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Revenue Committee  
February 11, 2016

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[LB1013]

The Committee on Revenue met at 1:30 p.m. on Thursday, February 11, 2016, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB1013, LB949, and LB950. Senators present: Mike Gloor, Chairperson; Paul Schumacher, Vice Chairperson; Lydia Brasch; Al Davis; Burke Harr; Jim Scheer; Jim Smith; and Kate Sullivan. Senators absent: None.

SENATOR GLOOR: Good afternoon. If I could have people settle in. If you've got cell phones, please turn off your cell phone or put it on silent. I'm Mike Gloor, District 35, Grand Island. I'm Chair of the Revenue Committee. We'll be taking the bills today in the order that's listed outside. One of the things I want to start with is to get a sense of people in the room and by show of hands, how many here are here to provide testimony at the mike? Please put your hands up if you're here to provide testimony at the mike. Thank you. Some of the general rules we'll cover are when we have a bill up, the introducer will be given an opportunity to open on his or her bill. We then go to opponents, we then go...excuse me, proponents, we then go to opponents, we then go to those who are here to testify in a neutral capacity. And then the introducer of the bill has the opportunity to close on that particular bill. If you are going to testify and if there end up being seats open closer to the front, would ask that you try and move as close to the front as possible before you provide that testimony so that we're not spending a lot of time and people going back and forth and back and forth. When you get to the front we need you to have filled out a paper. It's a sign-in sheet. They're in the back of the room, coral colored or pink colored, I think, or are they blue-green? Oh, yeah, for us they're blue-green. Fill one of those out and you'll want to give that to Krissa. If you have handouts, we'll need 11 copies of those handouts so we can get those distributed. And if you don't have 11 copies now would be a good time to get the attention of our pages and they will try and see if they can't get a copy made for you. When you sit down we need you to speak into the microphone. We need you to give us your name. Spell your name so that we get it correctly. By show of hands it looked to me that we can go with five minutes today. Hopefully we won't have to change that and go to three minutes, but if you are accurate in your show of hands we would ask you also not to be redundant. If somebody has said what somebody else just said, trust us, we here most people the first time. You don't need to repeat the same story a second time. So your name, give us a different perspective that perhaps we haven't heard before. That will be helpful and move things along so that everybody gets an equal chance at the microphone. There is a light system. I knew I was forgetting something. (Laughter) There is a light system and so when you start you'll see a green light up here. After four minutes that will go to yellow. The yellow is a reminder that you have one minute left and then it goes to red and that's when you need to wrap things up or whoever is in charge of the meeting at that point in time will move you along to try and wrap it up very quickly. And we're going to have to be really hard-nosed about that today to make sure we get through an appropriate period of time. If you would like your feelings on this bill to be known and decide

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you get tired waiting around here for your feelings to be known there is a sheet in the back where you can sign up and let us know your feelings for or against, in a neutral capacity as related to those bills. I'm going to ask members to introduce themselves starting with Senator Davis down there on my right. [LB1013]

SENATOR DAVIS: I'm Senator Al Davis from District 43 which is north-central and most of western Nebraska. [LB1013]

SENATOR HARR: Burke Harr, Legislative District 8 which is midtown Omaha. [LB1013]

SENATOR BRASCH: Lydia Brasch, District 16, Burt County, Cuming County, and Washington County. [LB1013]

SENATOR SCHUMACHER: Paul Schumacher, District 22, that's Platte and parts of Colfax and Stanton County. [LB1013]

SENATOR SULLIVAN: Kate Sullivan of Cedar Rapids representing District 41, a nine-county area in central Nebraska. [LB1013]

SENATOR SMITH: Jim Smith, District 14 in Sarpy County. [LB1013]

SENATOR SCHEER: Jim Scheer, District 19 which is Madison and a small portion of Stanton County. [LB1013]

SENATOR GLOOR: Committee Counsel, staff support, Mary Jane Egr Edson who is on my right. Kay Bergquist is our research analyst; she's at my far right. And then Krissa Delka is the clerk of the committee and she's on the lefthand. Today's pages are Alex from Aurora, Brenda from Wakefield and they're there to help us as well as help you. And with that, we'll move to the first bill LB1013. Since it's my bill, I'll turn the gavel over to the Vice Chair, Senator Schumacher. [LB1013]

SENATOR SCHUMACHER: Welcome to your committee, Senator Gloor. (Laughter) [LB1013]

SENATOR GLOOR: (Exhibit 1) Thank you, Senator Schumacher. It's good to see you again. My name is Mike Gloor, G-l-o-o-r. I'm here to introduce LB1013. Let me do a quick thumbnail overview of what LB1013 proposes to do. Increase the cigarette tax \$1.50 per pack that would put it at a total of \$2.14. The current tax is \$0.64. It increases the amount of cigarette tax revenue

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directed to the Health Care Cash Fund. It increases the tobacco products tax. And tobacco products by statutory definition are cigars, roll-your-own, chew, and loose tobacco used in pipes. It increases those tobacco products from 20 percent to 31 percent. Our tax on that is by weight, so that's the reason it's a percentage. It directs the cigarette tax revenue to the Property Tax Credit Fund and it also increases the amount of personal property tax exemption allowed from the current \$10,000 to \$25,000. We have some revenue projections. I'm going to start off with some discussions on revenue projections and you'll have a fiscal note in front of you. We've used \$120 million. We get an approach in the calculation that the American Cancer Society gives us and that our own fiscal staff use at least in part in making some calculations on what we might see by way of revenue increases. There's a recognition that one of the reasons we introduced this bill is because we expect people will stop smoking as a result of the increase or reduce smoking as result of the increase. So there's that given. There's also the issue of bleed: people going to other states to buy tobacco products as a result of the increase. And so we try and figure those into the projections. The Fiscal Office takes a look at this, so does the Department of Revenue. You'll see that they came up with \$114 million as revenue projections compared to our \$120 million. We can discuss that and decide how we would want to divvy up those dollars but for purposes of how this bill was prepared, I'm going to stick with \$120 million because that's the way my notes are frankly and it's easier to walk through it that way. Of that \$120 million increase, \$45 million would go to the Property Tax Credit Fund; \$45 million goes to the General Fund to be used by the Department of Revenue to cover the personal property tax exemption for businesses. And this committee will recall that was a new initiative that came out of this committee last year, \$10,000 per tax filing. So that \$45 million would go to bump that up to about \$25,000; \$30 million would go to the Health Care Cash Fund to cover a variety of health-related programs. Let me cover those programs that would be earmarked. The intent language for those funds are as follows: \$1 million would go to tobacco cessation and prevention; \$3 million to federally qualified health centers. We have FQHCs in this state. In Omaha there are two: Charles Drew and OneWorld. We have FQHC in Lincoln, Grand Island, Gering, Columbus, and Norfolk and they'd get an additional \$3 million. Six million dollars to public health districts; \$1.5 million to EMS training and recruitment; \$2 million to behavioral health provider rate stabilization, in other words, put those into increased fees for the need that we have for more mental health counseling in the state; \$500,000 to the Health Care Services Transformation Fund. It's an act. It's LB549 that's Senator Campbell's bill that's in the Health Committee that also has amended into it or will have amended into it some work I have on primary care. This bill would have the Department of Health and Human Services more actively involved in doing some of the planning for the state: health shortages, primary care, chronic disease management, and what not. One million dollars go to the AHECs, those are the Area Health Education Centers. We have one in central Nebraska that serves central Nebraska in Kearney, one in northern Nebraska that serves Norfolk. The one in Scottsbluff serves the Panhandle. There's one in Omaha. And the southeast part of the state is served by an AHEC in Lincoln. AHECs have been around for a while. They are involved in everything from career exploration per student shadowing, training basic life support, training for

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health care professionals, continuing education. They're also involved in EMT. They do more than that, but that gives you a sense of what the AHECs do. Four million dollars goes to the College of Public Health at UNMC; \$10 million to cancer- and smoking-related illness through the biomedical research program. The institutions that are the beneficiaries of that \$10 million are UNMC for the research they do, Creighton, and Boys Town. One million dollars goes to Behavioral Health Education Centers of Nebraska. The acronym for that may be more familiar to this committee. It's BHECN. Back in 2009 we passed LB603. This has to do with the recruitment, training, continuing education of the behavioral health specialists across the state. And it's a collaboration between Creighton, UNMC, and University of Nebraska-Kearney. We also have, as I mentioned earlier, tobacco products tax increase. We're estimating that the revenue of that is around \$300,000. That goes to and has always gone to the administration of tax stamps, oversight of our taxation system on tobacco products. Now you know where the money is going, how much we think we'll raise. Let me talk about some of the justifications that I have always felt and this committee knows I brought this bill forward twice in the past. When the tobacco tax was last increased in this state in 2002, it's my understanding that the intent was to get that tax up, to put us in the bottom end of the lower...of the upper quartile, the top third of states in terms of our tobacco tax. And we in fact at that point in time did rise up there. Now we are 40th out of 50 states; we're 10th from the bottom. And when I started this quest back early in my legislative career, we were around 34th. We've now dropped to 40th. And by the end of this year we'll drop some more because so many states are increasing. At \$2.14 we would jump to 13th if no other states raise their taxes this year or anytime in the near future which again puts us about where we were when we did our increase in 2002. We will see an erosion on that ranking whether we stay at 40th or whether we go to 13th. Since 2002, 47 states have increased their cigarette tax 120 times. That means some of those states have done it multiple times; 50 times those states have had a Republican governor, 28 times they've had a Republican-controlled state legislature, and 21 times they've had legislatures with split control. Iowa and South Dakota have their last increase in 2007. Kansas has had increases in 2002, 2003, 2005. I'm going to ask the pages if they would distribute some information. You're going to get three handouts. One of the handouts, the front one is a map and that map will show you what the tobacco tax rate is for each of our states--it's this one--so that you can look around us and find out we're at related to contiguous states and put that in perspective. Let me talk a little bit about border bleed. The common term is no longer border bleed, although I'm sure you'll hear it a lot this afternoon. The term they use now is cross-border shopping. I can't remember that term so I use border bleed also. Understand that when the fiscal note was put together and the calculations on the fiscal note trying to take into consideration those issues of border bleed as well as the reduction in smokers as a result of the increased price, I don't believe--and we do a lot of research on this--we'll see an awful lot of border bleed. But nonetheless, the figures that you see take into consideration that fact. Our Fiscal Office when they did the calculation in 2002 were extremely close and accurate in terms of their estimate on what we would see in terms of revenue growth overall as a result of an increase at that point in time. So there's reason to think that we're working with an approach

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here that has had some degree of accuracy and success. We've talked about the dollars. You know I have a career in healthcare and so when I introduce this there's a public health issue to this also. If I served on the right committee and I try to get this bill into the Health and Human Services Committee. But clearly it's about tax revenue. The estimates of Nebraskans who will quit as a result of this price increase is 11,000. Youth who would quit or avoid smoking with the increase, because youth are more price sensitive than are adults when it comes to this, we're talking about 20,000. I also hope you understand that I recognize the impact that this can have on our Medicaid expenses. That number we think is going to be a five-year savings of just under \$2 million, long-term savings to Medicaid will be close to a half a billion dollar savings to Medicaid. Let me finish up and field questions with two stories. The first relates to the impact of tobacco use on healthcare and the expense associated with that and why this is such an important issue for me. A couple of years ago I was speaking to a group of home health nurses and there were about 200 in the audience. And out of curiosity I asked, how many of you still provide care in the home? And almost the entire audience put their hands up. So these were nurses who are still involved in actively providing care in the home. I said, how many of you would say that a quarter of the patients you care for, 25 percent of the patients you care for in home you're caring for because of the long-term effects of tobacco use. And the entire audience kept their hands up. I then said, well, how many of you would say half of the patients you care for in home you're caring for because of the long-term effects of tobacco use? Half of the audience kept their hands up. Half of those 200 home care nurses said that half of their patients they were caring for needed care because of the long-term effects of tobacco use. That's an incredible number and knowing that a large percentage of those patients are cared for by tax dollars, either Medicare or Medicaid, I think our estimates of the savings are greatly understated. That's been my personal experience in healthcare. People will talk about, well, this is too big of an increase. But in reality there is a cost savings here to the taxpayer that I think is absolutely appropriate. It's the reason we have excise taxes. And one of the reasons that I get pretty adamant about doing something on this because we could have been doing a lot of things with the dollars that we plug into Medicaid budgets to provide care for those patients. Seems appropriate to me that we take some of those dollars now and allocate them towards property tax relief. We also did a survey using a survey firm and it will be...one of the testifiers is involved in that. Same survey firm that has done surveys for past Governors of this state, so it's not the Cancer Society's survey firm. But they found that 73 percent of Nebraskans support an increase in the cigarette tax; 48 percent of smokers in Nebraska--48 percent of smokers in Nebraska--support an increase in tax. And you'd ask yourself, what? And I'm sure there will be some folks up behind me who are smokers who say not me or they wouldn't be here. However, I've got to tell you I had a newspaper reporter come in...excuse me, a television reporter come in the last time I introduced my tobacco tax to interview me. And she told me she parked outside a convenience store for half a day and she watched people go in who were smoking and when they came out she put them in front of the camera and asked, would you be willing to tell me what you think about the tobacco tax increase? And she said most of them said I'm opposed to it. But she said the amazing thing to me

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was that even those who might have said I'm opposed to it, half of those individuals, in other words half the people she interviewed said you know I don't like it but I hope it passes because it's the only way I'm going to give up smoking. This is a price sensitive issue. And on the way out she stopped and she said, by the way, Senator Gloor, I'm a smoker. I hope it passes. I know it's the only way I'm going to give up smoking is if it hits me in the pocketbook. It's one of the reasons we have an excise tax. It's one of the reasons it's not popular. But even with those it's not popular with there's an understanding of what it will do and that is reduce smokers and that will be good for all of us I think. Thank you and I'd be glad to field questions. [LB1013]

SENATOR SULLIVAN: Thank you, Senator Gloor. Are there questions? Senator Scheer. [LB1013]

SENATOR SCHEER: Thank you, Senator Sullivan. Senator Gloor, in looking at the distribution of the dollars, it struck me. It's raising approximately \$120 million but yet only \$1 million is actually going to help those that are currently smoking and trying to rehabilitate their habit or their ability to quit. And it seems like if you're taxing this segment of society \$120 million and their return to help them possibly reduce or eliminate that from their pocketbook seems like a very, very small percentage to help those that need the help the most in relationship to this product. [LB1013]

SENATOR GLOOR: That's a great question. Let me answer it first of all by saying as you might expect, I sat down with a lot of people to pull together a coalition of folks who currently are benefiting from the Health Care Cash Fund including those folks who are related to tobacco cessation and prevention, some of which is done by the state. A lot of the tobacco cessation and prevention, certainly the cessation whether it's access to nicotine gums and patches and whatnot, is paid for by insurance. Even Medicaid since I've started on this down this path, even Medicaid made the decision a couple of years ago to start providing for nicotine patches as an example, so we cover that under Medicaid now. So what you're reading into this is there are already a number of initiatives out there that can help people with smoking cessation handled by the payers of this; \$1 million was felt by the folks who were involved in this to be an appropriate number because frankly we don't have the infrastructure to handle a lot more of it at this period of time. I would love to give \$5 million towards tobacco cessation and prevention. But that's going to be working through our own Department of Health and Human Services to a certain extent and we don't have the staff there. We don't have... [LB1013]

SENATOR SCHEER: Well, but some of it doesn't have to go through Health and Human Services. I guess, you're dwelling on those that perhaps would be Medicaid eligible and lower... [LB1013]

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SENATOR GLOOR: No. [LB1013]

SENATOR SCHEER: Just let me finish, please. [LB1013]

SENATOR GLOOR: Okay. [LB1013]

SENATOR SCHEER: And I'm looking at also those individuals that would be on either a company health benefit plan or an individual health benefit plan, both of which have tremendously high deductibles. And although we may pay as a state for those substitute measures, those policies do not. And so those would be all out pocket. And so what I'm looking for is some type of help or relief for those that would fall within that parameter trying to get some assistance for them. [LB1013]

SENATOR GLOOR: When I was still in the healthcare administration field, I know that FQHCs, the federally qualified health centers, the public health departments are also involved in smoking cessation programs. And so if you take a look at those numbers we have \$10 million that are going to a number of entities. The tobacco cessation and prevention isn't limited to just that \$1 million. Some of those additional dollars will also go to underwrite the efforts that those departments, those organizations already undertake to try and reduce smoking and help smokers. And I'm guessing that there's probably some of that through the Area Health Education Centers also. [LB1013]

SENATOR SCHEER: Well, I can't speak to that. I did meet with two just over the noon and neither one mentioned that service that was available. [LB1013]

SENATOR GLOOR: Okay. And maybe... [LB1013]

SENATOR SCHEER: And you may be absolutely right, it just didn't come up. [LB1013]

SENATOR GLOOR: There may be somebody who follows me as a testifier that can speak more to it. It's a good point and I would certainly be willing to look at increasing that amount as we move this bill forward. [LB1013]

SENATOR SCHEER: Thank you. Thank you, Senator Sullivan. [LB1013]

SENATOR SULLIVAN: Senator Smith. [LB1013]

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SENATOR SMITH: Thank you, Senator Sullivan and Senator Gloor. I definitely recognize your sincerity in bringing this legislation and I know your intentions are absolutely the finest. I do want to kind of put things in perspective a little bit if you can provide some information. So you shared with us where the money is going, but can you talk a bit more about, at the human level, where the money is coming from. So for a typical smoker, what is their median income? And what kind of impact is this going to have on them? Do you have any statistics for that? [LB1013]

