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General Affairs Committee
October 07, 2011

[LR299 LR300 LR315]

SENATOR KARPISEK: Okay. Good morning. We'll get started. Welcome to the General Affairs Committee. I'm the Chairman. My name is Russ Karpisek and I'm from Wilber, Nebraska. Today is our gambling day for interim study hearings. Since senators have other obligations this afternoon, we're limiting today's hearings to one hour for each interim study or thereabouts. Our intent is to be finished with today's hearings by noon. Committee members joining me today are, starting on my far right: Senator Brasch of Bancroft; Senator Bloomfield of Hoskins; Senator Coash of Lincoln; Vice Chair Senator Krist of Omaha; Senator McGill will be joining us soon of Lincoln...she won't be here today, so she won't be...she's probably watching; Senator Schumacher of Columbus; and Senator Larson of O'Neill. Committee staff assisting us are: Josh Eickmeier on my right, committee legal counsel; and Christina Case, committee clerk. If you are planning on testifying, please pick up a sign-in sheet that is on the table in the back of the room at either entrance. Please fill out the sign-in sheet before you testify. When it is your turn to testify, give your sign-in sheet to the page or to the committee clerk. This will help us make a more accurate public record. If you have handouts, please make sure you have ten copies for the page to hand out to committee members and staff. When you come up to testify, please speak clearly into the microphone. Please tell us your name and spell your first and last name regardless of how common it is. Also, please tell us whom you're representing, if anyone. Please turn off your cell phones, pagers, or anything else that beeps. Please keep your conversations to a minimum or take them out into the hallway. Thank you for your cooperation. I introduced LR299 and LR300 at the request of committee members, therefore, Senator Schumacher will give the introduction for LR299 and Senator Krist will give the introduction for LR300. We will begin with Senator Christensen's LR315. Senator Christensen, you may begin when you're ready, and welcome.

SENATOR CHRISTENSEN: Good morning. Thank you, Mr. Chairman, members of the General Affairs Committee. I'm Senator Mark Christensen, M-a-r-k C-h-r-i-s-t-e-n-s-e-n.

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I represent the 44th Legislative District. I'm here to introduce LR315, an interim study to examine simulcast horse racing in Nebraska. I'd like to thank the...first thank the committee for taking the time to examine this issue closer. I decided to introduce this study resolution to answer questions I've had regarding simulcast horse racing, along with other questions from those concerned with some of the changes proposed last session. It is my hope this study will provide us with better information regarding the background of simulcast horse racing in Nebraska, the reasons it was originally introduced in Nebraska, and how it has impacted the live horse racing industry so that the Legislature can make informed choices when confronted with the new proposals from the horse racing industry. I had also introduced a companion study, LR319, to examine Nebraska tax code as it relates to horse racing industry in the state. It was my hope to gain better perspective on how the state benefits from taxes from horse racing industry and if the state is currently doing anything in the tax code to help the industry. Unfortunately, my colleagues of the Revenue Committee did not see this as a priority and will not be having a hearing. So, again, I want to thank you for your willingness to provide an opportunity for testimony regarding the nine questions listed in LR315. Thank you. [LR315]

SENATOR KARPISEK: Thank you, Senator Christensen. Any questions for Senator Christensen? Seeing none, thank you for introducing this. I think there is always a lot of misinformation put out on this and maybe we can get some real facts. Thank you, Senator. [LR315]

SENATOR CHRISTENSEN: Okay. Thank you. [LR315]

SENATOR KARPISEK: All right. Since this is just an interim study, we will not have pros and cons, so whoever would like to come up, please feel free. Good morning. [LR315]

PAT LOONTJER: (Exhibit 1) Good morning, Senators. Long time, no see. I'm Pat Loontjer, spelled L-o-o-n-t-j-e-r. I reside at 2221 South 141 Court in Omaha, Nebraska,

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and I am the director of Gambling with the Good Life for the last 16 years in Omaha. And as you well know, last year was a lot of questions about the various...the simulcast bills or about the salvation of the horse racing industry in Nebraska. And Gambling with the Good Life has always stood opposed to any form of expanded gambling. We believe that it's detrimental to the state; we believe it's especially detrimental to our families. The efforts spent the last session dealing with the attempt by the horse racing industry to change our laws, and I would just like to share with you what I have found. What I thought was going to be a break after that tumultuous session turned out to be a very busy summer because this is the history of simulcast horse racing in the state of Nebraska and there's a ton of information in there. But we were very grateful for Senator Christensen to ask these kinds of questions. We wish we had the answers to all of those because it's something that you as a committee need to know and the rest of the senators when they're asked to vote, they need to know these questions, and these questions came up last year but nobody was addressing it. So I certainly am not a researcher. There's a ton of information, but what I've found out hopefully will help you in the future when this comes up again. The first question on LR315 is, has the introduction of simulcast horse racing benefited the Nebraska horse racing industry in general? I believe that that answer is no. And the second one was, what was the original reason for the introduction of simulcast horse racing in 1987? Was it to preserve live horse racing? And it was. It was introduced by Senator Loran Schmit. It was LB708. And in his opening remarks before the General Affairs Committee, quote, he said LB708 is designed to be the salvation of the racing industry in the state of Nebraska. It obviously was not. Number 3 says, how many live races were run before simulcast horse racing was introduced and how many are run now? As best I could find, in 1987, there were 266 races run at Nebraska tracks, but in 2010, there was only 92. How can that be helping the horse racing industry? But in 1989, LB591 was introduced and that required the tracks to conduct live racing at least 90 percent of the days authorized in 1988 in order to conduct simulcast. But that provision was intended, according to the record, to prevent tracks from only offering simulcast and doing away with the live horse racing. But in 1993, that was amended. LB471 changed the percentage from a 90

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percent formula down to 70 percent, which I believe still exists today. And then the question of how many Nebraska-bred horses were racing in Nebraska before simulcast and how many Nebraska-bred horses are running now, the closest we could find is 369 Nebraska-bred horses were running at that time. Lately, it's 123. That's a 75 percent drop in the number of live horse racing since simulcast was introduced. What was the gross wagering on horse racing in Nebraska before simulcast was introduced and what is it now? Nineteen eighty-six, \$155 million approximately; 2010, \$86 million. That's a 45 percent drop in the handle. Where do the profits for simulcast horse racing go and what is the breakdown of each category? Senators, that requires more research than I'm capable of doing, but it's something that we need to know. You know, where is the money going? Where are the profits going? Is it really benefiting the horse racing industry? We need to know that before we ever consider expanding and adding horse slots or off-track betting or anything else that we're being told will, quote, save the horses. What benefit have live horse racing and Nebraska-bred horses gained from simulcast? That goes back to Question 3 where the number of races have dropped by 75 percent. If the horse racing industry wants to cut most of the racetrack enclosures down to one day per year--which we dealt with last year in the session--how does this strengthen live horse racing? The answer is obvious; it doesn't. Now what entities benefit the most monetarily from simulcast horse racing? Is it the state, the government? Is it the breeders, the trainers, the racetrack enclosures? Who does? There again, this requires research that really the committee ought to ask for. We need to know where's that money going and is it really benefiting the horse racing industry. We believe that adding anything to this as far as expanding or giving any other tax benefits or slots or off track, it's only delaying the inevitable. All across the country, the dog tracks and the horse tracks, live racing in any form is suffering greatly. And they're trying to hold its head above water by putting in the slots or the casinos or off track or whatever, but it's just not happening. They thought that in Iowa years ago that it would save the dog tracks and the horse racing industry, and I'll leave you copies. That was just January 2010 from the Des Moines Register that the track owners had filed the bill, offering a bribe of \$10 million for seven years that they would pay the state if they let

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them quit the racing industry. So they were ready to dump the...once they got the slot machines, once they got expanded gambling, it was dump the dogs and dump the horses. So that was what it was all about. And what entities benefit most? We really don't know. In conclusion, I would like to urge your committee to examine the ramifications that simulcast has brought to the horse racing industry. Remember that the industry is already getting a huge tax exemption that no other industry in the state is benefiting from. And I would ask you to please think long and hard before you consider any other bailouts for the industry. [LR315]

SENATOR KARPISEK: Is that it? [LR315]

PAT LOONTJER: Yeah. Thank you. [LR315]

SENATOR KARPISEK: Okay. Thank you. Senator Larson. [LR315]

SENATOR LARSON: Yes, thanks for your facts. I just had a quick question on your facts. You said that the number of races have dropped 75 percent and that there were only 90 races. I'd say that was wrong. I think there's been maybe a 75 percent drop in race days but not necessarily races. Do you have the actual number of races that have been run in those 275 race days in races? [LR315]

PAT LOONTJER: No, that was the answer to Question 4 where it said how many Nebraska-bred horses... [LR315]

SENATOR LARSON: No, I said not horses, races. [LR315]

PAT LOONTJER: But that was what that number reflected was Nebraska horses, not the race. [LR315]

SENATOR LARSON: But you also said that there were only 90 races in Nebraska. I

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wasn't asking anything about horses. Races, you said there was a 75 percent drop in the number of races...or 45 percent if that was...but I thought you said 75 percent. Do you know how many races were run? [LR315]

PAT LOONTJER: Okay. The 45 percent was a drop in the handle. [LR315]

SENATOR LARSON: Okay then... [LR315]

PAT LOONTJER: Okay, that was the 45 percent. [LR315]

SENATOR LARSON: So how many races did you say were run? [LR315]

PAT LOONTJER: Well, it went down from 1987, 266 races, and then in 2010 it's at 92. [LR315]

SENATOR LARSON: Now that's races not race days? [LR315]

PAT LOONTJER: No, that has to be more, that must be race days. Yeah. [LR315]

SENATOR LARSON: Yeah. So do you know how many races there are, because I think the facts are being misconstrued a little bit in that sense that you're saying that there's been a 75 percent drop in races, but in actuality it's just in race days. We don't know how many...you're not offering the facts on how...the actual drop in races, correct? [LR315]

PAT LOONTJER: No. The 75 percent reflects... [LR315]

SENATOR LARSON: Okay. Is race days. [LR315]

PAT LOONTJER: No, no. No, 75 percent was Nebraska-bred horses. [LR315]

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SENATOR LARSON: Okay. But... [LR315]

PAT LOONTJER: How many Nebraska-bred horses raced in 1987 was 369. [LR315]

SENATOR LARSON: I'm not concerned with the horses. I might have misheard you on the 75 percent, but I'm just trying to correct for the record that it's not...there's more than 90 races run a year. [LR315]

PAT LOONTJER: Yeah, that wasn't the quote. [LR315]

SENATOR LARSON: And it's not as big a drop as you are trying to...that's the point I'm trying to make, correct, for the record that there's more than 90 races run a year and that there hasn't been as significant a drop as your trying to portray in the 200...I mean, that's just race days not actual races. That's...thank you. [LR315]

SENATOR KARPISEK: Any other questions? Seeing none, thank you. [LR315]

PAT LOONTJER: Thank you. [LR315]

SENATOR KARPISEK: Welcome. [LR315]

GREGORY HOSCH: Thank you. Gregory Hosch, G-r-e-g-o-r-y H-o-s-c-h, Omaha, Nebraska, vice President of racing for Omaha Exposition and Racing. I just wanted to clarify something or something that I think is pretty relevant to the numbers that Gambling with the Good Life spoke of. I'm not sure you can make a comparison between 1987 and 2010. If you want to go back to '87, we had Ak-Sar-Ben. If anybody remembers, Ak-Sar-Ben was one of the top ten tracks in the country. We lost that facility in 1995 to economic development, university, FDR, whoever you want to look at. Now we're sitting here looking at the university taking the property at State Fair Park,

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another slap in the face to horse racing with no where to go. I mean, I don't see how you can compare those numbers when we had 60 to 80 live days at Omaha, the largest metropolis in the state, and that was taken away. So those numbers are probably not very relevant to compare 20 years of numbers, that against what we have now. I think horse racing has done pretty good to at least stay afloat through all the competition. Iowa, you talk about the slots in Iowa, maybe they don't have the perfect model, but if you look at Prairie Meadows, they're going gang busters now. They have huge purses, large economic benefit to Des Moines. If you look at what Iowa has done, of course they passed the law so the Racing and Gaming Commission can authorize as many casinos as they want. Well, if you'd look at what they've done, they just opened one just east of Sioux Falls. They've opened them in Omaha along the Illinois borders. They've cannibalized every state around them. They have one in northern Minnesota. It's pretty apparent what they've done. They want the revenue from the states surrounding them, not the inside of their state. So when you look at what they've done, they're probably pretty ingenious because they're taking all that money and...from the surrounding states. If you go to Philadelphia, they saw the light. They were getting cannibalized by everybody around them. Philadelphia authorized racinos. Last year, their state took in \$1.2 billion in revenue. That's not...that's the revenue that the state took, that's not the revenue that went to the horsemen. They have some of the biggest purses in the East. So to say horse racing is dead, going away, I don't know. I think we've done good to survive if you look at all of the competition that we've come up against in the last 15, 20 years and with the facts that we've lost the biggest major racetrack in the state. I mean, people are taking their horses to Iowa, Indiana, Illinois, Minnesota, Oklahoma to drop their foals because they have an incentive there. If you want to look at the economic benefit, I really believe that the...two sessions ago, I'm just going to give you a little example, some senators from western Nebraska when we were trying to get satellite wagering stood up and said, quote, we can't have satellite wagering in our city because it's going to affect our keno revenue. So whether you believe it or not, the cities and the state and everybody else is hooked on keno revenue, they're hooked on the lottery revenue, and the only way for keno to make money is for people to lose. Horse racing is

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pari-mutuel wagering. It's one person betting against another. We don't care who wins. We hope everybody wins when they walk into Horsemen's Park. I just believe that...there was a question about where the profits go from simulcast wagering. The profits go, half the profits go to purses, we split for purses. That goes to the horsemen. That creates the economic benefit to the state. Where keno writes a check to the state or the lottery writes a check to the state, horse racing creates an economic benefit. There was a study done. It was \$35-40 million a year. Omaha is going to roll out the red carpet next year for the swimming trials. That's going to give them they estimate it \$30 million in economic revenue or economic benefit, I should say. We do that every year, year in and year out. So I think horse racing is something that you really need to take a look at and figure out a way to help it, so. That's all I have. [LR315]

SENATOR KARPISEK: Thank you. Senator Krist. [LR315]

SENATOR KRIST: Thanks for coming and thanks for your opinions and your points and well taken. But in particular regarding this legislative resolution, I think it's really relevant that you brought up the hypocrisy involved with keno versus any other kind of gambling. To that point, I would ask you straight out, one of the things that these resolutions will probably touch on and will...and we will move in some direction, but I would propose that keno is popular with the general population because it buys ambulances and police cars and does all kinds of good things. Would you be opposed to the horse industry sharing in the same revenue base and putting it on an even keel with keno in terms of where the profits go to and how the communities would benefit from some portion, some realistic portion? [LR315]

GREGORY HOSCH: Well, I do believe that's something that would be relevant to look at if we were allowed to expand the simulcast into those markets. Yeah. I wouldn't see we would expect probably to give something to the local economies, you know, for being in those. [LR315]

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SENATOR KRIST: And I know you're...this is maybe a cold question for you, but could you envision that given the opportunity to compete with keno for public opinion that you could compete in that area? [LR315]

GREGORY HOSCH: Well, the...I think we could if we could get the word out and get all the misinformation out that's out there. I believe we could, yes. I believe our game is more of an analytical game than just picking a number. But, you know, I obviously it's, you know, keno is pretty slick and pretty easy for, you know, a person to walk in and give you Number 12 for a dollar. You know, and that's...horse racing is a little bit more complicated. But I think that if you look at our numbers at Horsemen's Park on a...right now we're kind of following the national trend, but if you go back to the big days when the information is really out there, we're up over last year, the year before, the year before that. I mean, the big days are what's driving it and, unfortunately, we don't have the Ak-Sar-Ben. If we still had Ak-Sar-Ben, that would be a big day. You know, I hate to keep going back to Ak-Sar-Ben but it was brought up with the numbers. [LR315]

SENATOR KRIST: Sure. Well, I'll tell you that in the following resolutions, we may be talking about using other tracks and building them up. So that subject will come up. But just to correct the record a bit, it wasn't just western Nebraska senators that were touting keno as being competitive with horse racing; there were several sitting around me that are good Republicans in the metropolitan area. So, yeah. Thank you for your testimony. [LR315]

GREGORY HOSCH: Yeah. Sure. [LR315]

SENATOR KARPISEK: Thank you, Senator Krist. Any further questions? Seeing none, thank you. [LR315]

GREGORY HOSCH: Thank you. [LR315]

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TOM SAGE: Good morning. [LR315]

SENATOR KARPISEK: Good morning. [LR315]

TOM SAGE: (Exhibits 2 and 3) My name is Tom Sage, T-o-m S-a-g-e. I'm the executive director of the Nebraska Racing Commission. And before I start my testimony, can I further expand on your question to Mr. Hosch if you don't mind, Senator? [LR315]

SENATOR KARPISEK: That's fine. [LR315]

TOM SAGE: Two things. You've got to remember or remember back before competition in gaming. Horse racing, pari-mutuel wagering was the only game in town. They gave hundreds of pieces of fire equipment, ambulances, police cars, you name it, the communities got it. So I would see that that could be something in the future for horse racing. The other is, we talked about keno a little bit. As a younger person, I would never go into a keno parlor. Boy, but if I'm in a sports bar or a bar having a drink, having dinner, there's keno up there, wow, I might as well play a couple of games. I'm here. Something to do. I think expanded simulcasting could be the same thing. Younger people are going to go into a bar. It's there. Let's play. They may not want to go to a horse track facility, but they may want to go to a bar or a restaurant that's offering it. So for what that's worth. I'll be pretty brief. I'm going to touch on Questions 3, 4, and 5 on the legislative resolution. The page had handed out a couple of packets. The first is the last annual report that was done by the Racing Commission. And then an interim study that put together, for you folks to look at, several things. I can't disagree with some of the stuff that our first presenter talked about. The decline in race days. Yeah, we've declined race dates somewhat dramatically. But there's a number of factors that we have to consider with the decline in race days. Back in the late eighties, we had a pretty well-defined quarter horse racing in this state. At '85, they ran 40 days of quarter horse racing. We don't have that anymore. And quarter horse racing never simulcast. So losing quarter horse races, you know, we took 40, 42 days right off this total on down.

