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General Affairs Committee
February 06, 2017

[LB470 LB541 LB631]

The Committee on General Affairs met at 1:30 p.m. on Monday, February 6, 2017, in Room 1510 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB631, LB470, and LB541. Senators present: Tyson Larson, Chairperson; Carol Blood; Lydia Brasch; Dan Quick; Merv Riepe; and Justin Wayne. Senators absent: Burke Harr, Vice Chairperson; Senator Krist.

SENATOR LARSON: Welcome to the General Affairs Committee. Sorry for my absence, Exec Board is still going, so. Welcome to the General Affairs Committee. I am Senator Tyson Larson of O'Neill, Chair of the committee. Committee members present or will be joining us, on my far right will be Senator Blood of Bellevue; Senator Riepe of Ralston; Vice Chair, Senator Harr of Omaha. I have my legal counsel, Josh Eickmeier, to my right. To my far left is Aaron Bos, the committee clerk; Senator Quick of Grand Island; Senator Brasch of Bancroft; Senator Krist of Omaha; and Senator Wayne of Omaha. There is one sign-in sheet located on the tables at the back of the room. Please be sure to indicate how you would like your participation in the hearing reflected in the committee's record. The first box is for those who want their presence and position noted as an exhibit in the committee's records but are not testifying. The second box is for those who are here for today's committee hearing but will submit written testimony in lieu of testifying, which will be noted on the committee statement. And the third box is for anyone testifying today. When it is your turn to testify, give your sign-in sheet to the committee clerk. This will help us maintain a more accurate public record. After each bill introduction the Chair will ask for testimony in support and opposition and in the neutral capacity. When you come up to testify please speak clearly into the microphone. Please tell us your name and spell your first and last name. Also, please tell us whom you are representing, if anyone. We are using the light system for our hearings. Testifiers will have three minutes, which will be represented by a green light when you begin; an amber light when you have one minute remaining; and a red light when your time is up. Please turn your cell phones or other electronic devices to silent and please keep your conversations at a minimum or take them into the hallway. The General Affairs is participating in a paperless program, therefore, we usually only accept handouts and written testimony electronically. But if you would like to submit something and only have paper copies, then we will accommodate you and make sure it all gets into the record. We also do not allow visual displays or other items. Because this committee is going paperless, senators are allowed and even encouraged to use electronic devices during the hearing. Thank you for your cooperation and we will begin today's hearing with LB631, which I would ask the committee's legal counsel to introduce. Welcome to the General Affairs Committee, Mr. Eickmeier. [LB631]

JOSHUA EICKMEIER: Thank you. Good afternoon. My name is Joshua Eickmeier, J-o-s-h-u-a E-i-c-k-m-e-i-e-r, and I am here representing Senator Tyson Larson, Chair of the General Affairs Committee. LB631 deals with the pickle card and pickle card industry. This is a bill similar to

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what was introduced last year. The purpose is trying to look at ways to, I guess, revitalize the pickle card game. It's a type of...pickle cards are unique in the sense that they are something that goes towards community betterment, the revenue that is collected by organizations is then basically turned back to the community in various forms or various projects and it's something that promotes very good causes. There's been a decline in pickle cards since they first came to Nebraska, but the provisions in this bill specifically look at ways to make it more appealing for operators, meaning bar owners for example or restaurant owners to have pickle cards. For example, taking away some of the stringent requirements on operators to try and make it more appealing to them to participate in this; increasing the prizes as well; allowing other forms of payment other than cash; being able to extend credit in the sense that at the time that the pickle cards are delivered the operator is then required to pay up front for those cards. That puts a pretty...that can be a substantial burden in the sense that the money is then put up front as opposed to being able to wait as the cards are purchased and played to have the revenue stream to then be able to pay that back. And that would be a 30-day allowance. That provision, as well as some of the provisions in Section 2(8) have to be clarified in an amendment. There is a drafting miscommunication on my part where this was the original bill from last year, but some amendments had inadvertently been included into this draft and did not get caught until it was too late. But that can be easily remedied with a committee amendment. The point is that in order to allow these organizations a way to continue to do these programs that benefit local communities, something needs to be done to look at the pickle card industry and see what can help its viability. Here today also to testify is John Adams, with International Gamco. And he can shed more light on...from the industry standpoint of why this bill is important and indeed necessary. With that, I would conclude my introduction. [LB631]

SENATOR LARSON: Thank you, Mr. Eickmeier. Are there questions from the committee? Seeing none, thank you. [LB631]

JOSHUA EICKMEIER: Thank you. [LB631]

SENATOR LARSON: We'll take the first proponent. Welcome back to the General Affairs Committee, Mr. Adams. [LB631]

JOHN ADAMS: Thank you. Chairman Larson, committee members, good afternoon. Senator Brasch. My name is John Adams, J-o-h-n A-d-a-m-s. I am the general counsel and registered lobbyist for International Gamco. Gamco is a manufacturer of pickle cards located in Senator Wayne's district. We employ about 160 people and we manufacture for markets all over the country and internationally as well. We're focusing on Nebraska today because sales have dramatically diminished over the years. Back in the '90s, sales were 177 million at peak and in the last annual report it has dropped to 22.5 million, so a dramatic decrease. And with the

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decrease in sales there's a corresponding decrease in the amount of money that the charities and the nonprofit organizations have to use for their charitable and community betterment purposes. And in 2000, there was almost \$10 million available to charities to use for those purposes and in the last Department of Revenue report it shows just less than \$2 million available. So from \$10 (million) to \$2 (million), more than an \$8 million decrease in the money available to charities for their purposes of good works and community betterment. We visited with all the distributors and a number of nonprofits to see what could we do to help. We realized we'll never get back to the sales that there used to be, because of competition. But most everybody agreed that the decrease in operators, as committee counsel mentioned, those retail outlets that sell the cards, the decrease in those people participating is the main reason for the decline in sales and what can we do to help that. So this bill tries to address that and to remove or lessen various obstacles for pickle card operators to sell the cards. There's five things listed. I don't have the time to go into detail on any one, but we're increasing the operator commission, is one. We're, as committee counsel said, reducing or eliminating the requirement that they pay up front for the deal, which some operators say is a barrier for them to be involved. A lot of states require 30 days' credit and so that's what we're asking. We're bumping up the prizes a little bit to correspond more with the state of Minnesota, which has been very successful in selling these cards. We're reducing the tax slightly. And we're removing restrictions on vending machines. These ideas are not grand, but what they can do is tweak the existing law to make it more attractive for our operators to want to sell this product. [LB631]

SENATOR LARSON: Thank you, Mr. Adams. Is there questions from the committee? So...oh, sorry. Senator Riepe. [LB631]

SENATOR RIEPE: I just have a question. Thank you, Mr. Adams, for being here. And thank you, Mr. Chairman. My question I guess goes to the...for me, at least, I believe in product life cycles. It seems that pickle cards may be at the end of a life cycle. It seems that you're going in...this is going to lead to a question, I want you to respond to it is, prizes from 80 percent to 85 percent; operator's maximum profit from 30 percent to 35 percent; decrease the tax from ten (percent) to 5 (percent). It looks like every effort is being made to revive or put life back into a product that might be at the end of its life cycle. Respond, please. [LB631]

JOHN ADAMS: Well, yeah. It's certainly been more challenging in this state, but we've seen in other states, Texas, Minnesota, Ohio that the product is doing very well and is raising a lot of money for charitable organizations, so we think it has a purpose and is one of the few methods available to nonprofit organizations to raise money. So we think it can still be a viable vehicle for them to do that. [LB631]

SENATOR RIEPE: Okay. Thank you. Thank you, (inaudible). [LB631]

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SENATOR LARSON: Thank you, Senator Riepe. So in kind of piggybacking off Senator Riepe's question, you're saying with the changes in LB631 we would be mirroring more of those states that where pickle cards are doing well and aren't what you would say at the end of the life cycle, because we have too many restrictions now. Is that kind of what you're saying? [LB631]

JOHN ADAMS: Yes, it helps. [LB631]

SENATOR LARSON: Thank you, Mr. Adams. And that...and mainly by removing some of these restrictions that in turn helps those nonprofit organizations, the local Kiwanis or youth basketball league or whatever, the opportunity to have more funding opportunities because a lot of it goes in nonprofit, keno goes back to the cities and municipalities, but pickle specifically go to nonprofit organizations. [LB631]

JOHN ADAMS: That's correct. [LB631]

SENATOR LARSON: Thank you. Thank you for your testimony. [LB631]

JOHN ADAMS: Thank you. [LB631]

SENATOR LARSON: The next proponent. Welcome back to the General Affairs Committee. [LB631]

LARRY AYERS: Yes, thank you. Senator Larson, committee members, it's Larry Ayers, L-a-r-r-y A-y-e-r-s. Thanks for a chance to talk today. I'm the vice president of Ayers Distributing. We're a pickle card distributor in Nebraska. We've been in business since 1983. We've seen the rise and the fall. We have a good product; it's not at the end of the life cycle, I don't believe in any regards. Unlike keno and a lot of the lottery games, winners are guaranteed with pickle cards. They're there no matter what. I'm in no way antikenno, but there's been a lot of advantages built in for keno. I've talked to a couple of bar owners, they've told me the cost is pretty much zero and they've even gotten bonuses to start with keno. But to start with pickle cards, if they wanted a machine, they want a license, you're talking...and then their first couple deals, you're talking maybe \$4,000 to get going on it. With a 30 percent commission, it can take years to recoup what they put out for it. So I think rather than a life cycle, it's more of a competitive thing. We just...we can't give away our machines, by law. So there's a lot of restrictions with that. I think the machine thing is probably our main focus. As distributors and charities, if we could work together with the charities and help get machines into a operator's hands, I think that would be the biggest thing. Thank you. [LB631]

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SENATOR LARSON: All right. Thank you, Mr. Ayers. Any questions from the committee?
Senator Riepe. [LB631]

SENATOR RIEPE: I have a question. Thank you, Senator Larson. My question gets to be is the break even on this if it takes, did you say four years, you said something like that? Is there a fear that pickle cards might not be here in two years and so if I invest enough that it takes me four years to get my money back out of it again, is there some reluctance? I mean is it now a hard sell? [LB631]

LARRY AYERS: I think...well, the charities make a 70 percent commission right now. So if a game makes \$500, the charity takes \$350, the operator takes \$150. So as far as putting in a machine, a charity could make their money back a lot quicker than the operator ever will. And I don't think pickle cards are going away, by any means. We still have...we have a very short staff now, it's my dad, my sister, and I, but we're still going and we're still making a little bit, just not much, so. [LB631]

SENATOR RIEPE: May I ask another? What is your primary mentality of a gambling person? Are they keno or...I assume they're not blackjack, I mean. Is there some group that if they don't buy pickle cards they would buy what? [LB631]

LARRY AYERS: I think pickle cards, they had their biggest decrease since '94 when the boats opened, that's been our biggest hit. So just the competition, in general, has made it a little harder, but there's keno, there's plenty other things out there now. [LB631]

SENATOR RIEPE: Do think that was the slots in the boats? [LB631]

LARRY AYERS: I think just the boats, in general, giving them another option. There's so many different things over there they can...they're not restricted to one or two things like they are (inaudible). [LB631]

SENATOR RIEPE: More sparkle. Okay, thank you. Thank you, Mr. Chairman. [LB631]

SENATOR BRASCH: Thank you, Chairman Larson. And thank you, it's Mr. Ayers, correct?
[LB631]

LARRY AYERS: Yep. [LB631]

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SENATOR BRASCH: What is your primary business? [LB631]

LARRY AYERS: We're a distributor of pickle cards and keno supplies. [LB631]

SENATOR BRASCH: A distributor? Okay. And where do you distribute? Where is your...all over Nebraska? [LB631]

LARRY AYERS: All over Nebraska and we're also licensed in Iowa for bingo too. [LB631]

SENATOR BRASCH: In Iowa? And are you seeing a decline over how many years now or months or days or...? [LB631]

LARRY AYERS: Like I said, the mid-'90s have been... [LB631]

SENATOR BRASCH: The '90s were good, we're on...ten years ago. [LB631]

LARRY AYERS: Yes. We had, what was there, 1,500 operators in '99. There was 560 this last reported year. So the last 15 years or so we've lost about a third of our operators. [LB631]

SENATOR BRASCH: Okay. And so we're 2017, 15 years it has declined? [LB631]

LARRY AYERS: Yeah. [LB631]

SENATOR BRASCH: And would you say generally or has it dropped significantly? [LB631]

LARRY AYERS: It's dropped a lot. [LB631]

SENATOR BRASCH: In the last five years? [LB631]

LARRY AYERS: It's dropped steadily over the last five or ten years. It's never dropped more in one, it's been just a steady decline. [LB631]

SENATOR BRASCH: And the reason I ask that is one of my classmates from high school, she chose to go to the University of Nevada the casino way. And the casinos have declined significantly in her view, that employees are now part-time and just overall the global economy

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has taken a decline and we're looking at Nebraska maybe. Do you think there's just less gambling dollars perhaps? [LB631]

LARRY AYERS: And that's...I know we saw that in the mid-2000s for sure. [LB631]

SENATOR BRASCH: Right. [LB631]

LARRY AYERS: There is a lot less extra money to go around. [LB631]

SENATOR BRASCH: Right. Just even in Nevada and in Nebraska right now we're looking at a deficit in our budget or in family budgets. Do you think that the economy perhaps is also affecting the... [LB631]

LARRY AYERS: It definitely hasn't helped us. I don't think the economy overall has hurt us, I think it's more of a competitive balance thing. [LB631]

SENATOR BRASCH: Okay. [LB631]

LARRY AYERS: A bar is not going to go out of their way to do pickle cards now, because they can get into keno for pretty much no up-front cost and make about the same kind of money. [LB631]

SENATOR BRASCH: Doesn't it take more...I've heard it takes more people to manage keno. [LB631]

LARRY AYERS: And it might. It probably would. By the time they license their help and... [LB631]

SENATOR BRASCH: At least in our area, Bancroft, I was told that it takes...when you try to operate a bar with less people like you and some others we've heard, that because of the time factor and others that it requires more personnel. [LB631]