SENATOR GLOOR: In general I can. I think it's pretty commonly understood that most smokers are likely to be in a lower income level. You're less likely to find somebody in a high-income group that would be a smoker. So we know the issue is one of this is a regressive tax. It's a given and that's understood. Certainly one of the nice things about tobacco tax is, unlike an increase in gas tax that those same people have to pay, when you're dealing with a tobacco tax you don't have to pay it. You can either cut back or you can stop paying. And for those who are lucky enough to be able to do so, it certainly helps their budgets more than it would help a higher income smoker. [LB1013]

SENATOR SMITH: Senator Gloor, I was hoping you wouldn't go there on the gas tax (laughter), because I think there's quite a difference between a user fee on the roads and taxing someone who has an addiction, or chooses to smoke, but maybe they have an addiction and siphoning that money to go to other programs. So I agree that at the...for those that we're trying to prevent to start smoking could be, it could be a deterrent. Perhaps it's not a deterrent. But for those that have that addiction...and you gave an example of a woman that told you she would stop smoking if the price went up. I would dare say that in the majority of cases, they're not going to stop smoking. They have the addiction. For whatever reason they're going to continue to smoke. They're going to continue to pay more money for that carton of cigarettes and that's coming out of wages that are not moving. We're not seeing wages go up. And now they're going to be paying more where that money could be going for something else that that family or that individual would have a need for. So I guess that's more of a statement, but you can respond to it if you'd like. [LB1013]

SENATOR GLOOR: Well, as you might imagine, I've been asked this question the other two times that I have brought this bill forward. We're talking about an excise tax. And policymakers for decades and decades and decades and decades before us in all states and our national government have felt that it's appropriate to have an excise tax on products like tobacco and liquor because there's a recognition that those products have an adverse effect in ways on individuals and on society that have a cost impact. And the excise tax is imposed to try and get back to society some of those dollars that ultimately are spent whether it's on law enforcement with issues that may be more around alcohol, or whether it's on healthcare with issues around tobacco. So we have excise taxes built into our tax system for a reason. And my counter

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argument is, so should we just say we're comfortable with that being \$0.64 from now until whenever, or should we look at those like we look at our taxes and say we need to cut these taxes so we're, you know, more competitive as a state when it comes to business development? At some point in time I think we all recognize somebody is paying for the healthcare related to folks and I'm telling you I know just from the inflationary effects on healthcare since 2002, it needs to go up. Having it at \$0.64, taxpayers across the state are subsidizing smoking-related illness and injury and I think it's the reason that the surveys that we do show such a strong support for increasing tobacco tax. If we don't like excise taxes then we ought to vote to get rid of them completely. Otherwise, it's a policy decision and the issue is, when is it appropriate to increase and how much? [LB1013]

SENATOR SMITH: Thank you, Senator Gloor. [LB1013]

SENATOR SULLIVAN: Thank you, Senator. Before we move on to proponent testimony, would you like to sit in front? And I'm sure if you do, the people in the front row could slide down one. [LB1013]

SENATOR GLOOR: Actually I have a seat. Thank you. [LB1013]

SENATOR SULLIVAN: Oh, you do. Okay. [LB1013]

SENATOR GLOOR: Yes, you can't see it, but I think they put a cone up over there so I have a place to sit (laughter). [LB1013]

SENATOR SULLIVAN: All right, very good. [LB1013]

SENATOR GLOOR: One last comment, you've got a couple of other handouts. One shows the nonimpact of border bleed when Kansas and Missouri went through an increase. And the last one is some of the information that I referenced as relates to the survey that was done. And there will be somebody who speaks more about that. Thank you. [LB1013]

SENATOR SULLIVAN: Thank you. We'll now move on to proponent testimony. Don't be afraid to be the first one. Welcome. [LB1013]

BOB RAUNER: (Exhibit 2) Thank you. Senators, my name is Dr. Bob Rauner, R-a-u-n-e-r. I'm testifying on behalf of the Nebraska Medical Association and the Nebraska Academy of Family Physicians. The most important few thing...we had discussed this at our board meetings and of all the health bills we looked at, this is the bill that probably has the highest potential impact on

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improving the health of Nebraskans. If you would pass no other health bill, this would have the biggest impact. And so that's why it's one of our biggest priorities. The bill lowers healthcare costs and as well, prevents deaths. A stat that I think it's important to notice is the cost attributed to smoking in Nebraska is about \$795 million per year of which about \$162 million is covered by Medicaid, okay. So when, Senator Smith, you talk about, is this a user fee? Actually if you add up this increase plus existing taxes it comes out to about the same amount. And so I would argue that this is in fact a user fee and the state is recouping the exact same cost that it is costing out of our General Fund. And so I would argue this is a user fee just like a gas tax essentially. You know, it's a free country. People can choose to smoke if they want to. But they should also bear the consequences and this essentially makes it so that they pay the state in effect what the state is paying to take care of smoking. Senator Scheer mentioned the question of why is it \$120 million but only \$1 million goes to smokers? Well, I'd argue that they're getting the full benefit of the deterrent effect. So they're getting that whole \$120 million deterrent effect. And also there's already significant money going to assist people to help quit smoking. So it's not like that \$0 and only going to \$1 million. There's actually quite a bit of that already. The problem is that that by itself isn't sufficient to get enough people to quit smoking. It's the deterrent effect of the cost that is added. And so they benefit for the full effect there. They also benefit from the full cost savings of not smoking at all should it be successful which will save them anywhere from \$1,000 to \$2,000 a year at least. So the smokers would benefit from this bill if it does in fact help them quit smoking. The other thing that's important to remember is this is a very long-term bill. The biggest single effect it has actually is on the youth. People who are addicted are harder to get to quit smoking, but the youth are not addicted yet when they first try it out when they're 15 and on the smoking street in front of the school. If you go by Southeast High School, it's about a block north of the school by the way. They are the most price sensitive and it will reduce the amount of smoking that they will do. And the addiction is actually a cumulative effect and if you can reduce even just the number of cigarettes they smoke, the chances of them becoming addicted goes way down. And so that's really important because most people who are long-term addicted who can't quit are people who started as teenagers and so this would very much help lower that amount of people, the number of teenagers who smoke. The other benefit that I see from this is I think the taxpayers have been pretty clear that they want property tax relief. And to my knowledge from what I've read so far, this is the only bill that actually lowers property taxes and it specifies exactly where that money is going to come from. Some of them, to me, sound like more of a shell game. This says exactly it's going to come from here, this is the amount to lower property taxes, there it is. So in summary without taking up too much more of your time, I think the bill is a win for health. It's a win for Nebraska taxpayers. It makes a lot of sense. It's been studied in state after state after state that when you do something like this there's almost an immediate reduction in smoking. Over the next one to two years you'll see a very significant drop. And the potential benefits to the state are very large. Thank you. [LB1013]

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SENATOR SULLIVAN: Thank you, Dr. Rauner. Do you have any statistics on the number of young people who are new smokers? Is the number increasing or decreasing? [LB1013]

BOB RAUNER: It was decreasing. There seems to be a slight increase because now there's the vaping side which is also nicotine and unfortunately almost as harmful. That's not tracked as much, so it's hard to say how much of that decrease is because they're not smoking versus how much is it being displaced because they're vaping instead of smoking. It's kind of in that 10 percent to 15 percent range. And sometimes that can give you a prediction of what your long-term smoking percentage is going to be and we're hoping to get that below 15 percent statewide and this would help us get there. [LB1013]

SENATOR SULLIVAN: Thank you. Any other questions for the doctor? Senator Smith. [LB1013]

SENATOR SMITH: Thank you, Senator Sullivan. Doctor, thank you for your testimony. So you say one of your ultimate objectives here or one of the better cases for this is that it provides for property tax relief. [LB1013]

BOB RAUNER: Yes. [LB1013]

SENATOR SMITH: For whom does it provide property tax relief? [LB1013]

BOB RAUNER: Well, essentially everybody paying property taxes. [LB1013]

SENATOR SMITH: Everyone paying property taxes, smokers and nonsmokers. [LB1013]

BOB RAUNER: Yes. [LB1013]

SENATOR SMITH: All right. Thank you. Thank you. [LB1013]

SENATOR SULLIVAN: Thank you for your testimony. Welcome. [LB1013]

ANDY HALE: Thank you. Good afternoon, Senator Sullivan, members of the Revenue Community. My name is Andy Hale, A-n-d-y H-a-l-e, and I'm vice president of advocacy for the Nebraska Hospital Association. It's the mission of the Nebraska Hospital Association to enhance the delivery of quality patient care and services for our state's citizens. Every year in support of that mission, Nebraska's hospitals commit hundreds of millions of dollars in uncompensated care

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to their communities. On behalf of our mission and our 90 member hospitals and the 41,000 individuals they employ, the NHA offers the following testimony in support of LB1013. Smoking-related illnesses cost Nebraska millions of dollars per year. This includes workplace productivity losses, premature death, and direct medical expenditures. Tobacco use is the leading cause of preventable death in the United States. According to the Centers of Disease Control, health effects from cigarette smoking account for nearly one in every five deaths each year in the United States. Annually, more deaths are caused by tobacco use than by all deaths from HIV, illegal drug use, alcohol use, motor vehicle injuries, suicides, and murders combined. The NHA urges the committee to pass LB1013. And I thank you for your time. [LB1013]

SENATOR SULLIVAN: Thank you, Mr. Hale. Any questions for him? Thank you for your testimony. Oh, excuse me. Senator Harr. [LB1013]

SENATOR HARR: Thank you, Senator Sullivan. And it's a little tradition we have here in Revenue if there's someone from our district we like to recognize them. And so I would just like to recognize you for being from Legislative District 8. Thank you for coming down. It was a pleasure and you did a great job for your first time in front of Revenue. (Laughter) [LB1013]

ANDY HALE: Thank you, Senator. I appreciate that. [LB1013]

SENATOR SULLIVAN: Thank you, Mr. Hale. [LB1013]

ANDY HALE: Thank you, Senator. [LB1013]

SENATOR SULLIVAN: Welcome. [LB1013]

JOANNA HEJL: Thank you. Good afternoon, members of the Revenue Committee. My name is Joanna Hejl; that's J-o-a-n-n-a H-e-j-l, unlike the last testifier. And I'm a student at Lincoln High School. I'm here to speak as a concerned citizen and a youth advocate for tobacco control. I became involved with the fight against big tobacco when I learned about the tactics that these companies use to ensnare those least able to resist their ploys and subsequently addict them to their products, which are the leading cause of preventable death globally. And for intervening years since I became involved with this movement, I've become involved in the effort to end the tobacco epidemic on the local, state, and national levels. As a young person, I'm especially aware of the effects of tobacco companies to capture my peers. Every year, 1,400 young Nebraskans pick up the habit of smoking. And this is daily smoking, this isn't just social smoking. You're hanging out with your friends and somebody is passing around a cigarette. This is daily smoking. If this trend continues, 38,000 minors alive in our state today will die prematurely from smoking.

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Today, you as legislators have a unique position to save lives and promote public health. Significant increases in the price of tobacco products such as those proposed in LB1013 have proved among the most effective methods of reducing youth tobacco use. For example, the youth smoking rate in New York, the state with the highest tobacco tax, falls just over 7 percent while ours stands at 11 percent. And like Senator Gloor mentioned earlier, we're ranked 40th among all the states for our tobacco tax. The expected increase brought by raising our state tax by \$1.50 is over 17 percent. In addition to the direct effect on the tobacco use rate, the bill will also have long-term benefits including barring 12,100 young Nebraskans from becoming adult smokers. Very importantly, it will also prevent an expected 7,000 premature deaths. LB1013 is a major win for Nebraskans, especially young people like myself. The decision to smoke or not is made during the teen years when pressure to be rebellious and act more grown up is high. Tobacco companies know this and they've been cashing in for years on the lifestyle of smoking that they sell. Please help to save teens in your state from this trap by supporting LB1013 and raising the tax on cigarettes. [LB1013]

SENATOR SULLIVAN: Thank you, Ms. Hejl. Any questions for her? Thank you for your testimony. [LB1013]

JOANNA HEJL: Thank you. [LB1013]

SENATOR SULLIVAN: Welcome. [LB1013]

ROGER WIESE: (Exhibits 3 and 4) Good afternoon. They should really raise these chairs just a little bit. Sometimes they ride a little low here. Good afternoon, Chairman Gloor and members of the Revenue Committee. My name is Roger Wiese, W-i-e-s-e. I am the health director for North Central District Health Department and I'm testifying today on behalf of local health directors in support of LB1013. Almost everyone's lives have been touched by the effects of smoking. On a daily basis we see consequences of smoking in our districts in that of lung cancer, cardiovascular disease. These tobacco-related illnesses are estimated, as was said before, \$795 million in costs and that is in Nebraska alone. We also estimate that the tobacco industry expenses nearly \$66 million in their efforts to hook young and potential smokers. That's \$66 million in Nebraska alone. To improve the health of communities we use evidence-based strategies in public health. Raising cigarette tax is, is, a proven practice that reduces the number of youth who smoke which is critical to ending the tobacco use in Nebraska. The best way to reduce the impact of smoking is simply not to start. At the local level, our health departments are involved in many tobacco-free activities reducing smoking rates. We work with our work site wellness programs, we work with our schools, education, tobacco cessation programs for not only youth and adults throughout our district and with other entities that work in public health. Increased funding for tobacco cessation and prevention activities will assist us in work we are doing in our

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communities statewide and to make a greater impact. The funding directed towards local public health departments in this bill is needed now to enable us to carry out our statutory responsibilities. Currently there is inadequate financial resources committed in our efforts in protecting the health and wellness of Nebraskans. Recent natural disasters such as the tornadoes, fires, and floods throughout our state have stretched our local resources to respond. We are now addressing even new issues that are emerging in our state such as the popular Ebola and Zika virus that you hear in the news and the media now. Funding for public health protects Nebraska residents. It saves lives and it saves money. According to American Public Health Association, every 10 percent increase in local public health spending decreases cardiovascular, diabetes, cancer, and infant death and infant mortality rates. Seventy-five percent of the United States and Nebraska health spending is on preventable, chronic conditions such as obesity, heart disease, and diabetes. Sadly less than 3 percent...less than three cents on the dollar is spent for public health for prevention of chronic conditions. From a fiscal perspective, every \$1 of prevention a program saves \$5.60 in health spending. Nebraska's public health system has piloted an array of projects to show that these projections are real. Numbers like this and real-life examples lead us to the conclusion that this funding is vital. Statewide, the public health system has proven to be successful and needs to continue to support to assure the progress made in health of Nebraskans continues. We have and continue to demonstrate our accountability to our communities and to the Legislature. LB1013 is a giant step in the right direction. In closing I'd just like to say and I believe Doctor...I do not recall his name, I apologize, mentioned before, you do have an opportunity here, the state of Nebraska has an opportunity here and as we see in public health to make a huge impact. Probably the bigger impact than any other bill that will be presented in front of the state Legislature for the health and wellness of your residents. Thank you. [LB1013]

SENATOR SCHUMACHER: Any questions for Mr. Wiese? Seeing none, thank you very much for your testimony. [LB1013]

ROGER WIESE: Okay. Thank you kindly. [LB1013]

SENATOR SCHUMACHER: Welcome. [LB1013]

JOHN BONAIUTO: Thank you. Chairman Schumacher, members of the Revenue Committee, John Bonaiuto, J-o-h-n B-o-n-a-i-u-t-o, representing Nebraska Association of School Boards. We usually do not come in and testify on all the tax bills, but the School Boards Association and its members when they discussed this felt that this was the new money that was on the table and believe that with your agenda of things you want to accomplish, that without new money it's going to be hard to do all the things that you would like to do in the current revenue structure. With that, I will conclude my testimony. [LB1013]

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SENATOR SCHUMACHER: That was short and sweet. Any questions for John? (Laughter)  
[LB1013]

JOHN BONAIUTO: Thank you. [LB1013]

SENATOR SCHUMACHER: Thank you. Welcome to the Revenue Committee. [LB1013]

PREM PAUL: (Exhibits 5-14) Good afternoon, Senator Schumacher, members of the Revenue Committee, and Chairman Gloor, my name is Prem Paul, P-r-e-m, Paul is P-a-u-l. I serve as the Vice Chancellor for Research and Economic Development at the University of Nebraska-Lincoln. Thank you for giving me the opportunity to testify today to voice strong support on behalf of the type of biomedical research found in LB1013. Today I'm speaking on behalf of a consortium of Nebraska's biomedical research universities: the University of Nebraska Medical Center, Creighton University, Boys Town National Research Hospital, and the University of Nebraska-Lincoln. And I'm pleased to share a packet of supporting information from each of the institutions with you. A good example of far-sighted healthcare investment required to achieve great scientific breakthroughs is the state's investment of its tobacco settlement dollars into biomedical research. Our consortium of biomedical research universities has honored the intentions of the Legislature by investing these funds in areas of biomedical research that have an impact on the health of all Nebraskans and on the economy of our state. We're investing for the long term, with the knowledge that today's great advances in human health grow from basic research that began years ago, sometimes even decades ago. Nevertheless, our investment of Nebraska tobacco settlement funds has already begun to show dramatic results, both in our research capabilities and in the discoveries of our scientists. One recent example is leveraging an investment of the Nebraska tobacco settlement funds into winning a grant of more than \$11 million from the National Institutes of Health to combat obesity-related diseases, including type 2 diabetes and cardiovascular disease. This one research grant has already relocated five new faculty members and their families, as well as several staff members and many graduate students to Nebraska to attempt to overcome obesity through tweaking nutrient content in diets. This project is led by UNL in partnership with the University of Nebraska Medical Center. The other partnership among UNL, UNMC, and Creighton University is the Nebraska Center for Virology, headquartered here in Lincoln at UNL. This center's research programs focus on important viral diseases of humans, including HIV and others. You have seen some of our leading virology researchers in the news lately discussing the Zika virus, which has become an international headline. Researchers at UNL and UNMC are eager to begin working to solve this new challenge. The state's support for biomedical research has helped Nebraska's biomedical universities grow and better serve our state and nation. I encourage you to support increased healthcare funding. Like the tobacco settlement and other healthcare support, this will be a smart investment that will continue to pay dividends for Nebraska. I urge you to vote for the increased biomedical research funding in LB1013. Thank you. [LB1013]