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You had the loss of Ak-Sar-Ben. That was 85 days gone. We had loss of Atokad, which has since reopened under different management, different name, but that was another 24 days that we lost. Along with that is the competition. And in this packet, and I don't want to go through every single page. That's repetitive. It's there for you to look at if you would like or see fit. But every time that there was something significant gamblingwise within the general area--Iowa, Kansas, South Dakota, VLT is in South Dakota, that's their like second leading source or revenue is their video lottery machines--it affected our race dates and it also affected our handle. Our handles dropped, absolutely. But in 2010, our simulcasting contributed 90 percent of the handle. So did simulcasting help racing? Absolutely. If we didn't have simulcasting, I don't think we'd be sitting here today. I don't think there would be racing in the state. So I think it dramatically has helped racing. I guess that's about...that's all I have to present. The most important thing is I would ask the senators if they would look at the packet. It really explains circumstances and situations that's hurt the horse racing industry in the state. If you have any questions, I would be glad to answer them. I guess I didn't really touch on four, although it's in the packet. Yes, the breed is down in the state, but, again, when there's not the high-end purses, as Mr. Hosch had mentioned, breeders are going to go somewhere else where it's lucrative. [LR315]

SENATOR KARPISEK: Thank you. Any questions? I would just like to thank you for the... [LR315]

TOM SAGE: Thank you. Sure. [LR315]

SENATOR KARPISEK: ...for the facts and put together. And just, again, simulcast was 90 percent of the handle. [LR315]

TOM SAGE: In 2010. [LR315]

SENATOR KARPISEK: And that is, for the record, only at our tracks. [LR315]

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TOM SAGE: Correct, our five facilities. We have six tracks in the state, one is a quarter horse track in Hastings, and at this time they do not simulcast there. [LR315]

SENATOR KARPISEK: And I'd like to touch on a little bit more when you said before the competition and things that horse racing did donate to cities, that type of thing. [LR315]

TOM SAGE: Absolutely. [LR315]

SENATOR KARPISEK: Now was that a set up out of the purses or was it just marketing goodwill? [LR315]

TOM SAGE: Senator, I can't answer that question. That was way before my time. I just know that in the Omaha area there still is pieces of fire equipment that was donated by the Knights of Ak-Sar-Ben. [LR315]

SENATOR KARPISEK: Senator Brasch. [LR315]

SENATOR BRASCH: Thank you. I do have a question on the...my perception horse racing in general, and there may be more, but you have the people who are enthusiasts, people who are the sportsmen, and then you have the gamers, the people who are there for the wagering. [LR315]

TOM SAGE: Sure. [LR315]

SENATOR BRASCH: And this is probably oranges and apples, but another very popular sport or enthusiasts but no gaming are longstanding tractor pulls. They used to fill the stadium or not stadium but the grandstands and things like that, and they're still very strong. But all of those expenses, and they are huge expenses, they are upon, you know, based on gate fee and the enthusiasts and the owners. That's their financial

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responsibility. And, you know, listening to the other testimony on what it brings in economy to the communities, the hotels, things like that. But I'm wondering if simulcast racing at the end of the day the dollars that are brought there, do they pay for having those facilities open? You know, does it pay for electricity, lighting, heating, cooling, the food stand, the concessions, the...you know, in a business, does it make business sense? [LR315]

TOM SAGE: Well, Senator, in my position it's very difficult for me to answer that question. I'm not a track manager. Those would be better for our track managers. I can tell you from talking to track managers not just in Nebraska but throughout the country, simulcasting is the profit part of horse racing. Live racing is expensive. Obviously there's a lot more responsibilities, expenses. You know, you have video, you have a greater amount of people that need to be employed for live racing than simulcasting. I would encourage you to address that to maybe one of the track managers that really could give you the concrete answer. [LR315]

SENATOR BRASCH: And I do see Joseph McDermott is here. I don't know if he plans on coming up and speaking, but... [LR315]

TOM SAGE: Mr. Hosch would be able to answer it and there's others in the... [LR315]

SENATOR BRASCH: ...or Hosch. But my question is, you know, in such a fragile economy that we have that, again, if it can sustain itself and not be reliant on our dollars, you know, for our taxes, for our other, you know, essentials that, you know, if they can sustain themselves like some other industries that... [LR315]

TOM SAGE: Sure. [LR315]

SENATOR BRASCH: ...or also give back to the state if we are giving forward. And I didn't know if you were the gentleman to answer these questions. [LR315]

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TOM SAGE: No. [LR315]

SENATOR BRASCH: That's why I've been sitting here waiting for the... [LR315]

TOM SAGE: No, that would be better addressed to an actual track manager. [LR315]

SENATOR BRASCH: Okay, okay. All right. Very good. Thank you. [LR315]

SENATOR KARPISEK: Thank you, Senator Brasch. Would you be the one to know this...the tax break that we hear about? [LR315]

TOM SAGE: You know, again, Senator, that's something that I would myself have to do a lot of research. Obviously we have the pari-mutuel tax on our books now. The first \$10 million is exempt. The only facilities right now that that pari-mutuel tax even is in play with would be Horsemen's Park in Omaha and would be Lincoln Race Course here in Lincoln. Previously, it was switched. It would have been Fonner Park had tax and Horsemen's Park had tax. Now a couple of sessions ago we switched that since the State Fair is at Fonner Park, they're exempt now. So those would be the only two facilities that would...and that is addressed in that annual report, 2009 annual report that I handed out. There is a section on the pari-mutuel tax. [LR315]

SENATOR KARPISEK: Thank you. And if anyone else coming up can answer that more directly, because we keep hearing about this huge tax incentive that no one else gets in the state, which I don't know what you call economic development and those sort of tax incentives, TIF financing and those things. [LR315]

TOM SAGE: Right. [LR315]

SENATOR KARPISEK: But I would like to hear that. [LR315]

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TOM SAGE: Thank you. [LR315]

SENATOR KARPISEK: Thank you very much. Welcome. [LR315]

LYNNE SCHULLER: Good morning. [LR315]

SENATOR KARPISEK: It feels earlier than it is, doesn't it. [LR315]

LYNNE SCHULLER: Yeah, it kind of does. [LR315]

SENATOR KARPISEK: Yeah, I know. [LR315]

LYNNE SCHULLER: I keep thinking it should be 1:30. [LR315]

SENATOR KARPISEK: (Laugh) I know. [LR315]

LYNNE SCHULLER: My name is Lynne Schuller, L-y-n-n-e S-c-h-u-l-l-e-r, executive director of the Nebraska Horsemen's Benevolent and Protective Association. I guess really the main thing I wanted to emphasize is that Nebraska is a unique jurisdiction in terms of racing. There's no other state or jurisdiction that has live racing in the country where horsemen own their own tracks. In every other case, I guess you can make the argument that it's us versus them. That is simply not true in the state of Nebraska. Out of the five tracks that are currently running, the HBPA is...owns or manages three of them. So we have the majority of the tracks here in the state. As far as Fonner Park and Columbus, if they don't succeed, we don't succeed. They're very much a partner of ours. If you want to make an analogy, I would say that our business model is that of profit sharing. If Fonner Park succeeds, the horsemen succeed, and that's just the end of the story. I don't know if there's an implication that there's some kind of mysterious entity that's sucking all of the money out of the industry. It's not true. The horsemen own

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the racetrack. It's in their best interest to keep running as many live days as possible. The only reason that we run four days in Omaha as opposed to the 80 that they used to run when Ak-Sar-Ben was going is that the vast majority of the profits from Horsemen's Park go back into purses, go back into the industry. And that was a conscious decision the horsemen made to try and maximize the number of days that they were able to run. It's been extremely hobbling in recent years because our tracks are being taken away. And it's extremely expensive to build a new facility of that type. You're talking about a bare-bones operation. You're talking about a minimum of \$20 million to build that type of facility. So it's very cost-effective to keep running where you're running. It's very, very expensive to build a new facility. I think we're going to talk about this more when the other resolution comes up, but, you know if you're running in a new location, that adds a tremendous amount value to the overall industry because it brings in revenue from that new location. If you are running at the same locations, it's like the keno analogy. We would love to be able to contribute to the communities what keno does if you allow us to have hundreds of locations like keno has. We have five, and I think we do pretty well. You know, we handle roughly \$90 million a year. How many keno locations are there, Senator, in the state? I don't even know anymore. [LR315]

SENATOR SCHUMACHER: I don't know if I'm prepared to answer that off the top of my head. I would guess around 150...well, no, more than that because there has to be over 300. [LR315]

LYNNE SCHULLER: I think that we're pretty competitive in terms of what revenue keno brings in versus what horse racing brings in with only five locations. And I can address any questions relating to running live simulcasting, that type of thing, whether they make money, if you would like me to answer those questions. That's really all I had to say. [LR315]

SENATOR KARPISEK: Thank you, Ms. Schuller. Senator Krist. [LR315]

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SENATOR KRIST: Talk to me about the \$10 million worth of tax deduction that the horse industry gets. [LR315]

LYNNE SCHULLER: Well, I guess you can color any argument the way you want. But what has been categorized as a tax deduction or a tax break if you keep in mind is actually an extra tax that we pay on top of what every other business pays. We pay employment tax. We pay sales tax. We pay property tax. We pay income tax. You know, we pay every tax that's required of any other business and we pay the pari-mutuel tax on top of that. So how that's a tax break I guess I'm a little bit confused about that. [LR315]

SENATOR KRIST: When you say "we," you're talking about... [LR315]

LYNNE SCHULLER: The horsemen. [LR315]

SENATOR KRIST: ...you're talking about the tracks that are owned by the horsemen. [LR315]

LYNNE SCHULLER: Yes, yes. [LR315]

SENATOR KRIST: And the tracks that are not owned by the horsemen... [LR315]

LYNNE SCHULLER: They pay the same taxes. [LR315]

SENATOR KRIST: They pay the same taxes. [LR315]

LYNNE SCHULLER: Um-hum. They pay...Fonner Park pays absolutely the same taxes as required of any other business. I mean, I'm sure they would love to get a...if you want a true tax break, I'm sure they would love a tax break on their employment taxes. They employ hundreds of people. That would be wonderful. But they pay that extra

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pari-mutuel tax on top of what every other business already has to pay. [LR315]

SENATOR KRIST: So the pari-mutuel tax in addition to operating the business in a way that any other business would operate. The pari-mutuel tax then is levied upon the purses? [LR315]

LYNNE SCHULLER: Yes, overall handle. [LR315]

SENATOR KRIST: Overall handle. [LR315]

LYNNE SCHULLER: Yes. [LR315]

SENATOR KRIST: And we give overall a \$10 million break to the first \$10 million that comes in from those handles? [LR315]

LYNNE SCHULLER: That's exempt, yes. [LR315]

SENATOR KRIST: Okay. And what, if you could, give me a rough idea of what that handle per year brings in above and beyond the \$10 million break? Do you know that number? [LR315]

LYNNE SCHULLER: I don't know that number off the top of my head. I'm sorry. [LR315]

SENATOR KRIST: Okay. I would like to have that number for the record if we could. So if some other testifier has it, that would be great. If we can get it from the industry, that would be great too. [LR315]

LYNNE SCHULLER: Yeah. That's a Department of Revenue question. [LR315]

SENATOR KRIST: I'm sure the lobby can give it to us also. [LR315]

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LYNNE SCHULLER: You know, I can get you, you know, what taxes are paid by the three tracks that are operated by the horsemen. Fonner Park and Columbus, you'd have to get that from the Department of Revenue. [LR315]

SENATOR KRIST: Okay. [LR315]

LYNNE SCHULLER: I don't know if I would have access to that or not. [LR315]

SENATOR KRIST: Thanks for coming. [LR315]

LYNNE SCHULLER: Sure. [LR315]

SENATOR KARPISEK: Thank you, Senator Krist. Senator Coash. [LR315]

SENATOR COASH: Thank you, Senator Karpisek. What is the pari-mutuel tax rate?
[LR315]

LYNNE SCHULLER: It's...you'd have to ask Tom that question. I'm not sure. Sorry.
[LR315]

SENATOR COASH: Okay. I'm just...I mean, I know what the exemption is, you know...
[LR315]

LYNNE SCHULLER: Is it in your packet? It might be in your packet. [LR315]

SENATOR COASH: It might be. It might be. I'll... [LR315]

TOM SAGE: It would be in that annual report toward the back. [LR315]

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SENATOR COASH: Okay. I'll find it, I'll find. it. I'm just...I didn't know if it was 10 percent, 12. [LR315]

TOM SAGE: It's actually 2.5 percent. [LR315]

SENATOR COASH: Two and a half percent is the pari-mutuel tax. Okay. Thanks. [LR315]

SENATOR KARPISEK: Thank you, Senator Coash. So you talked about, and I don't want to put you on the spot, but I'm having trouble getting my head around this one too. [LR315]

LYNNE SCHULLER: That's okay. [LR315]

SENATOR KARPISEK: Roughly \$90 million is the handle. [LR315]

LYNNE SCHULLER: Roughly. [LR315]

SENATOR KARPISEK: And the first \$10 million is exempt from the pari-mutuel tax. [LR315]

LYNNE SCHULLER: From just the pari-mutuel tax. [LR315]

SENATOR KARPISEK: Is that as a whole or each track? [LR315]

LYNNE SCHULLER: It's the whole. Is it each track? [LR315]

_____: It's each track. [LR315]

LYNNE SCHULLER: Oh, sorry. It's each track. [LR315]

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SENATOR KARPISEK: Each track, the first \$10 million. And that's 2.5 percent is the tax on that. And when we talk pari-mutuel tax, and you may not know this, but that is only horse racing, that is not keno, bingo. [LR315]

LYNNE SCHULLER: That's a special tax just for us. [LR315]

SENATOR KARPISEK: Not any of the other...how many gambling things we have. [LR315]

LYNNE SCHULLER: And I don't mean to mischaracterize. I mean, obviously keno has their own taxes that they have to pay. The lottery, you know, obviously pays 25 percent into the beneficiaries. So they have different...I don't mean to imply that they're totally exempt from all taxes. [LR315]

SENATOR KARPISEK: Correct. [LR315]

LYNNE SCHULLER: But the pari-mutuel tax is special just for the horse racing industry. [LR315]

SENATOR KARPISEK: Very good. I think that is something that hasn't been brought up before is to say that this is another tax. This isn't... [LR315]

LYNNE SCHULLER: It's an extra tax. It's not a tax break. [LR315]

SENATOR KARPISEK: I think when we think about that, we think of it as income tax break. [LR315]

LYNNE SCHULLER: Right. [LR315]

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SENATOR KARPISEK: And I think it's also good to...you are a for-profit entity so you do pay property taxes, you do pay... [LR315]

LYNNE SCHULLER: Oh, we are. HBPA itself is a 501(c)(6)... [LR315]

SENATOR KARPISEK: Okay. But... [LR315]

LYNNE SCHULLER: ...meaning that we can't...but that's...we can't make any profits either. You know, the personal owners of that 501(c)(6) are the members of the HBPA, meaning it's nonprofit. They don't make any money off of this organization. It goes back into the industry, into the community. [LR315]

SENATOR KARPISEK: Okay. You did talk about property taxes. [LR315]

LYNNE SCHULLER: Well, all we are is a separate facility that manages. And I believe we pay property taxes on that location. [LR315]

SENATOR KARPISEK: Okay. [LR315]

LYNNE SCHULLER: We don't pay property taxes per se in Lincoln because we don't own the property, we're leasing it from the University of Nebraska. [LR315]

SENATOR KARPISEK: Much like a church doing bingo doesn't pay property taxes either. [LR315]

LYNNE SCHULLER: Right. [LR315]

SENATOR KARPISEK: Very good. Any other questions? Seeing none... [LR315]

LYNNE SCHULLER: And I apologize. I should not direct a question towards a senator.

