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General Affairs Committee
January 25, 2016

[LB820 LB822 LB862 LB970 LR380CA]

The Committee on General Affairs met at 1:30 p.m. on Monday, January 25, 2016, in Room 1510 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB822, LB820, LB862, LB970, and LR380CA. Senators present: Tyson Larson, Chairperson; Colby Coash, Vice Chairperson; Matt Hansen; Dan Hughes; Mark Kolterman; John McCollister; Merv Riepe; and Ken Schilz. Senators absent: None.

SENATOR LARSON: Welcome to the General Affairs Committee. I am Senator Tyson Larson of O'Neill and Chairman of this committee. People around the table are Jeff Fryman, our committee clerk; Senator Merv Riepe of Ralston; Senator John McCollister of Omaha; Senator Hughes of Venango; Senator Schilz of Ogallala. And to my right is Senator Kolterman of Seward; Senator Hansen of Lincoln; Senator Coash, my Vice Chairman of the committee, from Lincoln will be joining us; and Josh Eickmeier, legal counsel of the General Affairs Committee. Today our page is Laura from Omaha.

BRIANNE HELLSTROM: (Inaudible.)

SENATOR LARSON: Lauren?

BRIANNE HELLSTROM: I'm Brianne.

SENATOR LARSON: Oh, Brianne, I'm...Jeff, why is this wrong? (Laughter) Excuse me. There are three different sign-in sheets located on the tables at the back of the room. One sign-in sheet is for those not publicly testifying but want their presence and position noted as an exhibit in the official records of the committee. A second sign-in sheet is for those who are present at the committee hearing and who have offered written testimony in lieu of testifying which will be noted on the committee statement. And a third sign-in sheet is for anyone planning on testifying before the committee. When it is your turn to testify, please give this sign-in sheet to the page so that they can give it to the committee clerk. This will help us keep a more accurate public record. After each introduction of a bill the Chair will ask for testimony from the public. When you come up to testify, please speak clearly into the microphone, please tell us your name, and please spell your first and last name; also, please tell us whom you are representing, if anyone. We will be using the light system for our hearings. Testifiers will have three minutes, which will be represented by a green light when you begin, an amber light when you have one minute remaining, and a red light when your time is up. When your time is up, I will kindly ask you to stop and there will be questions from the committee should they choose to do so. Please turn your cell phones or any other electronic devices to silent. Please keep your conversations to a minimum or take them out into the hallway. The General Affairs Committee is participating in a

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pilot program to go paperless; therefore, we are only accepting handouts and written testimony electronically. Due to this new policy, if you would like to submit something but only have paper copies, we will be happy to try to accommodate you and make sure that it gets into the public record. We also do not allow visual aids or display items. Because the committee is going paperless, senators are allowed and even encouraged to use their electronic devices during the hearings. Thank you for your cooperation. And we will begin today with our hearings with LB822 which I will have my legal counsel introduce all my General Affairs Committee bills today. So, Legal Counsel Eickmeier, welcome to the General Affairs Committee. [LB822]

JOSHUA EICKMEIER: Thank you. My name is Joshua Eickmeier, J-o-s-h-u-a E-i-c-k-m-e-i-e-r. I'm legal counsel for the General Affairs Committee and here representing Senator Tyson Larson. LB822: Under current law, which is Statute 81-2103, the Governor's appointments to the State Electrical Board require legislative confirmation. LB822 would simply eliminate the confirmation requirement. As of 2014, 46 of the 222 boards and commissions, or 20.7 percent, currently require legislative confirmations. If you would like, I can provide you with a complete list of boards and commissions and which ones require legislative confirmation and which ones don't. This information is contained in Table 5 of the Nebraska Boards and Commissions report of 2014 prepared by the Legislative Research Office. That's it. [LB822]

SENATOR LARSON: Thank you, Mr. Eickmeier. Any questions from the committee? Senator Hughes. [LB822]

SENATOR HUGHES: Thank you, Mr. Chairman. Thank you, Mr. Eickmeier. How many members are on the Electrical Board? Did I miss that? [LB822]

JOSHUA EICKMEIER: I am not sure. I'm guessing it's an odd number (laughter). [LB822]

SENATOR HUGHES: Okay, we'll... [LB822]

SENATOR LARSON: We can get that information for you, Senator Hughes. [LB822]

SENATOR HUGHES: Okay. [LB822]

JOSHUA EICKMEIER: Yeah. [LB822]

SENATOR LARSON: Any further questions? Seeing none, thank you, Mr. Eickmeier. [LB822]

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JOSHUA EICKMEIER: Thank you. [LB822]

SENATOR LARSON: Any proponents for LB822? Seeing none, any opponents for LB822? Thank you. Welcome to the General Affairs Committee. [LB822]

MIKE MARVIN: Thank you, Chairman Larson. Members of the committee, I appreciate the opportunity to appear here. My name is Mike Marvin, M-i-k-e M-a-r-v-i-n. I'm executive director of the Nebraska Association of Public Employees/American Federation of State, County and Municipal Employees Local 61. We're commonly known as NAPE. We are the union representing the majority of state employees. I'm here today in opposition to LB822. We believe that taking away the consent of the Legislature for any state board or commission is bad public policy. The citizens have the right to have their voice represented in any appointment to a public board or commission in the Legislature and these hearings serve as that voice. NAPE already has concerns about the makeup of the Electrical Board. Currently sitting on the board is a contractor who bids on many jobs that our electrical inspectors must inspect. Any contractor who does business that must be inspected by the state electrical inspectors should not be allowed on a vote on rules, regulations, or electrical code, and exemptions to code that they are bound by. If you take away the consent of the Legislature on appointments, you take away our and the public's right to comment and influence any such appointments. I would also like to remind you of all the committees that are special oversight committees established in the last several years. Now let me be clear, I'm not saying that one is necessary in this case, but it does not make sense to me to give up the Legislature's ability to have at least this level of oversight on appointees to ensure that qualified, capable people are appointed to such boards. I would urge you not to advance this bill out of committee. It is bad public policy to take away the public's voice. You, the Legislature, are our voice. Thank you for your time today and I would be happy to answer any questions. [LB822]

SENATOR LARSON: Thank you. Senator Riepe. [LB822]

SENATOR RIEPE: Thank you, Senator Larson. And thank you for being here with us today. My question would be is, what's your perception as to why this group was selected as opposed to some other board that... [LB822]

MIKE MARVIN: Senator, I have no idea why it was selected. I would like to know, but I have no idea at this point today. [LB822]

SENATOR RIEPE: There's no history to it? [LB822]

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MIKE MARVIN: Not that I'm aware of. [LB822]

SENATOR RIEPE: Okay. [LB822]

SENATOR LARSON: Thank you, Senator Riepe. [LB822]

SENATOR RIEPE: Thank you. [LB822]

SENATOR LARSON: Any other questions from the committee? Real quick, you mentioned that the State Electrical Board gets to offer exemptions and things of that nature. Obviously, the state electrical code is in statute. Do you know specifically what exemptions the State Electrical Board does get to offer certain contractors or anything of that nature? [LB822]

MIKE MARVIN: Well, we've had some issues come up in the past that I will...can send you copies of the problems that have come from our electrical inspectors to our office. They are pretty much on what code is being used, whether it's this code from this date or a code after this date, and... [LB822]

SENATOR LARSON: And you're representing the state union? [LB822]

MIKE MARVIN: State employees union, we represent the electrical inspectors. [LB822]

SENATOR LARSON: The state electrical inspectors. [LB822]

MIKE MARVIN: Um-hum, state electrical inspectors, they inspect all state buildings, schools, university, all those types of buildings. [LB822]

SENATOR LARSON: Okay. And so it's more of a...the board gets to decide which codes to use or...but they're still following the code. [LB822]

MIKE MARVIN: They're still following the code, but they can grant an exemption. Say the code changed. They can grant an exemption because of when the building was started or some other issues. It is far beyond my knowledge to get into the electrical code. Every time I try to read it, I'm lost, so... [LB822]

SENATOR LARSON: So your assertion is that this, the State Electrical Board, is so much of a political appointment that the Legislature does need to have oversight. [LB822]

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MIKE MARVIN: Absolutely. [LB822]

SENATOR LARSON: All right. Thank you. Any further questions? Senator Hughes. [LB822]

SENATOR HUGHES: Yes, thank you, Mr. Chairman. Thank you, Mr. Marvin, for coming in. Of the seven State Electrical Board members, are any of them state employees? [LB822]

MIKE MARVIN: One is. [LB822]

SENATOR HUGHES: One is? [LB822]

MIKE MARVIN: Yes. [LB822]

SENATOR HUGHES: And he would be a... [LB822]

MIKE MARVIN: Well, actually, yeah, one I believe is, yes. [LB822]

SENATOR HUGHES: Okay. [LB822]

MIKE MARVIN: He would be an electrical inspector. [LB822]

SENATOR HUGHES: Okay, is that kind of normal that there's one or more than one? [LB822]

MIKE MARVIN: I can't say that it's normal. The law calls for a state electrical inspector to sit on that board. [LB822]

SENATOR HUGHES: So that is the (inaudible) on that board. [LB822]

MIKE MARVIN: I don't know who it...right. [LB822]

SENATOR HUGHES: Okay, thank you. [LB822]

SENATOR LARSON: Senator McCollister. [LB822]

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SENATOR McCOLLISTER: Yeah, thank you, Mr. Chairman. Thank you, Mr. Marvin, for your testimony today. Let's talk about the composition of this board. It's defined in statute, is it not? [LB822]

MIKE MARVIN: It's defined in statute, it is. [LB822]

SENATOR McCOLLISTER: And the Governor makes the appointments, correct? [LB822]

MIKE MARVIN: Yes, he does. [LB822]

SENATOR McCOLLISTER: And are you aware of any particular issues surfacing on this board that would make this legislation arise or cause this legislation to be proposed? [LB822]

MIKE MARVIN: No, I'm not, Senator McCollister. I'm not aware of any situation that brought this legislation up. In fact, I was surprised to see it, so. [LB822]

SENATOR McCOLLISTER: Are you aware of any other appointments that bypass the legislative approval process? [LB822]

MIKE MARVIN: For the agencies that I represent, none that I am aware of. There could be but I haven't gone through all the different boards and commissions. [LB822]

SENATOR McCOLLISTER: Well, thank you, Mr. Marvin. [LB822]

SENATOR LARSON: Senator McCollister, for clarification in the opening, only 46 of the 222 boards require legislative approval in the state of Nebraska,... [LB822]

SENATOR McCOLLISTER: I see. Thank you, Senator. [LB822]

SENATOR LARSON: ...so very, very few in proportion. Senator Riepe. [LB822]

SENATOR RIEPE: Thank you. That was one of my questions about how many other...looking for precedent in terms of it might be set by taking the action that we are being asked to take. I guess the other point that I would ask is, on the members on this particular board, the seven, is the state employee an ex officio or are there any ex officio on there? Are they full voting members? [LB822]

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MIKE MARVIN: Senator, I can't answer that question. [LB822]

SENATOR RIEPE: Okay. [LB822]

MIKE MARVIN: I'd have to get back to you on that. [LB822]

SENATOR RIEPE: Okay. But do you know, sir, if the state employee that is serving on that board, was he then appointed by the Governor? [LB822]

MIKE MARVIN: I believe so. [LB822]

SENATOR RIEPE: He was, okay. Okay, thank you, Senator Larson. [LB822]

SENATOR LARSON: Thank you, Senator Riepe. Any further questions? Thank you for your time. [LB822]

MIKE MARVIN: Thank you. [LB822]

SENATOR LARSON: Any further opposition? Anybody here in a neutral capacity? Mr. Eickmeier? Oh, you're good? All right. And with that, we will waive closing and the hearing on LB822 will conclude. That moves us to LB820, Senator Hughes. Welcome to the General Affairs Committee, Senator Hughes. [LB822]

SENATOR HUGHES: Thank you, Chairman Larson. Good afternoon, members of the General Affairs Committee. For the record my name is Dan Hughes; that's D-a-n H-u-g-h-e-s. I'm here today to introduce LB820. LB820 would allow for a lottery or raffle in which the winners are determined based on the timing of a natural occurring event, such as a weather event like today. Tickets would be sold with a date and time that a particular event may occur. The ticket or tickets with the exact date and time would be the winner. One possibility would be the date and time of the first temperature reading of 100 degrees or more at the national weather station in North Platte, Nebraska. The idea was brought to me by a member of the Nebraska Lions Foundation who is looking for ways to raise money for worthwhile projects in the state of Nebraska. This opportunity would be available to all nonprofits in the state who want to use it as a possible fund-raising event that would attract a larger audience. An example of that is up and running in Alaska. The Nenana Ice Classic is an annual ice contest held in Nenana, Alaska. It is a fund-raising event in which individuals attempt to guess the exact time when the Tanana River ice will break up in Nenana. Tickets are sold from February 1 through April 5 of each year throughout Alaska and the world. The Nenana Ice Classic is a non-profitable, charitable organization and, as

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such, the proceeds benefit many volunteer and nonprofit organizations. I'd be happy to answer any questions. [LB820]

SENATOR LARSON: Thank you, Senator Hughes. Questions from the committee? Senator Riepe. [LB820]

SENATOR RIEPE: Thank you, Senator Larson. I'm trying to think of the total number that...these kinds of things and how one stays...I'm not saying control. I'm not really looking for that. I'm just saying, how do you make sure that they don't just get totally out of hand? And, you know, is it conceivable that it could get a statewide bet going on of whether the football team will win seven games next year or...? [LB820]

SENATOR HUGHES: The legislation that this has proposed is based off of a natural occurring event and whether or not the football team wins is not a naturally occurring event. [LB820]

SENATOR RIEPE: That's proven, yes (laughter). Okay, I'm just trying to wrap my head around... [LB820]

SENATOR HUGHES: In Alaska they're generating a sizable amount of money. They're selling tickets worldwide and it's just more of an interest type of event. You know, it's not...I don't see that there's going to be, you know, hundreds of thousands of dollars generated from this. But this is the gentleman who is going to come up behind me thinking outside the box of how to help his organization within the state of Nebraska do good things and wants to be legal about it. [LB820]

SENATOR RIEPE: Senator, would you consider this skill or chance? [LB820]

SENATOR HUGHES: This is strictly chance. [LB820]

SENATOR RIEPE: Okay. [LB820]

SENATOR HUGHES: It could be skill if you are a weather geek,... [LB820]

SENATOR RIEPE: A meteorologist? [LB820]

SENATOR HUGHES: ...a meteorologist, but there's some question as to whether meteorologists just...meteorology is skill or chance. There's no question about that, but... [LB820]

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SENATOR RIEPE: Out on the farm, huh? [LB820]

SENATOR HUGHES: Yeah. It could have an element of both. [LB820]

SENATOR LARSON: Senator McCollister. [LB820]

SENATOR McCOLLISTER: Yeah, thank you, Mr. Chairman. Senator Hughes, you indicated that Alaska was the first state to originate this concept, is that... [LB820]

SENATOR HUGHES: That's the example that I was made aware of. I do not know if they were first. [LB820]

SENATOR McCOLLISTER: How many other states have similar kinds of contests? [LB820]

SENATOR HUGHES: I'm not aware of that. The gentleman following me may be able to answer that. [LB820]

SENATOR McCOLLISTER: In the bill itself, does it prescribe how the money is divided? [LB820]

SENATOR HUGHES: No. [LB820]

SENATOR McCOLLISTER: So would that, the proceeds, be divided as, what, like the lottery or...? [LB820]

SENATOR HUGHES: I would assume without having gotten that far that probably 50 percent would go to the winner. There would be a small percentage for the administration and the balance would go to the sponsoring organization for their charitable act. [LB820]

SENATOR McCOLLISTER: So like the lottery, would this be organized and conducted by the state? [LB820]

SENATOR HUGHES: No, I think it's up to the individual nonprofit organization to do this. [LB820]

SENATOR McCOLLISTER: Okay. [LB820]

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SENATOR HUGHES: Yeah, it would not be the state and there...I would prefer that they are not taxed by the state, that the money would all be generated and flow to the winner and the nonprofit for distribution. [LB820]

SENATOR McCOLLISTER: Thank you, Senator. Thank you, Mr. Chairman. [LB820]

SENATOR LARSON: Senator Hughes, just to clarify some stuff, and we heard concerns from Senator Riepe, you know, on how many things could be...right now raffles are essentially legal in the state right now. You see Knights of Columbus have a, quote, raffle or whatnot, things of that nature. Do you see...in which you get a number essentially. You buy a number... [LB820]

SENATOR HUGHES: Yes. [LB820]

SENATOR LARSON: ...and essentially a lot of those are considered 50/50 raffle or they have 50/50 raffles at your basketball games or... [LB820]

SENATOR HUGHES: Yes. [LB820]

SENATOR LARSON: ...things of that nature. Do you see this very similar to that type of concept, just defining natural occurring event into those statutes essentially? [LB820]

SENATOR HUGHES: That's exactly what this would be is not a...you know, we're not talking about millions of dollars. But if the idea were to catch on, you know, there could be significant money generated by those of us who like to spend our dollars for entertainment of taking a chance or, you know, as a Christmas gift or something like that. [LB820]

SENATOR LARSON: Helping our local communities. [LB820]

SENATOR HUGHES: Yes. [LB820]

SENATOR LARSON: And like we talked about, those 50/50 raffles or, quote, raffles that... [LB820]

SENATOR HUGHES: Yes, yeah. [LB820]

SENATOR LARSON: ...or things of that nature where we understand...that are already legal in state statute. This is just adding this to the concept. [LB820]

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SENATOR HUGHES: Yes, yeah, exactly. [LB820]

SENATOR LARSON: So less so of a lottery or, like, the state taking the cut in terms of dividing the funds, just kind of what we see across the state or... [LB820]

SENATOR HUGHES: This is what I would consider would be more of a local effort. [LB820]

SENATOR LARSON: I appreciate that. And so kind of to ease Senator Riepe's concerns it's...it will be, you know, we're not going to see a large, you know, a large company come in and try to conduct all these raffles for their own gain. These are your local Lions Clubs and Rotary Clubs and... [LB820]

SENATOR HUGHES: I would not anticipate Rig Red Keno getting involved in this. As I said, the gentleman that brought this to me that will follow me is on the state Lions Club Foundation board, so they are trying to find ways to generate money to sustain the charitable activities that they do as Lions Clubs. [LB820]

SENATOR LARSON: Appreciate that. [LB820]

SENATOR HUGHES: But it would be open to any...I mean it's open to any nonprofit. [LB820]

SENATOR LARSON: Like any other 50/50 raffle or... [LB820]

SENATOR HUGHES: Yes, yes. [LB820]

SENATOR LARSON: ...anything of that nature we have in the state currently. [LB820]

SENATOR HUGHES: Correct. [LB820]

SENATOR LARSON: Just the statutes are unclear and we're just defining that these are acceptable. [LB820]

SENATOR HUGHES: That's why we brought this legislation: to make sure that the intent of the Legislature is understood, that opportunities like this of raffles would be legal. [LB820]

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SENATOR LARSON: Thank you, Mr. Hughes. Any further questions? All right, thank you. [LB820]

SENATOR HUGHES: Thank you. [LB820]

SENATOR LARSON: Do we have proponents for LB820? Welcome to the General Affairs Committee, sir. How are you, sir? [LB820]

TED TIETJEN: Fine, thank you. [LB820]

SENATOR LARSON: Did you make the long trek from Grant? Is that what I heard? [LB820]

TED TIETJEN: You bet. [LB820]

SENATOR LARSON: Good old Perkins County. [LB820]

TED TIETJEN: I think I first need to apologize. I was not aware that the committee was asking for electronic information and it's been awhile since I've testified before any committee so I apologize for that. [LB820]

SENATOR LARSON: We'll make sure that the committee members get... [LB820]

TED TIETJEN: Some of us in western Nebraska may not be up to speed with the rest of the world (laughter). [LB820]

SENATOR LARSON: We have a number of western Nebraska senators here. We all understand the issues that plague us. But, no, we will make sure that the committee receives your handout and sees it. [LB820]

TED TIETJEN: I used to live in Atkinson which was a nice community. [LB820]

SENATOR LARSON: It's God's country. [LB820]

SENATOR SCHILZ: Almost. [LB820]

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TED TIETJEN: (Exhibits 1-3) Before you...I don't know, I think they probably are handing these out at some point in time. And I'm limited to three minutes, so I'll have to be very quick about what I say. I did first run into this when I was in Alaska and was very intrigued by the Nenana Ice Classic. And so I studied it and in the information you can go to their Web site. It's much more detailed than what I'll have time to share with you. And it's been in existence since 1989 and last year the winners received \$363,000, which is not a small amount, but it was used in the communities for, like, for example, (Special) Olympics of Alaska, Fairbanks Rescue Mission, some...the library, (Nenana) Valley visitor centers, and a number of other programs. Now I happen to be the long-range planning chair for the Nebraska Lions Club and we support Camp Kaleo, which is for handicapped young people, at Halsey each year; kids' sight and hearing; Opening Eyes; glasses; Low Vision Center that's in Omaha and Eye Bank; diabetes training; a mobile screening unit which goes around to the schools, checks kids for their eyesight and hearing; and then medical assistance for people that have limited resources. And so it's our responsibility as a committee to come up with ideas and plans of trying to find ways to raise money. The proposal is to select through one of the weather stations, and I found out when I visited with people in North Platte there are three stations in the state of Nebraska that are manned 24/7. One is at Valley, one is in Hastings, and one is in North Platte. One of the reasons I stopped by was to make sure that if we did try to implement this concept of selecting what day and what time we'd have our first frost, whether we would be stepping on some of their operating procedures. And there are some questions that need to be resolved, but I think that after visiting with the administrator that there's a good chance we should be able to do that. It probably will require that we have our own Web site. And so I would encourage you to look at the information that I've passed out to you, and there's also a PowerPoint presentation included in that that describes briefly the Nenana Ice Classic. I think that summarizes my time. [LB820]

SENATOR LARSON: You have plenty of time left still, look at that. [LB820]

TED TIETJEN: Okay. [LB820]

SENATOR LARSON: You don't even have to worry about it. Questions from the committee? Senator Riepe. [LB820]

SENATOR RIEPE: Thank you, Senator Larson. I guess I look at this and I say, in Alaska you had talked about \$363,000 last year? [LB820]

TED TIETJEN: Uh-huh, yeah, and it was divided between 24 winners. [LB820]

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SENATOR RIEPE: It certainly doesn't sound like incidental gambling. It sounds like it's fairly substantial expanded gambling in the sense of, you know, money taken out of the marketplace that you might argue it goes back in but... [LB820]