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SENATOR SCHUMACHER: Any questions from the committee for the Vice Chancellor? Thank you very much for your testimony today. [LB1013]

PREM PAUL: Thank you. [LB1013]

SENATOR SCHUMACHER: Welcome to the Revenue Committee. [LB1013]

ABBY STEWART: (Exhibit 15) Thank you. My name is Abby Stewart. For the record, that's A-b-b-y S-t-e-w-a-r-t. I'd like to thank Chairman Gloor and the members of the Revenue Committee for the opportunity to testify today. I'm from Norfolk, Nebraska, and I'm a junior at Wayne State College. I'm currently double majoring in chemistry health science and psychology and I'll be applying for medical school this year. My goal is to eventually become a child and adolescent psychiatrist and I'm here to testify as a private citizen in support of LB1013. I'm also excited to tell you how this will benefit youth and young adults in a different light. I have benefited from programs offered by my local Area Health Education Center, or AHEC, and BHECN which is short for Behavioral Health Education Center of Nebraska. These programs have made a huge impact on shaping my career path. My mother, who is a biology teacher, encouraged me to participate in AHEC's 8th grade regional science meet, which turned out to be one of the best connections I could have ever possibly made. From that meet, I was invited to attend a two-day science camp at UNMC. It was the first time I had ever visited the campus, and I remember being excited to stay in a dorm room for the first time as a little 8th grader. We toured the labs and got to participate in experiments such as pulling DNA out of a strawberry. I remember that one was fun. But fast forward to my senior year at Norfolk Public High School. There aren't many resources about behavioral health careers at our school. I had participated in the AHEC health careers club and they invited me to attend a career day up at Wayne State where I met BHECN's director and child psychiatrist Dr. Howard Liu. At the time, Dr. Liu had spoken about behavioral health careers to over 150 students from 31 rural high schools in northeast Nebraska. When he learned about my interest in child psychiatry, Dr. Liu invited me to job shadow with him in Omaha. It was my first contact with a child psychiatrist because there weren't any in Norfolk at the time. My shadowing experience gave me true-to-life answers that can only come from the firsthand experience that I had that day. Shadowing with Dr. Liu helped me...made me more excited to apply myself and look into becoming a child psychiatrist and getting involved in the medical and I solidified that this is the profession for me. I also attended BHECN's first annual High School Ambassador Conference in Kearney. It was another opportunity to make real connections with other students like me from small towns who are interested in behavioral health careers. When I entered college, once again, Dr. Liu and BHECN helped me make connections and find new mentors to guide me along my journey. I participated in BHECN's Virtual Mentorship Network, which connects college students along with high school students with psychiatry residents and student...and mentors via teleconferencing. I also attended two BHECN College Conferences at UNMC and a student leadership summit which

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gave me tools to establish Active Minds, which is our first student mental health awareness group at Wayne State College. These resources have contributed immensely to my current success as a student and helped me better prepare for a career in child psychiatry. My goal is to eventually practice in rural Nebraska and hopefully return to Norfolk so I can fulfill the need there for better access to behavioral health services in rural Nebraska. I urge the committee to advance LB1013, which will fund programs to recruit more students such as myself to provide mental health services to our hometowns in surrounding Nebraska. Thank you. I'm open to questions. [LB1013]

SENATOR SCHUMACHER: Thank you. Any questions for Abby? Thank you for coming and testifying and good luck on your career. [LB1013]

ABBY STEWART: Thank you. [LB1013]

SENATOR SCHUMACHER: Next witness. [LB1013]

REBECCA RAYMAN: This is probably the hardest thing I've had to do today, come up here. (Laugh) [LB1013]

SENATOR SCHUMACHER: Welcome to the Revenue Committee, Becky. [LB1013]

REBECCA RAYMAN: (Exhibit 16) Took me a few starts. First of all, thank you, Senator Gloor and Senator Schumacher, members of the Revenue Committee. My name is Rebecca Rayman, R-e-b-e-c-c-a R-a-y-m-a-n, and I'm the executive director of the Good Neighbor Community Health Center and East Central Health Department located in Columbus, Nebraska. I am testifying today in support of LB1013 on behalf of the Health Center Association of Nebraska. We would, first of all, like to thank Senator Gloor for introducing this bill, which will increase cigarette taxes which has been shown to reduce new and existing smokers and bring needed support to the healthcare safety net in Nebraska. Senator Gloor told you there are seven federally qualified health centers in Nebraska. I need to tell you that we serve people from 54 communities at 46 locations. Our mission is to provide cost-effective, high-quality healthcare to the medically underserved. We provide comprehensive, community-based, culturally appropriate primary and preventative care, including medical, dental, behavioral health, pharmacy, and support services to over 69,000 unduplicated patients. Ninety percent of our patients are low income and over 68 percent are from racial or ethnic minority populations. Fifty percent of the patients that we serve are uninsured. This is the second highest number of uninsured at any community health center in the United States. Nebraska ranks number two for serving the uninsured. Over 94 percent, again, are low income. Cigarette smoking has been linked as a risk factor to both heart disease and cancer, the two major causes of death and disability in our state.

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The combination of no insurance and low income makes it difficult for our patients to receive some of the specialty services such as heart surgery, chemotherapy, or radiation that are required with a diagnosis of either of these leading causes of death. As a health center, we screen all of our patients for tobacco use and we provide cessation to those patients who need it. FQHCs are funded through public-private partnerships, a mix of government funding, private funding, insurance payments and patient personal responsibility. All of us strike a delicate balance to keep our operations open, efficient, and operating effectively to be financially sustainable and to provide needed services. The simple fact is is FQHCs, we are at capacity and we need to increase access. The funding proposed under LB1013 would allow our health centers to keep up with the increase in program operating costs and expand our resources to provide prevention and healthcare to smokers and nonsmokers. My health center, Good Neighbor currently serves 6,705 patients in Columbus. And in the first two full months of operation at our newest clinic in Fremont, we served 400. Nearly 80 percent of those that we served in Fremont were uninsured and had not had access to a medical home before. In addition, our pediatrician that we have in Columbus is currently the only pediatric provider in Columbus accepting new Medicaid patients. In many instances, we as health centers are the only source of care available to our patients. Through both of our locations, we see a great demand for expanded access to care, especially for dental and behavioral healthcare. Research has demonstrated that for each patient who receives care in a health center, the health system is saved 24 percent in costs. In Nebraska alone, these savings total about \$88 million per year. In addition, and most important to me, this is really a very personal topic for me. My only sister "Kathy Black" died of lung cancer at age 52. Like 90 percent of adult smokers, she started smoking as a teen. I also started smoking as a teen. Right now 1,400 Nebraska children under the age of 18 will become a daily smoker in 2016. My sister was a bright, intelligent woman who smoked and spent the last years of her life on a campaign to stop others from smoking. Like most smokers, Kathy and myself, had wanted to quit, they wished that they would have never started. Here is an opportunity for you to keep our children from starting smoking. Increasing the tax would lead to less smokers and less smoking-related health problems. The only downside that I can see on this is a loss of profit for tobacco companies and the loss of taxes on the products they sell. I hope you balance that with the \$537 million that you are spending right now on tobacco and the families that are grieving the loss of 2,200 family members. Thank you for your time and I'd be happy to answer questions you have. And I'd just like to say, you know, you talk about will the tax be effective? I quit smoking in 1979. I smoked two packs a day at that time. The reason I quit is because I was going to college in the state of Texas and they were going to raise the price of cigarettes to \$0.50 a pack. And at that time that was a lot for me and that was the precipitating factor in my quitting. [LB1013]

SENATOR SCHUMACHER: Thank you, Becky. Any questions from the committee? [LB1013]

REBECCA RAYMAN: Thank you. [LB1013]

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SENATOR SCHUMACHER: Seeing none, thank you for your testimony. Next proponent. Welcome to the Revenue Committee. [LB1013]

ALI KHAN: (Exhibits 17-24) Thank you, Senator Schumacher. Chairman Gloor, members of the Revenue Committee, I'm Ali Khan, K-h-a-n. I have the honor to serve as the Dean of the College of Public Health at the University of Nebraska Medical Center and I'm here today in support of LB1013. UNMC is privileged to champion an effort to help make Nebraska the healthiest state in the Union. Currently, Nebraska is ranked tenth. And after criss-crossing the state, I can say we have the talent and leadership to be number one. Cigarette smoking is responsible for half of all preventable deaths in Nebraska as you have heard. On average, the nine states healthier than Nebraska also have the highest cigarette taxes. LB1013 will permit us to leapfrog the national rankings. I'm sharing that ranking with you and highlight those, it's on this sheet, and I highlight all those measures in yellow that would be impacted by this bill. In truth, I've got a 35-year career in public health and medicine. With this bill, you have the ability to save more lives than I have in the last 35 years. Now my testimony will focus on the UNMC programs that would be sustained by new revenue generated by the tax increase in LB1013. These programs support a wide range of health protection and promotion activities and the development, recruitment, and retention of health professionals in communities throughout the state. In your materials you have a detailed summary of the three programs that I'm discussing. The first is the investment in the UNMC College of Public Health where I have the honor to serve. These resources would be used in three main areas. So placing new public health practitioners across the state; attacking the root causes of specific health problems in our communities such as obesity, diabetes, and cancer; and examining critical data and health policies used to better inform decisionmakers such as yourself. The second is the AHECs. And you had a lovely testimony from a student that has benefited from the AHEC and the BHECN programs. So the investment in the AHEC, or the Area Health Education Centers, is a positive step towards growing and training future healthcare workers for all of Nebraska. There are five regional AHECs, four rural and one urban--and Senator Gloor laid out those locations--engaged in programs that identify, nurture, and support health profession learners and practicing healthcare professionals. You'll be glad to know that since 2001, 98 percent of students who participated in after-school AHEC activities enrolled in a two- or four-year college, many going on to become health professionals. Each AHEC is governed by a local board of governors familiar with their regional issues. The third program is the BHECN program. This is the Behavioral Health Education Center of Nebraska. And it's key to addressing really the mental health professional needs here within the state. Currently 88 of the 93 counties in Nebraska meet federal criteria as mental health profession shortage areas. The Legislature...you formed this in 2009. BHECN is developing solutions to recruit, train, and retain behavioral health professionals, especially in rural and underserved communities. For example, BHECN's Ambassador program is connected to 2,000 high school and college students to behavioral health mentors and helped match nearly 10 percent. So that's about double of what we see in the rest of the country of medical students into psychiatry residency programs in 2015.

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There is unequivocal evidence that passage of LB1013 will decrease tobacco use and save lives. With your leadership we can make Nebraska the healthiest state in the Union by 2020. Thank you and I would be glad to take any questions. [LB1013]

SENATOR SCHUMACHER: Any questions for Dr. Kahn? Senator Scheer. [LB1013]

SENATOR SCHEER: Thank you, Senator Schumacher. Good to see you again. [LB1013]

ALI KHAN: Always a pleasure, sir. [LB1013]

SENATOR SCHEER: I felt sort of bad. I was having lunch and he sits down and I'm having a cheeseburger and fries. (Laughter) Probably the most unhealthy sandwich that I could have at the time. I don't disagree with what you would like to do with the money. That's not my point, not my problem. But is that not more of a state's responsibility if indeed that is a priority of the state than a small segment of the population to fund? [LB1013]

ALI KHAN: So, Senator Scheer, I would refer this back to Senator Gloor for the excise tax and how those monies are used. What I can say from the evidence base is that there are negative externalities associated with smoking. It costs the Medicaid program \$162 million as you just heard. [LB1013]

SENATOR SCHEER: I'm not arguing that increasing that aside, I'm not...this question is not, does an increase in tax minimize smoking? It may reduce smoking to some extent. [LB1013]

ALI KHAN: It does. [LB1013]

SENATOR SCHEER: It's not going to be eradicated. If it does, we wouldn't have any of the money to spend. But my point is the items that you discussed, other than one was obesity and one was diabetes and then something else and then the third one was cancer. So I followed the cancer being part of the smoking portion. But other than that, all the other initiatives were mental health and some other things that were, to me, a state responsibility to fund in its entirety, not that that an exclusive of the population should be responsible to fund those programs. [LB1013]

ALI KHAN: So again, Senator Scheer, I can't comment on legislative decisions on how to fund those programs, only on the fact that smoking will...the cigarette tax will decrease smoking in this state and make us a healthier state. [LB1013]

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SENATOR SCHEER: Okay, but that was part of your presentation. The other part had to do with the funding, correct? [LB1013]

ALI KHAN: Correct, on how those revenues would be used. Yes, sir. [LB1013]

SENATOR SCHEER: That's correct. And that's what I'm talking about. I'm not talking about the smoking. I'm talking about your use of those funds. Is it appropriate for a segment of 5 percent or 10 percent of the population to pay for all the funding for those programs rather than all of the population to pay for those fundings? [LB1013]

ALI KHAN: So all of those programs, at the end of the day, help smokers without a doubt. So efforts around cardiovascular disease, heart disease, cancer, diabetes, as...all of the premature births, all of those have public...are associated with smoking unequivocally. So those public health programs will work with smokers... [LB1013]

SENATOR SCHEER: Certainly they can be in some cases, Dr. Kahn. I get that. But that's not in all cases. I'm obese. I've never smoked, okay. So the fact that you cannot sit and tell me that all of the health problems in the state of Nebraska are going to be cured by raising the cigarette taxes and providing the funds for those entities that are on this list. And that's my concern is we are putting a huge burden on a very small segment of the population to fund a lot of good work that you're proposing. I don't have a problem with what you're proposing. I like it. It's how we're going to fund it that I don't. [LB1013]

ALI KHAN: Thank you, Senator. I think I'll just leave that to people who are the experts on the funding side. Half of preventable deaths in this state are due to smoking, so at least you can count for half of all of this work benefiting smokers. [LB1013]

SENATOR SCHEER: Okay. Thank you, Senator Schumacher. [LB1013]

SENATOR SCHUMACHER: Any other questions for Dr. Kahn? Senator Brasch. [LB1013]

SENATOR BRASCH: Thank you, Senator Schumacher, and thank you, Dr. Kahn. Possibly along the line of what Senator Scheer was saying and I can't help but sit here and wonder, my BMI is not where it should be. Should we tax those who buy sugar to help pay for diabetes and other programs? I mean, in your view, is that also harmful? [LB1013]

ALI KHAN: So first, in my view, my BMI is not where it (laughter) was when I was 25 either. [LB1013]

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SENATOR BRASCH: Okay. [LB1013]

ALI KHAN: So I guess the bigger message for this audience is your 150 minutes a week of exercise and your seven fruits and vegetables every day is probably the biggest message I can get--and stop smoking. Actually those are the three messages I give every patient who walks in the door. They are, honestly, the three messages I give every patient because there's thousands of health messages out there. [LB1013]

SENATOR BRASCH: Or an extra tax on candy bars or a piece of cake or something. You know, do we have dessert police that will (laugh) ticket me when I shouldn't be having my excess over 1,400 calories? [LB1013]

ALI KHAN: So the fortunate thing as a public health professional, we believe in health education... [LB1013]

SENATOR BRASCH: Okay. [LB1013]

ALI KHAN: ...is how we help influence behavior. What I can say about cigarette taxes is that the evidence base is unequivocal. So we have numerous large studies across the United...actually not even just the United States, worldwide that prove if you stop smoking, if you can increase the...if you can increase the unit price on tobacco, you decrease smoking, you save lives. I think that data is unequivocal. [LB1013]

SENATOR BRASCH: And I understand that. I'm not advocating people start smoking. I would be the first to encourage them to stop smoking. But when we take one unhealthy habit that can kill you or secondhand smoke and then we look at other you know unhealthy habits. I've been told that this is probably the first generation where parents outlive children because of unhealthy diet habits. So do we start being aggressive, you know, in other areas where we'll penalize you by taxing you to pay for your treatment? [LB1013]

ALI KHAN: So, Senator, that's an excellent question. I can only comment on where the evidence currently goes. So I'm sure we can propose all sorts of taxes. The important thing is where's the evidence that that's going to have an impact. With cigarettes, we have the evidence. Increase cigarette taxes, save lives, stop young children...actually somebody said 15. The number is a lot younger. It's 12- and 13-year-olds. How do we give these 12- and 13-year-olds to stop smoking? A dollar fifty a pack is a big deterrent if you happen to 12 years old to start smoking. [LB1013]