LARRY AYERS: And that is probably one of the advantages the pickle cards have. You can set up a machine, you don't need to have people for it. [LB631]

SENATOR BRASCH: Yeah, kind of self-service. All right, I have no other questions. Thank you. [LB631]

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SENATOR LARSON: Thank you, Senator Brasch. Any further questions from the committee? Well, thank you for coming today. We appreciate you letting us know what it's been like. [LB631]

LARRY AYERS: Yep. Thank you. [LB631]

SENATOR LARSON: Any further proponents? We'll move to opponents. Welcome back, Mr. Grasz. [LB631]

NATE GRASZ: Thank you, and good afternoon. Chairman Larson and members of the General Affairs Committee, my name is Nate Grasz, N-a-t-e G-r-a-s-z. I'm the policy director for the Nebraska Family Alliance and I appreciate having the opportunity to express our opposition to this bill. In addition to changing several pickle card operator provisions, LB631 would authorize a participant in Nebraska's authorized forms of gambling, including the state lottery to use United States currency or any method of payment representing U.S. currency. Several financial Web sites list both gambling and poor money management, including credit card use, as two of the top five causes of debt. This bill would combine them both by allowing Nebraskans to access their entire savings accounts and go into debt using credit cards to play the lottery. Not only do we know that state lotteries are a regressive tax on the poor, they also siphon billions of dollars away from local businesses every year, meaning any increase in revenue to the General Fund as a result of this bill will be met with a decrease in sales tax revenue. According to a report by the Rockefeller Institute of Government Fiscal Studies Program, increasing revenue from existing gambling operations will worsen rather than ease state budget imbalances. This increase in gambling revenue will also only represent a small portion of the losses to Nebraskans and money that could have been spent on local businesses that actually provide a good or service and grow our local economies. We hear a lot about the need for tax relief in Nebraska to help working families. Gambling is an unfair way for the state to tax the people and expanding the state lottery to allow play with debit and credit cards will take the most from those who can least afford it. Commonsense limitations on the state lottery and other forms of legalized gambling were placed there to protect the state's most vulnerable citizens from being further swindled into a losing game. We believe that the last thing Nebraskans need is to be subjected to more ways for the state to take more of their hard-earned money. It is our belief that allowing individuals to go into debt gambling is bad public policy and we respectfully ask that you keep this important consumer protection in place. Thank you. [LB631]

SENATOR LARSON: Thank you, Mr. Grasz. Questions from the committee? Real quick, do you have a copy of the bill in front of you? [LB631]

NATE GRASZ: I do. [LB631]

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SENATOR LARSON: Go to page 4, starting on...start at line 29 and read it through page 5, line 1 or the period. [LB631]

NATE GRASZ: Did you say line 29? [LB631]

SENATOR LARSON: Start at 29 and go through the end of that sentence. So judging by that, would a credit card be allowed to be used? [LB631]

NATE GRASZ: For specifically into pickle card or... [LB631]

SENATOR LARSON: Specifically relating to pickle cards. Your testimony was that we would allow credit cards to be used. [LB631]

NATE GRASZ: Correct. [LB631]

SENATOR LARSON: But after reading that, do you still have that assessment? [LB631]

NATE GRASZ: Well, I'm not sure. I looked at the... [LB631]

SENATOR LARSON: Because when you read it out loud it says, cash equivalent, including debit or prepaid card, but not including a credit card. Correct? [LB631]

NATE GRASZ: I'm sorry, which page did you say? [LB631]

SENATOR LARSON: We're on line...page 4. [LB631]

NATE GRASZ: Okay. [LB631]

SENATOR LARSON: And it goes into page 5. [LB631]

NATE GRASZ: Well, when I look at the fiscal note that was recently released, according to the Department of Revenue, their statement that was approved by the Commissioner, their read on the bill they say, and I'm taking directly from the fiscal note: LB631 would authorize a participant in all of Nebraska's authorized forms of gambling, including the State Lottery, to use United States currency or any method of payment representing United States currency. [LB631]

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SENATOR LARSON: Well, that could be a mistake from the Fiscal Office or the Department of Revenue, but the bill clearly states otherwise, though, correct? [LB631]

NATE GRASZ: I'm not sure. And, again, obviously, we disagree on that. And, again, the legislative fiscal analysis they've reached that same conclusion as the Department of Revenue. [LB631]

SENATOR LARSON: But, again, they may not have...the bill clearly states, not including a credit card. [LB631]

NATE GRASZ: Okay. [LB631]

SENATOR LARSON: And so I guess I just want to clear that up for the record... [LB631]

NATE GRASZ: Sure. [LB631]

SENATOR LARSON: ...that on page 4...at the end of page 4 and moving into 5, it says...you're right, it does cash equivalent of debit or prepaid card, but not including a credit card. [LB631]

NATE GRASZ: Okay. [LB631]

SENATOR LARSON: So we are very clear about not allowing a credit card in the legislation. [LB631]

NATE GRASZ: Okay. [LB631]

SENATOR LARSON: I can't speak to why Fiscal or Department of Revenue put credit card, they're not...they may have missed it. [LB631]

NATE GRASZ: Okay. Well, thank you for the clarification. I'll just add that we would still have problems with the bill. Thank you. [LB631]

SENATOR LARSON: Okay. Well, now, with my next question. If...let's say we were to remove that portion of it, the debit and credit card, if we were to amend that out, would you still oppose the bill, because a majority of your testimony focused on that? [LB631]

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NATE GRASZ: Right. That is where I focused, but again even... [LB631]

SENATOR LARSON: What are the other portions then that you would oppose? [LB631]

NATE GRASZ: Right. If it did allow debit cards to allow people to access more money. And then further, as Senator Riepe and others have discussed, we don't feel the need...that it should be the role of the state to try and prop up pickle cards. If people are playing less, the state doesn't need to try and take more money away from citizens by making it easier for people to supply pickle cards. [LB631]

SENATOR LARSON: So, all right. All right. Legal counsel... [LB631]

JOSHUA EICKMEIER: That's my fault. I had the next bill, LB470. That's the one that specifies the not using the credit cards, so I apologize for that. [LB631]

NATE GRASZ: Right. So LB631 would allow credit cards. [LB631]

JOSHUA EICKMEIER: Well, let me double-check that. [LB631]

SENATOR LARSON: If we took credit cards out, you'd still be opposed though? I'm sorry. Okay. [LB631]

JOSHUA EICKMEIER: That's my fault. [LB631]

NATE GRASZ: That's okay. Correct. [LB631]

SENATOR LARSON: And what if we took just all that...strike out the whole debit, credit card provision and left it at cash? Would you guys still be opposed to LB631? [LB631]

NATE GRASZ: That would certainly fix our...the biggest problem with the bill. But we would still I think oppose the bill, again, based on probably we don't think the state needs to try and prop up pickle cards any more or help people gamble more on pickle cards. And for that reason, we would still oppose the bill. [LB631]

SENATOR LARSON: Okay. [LB631]

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NATE GRASZ: But that certainly is our... [LB631]

SENATOR LARSON: Your main opposition lies around the debit card and credit card portion? [LB631]

NATE GRASZ: Correct. Correct. [LB631]

SENATOR LARSON: Okay. Any further questions? Seeing none, thank you, Mr. Grasz. [LB631]

NATE GRASZ: Thank you. [LB631]

SENATOR LARSON: The next opponent. Welcome back, Ms. Loontjer. [LB631]

PAT LOONTJER: Thank you, Tyson. I'm Pat Loontjer, director of Gambling With The Good Life for the last 22 years. It's spelled L-o-o-n-t-j-e-r. And I pretty well, you know, agree with everything that Mr. Grasz has said. I question when Mr. Adams was talking about the operators and the decline in the operators. And what we found when we've been visiting with our coalition of churches is that many of the churches are getting away from the pickle cards and the bingo. They don't feel that that's good public policy and they don't feel it's a good way for them to finance their churches and their other endeavors. So they're kind of fading that out little by little, so I think that's a good part of it. At one time it was a very big thing with churches and now they're trying to get away from that. We struggle with the debit cards and the credit cards because it's just very easy for someone to get tied up into that. And the next thing you know, their bank account is way down and they can't make the house payments and it's money that's not spent on Main Street. So a little to the point that Senator Riepe brought up is in so many things, so many of the other gambling industries is that it's a dying industry. And should it be subsidized and should it be propped up? And we think not. We think that there's a lot better way that our citizens can use their money and support their families and local businesses. So we would be opposed to this bill and urge you not to allow it out of committee. [LB631]

SENATOR LARSON: Thank you, Ms. Loontjer. Questions from the committee. One quick question. [LB631]

PAT LOONTJER: I knew you wouldn't let it go. [LB631]

SENATOR LARSON: What is your definition of propped up? [LB631]

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PAT LOONTJER: Any subsidy or when we were dealing with the horse tracks and they were asking for slot machines turned into casinos and they were asking for subsidies and a lot of other things, including the simulcast. Those were all, we feel, were things that were...advantages that were given to that particular business and not to any other business in the state. And we see this in a very similar fashion. I noticed you... [LB631]

SENATOR LARSON: It's changing the law. We're not offering subsidies, we're just changing the tax structure and who gets what, not any at state support. I just wanted to know what your definition was, propped up. And I understand that and I appreciate that. [LB631]

PAT LOONTJER: I noticed you looked at me when you said that there would be no mechanical or anything. And I thought, darn, he's not going to let me bring my talking duck anymore? [LB631]

SENATOR LARSON: No, we don't need any ducks from you, Ms. Loontjer. [LB631]

PAT LOONTJER: Because it is...that would be for the next bill anyway. You know, it looks like a duck, talks like a duck, you know. [LB631]

SENATOR LARSON: I understand the analogy and I've heard what you did. Thank you. [LB631]

PAT LOONTJER: We sure missed you last week. [LB631]

SENATOR LARSON: I'm sure you did. Thank you. Any further questions? Seeing none. [LB631]

PAT LOONTJER: Thank you. [LB631]

SENATOR LARSON: See you in the next one. Welcome to the General Affairs Committee. [LB631]

GLEN ANDERSEN: Good to be here. My name is Glen Andersen, G-l-e-n A-n-d-e-r-s-e-n. And I am speaking on principle in terms of the cost of gambling. Pickle cards, as other things, I understand is probably a way of raising taxes for the state. I suggest that anything associated with gambling is a terrible way of raising taxes. And the revenue even on pickle cards is most likely be on those who can least afford it. And making their money, whatever they have, more

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readily available when they're purchasing pickle cards does not seem like a good idea to me. And that is the points that I would like to make. [LB631]

SENATOR LARSON: Thank you very much. Do I have questions from the committee? Seeing none, thank you for coming today. Next opponent. Come on up, Ms. Fairchild. Welcome back to the General Affairs Committee. [LB631]

LORETTA FAIRCHILD: My name is Loretta Fairchild, Ph.D., economist, L-o-r-e-t-t-a F-a-i-r-c-h-i-l-d. I am thankful to each of you senators for your hard work and your good decisions for Nebraskans, as a whole. For LB631, your mental quick link is obscure. On page 4, about line 10, removing the definition, fair market value for the selling price of machines seems helpful. Yet, questions remain. For, not less than cost, who gets to define that cost? And also, who gets to define maintenance costs? Both are very fluid concepts to a lot of businesses these days. Another question: The statement of intent focuses on the declining sales of pickle cards and the harm to the communities. But all I see in the bill is financial help to the companies servicing this enterprise for charitable organizations. Why do they get a bigger cut from a declining industry? If Nebraskans choose to allocate their charitable contributions in other ways, why should they be subjected to an increasing barrage of more advertising or other manipulations from the companies just to grow company profits? I don't think that falls in the definition of community betterment. I would point out--and with respect to subsidy--that it is standard practice in economics to count a decline in tax revenues and the tiny percentage going to the state of Nebraska is being cut in half in this bill, so that certainly fits the standard definition of a subsidy. When the need for oversight is rising, even if it's red ink all over the fiscal note, why is that percentage being cut? It is a percentage, so there has to be some revenues to base it on. Most importantly, putting credit back is a problem. The testimony of the neutral people working with gambling addicts last week made very clear that payment...method of payment is an important factor in poor judgment. But the major point that I would raise is that the definition of "type of noncash" is left totally open. And Section 1 in the last section where this is used--and that seems to be the operational places--I think you could include right now Western Union drafts, payments via mobile phones. Going forward you would have to include any new payment that the financial industry wanted to try to...would have dreamed up. This is all a regulator's nightmare. And we already have inadequate oversight. I sure hope you will find out more precisely things like: Why is there a need for any maximum on the percent of proceeds going out as prizes? And why is the old term "definite profit" still in there? I am here to tell you that that term is not standard in either economics or accounting. I think you would be fairly safe in assuming that it is legalese and therefore open to manipulation already. So I do hope that you will ask lots and lots of questions. And since we're all very short on time, I hope you'll let this die in committee. Thank you. Do you have questions? [LB631]

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SENATOR WAYNE: Thank you for your time. Any questions from the committee? Seeing none, thank you. Any more opponents? Seeing no opponents, anyone testifying in neutral? Somebody was moving in the back, so I just wanted to make sure. They didn't get up, though, so last time. Anyone testifying in the neutral? All right, that will close the public hearing on LB631. Next we'll be opening the public hearing on LB470 and legal counsel will do the introduction.
[LB631]