TED TIETJEN: Well, you know, the tickets sell for \$2.50 apiece in Alaska and you have to be a resident of Alaska or have somebody represent you if you're outside the state. And I know an earlier question was whether other states had this. If they have, I'm not aware of it. Okay? [LB820]

SENATOR RIEPE: Okay. My biggest concern is when you get up to that kind of money, what kind of oversight do you have on it? You want to make a... [LB820]

TED TIETJEN: In my comments I recommended that the Lions Club, if it gets approved, they set up a separate nonprofit organization and work with the department that's involved with the state of Nebraska to write up the business plan that will implement it and make sure that it does meet all these requirements to be all aboveboard. I don't know if I answered your question very well. [LB820]

SENATOR RIEPE: No, no, you certainly did. I'm not sure it took away all my concerns. [LB820]

TED TIETJEN: Yeah, there's no business plan been written at this point. [LB820]

SENATOR RIEPE: We've seen so many situations where someone that is the treasurer ends up becoming confused in terms of what money belongs to the organization, what belongs to them. [LB820]

TED TIETJEN: I've never heard of that. [LB820]

SENATOR RIEPE: You haven't? (Laughter) You're an old tail twister from the Lions Club, I think. Thank you. [LB820]

SENATOR LARSON: Thank you, Senator Riepe. Senator Schilz. [LB820]

SENATOR SCHILZ: Thank you, Mr. President. Ted, good afternoon and welcome. Thanks for coming down to Lincoln. [LB820]

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TED TIETJEN: I'm sorry? [LB820]

SENATOR SCHILZ: I said, welcome, thanks for coming to Lincoln. [LB820]

TED TIETJEN: Okay. [LB820]

SENATOR SCHILZ: Yeah. Hey, as you look at this, how much...what kind of programs will this be going towards and what...how much are you guys thinking about? [LB820]

TED TIETJEN: Well,... [LB820]

SENATOR SCHILZ: What's this... [LB820]

TED TIETJEN: ...just to give you an idea, the program for a mobile screening unit where they go around to the schools and so forth would require some transportation and equipment, costs roughly \$100,000 a year to do that. And it's amazing what high percentage of young people have either vision or hearing problems. And that's one example. The Weigel Low Vision Center that's in Omaha for people that have very limited eyesight, that's not a cheap operation either--I don't have the budget figures for that one--and of course Camp Kaleo, which is a very special program for kids that are handicapped. [LB820]

SENATOR SCHILZ: Sure. So... [LB820]

TED TIETJEN: Did I answer your question adequately? [LB820]

SENATOR SCHILZ: You did. [LB820]

TED TIETJEN: Okay. [LB820]

SENATOR SCHILZ: You did, yeah. So doing this stuff isn't...it's not cheap and this would give you a way to do that while also reaching out... [LB820]

TED TIETJEN: Well, it's not the only source of revenue we have, okay, but it's one that we're proposing. And the PowerPoint, it was the same one I presented to the foundation and they said go ahead and present the information to the Legislature, then Senator Hughes was gracious enough to accept the challenge of presenting LB820. [LB820]

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SENATOR SCHILZ: Thank you, Mr. Tietjen, appreciate it. [LB820]

SENATOR LARSON: Thank you, Senator Schilz. Any further questions? [LB820]

TED TIETJEN: Senator McCollister, what was your professional business? [LB820]

SENATOR LARSON: Mr. Tietjen, I... [LB820]

TED TIETJEN: I can't ask. [LB820]

SENATOR LARSON: No, we don't... [LB820]

TED TIETJEN: I'm sorry. [LB820]

SENATOR LARSON: We don't accept questions. [LB820]

SENATOR McCOLLISTER: We could talk later. [LB820]

TED TIETJEN: Pardon? [LB820]

SENATOR McCOLLISTER: We could talk later. [LB820]

SENATOR LARSON: I'm sorry. [LB820]

TED TIETJEN: I thought my sister worked for you, sir (laughter). [LB820]

SENATOR McCOLLISTER: Thank you. [LB820]

SENATOR LARSON: I appreciate but, yeah...any further proponents for LB820? Opponents? Welcome back, Mrs. Loontjer. [LB820]

PAT LOONTJER: Thank you, Senator Larson. I'm Pat Loontjer and I am the director of the group Gambling with the Good Life for the past 20 years. We are opposed to any form of expanded gambling in the state. And even though this bill seems kind of innocuous, we are opposed to it. We do see it as a form of expanded gambling. And our main concern is that it's just...there's so many unanswered questions. You know, for instance, what is the definition of a

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natural occurring event? How will it be managed? Who will have oversight? Is this going to cause any expenses for the state in the management of it? And I don't know that it's necessary because businesses and nonprofits currently are allowed to have contests of this sort--picking the first snowfall or the amount of the snowfall--and then giving prizes such a snow blower or something similar. The difference is that there's no finances involved in entering such a lottery. So we do see this as legalizing a new form of gambling. [LB820]

SENATOR LARSON: Thank you, Mrs. Loontjer. Any questions from the committee? Specifically, Mrs. Loontjer, we heard from Senator Hughes as we talk about 50/50 raffles and whatnot, and you talk about an expansion of gambling. What would you think if we were to say that you could buy rubber ducks and every rubber duck had a number on them and they, you know, a town did this and dumped them into the river at one point and the first duck to cross the finish line was the winner and got to split that. Is that acceptable in your idea or is that... [LB820]

PAT LOONTJER: You know, we've never challenged the ducks in Omaha because they do do that for charity. We don't...we oppose anything that's state sponsored that the state gets involved with and makes it (inaudible)... [LB820]

SENATOR LARSON: And I'm just saying for that concept, you know, so what Senator Hughes is trying to do isn't state sponsored actually, and you're saying you oppose what is state sponsored. His isn't state sponsored and the ducks are done in Omaha and they're also done in Verdigre and that's written in statute and was changed in--what I see--1997 with LB248. Do you...you've been doing this for how long, did you say? [LB820]

PAT LOONTJER: Gambling with the Good Life? [LB820]

SENATOR LARSON: Yeah. [LB820]

PAT LOONTJER: Twenty years. [LB820]

SENATOR LARSON: Did you oppose that? [LB820]

PAT LOONTJER: No. [LB820]

SENATOR LARSON: You didn't oppose that, and so that was a raffle or pretty much very similar to what Senator Hughes is trying to do today, yet you come here and oppose LB820, but

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you did not oppose LB248 which essentially created a very similar raffle that was purely done on, again, chance, correct? [LB820]

PAT LOONTJER: Correct. [LB820]

SENATOR LARSON: Thank you. Next opposition. Welcome to the General Affairs Committee. [LB820]

GLEN ANDERSEN: Thank you. My name is Glen Andersen. What else do I need to (inaudible), my address or...? [LB820]

SENATOR LARSON: Yeah, well, can you... [LB820]

GLEN ANDERSEN: 12778 County Road 30, Blair, Nebraska. [LB820]

SENATOR LARSON: Your name, spell... [LB820]

GLEN ANDERSEN: Glen Andersen. [LB820]

SENATOR LARSON: Can you spell it? [LB820]

GLEN ANDERSEN: G-l-e-n A-n-d-e-r-s-e-n. [LB820]

SENATOR LARSON: Thank you. [LB820]

GLEN ANDERSEN: Okay. I've been listening to what was said previously and trying to understand this and I'm opposed to expansion of gambling no matter what size the gambling is. However, I'd like to direct most of my time to the details and so on. And I've got about a dozen questions. What's a naturally occurring event? I don't know whether that's defined. Is this a lottery? Is that really defined? It seems different than a lottery, betting on the time of whenever this event is going to happen. And it seems like a new form of gambling that we're legalizing here and it seems like something that would have to be regulated, which amounts to cost of the government. We're talking about more government here to regulate these types of things, these lotteries. And I don't...I see no limit to the stake or the price of the tickets. Can this be expanded up to \$500,000, \$10,000 stakes? I don't know whether that's what was intended by this bill, but I see no limit on it. And again, we need regulations. We have to make sure the winners are taxed. And there is no...the Lions Club is a good organization and we all like to contribute to it. But I

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see no stipulation in this bill that these lotteries, whatever you want to call them, that they are for nonprofit organizations. By listening to the proponent just a little while ago, you might think, well, this is going to be good for nonprofits. But it might be really good for people trying to profit from this new form of gambling. [LB820]

SENATOR LARSON: Thank you. Questions from the committee? [LB820]

GLEN ANDERSEN: Thank you. [LB820]

SENATOR LARSON: Mr. Andersen, correct? It's Mr. Andersen? [LB820]

GLEN ANDERSEN: Yes. [LB820]

SENATOR LARSON: What is a lottery? [LB820]

GLEN ANDERSEN: I don't know other than it's so many people putting money in and drawing from the...and drawing the number out of a pool. [LB820]

SENATOR LARSON: So I guess the...because you call it a lottery, so what's, in your mind, what's the difference between a lottery and a raffle? [LB820]

GLEN ANDERSEN: Well, a lottery ordinarily is just a plain pool and you draw this ticket out of the... [LB820]

SENATOR LARSON: Okay. [LB820]

GLEN ANDERSEN: ...out of the jar, whatever you do. [LB820]

SENATOR LARSON: [LB820]

GLEN ANDERSEN: With this you're introducing another unknown, another... [LB820]

SENATOR LARSON: I asked the difference between a lottery and a raffle, Mr. Andersen. [LB820]

GLEN ANDERSEN: Pardon me? [LB820]

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SENATOR LARSON: The difference between a lottery and a raffle, what's your definition of a raffle? Is it the same as a lottery? [LB820]

GLEN ANDERSEN: Well, to me a raffle would be a nonprofit situation where no one has a stake in what they're drawing from in that. [LB820]

SENATOR LARSON: So the nonprofit receives part of the money and they give a prize or part of the money back, correct? [LB820]

GLEN ANDERSEN: Yeah. [LB820]

SENATOR LARSON: That's what... [LB820]

GLEN ANDERSEN: The prize is put up by some other organization so those who are entered in it would have no stake in it. [LB820]

SENATOR LARSON: So, and is that not what Senator Hughes is trying to do in LB820, create a raffle in which a nonprofit organization takes part of the money and then, whoever wins, essentially the raffle takes the other part of the prize? [LB820]

GLEN ANDERSEN: Yeah, I agree with the exception that everyone who is playing the game has a stake in it and they're investing their own money expecting gain. [LB820]

SENATOR LARSON: Is anybody that plays a 50/50 raffle, are they investing their own money in it and hoping for a gain? With your local Catholic church or your local community organization, anybody that puts in a 50/50 raffle, are they putting their own money in? [LB820]

GLEN ANDERSEN: You've got me confused now, Senator Larson. [LB820]

SENATOR LARSON: I understand. [LB820]

GLEN ANDERSEN: I don't know how to answer that. [LB820]

SENATOR LARSON: All right, thank you, Mr. Andersen. [LB820]

GLEN ANDERSEN: Okay. [LB820]

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SENATOR HANSEN: I would have a... [LB820]

SENATOR LARSON: Oh, I'm sorry, Mr. Andersen, Senator Hansen has a question. I missed that. [LB820]

GLEN ANDERSEN: Oh, excuse me. [LB820]

SENATOR LARSON: Excuse me, Senator Hansen. [LB820]

SENATOR HANSEN: Thank you, Chair, and thank you, Mr. Andersen. I was just going to comment. I appreciate on your coming and testifying before us and your questioning. I do agree the difference between a lottery and raffle could be confusing, including, just as I'm rereading the bill, I do believe we are defining this as a lottery in at least one section. So that was just more my comment in general in the...thank you for testifying. [LB820]

SENATOR LARSON: Thank you, Senator Hansen. [LB820]

GLEN ANDERSEN: Okay. [LB820]

SENATOR LARSON: Thank you, Mr. Andersen. Any further opposition to LB820? Welcome back to the General Affairs Committee. [LB820]

AL RISKOWSKI: (Exhibit 4) Thank you. Al Riskowski, it's A-l and Riskowski is R-i-s-k-o-w-s-k-i. I'm the executive director of Nebraska Family Alliance and representing them here today. So I appreciate always the opportunity to be before General Affairs Committee and, Chairman Larson, yourself. [LB820]

SENATOR LARSON: Thank you. [LB820]

AL RISKOWSKI: It's always good. We oppose this particular bill, LB820, because we do believe it's expanding gambling by creating new gambling schemes in which participants are paying something for the opportunity to win. We believe LB820 introduces a new gambling scheme called "the timing of a naturally occurring event." There obviously is not a definition of what may be included or restricted within this new gambling scheme, and I have the same concerns that were brought up earlier. Would "naturally occurring event" include the first home run of a baseball team or the exact time when the first touchdown would occur during a football game, as well as the first snow of 2017? The term "naturally occurring event" could include a

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vast array of events and my...I believe this is about the sixteenth Legislature that I've participated in over the years and I have heard many a time an intent given on a particular bill and a year or two later that intent was forgotten and changes were made because it was not placed in statute, particular definitions or directions given. I also believe LB820 is unconstitutional because it is creating a new type of gambling scheme called "the timing of a naturally occurring event." LB820 does not properly fit under the rules and regulations of lottery or raffle. In the definition of lottery and raffle the winner is determined by a random drawing method. In a naturally occurring event gambling scheme, a random drawing does not occur. LB820 makes an attempt to change statute to accommodate this rule, however, such a change only highlights the problems with this bill. For the reasons listed above, we would hope that the General Affairs Committee will please not vote LB820 out of committee. So thank you. [LB820]

SENATOR LARSON: Thank you, Mr. Riskowski. Any questions from the committee? Seeing none, have a nice afternoon. [LB820]

AL RISKOWSKI: Okay, thank you. [LB820]

SENATOR LARSON: Further opponents. Seeing none, are there any here in the neutral capacity? With that, Senator Hughes, would you like to close? [LB820]

SENATOR HUGHES: I will. Thank you, Mr. Chairman. Just a couple of points that I would like to address brought up by the opponents to this bill. In reading the bill, if you look, a licensed organization would be the one conducting this raffle and that is a 501(c)(3) corporation, so it is not state sponsored. The lack of details within the bill, you know, generally any bill we introduce needs to be ran through the process and the details are brought forth after they'd looked at the transcripts and see what the intent of the Legislature was. The winners would pay income tax on the winnings. That was an issue brought up. And certainly people are not being forced to buy these tickets. You know, this is a chance at a naturally occurring event and I would say that a home run in a baseball game or a touchdown in a football game are not naturally occurring events. We've seen zero scores in those, so just a couple of clarifications. [LB820]

SENATOR LARSON: Thank you, Senator Hughes. Any questions from the committee? Senator Riepe. [LB820]

SENATOR RIEPE: Senator Larson, I have a quick question. You had said and I had said, I think, Senator Larson, this is not a state sponsored...it sounded like, Senator Hughes, you said these are or could be sponsored by 501(c)(3) tax exempts. I'm just... [LB820]

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SENATOR HUGHES: That's my intent, yes. [LB820]

SENATOR RIEPE: Okay, I'm just trying to kind of like...if they're not state sponsored and they're...why do we even need the legislation? [LB820]

SENATOR HUGHES: I think the group that is looking at this wanted to make sure before they moved forward with this that they were not running afoul of the law. So we're just looking at putting it in statute to make sure that what they want to do to raise funds for charitable giving, you know, won't run afoul of the law. [LB820]

SENATOR RIEPE: Do you have any sense on the constitutionality of it all? [LB820]

SENATOR HUGHES: I do not. [LB820]

SENATOR RIEPE: Yeah, I don't either. Thank you. Thank you, Chairman. [LB820]

SENATOR LARSON: Thank you, Senator Riepe. Senator, you just...to help to offer a definition as you try to...as you said naturally occurring, the definition of naturally occurring that we can find is existing by nature without artificially...so essentially the examples of...that I would hope that any Supreme Court or anyone else would go to that natural definition of...so the first score of a football game or whatnot would be considered artificial (inaudible) in many ways, so I appreciate it and your clarity on the subject. [LB820]

SENATOR HUGHES: Okay, thank you. [LB820]

SENATOR LARSON: (Exhibits 5-12) And with that, we will conclude the hearing on LB820, which brings us to LB862, another General Affairs bill introduced by me. Mr. Eickmeier. [LB820]

JOSHUA EICKMEIER: Good afternoon. My name is Joshua Eickmeier, J-o-s-h-u-a E-i-c-k-m-e-i-e-r, and I'm the legal counsel for the General Affairs Committee. LB862 codifies in statute that fantasy sports contests are allowed in Nebraska. Examples of fantasy sports contest corporations include DraftKings and FanDuel. A typical contest involves a participant competing against other participants. Each participant selects players to form a fantasy team. As the selected players finish their respective games, their game statistics are converted into points. The participant with the most team points wins the contest. And I can go into further detail here later if you still have questions about how these are structured. LB862 states the following, "Fantasy contest means any fantasy or simulated game or contest in which: winning participants are

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eligible to receive cash or any other item of value; the value of all prizes and awards offered are established and publicized to the participants prior to the game or contest; all winning outcomes reflect the relative knowledge and skill of the participants and are determined predominantly by accumulated statistical results of the performance of individuals, including athletes in the case of sports events; and no winning outcome is based on the score, the point spread, or any performance or performance of any single actual team or combination of such teams or based solely on any single performance of an individual athlete or player in any single actual event." In 2006 Congress passed the Uniform (sic--Unlawful) Internet Gambling Enforcement Act, the UIGEA, in an effort to modernize the Wire Act of 1961. The UIGEA specifically exempts fantasy sports games that meet the following criteria: participation in any fantasy or simulation sports game or educational game or contest in which, if the game or contest involves a team or teams, no fantasy or simulation sports team is based on the current membership of an actual team that is a member of an amateur or professional sports organization, as those terms are defined in Section 3701 of Title 28, and that meets the following conditions: all prizes and awards offered to winning participants are established and made known to the participants in advance of the game or contest and their value is not determined by the number of participants or the amount of any fees paid by those participants; all winning outcomes reflect the relative knowledge and skill of the participants and are determined predominantly by accumulated statistical results of the performance of individuals, athletes in the case of sports events, in multiple real-world sporting or other events; no winning outcome is based on the score, point spread, or any performance or performances of any single real-world team or any combination of such teams, or solely on any single performance of an individual athlete in any single real-world sporting or other event. And that is 31 U.S. Code Section 5362. And if you note, the bill mirrors the language, not exactly, but it mirrors the I guess...mirrors might not be the best term, but it reflects the language in the 2006 UIGEA in order to have in essence federal compliance. The issues that I mention at the end that deals with no winning outcome can be based on the score, point spread, or the performance of a single team, that's what sports books do. That's the sports betting that you'd find in Las Vegas. This is--and the argument here is--that you're acting as essentially a general manager. You're drafting a team. You're deciding, of that team, which players are going to play that week and then...and you're doing this in a league; oftentimes it's your friends. This sort of a concept started I believe in the '80s, around the '80s with rotisserie baseball where you would look at the statistics and the sign values. And then as the, quote unquote, general manager of a team, depending on how your players did that week and the decisions that you made--deciding which players to play after you decided which players to draft--is all part of the argument that this is a game of skill. And that's again the standard used most recently in the, I believe, 2011 American Amusements case that was heard here in the state of Nebraska. And so that sort of lays out the legal argument for this. I'd be happy to answer any questions, especially if you wanted me to further explain how these types of games work. [LB862]

SENATOR LARSON: Senator McCollister. [LB862]

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SENATOR McCOLLISTER: Thank you, Mr. Chairman. And thank you for your testimony. How many states in the country allow this kind of gambling? [LB862]

JOSHUA EICKMEIER: That's a great question. The short answer is it's undetermined at this time. Many states have similar constitutions to Nebraska. Some states...there have not been any court cases at this point that have made that determination. There have been some attorneys general in various states who have opined that such activities are not...that these are...that such activities are not games of skill and, therefore, would be considered gambling and not allowed. New York, for example, has been pretty aggressive with that. I think Texas, last week the AG made that determination. But again, at this point those are Opinions, and so it's hard to predict what individual...well, it's hard to predict what the U.S. Supreme Court would do, let alone individual state courts. But I believe, and there are I believe representatives here from both FanDuel and DraftKings who can probably answer that better because they're actually I think in the trenches right now dealing with this issue in multiple states as well. [LB862]

SENATOR McCOLLISTER: So as far as you're concerned, just two states this issue is being adjudicated. [LB862]

JOSHUA EICKMEIER: No, no, no, I'm sorry, I didn't mean that. There are a number of states. Nevada has had some concerns with it... [LB862]

SENATOR McCOLLISTER: Okay. [LB862]

JOSHUA EICKMEIER: ...by their AG. And this has become extremely popular in recent time, in the last year in particular. You've seen a lot more commercials for both of these, as well as there's other companies out there, but the two main ones you probably have seen commercials for are DraftKings and FanDuel. And you've seen a lot of...I think I maybe watched ESPN one time and it seemed like every other commercial was one of those two companies. And so the level of awareness has gone way up, and so states have been reacting to that. But a lot of them weren't in session yet, their legislatures weren't in session, and so the AGs started issuing Opinions from various states, interpreting their own state law. I think in New York it is actually their state laws in play and some of these...so some of these issues aren't exactly apples and apples because we don't necessarily have any state laws that would run afoul of this, per se, where other states have much more specific state laws, especially, as you can imagine, in Nevada where they have legalized sports betting and other...you know, their interest I think is in regulating and figuring out how that piece fits in through existing gaming activities. [LB862]

SENATOR McCOLLISTER: If I'm not mistaken, and you would probably know, is some version of this kind of gambling available on-line that would be outside any state law? [LB862]

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JOSHUA EICKMEIER: Can you restate that, please? [LB862]

SENATOR McCOLLISTER: Sure. I think there's some version of this fantasy gambling--if it is, in fact, gambling--is available on-line for anybody to use throughout the country. Am I correct in that assumption? [LB862]

JOSHUA EICKMEIER: Yes. There are many versions of this. There are...in fact, if you go back far enough in time, a lot of these are done by hand before you had computers. And now the process has not just been automated, but you have companies that will do this for free, like you can sign up for I believe ESPN, Yahoo! Fantasy, and you can get...let's say this committee wanted to form a league. There's actually a TV show called The League, if you want to watch that, about fantasy football. But this committee could form a league and we would have a draft and we would sit down and we would draft the players for our team. And then we would plug this into the computer into one of these Web sites and then they will track that for you and they will match, you know, they'll have you against Senator Larson this week. You'll go head to head with your two teams. And based on the points you accumulate, one wins, one doesn't, and then you move on to the next round. But there are versions of this that are absolutely free, and then there are other versions where you would pay to play and then you would go up against either one other person or other people. And it may just be for one day. Some of them are season long; some might just be for one day. And that one-day contest then, depending on how your team did versus someone else's team, would determine whether you won or not. That's going on right now. [LB862]