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Thank you. [LR315]

SENATOR KARPISEK: Well, this is an interim study, but... [LR315]

SENATOR SCHUMACHER: Particularly when he didn't know the answer. (Laughter)
[LR315]

SENATOR KARPISEK: That's the first time I didn't hear Senator Schumacher know an answer. [LR315]

LYNNE SCHULLER On a long... [LR315]

SENATOR KARPISEK It's early, we understand. [LR315]

LYNNE SCHULLER Yeah. Thank you. [LR315]

SENATOR KARPISEK Thank you. Any one else? Going once, going twice. We've got a little more time, do any of the senators want to call any one else just to clarify? Senator Christensen, would you like to close? [LR315]

SENATOR CHRISTENSEN: I don't know if I can set here and ask a question either, but with our last discussion of the 2.5 percent tax, then there's a...for State Fair Park is exempt from that tax or 2 percent of it for improvements. Can somebody explain that to me or maybe I can grab it from them. But, you know, that's the only thing I guess I, in our last discussion, didn't totally understand how that followed through. I would love to have somebody correct that to me. And then...other than that, I appreciate the time. I think it's been informational. I've enjoyed listening here. I'm glad I could stay and listen to this and thank you for your time. [LR315]

SENATOR KARPISEK: I think that's a very good question to bring up, too, Senator,

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about that. I appreciate you bringing this. I think, again, there are a lot of...the facts are played with very loosely on this issue, and I think we do need to get to the bottom of it. I don't like to hear words like bailouts and those sort of things because they absolutely are not. But I do appreciate that. Any other questions for Senator Christensen? Senator Krist. [LR315]

SENATOR KRIST: Thank you, Chair. Just a comment. Thanks, Mark, for bringing this forward. It is very helpful. Another consequence of term limits. There are people that have probably been here if we hadn't replaced them that would have known all the history and would have been able to call it the way it is. And I think it's very important that as we're making a decision, potentially building a coffin for the industry, that we understand what we're doing and understand the consequence. So thanks again for bringing it forward. [LR315]

SENATOR KARPISEK: Any others? Seeing none, thank you, Senator Christensen. Have a safe trip. [LR315]

SENATOR CHRISTENSEN: Thank you. [LR315]

LYNNE SCHULLER: I can answer the senator's question about the... [LR315]

SENATOR KARPISEK: I think we're going to have to... [LR315]

LYNNE SCHULLER: That's fine. Okay. [LR315]

SENATOR KARPISEK: Sorry. We'll... [LR315]

LYNNE SCHULLER: I will speak to you one on one. [LR315]

SENATOR KARPISEK: That would be...speak to him. That will end the hearing on

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LR315. We will now go to LR299. Senator Schumacher will open on LR299. Welcome, Senator Schumacher. [LR315]

SENATOR SCHUMACHER: (Exhibits 4, 5, and 6) Thank you, Senator Karpisek, members of the committee. My name is Paul Schumacher, P-a-u-l S-c-h-u-m-a-c-h-e-r, and I'm the senator from District 22. And this particular resolution is a very simple design to bring to the committee's attention and to raise our level of consciousness with regard to the amount of revenue that leaves the state of Nebraska for other states, and the amount of revenue that is taxed in other states to contribute to the welfare of their citizens. I think you've been supplied with a map that committee counsel...if not, we can have that now, shows how many casinos are within 50 miles of the Nebraska location and 150 miles. Within 50 miles of Nebraska radius we have about two-thirds of the population of Nebraska. So there's easy accessibility to casino gaming for at least two-thirds of the population and fairly easy access for the balance of the population. Let's...the Iowa Gaming and Racing Commission has an excellent Web site where it accounts for the revenue from each of the many, many facilities in Iowa. And a photocopy of that Web site and those statistics is provided in the information. Those numbers are really pretty unbelievable, but they're true. And so of those casinos that are within range of Nebraskans, let's take the three easiest ones to deal with and just get a flavor for the numbers. On the back of the first page we have Horseshoe Casino and Bluffs Run Greyhound Park in Iowa. Players lost there \$189 million, of which Iowa got in one form of tax revenue or another \$44 million. Now there's no accounting mechanism that says how many of those dollars came from Nebraska, but a generally accepted way to try to guesstimate those numbers is to count license plates. And fairly consistently on account of license plates in those casinos, three-quarters or better are from Nebraska. Applying that as a standard, we can see that \$44 million in tax revenue that Iowa got from the Horseshoe Casino, over \$30 million or one-and-a-half times what we took from city and county aid came from Nebraskans. That's not to say anything of the \$140 million or so that went into the Iowa and through the Vegas management companies into the Nevada economies from Nebraska. A substantial amount of money. Let's go to

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the other two in that area. We have Ameristar. Players at Ameristar lost \$164 million. Again, you can easily do the math on approximating that as three-quarters from Nebraska. The state of Iowa subsidized by the people of Nebraska \$33 million, which is the taxes as set forth on the bottom items. Harrah's in Council Bluffs, players lost \$74 million. People in Nebraska contributed to Iowa \$15 million. Substantial numbers have taken in total a pretty fair guesstimate of the amount of money just at those three facilities. And we're not talking any of the other facilities that are within easy range of Nebraska. There was \$428 million lost in those casinos, three-quarters of that from Nebraska were over \$300 million of money that moved across the border. Now to be true, a little of that came back. There is some meat products I understand and various things for the restaurants over there that comes from Nebraska, but that's de minimis. There are some people from the Nebraska side of the border that are employed there, but not to the extent of those kind of numbers. When the casinos get filled up, they do send folks over to the Omaha Hilton, but not in those kinds of numbers. Those are huge, significant numbers that are being exported out of the Nebraska economy. If you look at a totality of the way Iowa does it, there's a little handout in there that shows total gaming revenue for the state of Iowa. And we recognize that some of those was pilfered from neighboring states that don't have gaming, i.e., Nebraska, \$1.379 billion, \$1.379 billion, one-and-a-half times TEEOSA is what Iowa brings from that. If we just use a...that's about \$466 per person if we were to apply, and this isn't a fair one because we're late into the game, and Iowa is getting some of its revenue from us, if we were to apply that to our population, that would generate approximately \$750 million or...yeah, \$750 million. Wow! Roughly TEEOSA every year. Let's say that's way overestimate. Let's say it's only 50 percent of that. That's \$375 million. That's the state reserve every year. That's four, five times what we dedicated to highways last year. Even if it was a quarter of that it's a significant amount of money and fully fund our highway program. Now one has got to say, look, what's the community harm that's done by this type of gaming? Certainly there's massive, massive social harm that's done by this kind of gaming. Certainly the statistics should easily reveal that social harm. There should be more, more bankruptcies in Iowa and South Dakota than in Nebraska. Tremendously

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more divorces in Iowa and South Dakota than Nebraska. Violent crime has got to be off the roof over there. Property crime, people stealing to feed those slot machines must be through the roof. Welfare has got to be through the roof. Nebraska has got to look just like a white spot of holiness in the system when compared to those. GDP in Iowa has got to be down. The average credit scores have got to be just on the bottom of things. Right? I mean, that's the way it's got to be if you believe the conventional wisdom. So let's look at the statistics. The statistics on personal bankruptcy: Iowa, .32 percent; Nebraska .44 percent; South Dakota, .25 percent. The URLs are on your information for these particular statistics. That one came from the U.S. Courts. Divorce: Iowa, 2.4 per thousand population; Nebraska, 3.4 for thousand population; South Dakota, 3.3. There must be some misprints in these Web sites apparently. Crime rates for violent crime: Iowa, 273 per hundred thousand; Nebraska 279 per hundred thousand; South Dakota, 268 per hundred thousand. Robbery: Iowa, 33; Nebraska, 56; South Dakota, 18. Overall crimes involving property: Iowa, 2,200; Nebraska, 2,600; South Dakota, 1,800 per hundred thousand. Burglary. Finally, we get a break. Iowa, 546; Nebraska, 455; South Dakota, 390. Larceny-theft: Iowa, 1,500; Nebraska, 2,000; South Dakota, 1,300. Motor vehicle thefts. Certainly they steal your car out of those casino parking lots. Iowa, 124; Nebraska, 197; South Dakota, 97. Well, how about welfare? Now these statistics is a little bit of...it's very hard to come up with statistics, but the Wyoming Taxpayers Associations came up with a lump sum number for what it's worth. Iowa, \$1,187; Nebraska, \$1,135; South Dakota, \$949. Certainly morals have gone away. How about sexually transmitted disease. (Laughter) You know, we've got to look at all things here. Syphilis: Iowa, 2.2; Nebraska, 2.5; South Dakota, 1.2. Gonorrhea: 55 in Iowa; 77, Nebraska; 42 in South Dakota. Chlamydia. We finally get a break again. Iowa, 313; Nebraska, 305; South Dakota, 374. GDP growth in 2010. National average, 2.6 percent. Iowa, 3.1 percent; Nebraska, 1.9 percent; South Dakota, 2.2 percent. Gross domestic product by state. Growth between 2005-2010: Iowa, 3.5; Nebraska, 4.4; and South Dakota, 4.7. Average credit scores: Iowa...this is from creditreport.com, Iowa, 700; Nebraska, 695; South Dakota, 710. That's not to say that those numbers have anything to do with gambling. They don't. The gambling relationship to any of those numbers is

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probably nil or de minimis. Greater social forces drive those numbers than gaming. And it should be pause for concern that our numbers look that way. What other social forces are driving those numbers? Suffice it to say that the revenue that leaves the state is substantial. Suffice it to say that the social impact is near minimal from the other states having that activity. And as we face the kind of budget issues we're going to face, suffice it to say that this committee may have a partial solution if we can come up with a gaming policy. I have nothing further. [LR299]

SENATOR KARPISEK: Thank you, Senator Schumacher. Any questions for Senator Schumacher? Seeing none, thank you. Okay. Who would like to follow that? (Laughter) Welcome back. [LR299]

PAT LOONTJER: (Exhibits 7-12) Thank you. When Senator Schumacher, I thought, oh, wow! He's making our case. Kind of turned on us there for a minute. [LR299]

SENATOR KARPISEK: Please state your name again. [LR299]

PAT LOONTJER: I'm Pat Loontjer, spelled L-o-o-n-t-j-e-r. I reside in Omaha, Nebraska, 2221 South 141 Court, and I'm the director of Gambling with the Good Life. I became the director of Gambling with the Good Life 16 years ago and I thought it was a three-month commitment. It was going to be over. Senator Jim Jensen was the one who asked me to come down and testify, and that was when they were coming in with the Nevada lobbyists to try to get the casinos into Nebraska. And I thought, oh, this is a three-month commitment and I can go back to being a stay-at-home mom with five kids. Well, 16 years later this issue has come up every single year and it's been on the ballot twice. Technically it's been on three times because in 1996 off-track betting was on and it was soundly defeated. But I now still have the five kids--thank God--but I've got 13 grandchildren and they all live in the Omaha area. They're not allowed to leave Nebraska. And we love this state and I do this because I care about this environment. I do believe Nebraska is the "Good Life State" and I do this because I want it to stay that

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way. And I don't think that expanded gambling, especially in the form of slot machines, a casino, would do anything to improve our good life. I think that's been proven over and over by the other states that have tried it. It's not an improvement. One of the first things I'd like to address is something that...did Senator Schumacher leave, (laugh) is the question of how many or how much of our money is going to cross the border. And I know, we know it is. I mean, they didn't build those three casinos in Council Bluffs for Council Bluffs. They build them for Omaha. They built them for the largest population in Nebraska. My suggestion for years has been let's take out the bridge. But no one seems to think that's a good idea, so they are going to go across the river. It's a two-way bridge. We do have cars that go over there for gambling purposes, and we have a tremendous amount from Iowa who come into the Omaha area to use our airport, to use or hospital facilities, to use our university. So there is an awful lot of traffic going back and forth. I don't think that you could ever accurately...well, you can't get a number of how much money is...especially by counting the license plates, because you have to consider that there are a lot of people who go over there and...for the entertainment, for the cheap meals, which puts most of the restaurants in Council Bluffs and the close Omaha area out of business because they can't compete with \$4.99 buffets. But then we also have to consider that over 50 percent of the employees at those three casinos are Nebraska residents. So we've got employees cars that are also in that parking lot. So I think we need to take that into consideration. When we do a review of the economic impact that a casino...and that was the question, what does it have to do with the local economy. I think that that's been answered. It was answered in the National Gambling Impact Study Report that was done by the federal government. It took two years to put this report together, and it's many, many conclusions, but one of them is that a casino would cannibalize a local economy, and it results in a net loss of jobs not a net gain. And I'm going to leave you with all of this information that I'm going to quote you and everything that we've done has been documented. And so the question is a review of the tax revenue generated by casinos to the state and to the local municipalities. This report states that for every \$1 a state gains in gambling revenue, it costs them \$3 in social problems that are created. So even if there was a

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true tax benefit, is it worth risking our lifestyle? Is it worth putting our families at risk? And I'll share a few of the things that have to do with the statistics. And I know that Senator Schumacher has some points there about how it affects all of the other states around us. But there are 15 million Americans now who suffer from problem or pathological gambling. And out of 400 Gamblers Anonymous members, 28 percent reported they were either separated or divorced as a result of their gambling addiction. The divorces in Harrison County, Mississippi, tripled after the introduction of casinos. The National Research Council study indicated that between one-fourth and one-half of spouses of compulsive gamblers have been abused. And case studies of ten--yeah, that's fine--casino community conducted for the national report states that the majority of those communities had increased domestic violence related to the introduction of the casinos. And a study that was done by the University of Nebraska Medical Center concluded that problem gambling is as much a risk of domestic violence as alcohol abuse. And I think we need to ask ourselves, is it worth it? Is it worth changing what we've already got? There was just an article in the World-Herald stating that Omaha...I've got that somewhere for you, I've got a copy of it for you, that Omaha was just rated at 28 pages in the Delta SkyMiles magazine as saying that this was a thriving, healthy community, that this was a place to raise your children, this is a place to bring your business. You don't see Council Bluffs getting that kind of...you know, what you do see from Council Bluffs if you've driven down I-29 heading in there and you get to the exit is these horrendous sculptures that the casinos paid \$3 million for that I labeled the "gates of hell" because that's the first thought that came to my mind when I saw those things. It was...it's horrendous. So I think we need to look long and hard before we consider changing or adding anything, especially slot machines and casinos. What's to be gained? What's to be lost? Why would we want to bring this pariah to our state? Any changes to our constitution to allow casino-style gambling, which is slot machines, will open up a can of worms that we'll never be able to close again. And we've seen that over and over again. Iowa started with two riverboats. That's all they wanted was they were told it was going to bring sightseers, it was going to bring out of state...they were just going to just...they had a \$5 limit, and what do they have now? Twenty-one

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full-blown, land-based casinos, a budget deficit that's much worse than anything we're looking at, and why? You know, what has it done? It was promised that it was going to provide all the aid that they needed for their school. Not the case. Their schools are in tremendous problems financially. And then one of the things that was quoted I thought was really interesting. One of the Iowa senators that was the initial backer of it, it was state Senator Jim Riordan, he had cast the critical vote to pass that gambling legislation. And he now says, if I were over at that Capitol today and this was coming up for the first time and we were trying to make the decision as to whether or not we were going to put our state in the gambling business, he said, I would probably say, no, don't do it. He says, it's morphed into something larger than I ever expected. We started a wildfire across the country. So I would ask you to please consider what we have, what we would be risking, and is this the kind of a legacy that you would want to leave for your children and your grandchildren. In 1996 when we first started this, the big dispute was Ak-Sar-Ben. And that was the racetrack at the time and whether it was going to become the largest casino in the state because we were told that was the only way that they could save Ak-Sar-Ben was if they converted it to a casino--right smack dab in the middle of Omaha. Well, they lost that battle. They took the license. They moved to Horsemen's Park. They continue to do simulcast and four days a week of...or four days a year of racing. But what has happened at Ak-Sar-Ben since then? The prosperity. This was a picture before with the racetrack and lots of horseflies. And what do we have now? And I'll pass that around. We've got First Data Resources. We've got the university there. We've got dormitories. We've got condominiums. We have a shopping center. We have movie theaters. We've got a hotel. We've got Blue Cross and Blue Shield. It's just phenomenal. There are outdoor concerts. It's all positive. It's all positive things for families to enjoy. It's positive for the city of Omaha. It's bringing in tax benefits, property taxes, sales tax. And this was the plan for the largest casino in the state. So I would urge you please do not propose anything that would change our constitution that would open that can of worms and make us susceptible to hurt for our families. [LR299]

SENATOR KARPISEK: Thank you, Ms. Loontjer. Any questions? I've got a few. [LR299]

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PAT LOONTJER: (Laugh) Why am I not surprised? [LR299]

SENATOR KARPISEK: Well, because you like...no, I won't go there. You said 50 percent of the employees are from Nebraska. [LR299]

PAT LOONTJER: Yes, yes. [LR299]

SENATOR KARPISEK: And how do you have that fact? [LR299]

PAT LOONTJER: That's on the Web site. [LR299]