JOSHUA EICKMEIER: Okay, good afternoon. My name is Joshua Eickmeier, J-o-s-h-u-a E-i-c-k-m-e-i-e-r, and I am the legal counsel for the General Affairs Committee representing the Chairman Tyson Larson today. LB470 is similar to bills that have been introduced in the past. This deals with Keno and basically is an effort to modernize this game in the form of three main ways. One that was mentioned earlier deals with being able to utilize other forms of cash other than cash itself. The reason is that more and more younger people, younger generation are not carrying around as much cash as they once did. And so being able to have other means as technology develops to be able to have other means available is one way to modernize this game. The other is the requirement that there be five minutes' wait time between games which is the current law. This would reduce it to four minutes. We've had bills in the past that have reduced it even further than that as far as to eliminate the time. But this one just takes it down to one minute as well. And part of that again is finding the balance between I guess the intent of slowing down the game somewhat but also being realistic in that. The reality is given the last bill that you heard, you can sit there and rip off as many pickle cards as you possibly can during that five minute wait time and you're not really accomplishing a whole lot if the goal is just to prevent people or slow people from doing that. I know as a kid for me, growing up in a smaller community, there were...that was sort of the tradition of having the what I used to call the plastic shrimp basket that would literally hold the pickle cards after they had been torn off and kids would go through it to make sure no one missed any winners. But that's just a little bit of nostalgia I guess. So I don't know what...I guess the issue is if we take from five minutes to four minutes we'll speed the game up a little bit. I don't know that that in and of itself should be a problem. The third main change with this bill is again with modernizing the game is moving to an electronic ticket. Right now you have...if you've been to a place that has keno tickets you physically go up to a ticket writer and you have your numbers chosen on a piece of paper and then you have your ticket and then you have to wait the five minutes in between before you can play. That...I guess it's starting to look like a more antiquated way of playing keno. What this bill is proposing is the ability to have electronic tickets. What does that mean? Well, the technology now is far more advanced than it was when keno was first implemented in the state of Nebraska. You can do something that's called geofencing, for example, which would allow you to access the keno game from an electronic device perhaps and then...but the fencing...the geofencing or electronic fencing prevents you from accessing it outside of the licensed premises. So you couldn't be at your home on your couch being able to access this keno game. You'd have to physically still be in the keno location. But you would be able to do it from where you're sitting

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using an electronic device. I believe there are members from the keno industry here this afternoon that can fill in some of those gaps for you if have any questions on how this works or how it might work if this were to be adopted. But that...for right now I guess I'll stop and answer any questions you may have. [LB470]

SENATOR LARSON: All right. Thank you, Mr. Eickmeier. Any questions from the committee? Seeing none...oh, sorry. Senator Riepe. The Chair hasn't helped much I see. [LB470]

SENATOR RIEPE: I'm easily overlooked. I'm such a thin little guy over here. Thank you, Mr. Chairman. Counselor, I have a question. How many times has this reduction from the five minutes to three or four or anything less than five been brought forward, do you know? [LB470]

JOSHUA EICKMEIER: I don't know. I was with the previous Chair of the committee for six years. I know we had more than one bill that took it to one minute. One bill took it all the way...eliminated it all together and basically it would be up to the operator to decide, you know, how they wanted to do it. If you're physically...like Big Red Keno, for example, has a location here in Lincoln. If you're there, they physically have the balls that then drop like an old-fashioned lottery. And so you...I mean it physically takes time to actually play the game. It's not like the numbers are instantaneously put up and you find out in two seconds whether you win or lose. It's much more of a, I guess, physical game in that sense. It's not as electronic as some other places that may do it. So it does depend on the location. But some places just physically it would take them...even if you eliminated the time all together, they still probably wouldn't be able to do it right like back to back. It would still take time just from a practical standpoint. But again, it would vary from location to location. And I would rather have someone in the industry maybe give you some more insight on exactly how that works. [LB470]

SENATOR RIEPE: So to answer the question, this is not the first time that this has come before the committee. [LB470]

JOSHUA EICKMEIER: Correct. [LB470]

SENATOR RIEPE: The second question for the avid player, have you done any research in terms of time required to take a potty break, that that would relate into this four or five minutes, for the break? [LB470]

JOSHUA EICKMEIER: To answer the first part of that, I think this is the...I don't recall having a bill going from five to four. I know we've gone from five to other numbers and eliminating altogether, just to be clear. As far as restroom breaks, I mean there's no requirement you have to

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play the next game. So if you have an emergency you can take your time and you would just sit the next game out until you were, I guess, ready to play again. I mean there's no requirement that you play every game. [LB470]

SENATOR RIEPE: I won't ask you to describe an emergency. (Laughter) [LB470]

JOSHUA EICKMEIER: I'll leave that up to you. I think everyone has their own definition of an emergency. [LB470]

SENATOR RIEPE: Okay. Thank you very much. [LB470]

JOSHUA EICKMEIER: Of course. [LB470]

SENATOR LARSON: Thank you, Senator Riepe. Senator Brasch. [LB470]

SENATOR BRASCH: Thank you, Chairman Larson, and thank you for introducing this on his behalf. When you talk about the electronic tickets and you had said that way people won't have to get up. They just buy them from their phone or they can continue sitting? [LB470]

JOSHUA EICKMEIER: Yes, the idea...and I'm glad you brought that up because that does go into a separate issue, a caveat I wanted to also mention. The electronic ticket, essentially there would still be a paper ticket that would be available if you wanted it. And this goes back to an Attorney General's Opinion that hasn't been litigated but states that there has to be a paper ticket for lotteries. What exactly does that mean from practical sense? Again, it's a bit unclear, but that opinion is still out there. So there would be a paper trail, if you will, that you could look at and say here's a ticket or a receipt, whatever you want to call that, would still be available if a player so asked for it. But you would have a device just like if you...some places you do trivia, for example, and you can see the trivia on the screen and you put your answer in the trivia box and then it tallies your score. It would be...there is technology similar to that which would allow you to play keno in a very similar way. So you're welcome to move around. You're not required to stay in your seat. But it just allows you the ability to do it electronically which is the direction a lot of entertainment now has gone. You've heard other bills dealing with, whether it be fantasy sports contests, that also can be done on your phone, for example, or on other electronic devices like a computer. So that...with...keeping that in mind as technology continues to advance, it tends to leave some of these games that have their technology locked in statute behind. And so if you're going to...the public policy is to have these games in the state of Nebraska, modernizing them to me seems like it would be a natural progression or evolution. [LB470]

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SENATOR BRASCH: So it would be not from their own personal handheld device, but a electronic device for the purpose of playing keno that would be at their table, and that would also act as the cashier. [LB470]

JOSHUA EICKMEIER: I don't think this specifies as far as the type of electronic devices used. I'm guessing it would depend on the location and how they're set up because I assume there are varying expenses involved as to which method they wouldn't want to use. But I would probably defer to someone from the industry who can answer perhaps how they would anticipate doing this if it were to move forward. [LB470]

SENATOR BRASCH: All right. I have no other questions. Thank you. [LB470]

JOSHUA EICKMEIER: Okay. Yeah, sure. [LB470]

SENATOR LARSON: Thank you, Senator Brasch. Any further questions? Seeing none, thank you, Mr. Eickmeier. Seeing the first proponent. Welcome back to the General Affairs Committee, Mr. Harvey. [LB470]

BILL HARVEY: Thank you, Senator. Senator Larson and members of the committee, my name is Bill Harvey, H-a-r-v-e-y, and I am with EHPV Management Group which operates Big Red Keno and La Vista Keno. Our company provides keno lottery services to a number of Nebraska counties, cities, and villages and every one of them, large and small, receives dollars that they can spend in their local community as they see fit. Keno in Nebraska was first authorized in 1986 and the game is still being delivered basically the same way it was 30 years ago. The major challenge for us is innovation. We do not have the freedom to simply implement new technologies as they come along. Most changes to the game must be approved by you, the Legislature. The changes Senator Larson has proposed in LB470 are an attempt to update a few aspects of the keno game. There are three changes proposed by LB470: allow electronic tickets, allow use of debit cards, and allow four-minute games. Regarding electronic tickets, this change would allow players to use a ticket on their smartphone rather than a paper ticket. This is similar to an electronic boarding pass for a plane trip. Many folks today, particularly younger folks, prefer not to deal with paper and businesses in every industry are finding the need to offer a paperless alternative to their customers or they will not be able to compete in the future. Under LB470 you would need to be at a licensed location to buy or cash an electronic ticket. And that would be enforced with a technology called a geofence. Horsemen's Park and other tracks have this exact system in use today for electronic racing tickets. So this is already being used in our state for racing. And we're just asking for simple parity with what's already allowed at racing tracks. Regarding debit cards, right now we have to use cash to process wagers. LB470 would allow debit cards to pay for transactions as an alternative to cash. Paper checks still would not be

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allowed under LB470 and neither would credit cards as Senator Larson has pointed out. And more and more in our society people are moving to electronic forms of payment such as debit cards rather than using paper currency and checks and businesses must keep up to survive. Regarding the time change, we've been at this committee before, as Senator Riepe noted, asking you to eliminate or drastically reduce the existing five-minute time limit between games. LB470 makes a much more moderate proposal. LB470 would reduce the time between games from five minutes to four minutes. We have learned that Massachusetts runs their keno games at four minute intervals and it has really benefited their game as described in a Boston Globe article from last November that we provided electronically to the committee. And I have hard copies here if anyone would like one. But this has been a...and I see that I've got a red light so I'll finish. [LB470]

SENATOR LARSON: Wrap up quick. [LB470]

BILL HARVEY: But we see that that's been a real boon in Massachusetts and we think it would be very good for the Nebraska game. These three changes--allowing electronic tickets, debit cards, and the four-minute games--would help keno to continue to raise money for important local projects that it has for more than 30 years. Thank you very much for your time. [LB470]

SENATOR LARSON: Thank you, Mr. Harvey. Mrs. Blood...Senator Blood, I'm sorry. [LB470]

SENATOR BLOOD: I'm both, but that's all right. Thank you for testifying today. I...coming from a municipal background I have to say that keno has been a huge benefit to municipalities such as Bellevue. We've done a lot of good things with the money, from helping abused women because you're allowed to utilize the money for funds for things like that, things that you couldn't pay for as a community otherwise. So we've used it for public safety. We've used it to help victims of domestic violence, for Habitat for Humanity. The list is very, very long. And I know that smaller communities have used it for economic development. So thank you for that. With that said, do you have any stats in reference to the percentage of people that no longer carry cash? I know I'm not a millennial by far, but I stopped carrying cash a decade ago and use only my debit card. Do you know what statistically...? [LB470]

BILL HARVEY: You know, we can try to get you some more specific information on that. I know I read recently that the use of electronic payments has just continued to grow over the last few years... [LB470]

SENATOR BLOOD: Absolutely. [LB470]

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BILL HARVEY: ...as the use of cash has continued to decline. And I believe I read somewhere that finally the use of electronic payments has actually outpaced the use of cash, but we'll see if we can't get you some more specific information on that. [LB470]

SENATOR BLOOD: And I just wanted it on record in hopes that you knew that number, so no worries on my end. So speaking of electronic payments, we're talking about being progressive and moving you forward and, of course, debit cards would be the way to do that. But what about other forms of payment? Now there are so many apps that allow you to utilize payments that are actually much more safe than your debit card. Will you be able to do that as well, or is that just way too progressive? [LB470]

BILL HARVEY: Well, (laugh) that's kind of a loaded question. I...you know, we've...I think what we're looking at is just trying to take one step at a time. So Senator Larson had proposed the legalization under this bill of debit cards and that seemed to us to be a very good step to take. I agree with what you're saying in terms of other payment apps coming along. And that's the one problem that we have is all these different technologies come along and, as Josh has indicated earlier, we're locked in technologically to what's in the statute. You know, any other business out there can just go out and adopt whatever and adapt to these new forms and continue to compete. We can't do that. We have to come back here and ask for permission. We're certainly open to those other forms of payment and to discussing that and I'd be happy to talk to you about that any time. But this particular bill, the proposal is for debit cards. [LB470]

SENATOR BLOOD: And I respect that. My concern is that this is not the only area where the state statute is way behind in technology. And although I respect the fact that we do need to move to debit cards, I feel that we're actually about a decade behind on that and maybe that that's something that needs to be addressed and maybe researched before we were to take this out of committee. Is that...I kind of feel like it's not a step forward as much as we're just catching up and it may not be adequate. [LB470]

BILL HARVEY: I don't...I can't disagree with you. [LB470]

SENATOR BLOOD: Okay. Thank you. [LB470]

BILL HARVEY: Thank you. [LB470]

SENATOR LARSON: Seeing any further questions from the committee? Thank you for coming back, Mr. Harvey. [LB470]

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BILL HARVEY: Thank you. [LB470]

SENATOR LARSON: Next proponent. Welcome to the General Affairs Committee. [LB470]

KYLE ALLEN: Good afternoon and thank you to Senator Larson and members of the committee. My name is Kyle Allen and I'm with Advance Gaming Technologies, commonly referred to as AGT. Kyle Allen is K-y-l-e A-l-l-e-n. Our company operates keno in 18 communities. The city of Bellevue and the County of Sarpy are two of our largest games. AGT is in support of LB470. You may recall the last time we were here many city officials including Bellevue's director of finance testified as to the importance of the community betterment funds that are generated by keno. We feel LB470 proposes minor changes to the game that have potential to generate additional funds for communities and the state. I think everybody in this room, regardless of which side they're on in this issue, would agree that technology has changed drastically within the last 30 years. And as Mr. Harvey indicated, keno has not changed much since its inception. One area AGT specifically supports is the decrease of one minute in between game times. There was no great rationale behind selecting five for the number of minutes in between games and I believe it could have been for two reasons. Technology at the time, it took some time to write the keno tickets, to run the game, and display the numbers. In addition to that they wanted to avoid the instant keno feel. I believe that four minutes still avoids that instant keno feel and additionally it would allow us to run about 20 percent more games daily and take advantage of better technology that's available. With that being said, thank you to the committee and Senator Larson for the opportunity to be heard here today. [LB470]

SENATOR LARSON: Thank you. Any questions from the committee? Senator Blood. Thank you. [LB470]

SENATOR BLOOD: Thank you, and thank you for your testimony. Are you aware of any states that are utilizing payment methods besides debit cards? [LB470]

KYLE ALLEN: I'm not at this time but that we could get some research put together and get back to you on that if that would be appropriate. [LB470]

SENATOR BLOOD: Thank you. I would like to see that. [LB470]

KYLE ALLEN: If I could answer Senator Riepe's earlier question about the emergency. [LB470]

SENATOR LARSON: Oh, I will allow that. I will allow that. [LB470]