SENATOR McCOLLISTER: But so the version you're talking about, no money changes hands? [LB862]

JOSHUA EICKMEIER: There are free versions where no money is changing hands through the Web site. The Web site is doing it for free. [LB862]

SENATOR McCOLLISTER: But there are some versions where money does change hands. [LB862]

JOSHUA EICKMEIER: Yes. [LB862]

SENATOR McCOLLISTER: And that occurs on a national scale? [LB862]

JOSHUA EICKMEIER: Or international, yeah, I mean, it's through the Internet, yes. You would log on to...you would...and again, I don't want to speak for the companies, so they're here to

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clarify if I misspeak. But, yes, there are ways to do that, for them to participate for money. [LB862]

SENATOR McCOLLISTER: Thank you. Thank you, Mr. Chairman. [LB862]

SENATOR LARSON: Thank you, Senator McCollister. Senator Riepe. [LB862]

SENATOR RIEPE: Thank you, Senator Larson. I have what I think is a follow-up question, and that is, what are the...I'm assuming you're not going through PayPal to pay this off. But what are the...are you familiar--you seem very knowledgeable about it--what are the upper limits of...is that limited to, like, losses in a day or losses in a week? [LB862]

JOSHUA EICKMEIER: I would defer to the companies. I've not actually ever played one for money before myself, so I don't know what those are. [LB862]

SENATOR RIEPE: So you've never lost. [LB862]

JOSHUA EICKMEIER: I've never lost and I've never won (laughter). [LB862]

SENATOR RIEPE: Thank you. Thank you. [LB862]

SENATOR LARSON: Thank you, Senator Riepe. Seeing no further questions, proponents. Welcome to the General Affairs Committee. [LB862]

PAUL CHARCHIAN: (Exhibit 1) Thank you, Mr. Chairman. Members of the committee, I'm very pleased to be here. My name is Paul, P-a-u-l, Charchian, C-h-a-r-c-h-i-a-n. I am the president of the Fantasy Sports Trade Association. Now it may come as a surprise that there would even be a trade association for fantasy sports, but there are actually a lot of companies that deal in the fantasy sports space. We have 325 companies as part of our membership. These include companies as big as ESPN, Yahoo!, Fox, CBS, NBC, all the way down to little guys with a dream who think they've got some great innovative feature for fantasy sports and they want to spend their nights and weekends in the industry. We support all of those people and I'm here to represent all of them today. I also represent the 52 million Americans who play fantasy sports. The Fantasy Sports Trade Association also represents the players. And of that 52 million, we estimate roughly 300,000 of them are Nebraskans. We all know people who play fantasy sports, all of us do. And they're our friends and they're our family and it's our husbands and it's our wives and it's our nephews and there are family leagues. In fact, I would hazard to say every single person in this room knows somebody who plays fantasy sports. It has become that

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widespread and it's because we love playing. It's really, really fun. Who doesn't want to be a virtual general manager? You know, we all wring our hands when our favorite teams make dumb moves and we think, ah, why can't I run this team? This is our opportunity to do it. On Mondays after football Sundays we're at the water cooler talking about the games, and this gives us a way to interact far beyond what we normally would do as just passive viewers. Now we're really engaged in a way that we aren't before because we have put our own methodology and ego into the selection of our players. It's competitive; it's fun; we all enjoy doing it. The last thing that we want to do is criminalize 300,000 Nebraskans for something they thoroughly enjoy doing. I'm also the founder and president of a small company in the fantasy sports base called leaguesafe.com in Minneapolis. And I've been in this industry for 20 years for a few reasons. One, it's a job in fantasy sports. Who wouldn't want that? It's also because I want to help our hobby, our industry continue to grow. I mentioned that the major leagues are part of our membership of the FSTA. It goes without saying that, for example, major league baseball is extremely cautious about anything that might smell like illegal gambling. And all of the leagues have looked at the way that fantasy contests are run and they have all agreed that it is legal. They support it. They...if you watch, if you go to stadiums, you see fantasy updates. If you watch TV, you see fantasy information on your TV, even on, like, the NFL channel owned by the NFL, programming just for fantasy. If fantasy sports were illegal gambling, there's no way these major sporting entities would touch it. But they don't. On behalf of the 325 member companies in the Fantasy Sports Trade Association I urge you to support this legislation, to codify the legality of fantasy sports. And I am here to offer any perspective I can from the fantasy sports industry. [LB862]

SENATOR LARSON: Thank you. Just in time it looks like. Any questions from the committee? Senator Riepe. [LB862]

SENATOR RIEPE: Thank you, sir. Well, to me this has confirmed my son was right that I really am square (laughter), so I'll tell him that later. My question would be is, you're from Minnesota? [LB862]

PAUL CHARCHIAN: I am. [LB862]

SENATOR RIEPE: And your vested interest in Nebraska fantasy football is...? [LB862]

PAUL CHARCHIAN: I have a vested interest in our entire industry and I want to make sure that fantasy sports is legal to all Americans, including Nebraskans. [LB862]

SENATOR RIEPE: Okay. And you were paid to come here by...? [LB862]

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PAUL CHARCHIAN: I am not on any...my role for the Fantasy Sports Trade Association is that I am the president. It is a volunteer job. I am paid nothing for that. I have made no money in this trip to come here today. It was the Fantasy Sports Trade Association paid for my travel. But other than that, I am just here for the goodwill of the industry. [LB862]

SENATOR RIEPE: So you're here on vacation? [LB862]

PAUL CHARCHIAN: (Laughter) Well, I do vacation to Omaha every year because I think you have the best zoo in America. I used to go to Rosenblatt all the time; now I go to your two new places. I think Omaha is the one of the great destinations and I drive there regularly. [LB862]

SENATOR RIEPE: That wins you a couple points (laughter). a question I have, too, maybe you can help me out on. I'm concerned about limits. And I'm not a control freak but I am concerned about if these things get up to be a \$50,000 stake game. I don't have a clue what they do. [LB862]

PAUL CHARCHIAN: Sure. [LB862]

SENATOR RIEPE: I'm just curious. What do they do? [LB862]

PAUL CHARCHIAN: So with most of these contests there are a wide variety of entry fees to match whatever level the people want to play at. The most commonly played entry fee is \$3. And I also know and people will come after me that work for FanDuel and DraftKings can be very...can be more explicit about it. But they also monitor spending by each person to try to help evaluate anybody who is on a spending curve that looks unnatural or might be problematic. But again, the most common entry fee contest is \$3. And not that I think it's always a good idea to position this against gambling, but if you want to just position this \$3 against traditional, known gambling, like Black Jack, you can't even find a \$3 table in Black Jack and, if you can, it resolves itself in 60 seconds. In fantasy sports you spend a lot of time crafting your league. And even in the shortest run, like a football Sunday, it lasts you, you know, all day long at \$3. It's a fun and affordable method of entertainment for most people. But there are catches and caveats that we put in place systematically to help catch people that could be going into a troublesome area. [LB862]

SENATOR RIEPE: I know we were talking about a prescription drug monitoring program. Possibly we could add fantasy football to that same monitoring program? [LB862]

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PAUL CHARCHIAN: I could not speak to the prescription drug version of that, I'm afraid. [LB862]

SENATOR RIEPE: Probably not. Thank you, Mr. Chairman. [LB862]

SENATOR LARSON: Thank you, Senator Riepe. No other questions. Thank you for coming, Paul. [LB862]

PAUL CHARCHIAN: Okay, thank you. [LB862]

SENATOR LARSON: Welcome to the General Affairs Committee. [LB862]

DEREK HEIN: (Exhibit 2) Mr. Chairman, members of the General Affairs Committee, my name is Derek, D-e-r-e-k, Hein, H-e-i-n, and I am the manager of government affairs for DraftKings. You have my written statement before you, but I've actually drafted up some comments that I think address some concerns that you may not or may hear later on, some that have already been addressed. If I don't fully answer your two questions, please, let me know. Today there are an estimated 300,000 Nebraskans that have come to love the challenge and excitement that fantasy sports offer. That's enough people to fill Memorial Stadium three and a half times. Just the, I guess, the three main points that I want to address are, with the opposition they may argue that we are gambling under Nebraska law because something of value is being risked on the outcome of a game. Fantasy sports are not outcome determinative. The winner of a fantasy sports contest may have an entire roster of players who played on losing teams. Winning fantasy sports contests reflects the relative knowledge and skill of the players as they compete with others to accumulate points based on players' individual performances in real-world competitions. This bill does nothing more than codify what is currently being done. This is not an expansion. In our contests no participant is able to win based upon the score, point spread, or performance of a single team or player. The second thing, they may claim that the vast majority of participants in daily fantasy contests lose money. This statement ignores the value that individuals put on entertainment. Ninety-three percent of our users spend less on our site in one week than a family of four spends for a Friday night at the movies. Our most popular contest, as Paul mentioned, is a \$3 entry fee. The median customer only spends \$48 in entry fees annually, and 498,000 unique users win a game on our site each week. The third thing is they may claim that there are no safeguards. This is patently false. DraftKings provides a platform with industry-leading user safeguards for our customers. We have age-verification tools that prohibit minors from playing. To promote transparency we prohibit users from playing with multiple accounts. To promote confidence in the integrity of the contests we offer we prohibit our employees and employees from other daily fantasy sports companies from participating in our contests. For our new players we have onboarding procedures to educate them about the games. We have means by which new players can

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identify and avoid competing with more experienced players. We allow players to set self-imposed limits on their deposit amounts and we offer players the opportunity to self-exclude from our Web site. Senator Larson's bill is a much-needed clarification of Nebraska law which will permit 300,000 Nebraskans to continue playing fantasy sports. We urge you to support LB862. And if I might address the question that was asked previously about...this is done across the country. There are six states that we currently do not operate in. One of them is actually your neighbor to the east, Iowa. We have geolocation software that prohibits. If you drive over the border into Iowa, you are unable to participate in our games. So I don't know if that fully answers your question, but... [LB862]

SENATOR LARSON: Thank you, Mr. Hein. Questions from the committee? Senator McCollister. [LB862]

SENATOR McCOLLISTER: Thank you, Mr. Chairman. This is currently legal in Nebraska? [LB862]

DEREK HEIN: There are attorneys, people that are much smarter than me, that have read laws all across the country, and we are...it is our understanding we are operating legally here, yes. [LB862]

SENATOR McCOLLISTER: Then why the need for the legislation? [LB862]

DEREK HEIN: I think there are a couple things, and we can get into some of the consumer protections if necessary. But the big thing I believe this does is it gives us a narrow definition of what fantasy sports are. This is going to prevent, you know, some other product that may look like fantasy sports but may actually be sports betting or may look like fantasy sports and may actually be poker. We want to craft a very narrow definition that ensures that the 300,000 Nebraskans that are playing aren't committing a crime. [LB862]

SENATOR McCOLLISTER: Well, thank you. Would it be necessary for the state of Nebraska to vet the game to be sure it complies with the statutes of Nebraska and whether or not it meets the legality test? [LB862]

DEREK HEIN: Are you asking if there should be an agency doing that or if there should be an attorney general? What's the... [LB862]

SENATOR McCOLLISTER: Well, it appears to me that it's almost self-defined, so it's...you know, you contend that it's currently legal in the state. I have no reason to doubt that. But if we

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do issue and pass some legislation, who would guarantee that the operator was currently meeting the tests as a (inaudible)? [LB862]

DEREK HEIN: Sure. Well, we have...we're doing this in 25-plus states right now. [LB862]

SENATOR McCOLLISTER: Okay. [LB862]

DEREK HEIN: We have legislative bills moving in some of those states and we would like to leave it to the wisdom of the Legislature. But in some of those states they are considering consumer protections and then putting us under some sort of regulatory agency, whether that be Department of Revenue or whoever, that might be able to look after and make sure that we are playing by the rules. Some of those consumer protections would include age verification and things of that...making sure that employees like me cannot play on the sites, etcetera. So we would be open to that discussion. We're happy to help if that's... [LB862]

SENATOR McCOLLISTER: Thank you very much. [LB862]

DEREK HEIN: Sure. [LB862]

SENATOR LARSON: Thank you, Senator McCollister. And I think you touched on the point. You guys are currently operating in the state of Nebraska and haven't had any attempts to be shut down or anything of that nature. [LB862]

DEREK HEIN: Yes, sir, yeah. [LB862]

SENATOR LARSON: Thank you. And I appreciate you saying that you're open to working with the committee to move forward with the possibility of, as Senator McCollister brought up, looking at, you know, to ensure anything that we narrowly define is it's followed in that narrow definition so people aren't trying to infringe on essentially saying what, to use your guys' definition and expand upon it, to fit within what is already federally legal as well, correct? [LB862]

DEREK HEIN: Correct. [LB862]

SENATOR LARSON: Because this is legal under federal law. [LB862]

DEREK HEIN: Correct. [LB862]

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SENATOR LARSON: Thank you. [LB862]

SENATOR KOLTERMAN: I have a question. [LB862]

SENATOR LARSON: Senator Kolterman. [LB862]

SENATOR KOLTERMAN: Thank you, Senator Larson. The question deals with the bottom line. What kind of...your organization, what kind of a profit did you make last year? [LB862]

DEREK HEIN: I don't have those numbers. I'd be happy to get back to you with that information though. [LB862]

SENATOR KOLTERMAN: Was it in the black? [LB862]

DEREK HEIN: I actually don't know and I wish I had that for you. [LB862]

SENATOR KOLTERMAN: Okay. [LB862]

DEREK HEIN: I could try to get it for you within the next hour or so. [LB862]

SENATOR KOLTERMAN: Okay. And then how many employees do you have? [LB862]

DEREK HEIN: I believe we are, our company, and there's a FanDuel representative here as well, I believe we are at around 300. [LB862]

SENATOR KOLTERMAN: Your company is 300... [LB862]

DEREK HEIN: Yes. [LB862]

SENATOR KOLTERMAN: ...and FanDuel is...? [LB862]

DEREK HEIN: It's more than that but somewhere above 300, I believe. [LB862]

SENATOR KOLTERMAN: So are we talking, and I know you don't have numbers, but do you know what your gross intake was last year? [LB862]

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DEREK HEIN: I don't. I wish I had that. Like I said, I can provide it for you as soon as I possibly can. I probably have people texting me now. [LB862]

SENATOR KOLTERMAN: Okay. Are you a for-profit company? [LB862]

DEREK HEIN: We are, yes. [LB862]

SENATOR KOLTERMAN: Are you publicly traded? [LB862]

DEREK HEIN: Not at this point, no. [LB862]

SENATOR KOLTERMAN: Okay, thank you. [LB862]

DEREK HEIN: Sure. And I will make sure that I...I am probably receiving e-mails as we speak from people who are...have that information. [LB862]

SENATOR KOLTERMAN: Thank you. [LB862]

SENATOR LARSON: Any further questions? Seeing none. [LB862]

DEREK HEIN: All right, thank you. [LB862]

SENATOR LARSON: Any more proponents, proponents for LB862? Opponents? Welcome back, Mr. Andersen. [LB862]

GLEN ANDERSEN: (Exhibit 3) My name is Glen Andersen, G-l-e-n A-n-d-e-r-s-e-n. And just for...you may note that I did submit electronically an article as of last night, so you may have it and you may not. I don't know. And I start with our stand against expanded gambling, but I would like to discuss the problems that I see. And it looks like there's lots of problems for the state of Nebraska: regulation, all kinds of things here. In regard to skill or chance in this fantasy sports, I guess it's based on the--I'm just learning about all this--based on the performance of players in the previous game and that's what's used to make points for everyone. And I would submit that, what's different between that and a real game? The real game outcome is based generally upon the skill and how good the athlete is, therefore...and betting on sports games is gambling on real games, therefore, it seems to me like this will be gambling also. And I would like to read a little bit from that article I submitted: Fantasy companies say their daily games are not gambling...increasingly, that view is coming under...excuse me. This is an article by Walt

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Bogdanich. I don't know how you pronounce it. He's an investigative editor of The New York Times writing here: Increasingly, that view is coming under attack, notably by the New York attorney general, Eric T. Schneiderman. Two weeks ago, Mr. Schneiderman ordered FanDuel and its major competitor, DraftKings, to stop accepting bets from New Yorkers because their games constituted illegal gambling under state law. Both companies are contesting that in court. And here's another place on my submittal: On Thursday, Massachusetts joined Nevada and New York in seeking to corral fantasy betting. But while Nevada and New York have banned daily fantasy games, Massachusetts opted to regulate it, proposing safeguards. Attorney General Maura Healey said in a statement that the regulations were intended to protect minors and to ensure fair competition and truthful advertising. Massachusetts will... [LB862]

SENATOR LARSON: Mr. Andersen,... [LB862]

GLEN ANDERSEN: ...no longer allow anyone under 21 to play fantasy football, fantasy sports. [LB862]

SENATOR LARSON: Thank you for your testimony. Are there questions from the committee? Senator McCollister. [LB862]

SENATOR McCOLLISTER: Thank you, Mr. Chairman. You would also agree that fantasy sports in Nebraska is legal? [LB862]

GLEN ANDERSEN: Yes, I believe that fantasy sports is illegal because it's a form of gambling. [LB862]

SENATOR McCOLLISTER: So are you saying it's legal or illegal? [LB862]

GLEN ANDERSEN: Illegal, because gambling is illegal in Nebraska. [LB862]

SENATOR McCOLLISTER: So the games currently being played in Nebraska are illegal? [LB862]

GLEN ANDERSEN: Well, those things happen. Coming down here I drove over the speed limit and I still got here. [LB862]

SENATOR McCOLLISTER: Well, that's not good on a day like today. [LB862]

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GLEN ANDERSEN: And so I'm saying that, yeah, those things are going on and it doesn't...I think it is wrong for us to condone something that shouldn't be in the first place. That's where I'm at. [LB862]

SENATOR McCOLLISTER: Thank you. [LB862]

SENATOR LARSON: Senator Riepe. [LB862]

SENATOR RIEPE: Senator Larson, thank you. Thank you, Mr. Andersen. Or course, I heard you talk some about New York State and Massachusetts, being a 21-year-old is required. Do you know if the Attorney General's Office in the state of Nebraska has taken any position specifically on fantasy sports betting, for lack of a better term? [LB862]

GLEN ANDERSEN: I'm afraid I do not. I cannot answer that. [LB862]

SENATOR RIEPE: Okay. Would it be your sense that they should? [LB862]

GLEN ANDERSEN: Pardon me? [LB862]

SENATOR RIEPE: Would it be your sense that they should take a legal Opinion? [LB862]

GLEN ANDERSEN: Yes, if it was...if we were to bring fantasy sports to Nebraska it should be regulated because the gambling stakes and the pots can get out of hand. Also, initially the fantasy sports went for a whole, say, football season. Now they're developing, as I understand, fantasy sports groups where it's just a matter of days or weeks to conclude the bet or conclude the pot. [LB862]

SENATOR RIEPE: I'm going to step back a little bit further in the sense of saying, not should it necessarily be regulated, but is it legal, per se? That would be my opinion. That's more of a comment than it is a question. [LB862]

GLEN ANDERSEN: Well, I have asserted that it is gambling. [LB862]

SENATOR RIEPE: Okay. [LB862]

GLEN ANDERSEN: And to me that would say it's illegal. [LB862]

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SENATOR RIEPE: Okay, thank you, sir. Thank you, Mr. Chairman. [LB862]

SENATOR LARSON: Thank you, Senator Riepe. So you're saying in your opinion LB862 is gambling, correct, in your opinion? [LB862]

GLEN ANDERSEN: Yes, that's correct. [LB862]

SENATOR LARSON: Are all forms of gambling illegal in Nebraska? [LB862]

GLEN ANDERSEN: Well, no, there are exceptions we're aware of. [LB862]

SENATOR LARSON: What is the Nebraska Constitution...do you know what the Nebraska Constitution defines gambling as? [LB862]

GENE ANDERSEN: Well, it's gambling... [LB862]

SENATOR LARSON: Or let me rephrase that question easier. Is there a...does the Nebraska Constitution, has the Nebraska Supreme Court defined a difference between games of skill and games of chance even though they all might have an element of gambling in them? [LB862]

GLEN ANDERSEN: That's true. [LB862]

SENATOR LARSON: I'm asking, have...so they have defined it. [LB862]

GLEN ANDERSEN: Yes. [LB862]

SENATOR LARSON: And for under... [LB862]

GLEN ANDERSEN: Games of skill are not illegal, they're... [LB862]

SENATOR LARSON: Predominantly skill, correct? [LB862]

GLEN ANDERSEN: Yeah. [LB862]

SENATOR LARSON: But they...so a game can be predominantly skill and still be gambling, correct? [LB862]

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GLEN ANDERSEN: This in my... [LB862]

SENATOR LARSON: No, I guess I'm saying a game of skill can still be predominantly gambling or...but a game of skill can still be gambling. If it's a game of skill, can it be gambling? [LB862]

GLEN ANDERSEN: If a game of skill can be gambling? Well, let's put it this way. A football game--a real, live football game--is a game of skill, but yet we consider it gambling if we are betting on the outcome of that game. [LB862]

SENATOR LARSON: Thank you, Mr. Andersen. Any further questions? Seeing none, have a nice day. I appreciate you coming. Any further opponents? Welcome back, Mrs. Loontjer. [LB862]

PAT LOONTJER: (Exhibit 4) I'm Pat Loontjer, spelled L-o-o-n-t-j-e-r, director of Gambling With the Good Life. I'd just like to share with you a letter that I received. And it says that time and again our fellow citizens have voted against expanded gambling in the state of Nebraska. As the writers Locke and Rousseau from the founding fathers based our nation on and they once agreed, it is the duty of the government and the state to protect the property and the will of the people. As a government Legislature, you and your committee have the duty to protect the general will of the people and their property as well. Nebraska history indicates that the general will of our people is against expanded gambling, and it is your duty to protect that general will. LB862 attempts to legalize fantasy sports gambling. I draw your attention to the states of New York, Nevada, Texas, and others. New York has outlawed it because it was unregulated. Now matter how much they tried to regulate it, they were unsuccessful. And because their citizens were simply losing money, there was no winner. Even Nevada, the hub of all gambling whether on-line or in house, they outlawed fantasy sports gambling. How could Nebraska handle this if New York, Nevada, Texas, and others could not regulate such a thing? It would be unfair to your constituents to not acknowledge to the illegality of fantasy sports betting which the other states have. And I have...I'll send that to you electronically. And also, there's a number of quotes and I'll send this to you electronically. Joe Asher, CEO of the sports gambling company William Hill US, states, "Of course it's gambling, of course it's sports betting, it doesn't mean that it's subject necessarily to the same laws," but, "you're risking money on something of an uncertain outcome, and to me that sounds like gambling." Some industry insiders think it's nonsense to declare fantasy sports betting legal while the real-world counterpart remains mostly in a black market phenomenon. "Let's not pretend that one is okay and the other is not. Drawing some artificial line between the two makes no sense as a matter of law or policy." Dr. Timothy Fong of UCLA gambling studies program said in an article featuring the sad stories of gambling addicts who had lost thousands of dollars per day on fantasy sports sites, he says some say the argument that it