SENATOR KARPISEK: On whose Web site? [LR299]

PAT LOONTJER: The Web site that Senator Schumacher quoted, the Iowa Gaming Web site. It lists...and I've got the sheet back there, it lists all the number of employees and then it lists all the number from Iowa. [LR299]

SENATOR KARPISEK: Okay. [LR299]

PAT LOONTJER: And so it was just a matter of subtraction. I can give you those numbers. [LR299]

SENATOR KARPISEK: Okay. [LR299]

PAT LOONTJER: There are a few things that I would like to send to you after this that has been discussed after my other testimony. So if you don't mind, I would like to e-mail you some extra things later that hopefully will clarify. But I do have those numbers for you. [LR299]

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SENATOR KARPISEK: Okay. [LR299]

PAT LOONTJER: To tell you the truth, I was surprised by those numbers. The 50 percent, well, it's over 50, 50.4 or something like that employees are from Nebraska. [LR299]

SENATOR KARPISEK: Well, I'll have to see that to believe that. [LR299]

PAT LOONTJER: I know. I will show it to you. I promise. [LR299]

SENATOR KARPISEK: So you said \$3 in social problems for every \$1 of gambling revenue. [LR299]

PAT LOONTJER: That was the conclusion of this report. [LR299]

SENATOR KARPISEK: Do you not think that we already have those issues because of these casinos in Iowa, within two-thirds of the people are within an hour's drive? [LR299]

PAT LOONTJER: You know, like I say, I agree. I wish that they weren't there. But the illustration that we used is that if your garage was on fire, would you pour gasoline on your house? Because we've got Council Bluffs. We've got them taking us across the river and keeping the gambling dollars. But do we want to take that and spread that all across the state and make all of our families susceptible to that temptation? [LR299]

SENATOR KARPISEK: Okay. And what about the gaming that we have now, including illegal gaming? [LR299]

PAT LOONTJER: Well, Gambling with the Good Life kind of picked the hill they were willing to die on by saying we oppose expanded gambling. I wish...our membership is so

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broad and it goes all the way from people who only dislike casinos and slot machines to every varying degree of people that would do away with church bingo. But we've never taken a stand on those. We...it's almost impossible to roll it back and it will be impossible to roll this back. This is what happened in Iowa when they had two river boats and now there's 21. [LR299]

SENATOR KARPISEK: I understand that. I understand that. But I think that you're casting such a negative shadow on all of this which I'm not arguing, but it's here and we have it. I don't know. Again, you wouldn't know how much money is bet illegally on football games, but I'm here to tell you it's a lot. [LR299]

PAT LOONTJER: I'm sure you're right. I don't know what to do about that. Do you know what we do about it? [LR299]

SENATOR KARPISEK: You're the executive director. (Laughter) Is Gambling... [LR299]

PAT LOONTJER: I'm not taking on football. I've got enough to do with slot machines. [LR299]

SENATOR KARPISEK: Is Gambling with the Good Life a 501(c)(3)? [LR299]

PAT LOONTJER: We're both. [LR299]

SENATOR KARPISEK: And what do you mean? [LR299]

PAT LOONTJER: We're 501(c)(3), we have one part, and we have one part 501(c)(4). [LR299]

SENATOR KARPISEK: Okay. So obviously there's some money that comes in to the organization. [LR299]

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PAT LOONTJER: From donations. [LR299]

SENATOR KARPISEK: Um-hum. And is that public record where those donations come from? [LR299]

PAT LOONTJER: Yes, I believe it is with Accountability and Disclosure. [LR299]

SENATOR KARPISEK: Okay. [LR299]

PAT LOONTJER: We...it's a shoestring budget, but you're more than welcome to look at it. When we're in the battles, which was I believe 2004 and 2006, then we were outspent 20 to 1, but still it was considerable donations that came in. And when I read the story in yesterday's paper and quotes from the leaders in Omaha from Gallup and from Ameritrade and huge businesses and First Data, these are all businesses that supported us doing those two campaigns. Because, in fact, Gallup told us that when the proposal was to bring the casino and put it, at least one, in downtown Omaha, they said they'd pack up and move. They would not be across the street from a casino. They felt it was too detrimental to their employees and to the people that come in from out of state. So in those two years, we had substantial, substantial donations. Otherwise we're literally getting \$10, \$20 or, you know. We exist on a very small budget. We have no office. We have no staff. [LR299]

SENATOR KARPISEK: Okay. You tell us about all the social ills, the divorce, and all that. How can Iowa have a lower divorce rate than Nebraska? [LR299]

PAT LOONTJER: I don't know. I was surprised by that, because the statistics that I saw which went back right after the casinos opened--and, of course, it obviously has leveled off--was that they had the highest divorce rate in the...not the divorce rate, the bankruptcy rate in the nation. They do it according to quadrants or something and they

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were in that quadrant that the highest. So many of the statistics that Iowa once did the survey, which I think you'll hear about the percentage of problem gamblers and such, they've never done another survey to see that sort of thing. I believe that they think the statistics which would not be favorable and they don't publicize them. [LR299]

SENATOR KARPISEK: Wouldn't be favorable to who? [LR299]

PAT LOONTJER: Well, the one study that they did in 1995 that you'll hear testimony talked about the percentage of problem gamblers and what they had prior to the casinos and what they have then, which was right at the very beginning, and it was startling the increase in the problem gamblers. So they've never done another study, a state study since then. It would... [LR299]

SENATOR KARPISEK: Because it would probably go down and they wouldn't like to see that. [LR299]

PAT LOONTJER: No, I think it would probably go up, the number of problem gamblers would be substantial. If they had the large number increase when they only had a few smattering, what do they have now with 21, you know? [LR299]

SENATOR KARPISEK: I'd be interested to see the... [LR299]

PAT LOONTJER: The other thing that they have...well, technically I think they have 17 casinos and I believe 4 tribal, but that's something else that we always have to keep in the back of our mind. The minute we change our constitution to allow one casino or one slot machine or one facility, we have opened it up to tribal gambling. And that is an absolute nightmare, you know, so. [LR299]

SENATOR KARPISEK: Okay. And then you talked about Ak-Sar-Ben and everything they've done there. And so that is the only place in Omaha that's probably expanded,

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right, or done anything? [LR299]

PAT LOONTJER: No, of course not. No, no, no. I wanted to use it as an example. This is what it was intended to be; this is what it has become. [LR299]

SENATOR KARPISEK: So that could have been built anywhere probably. [LR299]

PAT LOONTJER: Location was great, you know, and to have that kind of a size of a piece of property in the center of the city. There was a lot of things. Okay. Senator Larson. [LR299]

SENATOR LARSON: Senator Larson. [LR299]

SENATOR LARSON: Am I interrupting you? [LR299]

SENATOR KARPISEK: No. (Laughter) [LR299]

PAT LOONTJER: Are you sure you're done? [LR299]

SENATOR KARPISEK: No. No, I'm done for now. Thank you. [LR299]

SENATOR LARSON: You say tribal gambling is the topmost evil, but can you explain real quick why that's so terrible? [LR299]

PAT LOONTJER: Well, the tribes are sovereign nations, so they're not held... [LR299]

SENATOR LARSON: I represent two tribes in my district. (Laugh) [LR299]

PAT LOONTJER: So they're not necessarily held by the same laws that... [LR299]

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SENATOR LARSON: I understand, but why is it so bad that the tribes get gambling?
[LR299]

PAT LOONTJER: Well, because the tax benefit...if we had the gambling, just like keno pays some taxes and horses pay some taxes, we don't necessarily expect that from the tribes. Also the regulations. They're not held to the same regulations, EPA and...
[LR299]

SENATOR LARSON: But are they...you know, I guess I represent the one tribe in the state of Nebraska that does have a casino, the Santee Sioux. [LR299]

PAT LOONTJER: Okay. [LR299]

SENATOR LARSON: I see, I mean, obviously the reservation is obviously a difficult place at times. But they're having a ground breaking ceremony for a new casino.
[LR299]

PAT LOONTJER: They got the loan. [LR299]

SENATOR LARSON: It's, you know... [LR299]

PAT LOONTJER: Four hundred bingo slots. [LR299]

SENATOR LARSON: It's doing as much economic benefit to the tribe as anything else that can come onto the reservation, to be completely frank. And they take pride. It's helped pay for a brand new hospital and medical center on Santee. And I don't under...I guess I'm trying to say that I really don't know why that's, you know, it's such a bad thing for the tribes to expand and have some sort of economic development. And I think the Santee have been a beacon in terms of what it can do in the state of Nebraska in terms of bettering their communities and offering things such as medical care, because, I

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mean, brand new hospital, beautiful building, and part of that...and most of it has been made by the casino. And it's really expanding and helping the tribe in terms of moving forward. Do you have...I mean, what... [LR299]

PAT LOONTJER: But, Senator, we have two tribes that already have the casinos right across the river. You don't see any economic benefit for those tribes. They're still living in poverty. [LR299]

SENATOR LARSON: I mean, in terms of I think the social ills. Senator Schumacher brought it up. I mean, there's a lot of other social ills that have plagued the Indian nations throughout the centuries, including problems we as white men have created ourselves. But I just...I don't understand why you're saying that the tribal...like that's the...are you trying to protect them from themselves or...I know a lot of my constituents, I mean, a lot of my constituents that don't live on the tribe frequent that and enjoy. And most of them, I represent a very rural area that are an aging population, I'll say (laugh) to say the least, and they...that's an entertainment they get. They take \$20 and that's an entertainment, and I think it does a lot of benefit on both sides. But I guess that's...I'll close with...I'll stop there for now. [LR299]

SENATOR KARPISEK: Thank you, Senator Larson. Senator Brasch. [LR299]

SENATOR BRASCH: Thank you. And thank you, Pat. I have a question, a couple of questions that I'm not sure if you can answer them, but perhaps someone else can. Because I'm very curious, especially when my colleague, Senator Larson, says that casinos are economic development. I believe that casinos in general across the country have also seen a decline in revenues. I say that because a classmate of mine, we just had a reunion. She had a pretty glamorous life, career in a casino, and the casinos are all laying off their...they're shutting down, they're close...you know, it's decline. She would love to come to Nebraska, but she's about to go upsidedown on her home. She may end up back here, but the casinos grew at one point. Now nationally my impression

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was they are going down. I've also talked to some of the people that used to go to the buffets that are saying, man, the casinos are slowing down. So I don't know that it's truly economic development. So if you do know the decline or one of the senators where is that. The other is I've been looking for who quoted this. It's not my quote. But I went to a meeting within the last 30 days and it was maybe a program, but they called gambling poor man's taxes, that most of the people with wherewithal and higher tax brackets very rarely do you see them filling up the casinos, that you are taking money from the people who have the least to give away, and that's not growing our economy. That's not a solution. When we're needing more revenues, we grow the economy. We look at technology. We look at opportunity. We look at the global market. We look at emerging markets. But I am hard pressed to say that growing our economy is by introducing a poor man's tax. All right. So if you know who says that, then I would like to know. I will quote former Tax Commissioner, late Tax Commissioner Fred Herrington when I worked for him back in the eighties. He called Las Vegas "Lost Wages," and a lot of people still call it "Lost Wages," that more people go in without coming out with more. And in today's...again, we're talking about the economy, we talk about our reserve, have we got to the point where there's nowhere else to get money but from those who have the least to give. But, so are economies declining in casinos, do you know that? [LR299]

PAT LOONTJER: Oh, yes. And I can... [LR299]

SENATOR BRASCH: And I'll turn it over for your response. [LR299]

PAT LOONTJER: Yeah, I'd be happy to give you those because we get those reports too. And it is just a sign of the economy all over the country. It's declining, you know, pretty much at the same rate. But, so it's not a dependable resource. It's not a dependable source of taxation because it does fluctuate. And the other thing you mentioned was about the level of...they generate, whether it be the lottery or whether it be the casinos, they're main market is to the poorer sections of the state. The billboards and everything else are located in north Omaha and they're going after that market,

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which is pitiful, you know. When we had the two items on the ballot, we had to do little field trips and go over to the casinos and see the machines so that I could say, yes, I've seen the machines and they're...they look just like...you know, walks like a duck, talks like a duck, it's a duck. Well, we went over there in the afternoon. I mean, it was pitiful. I mean, the excitement that you see on the commercials, it looks like New Years Eve and everybody is happy and they're just partying and they're patting each other on the back. It's not. It's like going into a mortuary. You know, people are in there with senior citizens with walkers and oxygen tanks and aids. And we saw one elderly lady sitting on a stool playing two machines and she was just zoned out. I mean, she was just pushing buttons. It was like she wasn't even waiting for it to...you know. And you think this is your market? This is the people that you would send things to give free lunches and entice them to come back? I think that's just immoral. But that's what this industry does. They don't really have a conscience about it. But I can definitely get you those statistics on what it's done. I would like to close with a quote, if you don't mind, from George Washington. And he said: The last thing I shall mention is first of importance, and that is to avoid gambling. This is a vice which is productive of every possible evil, equally injurious to the morals and health of its participants. It is the child of greed, the brother of inequity, and the father of mischief. And in light of that, I would just ask you that you would reject any proposal that would put our families in harm's way by expanding gambling in our state. [LR299]

SENATOR KARPISEK: And I just saw where one of the lottery tickets George Washington had sold for a lot of money on TV, so that must be a different George Washington. (Laughter) Say as I do, not as I say. Thank you for your opinions, Ms. Loontjer. [LR299]

PAT LOONTJER: You are welcome, Senator Karpisek. [LR299]

SENATOR KARPISEK: Next. [LR299]

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ANN ZOHNER: Hello. [LR299]

SENATOR KARPISEK: Welcome. [LR299]

ANN ZOHNER: Thank you. My name is Ann Zohner. I'm from Stanton, Nebraska. I've lived here for five years. [LR299]

SENATOR KARPISEK: Sorry, can you spell your name, please. [LR299]

ANN ZOHNER: A-n-n Z-o-h-n-e-r. [LR299]

SENATOR KARPISEK: Thank you. [LR299]

ANN ZOHNER: Prior to my life here, I lived in California since I was a little girl. So I was there when...with the horse races and when the tribal casinos opened up in '97 and 2000. And I watched this beautiful state just go completely downhill. I can't tell you guys how horrible it was watching something with such good weather and great "beachscapes" and everything go downhill. And I'm not saying it's just the gambling. I'm saying that the gambling opened up, the statistics are right, Ms. Loontjer is right, about the divorce rates. And I think, too, Senator Schumacher had mentioned the Iowa and Nebraska 50 percent of Nebraskans being over there and working, whether they're gambling or working. That might identify some of the loss with Nebraskans and divorce rate with Nebraskans. I mean, if we're over there and we're gambling and we're losing our paycheck and the wife is upset with someone, it's going to create havoc within the marriage. So anyway, I've seen that firsthand. But what I missed when I saw the casinos, most of the Indian ones opening, was the pawn shops popping up on every corner. Didn't pay much attention to that. It's busy, life in L.A. is very fast. I worked with mega corporations and multibillion dollar businesses who really don't care about the average person. But then the pornography came in, lost of pornography. In fact, over by, when you get off the airplane at LAX in neon it says "nudes, nudes, nudes." It's very

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classy. The state kind of went in the toilet. And it all started with one, simple little thing. And believe me, I'm fair to the Indians, I've donated land to them. But most of them I've spoke to haven't benefited from the casinos. They haven't benefited from the big dollars that they're supposed to, but I know big corporations have. And those same people, the big corporations, some of which I worked for, have looked me in the eye and said they don't care about elderly, they don't care. If they want to spend their money and die, that's their fault. And it was very cold but it was the truth. So the average person, maybe they don't have a problem gambling, which is fine, go and spend \$20 if you will. But there's a lot of people who are pretty susceptible to addiction and that thrill of the ding, ding, ding and the marketing that goes into that, just getting the colors and the numbers and the sounds just right to attract people in. And it does. And they market especially to the elderly women who are lonely, give them that excitement and give them that little thrill, so their Social Security check goes on that until nothing is left. And when I look at Nebraska, one of the first things I learned when I was on the plane moving here, I heard people talking about, ah, they don't even allow gambling, it's the Bible-thumping state or something. I thought, oh, what am I getting into here? It sounds like a big, very staunch and narrow-minded people. But I found the opposite. I found friendly people who worked hard, who had this great state. And I just don't want to see it lost. [LR299]

SENATOR KARPISEK: That it? I don't want to cut you off. [LR299]

ANN ZOHNER: I think so. Do you have any questions? [LR299]

SENATOR KARPISEK: Is there any questions? Seeing none, thank you. [LR299]

ANN ZOHNER: You're welcome. [LR299]

SENATOR KARPISEK: Anyone else? Welcome. If you could state and spell your name for us, please. [LR299]

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LORETTA FAIRCHILD: (Exhibit 13) Good morning. My name is Loretta Fairchild, L-o-r-e-t-t-a F-a-i-r-c-h-i-l-d. Am I loud enough? Too loud? [LR299]

SENATOR KARPISEK: You're not too loud. [LR299]