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KYLE ALLEN: I did hear the emergency question. [LB470]

SENATOR RIEPE: It was such a good question. [LB470]

KYLE ALLEN: It was a great question and actually as of right now you can play a multi-race game. So if you're playing a specific set of numbers and you want to play more than one game, you're able to do that right now. So in the event of an emergency, you can play for 2 to 20 games or however many you wish. [LB470]

SENATOR RIEPE: Okay. Thank you. [LB470]

KYLE ALLEN: You're welcome. [LB470]

SENATOR LARSON: Thank you. [LB470]

KYLE ALLEN: Thank you. [LB470]

SENATOR LARSON: Take the next proponent. Welcome to General Affairs Committee, Ms. Rex. [LB470]

LYNN REX: Thank you. Senator Larson, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. And, Senator Tyson, we really appreciate....Senator Tyson Larson, sorry. We really appreciate you introducing this measure. The League of Nebraska Municipalities executive board has voted unanimously for many years to basically do what could be done to expedite these keno games. And I think it's exactly what, Senator Blood, what you said. It's not a function necessarily of moving us forward exponentially. It's getting us to catch up. And by reducing it from five to four minutes, I think that would make a big difference. I think the other provisions of this are also important and I want to emphasize that on the electronic ticket there's also the option, for example, on page 2, lines 27-28, appreciate the way that the committee counsel drafted this to make it clear that each player--this is new language on page 2, lines 27-28--each player shall be allowed to use a paper ticket for selection of numbers upon request by the player. So essentially it would be electronic, but you have that option and we think that's really important. We also think it's important that in fact we're dealing here with debit cards or cash. It does not allow credit cards. Our board would not support credit cards being used, but they do support this. And there is really no way to communicate how extremely important these funds have been for community betterment projects across the state of Nebraska to assist with senior centers, helping the abused, do all sorts of things in the area of community development and community, not development necessarily, but

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community betterment. And as you know, property tax dollars are very, very precious. So are these dollars because of the 530 municipalities across the state of Nebraska, over half of them are at their maximum levy limit of 45 cents plus 5 with an interlocal agreement. So of the 530, over half are at their maximum levy limit. Of those, about half cannot even levy to get the 2.5 percent of restricted funds over the prior year that the Legislature enables them to do under the Budget Act. So these funds are extremely important to do things that are pretty basic things actually but extremely necessary. So, Senator Larson, thank you again. Appreciate your assistance. May I respond to any questions that you may have? [LB470]

SENATOR LARSON: Thank you, Mrs. Rex. Are there questions from the committee? Senator Blood. [LB470]

SENATOR BLOOD: I'm sorry to sound like a broken record today. [LB470]

SENATOR LARSON: No worries. I appreciate your support. [LB470]

SENATOR BLOOD: Thank you, Senator. Have you heard from any of the municipalities in reference to having an alternative for apps as opposed to...I mean in addition to debit cards? It just seems like...and I know I'm a grandmother but it just seems like we're still not catching up with technology when we talk about debit cards. And if we're truly trying to address the younger consumers most of them are paying with apps and not debit cards... [LB470]

LYNN REX: I agree with you. [LB470]

SENATOR BLOOD: ...which it is still again, not a credit card and still through their debit system and it's secure. [LB470]

LYNN REX: I absolutely agree with you. I do think though it would be...just getting this would be huge. And again, I just want to emphasize that as much as I understand exactly what you're saying, the technology actually exceeds what this bill would enable, I do think that the three elements of this bill are extremely important providing more funds for community betterment across this state--very, very valuable. So again, as though... [LB470]

SENATOR BLOOD: Do you think anybody... [LB470]

LYNN REX: ...as though we would appreciate that, Senator, I just don't...we feel grateful just to have with these three changes (inaudible) wants to do. [LB470]

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SENATOR BLOOD: Do you think anybody, municipal...and I know you can't speak until you talk to them but you've gotten at least kind of a feeling for what they're thinking, do you think anybody would be opposed to amping up the technology in the bill? [LB470]

LYNN REX: No, I don't. But again, I've not run that by the board, but I just can't imagine that. I have no doubt the board would oppose the use of credit cards. In other words, you have to have the actual money with you. This doesn't allow anyone to be plunged into debt. It does not allow that and would not allow that. But thank you very much for your question. [LB470]

SENATOR BLOOD: Thank you, Senator Blood. Senator Brasch. [LB470]

SENATOR BRASCH: Thank you, Chairman Larson, and thank you, Ms. Rex, for coming forward. Fundamentally, I do have concerns and I love hearing all the goodwill, good things, great things, but are the keno companies nonprofit companies? Are they in business for charitable giving or are they in business for a profit? [LB470]

LYNN REX: Clearly the keno companies are there for profit. We understand that in the same way that contractors that build our roads, that do other things, are there for a profit. [LB470]

SENATOR BRASCH: They are...so there are more people that are at loss when they play keno that only a percentage or a small group by chance will end up dollars ahead. Would you say that's correct, because there needs to be a profit for all of the above--enough money to give away, enough money to pay for their overhead. And so there's probably a greater number of people who walk away from the facility with less in their pockets than those who walk out with winnings. [LB470]

LYNN REX: Well, there are statutory limits. And I wish I had all of that at hand here. But committee counsel can probably refer you to that. I know that there's a requirement that there has to be a certain percentage of winnings just like there would be for pickle cards, just like there would be for the state lottery. And we do understand the keno operators are in this for a profit. But I want to underscore this, this is one of the few ways in which we get funds on behalf of municipalities across the state of Nebraska. And I believe we're dealing with about 164, 165 municipalities in this state where the voters have approved it. It isn't just that the city council or village board does it or the county board. The voters approve it. And what happens when those voters approve it, Senator, is that the cities, for example, will say if you approve this these are the types of projects that we will in fact fund. And so to me, yes, the keno operators, they make a profit. We understand that, just like the contractors do that we work with, whether they're building a road or whether they're building city buildings. [LB470]

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SENATOR BRASCH: But they are building the roads not from an individual who has taken a game of chance hoping to walk out of a facility with financial gain. I mean there's...the money that they are having for some of these nonprofit organizations when we talk about money for domestic abuse, some domestic abuse is caused by gambling issues. I mean some of the poverty we're talking about may be caused...I just think...you know, when I'm hearing this...and this is not a debate of ethics or...but we're talking about only the positive of it and we're just kind of looking the other way on those people who may need to go to those groups now for shelter, for food, protection from domestic abuse, where we have numbers that show people that come to those places are fleeing from gambling addiction perhaps. And now we're wanting them to be able to gamble more in an hour to maybe just drain their checkbook dry electronically and not see their cash. I have a little concern and to see the municipalities say, well, this is a good thing, I'm not...and you're saying that unanimously the municipalities are in favor of this, all your members? [LB470]

LYNN REX: What I've said is that our board, our board sets the policy... [LB470]

SENATOR BRASCH: Your board, okay. [LB470]

LYNN REX: ...for municipalities across the state. And although they have not voted per se on this bill, they have voted in past years repeatedly and I think many of those bills would have reduced the time from five to three is my recollection, five minutes to three minutes, and that our board supports keno because it requires voter approval. And those voters, when they vote, understand that this is what the money will go for. And there also are funds that are dedicated...there's a percentage of funds that are dedicated from any of these charitable gaming operations to assist with those that do have addiction type problems. And I do understand and appreciate your distinction. [LB470]

SENATOR BRASCH: And this is where I'm just trying to show both sides of the argument here because it sounds too good to be true in one sense that if more people lose money we can have more nonprofit dollars. But somebody is making a profit and that is the keno companies. And nonprofits can't make a profit, but the municipalities will gain further because of the losses that took place during a game. [LB470]

LYNN REX: And what we see, Senator, is that if it wasn't for the keno operators, and I'm...we don't...the League doesn't endorse any specific company or anything of that nature, but if it wasn't for the keno operators, we wouldn't be able to have successful keno games. And if it wasn't for those keno funds, I'm telling you, there are 164 municipalities across the state that could not provide some very, very important services for their citizens but for those funds because they simply don't have tax capacity to do it. [LB470]

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SENATOR BRASCH: And the municipalities have done a stellar job of making the good life, and I commend you for that role. It's...at this point I just see a little something to think about. [LB470]

LYNN REX: And I appreciate your consideration. Thank you. [LB470]

SENATOR BRASCH: All right. Thank you. [LB470]

LYNN REX: I do appreciate your concern. [LB470]

SENATOR BRASCH: Thank you. [LB470]

SENATOR LARSON: Thank you, Senator Brasch. Senator Blood. [LB470]

SENATOR BLOOD: Thank you, Senator Larson. First, I want to premise this by saying that, for me personally, I don't believe in things like casinos. I think casinos bring bad things to communities. But I do support keno and I want to get some things on record. So you represent the Nebraska League of Municipalities which is made up of municipalities across Nebraska. Can you describe to me, because you are their voice, the two different organizations that are on the legislative committees for the League of Municipalities, how many communities are in the bigger cities one and the smaller cities committee? [LB470]

LYNN REX: The League of Nebraska Municipalities is a nonprofit organization. We really add true meaning to the words nonprofit. And we have two internal legislative committees: the League larger cities legislative committee which Senator Blood served on for many, many years; that has representation from every city of the first class, Lincoln, and Omaha. And there are basically about 60 representative that show up on any given day for those committee hearings. And obviously we only have 29 cities of the first class and then Lincoln and Omaha. We have cities representing a small cities legislative committee. And even though we have hundreds of small cities in comparison to the number of first-class cities and Omaha and Lincoln, because of the fact that there's maybe only one or two employees in those villages or smaller cities, we end up with a representative sampling of maybe 25. We've got over 40 people that serve on that committee but about 25 show up at those meetings. And they go through these...go through legislation. We go through legislative proposals. And every time a proposal has come before them, without fail, to reduce the game time down from five minutes to something less, certainly the three minutes, they were all for that. And they went through example after example of the kinds of things that the community betterment dollars were able to do in their communities that would have never been possible but for those dollars. [LB470]

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SENATOR BLOOD: Do you remember the--who doesn't remember this?--the recession of 2009, 2010 when the state of Nebraska and the federal government both pulled their funding from every municipality in Nebraska? Is that still a recent memory to you? [LB470]

LYNN REX: I certainly...LB383, 2008 (sic--2011) we lost the very last part of our state aid to municipalities. And back in...this is more than you probably want to know, but back in 1978 when the Legislature enacted LB518 which was the first time that basically they started phasing out livestock, the property taxes for livestock, farm equipment, and business inventory. And that was the last three-eighths of that that have been phased out previously that started back in 1972 with passage of LB1241. And that one bill, that's just one bill, that one bill alone, municipalities, schools, and counties lost \$250 million in actual dollars, not the valuation, in actual dollars. The Legislature at that point said don't worry. We're not going to transfer this over to your residential property owners. We are going to, in fact, put this into a dollar-for-dollar reimbursement. It never happened. Then Governor Exon said we can't afford \$250 million so what we're going to do is we're going to make it \$70 million and our cut of that for municipalities was \$17.9 million. We received \$17.9 million for a few years. That was it, and then it was cut and cut and cut. And every time the Nebraska Legislature was facing cuts and fiscal issues, we were told, don't worry, when the economy gets better we're going to restore that. Not once, not ever, was a dime restored for municipalities or for counties or for NRDs. And as a consequence, we had a base that was like this, that came down to this. So that's why these funds are so critically important. Our property tax base has been significantly eroded. And I would also share with you the League does not...we understand those exemptions for livestock, farm equipment, and business inventory were necessary. We understand that. But the state of Nebraska, not once but twice, has hired tax specialists through the Revenue Committee and the Legislature itself, the Syracuse Study was the last one...well, actually one back in 1987 I believe, and then again with the Tax Modernization Committee when Senator Hadley was Chair. And I know as a longtime member of the Revenue Committee, Senator Brasch, you're very well aware of those. And both times, those consultants said if the state of Nebraska wants to address the property tax issue, the single most important way is to give enhanced aid to local governments. And then in their last report they came back and said, and the Legislature, you did just the opposite, you totally eliminated it. So the passage of LB383 in 2008 (sic--2011), you took it all away. So there's no surprise here why community betterment dollars are so vitally important. And I wish we had a situation where we didn't have to rely on charitable gaming to do some very basic things for our members. But we think these...we understand these funds are extremely important. [LB470]

SENATOR BLOOD: How likely do you think that a lot of communities would have been able to pull out of it the way they did if they hadn't had keno dollars? I know Bellevue would probably not have. [LB470]

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LYNN REX: I think that it would have been devastating for many of our communities because, in some cases, people think community betterment are just the extra special things. With most of our communities, these are the basic things. These are types of things that should be covered by property tax dollars but they can't because they don't have them. [LB470]

SENATOR BLOOD: Thank you. [LB470]

LYNN REX: Thanks for your questions. Sorry to get so passionate about it, but I'm old enough, I've lived through this. [LB470]

SENATOR LARSON: Senator Riepe. [LB470]

SENATOR RIEPE: Ms. Rex, thank you for being here. I sense that you are not convinced that we, the legislators or the...this process is the most reliable partner in the world over a period of time. My question is this though, the communities are asked to vote to authorize keno. [LB470]

LYNN REX: Yes. [LB470]

SENATOR RIEPE: How frequently are they asked to vote again? Is there a sunset on that vote time? I mean I assume that keno has been here for some time. Maybe the vote was taken 10, 15, 20 years ago. Help educate me. [LB470]

LYNN REX: It was authorized I believe in 1986. They vote once. [LB470]

SENATOR RIEPE: Once, okay. [LB470]

LYNN REX: By the same token, it doesn't take much and as sad as this is, it probably takes a couple nights at a bar in any city in the state of Nebraska and you could get enough signatures on an initiative petition so you can go back and do a referendum on that ordinance if you chose to do it. And that's never happened. [LB470]

SENATOR RIEPE: Well, never going into bars, I wouldn't know about that. [LB470]

LYNN REX: And you know, frankly...nor do I, so I fully understand that. [LB470]

SENATOR RIEPE: Okay, thank you so much. Thank you for being here. [LB470]