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SENATOR BRASCH: I want to thank you for your work and your encouragement on this. And again my question is looking forward down the road, you know, the direction this could be traveling. So thank you. I have no other questions. [LB1013]

ALI KHAN: Thank you. And we'll keep track of that research as it develops on other products, chocolate cake, my weakness. [LB1013]

SENATOR BRASCH: Oh, dear. [LB1013]

SENATOR SCHUMACHER: Thank you, Senator Brasch. Any other questions? I just have one. Are you going to add Senator Scheer's big, thick, juicy, dripping-with-cholesterol hamburger to your advisory list? [LB1013]

SENATOR SCHEER: It wasn't. (Laughter) [LB1013]

ALI KHAN: It wasn't. But the secret is the flip side. So you can tell people what not to eat. In my experience, what you start with is you tell them what to eat. So I tell people eat nine fruits and vegetables a day. And I have found when I try to eat nine fruits and vegetables a day, it's a whole-day business. I have no time for the cheeseburger because I'm trying to get in the nine fruits and vegetables. [LB1013]

SENATOR SCHUMACHER: Thank you. Any other questions? Thank you, Doctor. [LB1013]

ALI KAHN: Thank you, sir. [LB1013]

SENATOR SCHUMACHER: Welcome to Revenue Committee. [LB1013]

OLIVIA MONAGHAN: Thank you. My name is Olivia Monaghan; that's O-l-i-v-i-a M-o-n-a-g-h-a-n. I'm here today speaking as a concerned citizen and not representing any organization. I was born and raised in Crofton, Nebraska, and currently I am a student at the University of Nebraska-Lincoln. Next-generation Nebraskans like myself are critical to the future success of our great state. That's why it's so important for you to address...excuse me, preventing kids from using and being exposed to tobacco, which is the biggest issue youth face today. Focusing on youth tobacco prevention has become a passion of mine. Like many citizens in our state, my motivation to reduce tobacco use in Nebraska is personal. My parents started smoking when they were teens and have been addicted ever since. It's not common for those like my parents to start smoking as kids. Currently, according to the Campaign for Tobacco-Free Kids, 1,400 students under 18 become new daily smokers each year in Nebraska. I, for one, find it unacceptable that

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we continue to have thousands of youth from across the state become tobacco users. We do have the power to change this reality. By passing this legislation, we would be making a significant impact on preventing kids from smoking which would then lead to more lives saved and less tax dollars being spent on health-related costs for adults. The Campaign for Tobacco-Free Kids and the American Cancer Society Action Network estimate that LB1013 would prevent 12,100 youth in Nebraska from becoming adult daily smokers and decrease youth smoking by 17.3 percent. Long-term healthcare cost savings of \$493 million from adults and youth who quit smoking would also be a significant result of this bill being passed. Additionally, revenue raised from an increase on cigarettes would potentially go towards more education programs and resources for youth which currently isn't available in all of our communities. As someone who has been involved in youth tobacco prevention programs, I can confidently say that these programs make a huge difference in educating youth on the dangers of tobacco and leading to a reduction in smoking. This legislation would be a significant starting point in making serious strides in reducing tobacco use among youth and saving more adult lives lost to smoking. You have the power to make a positive impact on the next generation of Nebraskans and by preventing them from using tobacco products by passing this bill. I appreciate you taking the time to listen to my comments on this important issue and I hope you will advance LB1013. I would be happy to answer any questions that you may have at this time. [LB1013]

SENATOR SCHUMACHER: Do we have any questions? Thank you very much for testifying before us today. [LB1013]

OLIVIA MONAGHAN: Thank you. [LB1013]

SENATOR SCHUMACHER: Welcome back to Revenue. [LB1013]

BRUCE RIEKER: (Exhibit 25) Thank you, Senator Schumacher, members of the Revenue Committee. I've been before this committee before on this issue but wearing a different hat. This time I'm Bruce Rieker, still the same person, B-r-u-c-e R-i-e-k-e-r. I'm vice president of government relations for Nebraska Farm Bureau Federation. I want to really compliment Senator Gloor on this because this particular bill addresses two of the larger issues that are facing the state. One is growing healthcare costs in the Medicaid program. So we're looking at the demand side which is consistent with our policy at Farm Bureau of looking at responsible public policy with regard to the spending side of the equation but also looking at the property tax issue. And I have...I will say that just from listening to the hearing so far, I will be sharper at lobbying on the property tax relief since I represent a small element of people in the state that are paying a disproportionate share of property tax, but that's for another hearing. One of the things that...what I want to address is, you know, a tax that hasn't been discussed in the hearing so far and that's a hidden tax of healthcare. In my former career working with the Hospital Association,

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there was rarely a week that went by when I wasn't visiting with you or your colleagues that a lot of you told us that the answer to Medicaid and uncompensated care was personal responsibility. You can see the numbers have already been put out there as far as what tobacco-related illnesses cost the Medicaid program, which is a tax shift to taxpayers who pay their bills. There's also the uncompensated care and Senator Gloor can talk to this in much greater detail than I can as far as what that hidden tax encompasses. However, this is a very comprehensive bill that we contend is a serious proposal to address a couple of the larger issues facing the state: Medicaid growth, property tax, as well as the hidden tax shift that comes with uncompensated care. And to the extent of personal responsibility, most of the folks that don't...well, people they get Medicaid treatment or uncompensated care do not pay their bills at all in the healthcare arena and if they're not going to pay it on the back end then we contend that part of the responsible nature of this bill is that there is I think Dr. Rauner or someone else referred to it as a user fee. You know, if they're not going to pay on the back end then they should pay something on the front end. With that, I'll conclude my comments. [LB1013]

SENATOR SCHUMACHER: Senator Davis. [LB1013]

SENATOR DAVIS: Thank you, Senator Schumacher. Welcome, Bruce. [LB1013]

BRUCE RIEKER: Thank you. [LB1013]

SENATOR DAVIS: So if this bill didn't have the property tax piece in it, would Farm Bureau be testifying in favor of it? [LB1013]

BRUCE RIEKER: I believe we would be, because one of the things that we have expanded our horizon in looking at these issues is the demand side of government. You know, it is something that quite frankly was part of why they hired me and we talked about this in the interview process. So I'm very comfortable that looking at a bigger scope of the issue both on the demand and the supply side of state government, that's why we're here. [LB1013]

SENATOR DAVIS: I'm very glad to hear that. Thank you. [LB1013]

SENATOR SCHUMACHER: Senator Brasch. [LB1013]

SENATOR BRASCH: Thank you, Chairman...Senator Schumacher. It does bring a question I've been wondering about here. Has this gone before your membership to support a \$1.50 increase on cigarettes? [LB1013]

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BRUCE RIEKER: Yes. [LB1013]

SENATOR BRASCH: It has? [LB1013]

BRUCE RIEKER: Yes. [LB1013]

SENATOR BRASCH: And it did pass through your boards? [LB1013]

BRUCE RIEKER: Yes, it's passed through our membership, it's passed through our board. I have full board approval to be here and say these things. You bet. [LB1013]

SENATOR BRASCH: I'm a little surprised. Again, I don't promote smoking, but in a rural area I think that you do see how many more smokers than nonsmoking, generally. [LB1013]

BRUCE RIEKER: I anticipated a little bit of that response, that Farm Bureau being here in support of this would surprise a few. I'm new to...our organization is new to the table on this issue. But we're looking at a much bigger picture and that's why we're here. [LB1013]

SENATOR BRASCH: What percentage of the membership at this point remains rural versus nonrural? Has that ever been calculated? [LB1013]

BRUCE RIEKER: Wow. I don't know. I'm sure we have that answer. We have 61,000 member families and we have 15,000 member farm families of those 61,000. But those are farmers...those are...the farmer members are the ones who have the votes and where we go with our policy. But to say that those are the only ones that are rural, I would speculate that there's a great proportion of the difference between 61,000 and 15,000 that are still rural. But I don't have the answer as to how that breaks out between urban and rural. I can sure get that for you. [LB1013]

SENATOR BRASCH: Okay. That would be great. I'd love to see that. [LB1013]

BRUCE RIEKER: Okay. [LB1013]

SENATOR BRASCH: Thank you. [LB1013]

BRUCE RIEKER: You bet. [LB1013]

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SENATOR BRASCH: I have no other questions. [LB1013]

SENATOR SCHUMACHER: Thank you, Senator Brasch. Senator Smith. [LB1013]

SENATOR SMITH: Thank you, Senator Schumacher. And thank you for being here and for your testimony. And I believe it to be sincere testimony and especially when...on the component of property tax relief. You want property tax relief. [LB1013]

BRUCE RIEKER: Absolutely. [LB1013]

SENATOR SMITH: And I'm 100 percent supportive of property tax relief and I'm with you on that. [LB1013]

BRUCE RIEKER: I know that. Thank you. [LB1013]

SENATOR SMITH: But I do not believe that a tax shift is good tax policy. And in this particular case we're providing property tax relief to all Nebraskans, smokers and nonsmokers, on the backs of smokers. And to me, that just doesn't feel right and I'll let you respond to that. [LB1013]

BRUCE RIEKER: Well, and I appreciate that. We've had some of these discussions before and I appreciate you asking the question. I'll start with my answer being that right now the tax collections in the state are, in our perspective, grossly out of balance. Between state and local tax collections 48 percent of it comes from property tax, 32 percent comes from income tax, and 20 percent comes from sales tax. So there has been a silent tax shift that's been taking place over the last five to ten years that has moved what I would say is the three-legged stool of balance between those three resources to property tax. The...going back to the specificity of the issue before us with regard to Medicaid and uncompensated care, that's a tax shift to everybody else that's paying their healthcare bills and our company is also in the insurance business. We're also in the position of responsibility of healthcare for our 61 member families who purchase insurance through our affiliates. And so we have a responsibility to them as well. So there is a tax shift already taking place. [LB1013]

SENATOR SMITH: I'm going to respond to that. I didn't intend to, but to be clear, my definition of a tax shift is when we increase taxes on one and reduce taxes on the other. We have had an increase in property taxes over the years due to valuation increases but we did not reduce income taxes nor sales taxes and increase property taxes. That's not the same thing as what I'm referring to. [LB1013]

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BRUCE RIEKER: Correct, and I agree with that. Our macro perspective from Farm Bureau is that we bring those back into align where the aggregate tax collections do not increase but yet they get balanced a third, a third, and a third. And that's what we want to work with you and... [LB1013]

SENATOR SMITH: And I appreciate that point. But the increases we've had in property taxes due to valuation increases, I do not attribute that to a tax shift in the definition that I've given on reducing one and increasing the other. So thank you. [LB1013]

BRUCE RIEKER: Yeah, I appreciate that. [LB1013]

SENATOR SCHUMACHER: Senator Scheer. [LB1013]

SENATOR SCHEER: Thank you, Senator Schumacher. Thanks for coming, Bruce. You talked about tax shift and personal responsibility and I'm assuming you're speaking on behalf of Farm Bureau when you're speaking that way. [LB1013]

BRUCE RIEKER: Um-hum. [LB1013]

SENATOR SCHEER: This tax of essentially \$1.50 assuming a pack of cigarettes is about \$5.00, that's a 30 percent tax. Fair enough? So based on your comments, I'm looking, we've got a nitrate problem and a...within the state water levels. Comes primarily from fertilization, so I'm assuming then next year if I introduce a bill that put a 30 percent tax on fertilizer, Farm Bureau would be there to testify in support of it because indeed that's a user tax and that's personal responsibility to try to fix the problem that was how it was created. So I mean, I don't necessarily expect a response but you can see how someone might view that as somewhat self-serving, because you and I both know you would not be there testifying in support of a 30 percent tax. But that's what we're doing. We're placing a burden saying it's personal responsibility and it's okay, as Senator Smith, that we're going to get tax relief on the back of a smoker. You know, nothing happens in a void. And just as the state is paying for water safety throughout the state, it wasn't really folks within the communities that were causing the nitrate problems. It was probably the farmers out there, but yet we as a state are paying it. To me, that seems like sort of a shift as well. So I would guard you in the future, to be careful how phrase things because that's exactly what I was thinking as you were talking about how it was important for your folks to receive a benefit off of somebody else. And I don't I've ever heard Farm Bureau want to take the position of benefiting from somebody else's payments. That's disappointing. I thought better of the association to be quite honest. [LB1013]

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BRUCE RIEKER: Well, I appreciate the comments. And the Natural Resource Districts already tax us 11 percent. [LB1013]

SENATOR SCHEER: Well, it could go up another 30 percent. [LB1013]

BRUCE RIEKER: So we, in some way, are already paying a user fee through the NRDs and other local property tax collections. So I would say that, you know, we talk about the macro picture from all of the different taxes that our membership pays. [LB1013]

SENATOR SCHEER: Fair enough, but we're not talking macro. We're talking micro when we're talking about just a cigarette or we're talking just about, you know, a nitrate problem that's caused by overfertilization. And you know, they may be apple and oranges, I don't know. I don't farm, so I have no way to determine the pulse. But that's sort of what came to mind when you were speaking. [LB1013]

BRUCE RIEKER: Well, I appreciate that. [LB1013]

SENATOR SCHEER: This is going to be a long one, so I just thought I would interject that. So I appreciate it. Thanks. Thanks, Senator Schumacher. [LB1013]

SENATOR SCHUMACHER: Thank you, Senator Scheer. Any other questions before we contemplate the heart attack burger tax? [LB1013]

BRUCE RIEKER: Oh, and I had a chocolate chip cookie for lunch. [LB1013]

SENATOR SCHUMACHER: Well, that too. [LB1013]

BRUCE RIEKER: That was it. [LB1013]

SENATOR SCHUMACHER: What would it take in tax to get you not to eat that chocolate chip cookie? [LB1013]

BRUCE RIEKER: Well, it was given to me, so I don't know. (Laughter) But great question to end this part on. [LB1013]

SENATOR SCHUMACHER: Thank you, Bruce. [LB1013]

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BRUCE RIEKER: You bet. Thank you, Senator. [LB1013]

JERRY STILMOCK: Vice Chair Schumacher, members of the committee, my name is Jerry Stilmock, J-e-r-r-y, Stilmock, S-t-i-l-m-o-c-k, testifying on behalf of the Nebraska State Volunteer Firefighters Association and the Nebraska Fire Chiefs Association in support of LB1013. Shared with you before in a previous hearing, the four-hour hearing that we had at Health Committee, and I just want to share one minute-and-a-half segment of that four-hour hearing from an interim study resolution authored by Senators Watermeier, Senators Davis, and Kolterman. Of course, I'm here because of the \$1.5 million that would be available for funding to help recruit and train EMS. In order to have a volunteer pulled in to perhaps serve as an EMT, first of all, they have to find that man or lady to come in and do that. Depending on the town, the volunteer department will advance the fee of anywhere from \$800 to \$1,100 to sit through a six-month class. But in some communities the volunteer department doesn't have those funds. The city doesn't have those funds. So the volunteer person themselves would advance that fund to then be able to serve as a volunteer after going through classes of Tuesday, Thursday night perhaps for six months from 6:00 until 9:00 in the evening and probably every other Saturday morning. If that person is able to pass and be certified through taking a national exam then a portion of those funds, about 40 percent, is reimbursed to that person. If the person is unable to pass that test that person or the department who advanced the funds receives no reimbursement. So this would be a way to assist those to have funds to help in the training of EMTs. For that singular reason and others that were shared during the other committee hearings, we need help in the volunteer area. And we thank Senator Gloor for again bringing this measure. We'd urge your committee to advance LB1013. Thank you. [LB1013]

SENATOR SCHUMACHER: Thank you. Any questions? Senator Harr. [LB1013]

SENATOR HARR: Thank you, Senator Schumacher, Mr. Stilmock. You were here on that bill, and again, I want to thank you for all that you do and the firefighters across this great state of Nebraska. My question is, would this additional \$1.5 million address your concerns of your other bill brought by Senator Davis? [LB1013]

JERRY STILMOCK: Of course, you know, for the record you're referring to LB886, \$1.5 million. It...based upon a \$2 million fiscal note, it would closer, it would get close. And then of course, we had the caveat of the, you have to qualify for two years so it would go a long way, sir. [LB1013]

SENATOR HARR: Okay, and this is...the grant would go through HHS. Are you okay with the grant going through Department of HHS? [LB1013]

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JERRY STILMOCK: If it was used for purposes of funding Senator Davis' bill and LB886, it would probably go...those funds would need to go to Department of Revenue. [LB1013]

SENATOR HARR: Well, as the bill is currently drafted it's... [LB1013]

JERRY STILMOCK: Oh, okay. [LB1013]

SENATOR HARR: ...Department of Health and Human Services for health aid program to provide for training and recruitment of emergency medical service personnel and firefighters. I guess I don't understand how DHHS would do that, recruit medical personnel. [LB1013]

JERRY STILMOCK: Right now, there's a division within HHS that provides emergency medical service divisions for HHS for all of our membership, all those people that are certified as EMTs. So to answer your question as it is with LB1013, yes, we're comfortable if those funds were used as Senator Gloor has written in LB1013. [LB1013]

SENATOR HARR: Okay. [LB1013]

JERRY STILMOCK: If they were to be rewritten based upon your all prerogative of what you...how you directed these funds, they would probably go to the Department of Revenue. [LB1013]

SENATOR HARR: Okay. [LB1013]

