN: OK. And I just-- I think that that's my concern, obviously, just zooming out and getting out of the nitty-gritty. It's that we're--

KAUTH: I thought you would like this one because there's money attached to it.

DUNGAN: Well, I'm not always in favor of the new taxes, but I certainly see where you're coming from with this. I just-- I have a concern that what we're doing is we're penalizing people who are trying to help out their family.

KAUTH: Sure.

DUNGAN: And, you know, we can continue having the conversation and I'll be open-minded about it. But that's where my concern comes in. But thank you for answering my questions.

KAUTH: Of course.

JACOBSON: Other questions? Senator Riepe.

RIEPE: Thank you, Chairman. Follow-up question. Something in my memory recalls, recalls that the Trump administration was putting some restrictions on Cuba. Does that ring a bell with you?

KAUTH: As far as right--

RIEPE: They were trying to slow down the funds going from the United States to be sent to Cuba specifically?

KAUTH: I have not--

RIEPE: Not Mexico, but Cuba.

KAUTH: Yeah, I have not seen that. I've-- nothing I've read specifically about that. But there's been a lot coming out.

RIEPE: I know. I thought I-- somebody can--

KAUTH: And for, for a long time we had said you can't-- I mean, Cuba was-- used to be on the list where you couldn't send money to. Correct? And Iran and other--

RIEPE: And then, I think, some administrations came back and allowed it and then I heard that Trump was in the process of--

KAUTH: Reinitiating that. OK.

RIEPE: --stopping that flow again.

KAUTH: OK.

RIEPE: Maybe I dreamt it. Thank you, Chairman.

JACOBSON: Other questions from the committee? Kind of just for what it's worth, as you look at the definitions of the Money Transmitter Act of person would include entities as well. Yeah, in the definitions, so.

RIEPE: OK.

KAUTH: Thank you.

JACOBSON: All right, with that said, thank you, Senator Kauth. And I would ask for the first-- are you going to stick around for close?

KAUTH: I'm going to try. I have another bill.

JACOBSON: All right. We won't hold you to it. If you're not here, we're going to go on without you.

KAUTH: Absolutely. Thank you.

JACOBSON: I'll ask for that first proponent. Welcome.

SHARI RENDALL: Thank you, Chairman Jacobson, Vice Chair Hallstrom, and other distinguished members of the committee. Thank you so much for the opportunity to testify before you. My name is Shari Rendall, S-h-a-r-i R-e-n-d-a-l-l. I'm the Director of State and Local Engagement for the Federation for American Immigration Reform, which is a nonpartisan organization concerned with immigration issues to reform them to serve our nation's interests. We were founded in 1979. We have 3 mem-- 3 million members nationwide, including about 3,000 in Nebraska. According to our cost study, we had in 2019, there were $150 billion that were remitted out of the economy. In 2021, based on the World Bank, the remittances from the U.S. to other countries totaled over $200 billion, with Mexico, India, Guatemala, Philippines, and China being the top five receiving countries. Mexico is the primary beneficiary of remittances. They received $63 billion in 2023 and $60 billion in 2024. Foreign nationals, who many are illegal, send a significant percentage of their salaries to, to-- out of the country. What we have found is anywhere from 17 to 30% of their salaries are sent abroad. This is money that is removed from the U.S. economy, which is not spent on goods, goods or services. And what this does is it, it places a burden to provide public services on local jurisdictions that need to make up the lost revenue elsewhere. A lot of the individuals for remitting moneys may not be taxed on that money. They may be getting the money under the table through other jobs. And so this is actually a loss. It's not an actual double tax. While remittances do help individuals in their home country, the remittances are not limited to legitimate money transfers. What we've seen is cartels have co-opted wire transfer companies like Western Union and used them in their trafficking operations. A Reuters report in 2023 found the drug cartels were using remittances to wire drug profits home. The cartels are hiring individuals on both sides of the border to move small sums that are difficult to trace to the narcotic kingpins. As the legitimate remittances have ballooned, it's been easier for them to launder the money. According to Reuters, up to 10% of all Mexican-bound remittances, $4.4 billion may be drug money moved by cartels like Sinaloa and Jalisco. I guess, I see my time is up.

JACOBSON: Thank you. There may be some questions here from the committee. Any questions? Senator Dungan.

DUNGAN: Thank you, Chair Jacobson. Thank you for being here. Are you concerned if we tax these, as you put it, legitimate remittances, that's just going to force people to utilize more illegitimate means to get money to other countries?

SHARI RENDALL: Am I concerned with that? I, I think right now what we're seeing is the opportunities are already available for people who want to use legitimate means to get money out of this country. But they're also finding that in order to avoid detection, using people who don't have criminal records, who don't have any red flags, for example, would be easier for them to be able to send this money abroad.

DUNGAN: But if we are de-incentivizing the use of legitimate remittances by adding a tax, won't that push people to potentially utilize other means of illegitimate transfer of money, which it sounds like is one of your number one concerns?

SHARI RENDALL: I-- well, right now, there are legitimate ways that you can transmit money using a bank account. Wouldn't necessarily be caught up in this, this legislation. I don't believe that individuals who remit the money to their families are necessarily going to look for illegitimate ways to remit that money. They are going to, what we've seen through COVID, is they're going to continue to remit money whether or not businesses are closed or whatever. That's, you know, one of their purposes.

DUNGAN: And, I guess, the last question I have. If, if one of the concerns of your organization is more people coming to the country illegally, isn't it fair to say that allowing remittances or, I guess, encouraging remittances could potentially help funnel money to individuals in other countries, which allows them to stay in their country?