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isn't truly gambling because it involves skill is just silliness. "Are daily fantasy sports sites gambling? Yes," of course they are, "it isn't even a debate. You're putting money up on an event of an uncertain outcome in expectation or hope of winning a large reward. That's the definition of gambling." You can actually stay at home, play from your home, and lose your home all at the same time. Because it's so much uncertainty with the other states that are examining this and we have not--perhaps we should--I don't think this is something that we need to get into at this point. You know, let it work itself out; let the other states decide if the federal government needs to become involved and say yea or nay. But why would we put Nebraska into the throes of this when it's such an uncertain entity out there? [LB862]

SENATOR LARSON: Senator Coash. [LB862]

SENATOR COASH: Thank you, Senator Larson. Ms. Loontjer, in your testimony you said that LB862 attempts to legalize fantasy sports but, you know, there's 300,000 Nebraskans that are already doing it today and not being prosecuted for doing something illegal. So I just wanted to point out that I don't see LB862 as attempting to legalize something; I see it as codifying something that's already legal. Do you see it that way? [LB862]

PAT LOONTJER: Well, I see it as trying to subvert what possibly will be done by our Attorney General when he looks into it. So it's, you know,... [LB862]

SENATOR COASH: Okay. [LB862]

PAT LOONTJER: ...trying to prevent something that probably will happen. The states are looking at it one by one and coming to, you know, to those conclusions. We think eventually it will be outlawed, you know, throughout the whole country. But to the best of my knowledge, our Attorney General has not looked at it yet. [LB862]

SENATOR COASH: Okay. You know, the Commission on Problem Gambling tracks statistics of the types of gambling problems that they have and you've presented that frequently to this committee. You know, whether people have gotten their trouble through a slot machine or through horse racing or through card games or through sports betting or lottery, right, you've seen that all of that data? I mean you look at it frequently because you bring it here. But I'm wondering, if you know, if we've got some sports fantasy gambling addicts in our state that we ought to be concerned about. [LB862]

PAT LOONTJER: I don't know how you'd...you know, once you get onto that Internet and this is...I don't know how you could get those figures. [LB862]

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SENATOR COASH: Well, the commission keeps track of them. [LB862]

PAT LOONTJER: Oh, I see what you say, that these would be people who would actually call the hot line and had requested help. [LB862]

SENATOR COASH: Yep, and all... [LB862]

PAT LOONTJER: I have not seen those figures. [LB862]

SENATOR COASH: I haven't seen them either but I'm going to look because I...fantasy sports has been around for a long time. And so if there were fantasy sports gambling addicts out there, people who were losing their homes, losing their jobs, and those are, granted, those are things that happen with gambling whether it's legal or not,... [LB862]

PAT LOONTJER: Yes. [LB862]

SENATOR COASH: ...I mean, and those are real problems and you've been really good about bringing that to us over the course of my time here. But my...I guess I want to be a realist about this and say I don't see any FanDuel addicts losing their houses over what's purported to be codified legally here. So I only say that to open it up to you that, if you want to bring this committee some data that shows that this type of activity, legal or not, is leading to some ruin of families, because that's not what this committee is about and certainly something I'm not about, but I'm interested in your feedback on that. [LB862]

PAT LOONTJER: Well, I'd be interested in seeing too. I've not checked those figures lately to see, you know, what is the ratio. And really it's new to me. I'm not a sports fan. I have sons who have played it for fun, hopefully not for money, but...so I don't...I can't say that I really understand the whole concept. I just see it as expanded gambling and... [LB862]

SENATOR COASH: Well, that, you know, Ms. Loontjer, it's easy to just come here and say expanded gambling and it's like when we say Medicaid on the floor or something like that--it just makes people run to one side or the other. But I think it's important to understand how this particular form of entertainment actually works and what it actually does and doesn't do. So that's what I'm going to be looking for... [LB862]

PAT LOONTJER: Okay. [LB862]

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SENATOR COASH: ...is to make sure this committee understand what it does, what it doesn't do, so that we don't just cast votes on the sound bite that seems to get votes in this body from time to time one way or the other. So thank you. [LB862]

PAT LOONTJER: Well, you know, like I said, if so many of the states are now looking at it and the attorneys general across the country and taking a closer look at this and finding that it's not good for their particular states, why would we enter into something that's still being so hotly debated, because that's going to cost us legal fees and a lot of time and energy that why don't we just let this thing play itself out and not get into the fray? [LB862]

SENATOR LARSON: Thank you, Senator Coash. Senator Riepe. [LB862]

SENATOR RIEPE: I have one question. And thank you for being here. I'd like to...I think this is what I've heard and I'd like to have you correct me if I didn't hear it right. You said that it was tried and outlawed in Texas, Nevada, and New York, those three states? Is that what... [LB862]

PAT LOONTJER: Well, I know Iowa has as of right now, and the other states I know it was the attorneys' general Opinions. So whether they've actually outlawed it and, you know, pursued it, I'm not sure. Texas just came through. But just today on the news as to how this betting affects the industries, whatever sports, there was a case this morning of tennis in Australia where the match was thrown and when they traced it back it was because of sports betting. So I'm concerned this is going to not only be bad for the individual that's losing their money, but it corrupts the sports as well. [LB862]

SENATOR RIEPE: Seems to be a huge issue because it did come up in the Republican presidential debate (laughter). Thank you. [LB862]

PAT LOONTJER: Yeah, it did. [LB862]

SENATOR LARSON: Thank you, Senator Riepe. Senator Schilz. [LB862]

SENATOR SCHILZ: Thank you, Mr. Chairman. Ms. Loontjer, thanks for coming in today. I want to go back to would...could you help me out here again and once again state your definition of gambling and that you said before about...what was that? [LB862]

PAT LOONTJER: You mean the quote that I read? [LB862]

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SENATOR SCHILZ: Yeah. What was it about, you know, if you don't know the outcome of... [LB862]

PAT LOONTJER: Let's see. It says, "You're risking money on something of an uncertain outcome, and to me that sounds like gambling." That was from Joe Asher of... [LB862]

SENATOR SCHILZ: Do you agree with that statement or you're just reading it because it's on your paper? [LB862]

PAT LOONTJER: No, I would agree. [LB862]

SENATOR SCHILZ: Okay. So let me ask you this then. If that's the case, then if I am an entrepreneur, right, and I go out and I build a widget, whatever that widget is, and I think this widget is going to do great, if I put it out there to sell it, is that an uncertain outcome to see if I'm going to be successful or not? [LB862]

PAT LOONTJER: It's really stretching because then we can get into the stock market. [LB862]

SENATOR SCHILZ: No, no, but let's ask, is that an uncertain outcome? [LB862]

PAT LOONTJER: Life is an uncertain outcome. [LB862]

SENATOR SCHILZ: Thank you. So then there is a reason why we have this predominance of skill thing in there because, all of a sudden now, if you just look at uncertain outcomes, I mean whether you're talking about farming or business, or anything like that, you run into all sorts of issues. So when we talk about skill and why that's so important in this definition of the constitution, it really does matter, doesn't it? [LB862]

PAT LOONTJER: I think there's a percentage of skill in almost anything that you do in life. But then you're also going to have the players that are extremely skillful and you're going to have all of the other players that are doing this for fun that are losing all their money to the... [LB862]

SENATOR SCHILZ: Does it happen in business where the really skilled business people make the money and other people don't? What's the percentage of businesses that go out of business just as a matter of course? I can tell you it's 80 percent. So as we sit here and we talk about how this should be and what this should do, we must be very careful because, if someone can prove to me that if they study something and they look into it and because of that study they're better at it

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than somebody that just goes up and picks numbers, then according to our constitution that is legal to do, correct? [LB862]

PAT LOONTJER: According to...say it again. According to our constitution it has to be... [LB862]

SENATOR SCHILZ: According to our constitution, if it's predominantly skill,... [LB862]

PAT LOONTJER: Predominantly skill. [LB862]

SENATOR SCHILZ: ...then that's legal. [LB862]

PAT LOONTJER: I don't see fantasy sports as predominantly skill. [LB862]

SENATOR SCHILZ: Then how do you explain how it works? And I hope you know how it works because that's a pretty big statement. [LB862]

PAT LOONTJER: Well, there's a lot more losers than winners in any form of gambling. [LB862]

SENATOR SCHILZ: In everything, like we just talked... [LB862]

PAT LOONTJER: In everything, in everything. [LB862]

SENATOR SCHILZ: Ma'am, like just talked about, 80 percent of businesses lose, so that's not a prerequisite as to whether this is good, bad, or indifferent, correct? [LB862]

PAT LOONTJER: But when you're betting on a player and you don't know what the condition of the player is, what the condition of the field is, this is chance, this is not skill. [LB862]

SENATOR SCHILZ: Ms. Loontjer, when that's...how can you say that that's not skill when, like you said, there's certain things that do come up that has an uncertain outcome that can still be skill? [LB862]

PAT LOONTJER: I think the element of chance far exceeds the element of skill. [LB862]

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SENATOR SCHILZ: Can you...I would really appreciate it if you would explain that, if you would be able to explain that to me as it pertains to the fantasy games that are out there today, because I'd really...you said you've never played it, you never have looked at it. How can you say that it's that way if you don't know how it all works? [LB862]

PAT LOONTJER: Because you're bringing a bill that is going to expand something we don't have in the state of Nebraska currently but we have... [LB862]

SENATOR SCHILZ: But it may not even be illegal. As according to everybody else, we've sat here and said it's been going on for years and years and years. Three hundred thousand people play it according to their numbers. They have the receipts. They know who is playing it. Is that...and...but... [LB862]

PAT LOONTJER: But the numbers that you requested they suddenly didn't have, if you'll notice. [LB862]

SENATOR SCHILZ: Profits and losses? [LB862]

PAT LOONTJER: The profits and losses and all that, that wasn't available. [LB862]

SENATOR SCHILZ: And why does that matter to this question? Is it wrong for people to make money in this society? [LB862]

PAT LOONTJER: It's wrong for people to take advantage of other people and I believe that's what gambling does. It takes advantage of others. [LB862]

SENATOR SCHILZ: Okay, I can see where you're coming there. But how do you rectify that with the question of skill? There is a lot of skilled people that take advantage of others, too, ma'am. We've talked, I mean, we have these cases come before the Legislature all the time and the Legislature will pick winners and losers and that's the way it goes. So the question is, if you could for me, if you could tell me in which ways and how this is not a game of skill and it's only chance, I would be very interested in seeing that from you. [LB862]

PAT LOONTJER: I believe it's predominantly a game of chance. There's skill involved just like in everything else. [LB862]

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SENATOR SCHILZ: I understand what you're saying. And if you wouldn't mind, I guess you don't have to do this, but if you wouldn't mind, I'd like to see after your examination of how it works what, you know, what your...how...your explanation of why this is chance. [LB862]

PAT LOONTJER: Well, it would be interesting to see what those other attorneys general, why did they come to that conclusion that the game was illegal in their states? [LB862]

SENATOR SCHILZ: And I'm sure that we'll get the opportunity to do that. [LB862]

PAT LOONTJER: I think that would... [LB862]

SENATOR SCHILZ: So I will...I'm sure that we'll see the AG's Opinion. [LB862]

PAT LOONTJER: Okay. [LB862]

SENATOR SCHILZ: And I'll wait very, very patiently for your responding. Thank you. [LB862]

SENATOR LARSON: One second, Mrs. Loontjer. You comment about other states' attorneys general Opinions. Just because an attorney general issues an Opinion, that does not make it illegal at that moment, does it? [LB862]

PAT LOONTJER: No. [LB862]

SENATOR LARSON: It would... [LB862]

PAT LOONTJER: It's an Opinion. [LB862]

SENATOR LARSON: It's an Opinion and would have to go through the Supreme...their local Supreme Courts, correct? [LB862]

PAT LOONTJER: I don't know what the procedure is. [LB862]

SENATOR LARSON: Yeah, more than likely, if there's lawsuits to stop it and stays and injunctions and whatnot. So just because an attorney general--and we know this very well, attorneys general are oftentimes elected positions--so just because an attorney general issues and

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Opinion what he thinks it may be, that doesn't mean that a court will see it the same way, correct? [LB862]

PAT LOONTJER: Absolutely. [LB862]

SENATOR LARSON: Thank you. Further opponents. Welcome to the General Affairs Committee for the first time, Mr. Grasz. [LB862]

NATE GRASZ: (Exhibit 5) Thank you, Chairman Larson. Members of the General Affairs Committee, my name is Nate Grasz; that's N-a-t-e G-r-a-s-z, and I'm the research and policy analyst for the Nebraska Family Alliance and do represent them in my testimony. LB862 states that conducting or participating in a fantasy contest does not constitute advancing gambling. It would, therefore, be exempt from Nebraska laws prohibiting gambling. We are opposed to expanded gambling and that's precisely what this bill would do. Simply attempting to write into law that fantasy contests are not advancing gambling does not change the fact that you would be expanding it in our state. The fantasy companies say that their games are not gambling, contending that the games involve more skill than luck. And if that's the argument, is that it is predominantly a game of skill, Nebraska law prohibits wagering on games regardless of any skill component by Revised Statute 28-1101. And truth be told, we could go around and around debating and examining evidence on both sides of the argument whether it's predominantly skill or chance, but that doesn't negate the fact that it's still gambling and it doesn't mean it's good policy. Major fantasy sports sites have already been outlawed by state regulation in seven states and the percentage of players who are losing money at daily fantasy sports sites like FanDuel and DraftKings is astonishingly high. DraftKings' data showed that 89.3 percent of players had an overall negative return across 2013 and 2014. Again, data from DraftKings showed that nearly 90 percent of players lost money on fantasy contests in both 2013 and 2014. The New York Times reported that just 10 to 20 percent of entrants win anything at all, and the SportsBusiness Journal found that through the first half of the 2015 major league baseball season, 91 percent of all winnings were collected by just 1 percent of all players. We have a number of questions and concerns with this bill. Even if it were decided that fantasy contests were a game of skill, who benefits from legalizing it in Nebraska? Major fantasy contest sites would reap the benefit of taking millions of dollars away from hardworking Nebraskans every year. DraftKings and FanDuel made \$200 million in New York in 2015, hundreds of millions of dollars taken away from one state in one year. Why would we want millions of dollars to leave our state to go to these fantasy sports sites? It seems that the only real winners in legalizing fantasy contests are the companies who operate them. This is not like investing and it's not entertainment. It's gambling with the odds stacked so high that almost every participant has no realistic chance to make any money and, therefore, we respectfully ask this committee to consider who wins and who loses if this legislation is passed. Thank you. [LB862]

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SENATOR LARSON: Questions? Senator McCollister. [LB862]

SENATOR McCOLLISTER: Thank you, Mr. Chairman. Should have asked this question of proponents, but I'll ask you instead. In the bill summary one point says all winning outcomes reflect the relative knowledge and skill of the participants and are determined predominantly by the accumulated statistical results of performance of individuals, including athletes in the case of sports events. Then the next bullet point: No winning outcome is based on the score, the point spread, or any performance of any single actual team or combination of such teams or based solely on the single performance of an individual athlete or the player in any single actual event. Seems to me there's...these two bullet points are contradictory. Would you care to respond to that? [LB862]

NATE GRASZ: Well, I think there's...and there's a number of issues with this. We're talking about millions of dollars leaving our state. There's a lot of legality issues behind it. For example, the CEO of DraftKings has even called the daily fantasy sports model as being almost identical to a casino, and we know that Nebraska voters have consistently voted against bringing casinos into our state. [LB862]

SENATOR McCOLLISTER: Yeah, well, my approach is a little different. I'm just trying to figure out who decides if you win or lose. I mean, you know, if it is in fact a game of skill, you know, how is that skill being...what is that skill being judged against? So I have yet to figure that out and I shouldn't burden you with the question, but thank you for taking the question, nonetheless. Mr. Chairman. [LB862]

SENATOR LARSON: Thank you, Senator McCollister. Senator Hughes. [LB862]

SENATOR HUGHES: Thank you, Mr. Chairman. Thank you for coming in today. [LB862]

NATE GRASZ: Thank you. [LB862]

SENATOR HUGHES: Predominantly we're talking about sports teams, professional sports teams at this point. And since, you know, football is the game we're in right now, do you watch football at all, pro football? [LB862]

NATE GRASZ: Yeah, absolutely. [LB862]

SENATOR HUGHES: Okay. What about the...do you know anybody that's on the...going to be in the Pro Bowl? [LB862]

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NATE GRASZ: I'm sure I could list some off. [LB862]

SENATOR HUGHES: Okay. And who would be the potential players in the Pro Bowl? [LB862]

NATE GRASZ: Maybe Adrian Peterson. [LB862]

SENATOR HUGHES: In the professional football league, so... [LB862]

NATE GRASZ: Um-hum. [LB862]

SENATOR HUGHES: And why would they be in the Pro Bowl? [LB862]

NATE GRASZ: Because they're skilled football players, but I'm not sure how this pertains to gambling on these fantasy games. [LB862]

SENATOR HUGHES: So are...just bear with me if you would. So he's a skilled player. So would you say he is probably the best skilled player at his position? [LB862]

NATE GRASZ: That is not for me to determine. [LB862]

SENATOR HUGHES: But as being elected or selected to the Pro Bowl, wouldn't you normally think that he would probably be at the top of his profession if he's headed to the elite game of the elites of the NFL? [LB862]

NATE GRASZ: Based on the opinion of people who voted for him perhaps. [LB862]

SENATOR HUGHES: Okay, so there is different levels of skill within the NFL. [LB862]

NATE GRASZ: Sure. [LB862]

SENATOR HUGHES: Would you agree to that? Okay, so if FanDuel or DraftKings is based on skill, then my ability to pick the skilled players, looking at whether or not they've made it to the Pro Bowl, and it would be the same thing in baseball or whoever, that there are different levels of skill among the players and don't have to be on the same team but yet they would be elites in their profession, just like we have elite lawyers and we have elite businessmen. So picking them

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to be on my team is my challenge and my ability. Isn't that a skill to pick the best players at their...that are best in their job? [LB862]

NATE GRASZ: Well, the problem with that is now we see these sites like DraftKings and FanDuel spending hundreds of millions of dollars on advertisements, which tells you how much money they're bringing in, trying to convince people that average football fans, perhaps such as you and myself, can go on-line and start winning huge amounts of money in no time at all, just like all these other average sports fans have been doing, but that's simply not true. We know that the vast majority of people are losing money doing this. [LB862]

SENATOR HUGHES: And our job is to keep them... [LB862]

NATE GRASZ: Make sure that people aren't continuing to be taken advantage of and so that millions of dollars aren't leaving our state that, instead of helping to build our own communities and establish businesses here, they're leaving families and hardworking individuals to line the pockets of DraftKings and FanDuel. [LB862]

SENATOR HUGHES: So, natural extension of that, should we be saying you should buy a burger from Burger King because it's flame broiled, not from McDonald's because it's fried, because it's better for you? I mean you could be dying early and leaving your family. [LB862]

NATE GRASZ: Right, but we're talking about gambling on these fantasy contests. [LB862]

SENATOR HUGHES: If you want to take it out to its logical conclusion, that's where...that's what I'm hearing you saying: that we've got to protect people from themselves. [LB862]

NATE GRASZ: From being taken advantage of by these companies who are selling them a lie by telling them that they have a great chance to come in and win huge amounts of money like these average fans are doing. But you are at a huge disadvantage the moment you make your first deposit on these sites. [LB862]

SENATOR HUGHES: Thank you, Mr. Chairman. [LB862]

SENATOR LARSON: Senator Coash. [LB862]

SENATOR COASH: Thank you, Senator Larson. Mr. Grasz, I really appreciate your testimony because you really kind of homed down on the challenge that this committee has and this

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Legislature has when it comes to these issues which is trying to find something that works within the framework of our constitution or the law and those who...I understand Family Alliance would like to restrict gambling, so they're going to call most gambling that they find a game of chance. Those, like the previous testifiers, that want to expand gambling or allow for something or continued allowance for something are going to continue to say that it's a game of skill. And I think reasonable minds can agree and disagree on a particular game and where it falls and all of that. But my question for you is, where should we have this argument? Should we do this in the Legislature, should we do it in the court, or should we punt it and let the federal government decide the answer to those questions, because somebody is going to have to make...I mean this two sides are opposing here and somebody is going to have to decide what's okay and what's not. My question for you is, where do you think the appropriate venue to make that final determination would be? [LB862]

NATE GRASZ: Well, it's been brought to this Legislature, so it's here now; whether it should be or not, it is. And it's very likely that the federal government will get involved, and so we'll continue to see what develops. It's already been outlawed by state regulation in seven states and various AGs around the Midwest have been coming down saying it's illegal gambling. [LB862]

SENATOR COASH: Well, the reason I'm asking you is, you're right, it is in front of this committee, in front of this Legislature. Previous testifier testifies we shouldn't do it and we should wait and see what happens at the federal level, warned us against letting the courts decide. Where do you think this is best decided? Because at some point, if we do nothing with this bill, the 300,000 Nebraskans who are doing it are going to continue to do it unless the court tells somebody to stop letting them, where do you think it's best decided? [LB862]

NATE GRASZ: Well, if there's people doing it already, I don't think it's the government's job to help encourage it by legalizing a new pathway for even more people to be coaxed into losing more of their hard-earned money. It's been brought here, the question of can we legalize it, and if we do that's just going to make it easier for more people to lose more money. And I don't think that's the business of this committee. [LB862]

SENATOR COASH: Do you see that if LB862 became law, do you think that we're going to have more people engaging in this, or do you think it's going to remain status quo? [LB862]

NATE GRASZ: I believe more people would engage. [LB862]

SENATOR COASH: Can you tell me why? [LB862]

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NATE GRASZ: Well, because then we're saying it is legal and you can do this and this is okay and we've said it's okay because we have made it legal. [LB862]

SENATOR COASH: So do you believe that there are...there's people out there on the fringes going, hey, I'd really like to get into some fantasy sports but I don't...I'm going to hold off because I'm afraid it might be illegal? [LB862]