JERRY STILMOCK: Or at least recognized by the Department of Revenue that... [LB1013]

SENATOR HARR: Probably go over to our General Fund and then. [LB1013]

JERRY STILMOCK: Yeah. [LB1013]

SENATOR HARR: Yeah, part of our General Fund budget I think. [LB1013]

JERRY STILMOCK: Probably more appropriately stated the way you said it, yes. [LB1013]

SENATOR HARR: Yeah, and probably shame on me for not thinking that HHS didn't have their fingers everywhere. (Laughter) So thanks. [LB1013]

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JERRY STILMOCK: I'm not even going to comment. [LB1013]

SENATOR SCHUMACHER: Senator Davis. [LB1013]

SENATOR DAVIS: Jerry. [LB1013]

JERRY STILMOCK: Sir. [LB1013]

SENATOR DAVIS: Just for the purposes of clarification, let's talk about the two different proposals. This proposal that Senator Gloor has put forward in this bill is dealing with training. My proposal is a tax credit bill for EMS and volunteer firemen. So they're completely different concepts. [LB1013]

JERRY STILMOCK: Yes, sir. Yes, sir. [LB1013]

SENATOR DAVIS: So how do you envision this particular pool of money being used? I mean you've talked a little bit about training reimbursement and those things. Would think fire school would be an appropriate place for some of this money to go? [LB1013]

JERRY STILMOCK: There's an incredible amount. You think about volunteer fire and volunteer rescue people. But for three days during May for over 35 years, Nebraska has put on a fire school which is fire and EMS both for all areas of Nebraska. And it's believed to be the only fire school that is put on by all-volunteer staff. So for one week, the men and ladies that are...serve as a part of the...as a fire school committee travel from all parts of the state, converge on Grand Island, and literally take one week of their lives, vacation. That's the way...I mean, my family went to Colorado. These families go to Grand Island for a week to put on fire school for the benefit of those in some of your communities at least on the panel that go there and then train. So absolutely it would be beneficial. There are several segments that come in in addition to the volunteer staff that comes in to help out the volunteer fire and rescue. There's also several of the agencies that come in. There's was a period of time where the State Fire Marshal's Office did not have funding in order for the staff to go from the Fire Marshal's Office in order to present and be instructors in the classes and the fire...we actually had to pay the instructors their lost wages in order to come in. Senator, absolutely it would be a tremendous benefit to fire school and that component of what the volunteers do in Nebraska. Yes, sir. [LB1013]

SENATOR DAVIS: Thank you. [LB1013]

JERRY STILMOCK: Yes, sir. Thank you for the question. [LB1013]

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SENATOR SCHUMACHER: Any other questions for Jerry? Thank you for your testimony. [LB1013]

SENATOR HARR: If I could just quickly for the record, since the Chairman is from Grand Island, I would love to spend my vacations in Grand Island. (Laughter) [LB1013]

JERRY STILMOCK: Very good. [LB1013]

SENATOR SCHUMACHER: Thank you for that observation, Senator Harr. [LB1013]

JERRY STILMOCK: Thank you, Senator. [LB1013]

SENATOR SCHUMACHER: Next proponent. [LB1013]

KYLE CLARK: Good afternoon, Senators. My name is Kyle Clark, K-y-l-e C-l-a-r-k, I'm a project director of Public Opinion Strategies, a survey research firm in Alexandria, Virginia. On behalf of Glen Bolger who was a principal researcher on this project, I'm here today to present some of the key findings of a statewide survey conducted here in Nebraska on behalf of the American Cancer Society Cancer Action Network. As a quick methodological note before I begin, the survey was conducted over three nights in October of 2013 among 500 likely voters including 125 cellphone-only respondents which is 25 percent of the sample. And the survey has a margin of error of 4.38 percent at the 95 percent confidence level. So now on to the content of the survey. The survey tested support for a \$1 per pack increase in the state tobacco tax including an equivalent increase for other tobacco products with the revenue dedicated to reducing property taxes and funding health and wellness programs including programs to prevent kids from smoking and helping smokers quit. More than two-thirds of respondents, 68 percent, favored the proposal while just 31 percent opposed it. And support isn't just a mile wide. It's also mile deep with the percentage of respondents who strongly favor the proposal at 52 percent which is more than the entire opposition of 31 percent. Support is also broad among key subgroups. Nowadays, as you know, there aren't many issues that elicit bipartisan ideological consensus but this is one of them; 67 percent of Republicans, 56 percent of independents, and 79 percent of Democrats backed the \$1 increase in our survey. This is also not an ideological issue as I mentioned; 63 percent of conservatives including 56 percent of very conservative voters, 72 percent of moderates, and 75 percent of liberals backed the proposal. Looking at gender, while women support it at a higher clip than men at 76 percent favor, 22 percent oppose, majorities of both support it with support among men at 60 percent to 40 percent who oppose it. And regionally there's not a single area of the state--and I'm talking about media markets here--where support dips below 67 percent. The data also shows that good policy also makes for good politics. Specifically, we asked whether voters would be more likely or less likely to support a

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candidate for political office here in Nebraska if they supported the \$1 tobacco tax increase; 60 percent said they would be more likely and just 24 percent said less likely, 13 percent said it would make no difference to their vote. And once again, on this question the bipartisan consensus emerges; 57 percent of Republicans; 52 percent of independents, and 71 percent of Democrats indicate that they'd be more likely to support such a candidate. Voters of different ideological stripes also say they would be more likely to support such a candidate including 53 percent of conservatives, 65 percent of moderates, and 68 percent of liberals. And it is important to note that no legislators, Republican or Democrat, who have backed tobacco tax increases in other states have lost their seats due to their support for a tobacco tax increase. In closing, the data we see in this Nebraska survey is similar to what we've seen literally dozens of other tobacco tax surveys in other red states. Comparatively speaking, voters are comfortable with tobacco tax increase legislation that closes revenue gaps, helps to fund property tax relief, or helps to fund health and wellness programs, or some combination of those three. And at a time when so many issues have a partisan tinge, this is clearly one issue that crosses partisan and ideological lines. And with that, I'd be happy to answer any questions that you may have. [LB1013]

SENATOR SCHUMACHER: Thank you. Senator Scheer. [LB1013]

SENATOR SCHEER: Do you have the entire poll that you could provide us? [LB1013]

KYLE CLARK: We do, yes. [LB1013]

SENATOR SCHEER: And the questions as asked? [LB1013]

KYLE CLARK: Yes, absolutely. [LB1013]

SENATOR SCHEER: Your question that I think you started with, would you support the increase? And one of those was...there was three things. I can't remember, one was... [LB1013]

KYLE CLARK: I can read the question language to you if you'd like. [LB1013]

SENATOR SCHEER: Sure. [LB1013]

KYLE CLARK: Let me find it. Okay. "Would you favor or oppose a one dollar per pack increase in the state tobacco tax, plus an equivalent increase for other tobacco products like cigars and chewing tobacco with the revenue dedicated to reducing property taxes and funding healthcare

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and wellness programs including programs to prevent kids from smoking and help smokers quit?" [LB1013]

SENATOR SCHEER: Okay, two things...well, actually a couple. In fairness, that is two and a half years old, correct? [LB1013]

KYLE CLARK: It is. [LB1013]

SENATOR SCHEER: Okay. And the size of increase is not \$1, it's \$1.50. So we're really talking about a 50 percent higher value than what was polled. [LB1013]

KYLE CLARK: Correct. Well, in similar state where we've polled this issue... [LB1013]

SENATOR SCHEER: Well, I'm just asking about this one. [LB1013]

KYLE CLARK: Sure. [LB1013]

SENATOR SCHEER: And you utilize the term help those quit. And in reference to what the bill actually does, it produces...which was one of my concerns that I spoke to Senator Gloor about, it produces \$120 million and \$1 million goes to help quit. I don't really think from the vantage point of that, if I heard that, I would think that's probably not a bad deal either. But we're really not spending any money here to provide those that wish to the opportunity to quit with all the money all the money that is generated. [LB1013]

KYLE CLARK: Well, to address your concern, I mean in questions like these, these are fairly general questions. That's not to say that we don't ever get into the details of... [LB1013]

SENATOR SCHEER: Well, understand, but I think that's highly inflated when you tell...if we're asking a question. And believe me, you didn't do it based on this bill. I get that. [LB1013]

KYLE CLARK: Right. [LB1013]

SENATOR SCHEER: But you're using that to support this bill. And my point would be if you're telling people that you're going to help people quit, that's great. But I don't consider \$1 million out of \$120 really a proportionate amount of helping them quit compared to the dollars of the other two items that were...I'm just looking proportionality. [LB1013]

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KYLE CLARK: Sure. No, I understand, Senator. [LB1013]

SENATOR SCHEER: I'm not arguing that. I'm not arguing the basis of it. I'm just saying that sometimes the verbiage that we use also...if you're a pollster you know exactly the language you can tilt a response in some directions. I believe that would help that question be tilted in that respect. And if we're going to say that we're going to do that we ought to be doing that. [LB1013]

KYLE CLARK: Sure, and that's not to say that in other surveys, as I mentioned, in other states that we wouldn't delve into those details later on in the survey. You know, would you be more likely or less likely to support it knowing that only, as you say, \$1 million out of \$120 million is going to that. We didn't ask that here. Like you said, we didn't have those... [LB1013]

SENATOR SCHEER: Well, I suspect the people may not have as positive if that were the case, but I don't know. I mean... [LB1013]

KYLE CLARK: Well, and that's the goal of the survey, right? To find out. [LB1013]

SENATOR SCHEER: Thank you very much. [LB1013]

KYLE CLARK: Sure. [LB1013]

SENATOR SCHEER: Thank you, Senator Schumacher. [LB1013]

SENATOR SCHUMACHER: Senator Sullivan. [LB1013]

SENATOR SULLIVAN: Thank you, Senator Schumacher. Thank you, Mr. Clark. Just a little additional clarification on the response elicited on support for property taxes, did they simply say they were in favor of support...of some of these dollars going to provide property tax relief? Or did you rank order them, the use of those dollars? [LB1013]

KYLE CLARK: No we did not rank order them, but we did ask a specific question regarding property tax relief. Let me read that to you verbatim. Let me find it here. "And would you be more likely or less likely to support an increase in the state tobacco tax if you learned that part of the additional tax revenue would go to reducing property taxes?" Seventy percent said they would be more likely; 28 percent said they would be less likely to support this proposal knowing that. [LB1013]

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SENATOR SULLIVAN: Thank you. [LB1013]

KYLE CLARK: Sure. [LB1013]

SENATOR SCHUMACHER: Senator Smith. [LB1013]

SENATOR SMITH: Thank you, Senator Schumacher. Mr. Clark, I'm a little confused. I thought your leading question placed it, determining favorability, with the intent of lowering property tax. [LB1013]

KYLE CLARK: Yes. [LB1013]

SENATOR SMITH: That was your leading question. [LB1013]

KYLE CLARK: It was, yes. [LB1013]

SENATOR SMITH: All right. So you didn't ask the question right up front as to whether they would support an increase in the tobacco tax, and then in a subsequent question you went into context. [LB1013]

KYLE CLARK: We did. We asked a general question that was not policy specific and I'll read it to you. [LB1013]

SENATOR SMITH: Okay, maybe I misunderstood. Can you...? [LB1013]

KYLE CLARK: I'm sorry, yeah, let me read that question for you. [LB1013]

SENATOR SMITH: Yeah. [LB1013]

KYLE CLARK: This is a very general question toward the beginning of the survey. "Would you favor or oppose a proposal that would raise the state tobacco tax--we didn't give a dollar amount--and use the revenue to help reduce property taxes?" [LB1013]

SENATOR SMITH: Okay. [LB1013]

KYLE CLARK: That was 68 total favor; 29 percent total opposed. [LB1013]

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SENATOR SMITH: Okay. Thank you. [LB1013]

KYLE CLARK: Sure. [LB1013]

SENATOR SCHUMACHER: Any other questions? I've just got a couple. [LB1013]

KYLE CLARK: Sure. [LB1013]

SENATOR SCHUMACHER: What percentage of your survey respondents were smokers?  
[LB1013]

KYLE CLARK: Twenty percent. [LB1013]

SENATOR SCHUMACHER: Twenty percent. And still 31 opposed it. [LB1013]

KYLE CLARK: I can find the exact number. In this survey, which was conducted as I mentioned October 2013, I believe the number of smokers who supported the \$1 tax proposal was 41 percent. [LB1013]

SENATOR SCHUMACHER: Of just the raw numbers, how many of the people that were answering the questions were smokers? [LB1013]

KYLE CLARK: Twenty percent of the sample consists of smokers, self-identified smokers. [LB1013]

SENATOR SCHUMACHER: Okay. Now there's a saying that goes something like don't tax you, don't tax me, tax the guy behind the tree. So if you asked that same question, type of question saying: Should we, in order to generate property tax relief, put a 10 percent surcharge on the incomes of bankers, lobbyists, and lawyers? [LB1013]

KYLE CLARK: It might be popular these days, I don't know. [LB1013]

SENATOR SCHUMACHER: It'd probably get a really strong response. [LB1013]

KYLE CLARK: Sure. [LB1013]

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SENATOR SCHUMACHER: As long as you're taxing somebody else you get that kind of response. [LB1013]

KYLE CLARK: I understand the concern, yeah. [LB1013]

SENATOR SCHUMACHER: Okay. And I find it unusual or interesting that the 70 percent more likely to support it, the same trend holds true if you ask the question for casino gaming or just about anything and property taxes because we have such talk about property taxes. [LB1013]

KYLE CLARK: Sure. [LB1013]

SENATOR SCHUMACHER: Any other questions? Thank you very much for your testimony. [LB1013]

KYLE CLARK: If I could make one final note about... [LB1013]

SENATOR SCHUMACHER: Sure. [LB1013]

KYLE CLARK: Senator Scheer had mentioned that the survey is two and a half years old. What we've seen in numerous tracking studies where we've studied these issues in states over time, the data stays very consistent. And so while it is two and half years old, it's not a huge concern to me or to our firm. [LB1013]

SENATOR SCHEER: And I can appreciate that it's not to you, but I do think in all honesty when you're talking about a tax that is 50 percent higher than you polled for, that has the potential of changing those outcomes, I don't know dramatically, but certainly it would change those. So I think you have to agree that even your report using \$1.50 would come up with some different results than a \$1. [LB1013]

KYLE CLARK: Probably minimally, yes, minimally different. We do these surveys very often in numerous states, even in cities at the city level where we do test \$1.50, \$1.25, \$1. And I have to be honest and say that the level of support does not really dip off that much. [LB1013]

SENATOR SCHEER: Well, and you may be absolutely true, I just know that... [LB1013]

KYLE CLARK: Generally speaking. [LB1013]

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SENATOR SCHEER: ...talking to people, there are people who support it without question, there are people that aren't that surprised me they aren't because it was too much of an increase. [LB1013]

KYLE CLARK: Right. [LB1013]

SENATOR SCHEER: And very well may have supported it at \$1. I didn't know your deal was going to be at \$1 or whatever so I didn't take the opportunity to try to find out where those sweet spots were. But obviously the dollar amount does make a difference as you transcend up or down as far as popularity of it I would have to assume. [LB1013]

KYLE CLARK: Sure, yes. It varies a little bit, as I mentioned, but not in a way that's...not a big way, I'll say. [LB1013]

SENATOR SCHEER: Thank you, Senator Schumacher. [LB1013]

SENATOR SCHUMACHER: Thank you, Senator Scheer. Any other questions? Thank you for your testimony. [LB1013]

KYLE CLARK: Thank you. [LB1013]

SENATOR SCHUMACHER: Next proponent. Welcome to the Revenue Committee. [LB1013]

GRETCHEN FORSELL: (Exhibit 26) Thank you. Thank you, Senator Gloor, for having me, and other members of the Revenue Committee, the opportunity to speak of support of LB1013. My name is Gretchen Forsell, G-r-e-t-c-h-e-n F-o-r-s-e-l-l, and I am the Executive Director for Northern Nebraska AHEC located in Norfolk and I'm here representing the five regional AHEC centers which you have heard about from Senator Gloor and also from others who have testified today. The status of our healthcare system is something that many of us hear about daily. But although there are many opinions on how we can make the system work, there is one key component that we have to remember and that is without health professionals to provide services the system will not work regardless of what it is like. Shortages in health professions exist throughout the state of Nebraska and cover all health professions. At any given time we can find communities that lack physicians, dentists, whatever you want to find, we can probably find you a community that doesn't have that service or requires their citizens to drive hundreds of miles to receive it. The Department of Labor forecasts also that the healthcare sector of jobs will grow at a rate more than five times that of any other field. The Nebraska AHEC centers provide a unique range of services that foster a grow-your-own approach to increasing the number of health