SHARI RENDALL: I believe that remittances just encourage people to come into the country to be able to send money back home. Well, that's what we've seen. So by placing a fee on those remittances, you may discourage more people from actually leaving those countries to, to come to the United States.

DUNGAN: Well, it just seems like it's six one way half a dozen the other where if you're de-incentivizing remittances, more people might need to come to the United States for the opportunity we have here, as opposed to sending the money back home to the rest of the family. So less people are coming across the lines, I guess, is what I'm getting at. But this hasn't been implemented very many places, so we don't know for sure. But thank you for being here. I appreciate it.

SHARI RENDALL: Thank you.

JACOBSON: Yes, Senator von Gillern.

von GILLERN: Yeah, thank you for your testimony. A couple of questions. You mentioned that some of these individuals presumably are being paid under the table, so their wages are not being taxed and then the money is leaving the country, that clearly those are two different issues. And someone without-- under the table is one issue, the money leaving the country is the second issue. Would you agree?

SHARI RENDALL: Yes.

von GILLERN: OK. Thank you. The-- you mentioned in your testimony that the income that leaves-- presuming they aren't-- their income was taxed, the 17 to 30% that leaves the country and goes abroad is removed from the U.S. economy and not spent on goods or services, therefore, not-- I'm reading from your, from your testimony-- this money is not subjected to sales taxes, excise taxes, restaurant taxes, as well as other consumption taxes, which is true, but the same would be true if you put that money in a savings account. True?

SHARI RENDALL: Yes.

von GILLERN: OK. So if I choose to live modestly and not spend all of my income, that doesn't all get taxed. So I, I don't see as, as very compelling. The comment about the cartel, comment about the cartels using wire transfer companies and money transfers for 1%, will they stop using that to launder money?

SHARI RENDALL: I think the cartels want to have the path of least resistance. And by putting a fee on remittances, you are dissuading them. I have looked at Nebraska in 2024, $255 million left the state, and that was according to the Bank of Mexico.

von GILLERN: OK. The estimate-- and, and really interested in the-- your second to the last paragraph about the estimated number of illegal aliens in Oklahoma and Nebraska. I'm curious where-- you say that came from a FAIR's 2023 cost study?

SHARI RENDALL: So we estimated there were 56,000 illegal aliens in the state of Nebraska. That's not just an illegal workforce, that was the total number of illegal aliens in the state. So, obviously, not all 56,000 are going to be remitting money.

von GILLERN: OK. Not all, and not-- yeah, not all would be in the workforce.

SHARI RENDALL: Yeah.

von GILLERN: OK. All right. Thank you.

JACOBSON: Other questions from the committee? If not, I, I just have one. I, I maybe point out that obviously the banking industry and the, and the money transmitters, because of their regulation, they're transparently moving money. OK? We know where it's going. We know who it came from. We have records. It's all there. You know, as we look at cryptocurrency, for example, how do you pay for an attack on your computer system? They use crypto because it's, it's not transparent. It can be, it can be hidden once the money leaves. We don't know how to track it. We had a bill in this committee, it's gone, it's been moved to the floor, will likely have some amendment. But that bill really deals with crypto kiosks. So right now we're putting-- well, the bill would include caps, but you can take money from whatever source, feed it into the machine and then transmit that money to a crypto wallet of some kind and move that money. Now, in fairness, the operators of those, of those kiosks are subject to the same regulations. Banks are for over $10,000 deposits, which I think are, I say deposits, money fed in. I think that the bill that's been introduced so far would limit that to $10,500 per transaction or per day. But there's a lot of days. But what's stopping them from being the preferred source right now would be the fees. But at some point, I expect those fees will come down. And so I do share some of the other concerns here that if there is a will, there's a way. And I would expect that, that crypto will play a role in how this gets to, ultimately, transmitted. And probably the kiosks are, are the start of it. But it's-- if there's going to be-- the, the fees are prohibitive at this point because those fees are 10, 15% of the transaction. So I guess I-- do you have any thoughts as it relates to that mode?

SHARI RENDALL: I could see the cartels actually starting to branch out into that. Their technology, their, their knowledge is such that that could be a concern in the future and their willingness to adapt. If they were a legitimate corporation, they would be a significant competitor to Walmart in this country. But I can tell you, cartels are in every major city. And if we don't start addressing that, I, I think there's some real issues that we're going to have. And this is just one tool that-- one avenue that we can pursue. It's not the only, but it is something that is needed.

JACOBSON: And one other question, I guess, it, it gets back to, really, Senator Wordekemper's comment, is that when we cast a net, we catch a lot of fish. And some of the fish we intended to catch and then there are a lot of fish that we did not intend to catch. And I, I would be concerned about the service member that's overseas, the person who lost their credentials, lost their wallet, have no way to access their bank accounts and the money transmitted to them in some fashion. And how do we avoid catching them up in the net?

SHARI RENDALL: So I know in Oklahoma, they actually, if you file your state income tax, give you a refund for the fees that you did pay. In that respect, something like that could be done here in Nebraska so that transfers like that would be refunded to the individual.

JACOBSON: And I would just note, I think the banking director is taking note as he adds up a higher fiscal note as to how he is going to possibly track those pieces to it. I think we need to keep that in mind. That's why the fiscal note is so large on this is because we're, we're trying to put conditions and so on in place that might make it in-- make, make a whole new agency just to track those transfers. So just, just precaution that we, we have to keep that in mind as well. Other committee questions? Yes, Senator Hallstrom.

HALLSTROM: Senator Jacobson's question was limited to the military exemption or something of that nature. Are you suggesting in Oklahoma that they've got a, a provision that anyone that pays the fee can qualify for a refund as long as they file a tax return?

SHARI RENDALL: They do allow that in Oklahoma to-- if you filed your, your taxes, what they have found is that out of that, they believe 90% of the people remitting money are those who are not in the country legally.