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LYNN REX: Thank you very much. Thanks for your time. I really appreciate it. And thank you for introducing the bill. [LB470]

SENATOR LARSON: Thank you, Ms. Rex. Next proponent. First opponent. [LB470]

SENATOR WAYNE: Welcome. [LB470]

HALLIE HAMILTON: Good afternoon. My name is Hallie Hamilton; that's H-a-l-l-i-e H-a-m-i-l-t-o-n, and I'm the communication director of Nebraska Family Alliance. Every year someone from our organization comes and testifies against any number of bills that would reduce restrictions on legal forms of gambling such as this one. Today, however, I'm not going to spend my time talking about the harms of gambling. Instead I want to address a common argument used to support keno-related legislation and that's actually community betterment which we've heard so much about in the last few minutes because the reality is that the question isn't whether our communities can do good things with more money. That's not really the question. And this phrase is becoming a familiar trope, I think especially in Nebraska. And the reason that has kind of stuck out to me, in 2012 I conducted a rhetorical analysis of the use of community betterment--and I'm kind of nervous so my voice is sort of shaking; sorry about that--the use of community betterment as it relates to keno legislation in Nebraska. And I analyzed Midwestern news publications between 1980 and 2010 to see the context in which the phrase was used. And my findings were pretty interesting. One of the things I first noticed is that through 1980 and the '90s, primarily it was used to talk about volunteerism. And in the...I'd say late '90s, early 2000s there was a shift and it started to begin appearing all over regarding community endowments and large financial donations. So our community betterment awards weren't given any longer to volunteers who invested time; they were given to philanthropists who invested money. And both of these things are very, very valuable. But I'd say the shift in this move to talk about community betterment in terms of financial stuff has allowed advocates of expanding gambling to co-opt the phrase to say we should reduce the restrictions. We should enable people to gamble more and faster and easier because look at all the good things we can do with this money. But at the end of the day, that's not really the question before us. And I believe that using community betterment while arguing to reduce restrictions on legal forms of gambling compromises an important understanding of what really it means to make our communities better. And reducing these restrictions could in fact make our communities worse because of the high cost of problem gambling. And then I just also wanted to add that if the goal is really to increase General Fund revenue, we can amend percentages of taxes taken from keno profit. So right now I think it's just 2 percent of keno profits go to taxes. So that could be amended as a way to maybe increase General Fund revenue. And there are important debates to be had about the state's role in regulating gambling, but these debates should not compromise the true value added to our communities through voluntarism and philanthropy. Thank you. [LB470]

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SENATOR WAYNE: Thank you. Thank you for wrapping up. [LB470]

HALLIE HAMILTON: Yeah. Sorry about that. [LB470]

SENATOR WAYNE: Any questions from the committee? [LB470]

SENATOR LARSON: Senator Brasch. [LB470]

SENATOR BRASCH: Thank you, Chairman Larson, and thank you, Ms. Hamilton. I want you to know that I've been on committees for seven years now and you seem very calm compared to some other nervous people. So please don't be nervous. [LB470]

HALLIE HAMILTON: Well, thank you. [LB470]

SENATOR BRASCH: I appreciate your coming forward. And I know you were rushed through your testimony there and I do think you had some good facts. Can you elaborate just a little bit more, or were you done? Were you done...were you...? [LB470]

HALLIE HAMILTON: What would you like me to elaborate on? [LB470]

SENATOR BRASCH: Well, the fact that community betterment is a term and that only 2 percent of the dollars truly go to projects. [LB470]

HALLIE HAMILTON: Yeah, I was just looking at the Nebraska Department of Revenue for Charitable Gaming, and it looks to me that just 2 percent is...of the profits go to taxes, which in my mind would mean things like returning back to communities for community betterment projects. I've got 76 percent goes to the prizes. And almost 13 percent lottery operator commissions, .6 percent expenses, 2 percent taxes, 8.15 percent profit there, so I'm a little fuzzy on how that would work. But I saw something the other day in...it was actually a Lincoln Journal Star article and it was talking about...I just kind of briefly perused over and projects that have been supported by keno funds. And that was in Hickman they recently built a community center. And it was a \$3.4 million community center. And just, of the funds that help to build that, just \$22,000 came from keno in that community, which is less than 1 percent of the cost of building that community center. So it's pretty small. [LB470]

SENATOR BRASCH: Do you happen to know the number...the dollars that are spent on the programs for addictions? [LB470]

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HALLIE HAMILTON: I don't know that. I do know...I was looking at the fiscal note. I know that when they're looking at reducing the time, therefore, increasing rate of play, increasing the number of games that people can play, they did account for increasing the amount that would go to the Charitable Gaming Commission pretty significantly. It was almost half of the increase in funds, according to the Charitable Gaming Commission, would go to...of the General Funds would go to the Charitable Gaming Commission. Does that make sense? [LB470]

SENATOR BRASCH: Sure. [LB470]

HALLIE HAMILTON: But I'm not sure. To answer your question, I'm not quite sure. [LB470]

SENATOR BRASCH: Okay. I have no other questions. And please do not be afraid here. This is a friendly committee. [LB470]

HALLIE HAMILTON: Yes, you guys have been very gracious. [LB470]

SENATOR BRASCH: Thank you. I have no other questions. [LB470]

SENATOR LARSON: Senator Brasch ensures that it is. Senator Blood. [LB470]

SENATOR BLOOD: Thank you, Senator Larson. You used Hickman as an example and said that they used only \$22,000. Do you know how much they had in the keno fund? [LB470]

HALLIE HAMILTON: That's a good question. I don't know. [LB470]

SENATOR BLOOD: Because frequently the smaller communities have smaller amounts of money that they can utilize from their community betterment. How would you feel if you knew keno funds were being used for OneWorld Center to provide free dental care and medical care? Would you think that was a good thing or a bad thing? [LB470]

HALLIE HAMILTON: Well, like I said, obviously the question to us is not, can communities do good things with more money, because obviously there are many endless good things... [LB470]

SENATOR BLOOD: There are. [LB470]

HALLIE HAMILTON: ...that communities can do if they have more money. I think the problem is that when we reduce restrictions...these are honestly...I think they're good restrictions, maybe

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kind of arbitrary. Like one of the proponents stated, it's like well why did they choose five minutes? We don't really know. Well, if we reduce it to four what's the big difference? And honestly I could say, from a logical perspective, not a huge difference. But I would also say I wouldn't expect...I would actually expect that in two years or four years there's going to be a bill to reduce it to three or two or get rid of it like they have tried to do in the past. And I think the time limit is actually a critical component to keeping people from developing problem and addictive gambling behaviors. And as we've seen over and over again in the news, problem and addictive gambling costs hundreds of thousands of dollars for our communities. And Jadeen Strauss I think was her name, she had the Rough Reins Bar and spent almost \$1 million and gambled illegally on it by using credit. But she actually swindled almost more than \$300,000 out of a friend by telling her that she...her bar was going to go under, people had stole from her. So when we talk about increasing, you know, maybe this community is going to have an extra hundred thousand dollars, one problem gambler costs hundreds of thousands of dollars. [LB470]

SENATOR BLOOD: So if I hear you correctly, and if not please correct me, so you're saying that you don't necessarily disagree that there are good things that happen with these keno dollars. I know in Bellevue it's a very long list. It's one of the...at least when I was on the council, we looked to give it back to the community and in addition to using it for economic development because it allowed us to help support issues that we could not otherwise fund. And they're issues that in the long run made our community safer, for instance, working with domestic violence and sexual assault victims. Obviously if we helped to provide funding to give them support, then that reduces the amount of time that law enforcement has to go back to a house over and over and over again or take a child out of a home or whatever the circumstance is. So it sounds like you don't question the good that is done with the community betterment dollars, but what your concern is, is that we might reduce the amount of play time and that you feel that perhaps that that would increase the amount of people gambling and the issues that they might have? [LB470]

HALLIE HAMILTON: Right, so by removing some of these restrictions that you know helped to decrease problem and addictive gambling behaviors, we provide protections to consumers and communities. And, you know, I had a thought earlier about part of the problem of keno is that people aren't really playing as much. And I was thinking about just recently my friends and I went to a trivia night at a...it was like a coffee...bar, coffee place. And you had paper tickets and you fill out your paper thing and you had to walk it up to the front. And we go and we play because it's fun. And what I've heard from my friends is that keno isn't considered fun. I think keno has a marketing problem, not just a technology problem. So maybe tech could help with that a little bit, but I think to a lot of millennials there's just an element in which millennials aren't as interested in gambling in these types of games as maybe previous generations have been. And I think more and more millennials like games...gambling that it combines skill and chance like things like poker and fantasy sports are more attractive but they combine the elements of skill and chance. And that's not something keno offers, nor the lottery. [LB470]

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SENATOR BLOOD: So you're saying then, if I heard correctly, that even though they'd be making amendments to be more inviting to millennials, you don't think that's going to bring more people to the game? [LB470]

HALLIE HAMILTON: I think you could flip a coin. It might. I think it would increase the money available because I think the people who are already playing would be able to play more. So I think that...but I don't know if that would bring millennials in. [LB470]

SENATOR BLOOD: Thank you. [LB470]

SENATOR LARSON: Thank you, Senator Blood. Senator Riepe. [LB470]

SENATOR RIEPE: Senator Larson, you're kind to afford me this opportunity. Thank you for being here. And I guess my question, first of all, on behalf of the Ralston Arena turnback tax, I think Hickman's community center is partially as result of that turnback tax, thank you very much. You had talked a little bit about, I believe correct me where I'm wrong, there's a 13 percent goes back to the operators. [LB470]

HALLIE HAMILTON: Yes, just under 13 percent. [LB470]

SENATOR RIEPE: And there was an additional 5 percent that went to the profit? [LB470]

HALLIE HAMILTON: Yeah, 8 percent profits. [LB470]

SENATOR RIEPE: And 13 percent to the operators on top of the profit? [LB470]

HALLIE HAMILTON: I believe so. I can send you the...I can get you what I'm looking at here in a little bit if you'd like to see it. [LB470]

SENATOR RIEPE: That's okay. I'm just looking for generalities because where I'm trying to go with this is, what will the market bear? If it's currently at 2 percent that goes back to the communities, would 3 percent, would the market bear 3 percent? Would the market bear 5 percent? Do you have a sense of what the market would bear? I'm wanting to get greedy here. [LB470]

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HALLIE HAMILTON: Personally...yeah. I don't have a sense of that. I think that would be a better question for some of the individuals who work directly with the keno industry who testified in support of the bill. [LB470]

SENATOR RIEPE: Okay. I'm sure I'll have more opportunities to ask questions, so thank you very much. [LB470]

SENATOR LARSON: Thank you, Senator Riepe. Any further questions? Seeing none, thank you for visiting. [LB470]

HALLIE HAMILTON: Thank you. [LB470]

SENATOR LARSON: Next opponent. Welcome back, Ms. Loontjer. [LB470]

PAT LOONTJER: Thank you, Senator Tyson. I agree a lot with what's been said. Hallie has really done her research. And what I wanted to point out was the amount that goes into the community from keno is very unusual because it's one of the few forms of gambling that actually does give back directly to the communities. But it is a very small percentage compared to what goes to the operators and of course it all comes out of the taxpayers and it's a very small percentage, probably 20 percent they say of gamblers that do have addiction problems. But those are the people that are contributing to this fund, whether it be baseball uniforms or...and then how much of the problems that are helped like the battered women things and things are as a result of compulsive gambling and what it does to families and communities. So it's, you know, couldn't bring my little duck today that says, you know, walks like a duck, talks like a duck because I believe this has been up every year. We've been doing this for 22 years. I don't remember that we haven't had a keno bill and for various different one minute, two minutes, three minutes, whatever it is, but it's always for faster. And that's the whole thing. It's with slot machines, it's all about speed. And so all of the other forms of gambling want to react to that and get up to speed because the faster you play, the faster you lose, the faster the profits go into somebody's pocket. So that's something to consider, that it may be helping in one area, but is it being caused by the same area? And maybe the percentages should be changed like we talked about. Maybe the percentages should be changed as to how much profit goes to the keno operators. Maybe some of that should be increased to the community. That seems like that should be considered. We of course are concerned with the debit cards, maybe not credit cards but you can empty your bank account just as easily sitting in a keno parlor and go home with nothing to show for it. [LB470]

SENATOR LARSON: Questions from the committee? Senator Blood. [LB470]

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SENATOR BLOOD: I'm sorry. I like clarification and I apologize. This is one time, Pat, you and I may not agree, but I'll still be your friend. I keep hearing domestic violence. I've heard...this is the second or third time I've heard it. Do you believe that gambling causes domestic violence? [LB470]

PAT LOONTJER: Oh, absolutely. [LB470]

SENATOR BLOOD: I don't know if we have any counselors here, but domestic violence isn't caused by gambling. It may be a contributor. Domestic violence is caused by a cycle of violence that's much more complicated than gambling or alcohol or...those things don't cause domestic violence. Those things contribute to domestic violence. I just to make sure we get that accurately on the record because we keep talking about it. And no offense to you, Pat, but I ran a crisis center for many years working with victims of abuse. So I just want that clarified. [LB470]

PAT LOONTJER: Well, a lot of times we use the study that came out of North Dakota when they put in all the machines. And then they showed from the time the machines went in and gambling increased how much the percentages went up as far as domestic violence and as far as even DWIs and embezzlements. All of those numbers went up when gambling came in and proliferated. [LB470]

SENATOR BLOOD: Not necessarily caused but contribution, so I just want to make sure that that's clear on the record. [LB470]

SENATOR LARSON: Thank you, Senator Blood. Real quick, Ms. Loontjer... [LB470]

PAT LOONTJER: (Laugh) I knew you were going to do this. [LB470]

SENATOR LARSON: I understand you say at least it's not credit cards on this and I can get your understanding there. And you talk about emptying the bank account. I don't know the last time you were in a bar or someplace that had keno. I'm guessing even you can go and enjoy a cheeseburger at a facility that has keno whether or not you're playing or not. Most of them have an ATM at that facility. Is it just as easy with a debit card to empty out your bank account at a ATM as it is with keno? [LB470]