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professionals throughout the state. AHECs work with our respective communities to provide health career activities that influence students to consider health professions. As noted by Abby Stewart, a student from our AHEC region, we can make profound impacts on their life with one or two small activities that they participate in. Many times our youth know only about a couple of health professions that they are served as teenagers or whatever they see on TV. We also work very closely with our teachers and counselors to provide them with a variety of resources, educational materials, and opportunities for students that showcase the over 300 health careers that are available to them. We encourage work to support students in addition so that they are adequately prepared for the rigorous activities that are represented and required when they go into a postsecondary health professions education. Once our students begin their health professions training, we support and facilitate clinical training by trying to bring those students out into the rural and underserved communities to expose them to the wonderful life that exists and the opportunities they are availed. The expected outcome is twofold: communities are then provided with an available pool of potential recruits for their healthcare providers, and the students are motivated to consider employment in a rural or underserved community. Finally AHECs provide continuing education opportunities to current health professionals throughout the state to limit their need to travel and be away from their patients in their communities. AHECs have been in Nebraska since 2001 and because of the extended length of time that a health profession education requires and the concentration that we have on health professions for high school students, we are now able to see results every year. In our AHEC alone over the past two years, over 185 students are now health professionals and are working in our communities. Our system works and it allows communities to grow. I thank you for the opportunity to support this bill and look forward to partnering with the Legislature in the future. Thank you. [LB1013]

SENATOR SCHUMACHER: Thank you. Senator Scheer. [LB1013]

SENATOR SCHEER: Thank you, Senator Schumacher. Welcome, Gretchen. Thanks for coming down. I want to either correct myself if I misspoke because when we were talking earlier and based on the testimony, I don't want to say exclusively but primarily you are looking and developing future health providers of all types. [LB1013]

GRETCHEN FORSELL: That is correct. [LB1013]

SENATOR SCHEER: Okay, because there was some assumption that dollars flowing into you would help in helping smokers to diminish that urge or help them quit smoking and I didn't think that was one of the charges to your organizations. And I just want to make sure if that is correct or not. [LB1013]

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GRETCHEN FORSELL: Well, in all of the...a majority of the activities that we do, particularly when you look at high school students, you have to give them something exciting to get them interested in the health profession. Physicians they love to have them come in and suture pig's feet with them so that they get a real hands-on opinion of what it is. Just telling them what it's like to be a doctor doesn't do it. [LB1013]

SENATOR SCHEER: Understand, but if I am a smoker in Norfolk, Nebraska, and I walk into your office do you have services or people to help me? [LB1013]

GRETCHEN FORSELL: Not for smoking cessation. If you are interested in a job, we'll show you... [LB1013]

SENATOR SCHEER: No, no, no. No, but that's what I was talking about. Is part of the money, a small part went to the rehabilitation of those and there was some assumption the AHECs would provide some of those services. And I didn't believe that to be the case. [LB1013]

GRETCHEN FORSELL: No, not in our state. I will say that there are states where legislatures have used AHECs to do that. [LB1013]

SENATOR SCHEER: Fair enough, but we're talking about Nebraska with this. [LB1013]

GRETCHEN FORSELL: Correct, no. [LB1013]

SENATOR SCHEER: So I just want to make sure that I wasn't misspeaking that those services were available through you. And you do wonderful work. I'm not trying to imply that you should. [LB1013]

GRETCHEN FORSELL: Right, right. [LB1013]

SENATOR SCHEER: I just didn't think you did so I just wanted to clarify (inaudible). [LB1013]

GRETCHEN FORSELL: No, but we do work with students to have the implications of tobacco. [LB1013]

SENATOR SCHEER: Absolutely. Preventively through students, I get that. [LB1013]

GRETCHEN FORSELL: Right. [LB1013]

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SENATOR SCHEER: Mine was on the other end where you're already addicted to help kids stop. [LB1013]

GRETCHEN FORSELL: Right, no. [LB1013]

SENATOR SCHEER: And I don't think that was a service that you folks provided. [LB1013]

GRETCHEN FORSELL: No, we do not. [LB1013]

SENATOR SCHEER: Okay. Thank you very much. Thank you, Senator Schumacher. [LB1013]

SENATOR SCHUMACHER: Thank you, Senator Scheer. Any further questions for Gretchen? Seeing none, thank you very much for your testimony. [LB1013]

GRETCHEN FORSELL: Thank you very much. [LB1013]

SENATOR SCHUMACHER: Next proponent. Welcome to the Revenue Committee. [LB1013]

KATHERINE KOTAS: (Exhibit 27) Thank you very much. My name is Katherine Kotas. For the record that's K-a-t-h-e-r-i-n-e K-o-t-a-s. I would like to extend my thanks to Chairman Gloor and the members of the Revenue Committee for the opportunity to testify here today. I'm a student at the College of Public Health at the University of Nebraska Medical Center and I'm here in support of LB1013. I believe it's very important for you to understand some of what an organization that would be receiving funds from this revenue would do for the people of Nebraska, including its students. I was born and raised in Hastings, Nebraska, and I began attending Wayne State College in 2011 where I majored in political science and minored in biology and public administration. This is where I first fell in love with public health. I started out as a biology major and I thought that I wanted to be a physician. However, I wanted to make a difference that spanned more than just diagnosing patient after patient with preventable diseases. A professor extended the opportunity to me to visit UNMC and the College of Public Health to learn more about the PHEAST program, which stands for Public Health Early Admission Student Track. At this visit, I heard speaker after speaker express their passion about the field of public health and the good that they could do not only for the individual but for the population as a whole. I knew that this was the impact that I wanted to make during my career and I decided to apply for the PHEAST program and was accepted as the first student from Wayne State College. As an example of all the opportunities that exist in public health, just months after my first visit to the College of Public Health, I found out about the Public Health Training Center. They were funding students to work on projects for local health departments. I

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applied and was accepted to the South Heartland District Health Department in the summer of 2013. South Heartland's director was a wonderful mentor who taught me about many more aspects of public health. She was so encouraging of my curiosities and allowed me to attend meetings, events, and trainings like I was a public health practitioner. This opportunity solidified my decision to pursue a Master's of Public Health degree from the University of Nebraska Medical Center. I began my master's program at the College of Public Health this past fall and I have already learned so much about the field and about the many great things Nebraska is doing to keep its people healthy. However, I've also learned about the gaps that exist. Whether it be gaps in minority health, urban and rural health disparities, access to care, or others, there is still so much work that needs to be done. Fortunately, the College of Public Health, state and local health departments, and other partners in the public health system are excited and motivated to make Nebraska the healthiest state in the nation. This includes reducing the number of people in the state who use tobacco products. The experiences that I have had in public health have changed my life for the better, and I hope that these opportunities continue to be supported by the state of Nebraska for the young people who will become the future public health practitioners all over the state, the country, and the world. I'd urge this committee to advance LB1013, which will help the College of Public Health directly and indirectly prevent tobacco related diseases and illnesses through its expertise and work related to population level health promotion. Thank you. [LB1013]

SENATOR SCHUMACHER: Thank you. Any questions for...Senator Scheer. [LB1013]

SENATOR SCHEER: Thank you, sir. Not a question, but I want to thank you for taking the time driving down from Wayne to testify and wait patiently to do so. So thank you very much. [LB1013]

SENATOR SCHUMACHER: Any other questions, comments from the committee? Thank you, Katherine, for your testimony. Next proponent. [LB1013]

DAVID HOLMQUIST: Good afternoon, Vice Chairman Schumacher. [LB1013]

SENATOR SCHUMACHER: Welcome. [LB1013]

DAVID HOLMQUIST: Members of the Revenue Committee, thank you for the opportunity to testify today. My name is David Holmquist, D-a-v-i-d H-o-l-m-q-u-i-s-t. I am a registered lobbyist and represent the American Cancer Society Cancer Action Network as Nebraska director of government relations. ACSCAN is the nonprofit, nonpartisan advocacy affiliate of the American Cancer Society. We support evidence-based policy and legislative solutions designed to eliminate cancer as a major health problem. It will come as no surprise that I'm testifying

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today in support of LB1013. Over the past several years the American Cancer Society and the American Cancer Society Cancer Action Network and our partners--the American Heart Association, American Lung Association, the Robert Wood Johnson Foundation, and the CDC-- have partnered with researchers to determine best practices in tobacco control and prevention. My testimony will be brief but I want to touch on the necessity to increase cigarette taxes by at least \$1 a pack having heard some discussion that there...oh, maybe if we did it \$0.50 a pack or maybe if we phased it in over a period of years. And that's what I'm responding to. Our research confirms that a tax increase of at least \$1 per pack all at one time and not phased in over months or years is still necessary to counter the industry's known tactic of discounting and couponing in the wake of a tax increase in order to blunt the impact to the consumer. This is especially true for brands attracted to children and communities that bear a disproportionate burden of tobacco use. And I have...if you'd like, I can get copies of this. This is just one example of a coupon \$0.50 off that was in cigarettes in Louisiana after they raised their tax \$0.50 a pack. ACSCAN and our national partners agree that our existing tobacco tax guidance that at least \$1 cigarette tax increase is necessary to achieve intended health benefits, still valid for all states. As you're aware, there is a wide variation in cigarette taxes across the states. The differential between the highest and lowest is \$4.18 per pack. And Nebraska ranks in 40th place with our current tax of \$0.64 per pack. Recent research has found that while a 10 percent increase in the overall price of a pack of cigarettes still reduces adult smoking rates by about 2 percent, the impact varies from state to state based on the current price of cigarettes. So if we compare the average price of about \$5.25 a pack of cigarettes in Nebraska with other states with much higher prices, our increase is likely to have a very significant positive impact translating into higher numbers of smokers quitting and significant numbers of young people not taking up the habit. Tax and price increases of amounts even larger than \$1 will produce greater public health benefits further reducing tobacco use and its impact on future cancer cases and deaths. What I want to reiterate is that a tax increase must be no lower than \$1 a pack. An increase must happen all at once. Manufacturers and retailers know that increases below \$1 per pack can be offset with the many coupons they make available to consumers. I'd be happy to answer any questions you might have and clarify anything that I am able to. [LB1013]

SENATOR SCHUMACHER: Senator Scheer. [LB1013]

SENATOR SCHEER: Thank you, Senator Schumacher. I just wanted to clarify. So if what came out of this would be legislation that increased a pack of cigarettes \$0.50 in 6 months, \$0.50 in 36 months, and \$0.50 in 60 months, you would oppose that legislation? [LB1013]

DAVID HOLMQUIST: We would actually. [LB1013]

SENATOR SCHEER: Okay. [LB1013]

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DAVID HOLMQUIST: We would. [LB1013]

SENATOR SCHEER: Okay, all right. [LB1013]

DAVID HOLMQUIST: I'm afraid...I'm sorry to say that. [LB1013]

SENATOR SCHEER: No, that's why I asked the question. [LB1013]

DAVID HOLMQUIST: There was a time when we supported, absolutely supported a \$0.50 increase. In fact, when our \$0.30 increase went into effect in 2002 we were supporting a \$0.50 tax increase at that time. At the time Mr. Johanns was Governor, he was supporting a \$0.50 increase. He and the Legislature weren't getting along that year. So they decided to go for \$0.30 instead of \$0.50. [LB1013]

SENATOR SCHEER: No, that's fine. I was just asking. [LB1013]

DAVID HOLMQUIST: And that's why I wanted to bring this forward, so that we all understood where the public health community is on tobacco tax increases in terms of public health consequences. [LB1013]

SENATOR SCHEER: Well, your organization. [LB1013]

DAVID HOLMQUIST: Yes. [LB1013]

SENATOR SCHEER: I don't think it fair to necessarily... [LB1013]

DAVID HOLMQUIST: No, I can't speak for others, but I can speak for our two organizations, yes. [LB1013]

SENATOR SCHEER: Fair enough. Thank you. [LB1013]

SENATOR SCHUMACHER: Senator Davis. [LB1013]

SENATOR DAVIS: Thank you, Senator Schumacher. So we've talked a lot about smoking as such. What about chew? What about cigars? What about vapes? [LB1013]

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DAVID HOLMQUIST: Vapes, frankly don't even want to go there. I think they're...we are still trying to determine what the scientific data is on vapes. I can't imagine that there's a lot of positive about vapes, although we see...I think I see a new vape shop open every week in Omaha. The problem with the vapes just in a brief summary is that they are, through the vapor in the electronic cigarette, they are ingesting a lot of nicotine which we think might in the future have serious health consequences. We don't know that at present. We also don't know what the consequences might be of the exhale of that vapor in terms of secondhand smoke. I can't speak scientifically to that. The tax increase in the wholesale cost of other tobacco products with the exclusion of snuff we hope would have some positive effect, but it also would allow us to make a greater case for the fact that kids shouldn't have a round circle in the back of their Wrangler jeans. We don't think that chew is good. We don't think that people should be using pipes and cigars. They cause a lot of mouth cancers and throat cancers and that's really the bottom line. Tobacco is not a positive product for our society--simple. [LB1013]

SENATOR DAVIS: But presently we're not really looking at vapes, are we, as a tax? [LB1013]

DAVID HOLMQUIST: No, no. This does not include vapes. [LB1013]

SENATOR DAVIS: Well, isn't there a potential for substitution, product substitution? [LB1013]

DAVID HOLMQUIST: Well, what happens frankly is there is a possibility for product substitution, yes. And what we're seeing is what's called dual addiction. So people may smoke cigarettes during the day and then they...or during the evening and then they smoke vapes during the day because it keeps their addiction going. There is a possibility that if we raise the tax significantly they might move over to vapes. But I think the vapes are pretty pricey as well. But we don't have any scientific data to prove that one way or the other at this point. It's too new to our...to the economy and to all of the possible uses. [LB1013]

SENATOR DAVIS: But remarkably unregulated, is that not true? [LB1013]

DAVID HOLMQUIST: Oh, absolutely. Yes, absolutely. [LB1013]

SENATOR DAVIS: And would you support more regulation and/or more tax on that industry? [LB1013]

DAVID HOLMQUIST: We...I will say yes with the codicil that we want to see a lot more scientific evidence and research of...so that when we do regulate it we regulate it appropriately. [LB1013]

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SENATOR DAVIS: Thank you. [LB1013]

SENATOR SCHUMACHER: Thank you, Senator Davis. Any further questions for Mr. Holmquist? Thank you very much for your testimony. [LB1013]

DAVID HOLMQUIST: Thank you. [LB1013]

SENATOR SCHUMACHER: Next proponent. Next proponent, we're fishing for proponents yet. Going, going, gone pretty quick here. Well then, we'll shift the testimony to opponents to LB1013. Welcome to the Revenue Committee. [LB1013]

COBY MACH: Thank you, Senator, and thank you to the committee for your time this afternoon. My name is Coby Mach, C-o-b-y M-a-c-h. Today I am here in my role as co-owner of the Nebraska Cigar Festival. Every year we host a large event and bring together 300 men and women who enjoy fine cigars. This event is similar to a wine tasting event only it's designed for cigar enthusiasts. We have manufacturers who fly into Nebraska from all across the United States. These manufacturers spend time in Nebraska hotels, eat in our restaurants, and then they often travel the state after our event in order to meet with Nebraska retailers. We believe that increasing the taxes on people who enjoy the occasional cigar is not the way to solve our tax problems in Nebraska, nor do we agree that it is a way to get people to quit smoking cigars. Most people in Nebraska are asking for tax relief. In fact, I'm certain that every senator has been in some discussion during the last 30 days about lowering taxes. Unfortunately, today we're discussing a bill that would increase taxes on Nebraska businesses and on its citizens but more importantly, Nebraska businesses that are currently in a battle that is so large you could actually call it a war. It's a war with Internet retailers that do not collect or remit any tax whatsoever. We've heard about border bleed today when this bill was introduced. With the Internet, there is no border at all. With cigars the biggest bleed is the Internet. We can talk about border bleed. Nebraska tobacco tax is 20 percent of the wholesale price. That 20 percent is already higher than our neighbor Kansas which is at 10 percent. One of our other neighbors, Iowa, places a \$0.50 cap on each cigar. In Nebraska, a \$5 wholesale cigar is taxed at \$1 today. Under this bill the same \$5 wholesale cigar would be taxed at \$1.55. And then of course it's taxed again with sales tax at the point of purchase. Another nearby neighbor, Missouri, has a 10 percent tax. We already see Nebraskans drive to Missouri for their fireworks and we know this is happening because quite often the Nebraska State Patrol sets up border enforcement around the Fourth of July to prevent those fireworks from coming into our state. So border bleed is a reality. We don't want to lose our cigar sales to Missouri too. Cigar smokers won't be forced to quit because of higher taxes. Under this bill we will lose more sales to the Internet. We think we'll also perhaps lose more sales and sales tax revenue to neighboring states and would ask you to oppose the bill. Thank you. [LB1013]

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SENATOR SCHUMACHER: Thank you, Mr. Mach. Any questions? I do have one. How soon before we get a good supply of Havanas in this state? [LB1013]

COBY MACH: I think that might be a while yet, Senator. (Laughter) [LB1013]

SENATOR SCHUMACHER: Darn. Thank you for your testimony today. [LB1013]

COBY MACH: Thank you. [LB1013]

SENATOR SCHUMACHER: Next opponent. [LB1013]

JEFF DOLL: Good afternoon. My name is Jeff Doll, D-o-l-l. I'm the owner of Safari Cigars and Lounge in Omaha and also head of the Nebraska Premium Tobacco Association. I'm here today to ask you to consider exempting cigars from any further tax raise. As a cigar shop owner, I pay 20 percent on cigars to the state. Another 7 percent is paid by my customers, and actually a 1 percent other tax from Omaha. My biggest competition I have is on-line cigar sellers, which pay zero tax to the state of Nebraska. Eighty percent of my customers buy cigars on-line to avoid the 28 percent tax they'd have to do purchasing through me or through one of our other retail accounts. On-line cigar businesses are a \$600 million business that pays no tax to Nebraska. We feel that...we estimate that there's a \$3 million windfall to state of Nebraska that's not collected through these on-line companies. I don't believe that increasing the taxes will get you any more revenue. It's just going to take the revenue away from us and from the rest of the state. That's all I have for today. [LB1013]

SENATOR SCHUMACHER: Senator Scheer. [LB1013]

SENATOR SCHEER: Thank you, Senator Schumacher. I want to clarify. Your first comment was you don't want to raise cigar taxes any more. [LB1013]

JEFF DOLL: Yes. [LB1013]

SENATOR SCHEER: So am I to imply from that that you think the other taxes on anything other than cigars is okay? [LB1013]

JEFF DOLL: I'm just going to stay on the cigar side. (Laughter) [LB1013]

SENATOR SCHEER: Okay. Thank you. [LB1013]

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SENATOR SCHUMACHER: Senator Smith. [LB1013]

SENATOR SMITH: Thank you, Senator Schumacher. Remarkably, this is not the first tobacco tax increase bill has been from the committee yet this year. Senator Kintner brought a bill to increase cigar taxes on lower quality cigars in lieu of and to try to reduce, if I understood, taxes on premium cigars. [LB1013]

JEFF DOLL: Yes. [LB1013]

SENATOR SMITH: But you would not agree with that particular bill either in terms of increasing taxes on lower end cigars. [LB1013]

JEFF DOLL: We would like to see it lowered, but we didn't think it was going to get any place. You know, in the point where everybody...when the state of Nebraska is looking for so much more money. You know, it puts us at a disadvantage all the time and it puts...look how many people...look how much tax money you're losing right now that's going out of state. It would help us cap it and then give us a little bit better position to recoup some of this money. You know, we're here, we're small business people. We'd like to see the state of Nebraska do well. I'm surprised anybody buys cigars from me in the first place when they can buy them on-line. Most of the people that buy from me want to support small businesses in the state. [LB1013]

SENATOR SMITH: Thank you. [LB1013]

JEFF DOLL: Thank you. [LB1013]

SENATOR SCHUMACHER: Thank you, Senator Smith. Any further questions for... [LB1013]

SENATOR DAVIS: Just a couple, please, Senator Schumacher. [LB1013]

SENATOR SCHUMACHER: Senator Davis. [LB1013]

SENATOR DAVIS: So I'm kind of intrigued with how this on-line part works. I'm not a smoker so can you kind of walk me through how that goes. [LB1013]

JEFF DOLL: Let's take, for example, Famous Cigars. Punch right on their Web site. Because of the volume of cigars they've done...they do and the reason they do such a giant volume of cigars is because they come from states that don't charge sales...don't charge any kind of tobacco tax.