HALLSTROM: And, therefore, are not filing tax returns and not claiming the refund.

SHARI RENDALL: Yeah.

HALLSTROM: OK. Thank you.

SHARI RENDALL: And that-- and they are raising about $13 million annually from, from the remittance fee.

HALLSTROM: Thank you.

JACOBSON: All right. Other questions from the committee? If not, thank you for your testimony.

SHARI RENDALL: Thank you, sir.

JACOBSON: And welcome, Clerk Schunk, to come back to the, the preferred committee. She shares time with the Exec Board. And so I left the Exec Board to come here, but, obviously, our clerk did not. So it's nice to have you here. Welcome.

DOUG KAGAN: Good afternoon. Doug Kagan, D-o-u-g K-a-g-a-n, Omaha, representing Nebraska Taxpayers for Freedom. We believe that the migrants should pay a remittance fee on each money transmission transaction. Illegal aliens send back billions in remittances to their home countries, states the Federation for American Immigration Reform. According to the Center for Latin America Monetary Study, Central American and South American immigrants send back home from 17 to 30% of their pay. This money, often wired from cash payments, occurs regularly in Nebraska. Therefore, no sales, income or consumption taxes paid on these cash labor payments. When illegal aliens remit portions of their income to home countries, it places more pressure on local jurisdictions and the states where they reside to obtain that lost revenue from citizen taxpayers-- pressure on local jurisdictions in the states where they reside to obtain that lost revenue from citizen taxpayers because remittances from direct cash payments do not generate tax revenue that pays for public services. This could result in higher overall tax rates. Remittances represent the largest source of foreign income for many developing countries not spent here and, therefore, does not help our Nebraska economy because dollars siphoned off means less money spent on goods and services in Nebraska communities where illegal aliens live. Our state can use this fee to pay for services like education and free school lunches afforded illegal alien children and for emergency medical benefits for adult illegals. The opportunity to send remittances home is one of the important motivations for migration here. Demanding remittance payments would discourage some illegal aliens from residing here and working in Nebraska. Requiring them when sending remittances to prove that they have authorization to reside and work here actually would discourage their residency. It will help stop under-the-table wage payments that undercut other wages. It would encourage illegals to send back less of their earnings and, instead, purchase Nebraska consumer goods to ship home, which would stimulate our economy and generate tax revenue. Also consider that numerous foreign nations charge departure taxes added to airfares. If not taxed, this continual outflow of capital stunts instead of encourages commercial activity necessary to advance third-world countries. It seems unfair to expect Nebraska taxpayers to pay for the operations and upkeep of our communities while illegal aliens divert capital to support commerce in home nations, particularly when these nations already receive generous U.S. foreign aid. Remittances cause dependency on this incoming flow of capital, instead of pushing third-world countries to create their own sustainable local economies. Remittance payments act like a welfare program, discouraging participation in the labor force. If financial needs met by migrants abroad, no need to pursue job training--

JACOBSON: I'm going to have, I'm going to have to ask you to wrap up your comments. You've got a red light on.

DOUG KAGAN: OK. There's just one paragraph.

JACOBSON: I, I don't want a whole paragraph. Just-- I'll let you stop here.

DOUG KAGAN: OK.

JACOBSON: Thank you. OK. Questions from the committee? Yes, Senator Riepe.

RIEPE: Chairman, thank you. Thank you for being here. One question. I, I was reading through your document here and it says that-- my concern would be is, with the assumption that a migrant is here legally and is remitting. The question is to me is there's a certain impact then on the workforce. And I know that's a major concern of both the governor and the Chamber of Commerce and everyone else in terms of having the workforce if they are here legally, too. Do you have a reaction to that?

DOUG KAGAN: Yes, they would have to pay the fee on a remittance, too. But that's kind of another issue, too, because it's debatable whether we actually don't have enough people available to work here.

RIEPE: I just see this [INAUDIBLE] want to-- anything regardless of what percentage would do, it would be a disincentive for, maybe, them to stay and be on our workforce as opposed to Colorado or Iowa or someplace else.

DOUG KAGAN: Yes, it would.

RIEPE: OK. Thank you, Chairman.

JACOBSON: Senator Dungan.

DUNGAN: Thank you, Chair Jacobson. Mr. Kagan, it's good to see you in here. I normally see you in Revenue, not in Banking.

DOUG KAGAN: Yes.

DUNGAN: You say in your statements, remittance payments act like a welfare program. One of the things I think we hear often when discussing government benefits or welfare is the people who are generally opposed to that say they wish that more philanthropy would happen. The more people would donate money to other folks, that we should rely on the private sector to give money to individuals who need it. Isn't that exactly what remittance is? Isn't it private individuals giving their money to other individuals in lieu of government spending?

DOUG KAGAN: Is that-- was that the third paragraph you're referring to?

DUNGAN: Second to last. You said remittance payments act like a welfare program, discouraging participation.

DOUG KAGAN: OK. Let me explain that. It, it, it doesn't-- it discourages participation in the labor force in the foreign countries, not here. Because if, if somebody is sending remittance payments, which is a lot of money to a family, say, in Mexico, that's a disincentive for that family to go out and get a job if they're getting most of their money from the United States.

DUNGAN: OK. I understand where you're coming from. Thank you, sir.

DOUG KAGAN: Yeah.

JACOBSON: Other questions? All right, seeing none, thank you for your testimony.

DOUG KAGAN: OK.

JACOBSON: Further proponents? Any other proponents?