NATE GRASZ: Well, I think there's definitely going to be less people who do it if we say it's not legal and you can't be doing this and actually give them the facts that you're at a huge disadvantage and the vast majority of people are losing money. [LB862]

SENATOR COASH: I agree with you on that. But where I maybe disagree with you--I don't want to speak for you--is that the loss of the money is an entertainment expense and not a...I don't know anybody who is trying to get rich off of this. But I just wanted to get your opinion on where we ought to have this battle, at what level, so I appreciate your testimony. [LB862]

NATE GRASZ: Thank you, Senator. [LB862]

SENATOR LARSON: Thank you, Senator Coash. Real quick, you mentioned that DraftKings made \$200 million in New York alone. Were those gross receipts or that was profit in the black that DraftKings made? [LB862]

NATE GRASZ: That was \$200 million had been taken from citizens of New York by DraftKings and FanDuel. [LB862]

SENATOR LARSON: Those \$200 million in bets, that doesn't necessarily mean...when you say DraftKings and FanDuel made that much money, correct? [LB862]

NATE GRASZ: DraftKings and FanDuel took \$200 million from citizens of New York. [LB862]

SENATOR LARSON: So they didn't...but they did not make all that money. What happens...are you familiar with what happens within the...when they have that deposit, do you know what happens when they play a game? [LB862]

NATE GRASZ: They probably lose it. [LB862]

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SENATOR LARSON: Everybody loses it? [LB862]

NATE GRASZ: The vast majority. [LB862]

SENATOR LARSON: So who takes that...who gets the money? [LB862]

NATE GRASZ: It would be redistributed or it's going to DraftKings and FanDuel. [LB862]

SENATOR LARSON: So you're saying the house wins. [LB862]

NATE GRASZ: A majority of the time, yes. [LB862]

SENATOR LARSON: How does the house win in this game? [LB862]

NATE GRASZ: Well, people bet money. [LB862]

SENATOR LARSON: Against the house or one another? [LB862]

NATE GRASZ: FanDuel is spending hundreds of millions of dollars on... [LB862]

SENATOR LARSON: In a very specific question, do they bet against one another or do they bet against the house? [LB862]

NATE GRASZ: I don't...I've never participated in it. [LB862]

SENATOR LARSON: Okay. So when you...you just stated that the house wins in your previous comment but you've never participated nor do you completely understand how these games work, correct? [LB862]

NATE GRASZ: Well, I understand the only way these companies are successful is they convince more people to come back and lose more money. [LB862]

SENATOR LARSON: So, sir, I'm asking a very specific...do you understand specifically how the game works? Can the house win against an individual? [LB862]

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NATE GRASZ: I'm certain that DraftKings and FanDuel are taking percentages of money. [LB862]

SENATOR LARSON: They take essentially a percentage, but nobody actually ever plays against the house? Do you actually ever play against the house in these types of games? [LB862]

NATE GRASZ: You're playing against other competitors. [LB862]

SENATOR LARSON: So the \$200 million that were brought in, as you said, are redistributed for the most part, except DraftKings or FanDuel might take a percentage of that to run the site and be profitable. But a majority of that money gets redistributed back to other players, correct? [LB862]

NATE GRASZ: I don't know what the numbers are going to different people, but I know that they're reeling in millions of dollars. [LB862]

SENATOR LARSON: So but again the point comes to DraftKings and do you feel that you were dishonest when you said DraftKings and FanDuel made \$200 million? Was that an accurate statement that they... [LB862]

NATE GRASZ: No, they took \$200 million from citizens of New York there that have been returned. [LB862]

SENATOR LARSON: But that's not what you said. You said they made \$200 million. Do you feel that was an accurate statement? [LB862]

NATE GRASZ: I know that the attorney general of New York has filed a lawsuit... [LB862]

SENATOR LARSON: That's not...I...you... [LB862]

NATE GRASZ: ...that they return \$200 million to the citizens of New York who the money was taken from. [LB862]

SENATOR LARSON: I asked a very specific question. Did they make the \$200 million? Like is that... [LB862]

NATE GRASZ: I don't know how you want me to...I know that the attorney general is... [LB862]

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SENATOR LARSON: It's a yes or no question. [LB862]

NATE GRASZ: ...requiring that \$200 million be returned. [LB862]

SENATOR LARSON: All right. You talk about so the advertising makes it a game of...you know, causing more money. You know, I'd guess I'd see...we see a lot of weight-loss ads on TV, too, and that doesn't necessarily...everybody knows that those are hard enough to work. So I just have a hard time with some of the analogies that you used and punish companies that do this. I think we are here to determine whether or not this should be codified, just as it's already codified in federal statute. Thank you, Mr. Grasz. Any further questions? Seeing none. [LB862]

NATE GRASZ: Thank you. [LB862]

SENATOR LARSON: Any further opponents? Seeing none, any neutral testifiers? Welcome to the General Affairs Committee. [LB862]

DAVID GEIER: (Exhibits 6 and 7) Thank you. Chairman Larson, members of the committee, my name is David, D-a-v-i-d, Geier, G-e-i-e-r. I'm the director of the Nebraska Gamblers Assistance Program. My employer is the Nebraska Commission on Problem Gambling. We're neutral on this bill because we frankly don't know how to assess it. Senator Coash asked whether we have any statistics about the development of problem gambling or people with problem gambling diagnosis because of playing these games and I can tell you that we have a few. It's anecdotal. I don't have any real statistics for you. I had a phone call from The New York Times a month or so ago, did a survey of our therapists and asked about that. They said that they had some but they couldn't reveal any details because of confidentiality. We're trying our best to learn about this phenomenon, get ahead of it, but it's been difficult because it's been so explosive. I was at a national conference on problem gambling last summer, big topic of discussion at a lot of seminars. Internet-based gambling activities are proliferating around the world and it's a very big problem, a very difficult situation. People in the field say that every kid in high school has a casino in his pocket. That's what the smart phone is doing. So we really don't know for sure what's going on with this. I would say that there has been some information published recently about the way at least the daily fantasy sports games work. There's been some publicity about whether or not your ability to win depends upon having access to the right computer scripts rather than your choice of the best quarterback, for example, that if you have access to the right computer language you can enter hundreds of these games at a time and you can increase your chances of winning dramatically because you are out-computerizing the other people playing the games. Another thing I want to bring out for you, just to be sure you're aware of this: This statute would basically clarify the legal status of fantasy games of all kinds. We have reports of fantasy games being played in taverns in Omaha, for example. A group of people will get together and

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gather up their money and play a fantasy game. Large amounts of money are being handled in these venues, not on-line with a company out of New York City but, rather, at a place in Omaha, Bellevue, Papillion, where they're playing these games. There's no regulation. The statutes that we have...I see the red light. [LB862]

SENATOR LARSON: You can continue on the statutes. [LB862]

DAVID GEIER: The statutes that we have authorizing legal gambling specifies percentages of the revenue that must be paid out in prizes. There's nothing that specifies here or in any of the other laws that come, that are affected by this, come into play, it specifies how much must be paid out in prizes, no regulation of how the money is handled. We don't really know how much money is going through the hands of these people during these games either at the international level or locally. [LB862]

SENATOR LARSON: Thank you, Mr. Geier. Questions from the committee? Senator McCollister. [LB862]

SENATOR McCOLLISTER: Yeah, thank you, Mr. Chairman. So from your standpoint--and you're operating from the neutral standpoint--you'd like to see a regulatory framework for this kind of gaming. [LB862]

DAVID GEIER: If it's going to be done on any large scale, there's...Nebraska has had an interest in regulating gambling activities since we started expanding gambling activities in 1934 with horse racing. And ever since then policymakers and the voters by their amendments to the constitution have basically adopted the attitude that, because of the large amounts of money that are involved in all these games, there has to be some way to be sure that, in fact, the games are being played honestly. And that means that the people handling the money are, in fact, paying out 90 percent of their handle in prize money. There is no way to know. It cannot be verified. There is no public accounting of it. There's no public auditing. These are not public companies, therefore, they're not subject to audit. The little game in Bellevue is somebody with a tavern. There's no way to know whether or not the game is being handled honestly. So we're back to the saloon days of the guy with the trick card up his sleeve. I mean that's the real concern I think that my commission would have about it. [LB862]

SENATOR McCOLLISTER: Just a follow-up question, then I'll stop the questions. In what you do, do you receive some proceeds from gaming that help you with problem gamblers? [LB862]

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DAVID GEIER: We get about \$900,000 a year from the Nebraska Lottery that comes in a couple of different components and \$50,000 a year from charitable gaming. So basically these are the state-sponsored gambling activities and the statutes and the constitution specify that some of the money must come to the Gamblers Assistance Program to help those who fall into trouble with this activity. [LB862]

SENATOR McCOLLISTER: So one position the state could take is put this under the auspices of the state of Nebraska and get a cut of the proceeds to continue your important work. [LB862]

DAVID GEIER: I am quite sure that that...the Department of Revenue Charitable Gaming Division would give you a fabulous fiscal note to set up the regulation that would be involved in this. Furthermore, this is a national company. Regulation I think will be extremely difficult. But, yeah, sure, if it's going to be done, then it should be done in such a way that policymakers who approve of it can assure the public that it's being done honestly. And that's really the bottom-line question. [LB862]

SENATOR McCOLLISTER: Thank you, Mr. Geier. Thank you, Mr. Chairman. [LB862]

SENATOR LARSON: Thank you, Senator McCollister. Seeing no other questions, I appreciate your time. [LB862]

DAVID GEIER: Thank you, Senator Larson. [LB862]

SENATOR LARSON: Any other neutral testimony? Mr. Eickmeier to clear up a few legal clarifications. [LB862]

JOSHUA EICKMEIER: Just to clarify a few quick points, the issue was brought up about I believe a tennis match was being fixed. One of the reasons that...the way these are set up, you're choosing a team of different players that are on different teams. If you're choosing a quarterback, you know, it doesn't do you any good to have multiple quarterbacks because they're not going to be on the same team. So the idea that you could somehow fix one of these fantasy teams is virtually impossible because you're assembling a team that's consisting of players from different teams. So that's the reason if you look at the section--and you had mentioned sub (c) and sub (d) in the bill, I believe, Senator McCollister--it talked about that's why it says in sub (c) you're talking about the accumulated statistical results of the performance of individuals. That's the assembling of a team of different individuals that I would then as a GM select. That is part of the sub (c). Then the sub (d) is saying, but no winning outcome is based on the score, the point spread. They're talking about sports betting and the difference is in sports betting I'm picking this

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team to beat that team and this is the point spread that we're talking about. So that's the distinction between the two. And while, yes, you could arguably fix a game if you were connected well enough, if you're picking one team versus another team or one player versus another player, but because of the way all these are interrelated on your team, which your team might not match anyone else's team and within your league it won't because if you've drafted a player then that other person can't draft that same player, so that's one distinction. And another quick point: I believe New York is the only state where there is an enforcement action that was issued and then I believe the appeals...the appellate court issued a stay, a permanent stay on that so they could continue to operate. But the other states, the few states that have issued Opinions, those are just simply Opinions. So I hope that kind of helps clarify. I'm happy to answer any other questions. And I realize, if you haven't been involved in something like this, it can be fairly confusing. But again, it's...and I guess one last comment. The talking about that there's so many losers, I believe that there are scenarios within, at least with I believe DraftKings, where you're going up against one other person and you're selecting the team of players and they're selecting a team of players. So it's not like one person wins which means the other eight players then have to lose. In some instances I believe it's just one on one and it's for a one-day contest. So, and just to clarify, I think the point was made that you're not playing against if you want to call...they probably don't like being called the house, but for lack of a better term, you know, if the company is the house, you know, they're just simply a...they're just the ones that are basically hosting the game. And so they'll take a percentage, which may be a dollar or two, whatever, depending on the level of the contest and the fee to play, but, you know, they're not...you're not going against them. You're going against other players. And if the argument is that you're always losing and, therefore, being taken advantage of, then I guess that would suggest you're not very skilled and you should probably find another hobby. But just to help, I'd be happy to answer any questions if you have; otherwise, I'd be happy to leave too. [LB862]

SENATOR LARSON: Senator McCollister. [LB862]

SENATOR McCOLLISTER: (Laughter) Okay, let's go through that again (laughter). [LB862]

JOSHUA EICKMEIER: Okay, sure. Which part, me leaving or the...no. [LB862]

SENATOR McCOLLISTER: Okay. I'm going to read this definition of one of the bullet points that you just... [LB862]

JOSHUA EICKMEIER: Sure. [LB862]

SENATOR McCOLLISTER: ...tried to enlighten us about. "All winning outcomes reflect the relative knowledge and skill of the participants and are determined predominantly by

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accumulated statistical results of the performance of individuals, including athletes in the case of sports events..." So the way I envision this working then is you've got a big computer someplace that assigns relative values to the players and then you're, in fact, betting against the house. Is that the case? [LB862]

JOSHUA EICKMEIER: I don't believe so if I understand your question correctly. There are resources available, I mean, like I...like was stated, there are TV shows dedicated to the...to fantasy sports where they're talking about the statistics and they're giving advice on who's going to have a good week depending on what team is playing which team, what the weather conditions are like, their tendencies on offense. I mean you can go through all these different variables. And so there is information available, whether it's on the Internet or through other sources. And then, like, I as a general manager, let's say I'm going against Senator Larson. We're going to evaluate that information probably differently. And I'm going to say, okay, I think this is going to happen; he thinks that's going to happen. So I would then choose, I would choose the individual players that they're talking about here. And it's my skill as a participant by the accumulated statistical results, which means all the different players on my team, you take all their stats and you get so many points if they score a touchdown, you get so many points for this and that, and those stats are what's accumulated. So that's the accumulated statistical results of the performance of these individuals, the players. But as a GM I'm assembling that team and he is assembling his team and then I can follow through this Web site. As these games are being played, these players are going to earn points. And I can look and say, okay, this quarterback just earned me 15 points, his quarterback earned him 20 points, so he's ahead 5 points. And then you go through each. And then if you're doing a week-long one, at the end of the week you can see which one of us outperformed the other based on the selection of players, using my skill selecting players, and then using the accumulated statistics of their results to determine the winner in our contest. Is that clear as mud? [LB862]

SENATOR McCOLLISTER: I think you lost me somewhere along this tortured road. [LB862]

JOSHUA EICKMEIER: Sure. [LB862]

SENATOR LARSON: We'd be happy to explain it to you. [LB862]

SENATOR McCOLLISTER: That would be appreciated, thank you. [LB862]

JOSHUA EICKMEIER: For a small fee. [LB862]

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SENATOR McCOLLISTER: Yeah, but somebody decides who wins. And is that a big computer somewhere on the East Coast but... [LB862]

JOSHUA EICKMEIER: Well, yeah, the way it's... [LB862]

SENATOR McCOLLISTER: Now if I need some remedial education on this... [LB862]

JOSHUA EICKMEIER: No, no, you're fine. [LB862]

SENATOR McCOLLISTER: But you can sure help me. [LB862]

JOSHUA EICKMEIER: No, the way it's decided is that, you know, each of my players, if I have ten players on my team, he has ten players on his team, at the end of the week each of my players have performed in their game and I know how many points each one of them earned based on how they perform. So if you score a touchdown, you get so many points. And so you add up those points. So at the end of the week I end up with 150 points. At the end of the week, because he's also my boss, he's got 180 points, so he'd win. [LB862]

SENATOR McCOLLISTER: So he wins automatically. [LB862]

JOSHUA EICKMEIER: Yeah, he wins automatically. So he beat me in that week based on those points. So what the companies are doing, they're just curating sort of the rules that you play by, deciding how many points you get for various things so that when you are making your decisions you know the rules, which is why it also as far...and also the winnings, which have to be known before the contest, they're not determined based on who all is involved. So that's trying to...in essence this bill is designed to comply with the UIGEA. [LB862]

SENATOR McCOLLISTER: Okay, thank you very much. [LB862]

JOSHUA EICKMEIER: Hope that helped. [LB862]

SENATOR LARSON: Any further questions? I wish you would have said that the boss wins. This year I think Jeff beat me once this week (laugh) or this year. He should have known better if he was talking to you. [LB862]

JOSHUA EICKMEIER: In our free contest for entertainment purposes? Yes. [LB862]

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SENATOR LARSON: It was a free contest actually, that one was, but... [LB862]

JOSHUA EICKMEIER: We good? [LB862]

SENATOR LARSON: (Exhibits 8-20) Yes. Before we close the hearing--and I'll come back to LB820, my mistake--we did receive letters of support for LB862 from Kurt Crowley, Derek Hein, Andrew Lighthall, and Paul Charchian; opposition letters from Amber Parker, C.J. Bessey, Glen Andersen, Nebraska Family Alliance, Andrea Herman, Sherylyn and Russell Miller, Jacob Wolff, Mary Forester, and Jeff and Pat James. And I'll close the hearing on LB862. (Exhibits 5-12) And for the record, because I did not have the piece of paper on LB820, we received letters of opposition from Al Riskowski, Amber Parker, C.J. Bessey, Mary Forester, Jeff and Pat James, Andrea Herman, Sherylyn and Russell Miller, and Jacob Wolff. Excuse me for not entering in the LB820 letters. We'll make sure that those are clear for the record, so. And we'll move on to LB970. [LB862 LB820]

JOSHUA EICKMEIER: My name is Joshua Eickmeier, J-o-s-h-u-a E-i-c-k-m-e-i-e-r, and I'm the legal counsel for the General Affairs Committee. LB970 is intended to address various issues affecting charitable gaming in general and specifically pickle cards and keno. LB970 would allow any form of payment representing U.S. currency under the various bingo, pickle card, lottery, and raffle acts. Currently only cash is allowed for keno transactions. This change recognizes the numerous technological advances in how transactions take place and the subsequent reality that people do not carry around as much cash as they once did. For pickle cards the following changes are intended to remove existing obstacles that may cause a potential operator to not participate or an existing operator to no longer want to sell pickle cards. LB970 does the following regarding pickle cards: (1) eliminates the requirement for a pickle card operator to purchase, lease, or rent a pickle card dispensing machine; (2) eliminates the prohibition on a licensed organization or pickle card distributor from offering their dispensing machine for free or below fair market value as a means to induce the operator from contracting with a licensed organization; (3) eliminates the requirement that licensed organizations pay the distributor for the pickle cards upon delivery, but instead allows 30 days from delivery for payment; this eliminates a similar provision, the requirement that licensed operators pay the licensed organization upon delivering, but instead allows 30 days from delivery for payment, and the prohibition on licensed organizations extending credit; (5) increases the operator's maximum definite profit from 30 percent to 35 percent; (6) increases prizes from 80 percent to 85 percent and decreases the tax on the definite profit from 10 percent to 5 percent. For keno the intent is to make the game less archaic by incorporating modern technology as a matter of practicality. LB970 allows keno to be played with electronic tickets but would still require paper tickets to be available at the request of the player. The bill also eliminates the mandatory five-minute wait between keno games. One issue I did not include in your summary but I wanted to touch on, and I'll explain why I didn't include it, is there is an AG's Opinion, I believe from 2000, which talks

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about paper ticket requirements. Again, it's an Opinion. The issue hasn't, to my knowledge, been litigated, but it does argue that a lottery basically...and the paper ticket is a...is like the essence of the lottery would include a paper ticket is basically the argument. And so in that Opinion they were asked about electronic keno and electronic pickle cards. And so the AG basically reaffirmed an earlier Opinion about paper tickets. Part of my hesitation with the Opinion is that in my understanding the paper ticket is more of...it serves more of a function of authentication. Lotteries typically have paper tickets because you have to go and redeem the ticket for the prize; and if you don't have a ticket, how do you prove that you won? So in my opinion it's viewed more as a practical necessity in order to demonstrate that you have the winning ticket. So in that regard it acts in the function of a receipt. The idea that the paper ticket is a requirement simply because lotteries historically have had paper tickets, I think that is true. There's even a famous lottery ticket that was signed by George Washington in the 1760s. And back then lotteries were often used for building infrastructure. And, yes, you know, at the risk of sounding flippant, you know, I assume the reason George Washington used paper tickets was because the Internet was down at the White House--or I guess White House wasn't built yet--at his home. And so I think the danger is that when you assign a medium, such as paper, as part of the requirement for something like...for an activity, you run the risk of when technology advances, then the practice becomes archaic and simply can't function the way it was intended. And so I guess that would be the reason why I would be curious to see how that would be litigated because I don't know that that is...that a court would necessarily agree with that. But, however, in this bill we still talk about the paper--a paper receipt or a ticket--being available, it's just not the primary, it doesn't have to be the primary use for game play, if that makes any sense. So with that I will stop and be happy to answer any questions. [LB970]

SENATOR LARSON: Thank you, Mr. Eickmeier. Any questions? Senator Riepe. [LB970]

SENATOR RIEPE: Thank you, Senator Larson. It appears to me that in this bill there's some things that were unsuccessful in past years--for example, the elimination of the five minute--and so it would seem to me that it's complicated the bill for those who maybe didn't support the five minutes. All of a sudden the debit card becomes at risk as well. So, I don't know, was that your intent to throw in the kitchen sink on this or...? [LB970]

JOSHUA EICKMEIER: I don't have any intent personally with this bill. My understanding is... [LB970]

SENATOR RIEPE: But you're the man's man. [LB970]

JOSHUA EICKMEIER: (Laugh) You are correct, there have been bills in the past that have talked, that have proposed changes in the keno time that's been five to three (minutes), five to

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zero (minutes), various efforts. And so, yes, there is a history in this committee with addressing that issue. And part of that is, again, trying to, you know, modernize the types of entertainment that people are accustomed to and making the game in that...in the case of keno, making it...I guess to me the expectations of players and having to wait five minutes between games, I don't know if that accomplishes that, but that would be a policy decision. [LB970]

SENATOR RIEPE: Has there been marked decrease in the level of pickle games? [LB970]

JOSHUA EICKMEIER: You know, that's an interesting point, you know. And I sometimes joke about during that five-minute wait you could spend \$100 on pickle cards if you wanted to, if the bar had both available. So as far as pickle cards you could...you know, they call the whole...the whole container is called a dill, all the cards that are, again, in a machine. And so, yeah, you could go and buy the whole dill if you wanted to. There's no limit on how fast. I mean it's how fast you can physically go like this is pretty much the limitation on how fast you can go playing pickle cards. [LB970]

SENATOR RIEPE: But you could. But the question that I have is, has the sale of pickle cards decreased? [LB970]

JOSHUA EICKMEIER: There is someone here from the industry who can answer that, but I believe the answer is, yes, it has over a period of...well, since the beginning, I believe it has...they're selling fewer than they did in the beginning but he would have the exact number. [LB970]