LORETTA FAIRCHILD: Okay. I earned my Ph.D. in economics from Cornell University in Ithaca, New York. One of my areas of specialization was public finance, which is the study of where the government gets its money and what it does with it. I was born in Oshkosh. I grew up on a small wheat farm outside of Chappell in the Panhandle, and I have lived and worked in Nebraska for all but nine years of my life. Every one of you senators has my condolences because you have a very hard job to do because every Nebraska senator is charged with listening to each of their constituents who brings a special concern to your attention, seeking help for themselves. And at the same time, you are charged with acting always in the best interest of the state of Nebraska as a whole. The voices and pressures of the special interests are very loud and persistent. So I am here to speak on behalf of the well-being of all the citizens of the state whose voices are seldom heard. And I urge...I speak to you to urge you to use sound economic analysis as the basis for all the decisions you make. I will address my comments on all of these three legislative resolutions at this time because all three appear to me to be related to the expansion of gambling in Nebraska. LR299 is internally inconsistent and so limited in scope that it will provide no new information and is therefore a waste of legislative resources. The purpose stated in LR299 calls for a study. But the list of items that are included are all reviews. Any credible study will need to take more time than is available before the opening of the Legislature in 2012, and it will need significant funding from the budget if a reputable study is in fact to be carried out. Why is more research needed? Yes, there is a significant body of reports out there on gambling, especially since the early 1990s when expanding gambling swept much of the nation. But the quality of each piece must be reexamined before it is used. The vast majority of these reports have been funded by the gambling industry itself, and therefore focus on only one side of the issue. Economics tells us that good analysis should focus on all

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aspects of a given issue, which means that it includes the extra costs as well as the extra benefits so a reasonable comparison can be made by the senators. This means that original research must be done to make the report to the Legislature complete and more evenhanded. A second problem with much of the existing research is that it is focused on states with casinos, especially those with destination casinos in Atlantic City and in Las Vegas. New and focused research will need to be done--which will require funding--on Nebraska-specific elements since the promise of an increase in traffic drawn from out of state that is often predicted by the gambling industry itself has minimum relevance for any gambling in Nebraska, including the three current proposals. LR300 is unhelpful because the study called for should also be done with serious research, adequate funding, and clear roles, and will also require much more time to complete than is available before the start of the next Legislature. When the General Affairs Committee authorizes and funds each factual, in depth study, it will be necessary to instruct the researchers on all aspects of the issues that should be included or else the final product will be simply another narrow, mainly one-sided piece from the perspective of this particular industry and would again ignore the impact on existing Nebraska industry, Nebraska businesses, and the basic economic principles of how a state should best structure its tax system. Economics has a great deal to say that is very important about what elements should go into a good tax structure. By the way, I also worked on the major review of Nebraska's sales and use tax with Dr. John Due of the University of Illinois, which was adequately funded, back in the 1970s. It is very important that every proposed new source of tax revenue be subject to serious study and review, to make sure that it is in fact a positive and helpful addition to the state's tax structure. A good tax structure focuses on elements such as stability, equity, fairness, which includes ability to pay, the adequacy of revenues generated, and economic neutrality which means to what extent does it leave the distribution of resources the same in the economy relative to their pretax distribution. Any proposed new tax requires careful study with regard to all these aspects and more before it is introduced to the Legislature. All tax dollars are not created equal. And taxes on specific forms of gambling often do not perform well under these specific economic criteria. I was one of

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the 40 Nebraska economists who signed a statement back in the mid-1990s which stated that the extra costs of expanding gambling in our state would be greater than all the extra benefits when they are combined, that includes that tax benefits. This was back when various nationally-based casinos made their first big push to move into Nebraska. Several things about that report should still be noted today. First, the basic analysis and conclusions are still applicable. Second, to the best of my knowledge the Legislature has not funded any major balanced study on the impact of expanding gambling in Nebraska since that report was done. Therefore it remains among the best available information on the subject and should guide today's deliberations. There is another big problem in the general discussion over expanding gambling in Nebraska. This is the popular discussion which says, basically, the opportunity to enjoy a specific kind of gambling is just a private good for consumption, like a hamburger, like a movie, and therefore requires no more regulation than the hamburger or the movie, because we are a capitalist framework focused on private production. The error in this statement, however, is a logical reasoning error. And it basically is the fact that gambling is actually different from the vast, vast majority of things that we do consume as private consumer items. All the rest of these private consumer items don't contain what economists call significant externalities or spillovers onto third parties. (Inaudible) buying and selling, the buyer and the seller are in the transaction and their interests are represented. But gambling, the spillovers are the things that happen to everybody who's not a buyer and not a seller. Gambling is one of a very small number, so it's a special case of consumer items that economics says cannot be treated like everything else because almost all types of gambling do have significant spillovers onto people who don't provide the gambling or don't use it. And these spillovers are mainly negative, harmful ones onto families, friends and other businesses. While the economic facts about these special cases do not fit easily on a bumper sticker, they are the reason why just leave gambling to the free market as the gambling industry wants you to do will never produce what economics calls the optimal allocation, how much, in other words the best amount of gambling for the state as a whole. Only government regulation can prevent the negative costs of the gambling industry from falling on Nebraskans. Only government regulation

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can prevent an increase in gambling from seriously damaging the economy and the society of our state as a whole. Therefore these negative spillovers must be given serious attention in all steps of this legislative process, and they should be included in all analyses and research on this issue. In conclusion, the state of Nebraska deserves excellent research that is broad-based, comprehensive, unbiased, and well-executed to serve as the basis for any legislative action that seeks to create a major change in Nebraska's tax structure or change its constitution. Thank you. I would be happy to try to answer any questions. [LR299]

SENATOR KARPISEK: Thank you. Any questions? Seeing none, thank you for your testimony. Anyone else on LR299? [LR299]

SENATOR KRIST: Welcome. Please state your name and spell it for the record. [LR299]

LYLE JAPP: (Exhibits 14, 15) Yes. My name is Lyle Japp. I live at 1505 South 97th Street in Omaha, Nebraska. I'm here really representing the citizens of Nebraska. And I've also been a part of Gambling with the Good Life for the past 16 years. I got involved in fighting against expanded gambling as I have spent my career working for New York Life for the purpose of helping people to build estates, to take care of their families and their own retirements. I don't know of anything that can destroy a families financial situation as fast as a problem gambler. We hear a lot of figures thrown around in terms of percentages of people that are involved in gambling or who have problems. And I'm going to leave a sheet that will show the various states as to what has happened over the years when expanded gambling came in, the number of problem gamblers. It's been mentioned before but Iowa, our nearest state, in 1989, when a study was done, 1.7 percent of the adult population was considered having a serious gambling problem. By 1995, when another study was made, that percentage had more than tripled to 5.4, that was before the great expansion of casinos. No further study has been made and I don't think could be made, because one of the things that hasn't come out is the control, the

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influence that the gambling industry has on our government and on many businesses, particularly the media. Before...while this was going on, the Des Moines Register ran some articles that were counter to what was going on and to what casinos would like to have. And they basically were told that if you want our advertising revenue, you better change your tune. Well, you can see with the large amount of advertising that is done, the money that the gambling industry has, what influence they have on the media. You don't see a lot of stories first of all. Most people that get hurt don't come forward, don't put it out publicly. It comes out when someone has embezzled a large amount of money and makes the newspaper. Most of the people are quiet. I know that in Omaha one of the lawyers who personally had a problem, and all of the people who were in the anonymous groups, getting any of them to testify, they're anonymous and that's the way they want to remain. They don't come forward. Very few come forward to tell what it has done to their life, what it has done to their families. And so we don't hear much about that. But looking at it, the other thing that's a concern when, for instance, when it increased from 1.7 to 5.4 in the six years in Iowa, and we got probably twice as many casinos as they had in '95 when they did this study, they say of the adult population. I haven't seen any study made as to what percentage of the people do not frequent casinos. I'd be interested sometime to see what that percentage is. If half of the people never went to a casino that would be doubling these numbers. It might be 10 or 15 percent of the people who frequent them that have a problem. What would we allow...how would we allow anything that destroyed one out of every ten people that went through the door? And that's what we've got. When I heard of the millions of dollars that were lost here, the thing that struck me, how sad that people would waste money like that. How many of these families could afford that? How many of those families could use that money better to educate their children, to buy cars, to buy refrigerators, to have better housing? What a terrible thing. Now I know people have a right to do what they want to do, but I certainly would not want to be sitting in a position to take down the fence, as it were, to let the wolves in on the sheep. And any expanded gambling that we allow in the state of Nebraska, as far as I'm concerned, is doing just that. I'm going to leave the paper here in terms of the various states, the studies. Then

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I'd also like to address one other thing and that is, what has happened in Las Vegas? Las Vegas is ranked America's most stressful city in the U.S. That comes from forbes.com. Irregular work hours in a fast-paced 24/7 gambling environment remove parents from their families, often resulting in family crisis and poor physical health. Las Vegas has the highest unemployment in the nation, 14.5 percent. Gambling is in decline. And both Atlantic City and Las Vegas have cut thousands of jobs and brought construction to a halt. Gambling promises high-paying jobs but delivers poverty level wages. The gambling industry...yet statistics by the Department of Labor show that nationally a blackjack card dealer makes less than a teenager working as a cashier in a small restaurant, averaging \$16,040 annually. Average casino salaries together, including management, is closer to \$20,000 yearly. Las Vegas is the fourth most dangerous city in the U.S. Crime and gambling go hand in hand. Increases in chronically homeless population: Those on the streets, they are the folks with the most disabilities, most mentally ill, most addicted, the ones most struggling with these barriers. This is from Nevada. Perhaps former Nebraska Governor, Nevada Governor, Kenny Guinn, summarized it best in his State of the State Address in 2003: "My fellow Nevadans, the lesson from the last 20 years is clear; our revenue system is broken because it has relied on regressive and unstable taxes from gambling." Thank you. Are there any questions? [LR299]

SENATOR KRIST: Thank you for your testimony. Any questions for Mr. Japp? Thank you again, thanks for coming. [LR299]

LYLE JAPP: Thank you. [LR299]

SENATOR KRIST: Anyone else? Holding to our one hour, this will be the last testifier we'll hear today on LR299, I'm sorry. Go ahead. Could you state your name and spell it for the record. [LR299]

HANNAH BUELL: (Exhibit 18) Yes, sir. My name is Hannah Buell. Hannah H-a-n-n-a-h,

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Buell B-u-e-l-l. And I'm here representing Nebraska Family Council. I want to thank all of you senators for giving your time today and for sitting through many hours of different positions on this issue. And I know that all of you are obviously concerned with the financial state of Nebraska not only because you are elected officials but because you see the faces of the people that are affected by your own decisions, but the votes that you make out on that Legislature. And so this is a sober task that has been given to all of you. And I thank you for taking that on because it is no mean feat. I am coming here today to stand against any sort of expanded gambling here in the state of Nebraska. You've heard a lot of really great testimony with a lot of really great statistics about the social costs of gambling and what that will do in our state if we allow casinos to increase. But I wanted to quote two unlikely candidates: Senator Tom Osborne and former Senator Ernie Chambers, in 2004, wrote an editorial in the Omaha World-Herald. That was when Nebraska was considering a constitutional amendment allowing casino gambling here in our state. And these two men who are very unlikely to agree on very many things, as they noted in their article, said that on this one point they are in agreement because they recognize that gambling in the state of Nebraska is a detriment to our good life that we have here. They cited an Omaha Chamber of Commerce study that found that a single casino in Omaha would increase gambling by 66 percent and result in \$132 million in social costs while providing only \$29 million in revenue to the state. Now I'm not an economist. I was a political science major, so those fields don't exactly cross. But to me this sounds like not a good financial decision for our state. If our Nebraska state budget is left picking up that \$132 million tab, you can't balance your checkbook if those figures are correct. That's not going to be helping our state. Another source that I'd like to cite is Dr. John Anderson. He actually testified before this committee in the year 2000 and said, he is a professor here at the state of Nebraska. He's a professional economist. And he said that economic research clearly reveals that casino gambling generates social costs in the range of \$2 to \$6 for every dollar of direct benefits they generate. Now this means that as a state, Nebraskans are going to be left picking up the tab, while the ones who are proponents of this are the ones who are making the most money. Gambling is a business, like any legitimate

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business they want to maximize profit. And that makes sense. And so as a business, we most of the time hear from the gambling industry the sorts of arguments that tend to, in my mind at least when I hear what they're saying, it sounds more like they're trying to market themselves as some sort of soup kitchen or social, I don't...just the kind of organization that would really be about benefiting people and benefiting our state. And look at all these taxes that you can get. And they're going to be helping business and all these different things. Well, if they were nonprofit that would possibly make sense, but they're not a nonprofit. They are a for-profit industry. And so the reason why they stay in business is because they can make money off of it, and a lot of times a significant amount of money off of it. So from my laymen's terms, it sounds like as the state of Nebraska the people that are most detrimentally affected by gambling are the poor and those who are not able to keep their lights on, the ones who are struggling to pay their food bills, and who are hoping beyond hope that if they play this game they might get a little extra cash back. People who have a lot of money, who don't need to worry about those sorts of things oftentimes the statistics would tell us are not influenced, are not problem gamblers because they have other means of paying for those things. They're more recreational. And a study by the University of Chicago, in a report to the National Gambling Impact Study Commission, found that the availability of a casino within 50 miles is associated with about double the prevalence of problem and pathological gamblers. So that means that bringing a casino, even just one, to the state of Nebraska means that we will probably double the number of problem and pathological gamblers. These two types of gamblers, the study also found, cost society approximately \$5 billion a year, and an additional \$40 billion in lifetime costs for productivity reductions, social services, and creditor losses. So you can see that by bringing casino gambling to the state of Nebraska you're going to be costing the state and costing individual families and businesses. And that's one thing that has been stated today as well, the fact that gambling is really negative for the surrounding businesses. In fact, there's a study done by the Iowa State University Department of Economics that found that between 1996 and 2000 retail sales in Iowa cities that were of similar size that didn't have casinos grew at a rate over five times faster than those who did. The cities that didn't have

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casinos, their retail sales grew by 16.7 percent during those four years. Cities with casinos grew by only 3.3 percent. What does that tell you? That tells you that casinos are economically damaging to the communities where they are placed. That's just in Iowa. That's not in Las Vegas. That's a similar market to which we would be creating if we allowed casinos to happen here. And so any cities that you are thinking about allowing gambling into--Grand Island, Lincoln, Omaha, whatever that looks like--you're saying that it's okay for those people in those cities to (a) become problem gamblers; and, second, to use those dollars that they normally would spend at the grocery store or at the movies or whatever, where they're actually getting a product, it's okay for them to spend those dollars in a casino instead of giving that money to other retail stores. I have a lot more studies and data in my packet here, if you'd like to look at them later. It's a lot of fun bedtime reading. But the fact is that casinos hurt local businesses, they hurt restaurants, they hurt families, they hurt friends, they hurt communities. And that's what this study, this interim study is about--the effect that casinos will have on communities here in Nebraska. And the statistics and the data and the studies are in agreement that casinos are dangerous and damaging to the fabric of our society. I would urge you to base your votes this next legislative session on the fact that casinos aren't needed here in Nebraska. We already have a pretty good life here in this state and we don't need to ruin a good thing. Thank you very much for your time. [LR299]

SENATOR KRIST: Any questions for Hannah? Senator. [LR299]

SENATOR LARSON: Thank you, Vice Chairman Krist, and, Hannah, for coming. I mean, we talked a lot about the social costs here. We see both sides of the issue. You're presenting your numbers and Senator Schumacher brought his numbers earlier. What...I mean, and nobody has really talked about it, I mean, we hear, you know, all these...the social costs if we implement gambling into the state and how, you know, we're actually going to be losing revenue compared to what we bring in. What are the social costs the state is paying right now living next to a state such as Iowa and South Dakota in terms of, you know, how much is the state right now paying? And what is the

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added...and if we do add gambling into the state, what...how much will that increase exponentially compared to what we already are paying? Because I think you had a 50 percent or something about living within 50 miles of a casino. I mean, we already have 1.2 million of Nebraskans, which is already 66 percent, that already live within 60 miles of a casino. So, I mean, are we already feeling most of what we would consider the social costs without any economic benefit? Or do you think it will grow exponentially by moving it, obviously, if Omaha gets a casino it would be a mile closer. I mean, my question is, are we already experiencing the social costs with no benefit? [LR299]

HANNAH BUELL: Right, so that's a really good question. You're asking, just to make sure I understand you, you're asking that, you know, right now are we already paying all of the...are we already picking up the tab but we're not getting the little bit of benefit? [LR299]

SENATOR LARSON: Um-hum, the whole are we, yeah, are we already paying the \$2 in social costs that the economists are saying... [LR299]

HANNAH BUELL: Right. So essentially, you're asking, is it all going to be a wash? Like, well, if we're already paying it anyway, we might as well just bring it here so we get, you know, however much extra in revenue? [LR299]

SENATOR LARSON: The economic benefit, yeah. I'm asking you, do you really think by expanding gambling into the state it will expand or our social costs will grow so much exponentially that it will actually cost the state more money? [LR299]