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And so you can get on there. You can...let's say a box of cigars that I might sell for \$300, they'll be \$210, free shipping, boom, they're in the state in two days. [LB1013]

SENATOR DAVIS: And they are paying the cigar tax within their own residential state? [LB1013]

JEFF DOLL: No, tax. [LB1013]

SENATOR DAVIS: Why is there no tax? [LB1013]

JEFF DOLL: Because they're in states that don't tax cigars. [LB1013]

SENATOR DAVIS: There's no tax. There are some states that have no cigar tax, period. [LB1013]

JEFF DOLL: That's correct. [LB1013]

SENATOR DAVIS: And that's where they're located. [LB1013]

JEFF DOLL: Yeah. [LB1013]

SENATOR DAVIS: So that was a business choice... [LB1013]

JEFF DOLL: That was a great business move, yes. [LB1013]

SENATOR DAVIS: Isn't it true, and recognizing that it's not happening, but isn't true that because these folks are residents of Nebraska, by law they should be paying our taxes? [LB1013]

JEFF DOLL: That's correct. And it says right on their invoices that you're liable for the taxes, but I'll almost guarantee you're getting zero. [LB1013]

SENATOR DAVIS: So that being the case, as a retailer you should be lobbying your representatives in Washington for the Marketplace Fairness Act to be put in place, which would resolve that. [LB1013]

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JEFF DOLL: We have been. [LB1013]

SENATOR DAVIS: Good for you. [LB1013]

JEFF DOLL: Yes, we have been. But that's where we're at right now. [LB1013]

SENATOR DAVIS: Thank you. [LB1013]

SENATOR SCHUMACHER: Any other questions? Thank you very much for your testimony. [LB1013]

JEFF DOLL: Thank you. [LB1013]

SENATOR SCHUMACHER: Welcome to the Revenue Committee. [LB1013]

JOHN DUNHAM: (Exhibits 28, 29) Thank you so much, Senator Schumacher. Senator Schumacher, members of the Revenue Committee, I want to thank you for this opportunity to speak to you today...speak with you today. But I always come to Lincoln with great trepidation. I am an alumni of the University of Colorado. And I remember very vividly how I used to come here. And like you guys...Nebraska would put like 12 guys out on the whole field. They played offense, defense. Sometimes they didn't even have a kicker. And they would beat the Buffs about 63-0. So I really hope I perform better today than the Buffaloes used to perform when they came to Nebraska every other year. My name is John Dunham and that's J-o-h-n D-u-n-h-a-m, and I'm here offering testimony to the committee today on behalf of the Nebraska Grocers Association regarding LB1013. My comments and opinions are based on my 30-plus years working as an economist, nearly 20 of those studying policies around taxation, particularly excise taxes. I'm currently the managing partner of John Dunham and Associates; it's an economic consulting firm based in New York City. Our clients span the gamut from industrial firms, charitable organizations, food companies, tobacco companies, corn growers. We have a very large client base. I'm here today to provide some insight to the committee on the market for cigarettes and tobacco products not only here in Nebraska but nationally. I want to touch on three topics in the time that I have been allotted. First, I want to discuss how the retail market for tobacco actually works and just why high excise tax rates like the ones being proposed from Nebraska may not lead to the kind of fiscal and social results that the Legislature might be expecting. Second, I want to discuss quickly how consumers react to higher cigarette taxes by shifting their purchases to other jurisdictions, including other states, Native American reservations, the Internet, and other sources. Finally, I want to discuss how higher cigarette taxes impact real people in every district of the state. To begin with, let me discuss really quickly how the proposed \$1.50 excise

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tax flows through to adult consumers in Nebraska. The tax increase raises the state excise tax from \$0.64 to \$2.14. That's a 234 percent increase in the tax. That's on top of federal excise tax of \$1.01 per pack and estimated state sales tax currently at about \$0.29 a pack. And all told, that makes the tax on cigarettes following the proposed increased somewhere in the neighborhood of about \$3.56 a pack because the sales tax will go up as well. This is on top of a bunch of other fees including MSA payments and there's other...there's a bunch of other tobacco fees. Overall, the price of a pack of cigarettes in the states...in this state will rise to nearly \$7.50 a pack. That's going to be equaled about \$2,700 for a pack-a-day consumer. At this price it's unlikely, it's virtually impossible actually, that taxable sales in Nebraska will be anywhere near the current level of about 86.9 million packs. In fact, even without experiencing state excise tax increases, taxable sales in Nebraska have been falling at a rate of about 2.3 percent a year. Now that's lower than the national average of about 3.6 percent. Now based on our models, this proposed 234 percent tax increase will lead to a reduction in taxable sales in Nebraska of about 17 percent to about...that's about...take it down to about 70 million packs, a little over 70 million packs. That means that the gross increase in revenue from \$1.50 per pack cigarette tax would be somewhere around \$94.3 million. I've been doing revenue estimates on excise taxes for years. I was a researcher for government in New York. I just do a lot of excise taxes, so I'm very comfortable with our models and how they work. Now of that \$94.3 million, a substantial amount has already been allocated to existing programs that the Legislature has deemed to be important. That includes about \$4.9 million to the Building Renewals Allocation Fund, a couple million for cancer research, about \$700,000 allocated to the Nebraska Outdoor Recreation Development Fund. Those amounts are all going to be significantly lower than they would be without the tax increase as they're based on cigarette volumes. Once those earmarks are accounted for, the proposed tax is estimated to raise a net of about \$84 million. That's about \$35 million less than the proposed earmarks in the bill. Simply put, tobacco sales can't generate enough revenue to pay for what the Legislature wants to do. That's because adult consumers have multiple outlets. It's been talked about. The states surrounding Nebraska all impose lower taxes than the envisioned \$2.14 a pack and that provides incentives for consumers to shop with their feet. They can also purchase tobacco tax-free from Native American reservations, Offutt Air Force Base, the Internet, and a lot of other sources. Even without the \$1.50 tax increased, the Washington think tank called the Tax Foundation estimates about 4 percent, a little over 4 percent of cigarettes consumed in Nebraska are already purchased from other states. And with a tax increase, Nebraska's tax will be the fourth highest west of the Mississippi River. I have...I've given you a handout of what's happened in Iowa following the tax increase there. I'm running out of time, I'm sorry. I just want to raise one really quick point and that's my third point, that high cigarette taxes punish not just smokers but the good people in Nebraska who work in the industry. That's going to include, you know, not just people working in factories in Virginia, but people working in stores across the state. For example, Cubby's in Norfolk, Buddies in Tekamah, Casey's in Blair, they all depend on cigarette taxes for a big part of their revenue. Cigarettes account for about 32.7 percent of convenience store sales. [LB1013]

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SENATOR SCHUMACHER: Thank you very much for your testimony. Senator Scheer.  
[LB1013]

SENATOR SCHEER: Thank you. Did you have anything you didn't get finished with?  
[LB1013]

JOHN DUNHAM: I'm a slow talker. I'm from New York. I have just one other point if I could make. [LB1013]

SENATOR SCHEER: Sure. [LB1013]

JOHN DUNHAM: I just want to make this point. I've testified at a lot of hearings in a lot of committees on a lot of issues. And one thing that I believe, because I do tax policy, is that tax policy is one of the most important duties of a state legislature and that's why you have a Revenue Committee. And it should be based on the best available information, not just opinions but really good information. And just one point that the National Conference of State Legislatures, which is your trade association, put out a book called Tax Policy Handbook for State Legislators. And in that book they outlined six pieces of...six things that should be set for a high-quality tax system. Excise taxes, and particularly cigarette taxes, meet none of those six criteria. So I just want to make that point. And I thank you so much for your time and I'm here to answer any questions you might have. [LB1013]

SENATOR SCHEER: Thank you. And you may not know the answer but I will ask it because you used...looking at your Iowa case study, and it did indeed raise the rate of tax by the dollar which the Kansas side you said was the minimum. Do you know what the net effect did that in Iowa, how much the smoking might have reduced? And if you don't, that's okay. I just...you used it, so I thought you might have that information. [LB1013]

JOHN DUNHAM: I don't know that off the top of my head. But I do want to make one point when somebody talks about taxes and smoking. Smoking is an activity. Taxes change a purchasing behavior. So if you raise taxes on anything, on cigarettes, on gasoline, on chairs, or on little red lights, you're going to lead to less of those being purchased. But that doesn't mean that people are going to not use chairs or not use gasoline or not use those products. If you drive a car, you drive a car. That's akin to smoking. You raise the gasoline tax I might drive less, but that doesn't mean I'm a stop driving a car. And a lot of these statistics are based on taxable sales, not actually on smoking behavior. [LB1013]

SENATOR SCHEER: Okay. Thank you. Thank you, Senator Schumacher. [LB1013]

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SENATOR SCHUMACHER: Thank you. Senator Davis. [LB1013]

SENATOR DAVIS: Thank you, Senator Schumacher. Tell me again who you work for. [LB1013]

JOHN DUNHAM: I work for John Dunham and Associates. It's an economic consulting firm. We have roughly 35 clients in all kinds of different industries. [LB1013]

SENATOR DAVIS: And so is Altria one of your clients? [LB1013]

JOHN DUNHAM: Altria is one of my clients, yes. [LB1013]

SENATOR DAVIS: Okay. So you talk about the border bleed issue which I understand. Is their recovery that takes place over time? [LB1013]

JOHN DUNHAM: You know, it's interesting. Nebraska right now is net...exports a lot of sales because there's very high taxes in states that are nearby. You actually export cigarettes to places like Minnesota. It's a very large market. I come from New York. About half of the cigarettes sold in New York are not taxed. It becomes a big issue. Nebraska, right now, it's not a huge issue. Tax Foundation estimates about 4 percent of sales. Our model is a little bit more conservative than that. I think it will...based on our model it will go up to about somewhere between 15 percent and 17 percent. [LB1013]

SENATOR DAVIS: But after the sticker shock goes off, is the recovery within the retail market? [LB1013]

JOHN DUNHAM: No, you know what happens is other states raise their taxes. There's other changes and that changes the flow over and over again. [LB1013]

SENATOR DAVIS: Okay. You're from New York and didn't New York put forward a rather drastic cigarette increase a few years ago? [LB1013]

JOHN DUNHAM: New York has extraordinarily high cigarette taxes. [LB1013]

SENATOR DAVIS: What is their rate there? [LB1013]

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JOHN DUNHAM: The rate in New York State is the \$1.01 federal tax, there's a combined state and city tax of about \$5.50. So it's actually extremely high. Then the sales taxes are exorbitant in New York State. [LB1013]

SENATOR DAVIS: So if you were to buy a carton of cigarettes then... [LB1013]

JOHN DUNHAM: Twelve dollars a pack. [LB1013]

SENATOR DAVIS: How much? [LB1013]

JOHN DUNHAM: Twelve dollars a pack. [LB1013]

SENATOR DAVIS: Twelve dollars a pack, and you still have a large percentage of people smoking in New York. [LB1013]

JOHN DUNHAM: We still have a very large percentage of people smoking, yes. [LB1013]

SENATOR DAVIS: So you've got an inelastic demand curve. [LB1013]

JOHN DUNHAM: Cigarettes are what we call a normal good in economics. So as you raise the price, the volume of sales does fall. But the problem that happens with excise taxed products, not just cigarettes--beer, gasoline, jet fuel, all kinds of excise taxed products--is a consumer faces...they have 51 different prices that they can look at. So I can buy cigarettes in Nebraska, I can buy them in Kansas, I can buy them in Virginia. And in reality there are these flows that happen between all of the states. So in New York, like I said, about 50 percent of the cigarettes come from other places. Now they may be duty-free, they may from the reservations or the military bases, but they come from other places. They're not taxed. [LB1013]

SENATOR DAVIS: So what are other states doing about vaping? [LB1013]

JOHN DUNHAM: You know, vaping is something I...they're not my...I've never worked with vaping clients. But I do know that two states tax vaping. Minnesota does and it is North Carolina. Those are the only two that have taxes right now. [LB1013]

SENATOR DAVIS: I would think that Altria would be concerned about that, that you would have product substitution which is what I referred to earlier. [LB1013]

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JOHN DUNHAM: You'd have to ask Altria about that, sir. Most of the work I do for the company involving gathering tax information and things like that. [LB1013]

SENATOR DAVIS: All right. Thank you, sir. [LB1013]

JOHN DUNHAM: Thank you. [LB1013]

SENATOR SCHUMACHER: Any other questions? One question, what's the smoking rate in New York with those ridiculously high taxes? [LB1013]

JOHN DUNHAM: I honestly don't know off the top of my head. I could look it up or one of the public health people could probably tell you. One of the things about the smoking rate calculation, those are based on surveys, self-reported surveys. And you do have to look at how those surveys are conducted and really look into the data. I'm not saying they're right or wrong. I just think whenever you get data presented to you, you should know where it comes from. [LB1013]

SENATOR SCHUMACHER: But... [LB1013]

JOHN DUNHAM: I can't answer the question. I don't know exactly what the rate is. [LB1013]

SENATOR SCHUMACHER: It's fair to say the super-high rate hasn't stamped out smoking in New York. [LB1013]

JOHN DUNHAM: There are still somewhere in the neighborhood of 700 million packs of cigarettes consumed every year in New York. [LB1013]

SENATOR SCHUMACHER: Any other questions? Thank you very much for your testimony. [LB1013]

JOHN DUNHAM: Thank you, sir. [LB1013]

SENATOR SCHUMACHER: Welcome to the Revenue Committee. [LB1013]

RICHARD MARIANOS: Thank you so much. Chairman Gloor and members of the committee, I thank you for give me this opportunity. My name is Rich Marianos, M-a-r-i-a-n-o-s. I'm the retired assistant director with ATF where I served 27 years in a law enforcement capacity.