PAT LOONTJER: I suppose...I don't have either. I am so prehistoric, so I don't have a debit card and I've never used an ATM. So you'll have to be the expert on this. [LB470]

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SENATOR LARSON: Okay. I just want to...I guess the question was in essence rhetorical in the sense of whether or not we're playing with cash or a debit card, cash is easily accessible through an ATM with a debit card. So...and actually I'd say most ATMs charge a fee so it would actually cost you more to take all the cash out at an ATM. But I appreciate it and I understand where you are, so thank you for visiting the General Affairs Committee today. [LB470]

PAT LOONTJER: Thank you. [LB470]

SENATOR LARSON: We'll take the next opponent. Welcome back to the General Affairs Committee. [LB470]

GLEN ANDERSEN: Thank you. My name is Glen Andersen, G-l-e-n A-n-d-e-r-s-e-n. And listening to the comments by the proponents, they are planning to, quote unquote, modernize keno. To me, that sounds like almost a manufacturing term. We want to do things faster, better, faster. But what we're doing is intending to harvest the money of the players more efficiently, quicker. That is one point of concern that I have. The other concern I have is the addictive nature of the keno. Not...right now I'm not speaking addictive to the gamblers, but addictive to the people--the good causes the government taking taxes, the helping community things become dependent on this handout that comes from keno. Now the problem is that what is delivered to the good causes is like a very small part that's pushed off to the table to the people who are with the good causes. And that's important but we have to recognize that that small part is just a small part of the large amount that is being gambled and lost and it's not the general population that's losing it. It's a certain portion of people that play keno, and a small portion of the population at that. And, therefore, the percentage that...or however you want to say it, the portion that these people are gambling away is very high and we have to look at both sides of this issue. What...there's a small amount of good on one side of the ledger but a great amount of money coming in the other door...in the door. And that's the point I'd like to make. [LB470]

SENATOR LARSON: Thank you, Mr. Andersen. Any questions from the committee? Ms. Blood. [LB470]

SENATOR BLOOD: Sorry, this is kind of my question day. [LB470]

SENATOR LARSON: I'm sorry, sir. She still has a question for you. [LB470]

SENATOR BLOOD: I think I have a question. I'm curious because I keep hearing kind of the same message over and over again. How do you feel about churches that have bingo? [LB470]

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GLEN ANDERSEN: I have a problem here. [LB470]

SENATOR BLOOD: Oh, I'm sorry. How do you personally feel about churches that offer bingo? [LB470]

GLEN ANDERSEN: What about...? [LB470]

SENATOR BLOOD: Bingo games, what was your impression of bingo and do you consider it gambling? Bingo? [LB470]

GLEN ANDERSEN: Certainly it's gambling. There's...people walk in the door with the expectation of walking out of the door with more money, with the hope of that. And there's a certain amount of glory in this if they can go home and say, well, I won \$50 tonight, that's a fun thing to do. But that's not usually the result. [LB470]

SENATOR BLOOD: But do you know where the proceeds, say, like from a Catholic church that has bingo where those proceeds go? [LB470]

GLEN ANDERSEN: Pardon me? [LB470]

SENATOR BLOOD: Do you know where the proceeds go from most churches that have bingo, where do the proceeds go, do you know? [LB470]

GLEN ANDERSEN: The churches? [LB470]

SENATOR BLOOD: Um-hum. [LB470]

GLEN ANDERSEN: I certainly do not, but the money that comes in as far as I'm concerned...or understand is that all of the money that comes in goes to a good cause because it's a charity and it's run by people that are volunteers. And so that is...instead of I think the number was 2 percent going to the good cause, 100 percent goes to the good cause. Both might be considered gambling, but there's a distinct difference in where the money comes from and goes to. [LB470]

SENATOR BLOOD: So if I hear you correctly, the issue you have--and hopefully I'm talking loud enough--the issue that you have is that yes, they're both gambling but you feel one is lesser because the proceeds go more so to help people than the proceeds of, say, keno? [LB470]

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GLEN ANDERSEN: I would say that, yeah, there's a lot of people that would consider their gambling at their local church as something they're giving away. Some of them walk in with the expectation of taking money home and that, yeah, (inaudible). [LB470]

SENATOR BLOOD: And some do win big at bingo. [LB470]

GLEN ANDERSEN: No doubt about it. [LB470]

SENATOR BLOOD: All right, thank you. I'm just trying to get some clarification in my head. [LB470]

GLEN ANDERSEN: Thank you. [LB470]

SENATOR LARSON: Thank you, Senator Blood. Any further questions? Seeing none, thank you for visiting. The next opponent. Seeing none, we'll move to...welcome back, Ms. Fairchild. Barely got in there. [LB470]

LORETTA FAIRCHILD: My name is Loretta Fairchild, Ph.D. economics, L-o-r-e-t-t-a F-a-i-r-c-h-i-l-d. I still am thankful to each of you senators for all the hard work and energy and time you are putting into making good decisions for everyone in Nebraska. For LB470, here's your mental quick link. It helps the gambling company operators most of all. I would like to salute Senator Brasch's comments about losers that always come with winners and the comments of the first opponent because they really have clarified what the fundamental issues are which are much larger than the details in the bill itself. It has been long overdue for Nebraska as it has authorized gamblings to get serious about gathering data on the losers. I hope you will keep in mind a very valuable neutral testimony given last week by those who made clear that the speed of play and the method of payment are both prime factors in raising addiction factors. A 20 percent increase in speed is nontrivial. It is a serious problem. Another thing I hope you'll keep in mind is the dreadful muddle involving mess-ups in existing keno in Nebraska reported in our media recently. This made it clear that current levels of oversight and regulation are woefully inadequate, even for the current paper systems, and the costs to the small business owners involved were very high. So how can you permit the addition of electronic tickets, as requested, when nothing is included to cover the cost of greatly expanded oversight that will be needed? Requiring companies to make reasonable measures to prevent people not even in the building from playing feels laughably loose to me. This is letting the fox into the henhouse before anyone has counted the chickens or even knows how big the fox is. In my opinion, the majority of the benefits from this bill are going directly to the companies selling the gambling. What Nebraska is doing with all these measures is defending old gambling instead of looking at how can we make tax policy and spending policy in this state fit the needs of communities. It is a tragedy in my opinion what

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the state of Nebraska is doing as they deal with tax issues and ignores the needs of local governments. Nebraska needs to get serious in the quality of the way it deals with a whole range of problems. Yes, Nebraskans are not thrilled with paying taxes, but they have a serious commitment to the need for good, functioning problem solving. And we have to look at all those things together. A fixation on let's prop up old gambling does not move us in that direction. [LB470]

SENATOR LARSON: Thank you, Ms. Fairchild. Questions from the committee? Seeing none, thank you for coming today. Any further opponents? Mr. Wimmer? Am I correct? Thought so. Welcome back to the General Affairs Committee. [LB470]

DAVID WIMMER: Thank you, Senator. My name is Dave Wimmer. I live up at West Point in Cuming County. Been involved with Gambling with the Good Life for a number of years. Been down here before, as Senator Larson recalls. And this is going to be pretty short, but in my opinion good public policy takes a lot of work on the parts of everything that you folks do. I also think it takes a long view. And sometimes we tend to be putting out short-term fires and short-term issues with solutions that hang around for a long time and we live to regret. And I think some of these gambling issues are part of that and then we tend to kind of say let's nudge them down the road a little bit and let's make them a little faster, a little easier. My approach to research is pretty basic. I can get some awful good cheeseburgers in some casino places in the state and I go in and do that and I sit around and watch for a while. I go to casinos at times, sit around and watch. I'll go to a track occasionally and sit around and watch. And I come out with the conclusion that what's going on there we're not going to fight it as a group, but to make it easier for my kids or my family members or my employees or my grandkids to do that faster or in a speedier fashion or to bet more probably isn't good long-term public policy. I think we have some tremendous resources here in the form of Dr. Fairchild who can look at data. She can look at history, she can look at things that other states have done. Pat Loontjer has spent a long time working on these things also. And I think looking at that type of thing, the history and the data, can help drive public policy in a positive way. And I'm just here to say that I think this particular bill is probably not positive. Thank you. [LB470]

SENATOR LARSON: Thank you, Mr. Wimmer. Questions from the committee? Seeing none, thanks for joining us. [LB470]

DAVID WIMMER: You bet. [LB470]

SENATOR LARSON: Any further opponents? Neutral? Welcome back to the General Affairs Committee, Mr. Geier. [LB470]

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DAVID GEIER: Thank you, Chairman Larson, members of the General Affairs Committee. My name is David, D-a-v-i-d, Geier, G-e-i-e-r, director of the Nebraska Gambler Assistance Program. I gave you a letter with some attachments. The objective of the Commission on Problem Gambling, for one thing, is to be sure that members of the Legislature have the best facts that we can deliver to you that relate to the subject of gambling, all gambling, all the time. That's all we do. Any time you have questions, come to us, please. Any time you have questions, come to us, please. Keno gambling has been around long enough. The Commission on Problem Gambling does not have a statutory obligation to oppose gambling. The statute that created the commission that outlines what its responsibilities are tells the commission to help to address the problems that result from gambling addiction, not try to stamp out gambling. I just want to make that clear to you. So the information that you get, the position we take, neutral on these bills, if it's perplexing it's because that's the way the commission interprets their responsibilities under the law that created us. I heard a lot of testimony today about different subjects about the good things that keno dollars do in the communities. And it made me remember last November the village of Dewese, population 76, down south of Hastings, Holdrege, down in that area, they voted to adopt keno so they could generate the money to build a garage for their fire truck. They have no other way to do it. The communities are in a pickle. They can't do what they think they need to do so they decide voluntarily to do these things. A community gets together and decides to set up a co-op grocery store because people are getting together to do things for their community. Nobody is forced to adopt keno. Nobody is forced to play keno. Gambling is called a voluntary tax. You know, a politician in Pennsylvania said it's a pleasant and fun way for people to pay their taxes. Well, that's the political view that's starting to seep out across the nation. The facts and figures about keno gambling are spelled out in detail every year in the report of the Charitable Gaming Division. I gave you a page out of that report. You can see for yourselves. The communities get about 8 percent of keno dollars. That's higher than their...the income taxes, for example. If you told people we're going to raise income tax rates to 8 percent you'd have pitchforks and torches down here. So what communities are doing with this kind of activity is raising money that they cannot raise any other way. Sure, the operators get paid for doing it, but they're employing people. They provide jobs. They're doing a task, a job by contract that the community wants them to be doing. We have to analyze this fully and carefully, think about it. And I don't know the answer philosophically, but I think that you need to just look at the facts and figures and try to make a good fact-based decision about what you do. Thank you. [LB470]

SENATOR LARSON: Thank you, Mr. Geier. Senator Blood. [LB470]

SENATOR BLOOD: What is your background that you came to a job like this? [LB470]

DAVID GEIER: My wife was involved as a staff member when the Gamblers Assistance Program was at HHS 25 years ago, somewhere like that. And for a while after that she was a

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member of an advisory committee about problem gambling. So I heard about problem gambling every day at home--every day, every day, every day. So I learned about it. Then when LB6 was passed in 2013, then a while after that, about a year later, some people who were involved in the program approached me about becoming involved as the director of the program. So I've been the director for three years now. I work for the Commission on Problem Gambling. I've just had to learn about it. It's an intricate and fascinating subject frankly. [LB470]

SENATOR BLOOD: What was your background prior to that? [LB470]

DAVID GEIER: Trial lawyer. [LB470]

SENATOR BLOOD: Oh, okay. [LB470]

DAVID GEIER: For about 40 years. I spent my time in the courts. And that means interpreting and applying the laws, and there's a lot of law involved in gambling. [LB470]

SENATOR LARSON: Senator Riepe. [LB470]

SENATOR RIEPE: Thank you, Senator. Sir, you described gambling is often called a voluntary tax. Is it also or ever called a tax on ignorance? [LB470]

DAVID GEIER: I'm sorry, a tax on...? [LB470]

SENATOR RIEPE: A tax on ignorance. [LB470]

DAVID GEIER: (Laugh) There are a lot of people who have analyzed the odds in gambling. The industry does a very careful job of that. They know the math. They know probabilities. They know the odds and, yes, absolutely. For the most part, as a whole, gamblers lose. You can see that in the reports from Charitable Gaming. A dollar comes in and 76 cents goes back to the gamblers so that 24 cents comes off the top of every dollar being gambled. So if you got everybody together and said do you want to pay a tax of 24 percent, nobody would want to do it. So sure. On the other hand, there are a lot of people who just seem to have fun playing these games and they enjoy it. Now you might, I might think it's foolish, some people might think it's foolish to spend your money in that way, but maybe it's entertainment. If I would rather spend my money playing a game with a chance to win some money rather than going to a movie theater and listening to the people behind me crunch on their popcorn. So, you know, it's just a different way. So, watching the horses run around in an oval, it's boring to some people but a lot of fun to others. [LB470]

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SENATOR RIEPE: Thank you. [LB470]

SENATOR LARSON: Senator Blood. [LB470]

SENATOR BLOOD: Thank you, Senator Larson. Last time you were here I think that you had a counselor with you, (inaudible)... [LB470]

DAVID GEIER: Yes, Deb Hammond. [LB470]

SENATOR BLOOD: ...and I was hoping to have that counselor here again. But based on the information that you glean, and again, I like have this type thing on the record. We always hear gambling causes domestic violence, gambling causes alcoholism, gambling causes whatever, herpes, who knows. But you hear it all the time and I just want it on record. Those things do not cause domestic violence, do not cause alcoholism, is that correct? [LB470]

DAVID GEIER: I think that the understanding, the exact cause, or in the medical profession they call it the etiology, of the behavioral disorders and addictive disorders is extremely difficult and largely unknown today. [LB470]

SENATOR BLOOD: Right. [LB470]