SUSAN GUMM: My name is Susan Gumm, S-u-s-a-n G-u-m-m, and I'm from Omaha. Mr. Chairman and members of the Banking, Commerce and Insurance Committee, I am here today in support of LB201. Protecting the core economic interests of Americans is one of the primary reasons for immigration laws. Decades of inadequate enforcement of our immigration laws has resulted in a never-ending wave of illegal immigration to the United States. Illegal aliens come with the expectation that they can work illegally and send money to their home countries. The ability to send money home is a huge economic incentive for foreign national-- nationals to enter the U.S. illegally. American dollars are generally worth significantly more than the local currency in developing companies-- countries. The money transaction fees in LB201 could discourage illegal aliens from sending wages back to their home country and out of our economy. And the fees would also penalize cartels and other criminal organizations who profit from drug and human trafficking and send their illegally obtained funds to other countries. These fees are a financial tool we can use to make it harder for those involved in illicit activities to do business. Making it more difficult for the criminals might encourage them to move their operations out of our state. Illegal aliens may arrive in the U.S. with little or no money after paying the cartels or other human smugglers who bring them here. That leaves taxpayers to pick up the costs for their education, health care, law enforcement, and social welfare. Illegal aliens are not typical taxpayers, and those who work in the underground economy may not even be paying taxes. Offsetting the fiscal costs of illegal immigration are the taxes collected from the illegal population at the state and local level. However, their tax payments fail to cover the costs of the many services they consume. Once illegal aliens begin making money, many will probably send a portion of their wages home. Our Nebraska economy loses when wages earned here are not spent here. Money sent to other countries means less money spent on goods and services in Nebraska communities. And the state also loses revenue from consumption taxes such as sales, excise, restaurant, etcetera. It is both unfair and unreasonable to expect working Nebraskans to pay for the operations and upkeep of their communities while their immigrant neighbors divert capital to support communities in foreign countries. Money earned by legal workers is far more likely to remain here, be spent locally, and stimulate economic growth. For too long, taxpayers have been forced to bear the financial burden for flawed immigration policies that put the interests of foreign nationals and foreign countries ahead of those of U.S. citizens. States may not be able to prevent illegal aliens from entering the country, but they can deter them from taking up residence within their jurisdictions. LB201 fees would at least allow our state to recoup a portion of our lost tax revenue. Thank you.

JACOBSON: Thank you. Questions from the committee? OK. Seeing none, thank you.

SUSAN GUMM: All right. Thank you.

JACOBSON: Further proponent testimony? How are you?

ALAN SEYBERT: Good, thanks. Alan Seybert, A-l-a-n S-e-y-b-e-r-t. I live in Omaha, and I'm a member of the Nebraska Taxpayers for Freedom. Thank you for letting me exercise my right to free speech by testifying before this committee. We should take any steps necessary to stop illegal immigrants and drug cartels from breaking our nation's laws, then using the proceeds to further their illegal activity. Wire transfers have been used for a long time as one way for money obtained in the United States to be moved elsewhere. Charging a fee would help fund the effort to monitor illicit activity and restrict it. Paying a fee to use a service is commonplace and does not place a burden on anyone. The fee is for money transfers, but I hope the funds generated are not restricted to just monitoring wire transfers. Any method used to move funds internationally should be monitored. Letters of credit, for example, can be used without actually transferring money. They have a legitimate business need, but like anything else financial, can be corrupted. I hope Nebraska coordinates with other state and federal efforts. There is a difference between deposits into savings or checking accounts and money transferred out of the country. Deposits into banks allows the bank to loan more money for which, which helps the U.S. economy where transfers do not.

JACOBSON: Thank you. Questions from the committee? I guess I have one. You mentioned letters of credit. So how are letters of credit being used to illegally move money?

ALAN SEYBERT: They may not be-- illegally being used there. What I'm saying is they, they could easily be used. Letters of-- a letter of credit is, is quite literally a letter.

JACOBSON: Well, I'm pretty familiar with a letter of credit. That's why I'm curious as to whether we're talking about the same thing.

ALAN SEYBERT: Because that money could be, that money could be deposited into another bank.

JACOBSON: Not through a letter of credit.

ALAN SEYBERT: The letter of credit becomes--

JACOBSON: You might look up the def-- you might want to look up the definition of a letter of credit.

ALAN SEYBERT: The letter of credit, though, has got to be based on-- it's got to have some kind of collateral backing.

JACOBSON: It does.

ALAN SEYBERT: And that collateral loans could be cash deposited into a bank.

JACOBSON: Yeah, I, I think we're on different pages here. That's not how standby letters of credit work. But thank you.

ALAN SEYBERT: Because I used, I used those in-- one of the companies that I worked for set up offshore reinsurance companies, and they used letters of credit quite a few times.

JACOBSON: Is that who you're targeting, people that are sophisticated enough to set up offshore accounts to move money?

ALAN SEYBERT: If they've got enough money to be able to do that, which cartels would.

JACOBSON: OK. So, so you're looking at cartel payments now at this point.

ALAN SEYBERT: Yes.

JACOBSON: OK. All right. Other questions from the committee? All right. If not, thank you for your testimony. Further proponent testimony? How are you?