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Currently now I'm assistant professor at George Washington University and I also am a law enforcement consultant for Reynolds American Tobacco Company and work with the National Sheriffs Association on tobacco-related crime. One of the things that I wanted to discuss today and kind of bring to your attention is there's been a lot of talk about public health throughout the afternoon. And what I wanted to bring up is public safety. And what I mean about public safety is the downfall of an increased tax in a certain state and the criminal activity that gets imported into a state when they raise their taxes to such a high level. In this case, it's almost over 200 percent. During the last ten years, criminals have been using tobacco products all over the United States as a new currency for organized crime. I think it was Ms. Hejl, the young girl from high school that brought up the example of New York. And New York has been talked a little bit about before. But right now 58 percent of the tobacco products that are consumed in Manhattan are from the black market and from criminal activity where the city and the state doesn't see a dime of that. It's being brought in from criminal activity and from organized crime or other sources. Also when we talk about, you know, different people and give examples from Tobacco-Free Kids, those are some of the ways that kids are now getting cigarettes. When you listen to some of the consumer groups and the convenience stores and the great job that you've done as a state to prevent people under the age of 18 to get tobacco products, you can understand that the black market facilitates that quite a bit. Worldwide, smuggling tobacco products due to extraordinary price disparities are overtaking the market. As you can see there's differences of all the states around you with Colorado, \$0.84 a pack; Wyoming \$0.60; Kansas, \$1.29; Missouri, which is at \$0.17. This has created an open marketplace for street gangs, narcotics traffickers, La Cosa Nostra Mafia, even terrorists importing crime into some of these areas. Small places like Charlottesville, Virginia, larger places like New York; Chicago; Yakima, Washington, are seeing crimes associated with tobacco smuggling to include heroin trafficking, money laundering, weapon sales, and even murder for hire because they see the amount of money they can make. Mr. Schumacher, I'll give you an example. If you and I were to get into the tobacco business and we decided that we were going to purchase our tobacco from a low-price area and bring it into a high-priced area we can make on a van load of tobacco products let's just say from Missouri to Nebraska between \$10,000 and \$20,000. If we took it up to a U-Haul or a tractor-trailer, we're talking about millions of dollars that we can make on one load. So it becomes very, very attractive when there's not sentencing guidelines or there's the great enforcement where it's just tobacco in the eyes of many people. Or on the other side, it's narcotics enforcement if we spent that money on narcotics and criminal activity. So the bad guys are seeing the difference and they're investing in this quite a bit from Washington, all the way down to Miami, Florida. The laws and penalties are weak. There's a great risk and little reward. I talked about this. The bottom line is from this criminal activity, we have these crooks robbing the states in this country between \$10 billion and \$20 billion a year. So when we're talking about money for different programs, just an example, the firefighters that were here talking about the training and things like that, if we could develop a nationwide strategy in which we could, you know, capture some of this money, we could as a nation put together a program where we could educate all the

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preschool kids in America for free. Finally, I just want to give you the types of crimes and open it up for questions. Hopefully I haven't used all my time. But to give you an example of some of the crimes that have taken place using tobacco products, in 2003 there was an operation, Tobacco Road (phonetic) which I oversaw, where it was al Qaeda of the Arab Peninsula that was trading tobacco and money for heroin and machine guns. And the money was going directly over to Yemen; 2014, the Montreal Mafia that I was also involved in where they were trading money, narcotics, and guns for tobacco products off the Native reservations coming into the United States. In Operation Smoking Dragon where Asian organized crime was using heroin as a trading vehicle for tobacco products and eventually had the witnesses throughout the United States, a murder-for-hire case where they tried to have the witnesses killed. I wanted to try to just bring this up not to scare anybody and just, oh my God, what's happening? But I think everybody in the state enjoys a certain quality of life and this is a wonderful place to live. We don't want to be in the position where a tax increase imports crime into Nebraska or imports crime into mid-America and importing the problems from other jurisdictions to a place like this. And I'll open it up for questions or whatever I can answer if I may. [LB1013]

SENATOR SCHUMACHER: Any questions for Rich? Senator Scheer. [LB1013]

SENATOR SCHEER: Thank you, Senator Schumacher. This is a serious question. So I mean Missouri, I can't remember, their tax is... [LB1013]

RICHARD MARIANOS: \$0.17. [LB1013]

SENATOR SCHEER: So if we go to \$2.14, I mean, somebody actually will drive a van full just to make the \$2 up or the \$2 profit on the tax or sell it for \$1 less so that... [LB1013]

RICHARD MARIANOS: Yes, sir. I'll give you an example of the problem in Missouri right now. There's such a tie to the street gangs in the St. Louis area and Chicago that they're using I-80 and the gangs in Chicago are trading cocaine for tobacco products because Chicago is number two with their tax...and let me...I'm getting old with my eyes, excuse me. Their tax is \$1.98, their state tax. So with Missouri being at \$0.17, there's quite a bit of money they can make on a huge scheme of van loads after van loads coming in. The ability of organized crime is they have the soldiers to execute plans like this. They have the trucking routes. They have the ability to do things like this just like the narco traffickers with narcotics. They're just replacing one contraband for another. So what you will see in these higher taxed areas--and I just came from Rhode Island last week--is when you raise yourself to such a high level it becomes an opportunity for these lower tax states to have their crooks start importing crime into your areas. Does that help? [LB1013]

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SENATOR SCHEER: Yeah, I mean so essentially we have to wait for Missouri to raise their taxes to be somewhat competitive before we would...(inaudible) [LB1013]

RICHARD MARIANOS: No, it's simply economics. But right now you don't have the problem, with the zero tax, you know what I mean? Right now, as you look at the dynamics that are going on, and you can just Google tobacco crime in the state of Nebraska. You don't have a lot of it right now. But I will guarantee you, and my word is my bond, that if a large increase comes in you are going to import criminal activity from the lower tax states. It's just how this new face of organized crime is operating. [LB1013]

SENATOR SCHEER: Thank you. Thank you, Senator Schumacher. [LB1013]

SENATOR SCHUMACHER: Senator Harr. [LB1013]

SENATOR HARR: Thank you. I guess...thank you for coming to Nebraska. I get your logic. But under your logic, we go to the lowest barrier. And since Colorado has legalized marijuana, we should legalize marijuana that way we would eliminate that crime activity, that gang activity. [LB1013]

RICHARD MARIANOS: I can't speak so much for Colorado and their absurd logic of legalizing marijuana or not. But what I can say is by regulating it as Colorado has done, they will show you figures and statistics that they have pushed out the organized crime game because there's...penalties for the illegal trafficking of marijuana are far greater than they were before when it was just a ticket, okay. There's more activity by the United States Attorney's Office and there's more concentration of those that are breaking the rules or the FDA guidelines for the specific positions put in point for the legalization marijuana that there's a better concentration, if you know what I mean. Right now, there are none across the United States with cigarettes, so bad guys feel it's open hunting season. [LB1013]

SENATOR HARR: But your logic is we need to lower our barriers. If we make the barrier too high it encourages illegal activity. [LB1013]

RICHARD MARIANOS: My logic is keep it where it's at to tell you the truth, sir, because if it changes that much more to such a significant percentage of over 200 percent, you will be importing crime. That is all my logic seems to dictate. [LB1013]

SENATOR HARR: But..well, then I am confused. So what...your basis is keep it the same? [LB1013]

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RICHARD MARIANOS: I wouldn't touch it, yeah. [LB1013]

SENATOR HARR: So what is the logic? Because there isn't a wide spread between us and Missouri, is that...? I guess I don't understand the crux of your argument. [LB1013]

RICHARD MARIANOS: Yeah, it is not as profitable for a criminal to come into Nebraska at this rate between \$0.14 and \$0.64 then go the other way up to Illinois or to go from Iowa to Minnesota where it's \$3, South Dakota to Minnesota. There's higher taxes in the other states which make it more lucrative to come to Nebraska right now. If you raise it that much more, you're going to make it lucrative to come to Nebraska. You see what I mean? [LB1013]

SENATOR HARR: So you're...I guess, I think so. You're saying is we need to have low barriers because if we raise our barriers it encourages illegal activity. [LB1013]

RICHARD MARIANOS: On this issue, yes. [LB1013]

SENATOR HARR: Okay, which issues would it not? [LB1013]

RICHARD MARIANOS: I'm sorry. [LB1013]

SENATOR HARR: What issues would it not if we raise the barriers? [LB1013]

RICHARD MARIANOS: I'm not an economist, I'm a cop I'm just, you know, talking about tobacco now. You know what I mean? I could talk about narcotics activity and gang activity till you're blue in the face. But specifically on a tax issue dealing with cigarette taxes, that's what I would proffer. [LB1013]

SENATOR HARR: Okay, and if they do cross the border, that's a federal crime, correct? [LB1013]

RICHARD MARIANOS: It is a federal crime. Yes, it is. [LB1013]

SENATOR HARR: Okay, and it would...RICO would also come into effect as well, so you'd have (inaudible). [LB1013]

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RICHARD MARIANOS: Well, there would have to be RICO predicate acts to show that there was a continuing criminal enterprise where eight or more are in concert of one, yes. But that's... [LB1013]

SENATOR HARR: Which sounds like you said because gangs have large armies, as you stated, right? [LB1013]

RICHARD MARIANOS: Some, yes, very much so. [LB1013]

SENATOR HARR: Okay. Thank you. [LB1013]

RICHARD MARIANOS: Sure. [LB1013]

SENATOR SCHUMACHER: Senator Davis. [LB1013]

SENATOR DAVIS: Thank you, Senator Schumacher. So according to the logic that you've put forward then, Missouri and Iowa, there ought to be an awful lot of crime in Iowa, is that right, because Iowa has a tax of \$1.36 and Missouri at \$0.17? [LB1013]

RICHARD MARIANOS: Missouri, there's a tremendous amount of tobacco crime right now. If you talk to the investigators in Illinois and Missouri, they've put their hands up. They specifically will tell you they don't have enough investigators and their borders are getting killed with criminals from each side coming back and forth. [LB1013]

SENATOR DAVIS: So it's not Iowans going to Missouri and breaking the law. It's Missourians going to Iowa and breaking the law or is it other people coming...? [LB1013]

RICHARD MARIANOS: It's a little bit of both, but more or less from the economic standpoint and from the criminal aspect and the type of criminals that are in the St. Louis area and the Missouri area specifically isolating on gangs and organized crime, it's more profitable for criminals to come in, buy their product in Missouri, and the Missouri criminals coming in and distributing it in the other areas. So what would happen, sir, in essence is you would come in with the front money, let's say \$60,000. And I would guarantee the shipment and get it up to you at a certain price. [LB1013]

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SENATOR DAVIS: So assuming Missouri is an outlier then but looking at Kansas, Iowa, and South Dakota then, wouldn't we be better off to have a tax that's comparable to theirs, which therefore, would neutralize some of that crime? [LB1013]

RICHARD MARIANOS: It still wouldn't solve the problem of Wyoming, Colorado, Missouri. You would still run into the same issue of three other border states with...be no effect. [LB1013]

SENATOR DAVIS: Well, admitting Missouri is an outlier... [LB1013]

RICHARD MARIANOS: We also still... [LB1013]

SENATOR DAVIS: Compared to where our population centers are in Nebraska, it's probably not going to be common for people to drive Colorado and Wyoming to... [LB1013]

RICHARD MARIANOS: But it isn't where the population center is. It's where the product can be purchased. It could be right on the border, let's say, and just going into Colorado or Wyoming. [LB1013]

SENATOR DAVIS: And our border is...our biggest city is bordering Iowa. [LB1013]

RICHARD MARIANOS: Yes, sir. [LB1013]

SENATOR DAVIS: So it would seem to me that if we harmonized our rates with Iowa, maybe we would have less crime according to the logic that you've put forward. [LB1013]

RICHARD MARIANOS: Or you could have more criminal activity coming in from Wyoming and Colorado to your western side. [LB1013]

SENATOR DAVIS: Possibly, yeah. [LB1013]

RICHARD MARIANOS: Yeah. Or you would have to provide more coverage on those interstates by the state police disrupting their current model of how they patrol areas and patrol I-80 because now they're not just going to be looking for narcotics, human trafficking. Now what comes into their portfolio is an aggressive stance on illegal tobacco trafficking. [LB1013]

SENATOR DAVIS: My guess is people are probably more concerned about the marijuana that comes in on I-80 than they are about the cigarettes. [LB1013]

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RICHARD MARIANOS: Yeah, but it's not making as much money, you know what I mean? And bad guys understand that. Like I said, they're making three times what they did in narcotics and that's why it's so lucrative. [LB1013]

SENATOR DAVIS: Thank you. [LB1013]

RICHARD MARIANOS: And, sir, if you would have told me this, you know, 20 years ago when I got on the job, I would have laughed. I really would have thought this is the funniest gig going on right, that tobacco is going to bring in the Russian Mafia until I saw it, until we made these arrests and put these people behind bars. And they proffered who was involved and how much money was being exchanged back and forth. [LB1013]

SENATOR DAVIS: Thank you. [LB1013]

RICHARD MARIANOS: So I understand your skepticism. [LB1013]

SENATOR SCHUMACHER: Any other questions? I've just got one question. [LB1013]

RICHARD MARIANOS: Yes, sir. [LB1013]

SENATOR SCHUMACHER: Now that we're partners, what's the odds of us getting caught on our semi load? (Laughter) [LB1013]

RICHARD MARIANOS: Your semi load? [LB1013]

SENATOR SCHUMACHER: We were going to bring a semi load in. [LB1013]

RICHARD MARIANOS: Probably nil to none. What we'll do is we'll put a bunch of military stickers on a van or something and have you wear like a USS Enterprise and we're going to go. (Laugh) Thank you so much, sir. I appreciate all your time and thank you for the challenging questions. And if you need anything else, please reach out. [LB1013]

SENATOR SCHUMACHER: Thank you. [LB1013]

RICHARD MARIANOS: Thank you. [LB1013]

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SENATOR SCHUMACHER: Welcome to the Revenue Committee. [LB1013]

JIM OTTO: Thank you. Senator Schumacher, members of the committee, my name is Jim Otto; that's J-i-m O-t-t-o. I'm president of the Nebraska Retail Federation and am here to testify in opposition of LB1013 on behalf of the Federation. We very much agree with the two goals of Senator Gloor: to decrease the amount of smoking and also to lower property tax. We just don't believe that this is the best way to do that. Mr. Holmquist with the Cancer Society testified earlier. I worked very closely with him when we were successful in getting a statewide smoking ban several years ago. Hopefully, that was effective in lowering the number of smokers. I think it was very much was. And also thanks to Senator Davis last session and all of you on the Revenue Committee, in fact the entire Unicameral, we were able to pass LB200 which if the federal government enacts on-line-only sellers requiring them to collect sales tax, the extra money would go to property tax reduction. So we do agree with both goals. We just don't agree with how this is being framed. Mr. Coby Mach earlier and the other retailers pretty much outlined the reasons. We're very much concerned about increased Internet-only sellers and the loss of tax revenue that is owed. And I just want to kind of remind everyone as we're looking to get more dollars, if we could and I know it's not up to the Nebraska Unicameral, but if we could convince the federal government to enact sales tax collection on on-line-only sellers it would mean somewhere between \$60 million and \$120 million, probably closer to the high side, for the state of Nebraska in presently lost tax revenue. And so I guess what we would say is we're not for increasing taxes or shifting the tax burden; we're for collecting taxes that are already due. And with that, I would just add one little story. I'm so old that I remember when there was a \$0.05 cigarette tax voted in by the Unicameral to pay for the Bob Devaney Center. And once the Bob...and that did pay for the Bob Devaney Center. One of the biggest jokes was that at that time you could smoke in public places, but they made the Bob Devaney Center...it was nonsmoking. So the joke was that everybody that paid for it couldn't smoke there. But they still could go there. And after that I think some of the money...they didn't get rid of the \$0.05 tax. I think then it went to Game and Parks or something like that. But now this is going to go to property tax reduction. My wife and I own several rentals on which we've a property tax. Our tenants are going to help us...if they smoke they're going to help us pay our property tax, but I don't let them smoke there either. So anyway. [LB1013]

SENATOR SCHUMACHER: Any questions for Jim? Senator Davis. [LB1013]

SENATOR DAVIS: Just one, and maybe somebody that follows you will...would like to speak to this. We've heard about the Internet piece here today. And I did receive an e-mail just a little bit ago that says due to the Jenkins Act, monthly reports must be filed with Nebraska to those having cigarettes shipped to them. We receive a listing and then actively go after those who think they have bought cigarettes tax free. So if you didn't know about that maybe you do now. But if someone else would like to talk about that. [LB1013]

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JIM OTTO: Yeah, I wasn't...I mean I know it's...like you said earlier, it is due but probably going unpaid just like... [LB1013]

SENATOR DAVIS: Well, apparently Department of Revenue gets a listing from... [LB1013]

JIM OTTO: Okay. [LB1013]

SENATOR DAVIS: ...of those people and can go after them. Whether they do or not, I can't say. This indicates that they do. [LB1013]

JIM OTTO: Well, that's good. Thank you. [LB1013]

SENATOR DAVIS: Thank you. [LB1013]

SENATOR SCHUMACHER: Any other questions? Thank you for your testimony, Jim. Next opponent. Welcome to Revenue. [LB1013]

BRAD BOYUM: Hello, Senators. My name is Brad Boyum. I'm from Omaha, Nebraska. Last name is spelled B-o-y-u-m. I'm not associated with any group. I'm just a voter/customer, I guess. I am opposed obviously to the tax. The issue I see from the cigar side is, you know, going to the Internet sales, specifically on the box or on the cigar that I smoke, a box in Mr. Doll's store is about \$178. Without any tax, Famous Cigar shop or Famous Smoke shop can sell for \$130. Just adding the sales tax and the 20 percent first-owner tax puts that price at \$165. So it's very close to what Mr. Doll is selling it for. So actually in his store he charges, if you bring your own cigars in, he'll charge you a clipping fee or a corkage fee basically, so to force people to buy cigars from his establishment, which people are fine with. You're using the facility. But as far as the logic of who is being taxed and where the money is going, I understand everyone, you know, wants more money for their causes and efforts which is fine and a number of the senators were headed that direction. But taxing the lower income people on the cigarette side to pay for a property tax reduction I'm not sure how many of those people even own homes. I'm not sure if they get any benefit whatsoever. As far as the cigar smoker, what type of people make up that group, it's not a lower income type of group. It's you know people who are willing and able to spend you know \$8 to \$10...(recorder malfunction, hearing resumed 2-24-2016.) [LB1013]