HANNAH BUELL: Yeah, I would say that. And the reason for that is you're right in saying that, you know, Omaha is obviously within 50 miles of Council Bluffs. So the interesting thing then is, I'm obviously not on the Omaha Chamber of Commerce, so I don't know how they did this study. But even if that were true, their study found that even bringing a casino across the river into Omaha would result in \$132 million more of

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social costs, while providing only \$29 million of revenues to the state. So that to me, it makes me go, okay, like your question is valid, like it makes a lot of sense. So where did that number come from then? [LR299]

SENATOR LARSON: Love to see their study. [LR299]

HANNAH BUELL: Yeah. [LR299]

SENATOR LARSON: And I would question that heavily. My second question to you very simply, and we talked about this issue in this committee a lot, we still kind of refer to this committee as the sin committee. (Laughter) What is the state's role in protecting citizens from themselves? I mean, we deal with it with alcohol issues, we deal with it with gambling issues. I mean, how far does the state need to go? And, I guess, that's a question to everybody that testifies. Do we need, I mean, are we not all adults? What is the state's role in everybody's everyday lives? [LR299]

HANNAH BUELL: Yeah. That's a really great question. It's obviously very philosophical into what the state is responsible for and what they're not responsible for. And all of us believe that we have some degree of free will. We're not complete, you know, robots and agents of some other source. So as a state we'd go, well, if they want to, you know, spend their money in that specific location why is that a problem? And how much should we...it's a great question. [LR299]

SENATOR LARSON: Because you bring up... [LR299]

HANNAH BUELL: Right. [LR299]

SENATOR LARSON: ...the whole point, they're just targeting poor people, which, I think, you know, everybody in my estimation what...I mean, every business targets every different segment. I mean, we heard the same argument last week with alcohol or

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two weeks ago with...that these alcohol impact zones, that these high content liquors are just targeting poor people. I mean, what is the state's role to protect poor people from themselves? I mean, are they not responsible enough to make their own decisions and... [LR299]

HANNAH BUELL: Right. [LR299]

SENATOR LARSON: ...and that's...and it comes back to the social costs, you know. Are we already experiencing the social costs? I mean, how...does moving it within a mile expand the availability to a certain extent? And I'd love to see those studies. And if you can get me the chamber of commerce study, Hannah, I'd really appreciate it. [LR299]

HANNAH BUELL: Yeah. Right now I just have the op-ed that Tom Osborne and Ernie Chambers wrote. So I would... [LR299]

SENATOR LARSON: If you can find me the chamber of commerce study, I would... [LR299]

HANNAH BUELL: Yeah, I would call them and see if we would give me the time of day and tell me where the study actually was from. But, yeah, that is a really interesting question. I would say though, if I was in your shoes, which I'm not, my personal decision would be what am I okay being responsible for? If I know that as a state senator my decisions impact the people in my district and the people in my state. So, yes, they are ultimately responsible for their own decision making. Yes, they can pay to go to Council Bluffs, yes, they can pay to go to Las Vegas, they can do what they want. But if I am responsible to them and I am going to allow a casino to move in next door or, you know, over in Grand Island or whatever that looks like, am I essentially doing what one of the other testifiers said, breaking down the fences so the wolves can come in. Am I okay with that? That's another really great philosophical question. [LR299]

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SENATOR LARSON: Great. And I might have to ask myself, what am I okay with the government telling my citizens what they can and can't do? [LR299]

SENATOR KRIST: To be fair and across the board, we've got to cut it off. [LR299]

SENATOR LARSON: I know we have to...so. [LR299]

SENATOR KRIST: So thank you for your testimony, Hannah. [LR299]

HANNAH BUELL: Thank you. [LR299]

SENATOR KRIST: And I'll return the chair back to the Chair. [LR299]

SENATOR KARPISEK: (Exhibit 17) Thank you, Senator Krist. Senator Schumacher, would you like to close? Oh, and I do need to read into the record a letter from Thomas Mulligan, city council president in Omaha, stating that they know keno revenues are down as a result of Iowa casinos and their expansion. And they support passing a bill to eliminate the five minutes rule on keno. Thank you. [LR299]

SENATOR SCHUMACHER: Thank you, Mr. Chairman, members of the committee. In closing this, very briefly, four points I think. First of all, two-thirds of Nebraskans are within the danger zone of 50 miles of the casino, if you believe the testimony regarding danger zones. It's here, they're here so it is. Two, just in the three Omaha near casinos in excess of \$300 million a year of Nebraska money crosses the river that doesn't come back, of which approximately \$70 million stays in the state of Iowa to do schools, roads, bridges, and enhance their public welfare. Three, to the extent there are social evils, and there may be, there may be a poor man's tax, there may be problem gamblers, there may be related social evils. We have those. The other states are getting the gold, we are getting the shaft. We have the cost. And number four, this is not an issue where we have a choice to outlaw gambling in South Dakota, Kansas, Wyoming, Colorado, and

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Iowa. If we did, this would be an entirely different discussion. And there's a fair bet we'd outlaw it. In fact, the casino owners in Las Vegas would probably appreciate it very much if we outlawed it because they recognize they made a horrendous mistake, they had a monopoly on gambling. They exported that gambling all across the country until well over 40 states now have casino gambling. Nebraska being one of the very few that gets no benefit from casino gambling. And now that the economy is in a recession, travel expenses are up, they have a lot of expensive investment in Las Vegas that is increasingly nonproductive, for which they need offsetting investments in China where they are enjoying this period of prosperity to cover their losses. So they would appreciate it if we outlawed it in Iowa and South Dakota, but we can't do that. We are left with a set of facts to examine. And whether or not we want to continue to subsidize our neighboring states, shouldering all the social burdens of gaming on ourselves with no countermanding subsidy from them, whether we are willing to make the value judgment as we may have if the economic forecasts are not good, and I understand they're not good and the economy will be very, very slow to return to growth, whether or not we want to divert some of that \$70 million from those three casinos into our school system, into city or county aid, into building new roads or not. So this is not an easy one of us. It's not a happy one for us, but it is one for us. Thank you. [LR299]

SENATOR KARPISEK: Thank you, Senator Schumacher. Any further questions?
Senator Bloomfield. [LR299]

SENATOR BLOOMFIELD: I would like to throw a quick question out. You said, what was the percentage of license plates counted in Council Bluffs? Was it around 70 percent? [LR299]

SENATOR SCHUMACHER: Depending on what, at times it's as high as 90. And the last actual filmed one that I know of was back in 2004. But, you know, you can drive through there yourself. You see on the order of three-quarters, pretty consistently.
[LR299]

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SENATOR BLOOMFIELD: Do you perchance have those counts for Sioux City?
[LR299]

SENATOR SCHUMACHER: No, do not have them. [LR299]

SENATOR BLOOMFIELD: There we would have the larger city on the opposite side of
the river. [LR299]

SENATOR SCHUMACHER: Right, and it probably would be...not be that much. But
there, you know, it probably is reflective somewhat of the population. But the Omaha
ones are fairly easy to get. [LR299]

SENATOR BLOOMFIELD: That's all. [LR299]

SENATOR KARPISEK: Thank you, Senator Bloomfield. That will close the hearing on
LR299. We will now open on LR300, Senator Krist. Welcome, Senator Krist. [LR299]

SENATOR KRIST: Thank you, sir. And to my colleagues, good day. My name is
Senator Bob Krist. I represent District 10. It's spelled K-r-i-s-t. And I'm reminded daily
that that is Omaha and Bennington. I'm going to introduce LR300 on behalf of this
committee. And I thank Senator Karpisek for putting his name on it. Many of you know,
early on when I first became part of this committee, we had several issues come to us,
both in terms of reducing the number of live horse racing days and increasing live horse
racing days, decreasing the amount of any other kind of gambling at tracks, increasing
the amount. And I was in a quandary because I really didn't understand how the horse
industry expected to survive if indeed the live racing days and the exposure was not
there. I grew up in an environment with the horseflies at Ak-Sar-Ben, and I loved it. It
was a family time. It was a time when my father took me to the track to appreciate what
has been called today a dying industry. But I'm not here to talk about expanding

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gambling. I don't think this resolution is expanded gambling. I think you'll hear from people that they think it is because we're going to go back to where we should be. I'm here to talk to you about what this Legislature, what a body of our colleagues did to the horse racing industry. What we did is we took away their largest venue. What we did is we reduced in legislation the opportunity for horse racing to be at one of the agricultural events of the year in this state. We had live horse racing at the State Fair. It was a wonderful thing. It was a family event. We now have a State Fair Park that many of you voted against moving. You were here, I was not. But it's doing very well. It's found a home in Grand Island. So the question I have asked in the two years since I became, actually three that I became part of this committee was, why not? Why are we not racing at Grand Island during the State Fair? I find it a travesty. It is part of our agricultural history. It's part of the state history. And I think that everyone should have an opportunity to look at a pig and a horse. Everyone should have an opportunity to take their family to an event that they want to take them to, which is part of this agricultural base. So what this is all about is hearing from obviously the State Fair folks and to obviously gain data and gain testimony in terms of why this is such an outrageous request. I will tell you that I was surprised, just before the State Fair, and very flattered that I was invited out to see the State Fair Park and to witness for myself how it was not possible. And I'm sure we'll hear that testimony. I think it is possible. I think the State Fair is making money. I think if we're talking about putting livestock in stables that we can build Butler Buildings or other stables to accommodate all forms of agriculture in our environment statewide. So with that, I will be respectful of time because I know we only have 45 minutes for this one. And I'll be here to close. [LR300]

SENATOR KARPISEK: Thank you, Senator Krist. First testifier. Welcome back. [LR300]

LYNNE SCHULLER: Thank you. Lynne Schuller, L-y-n-n-e S-c-h-u-l-l-e-r, representing the Nebraska Horsemen's Benevolent and Protective Association. I am here on behalf of the HBPA board of directors who has directed me to tell you that if we have the opportunity to run during the State Fair we would be more than happy to do that. We

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would bring horses and run the meet that they set, that would be great. The only thing that I was asked to mention is that if this is being done for...to expose people to horse racing then that by itself we're in favor of. If it's being done to increase revenue for the horse racing industry that's probably not going to happen, because you're having essentially the same meet at the same location. We run at Fonner Park February through May every year. So for the horsemen to come back to the same location where we already do simulcasting adds a lot of cost to our side of it. But it doesn't add any revenue, because you're not going to a new place where they're offering simulcasting. If the fair had moved to North Platte, for example, we would be here asking for legislation to allow us to run there, because that would allow us to then simulcast all year in North Platte. We're already simulcasting at Fonner Park. And they run a great meet in the spring. We would then have to...we'd take all of our equipment...to do simulcasting and to broadcast our races, we move the uplink equipment from place to place, so it goes from Fonner Park to Lincoln to Horsemen's Park, to Columbus, that's the way it goes. If we do this, we have to take that same uplink equipment and then move it back to the same location where it was, which adds to the cost of our overall expenses. But if you're talking about just for the sake of running itself, we would be happy to bring horses and have a meet there and have additional days at Fonner. [LR300]

SENATOR KARPISEK: Okay. Thank you. Any questions? Seeing none, thank you. Welcome. [LR300]

JOSEPH McDERMOTT: (Exhibit 18) Thank you. Senators, my name is Joseph McDermott. I'm the executive director of the Nebraska State Fair. I want to tell you a little bit about myself. I've been with the Nebraska State Fair for 24 years, the last two, obviously, in Grand Island; previous to that, 22 years with the Nebraska State Fair in Lincoln. I have been associated with horse racing for those 22 years. So I feel I'm qualified to speak on this subject. What I would like to do is maybe provide you a tour of the Nebraska State Fair using the aerial shots that are being handed out to you and the bigger one on the poster board here, and then maybe talk about some of the challenges

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that we would face integrating horse racing into the Nebraska State Fair. So I'd like to start first with the tour. The aerial shot that you have was taken on Sunday, September 4, right around noon. That Sunday is the busiest day of the fair. And theoretically, this is the busiest time of the fair. So I think you get a pretty good idea of the activity that takes place on the fairgrounds during the Nebraska State Fair. To the left the street, the far left, that is Locust Street, that is about where 90 percent of our traffic comes into the grounds. They'll take the entrance road that is heading west, that is State Fair Boulevard. Vehicles will park into the two main parking lots. Up to the top of the sheet or the map is the north side. And I'm going to point out to you some of the areas that we use for the fair and then talk about the racing areas and how we use those. The farthest building to the north with the white roof there is a 70,000 square foot exhibition building. The area underneath that to the south is our kid zone where our family activities take place. The next large building is an exhibit building, it's a 100,000 square foot exhibition building where commercial vendors are at. The next three buildings, it's kind of a complex, are our livestock facilities. The one farthest to the north is the sheep barn. The one in the middle is a 60,000 square foot livestock arena where our shows take place. And then next to that is about a 110,000 square foot beef barn. The farthest one to the south is our swine arena and swine barn. Going back up to the north, you can see that there are some cars parked to the very top section of that lot, that is parking for handicapped individuals and vendors. Our midway which covers roughly six acres, takes up the majority of that parking lot. Then there are some cars that are parked in that reserved lot there which is basically for simulcast and keno players for Fonner's racing operation. The larger building next to that is the Heartland Event Center. Connected to the east of that is Fonner Park's Grandstand, where the racing fans are at during the live race meet. The parking lot to the south of the Heartland Event Center is what we call our marketplace, that's where all of our outdoor commercial vendors are. So you can see that Fonner Park's parking lots, which they use for parking for their events, including simulcast and live horse racing, we have other activities taking place. Going back up to the north, the northeast corner you're going to see a campground. Currently, there's about 110 pads there. We hope by next year to have...I'm sorry about

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130 pads. By next year we hope to have about 200 pads. You'll then see two racetracks. One is a five-eighths mile racetrack, one is a three-eighths mile racetrack. The five-eighths mile racetrack is where the live racing takes place. And if you look closely, you can see combines that are taking fair patrons on rides around that five-eighths mile racetrack. That is...those combine rides are provided by the local Case New Holland Plant. I believe this year there were a little over 4,000 rides given on those combines. The smaller track, I believe, is a three-eighths of a mile racetrack, that is Fonner Park's training track. When horses train in the morning that's where they typically train. As you can see, we have a lot of activity back in that area. This shot happens to be taken when our tractor pull event is taking place. There are...there is seating for about 2,000 people at the west end of that training track. And that's...those are the bleachers that you see on that track. Going back to the larger track, if you go to the south you'll see the big red barn, you'll see ten additional horse barns. The big red barn we do have some activity that takes place in there. We do not, for the most part, use those ten horse barns. And I believe there are approximately 400 stalls in those horse barns. We do use the area around those barns for parking, that's primarily for some of our commercial vendors. To the east of that, you'll see six additional horse barns. We do use those horse barns, those are used by our show horses. We have horses that are on our grounds...are on the grounds every day of the fair for shows that take place in Thompson Arena. Thompson Arena is the building just to the north of the horse barns, that's where our show activities take place. There's also an outdoor arena where our horse shows take place. You'll notice between the two areas there is a campground. I believe Fonner Park uses that area for camping during live racing. To us that's an exhibit area. We have various attractions in that area. We do have some camping in that area. That is primarily for service personnel and whatnot. If you go back further you'll see a larger white building to the right, that is the R Barn. There are horse stalls in there. We also use that for show horses. Farther, a little bit up to the north there is an open area that we use for parking. Fonner Park's campus, I believe, is about 225 acres. And I think if you look at this aerial shot you'll see that for the most part all of the grounds is used for fair activities. I do want to point out some of the issues that we feel,

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some of the challenges, I guess, I would say that maybe would have to be addressed to bring racing to the Nebraska State Fair. The area from the larger track, basically north and south, would...by Racing Commission rules would need to be a restricted area. At a typical racetrack they will create this secured area to prevent tampering of horses. As you can see, that would be a significant challenge because of all the activity that takes place on that track and east of that track. There's a lot of activity that takes place. I don't know that a secure area would be possible. That would obviously have to be up to the Nebraska Racing Commission. There is a significant amount of space that we use for fair activities that Fonner Park or the horsemen would also use for horse racing. There is obviously a conflict there. The campground to the north and the smaller campground to the south, we anticipate that with Nebraska State Fair customers and service personnel, those campgrounds would be full with our people. I do know that there are a significant number of horsemen that would need a camping space, a camping location. Some of the other areas, the jockey's room, the racing office, the breeders office, we use those for fair department staff during the fair. We'd have to find some space for the racing office staff. Fonner Park's concourse, which is where we at the Nebraska State Fair during the period of the fair, we have our open class domestic exhibits on display. By that I mean the foods, the needlework, fine arts, photography, those exhibits are on display in that concourse. That is used by Fonner Park during their live meet for their patrons, where they sit, they'll watch the races on television, they'll wager, they'll also go out and view the race on the live racetrack. So there would be a conflict there. The clubhouse, where Fonner Park also would have racing patrons, we do use for some specific events during the fair. Not suggesting we use it consistently through the fair, but we do use that area. I mentioned there are approximately 400 stalls in the south barns, the tin barns. Again, we don't necessarily use that area. Four hundred stalls in my mind, from my days involved in horse racing, would not be enough for a 13-day meet. You're going to have anywhere between 70 and 80 horses run on a given day. And they can only run so often. So I think that would become an issue. I mentioned the combine rides, that is one of the more popular attractions of the fair. I certainly would hate to lose that. The training track where our motor sports events take place, we have motor sports