JIM NIPPER: Very good, thank you. My name is Jim Nipper, J-i-m N-i-p-p-e-r, and I'm from Lincoln, Nebraska. And I'm going-- I submitted this letter, this presentation I've got, but I'm going to depart a little bit just because I've had some ideas sort of come up as you all were discussing this. But I'll try to hold to it a little bit. The Americas Quarterly publication indicates that more than $100 billion in remittances, money earned by people who have entered our country, often illegally, has been sent to Mexico and Central America in 2024 alone. In fact, the AQ, Americas Quarterly, publication states that a record $159 billion in remittances were sent to the U.S.-- from the U.S. to all Latin America last year. That's up $62 billion from just a decade ago. In other words, the dollar amounts of these remittances are growing at an astronomical rate. And so per the discussion that some of you-- or good questions you brought up, you know, during other presentations, might-- and a thought that occurred to me was, has the U.S. reduced its foreign aid to other countries to compensate for this explosion in remittances? My guess is that it hasn't and that it probably won't and doesn't have plans to do such a thing. So I-- to me, that's a, a, a critical thing to consider. I hope you will also consider-- oh, excuse me, I don't have figures for how much remittance money is sent out of the country through Nebraska. But you know that an agricultural, agricultural state such as ours plays a significant role in these figures. I hope that you'll consider LB201 as a way to start reducing and recouping this dramatic outflow of wealth from our state. I hope that you will also consider LB201 as a way to keep Nebraska from being viewed as an attractive state for those who violate our immigration laws. The piece I mentioned in Americas Quarterly, which is a American-- Latin American advocacy publication, admits that taxes and fees on remittances could significantly reduce the flow of remittances and wealth out of the United States. This is also relevant to some of the points that the committee has brought up. I'm not proud to admit it, but this legislative body, I'm not talking about you specifically as individuals, but as a group, that, yet, Nebraska Unicameral has in the past seemed to work at the behest of local chambers of commerce and small businesses to make our state an attractive place for low-cost labor that has entered our country illegally. Such things as prenatal care, in-state college tuition, and driver's license for illegal immigrants, all measures passed by the Unicameral seem to bear this out. Please place the interests of those who voted for you, those Nebraskans and U.S. citizens that are responsible for the seat you occupy, occupy in the State Legislature, above the interests of those from elsewhere. Please advance LB201 to the floor of the Legislature. Thank you.

JACOBSON: Thank you. Questions? All right. Seeing none, thank you for your testimony. Further proponent testimony? All right. Seeing none, any opponent testimony? Welcome, Mr. Harr.

BURKE HARR: Thank you, Chair Jacobson, members of the Banking, Commerce and Insurance Committee. My name is Burke Harr, H-a-r-r, and I'm appearing as a registered lobbyist on behalf of The Money Services Round Table. I also-- the page is passing around a letter from the Electronic Transactions Association, the Money Services Business Association, The Money Services Round Table, and the Financial Technology Association. The Money Services Round Table, our company is licensed to be money transmitters that provide a variety of nonbank money transmissions, including stored value prepaid accounts, bill payments, and domestic and cross-border fund transfer. The Money Service Round Table is comprised of the leading nonbank money transmitters, including Ria Money Transfer, American Express travel-related services, Western Union, and MoneyGram. We oppose the tax that would be imposed by LB201 for the following reasons. It chooses winners and losers. The tax would only be imposed on, on, on licensed money transmitters and not on other financial institutions in Nebraska that provide similar cross-border fund transfers. Typically, fund transfer services provided by, say, a bank, if available at all, are more expensive, less convenient, and slower. It will harm local businesses. Many licensed money transmitters offer services through a network of retail agent locations such as convenience stores, grocers, pharmacies, and other small businesses. The tax will make money transfers offered through the Nebraska businesses more expensive and discourage the use of these services. These businesses will lose direct revenue associated with providing these services as customers turn to alternatives for these needs. They will also lose revenue from the drop in traffic as customers seek alternative funds for transfer services. Additionally, Nebraska businesses that rely on licensed money transmission companies for these payments will face added cost in paying suppliers and others, which will make challenging business climate even more difficult. Finally, it will harm consumers. The tax would significantly increase the cost of money transmission services for Nebraska residents. Individual customers will be harmed by the burden of the added cost of sending money to family or friends and customers that use money transmission services to make high-dollar transfers such as to pay for college abroad will, will face exorbitant taxes. And all-- like all substantial tax increases, LB201 will significantly erode the spending power of everyday Nebraska residents. It can harm law enforcement efforts to prevent and detect money laundering. The tax risks distorting customer behavior as Nebraska residents seek to mitigate its impact. It may, therefore, also harm law enforcement efforts to prevent and detect money laundering. The cost imposed by the new tax may encourage Nebraska residents to turn to unregulated and unmonitored channels to transmit their money. Thank you.

JACOBSON: Thank you. Thank you for respecting the time. You got that timed pretty good. Senator Dungan.

DUNGAN: Thank you, Chair Jacobson. Thank you for being here, sir. I noticed this in your written testimony, and I guess if you can just speak to it briefly because I know you ran out of time there. Can you speak a little bit to the interplay between this bill that we're, we're talking about now and then the one that we just heard earlier with LB473 as it pertains to the model code? This is not-- none of this that we're talking about with LB201 is contained in the suggestions from the model code to unify us with other states. Right?

BURKE HARR: That is correct.

DOUG KAGAN: So that would put us out of, I guess, line with what a lot of other states are trying to do right now.

BURKE HARR: Correct. I always get a little leery with models' codes. Some models are better than others. But, yes, this would put us out of context with that model.

DUNGAN: OK. I think that was the only question I have. I do think it was very brave of you to take a direct shot at the banks in front of Senator Jacobson and Hallstrom here, so.

BURKE HARR: In fairness, that was just to Senator Hallstrom.

JACOBSON: That's good. In fairness, would not the, the Financial Innovation Act deal with a lot of what we're dealing with here?

BURKE HARR: Absolutely.

JACOBSON: Which is why it wasn't included in the, in the model code.

BURKE HARR: Correct. Thank you.

JACOBSON: Because we were already ahead by 2 or 3 years. I think 3 years ago was when the Financial Modernization [SIC] Act was passed in Nebraska, the leader in new technology.

BURKE HARR: That is correct.