SENATOR RIEPE: So it's kind of run its product life cycle. [LB970]

JOSHUA EICKMEIER: Well, I don't know about the product life cycle. I think that, you know, you had the emergence of casinos in Iowa that became competition. You have other electronic forms of entertainment, whether it's gaming or not, that you're competing with. But I will say in the case of keno as well, there are a number of communities that do enjoy the revenue from keno that they can then spend on quality-of-life improvements like parks and other things. So there is a benefit but there is, has been, I believe, a consistent decline in play. And that is some of what some of these pickle card provisions here that would be eliminated would help to I guess encourage the...we call them operators, but the bars or whomever may have these machines, to want to continue doing this and, you know, be involved in these...I call them fund-raisers essentially, but, yeah, they are the forum. [LB970]

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SENATOR RIEPE: Are you saying that dill pickles and dried beans are both at risk, is that... [LB970]

JOSHUA EICKMEIER: I can't answer that. I don't know anything about dry beans. [LB970]

SENATOR RIEPE: Okay, neither do I, but thank you. [LB970]

JOSHUA EICKMEIER: Sure. [LB970]

SENATOR LARSON: Seeing no other questions, thank you, Mr. Eickemeier. First proponent for LB970. Mr. Adams, welcome to the General Affairs Committee again. [LB970]

JOHN ADAMS: Thank you. Good afternoon, Chairman Larson and committee members. My name is John Adams, J-o-h-n A-d-a-m-s. I am the general counsel for International Gamco, a company in Omaha, Nebraska, that manufactures charitable game tickets. While most forms of gaming or gambling are illegal in the state, Nebraska law does authorize nonprofit organizations to raise money for charitable and community betterment purposes through several forms of charitable gaming, and the predominant one is through the sale of pickle cards. Charitable gaming in Nebraska has suffered dramatic sales declines in recent years--and I think that's what you were alluding to, Senator--and as I testified at the interim study committee, from a high of \$177 million in tickets sold in 1994 to roughly \$23 million sold the last fiscal year. Ever since the mid-'90s, we've seen a decline in pickle card sales and the resulting money available to the charities for community betterment and charitable works. For instance, in 2000 the profit generated by charities was roughly \$10 million to use for charitable works in this state. The last annual report issued by the Department of Revenue shows that roughly \$2 million is now available to charity, so it's gone from \$10 million to \$2 million within the last 15 years. We have visited with all of the licensed distributors and a number of the charities and even some pickle card operators to try to come up with ideas to stabilize the industry and not see these double-digit declines from year to year and year. And they've come up with some ideas and a lot of these ideas are reflected in this legislation, and I'll only be addressing the provisions of the bill that deal with pickle cards. A primary reason that was stated by the industry was the decline in pickle card operators or the retail locations that sell the cards as being a major reason for decline in the pickle card sales. Roughly 15 years ago we had about 1,500 pickle card operators in the state and the last annual report shows about 600. So we've suffered more than a 50 percent decline in operators. So the objective of this legislation is to reduce the obstacles and hurdles that we've seen and pickle card operators have told us that keep them from selling the cards or keep them or have them drop out from supporting the charities that sell these cards. The first item in this legislation relating to pickle cards is increasing the operator commission from 30 percent of the definite profit to 35 percent of the definite profit. Again, operators have told us they don't receive

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enough money to make it worth their while and we feel that by giving them a little bump in the compensation they can earn it would help retain operators and hopefully sign up some new operators to sell the cards for the charities, thus resulting in more money for charitable and community betterment purposes. The second item would be to eliminate the requirement that they have to pay up-front for the deal. Right now, when a charity delivers a game to an operator, they have to pay up-front the amount less their commission and before even a single ticket is sold. A lot of states allow charities or sites to have 30 days to pay for the products, so we're proposing that they are given 30 days to pay for this product. And I'll go quickly. [LB970]

SENATOR LARSON: And I'll actually just cover you real quick. And then so they don't have to...and they don't have to buy the pickle card disbursement machines, correct, or sell or lease? [LB970]

JOHN ADAMS: Right, that's another... [LB970]

SENATOR LARSON: Why was that done? [LB970]

JOHN ADAMS: That's another hurdle that we've heard that right now there's a...they have to pay fair market value for those machines that are more often than not from the charity. [LB970]

SENATOR LARSON: Okay. [LB970]

JOHN ADAMS: And it's...if the charity was just allowed to place the machines, then that would facilitate more operators willing to sell these cards. [LB970]

SENATOR LARSON: So it's...the pickle card industry, obviously you've done a lot of good for charities across the...you know, you're more charity focused and keno is more city and community focused. [LB970]

JOHN ADAMS: Right, right. [LB970]

SENATOR LARSON: So it's...you believe, like LB970, the steps within LB970 specifically pertaining to the pickle card portion and not the keno portion, I understand that's why you're here. [LB970]

JOHN ADAMS: Yes. [LB970]

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SENATOR LARSON: These subtle changes in LB970 will increase pickle card sales, which directly benefit a lot of charities within the communities, not necessarily--you know, how do I want to say this?--harming the community, as some might say this is... [LB970]

JOHN ADAMS: No, not at all. [LB970]

SENATOR LARSON: Yeah. [LB970]

JOHN ADAMS: These charities reflect parochial schools, Little League organizations, service organizations. We talked about the Lions Club earlier, Moose, Elks, VFWs. They all raise money through this type of product and are able to use that money to enhance their organizations and fund community projects, give scholarships, and whatnot. [LB970]

SENATOR LARSON: Thank you, Mr. Adams. Any further questions? Senator McCollister. [LB970]

SENATOR McCOLLISTER: Thank you, Mr. Chairman. Are pickle cards sold throughout all 50 states? [LB970]

JOHN ADAMS: No, probably about 40 states. [LB970]

SENATOR McCOLLISTER: Forty states. And are the Nebraska laws with regard to pickle gaming pretty standard? [LB970]

JOHN ADAMS: I would say Nebraska regulates more stringently than a lot of other states. [LB970]

SENATOR McCOLLISTER: In what way? [LB970]

JOHN ADAMS: There's more regulations, more requirements, some of the things we talked about here. [LB970]

SENATOR McCOLLISTER: And the bill would relieve some of those obligations or those limitations... [LB970]

JOHN ADAMS: Right. [LB970]

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SENATOR McCOLLISTER: ...that you see for expanded pickle games in the state? [LB970]

JOHN ADAMS: Right, and I wouldn't say expanded but I would say to keep what we've got and hopefully not suffer more double-digit declines. [LB970]

SENATOR McCOLLISTER: Thank you very much for your testimony and your coming down here this afternoon. [LB970]

SENATOR LARSON: Senator Riepe. [LB970]

SENATOR RIEPE: Thank you, Senator Larson. I'm always interested in who gains and who loses and I guess my question would be is, what percentage of pickle funds are going to the charity and what percentage are going to the administration of it? Do you have those numbers? [LB970]

JOHN ADAMS: Well, the predominant dollars go back to the players in the form of prizes. [LB970]

SENATOR RIEPE: Do you have a percentage on that? [LB970]

JOHN ADAMS: The law now says that the prizes paid have to be 65 to 80 percent of the dollars spent on tickets. [LB970]

SENATOR RIEPE: Why such a big range? [LB970]

JOHN ADAMS: That's just the way it has been. There's a variety of games that may be sold and different games have different payout percentages. [LB970]

SENATOR RIEPE: Okay. Is the...the chief executive is of the pickle charity fund, I don't know, maybe, is that you or is that...I mean is that (Form) 990 of last year's earnings available on the Internet? If it's a...is it a tax-exempt organization? [LB970]

JOHN ADAMS: Right, they all are tax-exempt organizations. [LB970]

SENATOR RIEPE: Okay, then it would be on-line. Who...what's that person's name, can you tell me that? [LB970]

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JOHN ADAMS: That...? [LB970]

SENATOR RIEPE: That...whoever the chief executive director, whatever title they have... [LB970]

JOHN ADAMS: Of...? [LB970]

SENATOR RIEPE: ...of this pickle organization, if I may describe it that way. [LB970]

JOHN ADAMS: Well, there's hundreds of pickle organizations in the state. [LB970]

SENATOR RIEPE: But in Nebraska I'm just trying to drill down to see. [LB970]

JOHN ADAMS: Yeah, they... [LB970]

SENATOR RIEPE: You know, some of these charitable things end up with fairly significantly well-paid administrators at the helm and that's, yeah, that's a concern of mine. [LB970]

JOHN ADAMS: Within the Department of Revenue there is the Charitable Gaming Division and that division regulates this activity and they would have some of that information. [LB970]

SENATOR RIEPE: Department of Revenue? [LB970]

JOHN ADAMS: Right. [LB970]

SENATOR RIEPE: Okay. I'll start there. Thank you. [LB970]

SENATOR LARSON: Thank you, Senator Riepe. Essentially LB970, it doesn't create any expansion for pickles, though, it's just the same games. We are changing some of the regulations within it. We're not giving pickles any more authority to operate or any new modes of operation, it's just essentially who can own the machine or who has to own or lease the machines. I know Senator...I think, Senator Riepe, going on your question, like, we...LB970 increases prizes, the prize pool of...from 80 to 85 percent of...to...so we increase the prize pool, the hopes of that, you know, giving more back to the players. And then also, changing the remaining amount of money, we move from 30 to 35 percent. That other 15 percent goes back to the operators to encourage more operators to do it. I think what Mr. Adams is trying to say is at no point on the pickle side

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of this are we expanding the pickle game; we're just changing it in order to hope more operators come on-line or...and return more money to the players, correct? [LB970]

JOHN ADAMS: Right, and, yeah, our intent is to merely tweak what is existing law to help the industry stabilize. [LB970]

SENATOR LARSON: Does that answer your question to a certain extent? [LB970]

SENATOR RIEPE: Yes. [LB970]

SENATOR LARSON: We're not trying to... [LB970]

SENATOR RIEPE: What's the aggregate amount? What...in a year's time how much money is spent on pickle cards? [LB970]

SENATOR LARSON: Senator Riepe, we have something from... [LB970]

JOHN ADAMS: Yeah,... [LB970]

SENATOR LARSON: ...Department of Revenue. [LB970]

JOHN ADAMS: ...roughly \$23 million last year. [LB970]

SENATOR RIEPE: Okay. Very pretty. [LB970]

SENATOR LARSON: I didn't do it, don't worry. [LB970]

SENATOR RIEPE: Thank you. [LB970]

SENATOR LARSON: Thank you. [LB970]

SENATOR RIEPE: Would you like to have this back or...? [LB970]

JOSHUA EICKMEIER: You can keep that one. [LB970]

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SENATOR RIEPE: Okay, thank you. Thank you. [LB970]

SENATOR LARSON: Any further questions? Thank you, Mr. Adams. [LB970]

JOHN ADAMS: Thank you. [LB970]

SENATOR LARSON: Next proponent. Welcome to the General Affairs Committee, Mr. Harvey. [LB970]

BILL HARVEY: Thank you. Senator Larson and members of the committee, thank you for the time here today and good afternoon. My name is Bill Harvey, H-a-r-v-e-y, and I'm general counsel for Big Red Keno. Big Red is a Nebraska company. We have about 350 employees and we are a for-profit company as required by state law to be a keno operator. I speak today in support of LB970. Keno is authorized by the Nebraska County and City Lottery Act and one of the many things I like about the act is that it's unique to our state. In Nebraska we authorize every county, city, and village in the state to have an election and let the people of that community decide whether to have a keno lottery in their community. After paying prizes and expenses, all of the money from keno goes for community betterment. One hundred and fifty-two communities across the state have chosen to have keno as a way to raise community betterment funds. In total, over the 25 years that it's existed keno has raised about \$400 million for community betterment. And it's gone for a whole variety of projects and I could list those for you today. I could easily go on and on, and if you'd like some examples I'd be happy to give those to you when it comes to question time. LB970 would make a number of changes to the keno game, all of which would be helpful. The specific change we are focused on is the ability to use forms of payment other than cash. Right now payment for keno is limited to cash by state law, meaning U.S. currency. But what we find, just like every other merchant in every other business, is that more and more of our customers are carrying plastic rather than paper money. And just like every other merchant in every other industry, we have to respond to this trend or we're not going to...eventually we're not going to stay in business. At some point, without the ability to accept other forms of payment, the money generated by keno for important community projects across the state will dry out. Now here's what I find interesting. This morning I stopped at two different retailers and I bought two Nebraska State Lottery Powerball tickets. One of them I paid for with a credit card and one of them I paid for with a debit card, but when you go to a keno lottery you have to use cash. What we're really looking for here...and by the way, if you look at laws across the nation, other state lotteries, the vast majority of them, at latest count about 30, allow either debit cards, credit cards, or both as payment for lottery tickets. Keno is a lottery. It's a local-option lottery but it's basically the same as Powerball. You choose some numbers. Numbers are selected and you win or lose based on the matching of those numbers. What we're really asking for is just a harmonization of those state provisions that we be allowed

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to do the same thing that they do at the State Lottery: to allow payment by credit card or debit card. [LB970]

SENATOR LARSON: Thank you, Mr. Harvey. Questions from the committee? Senator Riepe. [LB970]

SENATOR RIEPE: You know I have a question, thank you, Senator. [LB970]

SENATOR LARSON: Always. [LB970]

SENATOR RIEPE: Always. Mike (sic), let me put this in the form of a question or a concern is, in the use of, first of all, in the use of credit cards or debit cards--more familiar with credit cards, having conducted some United Way campaigns at fairly large hospital--I could always count on getting a lot more money because people spent a lot more money when they're working on their credit card than when they're working on cash out of their billfold. Concern of mine is it comes down to gambling, if you will. Also, the security of a debit card in terms of talking with some bankers that are members of this Senate, that the security on a credit card oftentimes is limited, say, to \$50 that the credit card company then will pay up after that. Not true with a debit card that if someone gets your debit card, they can run out your entire bank account out within minutes. And that's a concern of mine, both the encouragement to bet more and also the access to these invisible dollars. [LB970]

BILL HARVEY: Well, that's...you know, if I might respond to that,... [LB970]

SENATOR RIEPE: Sure, please do. [LB970]

BILL HARVEY: ...I mean, I think the difference between liability on a credit card and a debit card certainly isn't something that is addressed by this bill, isn't...I mean that's something that exists in society. I know that I try to be careful about that very fact that there are different limits on those types of cards. But it's really something that gets into a whole different kind of regulation. The point we're trying to make here, you know, with this bill and our request is that fewer and fewer people are carrying cash money. They're paying for everything with plastic and this is true more as we...as time moves forward and it's true more with younger people than with older people. The concern we have is that we get into the situation that we've seen, you know, with other industries, with the pickle card industry, where sales drop dramatically and the important projects that get funded with these keno dollars, things like the TD Ameritrade Park in downtown Omaha, libraries, parks, all kinds of important projects, that those funds dry up and then those projects either go away or they're going to have to be funded with some kind of tax

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increase. And that's what we're really looking to avoid. We're not trying to, you know, mediate between the merits of credit cards versus debit cards, and I certainly understand those concerns. But our concern is that overall society is really moving in this direction where they want to pay for things with this kind of form of payment. [LB970]

SENATOR RIEPE: Thank you very much. I agree. It's just a blinking yellow light concern to me. Thank you, Chairman. [LB970]

SENATOR LARSON: Thank you, Senator Riepe. Thank you, Mr. Harvey. [LB970]

BILL HARVEY: Thank you. [LB970]

SENATOR LARSON: Welcome to the General Affairs Committee. [LB970]

GARY KRUMLAND: Senator Larson and members of the committee, my name is Gary Krumland; it's G-a-r-y K-r-u-m-l-a-n-d, representing the League of Nebraska Municipalities, appearing in support of LB970 and specifically the provisions relating to keno. As you just heard, keno in Nebraska is operated by cities and counties across the state and about 30 percent of the 529 cities have keno in their...that's been implemented by a vote of the people and it is being used across the state. The support for the bill is that funds have been going down over the years and we would like to update and keep the game current with ongoing sorts of things. It is used for community betterment and that's what the law allows it to be used for. And cities across the state have used it for all sorts of things. Generally one-time projects, they don't use it for ongoing funds because it's not something you rely on. But it has been used for a lot of worthy projects. Fire trucks, ambulances, police cars, parks, pools, buildings, all sorts of things like that have been built and purchased from result of the keno proceeds. So keno is an important revenue source for cities and villages across the state and anything that we can do here to tweak it, to make it a little bit more modern, easier to play, we would appreciate that. Be happy to answer any questions. [LB970]

SENATOR LARSON: Questions from the committee? Senator McCollister. [LB970]

SENATOR MCCOLLISTER: Yeah, thank you, Mr. Krumland, for your appearance. Thank you, Mr. Chairman. How much revenue did the city receive, let's say in 2015 or some year, from the proceeds of keno? [LB970]

GARY KRUMLAND: Well, I don't have the numbers for each year. The number I've had over the 25 years is like \$400 million, so that averages about \$16 million a year spread out among all

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of the cities who have it. So I don't have a specific for one city, but I probably could get that information. [LB970]

SENATOR McCOLLISTER: So it's a significant amount of money. [LB970]

GARY KRUMLAND: It's a significant amount of money, yeah, it's... [LB970]

SENATOR McCOLLISTER: Well, thank you. [LB970]

GARY KRUMLAND: And especially since, for example, state aid to municipalities was eliminated a few years ago, you know, there's fewer sources of revenue (inaudible). [LB970]

SENATOR McCOLLISTER: You had to bring that up. [LB970]

GARY KRUMLAND: Well, yeah. [LB970]

SENATOR McCOLLISTER: Thank you. [LB970]

SENATOR LARSON: And Senator Riepe has all that information in the colorful document that he commented on, so if he should care to share with you right now, Senator McCollister. [LB970]

SENATOR McCOLLISTER: Thank you. [LB970]

SENATOR LARSON: Any further questions? Seeing none, thank you, Mr. Krumland. Further support, proponents, proponents. Welcome to the General Affairs Committee. [LB970]

LARRY AYERS: (Exhibit 1) Thank you for hearing me. It's Larry Ayers, L-a-r-r-y A-y-e-r-s. I'm the vice president of Ayers Distributing. We've been the pickle card and bingo distributor since 1983. We've seen the rise and fall of the industry. I'm here to talk today about some little changes we can do to keep our product viable. Our industry has been, in effect, legislated out of business. The laws placed on pickle cards and bingo and the lack thereof on keno have had a very negative impact on charitable gaming. I'll start with some stats. In 1994, before keno was big in the state of Nebraska, gross wagers on pickle cards were \$172 million. In 2015 the gross wagers had fallen to \$23 million. Bingo's gross wagers in 1994 were \$25 million. In 2015 that number was down to \$6.7 million. In total that's an 85 percent drop since keno was introduced in our state. What this has meant for the state is a \$4.5 million drop in tax revenue and a \$13.5 million drop

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in profits for local charities. Local charities provide a lot of services that are now falling on taxpayers for help: local VFDs (sic) and veterans' assistance from VFWs and American Legions. Bingo has been decimated by legislation. Can you imagine keno surviving if only allowed six hours a day and two days a week to have drawings and while having no liquor and alcohol sale on the premises where it's conducted? In 1994 there were over 300 licensed bingo operators in our state. Last year that number was down to 83. I hope this is something we can discuss further down the road. The part of the bill that promotes the electronic keno and the time limit between games we strongly oppose. The legal advantages for keno have been strongly lopsided against pickle cards. In 2015 keno had \$232 million in gross wages, compared to the \$23 million. The 30-day payments, we are not in support of that either. We're the state tax collectors so we would be...we'd have our tax payments due before we got payment from our customers, so that...we already have trouble making payments as it is. That would further complicate our stress. All other parts of the bill we support just to get operators interested and staying in. Right now, as the law stands, a new machine is about \$4,000 for pickle cards. With the laws in place, operator would have to pay \$110 a month to a charity to earn it. I know repealing the law altogether might be hard, but a lot of the machines run 25-plus years. So even taking it from 36 months to 180 months would be extremely helpful. [LB970]

SENATOR LARSON: Thank you, Mr. Ayers. Questions from the committee? Senator Riepe. [LB970]

SENATOR RIEPE: I'll try to be brief, Senator, and thank you very much. My question is this is, did you notice that the decrease in the keno and pickles was...corresponded to the boats in Council Bluffs that (inaudible). [LB970]

LARRY AYERS: There was a sharp drop off for everything. [LB970]

SENATOR RIEPE: Was there? [LB970]

LARRY AYERS: Keno wasn't that big before the boats though. Most of keno gained its traction after the boats and everything opened up, so but pickle cards definitely did fall off a lot. [LB970]

SENATOR RIEPE: So maybe the bright lights and the big city of Council Bluffs pulled them (inaudible). [LB970]

LARRY AYERS: Yeah, a little bit for sure. [LB970]

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SENATOR RIEPE: Okay, thank you. Thank you, Senator. [LB970]

SENATOR LARSON: Thank you, Mr. Ayers. [LB970]

LARRY AYERS: Okay. [LB970]

SENATOR LARSON: Any further proponents? Moving to the opponents. Mr. Grasz, welcome back the General Affairs Committee. [LB970]

NATE GRASZ: (Exhibit 2) Thank you, Chairman Larson. I appreciate having another opportunity to appear before this committee. LB970 has a number of concerning elements that lead to increased gambling losses and fewer consumer provisions by altering rules and regulation on pickle cards and keno games. This bill would eliminate the five-minute rule for keno, meaning the game operators can run games as fast as they want. This is simply an expansion of gambling and it allows people to lose money at a much faster rate. Faster keno games are a vehicle to raise taxes and multiple studies confirm how harmful this is to families. Gambling is another unfair way for the state to tax the people. LB970 eliminates the requirement that keno be played using paper tickets and authorizes the use of electronic tickets. With these simple changes it can be played more like a slot machine, allowing the game to attract more players, once again at a faster rate, and, therefore, make more money at the expense of Nebraska citizens. This bill would also eliminate the requirement that lottery, keno, and pickle tickets be purchased with cash and authorizes purchases with any method of payment representing United States currency. Debit cards and potentially credit cards could then be used, allowing gamblers to access their entire bank and savings accounts rather than just the cash they have in their pocket. We know that legalized gambling results in enormous social and economic costs that can and do ruin entire lives, families, businesses, and communities. While the changes in this bill may appear minor, there is simply no reason to further expand gambling in our state and leave Nebraskans more susceptible to losing money faster, especially when these games will be taking place where alcohol is consumed, judgment is impaired, and people can more easily be taken advantage of. We believe that our government should promote activities that support the general well-being of its citizens and not potentially destructive behavior. I want to thank Chairman Larson and the General Affairs Committee for listening to my testimony today. [LB970]