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events take place on this track the majority of the days of the fair. One of the issues that I do see is that neither of these racetracks are lighted and therefore horse racing would have to take place during the day hours, which would compete with the events that we have on these tracks during the day hours. Not to mention the fact that some of our events, whether it be the tractor pulls, the monster trucks, the demo derby, they're quite noisy. And based on my knowledge of thoroughbreds, that wouldn't work well because thoroughbreds are generally fairly skittish animals. So there obviously is some conflict with the Nebraska State Fair and horse racing coinciding at the same location. I will also mention to you that we did try live racing during the Nebraska State Fair. And I wasn't able to access the records. I believe it was back in the early nineties, we actually had horse racing going on during the fair. That layout was a little bit different than this one is. It was easier to segregate horse racing and the horses at the Lincoln location versus the Grand Island location. From what I remember, and again I wasn't able to access those records, financially it really didn't make sense. And I think that's probably...you can look at the fact that we only tried it one year to figure out that it really didn't make sense. So that's what testimony I have today. And I'd be happy to answer any questions. [LR300]

SENATOR KARPISEK: Thank you, Joseph. Senator Larson. [LR300]

SENATOR LARSON: Just a quick question. I wasn't here when the Legislature moved the fair. Does the state own the white buildings? [LR300]

JOSEPH McDERMOTT: No, the buildings are actually owned by Fonner Park and the Hall County Livestock Improvement Association. [LR300]

SENATOR LARSON: So all the buildings you are essentially renting. They own the entire complex? [LR300]

JOSEPH McDERMOTT: They own the entire complex, with the exception of the building farthest to the north, that 70,000 square foot exhibition building, that's the one at the top

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of the map,... [LR300]

SENATOR LARSON: Yep. [LR300]

JOSEPH McDERMOTT: ...that is owned by the city of Grand Island. [LR300]

SENATOR LARSON: That's owned by the city. So essentially, I mean, I guess, I don't have a strong opinion on the issue. But you're talking about all these conflicts where you have things in, but it's their buildings essentially. [LR300]

JOSEPH McDERMOTT: That's correct. We have a 50-year lease with Fonner Park and the Hall County Livestock Improvement Association, which allows us to move in, basically, August 1, set up, conduct the fair, tear down. And we're generally out by the end of September. [LR300]

SENATOR LARSON: Okay. So the 50-year lease covers what, the whole complex? [LR300]

JOSEPH McDERMOTT: It does not cover some of the racing-related areas, for example, the simulcast area, the keno area, the racetrack, although we have been able to reach agreement on the types of activities that would take place on the racetrack. But the contract or the agreement we have generally excludes racing-related... [LR300]

SENATOR LARSON: What about like the racing...like the barns down here on the...that whole part of, I mean, logistically I understand what you're saying. I'm just trying to get at, is it possible? Can...I mean, yeah, you...I mean do you have the lease on the smaller track? Do you have the lease on the barns on the south? I know you use the track for the combines. And maybe the horsemen don't want to do it. I'm just saying, logistically, if they wanted...do you own the lease? Can it happen? Or can they just say, you know what? You guys don't have the lease on these parts, we want to run... [LR300]

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JOSEPH McDERMOTT: The lease we have specifically excludes racing-related areas. So there would have to be a further conversation with Fonner Park and the Hall County Livestock Improvement Association. [LR300]

SENATOR LARSON: So they could...essentially is it possible they could say, you know, we're taking away...you guys don't have a lease for the demo derby, like that track and whatnot? [LR300]

JOSEPH McDERMOTT: The racing-related, they probably could do that, yes. [LR300]

SENATOR LARSON: So, I mean, I'm just trying to find out is it possible? I understand you're saying there's conflicts because of this. But they could just say, you know what, we want to have races and make it...and work it out to where you'd lose some of those activities. [LR300]

JOSEPH McDERMOTT: Yeah, and I'm certainly not an attorney, but based on the language I believe they could do that, yes. [LR300]

SENATOR LARSON: Okay. And I'm not saying...I just wanted...because it seemed clear to me from them that they aren't quite sure exactly what they want yet either. But I just wanted to understand if it was possible before we move forward with it. [LR300]

SENATOR KARPISEK: Thank you, Senator Larson. Senator Brasch. [LR300]

SENATOR BRASCH: Thank you. Thank you, Joseph. I do believe I remember in the early nineties when the State Fair had horse racing during the fair. And I believe it was because it was because of horse racing revenues declining, correct? [LR300]

JOSEPH McDERMOTT: I would believe, yes, that would be the reason we would try it.

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[LR300]

SENATOR BRASCH: And I believe also that at that point horse racing already had a ten-year history of declining. [LR300]

JOSEPH McDERMOTT: That would be correct. [LR300]

SENATOR BRASCH: And I also believe it wasn't just a Nebraska horse racing decline, it was a national numbers in horse racing had fallen significantly, that state fairs, that annual state fair conference that they have every year when all the states come together, I believe, I attended a meeting then when they were talking historically as a country horse racing was declining. Do you... [LR300]

JOSEPH McDERMOTT: And I'm not an expert in that. But I can tell you that somewhere in the eighties racing started to decline. And in the earlier nineties simulcasting was brought in to help support horse racing. It did for awhile, but obviously there are still struggles out there. [LR300]

SENATOR BRASCH: Okay, good. That answers my question. So simulcast racing and horse racing could not produce the revenues that the State Fair needed. It used to offset...horse racing used to offset costs for the State Fair. [LR300]

JOSEPH McDERMOTT: That is correct. For years the Nebraska State Fair and the facilities at State Fair Park in Lincoln were supported by horse racing. Along came the decline. Racing was struggling, we were struggling. At this point, and I think you're probably all aware of this, that in 2004 the voters approved a constitutional amendment which provides the Nebraska State Fair 10 percent of lottery proceeds. We've been receiving that since 2005. And I think we've been very successful on rebuilding the fair. Obviously, the facilities in Grand Island are topnotch. Quite honestly, we couldn't have done it without the lottery proceeds and the other assistance that was provided to build

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these facilities. [LR300]

SENATOR BRASCH: Very good, thank you. [LR300]

SENATOR KARPISEK: Thank you, Senator Brasch. Senator Schumacher. [LR300]

SENATOR SCHUMACHER: How large is the subsidy that Nebraska gamblers give to the fair? [LR300]

JOSEPH McDERMOTT: Nebraska lottery proceeds, we will receive between \$3 million and \$3.5 million a year. [LR300]

SENATOR SCHUMACHER: And how much money would you estimate it would take to accommodate by moving parking areas around and moving combines driving around in circles to a different spot to accommodate the racing industry? [LR300]

JOSEPH McDERMOTT: Senator, I'm not sure I can answer that question. [LR300]

SENATOR SCHUMACHER: I mean, if you got \$3 million a year to work with, some of that...it shouldn't cost that much to make accommodation. [LR300]

JOSEPH McDERMOTT: Yeah, let me explain that the Nebraska State Fair is about a \$5 million operation to put it on, \$3.5 million dollars a year from lottery proceeds. The operations will generate \$2.5 million, so there is some excess there. But we, having just moved to Grand Island, the facilities are two years old, there are other items, other priorities, I guess, I would say that we're still looking to build to enhance the fair. I know that Tam Allan, who is vice chair of the Nebraska State Fair Board and chair of the Facilities Committee, is going to also testify this afternoon or this morning. And he may have a better idea of some of the upcoming projects. [LR300]

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SENATOR SCHUMACHER: So the State Fair, irrespective of the contribution from Nebraska gamblers, some of which are horsemen, loses \$2.5 million a year? [LR300]

JOSEPH McDERMOTT: That would be fairly correct, yes. [LR300]

SENATOR SCHUMACHER: Any prospect of it not being a burden like that? [LR300]

JOSEPH McDERMOTT: Well, that's the reason that the organization was given the lottery proceeds and helped to rebuild the fair. If you look across the country, state fairs are generally supported, quite honestly most of them are state entities. So it is state tax dollars. [LR300]

SENATOR SCHUMACHER: How long do you project rebuilding to take before it breaks even? [LR300]

JOSEPH McDERMOTT: That I can't say. I'm sure that it's a few years out. I'm not sure that it will ever break even. It's not necessarily designed to break even. It's more of a statewide event, a celebration of who we are, what we've accomplished. Most fairs generally don't make money. [LR300]

SENATOR SCHUMACHER: And, well I guess...who might I ask about what...how much money out of that \$3 million a year subsidy could be used to assist the...part of the industry that's making that subsidy, the horsemen? [LR300]

JOSEPH McDERMOTT: Well, I don't know if the horsemen are. Again, these are lottery proceeds. They're not proceeds from... [LR300]

SENATOR SCHUMACHER: Right, but I mean there's only so many gambling dollars. And to the extent some of them go through the lottery, to you, they may not be going to the horse meet. [LR300]

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JOSEPH McDERMOTT: I think it goes back again to priorities set by the Nebraska State Fair Board. So it ultimately would come down to the board themselves to determine where excess cash is spent. [LR300]

SENATOR SCHUMACHER: Okay. And again, who might give us an estimate of what it would take to make a small accommodation to the racing industry? [LR300]

JOSEPH McDERMOTT: That would probably be the board and myself. I don't know that we're in a position to do that today though. [LR300]

SENATOR SCHUMACHER: Thank you. [LR300]

SENATOR KARPISEK: Thank you. Senator Bloomfield. [LR300]

SENATOR BLOOMFIELD: Thank you. You'd mentioned some horse racing regulations that wouldn't allow...that you would have to hold people back away...a ways. Can you expand on that a little bit. [LR300]

JOSEPH McDERMOTT: Well, I think...I know that Mr. Sage from the Racing Commission is present. He would be able to better explain. But generally, the areas from the racetrack, both north and south, all the way east, in my experience, would have to become a secure area. And as you can see, there is a considerable amount of activity that takes place in there. But that would be my impression of... [LR300]

SENATOR BLOOMFIELD: Would there be any to the west of the racetrack? I thought, from what you said before, I thought I understood that it would expand into the gray roof building. [LR300]

JOSEPH McDERMOTT: Yeah, there would be areas in the grandstand that would need

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to be secure. The racing offices, probably the big red barn. So you're correct, Senator. It probably would be from the grandstand and the big red barn north and south to the east. [LR300]

SENATOR BLOOMFIELD: Okay, thank you. [LR300]

SENATOR KARPISEK: Senator Brasch. [LR300]

SENATOR BRASCH: Thank you. Joseph, thank you for your explanation of the State Fair. The venue also has many youth activities, correct,... [LR300]

JOSEPH McDERMOTT: Absolutely. [LR300]

SENATOR BRASCH: ...4-H, the intent, I believe we had a State Fair before we had a state of Nebraska and state Legislature. Correct? [LR300]

JOSEPH McDERMOTT: The first Nebraska State Fair was held in 1868. They're awful close. [LR300]

SENATOR BRASCH: Awful close. [LR300]

JOSEPH McDERMOTT: Yes. [LR300]

SENATOR BRASCH: And the intent was the first state's largest market to showcase produce, livestock, farmers could compare...it was the first Husker Harvest Days. [LR300]

JOSEPH McDERMOTT: Right. The Nebraska State Fair, fairs in general were created when farmers, ranchers got together to show off their agriculture, their livestock. [LR300]

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SENATOR BRASCH: So their intent was never to become an economy, their intent was more for education, showcase, but... [LR300]

JOSEPH McDERMOTT: That is correct, yes. [LR300]

SENATOR BRASCH: Okay, all right. Thank you. No other questions. [LR300]

SENATOR KARPISEK: Thank you. Anyone else? I don't think we're here to try to do away with the fair, that's for sure. But I do find it interesting that one industry is getting clobbered for not being able to stay afloat where another one is being subsidized. And I think that's where Senator Schumacher is going with that, so. Thank you, Joseph. [LR300]

JOSEPH McDERMOTT: Thank you. [LR300]

SENATOR KARPISEK: Next. Welcome. [LR300]

HUGH MINER: Good morning, almost good noon. Hugh Miner, H-u-g-h M-i-n-e-r. I'm the manager of Fonner Park in Grand Island, Nebraska. I have served in one capacity or another at that track for 41 years. I would tell you that back here are my partners, I've got two of them. I've got the horsemen that we've had for 41 years, and we also have the State Fair, which the first two years have been completed. This year was a tremendous success, 30,000 more people than a year ago, 330,000 people. Joseph has pretty much covered all the areas of what goes on there. Right now, just the way it is, the biggest concern I would have would be the congestion and the fact that when you have a race meet you've got to have the right kind of conditions for security and all those types of things. When talks first started about moving the State Fair out here, just trying to envision all the things that would happen, I'm fighting for my life to keep my own office. (Laugh) I mean, that's...the needs of the State Fair are significant. They've

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done a tremendous job of utilizing all the facilities that we have out there. And without a lot of the areas that they're utilizing, for example, the concourse area for all of the open class exhibits and everything during the fair, it wouldn't be the type of fair that it's been the last two years. There is obviously maybe some things that, you know, could be worked on between the two entities, between the horsemen and State Fair. And if there's a way to work those things out, I think it would be great. The biggest concern I have is the single lane roads that go around our facility. Locust Street is four lane, but along the other three sides of our property it's single lane. It's two lanes, but just one lane each way. And the parking is a tremendous issue. We had a complete shutdown of traffic on Labor Day. Traffic came to a standstill all the way around the facility, people trying to get in for parking, they ended up shuttling people from over at the Swift Packing Plant. I mean, they foresaw some issues and tried to meet the challenges. But in knowing racing and knowing the fact that we have to make sure that we don't endanger the horses going to and from the track, yes, they can trailer in. But ideally, you don't trailer into someplace the day of. So there is a need for stalls. Which that part of it could work out. Columbus is 60 miles away, that type of thing. But as it is right now, with the different challenges that we're facing, in order for anything like that to happen, there certainly would have to be all the entities impacted trying to develop a plan. And it would take more than even a year to do that. The facilities that are used for racing, the offices, the Racing Commission and their investigator, everything, they have offices that right now are used by the State Patrol during the State Fair. Our racing office where horses are entered, they...those areas are also utilized. They're even using the Nebraska Thoroughbred Breeders Office for office space during the fair. So if it were a way that it could work well, I'd certainly, you know, like to see if someday that's possible. But at the present time, I just don't see that as a good fit for racing. We do have simulcasting in the north end on the second floor during live racing. And State Fair has been good about allowing us parking space up there in a primary that if they had their way they'd love to have all of it. But they have been a good partner. And...so a lot of what we see here is that that would be something to work for. But it's going to take some ways to try to figure that out. There is a veterinarian across the road that has about seven acres of ground.