JACOBSON: All right. Other questions? Senator Hallstrom, surely you've got something.

HALLSTROM: I seem to recall working with you at one point on a model uniform law commissioner act, but that's for a different story.

BURKE HARR: It was my very first bill, the UCC. That is correct.

HALLSTROM: Yes. Your opposition is to the bill as introduced. Have the groups that have joined in on your letter have any thoughts on, number one, the reduction that's proposed under the amendment that Senator Kauth has presented if you've had a chance to look at it or, independently, if you know the experience in Oklahoma, if it's had-- if, if that would be a better alternative for, for your group?

BURKE HARR: Well, first of all, I did talk to the senator this morning and she gave me a heads-up about this bill. So I want to thank her for that. And we did discuss the Oklahoma process with our members, and they equally oppose that because it does not address the real concerns that they have with this bill, which is, again, it, it, it doesn't achieve what it is intended-- what they say is intended to achieve, but rather serves other purposes.

HALLSTROM: Thank you.

JACOBSON: Other questions? I just want to note that the money transfer services-- The Money Services Round Table--

BURKE HARR: Yes.

JACOBSON: --has to be the longest acronym I've ever seen for [INAUDIBLE]. I just was-- just wanted to note that.

BURKE HARR: So now you know why I was suffering. Thank you.

JACOBSON: That's right. That's right. All right. Seeing no other questions, thank you for your testimony.

BURKE HARR: Thank you.

JACOBSON: Further opponent testimony?

NICK GRANDGENETT: Good afternoon, my name is Nick Grandgenett, spelled N-i-c-k G-r-a-n-g-e-n-e-t-t. I'm a staff attorney with Nebraska Appleseed, testifying in opposition to LB201. We do appreciate Senator Kauth's efforts to try and raise revenue for the state, but we do have a couple of concerns about LB201 from a constitutional standpoint and also just a practical standpoint. First, from a constitutional standpoint, it's typically only the federal government that has the authority to regulate interstate commerce as this bill taxes financial transactions between people in different nations, it may run afoul of the Commerce Clause. Second, in a more practical sense, we live in a complex global world where it's commonplace for people to transfer money to family in other countries. For immigrant Nebraskans, it's not uncommon to send small sums of money to family living in another country. These are really small sums of money that have a tremendous impact on people's lives to help buy food, pay living expenses, and purchase other necessities. At the same time, it's important to remember that the vast majority of the money that people earn stays in Nebraska and supports local economies. Immigrant Nebraskans are valued members of our families, communities, and state. This tax will only make it more expensive for them to balance the obligations they have here in the United States and with their families. I think it's also important to remember that immigrant community members already make substantial tax contributions to the state and country. Immigrant Nebraskans pay $1.3 billion annually in taxes at all levels, including federal, Social Security, state, and local. Even undocumented Nebraskans alone pay $113 million annually in state and local taxes, which doesn't include federal or Social Security taxes. And then, like others have noted, we also are concerned about other scenarios beyond immigration with transferring money to military members overseas, parents supporting students who are studying abroad, and those types of scenarios. With that, I will conclude and thank you for your time and happy to answer any questions.

JACOBSON: I'm just curious, you are questioning the constitutionality of it based upon that we would be taxing people in other countries. Aren't we taxing the person here?

NICK GRANDGENETT: I think it's-- the concern would be that it starts to regulate interstate commerce. So the federal constitution says that it's only--

JACOBSON: I, I don't know how it does that. It charges a tax.

NICK GRANDGENETT: Charges a tax. Correct.

JACOBSON: Right. I don't know how it interferes with interstate commerce, we'll move the transaction for a fee.

NICK GRANDGENETT: I think it's, it's that the constitution says only Congress itself has the authority to regulate interstate commerce.

JACOBSON: So all of our money transferred or fees are all illegal?

NICK GRANDGENETT: I wouldn't go that far. And maybe I'm misunderstanding the question.

JACOBSON: Well, I, I guess, I'm just trying to figure out how interstate commerce would play a role in a fee that would be charged by the state of Nebraska and, clearly, Oklahoma's passed one.

NICK GRANDGENETT: For sure.

JACOBSON: And I don't know that there's been any constitutional issues raised. So I'm curious why there would be one here.

NICK GRANDGENETT: That's a good question. I have to look closer at the Oklahoma law.

JACOBSON: I'll take it.

NICK GRANDGENETT: Sure.

JACOBSON: Other questions from the committee?

HALLSTROM: In 16 years--

JACOBSON: Senator Hallstrom, go ahead.

HALLSTROM: Thank you. Thank you. In 16 years, you're not aware of any constitutional challenge based on those infirmities from the state of Oklahoma?

NICK GRANDGENETT: I am not. It's also interesting that only Oklahoma has done it and no other state has. So there could be concerns other states have noticed that has caused them to not implement this tax.

HALLSTROM: And from the figures that you noted from the amount of income taxes paid, where, where did you derive that-- the data?

NICK GRANDGENETT: Yeah. So the, the American Immigration Council, they have a study that came out in 2022 and then also the Institute on Taxation and Economic Policy also tracks state and local taxes paid by immigrants.

HALLSTROM: OK. Thank you.

NICK GRANDGENETT: Yep.

JACOBSON: Other questions? All right. Seeing none, thank you.

NICK GRANDGENETT: Thank you.

JACOBSON: Further opponent testimony? Welcome.