DAVID GEIER: We know that, for example, there are a lot of people that come into our facilities, our counseling facilities and they're diagnosed with a gambling disorder and, lo and behold, a significant percentage of them are also, say, alcoholic or addicted to drugs. Now which came first? Were you an alcoholic and then became addicted to gambling, or were you a gambling addict? Nobody knows. These questions have so far not been answered at all. So, yeah, to say that gambling causes domestic violence, no. But we see that they do seem to co-occur quite a bit. And it's that co-occurrence that causes behavioral health professionals to be very concerned about it and try to figure out how to address that. So we end up with a lot of people who we're really dealing with them for two or three disorders simultaneously. It's very difficult. [LB470]

SENATOR BLOOD: But isn't the co-occurrence also because by then it has accelerated? For instance, the person may have been an abuser for decades but things have come to a head or things have been noticed by others. So isn't that part of the co-occurrence where it's just...it's accelerated. It's become magnified. [LB470]

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DAVID GEIER: Yeah, and eventually the person who actually is suffering the disorder gets to the point that it is no longer tolerable and I'm going to go get help. That's the first step of what we call the stages of change. I want to change. I'm going to go get help to change. What I'm doing, what I've been doing isn't working right for me. Now that's when it has accelerated to that point, that it reaches a crisis and I want to try to get some help so I can change. [LB470]

SENATOR BLOOD: Thank you. [LB470]

SENATOR LARSON: Senator Brasch. [LB470]

SENATOR BRASCH: Thank you, Chairman Larson, and thank you, Mr. Geier, correct? [LB470]

DAVID GEIER: Yes. [LB470]

SENATOR BRASCH: Rather than debate or trying to clarify and define chicken or the egg or, you know, and speaking so matter of factly about the wonderful projects that have...and I won't dispute there's wonderful projects for communities, that dollars they could not have raised perhaps any other way, that there is a piece of this. But your role, you're a director of...tell me your...what you do again. [LB470]

DAVID GEIER: It's called the Commission on Problem Gambling. [LB470]

SENATOR BRASCH: On Problem Gambling. [LB470]

DAVID GEIER: Problem Gambling, this is gambling addiction. [LB470]

SENATOR BRASCH: So we've seen the beautiful and I imagine you've seen the very ugly. [LB470]

DAVID GEIER: We see the worst. [LB470]

SENATOR BRASCH: The worst of the worst. [LB470]

DAVID GEIER: We see the worst of the worst, we do. [LB470]

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SENATOR BRASCH: And can you put a dollar on that? I mean you can define \$22,000 for a fire department, but has it destroyed a family, a life, a person, suicide? [LB470]

DAVID GEIER: You can't put a dollar on suicide. [LB470]

SENATOR BRASCH: You can't. Exactly. And that's what I'm saying, that we can't...there's things that are priceless and that's human life and the quality of human life. [LB470]

DAVID GEIER: We have a teenager calling because dad is gambling away the money. [LB470]

SENATOR BRASCH: Exactly. And I imagine there's...you know, we talk about college kids who were supposed to spend their money...I mean the scenarios are boundless. But just for the record since we want to put things on the record, we've talked about the parks and let's talk about the loss of human dignity and life and sustainability for...and that's your role. And you've seen how many people for that? [LB470]

DAVID GEIER: Well, actually right now we typically in all the different offices that we are funding today, between 300-400 people are coming in routinely for counseling services--about 200 new per year, so it kind of cycles through. We're not reaching anywhere near the population that needs help. [LB470]

SENATOR BRASCH: And unfortunately and thank goodness that we can't put a multiplier on that. So I...and I just wanted that for the record. So I have no other questions and I do thank you for your job. [LB470]

SENATOR LARSON: Senator Wayne. [LB470]

SENATOR WAYNE: Just while I have you here, because obviously I'm new to the committee, are most of your people private insured or state insured? I'm just...just while I have you here. [LB470]

DAVID GEIER: No, no. The people that come to our program, Gamblers Assistance Program, have no other way to pay for this. Private insurance like Blue Cross does not cover counseling for gambling addiction. Medicare, Medicaid do not cover it. It's specifically excluded from all of the government-funded healthcare programs and also the private insurance programs. So if you look, for example, at the state of Nebraska employee health program, gambling addiction is excluded from behavioral health services. The program that we have under the Commission for Problem Gambling is the only way that a counselor can get paid for providing counseling to

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somebody diagnosed with gambling addiction--it's the only way--unless they have the cash.
[LB470]

SENATOR WAYNE: So you often talked about dual diagnosis, there being more than one thing.
[LB470]

DAVID GEIER: Yes. [LB470]

SENATOR WAYNE: How are those treated in your organization and how are they funded?
[LB470]

DAVID GEIER: It depends on what's first and what's second. If they have a primary diagnosis of gambling disorder then the Commission on Problem Gambling pays the therapist to see them. If the primary diagnosis is, say, mental illness, say, oh I don't know, a depressive episode, it's a mental illness episode, then they have to go to somebody who will serve them and be paid by Medicaid or a private insurance policy. [LB470]

SENATOR WAYNE: So how many people do you see have dual diagnosis that have nowhere else to go but they stay with you and use gambling as a reason to get some type of service?
[LB470]

DAVID GEIER: Yeah, I don't have a count on that. I suspect there are a number of them, but I don't...we try to stay away from the exact details of the individual clients. We want to respect their privacy. So when I do audits, I see some of the charts and I see some of the...but again, that's all confidential. And I see some where it may well be that there is a dual diagnosis, but I haven't been able to separate it out and we don't have a statistic on that. [LB470]

SENATOR WAYNE: Thank you. [LB470]

SENATOR LARSON: Senator Blood. [LB470]

SENATOR BLOOD: For clarification, and I may have missed this number today so I apologize if I'm being redundant, how many people in Nebraska gamble? [LB470]

DAVID GEIER: Nobody knows. [LB470]

SENATOR BLOOD: What is the estimation? [LB470]

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DAVID GEIER: No really, I don't have an estimate of the number that gamble. All we know is the dollars that are wagered on the legal games. So, for example, you see the \$246 million on keno in the past year. Now, how many people played the game to run up that dollar amount, I don't know. [LB470]

SENATOR BLOOD: And I was just looking for a general number for all Nebraska for gambling, not necessarily keno. What percentage of people that gamble end up having a problem? Isn't it like 3 percent? [LB470]

DAVID GEIER: It's like 1 percent are really, deeply, seriously addicted. Another 14-16 percent, somewhere in there, are doing some things that are kind of putting them on edge. If you look through some of the diagnostic instruments, you can identify some kinds of behavior and say, okay, this number of people are exhibiting one or two of the kinds of behavior that may be indicative of either let's say looming addiction but not yet full-blown addiction. So about 14-16 percent, if you add that 1 percent, so you're talking roughly 15 percent of the adult population in Nebraska. So the adult population is about 1.4 million. So you're talking a couple hundred thousand people statewide. [LB470]

SENATOR BLOOD: So, and no offense to Big Red Keno but keno is probably one of the most boring games one would ever want to play. And no offense to keno, I'm sorry, but it's not a very exciting game. It's not like horseracing that gets your adrenaline up or a casino where you're pulling the arm of something. I don't understand the fascination, but I love that there's community betterment funds that come from it. But the question I have then is that out of those people that you are serving, what percentage would you say have a keno addiction? [LB470]

DAVID GEIER: Keno is about 14 percent of the population that we see coming in our doors. [LB470]

SENATOR BLOOD: Okay. So a very...pretty small percentage compared to other forms of gambling. [LB470]

DAVID GEIER: Well, actually... [LB470]

SENATOR BLOOD: Or bigger? [LB470]

DAVID GEIER: Second after casinos. [LB470]

SENATOR BLOOD: Okay. [LB470]

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DAVID GEIER: See, we get a lot of people coming in who live around the border of the state who are going across over these bordering states to the casinos. That's the largest proportion of our problem gamblers. Second... [LB470]

SENATOR BLOOD: And what percent is that then? The casinos. [LB470]

DAVID GEIER: It's about 20 percent that are casino gamblers. About 14 percent are keno gamblers. And then it falls off pretty fast. I don't think we have any identifiable segment of pickle card gamblers, for example. It just doesn't lend itself for that. [LB470]

SENATOR BLOOD: Because it's not very exciting. [LB470]

DAVID GEIER: On-line is getting to be a bigger and bigger chunk of it. [LB470]

SENATOR LARSON: Any further questions? Seeing none, thank you for coming. [LB470]

DAVID GEIER: Thank you for your time. [LB470]

SENATOR LARSON: Anybody else in the neutral testimony? Seeing none, that will close the hearing on LB470. And that will bring us to the next hearing, LB541. Senator Quick. Senator Quick, welcome to the General Affairs Committee. [LB470]

SENATOR QUICK: Thank you, Chairman Larson, and thank you, members of the committee. My name is Dan Quick, D-a-n Q-u-i-c-k, and I'm the state senator from Grand Island, Nebraska, representing Grand Island and Hall County. I introduced LB541 to update the Nebraska Lottery and Raffle Act which governs lotteries and raffles that are conducted by nonprofit organizations for volunteer fire companies or volunteer first aid, rescue, ambulance, or emergency squads. Currently the Nebraska Lottery and Raffle Act requires these nonprofit groups to obtain a license to conduct any fund-raiser...any fund-raising raffles or lotteries that have gross proceeds larger than \$1,000 for a lottery and \$5,000 for raffles. These dollar amounts were put in place in 1986 and have not been changed since that time. Fundraisers held by even small nonprofit groups routinely exceed this amount and the statute now sweeps in many smaller fund-raisers that are originally exempted by virtue of the amount set by the Nebraska Legislature. LB541 raises the requirement to more accurately reflect 2017 dollar amounts and requires licensure of lotteries with gross proceeds in excess of \$2,500 and raffles with gross proceeds in excess of \$20,000. This threshold change would be...also similarly raise the amounts that trigger their requirement for when these nonprofit organizations pay 2 percent tax to the Department of Revenue on the proceeds of their lotteries and raffles. Currently, the Lottery and Raffle Act specifies that unless

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the organization receives a special permit from the Department of Revenue, at least 65 percent of the proceeds of both a lottery or a raffle must be used for prizes. LB541 moves this amount to 45 percent so that split-the-pot lotteries that organizations used to award the winner 50 percent of the proceeds are occurring lawfully without the organization first obtaining a special permit. Should a special permit still be needed, Section 3 of LB541 enables organizations to have more flexibility in their fund-raising efforts by providing an option for special permit periods. LB541 allows for two 90-day special permits or one 180-day special permit. Finally, LB541 raises the permit fee from \$10 to \$50 to bring the fee more in line with today's dollars. There are individuals following me who have experience with licensed lotteries and raffles under the Nebraska Lottery and Raffle Act who will be able to give you more information on why these changes are needed. Thank you for your time and I'm happy to answer any questions. [LB541]

SENATOR LARSON: Thank you, Senator Quick. Any questions from the committee? Senator Blood. [LB541]

SENATOR BLOOD: Actually, he had his hand up first. [LB541]

SENATOR LARSON: I always work outside in. [LB541]

SENATOR RIEPE: He overruled me. [LB541]

SENATOR BLOOD: All right. Just trying to be courteous. So can you explain the purpose of why you want to change these things. I'm not sure I'm clear on what's the true intent. [LB541]

SENATOR QUICK: I think it's mainly to update...bring the dollar amounts up to today's dates because it was brought in into the fact in 1986. I believe that what I said, 1986 it was put in place. So there were \$1,000 and \$5,000 limits and they want to raise it to...you know, some of the fund-raisers these days go up a lot higher. Like if you go to...I'll just use and I don't think it affects Hope Harbor, but you know like Hope Harbor, I just went to that event. And I mean they raise a lot of money through fund-raising. So it raises the limits to more of today's dollars. There's a lot of these smaller like church groups. I'm not sure that sometimes they realize they're probably supposed to get permitting because they can still raise more than \$1,000 so maybe they need to come in with permitting. Now the people behind me can maybe answer those questions better, but that's my take on it. [LB541]

SENATOR BLOOD: What you think the benefits to them will be then? That they'll make more money? [LB541]

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SENATOR QUICK: No, that they wouldn't have to get a permit until they reach \$2,500 on raffles. So maybe a church is raising \$1,500 and going over the \$1,000 and they didn't have a permit. So really they're probably out of...you know, they needed a permit and they didn't have one. [LB541]

SENATOR BLOOD: Right. [LB541]

SENATOR QUICK: So I don't know. They'll be able to answer those questions probably better than me, but that's my take on it. [LB541]

SENATOR BLOOD: Do you have any comments on the fiscal note? [LB541]

SENATOR QUICK: I'll let them comment on that, too, because I don't...I just seen that today, so. [LB541]

SENATOR WAYNE: One of those rule changes. (Laugh) I said one of those rule changes Burke Harr...Senator Harr, who's not here, he was working on so you wouldn't see it today. You would see it 48 hours in advance. [LB541]

SENATOR LARSON: Thank you, Senator Wayne, for your commentary. Senator Riepe. [LB541]

SENATOR RIEPE: Senator Larson, thank you very much. What was your motivation for bringing this bill forward this year? [LB541]

SENATOR QUICK: I would say it's brought to me by people like from Ducks Unlimited and Pheasants Forever, you know, some of those organizations which raise a lot of money for their charities. [LB541]

SENATOR RIEPE: Sure. Would this be a vehicle to help raise funds for what many people know, Go Fund Me, for a variety of things? [LB541]

SENATOR QUICK: That I don't...that I couldn't answer. [LB541]

SENATOR RIEPE: The other question that I have is the fee, is that a per-event fee, or that's not an annual fee or do you...? [LB541]

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SENATOR QUICK: I think that's per...I'm going to guess that's per event, but I can't answer that factually. [LB541]

SENATOR RIEPE: Per event. Okay. The last and other question that I have is any oversight to avoid fraud, you know, we talked about \$20,000, la-di-da, and sometimes you hear of some rascal that makes off with some of the money. [LB541]

SENATOR QUICK: Yeah, I don't know. I'm sure a lot of these face that now. It's just that this is raising the limits. Whether someone runs off with the money or not, I can't speak to. [LB541]

SENATOR RIEPE: Having a hard time what's theirs and what's not theirs. Okay, thank you very much. [LB541]