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They even lease his pasture ground to park livestock trailers during the State Fair. And if you look at the top part of that area up there, you can see the outline of a water park. If we still owned that ground, that would give us more space. Right next to that, next to the water park is a fire station that was built several years ago. And then the next building over was mentioned, is the 4-H, FFA building during the State Fair. But that is owned by the city. And on the off season they use that as a field house for youth activities. We have ourselves to blame because we donated those three locations, we donated the land for the water park, for the fire station and the field house over there. So, I mean, there's just a lot of good things have come from this property. And the other thing I would mention just for your information, this facility, this complex in this last year or this year, by the end of this year there will have been over 300 activities that will have utilized that facility for a total of 475 days. And that is something that is helping our economy, both State Fair and it's good for the economy in central Nebraska. And I can guarantee you, having our horsemen here from the first of January until the first week in May, after the Kentucky Derby, is a tremendous asset to our community. So from our perspective, anything that's done needs to be done in a manner that will benefit both of these entities, because they both have special needs. And we'd like to see them both be successful. [LR300]

SENATOR KARPISEK: Thank you, Mr. Miner. Senator Larson. [LR300]

SENATOR LARSON: Real quick. So what was your position with Fonner Park? [LR300]

HUGH MINER: I'm the manager of the track. [LR300]

SENATOR LARSON: The manager. And I asked the gentleman with the State Fair the same question. With the lease policy is kind of the same question, is it your understanding that you do have control of, I guess, it would be everything west or east of the grandstand in terms of should you want to or...he said all racing-related areas and activities. Is it your understanding too that, I mean, technically you would have control

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over that should you... [LR300]

HUGH MINER: I would have to go back to counsel, I would have to defer that at this point. [LR300]

SENATOR LARSON: Okay. [LR300]

SENATOR KARPISEK: Thank you, Senator Larson. Any other questions? Seeing none, thank you very much for coming, really appreciate that. And I am...I'm glad to hear you say that you would like to be able to work toward this. I think that's why we have this hearing today. Welcome. Would like to say the next testifiers can kind of be brief so we can get wrapped up sometime after you, you don't have to be brief. (Laughter) [LR300]

MIKE KELLEY: I will be though. Mr. Chairman, members of the committee, I'm Mike Kelley, that's K-e-l-l-e-y. I represent Horsemen's Park in Omaha. And I talked to Senator Krist outside. And he asked me to come up and talk a little bit more about the pari-mutuel tax and that issue. And I think Lynne Schuller made some good comments I want to expound on a little bit. This 2.5 percent is pari-mutuel tax which was set up many years ago. As you can see by the sheet, at one time live horse racing was doing over \$200 million in Nebraska. At that time, I forget what the rate was, I've been representing the horse racing industry or parts of it since the early eighties. And in those days, the glory days, Ak-Sar-Ben was paying in excess of \$5 million, \$6 million, \$7 million. Keep in mind, everything is nonprofit. Well, we're asking a nonprofit industry to pay an extra tax. I could argue that there shouldn't be a pari-mutuel tax. They were always set up with an exemption level at the bottom so that Columbus and Sioux City would have no pari-mutuel tax because they were small places and couldn't afford it. As times have got lean, it's gone way, way back. In the late eighties, early nineties, Senator Hall was the Chairman of the Revenue Committee, we came to him and said, this pari-mutuel tax is getting to be an issue for us, even though 2 percent of it kicks back toward...it's now 2.5 percent, and 2.5 percent kicks back towards structural

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improvements with the track. We're still paying an actual half rate, half percent after \$10 million. So at Horsemen's Park, for example, this year if the \$10 million is exempt, they did \$40 million, you're paying a half percent on \$30 million, so about \$150,000. Still a significant tax \$150,000, especially in lean, lean times that we're having. And so...and that's true of all the tracks. So I just want to make sure that everybody understands that it's a nonprofit paying and what the amount is. Again, Senator Hall insisted we pay something. He said, I still want some tax coming back, even though...we actually asked him to eliminate it at that time. And being the typical Revenue Chair of the state of Nebraska, he said, no. (Laugh) He said, I want you paying something. So that's how we got to where we're at. So when we talk about tax benefit or subsidy of some kind, not true. We do, however, I think...I'll just take this opportunity to say this, I think we do need to look at a subsidy. Either take the handcuffs off us, let us have historic horse racing, something like that, or outright subsidy. Years ago when Senator Landis was here, he actually said to me, he said, Kelley, you know, you beat me up for all these years and I've never really helped you, but I think I'm about ready, we ought to do a subsidy, a straight subsidy for horse racing. Now of course, term limits came in and then right when he was going to help me he couldn't. And now lean times are there, it's pretty tough to ask anybody for a subsidy right now, a bailout or anything. So it's tough times. But I would at least ask you in this next session to consider without something happening...in Kentucky they're starting to use historic horse racing machines. And they had said they would never do that there. And they're doing it. It's past court hurdles so far. So that's something we're going to have to look at, some new revenue needs to come in, otherwise this will go away. And it's been a great and proud thing for Nebraska. I've been happy to be a part of it. And I'd really hate to see it go away. It would also hurt our economy. So that's my pitch. And thanks, Senator Krist, for the invitation. [LR300]

SENATOR KARPISEK: Thank you, Mr. Kelley. Any questions for Mr. Kelley? Senator Schumacher. [LR300]

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SENATOR SCHUMACHER: Mr. Kelley, would it be fair to say that the tradition of horse racing in the state runs so deep that they were probably betting on ponies before it was a state? [LR300]

MIKE KELLEY: I would think it was. I--in fact, I thought of that exact same thing. Yes, I think it probably was. [LR300]

SENATOR KARPISEK: Any other questions? Seeing none, thank you. [LR300]

MIKE KELLEY: Thank you, Senator. [LR300]

SENATOR KARPISEK: Welcome. [LR300]

TAM ALLAN: Mr. Chairman, members of the committee, my name is Tam Allan, T-a-m A-I-I-a-n. My office is at 1045 Lincoln Mall, down the street here, Lincoln, Nebraska. I'm a resident of Lincoln. I'm also vice chair of the State Fair Board. I was also chair of the committee throughout the process of moving the fair and involved with the Legislature to move it to the site. So, Senator, I know you had a couple of questions directed to possibly as far as some--maybe some original thoughts or some ideas on that. And I'd be happy to address those items. And I think Joseph, our executive director, gave you the history on that--is that, you know, not only we're very conscious of the horse racing industry and their concerns, we ran a track. That was one of our responsibilities in Lincoln; we were the operator of the track. And then when we were I don't know if the word would be "asked" to move, or prompted to move, from our facilities there, we went ahead and granted over to the horsemen, basically, our ability to run a horse racing track, because it was--obviously, there was already a horse racing track in Grand Island. And it was important for the horse racing industry at that time--or the horsemen felt--is to have a track in Lincoln, and obviously we would not have been able to be a part of that. And so, Senator Larson, I know you had some questions as far as how the deal was set up or how it worked out of the state involvement and what the state owns

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or doesn't own and things like that. First of all, I would say of all of you and to this Legislature, is, you know, we are directed--or we are obviously, now, I don't want to say "influenced" but--by this body. And there are some important considerations relating to horse racing. Certainly, we have been given pretty specific direction as a board, and considerable investment by this state from many different sources, of what our charge is--is to run a state fair. And one of the things, in moving from our historic grounds here in Lincoln to another operation, is we've focused down and distilled down, if you will, is what the focus of what we are charged to do by the Legislature, is we're just running a state fair. I think Joseph said, is that we have 60 days: we have 30 days to set up at these facilities, we have 10 days of the operation of the fair, and we have 20 days to take down. And we're not owners of anything on these grounds. A matter of fact is, Hugh Miner we worked extremely well with in constructing these facilities. And as you see, the way that the buildings are arrayed, is that we had to be so sensitive in working well with his board in the inception of these--is to stay away from the areas sensitive to horse racing. And so as...if you can draw an imaginary line north to south from the facilities...it's already been discussed on there--is we're staying away as far as modifying or affecting that in certain...because of their season, we couldn't be involved or disturb that in any way. And so we have great respect for what is required of a horse racing operation. And...but by the same token is that our board is--we're charged with putting on the best state fair. And, Senator, I mean, I will be absolutely candid--and I don't know if it's a secret--is this was a radical move, is to move the State Fair to Grand Island. Quite frankly, we didn't know who was going to show up. We had a history of things. Obviously, the facilities in Lincoln had been, you know, quite dilapidated. We moved out there to top-notch facilities. My personal secret number of folks that were going to come out here were going to be 200,000. We exceeded that the first year. We're exceeding that again. And, quite frankly, there's been a lot of discussion with, you know, our other partner, the city of Grand Island. I don't know if you can see on those roads; there's lines all the way around the park there. We depend a lot on the city of Grand Island, and the city of Grand Island has a substantial economic investment. They came up with \$8.5 million and provide all the police services and traffic services for

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these facilities out there. And if we do our job correctly, it appears like this is going to keep growing and get to a much larger stage. And so the only consideration that I would say as far as the State Fair Board--and I think Joseph talked about it--is with appreciation of the requirements of running horse races, because we were involved in that for a shorter period of time. It just appears to us it's a very difficult logistics question. And it's a real estate question, as we occupy a lot of the real estate, and we make lots and lots of noise. And I can tell you about the draft horses that were carrying the Governor and Miss America during our opening ceremony with, you know, the monster trucks going off. We had...and being a city kid, I've gotten a great education that there's a lot of difference between race horses and draft horses and other kind of horses as far as them being disturbed. So we are utilizing almost all of the facility during the fair. But I will say this, is that we appreciate the guidance of this Legislature, and, you know, you have some difficult decisions. But if there's questions that I can clarify on that, I'd be happy to do so. [LR300]

SENATOR KARPISEK: Thank you, Mr. Allan. Senator Schumacher. [LR300]

SENATOR SCHUMACHER: Is the Fonner location the only location of the State Fair in Grand Island, or is there a second location where things go on? [LR300]

TAM ALLAN: No, sir. It's Fonner. [LR300]

SENATOR SCHUMACHER: Everything is there? [LR300]

TAM ALLAN: Yes. [LR300]

SENATOR SCHUMACHER: Okay. For some reason, I thought they were building something north of town. [LR300]

TAM ALLAN: No. [LR300]

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SENATOR SCHUMACHER: No? My only question. [LR300]

SENATOR KARPISEK: I think they're moving some things that were--some baseball fields, softball fields. I think that's maybe what... [LR300]

TAM ALLAN: All that parking over there was quite a softball and soccer facility, and we had to relocate that as part of--and use the money--to a larger facility next to the state veterans' home on the north side of town. So perhaps that's what you had heard about. [LR300]

SENATOR KARPISEK: That I'm pretty sure the state gave \$1.5 million to help do. [LR300]

TAM ALLAN: Actually, the state did better than that. The funds that were used for this: it was the university--it was \$21.5 million, which--I kind of regard that as the state; the state Legislature was \$5 million; city of Grand Island was \$8.5 million. For that particular amount, of moving that, we credited Grand Island's contribution to move those fields, because it was a real cost. Unfortunately, it's not real dollars to us, so it hampered what we were doing a little bit, so... [LR300]

SENATOR KARPISEK: Sure. Any other questions? Senator Bloomfield. [LR300]

SENATOR BLOOMFIELD: Thank you. The water park that you pointed out on there--that was pointed out--is that active? The day I was out at the fair I really didn't see anything going on there. [LR300]

TAM ALLAN: Considerable discussion, but that's the city water park, and the city had made a decision to close it, you know, swimming pools and everything close before that. And they didn't...they made the decision to close it because of all the congestion.

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And so the last two fairs it's been closed, but it's a going deal. And there's been some consideration maybe reopening it. But now--and you don't see it on this, but later in the day that entire parking lot, all that area, was utilized for parking for the fair. [LR300]

SENATOR BLOOMFIELD: Okay. [LR300]

SENATOR KARPISEK: Senator Brasch. [LR300]

SENATOR BRASCH: I'm curious, when we talked about the State Fair's gate attendance going up in Grand Island, has the foundation membership grown--the State Fair foundation--has that increased or decreased or stayed the same? [LR300]

TAM ALLAN: That's increased. They've become a lot more involved. As I'm sure you've read...first of all, the Grand Island community has been extremely receptive and has been very helpful. And then you get, in expanding circles, the tri-city area...lots and lots of folks have been very kind--you know, assisting, helping out through the foundation. And then, you know, just the city alone, with the 800-900 volunteers that showed up on our doorstep, is doing a great job for us. [LR300]

SENATOR BRASCH: And I believe today our question is bringing horse racing--trying to help the horse racing industry by having it bundled with the State Fair. But I do believe the early fairs had car racing as well. That was also a big part of the State Fair, is to have the State Fair car races. And they may have come before even the horse races had been there; I'm not sure of the timing on that. But at this point it would be a burden to the current growth projections of the fair--that there's other items that are of higher priority than to bring a track, or an active track, and horse racing. Is that what I'm understanding? [LR300]

TAM ALLAN: At the same time...and I was thinking of an analogy, is that Fonner Park is a terrific facility; it's like--for a state fair and for, as we have found, and for a horse-race

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facility. Maybe I can make the analogy--is it turned out Memorial Stadium was a terrific facility for a Larry the Cable Guy concert, and everybody went down there; that was a good deal. And obviously it's one of the best places in the country, if not the best, for a football game. Probably wouldn't want to do them on the same day, unless there was a compelling reason. And I know that's what the purpose--or at least that's my impression the purpose of this is--is could this be something that could be a win-win, be a benefit perhaps to both organizations. But, I mean, as it's, you know--and I'll give you sort of my opinion or observation, is, you know, we were involved in the horse racing on that. So we tried it during the fair, and it didn't work out financially. And I think it's been testified now a couple times--testimony for this bill and a couple other bills today, or legislative resolutions, is, actually, live meets don't make money and especially an abbreviated one that--going in there. So if the goal is to get possibly more days, this is a terrific place, and perhaps with the extension of those days that it is in operation or perhaps more days at the Omaha setup. One thing Joseph did not point out is that there is a--on the north side of the track there is a large corridor, and it's immediately north of the Heartland Events Center, that is all contained off because Hugh runs a simulcast during the fair. And it was a hope, and maybe that could be developed better, because that's what brings money--or made money for us in Lincoln is...you do not have to pay to go into the fair; you get parking right next to the simulcast and keno areas right at that point. And maybe there would be a way to maximize that better or to promote that better, because that--it would be my impression that that would bring dollars to the bottom line for the horsemen. So...and those would be things that, you know, we would obviously be open to talk about. [LR300]

SENATOR BRASCH: Thank you. [LR300]

SENATOR KARPISEK: Thank you, Senator Brasch. And my whole thought on this is: I'm glad we're having the discussion. I don't want to micromanage the fair, as the Legislature. I feel we've already done that. I wasn't on board. (Laugh) But I don't want to do that, but I do think we need to have a good conversation about it. And truthfully,

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saying--well, we can't, because we have combines on that track--to me, doesn't quite...and I understand you use it for other things. But I understand, we could--I've driven a combine, you can go somewhere else, around. So I think just working together is what we want to try to do. And I'm glad to hear that from almost everyone involved, so I appreciate that. And I don't know that we could have gotten a lot of this without having a hearing. [LR300]

TAM ALLAN: You know, I always tell my people, certainly with the new fair: Don't ever make the assumption that we have got things figured out. So it is a process, and we appreciate the input from this body. You know, we are--we're still trying to figure things out there, but luckily, you know, things are working well for that, so... [LR300]

SENATOR KARPISEK: I hope you don't go to the city of Grand Island to do something with those roads, because I can guess where they're going to come. [LR300]

TAM ALLAN: Hmm. Yeah. [LR300]

SENATOR KARPISEK: (Laughter) I've seen this before. All right, thank you very much. [LR300]

TAM ALLAN: Thank you for the opportunity. [LR300]

SENATOR KARPISEK: Next testifier? Is there anyone else that wants to testify? Seeing none, you get to be almost last. []

TOM SAGE: Thank you, Senator. Could address you, good morning. Now I can address you, good afternoon. And I'll be very brief. [LR300]

SENATOR KARPISEK: Please state your name and spell it again. [LR300]

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TOM SAGE: Yes, it's Tom Sage, T-o-m S-a-g-e, executive director of the Nebraska Racing Commission. As mentioned earlier, some regulation concerns about having horse racing during the State Fair--there would be some concerns, but that would be easily worked out, I believe, between the commission and all the other entities that we've talked about. These issues had been worked out prior to running races at State Fair Park during the fair and not during the fair. I mean, we gave concessions. I don't think that would be an issue. That's all I have for you. [LR300]

SENATOR KARPISEK: All right. Any further questions for Mr. Sage? Senator Brasch. [LR300]

TOM SAGE: Yes. [LR300]

SENATOR BRASCH: I'm curious, has, other than racing blankets, winner blankets, has the horse racing explored sponsorships the way NASCAR does? Is any of that ever sold to corporates, you know, for funding? [LR300]

TOM SAGE: That's a very good question to talk to the track managers and the marketing directors of the tracks. I'm strictly--the Racing Commission is strictly the regulator. [LR300]

SENATOR BRASCH: Okay. [LR300]

TOM SAGE: But I do know that they offer blankets and they do sell sponsorships in their programs. [LR300]

SENATOR BRASCH: Very good. Thank you. That's all. [LR300]

SENATOR KARPISEK: Thank you. Any further questions? Seeing none, thank you. Senator Krist, to close. [LR300]

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SENATOR KRIST: As in anything, there appears to be and will continue to be a very parochial, I won't say prejudiced, but parochial viewpoints on what needs to be subsidized and perpetuated in our state history and those things that for some reason can't be subsidized and we need to develop the coffin size required to bury it completely. I find that offensive. I think the discussion that's been going on here today has been positive, in the fact that everyone would like to do what it takes to expand. I'll make two points, and then I will shut up. When you fly into the airport, as I have done several times, and you look at the large expanse of land that Grand Island has between the airport and there, and you look and hear what our own state fair commission is saying--they're growing at 30,000 a year--how long do you think that that road structure and that particular fairgrounds is going to hold the number of people? So if I'm in a business to make money and to get out from underneath the state subsidy, I'm going to have to figure out a way to keep 30,000 people coming in perpetuity so that I can pay my bills and not be dependent upon the state, as a business. Now, I realize it's not a business; it's a state activity that we are subsidizing. So there's a measured amount. I would say that the--if we're not considering a strategic plan that expands that fairground and that uses space to the north and to the east, we're probably falling behind as we speak. The second point I'll make is, in closing, is that this whole thing simply came up as an opportunity for us to discuss more live racing days, more opportunities for the racing--the horse racing industry to survive. It was a great discussion, and I appreciate the fact that the folks who came here representing different sides are willing to talk about the conversation. And I also find it refreshing that our first topic of the day and our last topic of the day probably will mesh into some positive activity. And I think there were some rumors dispelled today and some facts learned about what people would throw against the wall and what will stick. So if that's the only thing we did this morning, that's worth it. Thanks for your time. [LR300]

SENATOR KARPISEK: Thank you, Senator Krist. And that will close the hearing of LR300. Thank you all for coming today. Be careful going home. And Go Big Red.

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[LR300]