SENATOR LARSON: Thank you, Mr. Grasz. Questions? Have a nice day. [LB970]

NATE GRASZ: Thank you. [LB970]

SENATOR LARSON: Any more opponents? Welcome back, Mrs. Loontjer. [LB970]

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PAT LOONTJER: I'm Pat Loontjer, L-o-o-n-t-j-e-r, director of Gambling with the Good Life. We're opposed to any form of expanded gambling and we definitely see LB970 as doing just that. We're opposed to the speed up of the keno. The faster you play, the faster you lose. We understand that some money does go back to the community from this form of gambling. But you have to ask yourself, where does that come from? It's coming from families and businesses that in many instances can't afford it. The other provisions of the bill that changes the percentages and such, we just question that as far as consumer protection. It's going to make the game easier, more palatable, make the operators more profitable as such, and we would prefer that that not happen. I know you've got an awful lot on your agenda for this session. Gambling bills take a lot of time, they take a lot of filibusters, they...we would hope that you would vote all of these down and get on with the good things that the state needs to accomplish in this short session. [LB970]

SENATOR LARSON: Thank you, Mrs. Loontjer. Any questions from the committee? Seeing none, have a nice day. [LB970]

GLEN ANDERSEN: Must be getting towards the end of the day. Glen Andersen, G-l-e-n A-n-d-e-r-s-e-n. This bill we see as a form of expanded gambling. The intent is to speed up the games so there's very short waiting periods. And it turns out that faster play, in fact, will increase profits by the operators. Faster play will increase the amount lost by the gamblers. The faster play will be an adrenaline rush, you might say, and that type of rush can be addictive by certain portion of the population. There's a small portion of the population that are inclined to become potentially gambling addicted and going with this sped-up keno gambling, as I say, will increase the income of the operators and it's going to increase the losses by especially a small portion of the population who tend to be gambling addicted. And of course the opportunity to use a credit card for this will add to this situation. And that concludes my argument. [LB970]

SENATOR LARSON: Thank you, Mr. Andersen. Questions from the committee? Seeing none, have a nice day. [LB970]

GLEN ANDERSEN: Okay. [LB970]

SENATOR LARSON: Any further opponents? Seeing none, anybody in a neutral capacity? Mr. Geier, welcome back to the General Affairs Committee. [LB970]

DAVID GEIER: (Exhibit 3) Thank you, Mr. Chairman. David, D-a-v-i-d, Geier, G-e-i-e-r, director of the Nebraska Gamblers Assistance Program. My employer is the Nebraska Commission on Problem Gambling. The commission is neutral on this bill. I had prepared some written remarks, including some colorful exhibits, and I learned at the beginning of the hearings

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today that the committee prefers that those things be submitted electronically. With your permission, Mr. Chairman, I'll submit that electronically, possibly by 5:00 today if I can get back to the office through the snow. [LB970]

SENATOR LARSON: And anything you submit will be part of the official record, so no worries. [LB970]

DAVID GEIER: Thank you. And with that, then I don't have anything more to say at this moment. [LB970]

SENATOR LARSON: I appreciate that. And like I said, we will make sure that it's part of the official record and... [LB970]

DAVID GEIER: Thank you. Thank you, Mr. Chairman. [LB970]

SENATOR LARSON: Thank you, Mr. Geier. Senator McCollister. [LB970]

SENATOR McCOLLISTER: Thank you, Mr. Chairman. Mr. Geier, thank you for coming on this snowy day. One of the provisions in the bill increases prizes from 80 percent to 85 percent and decreases the tax on the definite profit from 10 percent to 5 percent. And wouldn't that, in fact, reduce the take by some of the nonprofits that heretofore have benefited from this money? [LB970]

DAVID GEIER: Well, the tax on the definite profit is a tax assessed at the state level as part of the package of charitable gaming taxes. So that tax item there actually comes to Lincoln. [LB970]

SENATOR McCOLLISTER: So it goes in the General Fund. [LB970]

DAVID GEIER: No, it goes to the Division of Charitable Gaming. [LB970]

SENATOR McCOLLISTER: I see. [LB970]

DAVID GEIER: Sixty percent of that tax goes to the General Fund; 40 percent goes to the Charitable Gaming Operations Fund. So the charitable gaming tax generates a certain amount of money that comes to Lincoln every year. It's roughly \$5 million. About \$3 million goes to General Fund. There's the Legislature depending upon gamblers for revenue. [LB970]

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SENATOR McCOLLISTER: Well,... [LB970]

DAVID GEIER: The other \$2 million goes to operations at Charitable Gaming Division and the pickle card tax on definite profit is part of that. [LB970]

SENATOR McCOLLISTER: Well, thank you for the explanation. I'm a little new to the committee so I don't know how all the proceeds are divided. [LB970]

DAVID GEIER: Well, we're often in the weeds of gambling here. [LB970]

SENATOR McCOLLISTER: Okay, thank you very much. [LB970]

SENATOR LARSON: Thank you, Mr. Geier. [LB970]

DAVID GEIER: Thank you. [LB970]

SENATOR LARSON: Any further questions? Seeing none,... [LB970]

DAVID GEIER: Thank you, Mr. Chairman. Thank you. [LB970]

SENATOR LARSON: ...have a nice day. Mr. Rupe. [LB970]

HOBERT RUPE: Talk about going into the weeds. [LB970]

SENATOR LARSON: Please, not too much. [LB970]

HOBERT RUPE: Very, very briefly. [LB970]

SENATOR LARSON: You have a reputation. [LB970]

HOBERT RUPE: Trust me, you'll be hearing enough from me next week. Hobert Rupe, H-o-b-e-r-t R-u-p-e, director of the Nebraska Liquor Control Commission. We're testifying neutral. The commission has no position on this bill except we would ask for perhaps, if the committee were to forward it, to look for an amendment. Section 13 of the bill seeks to insert a section into 53-168. 53-168 is one of the sections that we try to defend the hardest. It is the one that has the prohibitions which creates the three-tiered system. It regulates financial relationships between

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manufacturers and suppliers, wholesalers and retailers. This proposed legislation is inserting a prohibition against a holder of a retail license from, you know, receiving funds under pickle card. We think it's...we have no position, opinion on the actual language; we just think it should be somewhere else other than 53-168. [LB970]

SENATOR LARSON: Thank you, Mr. Rupe. I was advised by legal counsel it was just a technical error, so we appreciate you coming and we can solve that issue fairly easily. [LB970]

HOBERT RUPE: I'm sure you can. But whenever that bill...that statute starts getting messed around with, we get...our warning lights go up. [LB970]

SENATOR LARSON: Like I said, we appreciate it. It was a technical error in drafting. [LB970]

HOBERT RUPE: All right. [LB970]

SENATOR LARSON: (Exhibits 4-12) So thank you. Anybody else in a neutral capacity? Seeing none, I will read in some letters of...a letter of support from Charles Ayers with Ayers Distributing and Plains Supply; and letters of opposition from Nebraska Family Alliance; Amber Parker; C.J. Bessey; Jim Ritzman; Jacob Wolff; Sherylyn and Russell Miller; Andrea Herman; Jeff and Pat James; and Mary Forester. And I will close the hearing on LB970 and we will move to our last of the day, LR380CA. Senator Bloomfield, welcome to the General Affairs Committee, or welcome back. [LB970]

SENATOR BLOOMFIELD: Yeah, it's been awhile. Thank you. Good afternoon, Chairman Larson and members of the General Affairs Committee. For the record, my name is Senator Dave Bloomfield, D-a-v-e B-l-o-o-m-f-i-e-l-d, and I represent the 17th Legislative District. I'm here today to introduce LR380CA to the committee for your consideration. LR380CA would change the division of lottery proceeds. Currently we give education 44.5 percent. Under my proposal that would increase to 65 percent to education. The Legislature decided where that money goes and currently it is going to the Education Innovation Fund and the Nebraska Opportunity Grant Fund. LR380CA would adjust the amount given to the Environmental Trust from 44.5 to 26.5 percent, and the Nebraska State Fair Board would be lowered from 10 percent to 7.5 percent. Please understand I know the Environmental Trust does many good things. But they seem to consistently sit on a little excess of \$30 million. I think they could survive on a little less, just like everyone else. The same goes for the Nebraska State Fair Board. I realize that adjusting the amount given to the State Fair Board will change the matching amount they are given. But when I read articles about how the State Fair Board is giving \$100,000 to the city of Grand Island, I have to question whether or not they're truly in need of what we've been giving them. Thank you for your time. I would remind you that this would go to a vote of the people for

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the final decision as to where they think we should be spending the money that they invest in the lottery. [LR380CA]

SENATOR LARSON: Thank you, Senator. [LR380CA]

SENATOR BLOOMFIELD: I'd be open to any questions. [LR380CA]

SENATOR LARSON: Thank you, Senator Bloomfield. Questions from the committee? Senator Riepe. [LR380CA]

SENATOR RIEPE: Thank you, Senator Larson. Thank you, Senator, for being here. I am a little curious. I know that the city of Grand Island was just given from the Governor land that the former veterans' home or current veterans' home I guess sits on. So that's a significant dollar amount. [LR380CA]

SENATOR BLOOMFIELD: City of Grand Island should be doing well. [LR380CA]

SENATOR RIEPE: Should be doing well. I'm curious, why the \$100,000 from the Fair Board? [LR380CA]

SENATOR BLOOMFIELD: I tried to find that out. I, in fact, asked Senator Gloor if that went to improve the area around the fair or something. I thought possibly it was for street improvement around the fair and it wasn't. It was just a gift to the city to do what they felt they might need to do with it. So apparently the State Fair is doing pretty well. [LR380CA]

SENATOR RIEPE: It seems, this excess of \$30 million, you may need to have a turn-back tax legislation. [LR380CA]

SENATOR LARSON: (Laugh) Shameless plug, thank you, Senator. [LR380CA]

SENATOR BLOOMFIELD: And I would also be willing to work with you if you want to adjust any of these numbers. If you think I've gone too deep or not deep enough, I'm willing to sit down, visit with anybody about that. But it's just something I thought ought to be looked at. Again, thank you. [LR380CA]

SENATOR LARSON: Thank you, Senator Bloomfield. Any further questions from the committee? Seeing none, will you stay to close? [LR380CA]

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SENATOR BLOOMFIELD: I probably will not. [LR380CA]

SENATOR LARSON: Okay. [LR380CA]

SENATOR BLOOMFIELD: Thank you. [LR380CA]

SENATOR LARSON: Well, thank you for visiting us again. We'll start with proponents of LR380CA. Welcome to General Affairs Committee. [LR380CA]

SCOTT JAPP: Good evening, gentlemen. My name is Scott Japp, S-c-o-t-t J-a-p-p. As we all know, we have a high property tax burden in this state and mostly it's due to property taxes for school. And this is a school issue realistically. I believe when the lotteries were first initiated I think approximately all, 90 percent of it or if not more, went to school aid. And we have now siphoned it off for other projects. I truly believe that the additional funds that the Nebraska Environmental Trust we supplemented a lot of that aid a couple years ago with Senator Carlson's bill, LB1098, which--I just came from an NRD meeting--they're expecting over the next ten years that they'll receive approximately \$100 million in funds, result of that Carlson's bill. I surely think that we can put more funds back into the school system because we're at a place right now where property taxes on agricultural land is approaching 50 percent of where your gross revenue is. And in my county I have people that their grandparents are trying to help their grandkids get started into farming. And we're at the point now where the property taxes, because grandpa gave them a good head start, is now higher than they're receiving in rent. And ultimately I foresee, you know, grandpa is not going to go too deep in his pocket all the time, but he'll probably have to tell his grandson, you'd better look at a different alternative. So thank you very much. [LR380CA]

SENATOR LARSON: Thank you, Mr. Japp. Any questions? Let me see if there's any questions. Senator Hughes. [LR380CA]

SENATOR HUGHES: Thank you, Mr. Chairman. Thank you, Mr. Japp, for coming today. So the large increase in funding for education, do you believe that that should be a direct reduction for property taxes collected by the school district or you think that the education needs more money to do their job? [LR380CA]

SCOTT JAPP: Either way, well, I think you need to increase the fund to education, therefore, it is a reduction in property taxes. They need to work hand in hand. [LR380CA]

SENATOR HUGHES: Not necessarily,... [LR380CA]

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SCOTT JAPP: Okay. [LR380CA]

SENATOR HUGHES: ...but thank you very much. [LR380CA]

SCOTT JAPP: All right. [LR380CA]

SENATOR LARSON: Thank you, Mr. Japp. And any further...bill? All right. Any further proponents to LR380CA? Seeing none, let's start on the other side. Mr. Brohman, the joy of all mine, welcome to General Affairs. How have you been? [LR380CA]

MARK BROHMAN: (Exhibit 1) Thank you, Mr. Chairman and members of the General Affairs Committee. My name is Mark Brohman; it's M-a-r-k B-r-o-h-m-a-n. I'm the executive director of the Nebraska Environmental Trust and I'm here today to testify against LR380CA. LR380CA proposes to take over \$6 million a year from the Nebraska Environmental Trust and place it into the educational fund. We don't know where those funds would go. They've changed allocations over the years. Senator Bloomfield mentioned where those funds are currently going, but the Legislature can change that at any time. So we're not sure where that \$6 million from the trust would come or the dollars that would come from the Nebraska State Fair. We've done a pretty good job with our funds over the years and we've got a process that's well respected and has been around since 1992 giving grants. Last year, as per statutory requirements, every five years we have to go out and have public hearings in all three Congressional districts, and we held those meetings and we asked for input on not only our funding categories but how we were doing. And those meetings were very positive and we had very good feedback from the public. We have over 1,700 projects across the state of Nebraska and we've got projects in all 93 counties. And those funds are spread across the entire state. Like I said, they're in all 93 counties. We always demand...there's always much more demand for funding than we have money. We usually have three to four times the demand than we have funds each year. This year we had over \$58 million in requests, 127 applications, and we have about \$18 million to give away. So you can see it was about a three to one this year. And in many cases the funds that come from the Environmental Trust are the only matching funds that folks can come up with, whether it's Pheasants Forever or a local town or a subdivision trying to do a project. A lot of times they have to have matching funds if they're going after federal dollars or other grants, and so we provide that match. On average, every dollar we spend is matched two to one. So for every dollar we put out there on the ground there's two dollars coming into these projects. The funding categories that we fund are surface and groundwater, air quality, soil management, habitat, and waste management and recycling. So you can see we touch a broad category of things. Some of the examples of the projects we do, I'm sure you've all heard about some of the water projects and things like that that we've done in habitat. But I wanted to mention on Saturday I went down to Camp Cornhusker. It's a Boy Scout camp down south of Humboldt. And if any of you are Boy Scouts

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or have been Boy Scouts in the past, they serve thousands and thousands of scouts down there. We helped them build an educational facility down there that's also got a storm shelter underneath it. Our money was used for some solar panels, some lighting, some geothermal and things like that. But they did put the storm cellar in the basement of that new building. And God forbid something would happen like happened in Iowa a few years ago. We want those folks to be safe. That wasn't part of our funding but it was an add on. They used our money to do the other parts of the project, the conservation education center. Another project we have out is called the Mosaic project at Axtell. There's a home for intellectually disabled folks and we helped restore wetland across the road from where their property is. And we were doing it for the habitat. There was a small pond there. But we went out and looked at the project and saw that there was lots and lots of benefits to their folks. I see I'm out of time so I will quit there, Senator Larson. [LR380CA]

SENATOR LARSON: Appreciate that, Mr. Brohman. Questions from the committee? Senator McCollister. [LR380CA]

SENATOR McCOLLISTER: Yeah, thank you, Chairman Larson. Just a quick question, sir, and thank you for your testimony. As I recall, some of the grants have been allocated to folks that also received water sustainability funds. Is that correct? [LR380CA]

MARK BROHMAN: Yes. We've spent roughly about \$75 (million) or \$80 million on water projects over our tenure. I'd say even more money is going to those projects. And some of our money will probably...as you know, Senator Larson was able to obtain \$3.3 million a year for the past four years from the Environmental Trust to go to the Water Sustainability Fund and we've got two more years of those funding. So we've been putting money into that fund, along with those projects. A lot of them are eligible to apply for other trust grant monies. [LR380CA]

SENATOR McCOLLISTER: So that money has, in fact, been leveraged as well? [LR380CA]

MARK BROHMAN: Yes, the money that goes into the water cash fund is required by statute to have a 40 percent match from the NRD, the local partner. [LR380CA]

SENATOR McCOLLISTER: So they receive that grant and that goes to meeting that 40 percent requirement. [LR380CA]

MARK BROHMAN: No, our dollars can't. They have to bring 40 percent more to the table from...and our money is commingled with legislative money that's put into the Water Sustainability Cash Fund. But they're required to bring a 40 percent match to the table for those

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projects besides the state money. And the state money includes Environmental Trust money and legislative money that was put into that fund. [LR380CA]

SENATOR McCOLLISTER: Yeah, thanks very much. Thank you, Chairman Larson. [LR380CA]

SENATOR LARSON: Thank you, Senator McCollister. Senator Hughes. [LR380CA]

SENATOR HUGHES: Thank you, Mr. Chairman. Thank you, Mr. Brohman, for coming. Senator Bloomfield indicated and I think the number was like \$30 million that the... [LR380CA]

MARK BROHMAN: Yes. [LR380CA]

SENATOR HUGHES: ...Environmental Trust was sitting on. [LR380CA]

MARK BROHMAN: That made me smile. Yes, I can explain that. [LR380CA]

SENATOR HUGHES: Is that accurate? [LR380CA]

MARK BROHMAN: All of the money that we have coming in is allocated and goes out. And I passed out--I submitted to the committee last Friday and I think you probably have it in front of you--the list of grants that we've proposed to fund this year. And on page 1 you'll see a black line and on page 2 you'll see a black line. On page 2 that black line indicates where the funding runs out this year and page 1 shows where it would run out if this bill would have passed this year. So every year we have projects that we fund and projects that don't get funded. Then, of course, they don't get the money right away. It's a reimbursement process. So they have to do the project or do the expense and then they send in invoices. So we've always got a backlog, but all of our dollars are allocated. So there is roughly \$33 million sitting in our account right now growing interest, but all those dollars are spoken for, for past projects that were in year two, year three, and sometimes even year four. So those dollars are all spoken for, so we're not sitting on a big piggy bank. There's not \$30 million of cash available sitting in our accounts at this time. [LR380CA]

SENATOR HUGHES: Thank you. [LR380CA]

SENATOR LARSON: Thank you, Senator Hughes. I have a question for you, Mr. Brohman. [LR380CA]

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MARK BROHMAN: Yes. [LR380CA]

SENATOR LARSON: If we were to...I understand your concept. If we were to decrease it, that would limit the amount of funding available. But if we were to leave it, let's say, would that ensure that you would have enough money to re-up LB229 and continue funding the important water projects that you and now-U.S. Senator Fischer and I worked so diligently on in 2011? [LR380CA]

MARK BROHMAN: Senator Larson, for the record, you know, I can't speak for the board, but I was part of the negotiations when we approved that three-year grant with the possibility of a second three years and we said that that was a six-year limit. And so to come back to the well again, I would assume potentially my board will have some deep discussions about that. And I know you and I have had discussions about that. You would like to renew that. But I think we're putting a lot of money into water, as I mentioned, the millions we've put into water. And this year you can look down through the projects and there's a lot of water projects on here. So we think we're another source for water and so we think the Water Sustainability Cash Fund is one source and we think the Environmental Trust is another source. But to take money from something that was approved in the constitution by the people for one purpose is probably an error in my opinion. [LR380CA]

SENATOR LARSON: I think we gave bonus points, if I remember right, correct? [LR380CA]

MARK BROHMAN: Yes. [LR380CA]

SENATOR LARSON: We didn't designate any specific money. We gave fifty bonus, so. [LR380CA]

MARK BROHMAN: Fifty bonus points, correct. [LR380CA]

SENATOR LARSON: But with LR380CA, if it weren't to go anywhere it would ensure that you would have more money... [LR380CA]

MARK BROHMAN: Fewer. [LR380CA]

SENATOR LARSON: ...for more of those 50 bonus points to be re-upped, correct? [LR380CA]

MARK BROHMAN: Potentially, yes. [LR380CA]

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SENATOR LARSON: Thank you, Mr. Brohman. I see no more. Thank you. Have a nice day. [LR380CA]

MARK BROHMAN: Thank you. [LR380CA]

SENATOR LARSON: Next opponent. Welcome to the General Affairs Committee. [LR380CA]

JOSEPH McDERMOTT: (Exhibits 2-4) Thank you. Senator Larson and members of the committee, my name is Joseph McDermott; that's J-o-s-e-p-h M-c-D-e-r-m-o-t-t. I'm the executive director of the Nebraska State Fair. I'm here to testify in opposition of LR380CA. In 2004 Nebraska voters approved a constitutional amendment which gave the Nebraska State Fair 10 percent of lottery proceeds. Today that equates to \$3 million to \$4 million annually. Those funds contribute greatly to the success and the momentum that the Nebraska State Fair currently enjoys. But let me take you back a decade or more when times were not so good for the Nebraska State Fair. In the late '90s, early 2000s, the Nebraska State Fair was a million dollars in debt. The State Fair buildings, which were state-owned buildings, were in dire need of repair. The state had no funding and the Nebraska State Fair had no funding. By 2003, our attendance had dropped to 238,000 people. In 2005 we began receiving lottery proceeds and began to invest those back into the Nebraska State Fair and into the facilities in Lincoln. In 2008 discussion began about moving the Nebraska State Fair to Grand Island, so the improvements on the Fairgrounds here in Lincoln stopped in 2008. The Legislature passed a bill, which then-Governor Dave Heineman signed, that moved the Nebraska State Fair to Grand Island. So we immediately began to focus on Grand Island. In 2009, 2010, we spent about \$42 million to construct the new facilities at the Fonner Park campus. In 2014 the Nebraska State Fair invested another \$7 million into that campus with the development of the Nebraska Building. We have additional plans and additional needs. We're looking for an outdoor arena here in 2016, in addition to a small animal building and a larger equine complex down the road. All told, of the \$49 million spent so far in the creation of the new Fairgrounds, the State Fair has been responsible for \$14 million. This includes \$6.7 million in debt. The Nebraska Lottery currently funds about 44 percent of our budget. The proposed reduction would result in that dropping to 33 percent, or approximately \$1 million less--that's \$1 million less to maintain the momentum of the Nebraska State Fair that we currently enjoy--make it difficult to reduce the \$6.7 million in debt, and stop any future construction plans. [LR380CA]

SENATOR LARSON: Thank you, Mr. McDermott. Senator...did I see Riepe first? Did you have your hand up? [LR380CA]