RON SEDLACEK: Thank you, Chairman Jacobson and members of the Banking, Commerce and Insurance Committee. For the record, my name is Ron Sedlacek, R-o-n S-e-d-l-a-c-e-k, here on behalf of Nebraska Chamber of Commerce and Industry in opposition to LB201. For the chamber, this bill singles out a money transfer system with a punitive tax on that very one industry. No one else. Anyone who needs to send money or receive money quickly, who may not have a banking relationship, the sender and the remitter through the remittance and the receiver may not have any of those that-- those two parties may not have such a relationship, any of the two or both, it will affect, obviously, those, those persons. And I'd like to for a moment just also affirm that what Senator von Gillern and Senator Jacobson pointed out, the definition of person under the bill would include not only individuals, but also corporations, LLCs, LLPs, and other business entities. So it is rather expansive. Now, most people think of money transmis-- transmitters as main convenience. That's fairly fast and simple for those that might not be in bank, and that's because they have friends or relatives living or working in a foreign or traveling in a foreign country. They could be students abroad. But there's also businesspeople who need to have the convenience of fast and simple remittances transferred. And depending upon that transmitter and, and its global network of agents, it allows a person or commercial enterprise to send money to multiple countries and territories worldwide. The money can be sent directly to bank accounts worldwide, it can be for cash pick ups at agent locations or through mobile wallets. And the application also can apply to payroll processors where you may have a Nebraska company, as an example, that has sales forces that are working overseas or employees working overseas. They may be in jurisdictions where the banking relationship may be somewhat tenuous and they would rather have a direct and more trustworthy system to make those transfers in those particular, in those particular jurisdictions. We have global ACH payment systems, obviously, Venmo, PayPal, etcetera, that can always be used. Again, this is singling out this one particular industry saying, well, we're going to put a punitive tax on you for whatever purpose has been articulated and we would oppose that.

JACOBSON: Thank you. And just to be clear, unlike Senator Harr, former Senator Harr, who took a direct assault at the U.S. banking system, that yours was on the foreign banking system.

RON SEDLACEK: There you go.

JACOBSON: [INAUDIBLE]

RON SEDLACEK: That's correct.

JACOBSON: All right. Questions from the committee?

von GILLERN: Right here.

JACOBSON: Yes, Senator von Gillern.

von GILLERN: Thank you, Senator Jacobson-- Chair Jacobson. I don't know if I have a question or comment here. I, I heard you use, use the word tax repeatedly. The amendment uses the word fee and the fees are to be remitted to the state treasurer for credit to the Financial Institution Assessment Cash Fund. Setting my personal potential offenses aside, if it was a tax, it would be in front of the Revenue Committee so--

RON SEDLACEK: Yeah, there was a bill introduced in 2008 by Senator Karpisek that addressed this particular issue. And it was in front of the Revenue Committee.

von GILLERN: OK. All right.

RON SEDLACEK: But it was a fee.

von GILLERN: Interesting. Thank you.

JACOBSON: It's who you know on the Referencing Committee.

von GILLERN: I'm not offended.

JACOBSON: Yeah. All right. Other questions from the committee? All right. Seeing none--

RON SEDLACEK: Thank you.

JACOBSON: --thank you. Other opponents? Anyone else wishing to speak opposed? All right. Seeing none, anyone wishing to speak in the neutral capacity? Any neutral testifiers? All right. Seeing none, Senator Kauth has chosen to testify in another committee so she will not be here to close. We did receive 1 proponent testimony letter-- excuse me-- 15 opponent testimony letters, and the committee did not receive any written ADA testimony regarding this bill. With that, that concludes our hearing on LB201, and we'll move on to LB591. Senator Ballard. And we're of great shape timewise so it's up to you to keep us there.

BALLARD: I'll be brief.

von GILLERN: Take all the time you need.

JACOBSON: [INAUDIBLE]

BALLARD: I feel like I've been spending a lot of time in this committee. All right. Good afternoon, Chairman Jacobson and members of the Banking, Commerce and Insurance Committee. My name is Beau Ballard. For the record, that is B-e-a-u B-a-l-l-a-r-d, and I represent District 21 in northwest Lincoln, northern Lancaster County. Today, I'm here to introduce LB591. Under current law, even if a company owns 50% or more of an affiliate, each affiliate must go through an application and compliance procedure individually. This causes additional red tape and regulations for these parent companies. LB591 would amend Nebraska's Installment Loan Act by implementing two main changes. First, it would remove some overly broad language throughout the statute that could result in unintended regulatory consequences. For instance, in Section 1, line 8, which uses the phrase "otherwise participates," one can interpret current law to include passive investors in entities who have no operational role in the loan management. These investors and entities do not own, acquire, hold, service, market, administer, or otherwise manage loans and, generally, have no interaction with borrowers. Their role is purely passive and their direct activity concerns alone rest within the serv-- with-- within the service. The current dictation of otherwise participates in such loans is vague and risks unintentional applying to passive investors and entities who have no operational role in loan management. Second, LB591 streamlines current redundant regulatory examinations. The present statutory language requires each affiliate involved within current loans to undergo separate regulatory examinations, even when these affiliates share compliant structures with a parent entity, what results in duplicative reviews, high-cost inefficiencies for business and regulators. LB591 would benefit both parties by permitting consolidation examinations at the parent or higher-level entities. This change would maintain strong regulatory oversight while reducing costs benefits consumers. In all, LB591 preserves the intent of the Nebraska Installment Loan Act of protecting consumers and promoting transparency, while [INAUDIBLE] of infusing meaningful clarity into the act, along with improving efficiencies and reducing needless expenditures. Thank you for your consideration. I'd be happy to answer any questions, but there are experts behind me to answer any more detailed questions. I will say, I, I appreciate working with the Department of Banking. They did have some concerns initially, but they will be here to testify in the neutral capacity, and I'm committed to working with them with those concerns and this committee as well.

JACOBSON: Questions for Senator Ballard? All right. Seeing none--

BALLARD: Thank you.

JACOBSON: --thank you. Will you stay for close?