SENATOR LARSON: Senator Blood. [LB541]

SENATOR BLOOD: But you said...thank you, Senator Larson. But you said that this is for nonprofits. [LB541]

SENATOR QUICK: Yeah, it's for nonprofits. [LB541]

SENATOR BLOOD: And nonprofits are...so they receive regular audits and... [LB541]

SENATOR RIEPE: But that doesn't make them honest. [LB541]

SENATOR BLOOD: No, but we can't monitor who's honest and who's not. There's bad guys everywhere we go. [LB541]

SENATOR QUICK: I know like ours, Central Catholic had fund-raisers. You know, they would have a Night of Knights (phonetic) which is a big fund-raiser and then they had Karnival Kapers which was a smaller type of fund-raiser. And our church also has like Septemberfest as fund-raisers. [LB541]

SENATOR LARSON: Thank you, Senator Blood. Any further questions? Seeing none, I'm assuming you'll stay to close. [LB541]

SENATOR QUICK: Yeah. [LB541]

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SENATOR LARSON: Proponents. [LB541]

STEVE WILSON: My name is Steve Wilson, S-t-e-v-e W-i-l-s-o-n. I'm testifying today on behalf of Ducks Unlimited. I want to thank Senator Quick for introducing the legislation. Thank you, Senator Larson and the committee. I've been working with Ducks Unlimited for 26 years, first as a volunteer of 16 years. I have been the regional director for 10 years on staff as the state director. Over these entire 26 years I have been conducting or helping conduct fund-raisers and worked under the state's Lottery and Raffle Act. For my position as regional director, I get the chance to work with all of our local chapters on their fund-raising and compliance. For those events that we have a history of hosting, we know the amounts of money that we expect to bring in in any particular event and/or raffle and I am able to direct our volunteers to obtain a license from the department's...Department of Revenue's Charitable Gaming Division. An issue we have arise is when a new chapter starts up such as a new chapter here in Lincoln this past fall and of course a restart of the West Point committee. We don't know going into a particular event if we're going to need to obtain licensing from the department. The change in this \$5,000 which has been since I've started, well, since 1986, \$5,000 is a relatively low threshold for any type of fund-raising event. So it makes it very difficult for me as a staff liaison with our volunteers to be able to help them be in compliance with all the laws in the state of Nebraska. With the higher amount suggested in the bill, we will...the hope is to streamline for our larger fund-raisers, those with a history in our communities which we know are going to be above \$20,000 that will require the license for the department and the new smaller event fund-raisers will not unknowingly be breaking the law by not having permitting prior to their events. The most important change that I feel suggested by this legislation is the change to special permit section in Section 3 of the bill that would allow an organization to obtain two special permits valid for 90 days or one 180-day special permit. This change will allow organizations to host more events and in turn pay more taxes taxed against their revenues. One example I have is one of our larger raffles that Ducks Unlimited does as an organization is a calendar type raffle that is sold statewide. This past year it brought in \$109,000, which in turn we pay 2 percent directly to the state in revenue. That's not an issue. That's a large raffle. I can help our state committee do all the compliance with the state. The problem is that under the special permitting, we have 90 days to do that and within that 90 days you have to not only distribute all of those--sorry, brother--it's very difficult to do anything within 90 days. If we were allowed to have two 90-day periods or a 180-day period, we'd be able to bring in more revenue for the state and more revenue for our organization. So I do want to thank the Charitable Gaming Division. They have always been very helpful and this is not a reflection on them. It's trying to modernize. So any questions for me? [LB541]

SENATOR LARSON: Thank you. [LB541]

STEVE WILSON: Sorry, Senator Larson. [LB541]

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SENATOR LARSON: Senator Riepe. [LB541]

SENATOR RIEPE: Thank you, Senator Larson. Quick clarification question, did you say that you paid 2 percent gross proceeds to the state or net? [LB541]

STEVE WILSON: Gross proceeds. Everything is based on gross proceeds and it's at 2 percent. To your earlier question for Senator Quick, it is a \$40 permit fee for a license from the department. A special permit is \$10. And that is... [LB541]

SENATOR RIEPE: Per incident... [LB541]

STEVE WILSON: For 90 days. [LB541]

SENATOR RIEPE: Oh, for 90 days. Okay. [LB541]

STEVE WILSON: It's for a 90-day period, correct. [LB541]

SENATOR RIEPE: Okay. Thank you. Thank you. [LB541]

STEVE WILSON: Yes, sir. [LB541]

SENATOR LARSON: Any further questions? Nope. Thank you. [LB541]

STEVE WILSON: Thank you. [LB541]

SENATOR LARSON: The next proponent. Welcome to the General Affairs Committee. [LB541]

JERRY McDONALD: Hi, thank you. My name is Jerry McDonald, J-e-r... [LB541]

SENATOR LARSON: Just wait until we get you on the mike. [LB541]

JERRY McDONALD: Oh, I'm sorry. I saw how Steve went so slow I thought I was going to speed up a little bit. I'm sorry, sir. My name is Jerry McDonald, J-e-r-r-y M-c-D-o-n-a-l-d. I'm an eastern Nebraska regional representative with Pheasants Forever. I've been with Pheasants Forever eight years. Thank you, Senator Larson, for having us today. Thank you, Senator Quick,

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for bringing this bill. For those of you that don't know what Pheasants Forever is, it's a national conservation organization, 501(c)(3). We have 10,000 members in Nebraska and we have 64 chapters. Half of my chapters make over \$5,000 a year on the raffles and half of them make under \$5,000. So we have half of my chapters that have a raffle license and half that do not. How the chapter is made up, they're made up of chapter officers: president, treasurer, chapter chairman, youth chair, habitat chair. These people are run-of-the-mill people, maybe from O'Neill, Nebraska, or Papillion or Bellevue or Lincoln and...or Bancroft. And they are all chapters all throughout the United States. They have no formal training and they don't know a lot about the raffle laws. I've been around eight years and I'm the go-to person in Nebraska for Pheasants Forever on the raffle laws and I got to talk to Carri Fitzgerald every year just to have her remind me what's going on with the raffle laws and Carol Hiser. They are two great people and they are very helpful down there at Nebraska Department of Revenue raffle. But when I talk with them we talk about Form 51 has to be filled out three times a year, every quarter. Form 35B is an annual report that these chapters must file. They got to renew every other year but only on the odd numbers year. They got to get a special permit if they want three special exemptions. If not, they don't pay for the permit. You have to hold the money in a special account. You have to hold that money in a special account for 90 days. Then you can. Nebraska is the only law that has that. No other states, I believe, have that that I understand with Pheasants Forever. What I'm trying to do is make a simpler way to reduce the cumbersome rules that go with this raffle law. I don't want to reduce any revenue at all. What I want to do is just make it easier for my volunteers. Their license is \$40 for two-year period and there's a \$10 special permit for a two-year period. What I propose is just do a license, a one-year license and annually renew it, maybe \$100 if they're going to plan on making \$5,000. Don't make them do any reporting. If you've got the \$5,000, 2 percent of that is \$100. So if you charge them \$100 for a raffle then you've got that revenue neutral stream. Also, if it's over \$20,000 then charge them the 2 percent. You know, maybe the charities that are making \$80,000 to \$100,000 to \$125,000 a year, that's where you're going to get your revenues from. The little Pheasants Forever, Ducks Forever chapters that make \$2,000 on raffles or \$5,000 or \$6,000, I don't think there's one of my chapters that makes over \$20,000 on raffles so we're all small potatoes is what this is; 1986 laws, we just want to bring it up to 2017. And with that, I didn't get to everything but if you have any questions I'd sure love to anything that you have. [LB541]

SENATOR LARSON: Thank you, Mr. McDonald. Senator Blood. [LB541]

SENATOR BLOOD: So you're saying that the cost of the special permit that you'd be willing to do \$100, is that what you said? [LB541]

JERRY McDONALD: On the special permit I think if it's a special permit those are very important because there's three things in there: under age 18 because we have a lot of kids at our banquet; omits the 65 percent has to be spent, we like to spend 95 percent because chapters raise

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all the money, chapters spend all the money; and the other one is 10 percent on the expenses. So here's what I'd like to do. If they're planning on making over \$5,000, charge them \$100 for a raffle license because if they made \$5,000, it would be the \$100 but no reporting. Then if they want a special permit which all my chapters would which I recommend, have another \$50. They would rather pay \$150 right up front with no reporting until they get to \$20,000. These guys are people that are just everyday Joes and it's very hard for them to understand. I'm sorry. I went on too long. [LB541]

SENATOR BLOOD: So the fact that it says I think \$50 in the bill, am I reading that right? [LB541]

JERRY McDONALD: Well, I just got the bill the other day and I have other opinions than everybody else, but I think there's ways to come together on this and I do... [LB541]

SENATOR BLOOD: So you would be open to it being more within reason? [LB541]

JERRY McDONALD: I want it to be revenue neutral. We're not trying to get rid of revenue; we're trying to get rid of regulations is what we're trying to do. [LB541]

SENATOR BLOOD: Yeah, I think that is the issue with this bill. [LB541]

JERRY McDONALD: Yeah, yeah. That's what the issue I think is with the bill. [LB541]

SENATOR BLOOD: Thank you. [LB541]

JERRY McDONALD: I don't talk for everybody though, Senator Blood. [LB541]

SENATOR LARSON: Senator Riepe. [LB541]

SENATOR RIEPE: Thank you, Senator Larson. You're kind. The question I have, you talked a bit about cumbersome rules, Form 51, that special this and back and forth and back and forth. And I look at it and say, yeah, I was in a professional organization, the annual fee was \$400 bucks a year. I'm kind of going clean, simple, write the check, done, none of the cumbersome rules that you talk about. You know, Pheasants Forever and Ducks Unlimited are the kind of organizations that people believe in faithfully like the NRA. I'm just questioning why all the fund-raising unless it's exciting. [LB541]

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JERRY McDONALD: There you go. I agree. [LB541]

SENATOR RIEPE: It seems like a lot of work. [LB541]

JERRY McDONALD: It is a lot of work. [LB541]

SENATOR RIEPE: Okay. [LB541]

SENATOR LARSON: Thank you, Senator Riepe. Any further questions? Seeing none, thank you, Mr. McDonald. Mr. Smathers, welcome to the General Affairs Committee. [LB541]

SCOTT SMATHERS: Thank you, Chairman Larson. Members of the committee, my name is Scott Smathers, S-c-o-t-t S-m-a-t-h-e-r-s. I am executive director of the Nebraska Sportsmen's Foundation, a 501(c)(3) nonprofit organization. I'm also here testifying on behalf of the Big Game Conservation Association of Nebraska which I am a founding member and current executive board member. As my colleagues before me stated, I am also a life member Pheasants Forever and current executive board member of the local Lincoln chapter and first past president. I am also members of DU, NWTF, and three other conservation organizations. And before my role in executive director of the Nebraska Sportsmen's Foundation, I was the Jerry McDonald of eastern Nebraska. I was the Pheasants Forever regional rep. So I've got over a dozen years. I share this information simply with you is to...that I have a strong knowledge and balance of working with volunteer groups as both a volunteer and as an employee and directing those volunteers on said gaming law. I travel a great deal throughout the state and I have for the last 12 years working with all our volunteers and our conservation partners. And one of the conversations that's consistent at every single meeting I sit down to is fund-raising, recruitment, and gaming laws and how do we comply. In addition to that, over the course of my career this, in both roles, I've had the opportunity to work with four of the agents within the gaming department and on enforcement of compliance in regards to the reporting levels. And I can tell you that there has been strong conversation that it is a task for them with a very low reward to chase down noncompliance or filing issues. And so this conversation actually started three and a half years ago with the two gentlemen behind...one of the gentlemen behind me and several other groups as to how do we bring gaming law on raffles--lotteries happen to be part of them because of statute--into modern compliance, and as you said, Senator Riepe, how do we reduce the struggle with volunteers? Volunteers are the most wonderful things in the world to do and work with, but also can be the most frustrating because there is a shelf life for volunteers at every organization. And you've...as an individual in my role or the gentleman before me's role, you get somebody up to speed on the laws as life occurs. They stop being a volunteer or move on, the training level to the next person starts all over again, if at all. So we're trying to make this and we're trying to bring this up to speed. And there's three categories that we're looking at doing. I don't

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particularly agree with the fiscal note that it's as dire as they say it is, but I see nobody here from the gaming department to explain how they came to this figure. We are willing to have conversations with anybody we need to in order to bring these to compliance, make this a simpler process for all involved. We don't want to be revenue negative. We want to be revenue general...neutral. And we want to be in compliance, but we want to do it in a simple manner for all involved. Currently there's over 19,000 nonprofits in the state of Nebraska that are registered. That's a lot of people doing a lot of work that we can simplify this process and make it a lot smoother. We're asking that you move this bill on to General File and if we need to work on in-between, we're more than willing to do so. Thank you. [LB541]

SENATOR LARSON: Thank you, Mr. Smathers. Senator Blood. [LB541]

SENATOR BLOOD: How would you feel if the fee were \$100 instead of \$50? [LB541]

SCOTT SMATHERS: I don't see a problem with \$100. My organization alone, we...the Sportsmen's Foundation quite frankly, because of my time frame of running fund-raisers, we're 90 percent driven by donations and corporate sponsorships. [LB541]

SENATOR BLOOD: Right. [LB541]

SCOTT SMATHERS: I run one fund-raiser a year and I can guarantee you I have never made more than \$5,000 on one of those raffles. However, the Pheasants Forever chapter I belong to, we may hold seven to ten within our one banquet that night. Do I report on all ten? We do. I don't guarantee everybody does. So \$100? I'm fine with that number. There's no problem with it. [LB541]

SENATOR LARSON: Thank you, Senator Blood. Any further questions? Seeing none, thank you. [LB541]

SCOTT SMATHERS: Thank you. [LB541]

SENATOR LARSON: Any further proponents? Seeing none, opponents? Seeing none, neutral? Seeing none, Senator Quick, would you like to close? Senator Quick waives closing. That will conclude the hearing for the day. [LB541]