SENATOR RIEPE: Yes, I did. [LR380CA]

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SENATOR LARSON: I'll move this way if you don't mind, Senator McCollister. [LR380CA]

SENATOR RIEPE: I was trying to be (inaudible)...thank you, Senator. My question is, one, it's simple, and that is Senator Bloomfield referenced the \$100,000 that the Fair Board had given to city of Grand Island. Is that, in fact, true as you understand it? And what was the rationale for that? [LR380CA]

JOSEPH McDERMOTT: That is, in fact, true. As a matter of fact, we have given, made a contribution to the city of Grand Island three times for a total of \$300,000. You know, the city of Grand Island is largely responsible for some of our success. For example, the volunteer program is predominately staffed by volunteers from Grand Island. That volunteer program is critical to the success that we enjoy. Back here in Lincoln, we simply didn't have a volunteer program. We want to make sure that we are seen as good neighbors to the city of Grand Island to make sure that that volunteer program continues. The money that we have given has always been used for community betterment, so it's primarily to keep volunteers and others interested in supporting the Nebraska State Fair through their volunteerism. [LR380CA]

SENATOR RIEPE: Three hundred thousand to...seems a far cry from them, quote unquote, being volunteers. [LR380CA]

JOSEPH McDERMOTT: Well, we think being a good community supporter is important, and I know that the volunteers who are out there supporting us appreciate the support that we give the city of Grand Island. [LR380CA]

SENATOR RIEPE: So you think if you didn't give them the \$100,000 a year that they would no longer volunteer? [LR380CA]

JOSEPH McDERMOTT: I think that keeps that support strong, which is where we need it to be. I certainly can't say that if the funds weren't provided that the volunteer program wouldn't (inaudible). [LR380CA]

SENATOR RIEPE: I always get nervous when one tax-exempt organization gives money from that to another tax-exempt organization: the city. You know, it just seems a little bit odd to me. [LR380CA]

JOSEPH McDERMOTT: When providing those funds to the city, we've always indicated that it must be used for community betterment. [LR380CA]

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SENATOR RIEPE: Thank you. [LR380CA]

JOSEPH McDERMOTT: Thank you. [LR380CA]

SENATOR RIEPE: Thank you. [LR380CA]

SENATOR LARSON: Senator Riepe. Senator McCollister. [LR380CA]

SENATOR McCOLLISTER: Thank you, Chairman Larson. If I'm not mistaken, you also get a General Fund allocation from the state, is that correct? [LR380CA]

JOSEPH McDERMOTT: That is not correct. [LR380CA]

SENATOR McCOLLISTER: Oh. [LR380CA]

JOSEPH McDERMOTT: No, we received, for example, this past year I think probably \$3.6 million from the lottery. The city of Grand Island have to match that to the tune of 10 percent. That's another \$350,000, \$400,000. That's all funding that we receive. We receive nothing else from the state of Nebraska. [LR380CA]

SENATOR McCOLLISTER: So the balance of the proceeds are from the State Fair itself? [LR380CA]

JOSEPH McDERMOTT: Yes, entirely. [LR380CA]

SENATOR McCOLLISTER: Thank you, Mr. Chairman. Thank you for your testimony. [LR380CA]

JOSEPH McDERMOTT: Yes. [LR380CA]

SENATOR LARSON: Thank you, Senator McCollister. Senator Hughes. [LR380CA]

SENATOR HUGHES: Thank you for coming in, Mr. McDermott. Remind me what your position is again with the State Fair? [LR380CA]

JOSEPH McDERMOTT: I'm the executive director of the Nebraska State Fair. [LR380CA]

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SENATOR HUGHES: Okay. What kind of working relationship or what's the share of responsibilities between the State Fair and the University of Nebraska about building use on the State Fair campus? [LR380CA]

JOSEPH McDERMOTT: The Nebraska Building, which opened in 2014, at the north end of that there is about 25,000 square feet of exhibit space that's known as Raising Nebraska which is more or less the story of food from farm to fork. That is a University of Nebraska exhibit. That, other than other small programs throughout the dates of the Nebraska State Fair, that's the only relationship we have with the University of Nebraska. [LR380CA]

SENATOR HUGHES: So the University of Nebraska has no authority as to who can exhibit where on the State Fairgrounds? [LR380CA]

JOSEPH McDERMOTT: They do not. [LR380CA]

SENATOR HUGHES: Okay, very interesting. Thank you. [LR380CA]

SENATOR LARSON: Thank you, Senator Hughes. Any further questions from the committee? Seeing none, thank you for your testimony, Mr. McDermott. [LR380CA]

JOSEPH McDERMOTT: Thank you. [LR380CA]

SENATOR LARSON: Next opponent. Welcome to the General Affairs Committee. [LR380CA]

CHRIS KIRCHER: Thank you, Mr. Chairman, and thank you, members of the committee. My name is Chris Kircher; that's C-h-r-i-s K-i-r-c-h-e-r. I'm here as part of the Nebraska State Fair Board in opposition of LR380CA. One of the things that I wanted to talk a little bit about is education because it seems that one of the point...part of the point of this legislation is to increase education funding. And that's...education is something we believe is very important. You don't always get educational opportunities in just schools, and we think it's certainly good that you can get education and we are supportive of schools. But, you know, when you think of the State Fair, education isn't always the first thing that comes to mind. A lot of times people think of the event itself, the rides, the shows, the food. But really, if you look at the Nebraska State Fair, it's one of the more unique, hands-on, educational experiences that this state has offered for a long time. In fact, the State Fair has been providing about 147 years of educational opportunities for folks. Joseph McDermott a few minutes ago mentioned the Nebraska Building which houses Raising Nebraska which is, of course, run by the University of Nebraska Extension. It's really a unique facility. If you haven't been out there, I encourage you to go out

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and see it. You know, in a state that's one of the top agricultural states in the country, this is a real gem to have in our state and be able to experience during the fair its interactive exhibits on the topic of agriculture, something that really isn't offered anywhere else in the country. And it's a hands-on experience for folks of all ages. Likewise, Game and Parks has a facility out there that has quite a few educational opportunities for folks. We devote three years each year or three days each year to Nebraska's largest classroom when over 4,000 school "agers" converge in the fair from 113 schools across the state; FFA, about 5,000 FFA exhibitors; 4,500 4-H exhibitors in livestock and competitive exhibits. It's hands-on learning for both urban and rural youth in the state. NET is on site during the two weeks that the fair operates, so we even provide education off site to those off site. There are a lot of other touch points that I think have been provided to you electronically that I'd encourage you to look at. But really this is an opportunity to have a unique education component available to Nebraskans and we can't provide that same level of opportunity if you reduce our funding. So we encourage you to oppose this bill. Thank you. [LR380CA]

SENATOR LARSON: Thank you, Chris. Any questions? Seeing none, thank you for coming today. [LR380CA]

CHRIS KIRCHER: Thank you for having me. [LR380CA]

SENATOR LARSON: Welcome to the General Affairs Committee. [LR380CA]

KRISTYN HARMS: Hi. Thank you. My name is Kristyn Harms; it's K-r-i-s-t-y-n H-a-r-m-s. And I'm an agricultural educator and FFA adviser at Norris School District just south of Lincoln and I've been there 15 years. I teach a variety of ag classes and one of my main tasks is to advise the FFA chapter at my school and through that I help try to educate students on where their food comes from. And you'd think it would be pretty easy in the state of Nebraska to do so, but it's becoming more challenging as the days go by. I'm here to introduce one of my students, Jaclyn Heinrich, who is going to speak about her experiences at the Nebraska State Fair. [LR380CA]

SENATOR LARSON: Thank you, Ms. Harms. Welcome to the General Affairs Committee, Ms. Heinrich. [LR380CA]

JACLYN HEINRICH: Hi. [LR380CA]

SENATOR LARSON: Please spell your name. [LR380CA]

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JACLYN HEINRICH: (Exhibit 5) My name is Jaclyn, J-a-c-l-y-n, Heinrich, H-e-i-n-r-i-c-h. I am a sophomore at Norris High School and part of the Norris FFA chapter and also the Happy Go Lucky 4-H club. The reason I am here today is to speak about why we should not reduce funding for the Nebraska State Fair from 10 percent to 7.5 percent. The Nebraska State Fair is one of Nebraska's main attractions. Each year there are more people wanting to experience the thrill that the State Fair has to offer, and it's more important than ever that the funds are there to support the people's expectations of a state event that they look forward to attending. I've competed at the Nebraska State Fair for the past five years in various 4-H and FFA livestock showing and judging competitions. This past State Fair I was given one of my greatest opportunities so far. I was able to be a part of the elite showmanship contest. Getting to experience showing sheep, pigs, and cattle all in one contest against other outstanding youth was a monumental experience for me. I gained confidence in myself, met so many new people, and learned new techniques by just being a part of this contest. Livestock showmanship has made me a better speaker in so many ways. I have to be able to speak to the judge with confidence and clarity as you would never know what the judge is going to ask you. I am only just beginning to fully understand how these skills will help me in pursuing my career and other life goals, but I know through 4-H and FFA I have a good foundation to being able to do anything that I put my mind to. I will need to be good at public speaking and being able to support my opinions with confidence no matter what career path I take. I want to be able to be respected as a leader and being able to speak persuasively and support my opinions with confidence would be to my advantage. In the FFA creed there is a line that says, "for I know the joys and discomforts of agricultural life." Wow! This could not ring more true for my preparations for the Nebraska State Fair. At home on my family acreage we work hard every day towards a goal. We do chores even when we do not necessarily want to. We take pride in what we have been blessed with and we work towards success. I am very happy to report that I have been fortunate to experience the payoff for my hard work on numerous occasions, for I know the joys. But I've also had the experience of not coming out on top and not necessarily reaching the goals that I set out to achieve, for I know the discomforts. This can sometimes be the most frustrating of all, but what an ultimate learning experience. Coping with disappointments and unexpected outcomes: valuable lessons for our state's youth. 4-H and FFA events at the Nebraska State Fair are family events and there is nothing more important to success of our youth than activities with a strong family background. Events centered around Nebraska values, such as hard work, integrity, and leadership, need to be promoted and expanded. The 4-H pledge that I learned when I was seven years old says, "I pledge my head to clearer thinking, my heart to greater loyalty, my hands to larger service, my health for better living for myself, my club, my community, my country, and my world." I will apply this to my life and career at all ages. The Nebraska State Fair is a constant reminder of this promise I made at age seven. Thank you so much for giving me the opportunity to speak about something I am so passionate about. I am excited to see the Nebraska State Fair grow and evolve and cannot wait to see my own children take part in it someday. Thank you. [LR380CA]

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SENATOR LARSON: Thank you, Ms. Heinrich, for testifying. Senator Riepe. [LR380CA]

SENATOR RIEPE: You did an excellent job. [LR380CA]

JACLYN HEINRICH: Thank you. [LR380CA]

SENATOR RIEPE: So you should be proud of yourself. [LR380CA]

JACLYN HEINRICH: Thank you. [LR380CA]

SENATOR RIEPE: The question that I had, if I caught this right, did you say that you're a member of the Happy Go Lucky boys' (sic) club? [LR380CA]

JACLYN HEINRICH: Yes. [LR380CA]

SENATOR RIEPE: Okay. [LR380CA]

SENATOR HUGHES: No, 4-H. [LR380CA]

SENATOR RIEPE: Oh. [LR380CA]

JACLYN HEINRICH: 4-H, yeah. [LR380CA]

SENATOR RIEPE: 4-H Club. [LR380CA]

JACLYN HEINRICH: Yes. [LR380CA]

SENATOR RIEPE: Okay, thank you. [LR380CA]

JACLYN HEINRICH: Yes. [LR380CA]

SENATOR RIEPE: I'm kind of going like, what? Thank you. [LR380CA]

SENATOR LARSON: Thank you, Senator Riepe. Any further questions? Seeing none, thanks for testifying. [LR380CA]

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JACLYN HEINRICH: Thank you. [LR380CA]

SENATOR LARSON: Next opponent. [LR380CA]

CINDY JOHNSON: Good afternoon, Senator Larson. Members of the committee, my name is Cindy Johnson, C-i-n-d-y J-o-h-n-s-o-n. I'm with the Grand Island Area Chamber of Commerce and I'm here to speak against LR380CA. Throughout the history of Nebraska, the State Fair has been an integral part of our culture. For one-and-a-half centuries, the Fair has been a unifying force, bringing together Nebraskans from all walks of life to celebrate our common heritage, traditions, and values. We are a large state geographically, and those common bonds that bring us together are opportunities that we as Nebraskans need to cherish. Although the State Fair has a rich history, it has faced financial challenges over the decades. With our small population it has been difficult to ensure the economic viability of the fair. Surrounding states, such as Iowa, have larger populations and the economies of scale that arise from that make the task of supporting state fairs more readily achievable. In the 1990s and early 2000s, as you heard Joseph mention, the State Fair struggled to maintain the quality of the event while meeting the financial obligations associated with offering a fair that fully embraced the depth and diversity of our people and our agricultural, commercial, and educational roots. Since that time, State Fair officials and state leaders have worked vigorously to develop a strong financial foundation for the fair. Strong voter support of LR209CA in 2004, which provides for 10 percent of the State Lottery funds to be allocated to the State Fair annually, is a critically important component of the fair's financial foundation. These proceeds have provided a stable and sustaining source of funds and have been an essential factor in overcoming the financial struggles that confronted the State Fair for many years. These funds make the difference between a fair that would have a hard time maintaining the quality and scope of the event and one that continues to develop, grow, and prosper. The allocation of lottery funds is an investment, an investment in the growth and development in our state. It is the same for the commitment of Grand Island's community, which provides the match of 10 percent of the lottery funds allocated to the fair. Also, the community of Grand Island provides 14,000 hours of volunteer service to the Nebraska State Fair--volunteers who are paid zero to help ensure that the visitors to the Nebraska State Fair have a wonderful experience. The relocation of the State Fair provided Nebraska with the opportunity to develop new state-of-the-art facilities and new programming elements. The State Fair is building a legacy of success with a renewed focus on its mission to educate and entertain, recognize individual achievements, celebrate excellence in agriculture, industry, commerce, arts, sciences, and technologies, and reinforce a sense of community and shared culture for the citizens of Nebraska. [LR380CA]

SENATOR LARSON: Thank you, Ms.... [LR380CA]

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CINDY JOHNSON: Please do not diminish the fair's abilities to positively impact so many in so many ways. [LR380CA]

SENATOR LARSON: Thank you, Ms. Johnson. [LR380CA]

CINDY JOHNSON: Thank you. [LR380CA]

SENATOR LARSON: Questions from the committee? Seeing none, have a nice day. [LR380CA]

CINDY JOHNSON: Thank you. [LR380CA]

SENATOR LARSON: Thank you for coming. Welcome to the General Affairs Committee. [LR380CA]

DAVID SANDS: (Exhibits 6-10) Good afternoon, Senator Larson, members of the committee. My name is Dave Sands, D-a-v-e S-a-n-d-s, and I'm here representing the Nebraska Land Trust and the Nebraska Sportsmen's Foundation since their executive director had to leave. Whatever one thinks of LR380CA, its supporters do deserve credit for out-of-the-box thinking on funding public education. However, when one looks at the costs and benefits of this resolution, the benefits to education would be minimal and far outweighed by the cost to conservation. I did a little Internet research on how much Nebraska spends on public education and the figure is somewhere in the vicinity of \$3.5 billion. Over the past five years the Nebraska Environment Trust's share of the lottery proceeds has averaged about \$16 million a year. If you reduce those revenues by 40 percent, as this resolution proposes, it would amount to about \$6.4 million; \$6.4 million as a percentage of total spending on public education in Nebraska is less than two-tenths of 1 percent, a minimal benefit for education at best. Now let's look at the significant cost to conservation in Nebraska. In framing these costs it is best to think in terms of the conservation benefits that NET grants provide, benefits that would be lost by slashing NET revenues from the lottery. There are so many good organizations who have completed valuable conservation projects in all 93 counties with NET grants that it is far beyond me to even scratch the surface in describing the benefits these funds have provided. What I can describe are the beneficial projects completed by the Nebraska Land Trust, benefits that might very well have been lost if the NET share of the lottery had been cut. Before you are four news articles and two editorials on four Nebraska Land Trust projects. They're very positive articles and editorials and I really hope that you do read them because I would ask proponents of this resolution, which two of these four projects do you throw out? Which two aren't worthy of permanent conservation for future generations? I ask these questions because this might have been the outcome had the NET revenues been reduced by 40 percent. Now magnify this question by the dozens of fine

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organizations doing good projects with NET support and you start to get a sense of the potential lost benefits to conservation. If the cost to conservation benefits doesn't move you, perhaps the financial cost will. The NET was not the sole funder of any of the above projects or any that we've completed with their support. Over the past eight years the NLT has been fortunate to receive roughly \$4.4 million in NET grants for about a dozen projects. These funds have been leveraged with \$4.2 million in federal funds, \$1.7 million in donations from landowners, and \$1.7 million in mitigation funds. So for the NLT alone, our grants have resulted in \$7.6 million for conservation that we could not have obtained without the matching NET funds. So while this out-of-the-box solution to educational funding may be well intended, it is not sensible to obtain a minimal benefit for education at a tremendous cost to conservation. [LR380CA]

SENATOR LARSON: Thank you. Thank you, Mr. Sands. Any questions from the committee? Seeing none, thank you for joining us today. The next opponent. Welcome to the General Affairs Committee. [LR380CA]

NICOLE FLECK-TOOZE: (Exhibit 11) Good afternoon, Senator Larson and members of the committee. My name is Nicole Fleck-Tooze, N-i-c-o-l-e F-l-e-c-k, hyphen, T-o-o-z-e, and I'm the special projects administrator for the Lincoln Parks Department. In an effort to respect the committee's time, I'm representing the consolidated testimony of the city of Lincoln. And I appreciate the opportunity to come today and I would like to express some concerns that we have about the proposed legislation. For years the Environmental Trust has helped fund projects in Lincoln and communities across the state, as you've heard, to support clean air, soil, and water, and to protect and restore wildlife habitat. NET funding has leveraged millions of dollars in matching funds and partnerships that have made a significant difference for the protection of our natural resources. Environmental projects contribute to outdoor recreation and economic benefits for our state. Reducing the percentage of lottery funds dedicated to this purpose would be a terrible mistake. I'd like to give you a few examples of the important benefits that we've seen in the Lincoln area as a result of trust funds. In 2005 the city completed a major project to restore Holmes Lake, a flood-control reservoir that has been a place to hike, to fish, and to boat since the '60s. The lake had filled in with sediment and other pollutants that had seriously impaired fish, wildlife, and recreation. The restoration project involved dredging nearly 321,000 cubic yards of sediment, stabilizing the shoreline, and creating wetland areas to filter storm water. The result was to extend the recreational life span of the lake by more than 100 years. More recently, the trust provided funding to the Lincoln-Lancaster County Health Department and the Nebraska MEDS Coalition to develop a pilot program for medication disposal in Lincoln that's now grown to over 275 pharmacies across Nebraska. In 2015, nearly 4,000 pounds of unused medications were brought to Lincoln pharmacies for proper disposal, reducing accidental poisoning and protecting our water resources from contamination. The statewide effort collected and disposed of an additional 7,100 pounds. In fact, the benefits have been so great that the Legislature included funding in the biennial budget to continue this program at the state level. The trust has

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supported many other important projects, including programs to make recycling more accessible and to protect floodplain areas that help filter water and prevent downstream flooding. In closing, I would submit to you that the current level of funding provided by the state constitution through the Environmental Trust is an essential investment in the people of Nebraska and our future generations. I'd like to thank you again for the opportunity to provide this testimony and I'd be happy to respond to any questions that you have. [LR380CA]

SENATOR LARSON: Thank you, Ms. Fleck-Tooze, correct? [LR380CA]

NICOLE FLECK-TOOZE: That's right. [LR380CA]

SENATOR LARSON: Questions from the committee? Seeing none, I appreciate your time. [LR380CA]

NICOLE FLECK-TOOZE: Thank you. [LR380CA]

SENATOR LARSON: Next opponent. Can I get a show of hands? How many more opponents do we have? Thank you. Neutral testifiers, I should clarify that as well. All right, thank you. Close her up. [LR380CA]

CHELSEA JOHNSON: Hello. My name is Chelsea Johnson, C-h-e-l-s-e-a J-o-h-n-s-o-n. I'm the deputy director of the Nebraska League of Conservation Voters. We are a nonprofit, nonpartisan organization that works to improve conservation policy in Nebraska through civic engagement. We have members across the state. Nebraska's natural legacy is the best ambassador for our state and our natural resources provide the foundation of Nebraska's economy. The Nebraska Environmental Trust provides millions of dollars every year to local communities across the state, helping them fund the projects that protect their natural resources at the local level utilizing local expertise. Environmental Trust grants have been used to assist farmers implement sustainability measure that reduce soil erosion, improve soil quality, and reduce irrigation requirements. The trust has also provided funding for education and training sessions for prescribed burns, which has public safety benefits. In my hometown a trust grant has been used to control erosion by the Big Muddy Creek which helped protect infrastructure and property. The trust fund's programs that provide education about a wide range of conservation topics all across the state, helping individuals increase their own capacity to exercise personal responsibility and taking care of the environment...what I'm highlighting is the fact that Nebraska Environmental Trust funds a diverse range of conservation projects across the entire state and its funding activities help benefit our economy, protect our infrastructure, and enhance public safety, in addition to improving conservation of our natural resources. Cutting funding to the trust would mean that many communities would lose these benefits. I think it's safe to say that many of the

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projects funded by the trust would have a very difficult time getting funded by other sources. Nebraska communities and organizations would be required to apply for federal funding or from private foundations for their projects. And a primary benefit of the Nebraska Environmental Trust is that it is dedicated to Nebraska projects and understands the importance that these projects have to hundreds of thousands of Nebraskans. It allows people from what other...it allows people from small towns across the state to actually be funded while another funding pool, places like Auburn or Imperial, would likely be ignored. The Nebraska Environmental Trust is critically important for the funding of conservation projects in Nebraska and the local benefits that accrue because of these funds. Thank you very much for your time. [LR380CA]

SENATOR LARSON: (Exhibits 12-55) Thank you, Ms. Johnson. Any questions from the committee? Seeing none, I appreciate your time. Any further opponents? Seeing none, are there any neutral testifiers? Before I close the hearing, we have letters that we have received from the citizens in support of LR380CA: Jennifer Goettemoeller from First Five Nebraska. In opposition: the Nebraska State Fair; John Berge with the North Platte NRD (recorder malfunction)... [LR380CA]