BALLARD: We'll see how it goes.

JACOBSON: We'll see how it goes. All right. Thank you. Proponent testimonies on LB591. Welcome.

BEN KISER: Good afternoon, Chairman and members of the committee. I'm Ben Kiser, B-e-n K-i-s-e-r. I'm the executive director of communications at Nelnet. Recent amendments to the Nebraska Installment Loan Act significantly expanded licensing requirements.

The act requires any company that markets, owns, holds, acquires, services, or otherwise participates in loans to have a license. While Nelnet supports the act's objectives to enhance customer protection and provide transparency, the current law creates substantial regulatory burdens with limited consumer benefits in some cases. LB591 aims to mitigate these burdens in two ways. One, it aims to clarify the phrase "otherwise participates" in such loan. We understand this phrase is meant to apply only to financial participation interest in covered loans. However, it could be easily applied more broadly. For example, when loans are securitized, there could be a dozen or more investors buying bonds secured by the loans. Investors don't own or manage the loans and have no interaction with the consumer. We don't think these types of passive investors are covered by the act. LB591 proposes to better reflect the act's original intent and avoid unnecessary licensing and examination of such passive investors. Number two, increase regulatory efficiency. We also see an opportunity to simplify compliance and enhance efficiency for the Department of Banking and licensees. For a company like Nelnet that may have investments in installment loans in different companies and structures, allowing compliance obligations to be consolidated for those related companies would reduce regulatory effort and cost. As an example, where a business like Nelnet may buy loan portfolios and for tax or business reasons, these portfolios may be held in different affiliates. Each affiliate would be controlled by the same parent. Separate examinations of each affiliate would be redundant and costly for the department as well as the licensee and would not offer clear consumer protection benefits. The measures in LB591 would enhance regulatory efficiency and reduce unnecessary compliance costs while still maintaining robust consumer protections. I'd be happy to answer any questions.

JACOBSON: Questions from the committee? All right. Seeing none, thank you for your testimony. Other proponents on LB591? All right. Seeing none, any opponents to LB591? All right. Seeing none, I think we have a neutral testifier. Welcome, Mr. Director.

KELLY LAMMERS: Chairperson Jacobson, members of Banking, Commerce and Insurance Committee, I'm Kelly Lammers, K-e-l-l-y L-a-m-m-e-r-s, Director of the Nebraska Department of Banking and Finance, appearing today in neutral testimony regarding LB591. The department has concerns with Section 1 and 2 of LB591 because we believe they unnarrowly-- unnecessarily narrow the scope, who is to be licensed under the act to the detriment of the small loan borrowers. We further believe the amendment to Section 45-1004, subsection (3) contained in

Section 2 of the bill providing authority to a company controlling affiliated entities to handle licensing duties for the affiliates is unnecessary. That authority is already possible under the multistate licensing system we have used since 2008. In addition, the branching proposals under LB474 would allow the same result, including consolidated examinations. I want to advise the committee that the department has been in meetings with stakeholders of LB591 for sometime, including today, in an attempt to resolve everyone's concerns and we're willing to continue such conversations. Happy to answer any questions. Thank you.

JACOBSON: Questions? Yes, Senator Hallstrom.

HALLSTROM: Is there only two sections to the bill?

KELLY LAMMERS: There--

HALLSTROM: I was trying to get it on my screen.

KELLY LAMMERS: There are three.

HALLSTROM: So there's one section you don't have any initial issues with, but I, I trust you're working in good faith with Nelnet representatives to come to a consensus?

KELLY LAMMERS: We are absolutely working with the stakeholders on this, Senator. We're optimistic there can be a meeting of the minds. We're simply looking for the definitions.

HALLSTROM: Thank you. Appreciate that.

JACOBSON: All right. To be clear, that's basically where your issues are right now is really more definition. Is that what you're saying?

KELLY LAMMERS: Yes. There, there is considerable interest in achieving efficiencies on both sides of the desk, if you will. There's considerable desire in having a, a great deal of activity in the state of Nebraska relative to the ability to work with installment loans, whether it's the rights to the holders of the servicing of, all of those are definitional.

JACOBSON: And I appreciate that. I, I think the, the department's done a great job of really trying to create efficiencies and make Nebraska a more attractive place for people to domicile and, and do business.

And so I appreciate those efforts. All right. Any other questions from the committee? If not, thank you.

KELLY LAMMERS: Thank you.

JACOBSON: Any other neutral testimony? All right. If not, Senator Ballard, you uncharacteristically kept it short.

BALLARD: Yeah. We're not talking about a [INAUDIBLE]. I'll, I'll just be, I'll just be, I'll just be brief.

JACOBSON: Oh, excuse me, before you start here--

BALLARD: Yes.

JACOBSON: --there was one proponent letter, zero opponent letters, no neutral letters. And the committee has not received any written ADA testimony. With that, thank you.

BALLARD: Yes, I'll just reiterate what I said in my opening. Happy to work with the Department of Banking and your counsel on this committee. I will let you know when, when they come to-- when we come to an agreement, I think we're fairly close. So I'd be happy to take any additional questions.

JACOBSON: Other questions that aren't [INAUDIBLE] related?

BALLARD: Or attorney fee related.

JACOBSON: Senator von Gillern.

von GILLERN: Just checking again, Section 3 is OK?

BALLARD: It's a repealer. Yeah.

von GILLERN: All right.

BALLARD: Yeah.

JACOBSON: All right.

BALLARD: OK.

JACOBSON: All right, seeing nothing else--

BALLARD: Thank you.

JACOBSON: --thank you for your testimony. This concludes our hearing on LB591. And I think Senator Hardin's going to be gone, gone, and so we will not exec on anything today.