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Floor Debate
January 16, 2018

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PRESIDENT FOLEY PRESIDING

PRESIDENT FOLEY: Good morning, ladies and gentlemen, and welcome to the George W. Norris Legislative Chamber for the eighth day of the One Hundred Fifth Legislature, Second Session. Our chaplain for today is Pastor Jeff Hagaman from the United Church of Christ, Crete, Nebraska, Senator Ebke's district. Please rise.

PASTOR HAGAMAN: (Prayer offered.)

PRESIDENT FOLEY: Thank you, Pastor Hagaman. I call to order the eighth day of the One Hundred Fifth Legislature, Second Session. Senators, please record your presence. Roll call. Mr. Clerk, please record.

CLERK: I have a quorum present, Mr. President.

PRESIDENT FOLEY: Thank you, Mr. Clerk. Are there any corrections for the Journal?

CLERK: I have no corrections.

PRESIDENT FOLEY: Thank you, sir. Are there any messages, reports, or announcements?

CLERK: Mr. President, your Committee on Banking, Commerce and Insurance; Judiciary; and Urban Affairs gives notice of public hearing. That's all that I have, Mr. President. (Legislative Journal pages 287-289.)

PRESIDENT FOLEY: Thank you, Mr. Clerk. While the Legislature is in session and capable of transacting business, I propose to sign and do hereby sign the following six Legislative Resolutions: LR261, LR262, LR263, LR264, LR265, and LR267. We will now proceed to the first item on the agenda. Mr. Clerk. [LR261 LR262 LR263 LR264 LR265 LR267]

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CLERK: Mr. President, Senator Kolterman, as Chair of the Retirement Systems Committee, would move to suspend Rule 5, Section 15(a) so as to permit the introduction of Request 3736. (Legislative Journal page 286.)

PRESIDENT FOLEY: Senator Kolterman, you're recognized to open on your motion.

SENATOR KOLTERMAN: Thank you, Mr. Lieutenant Governor. I filed this motion to suspend Rule 5, Section 15(a) in order to introduce a retirement bill, Requisition 3736, which proposes structural changes to two public pension plans which impact their funding. Rule 5, Section 15(a) states, commencing with the 1997 legislative session, any bill proposing a structural change which impacts the benefits of funding status provided under a public retirement plan or any bill proposing the creation of a new public retirement plan shall be introduced only during the first ten days of a 90-day session. Requisition 3736 authorizes a calculation of liability and assessment of costs on employees who for business reasons want to withdraw from or discontinue participation in either the county or school employees' retirement plan. NPERS became aware of the need for this bill last summer when a county plan employer expressed possible interest in withdrawing from the county plan. When this statute was enacted, they granted authority for an employee in the county employees' retirement plan to withdraw. The plan was solely a defined contribution plan. Since then a cash balance plan has been added to the county plan which guarantees a minimum interest credit rate of 5 percent on employees' account balances and possible dividends. There's no language in statute that allows NPERS to calculate the liability that may be created to pay these benefits if an employer withdraws, or if that allows NPERS to assess the liability cost for actuarial studies or administration costs for the withdrawing employer. The second change proposed in this bill adds the same language to the school plan for different purposes. During the past year, NPERS has noticed a trend in the privatization of departments, divisions or sections such as food service, maintenance workers, paraprofessionals, and bus drivers which terminates affected school employees' membership in the school employees' retirement plan. The actuary hasn't indicated there will be a cost to the school plan and recommends adding statutory language that grants NPERS the authority to assess the cost for retirement benefits for affected members. The cost of actuarial studies determine the amount of obligations and administrative costs incurred by the PERB and the NPERS in connection with this process. Requisition 3736 ensures that the withdrawing employer, not the retirement system, is financially liable for all the costs of the plan for the entity's business decisions. It minimizes the risks of the state. Other entities covered by the plan or the members of the plan will bear the costs of any entity business decisions. I believe in order to maintain these financial risks, or minimize these financial risks, the legislation needs to be addressed this year. I ask for your support for the motion to amend the rules so that we can drop the bill and discuss it in committee and then on the floor of this Legislature. Thank you.

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PRESIDENT FOLEY: Thank you, Senator Kolterman. Is there any discussion of Senator Kolterman's motion? Seeing none, Senator Kolterman, you're recognized to close on your motion. He waives closing. The question for the body is the adoption of his motion. All those in favor vote aye; those opposed vote nay. Have you all voted who care to? Record, please, Mr. Clerk.

CLERK: 39 ayes, 0 nays, Mr. President, to suspend the rule, permit the introduction of the bill.

PRESIDENT FOLEY: The motion of suspension is adopted. We'll move on to the next item on the agenda, General File. Mr. Clerk.

CLERK: Mr. President, LB614 was a bill introduced by the Urban Affairs Committee...or excuse me, introduced by Senator Wayne. (Read title.) Introduced on January 18 of last year. At that time referred to the Urban Affairs Committee, advanced to General File. I have no amendments to the bill, Mr. President. [LB614]

PRESIDENT FOLEY: Senator Wayne, you're recognized to open on LB614. [LB614]

SENATOR WAYNE: Thank you, Mr. President. And members of the Legislature, this is a simple bill and all we're doing is modernizing some of the Local Option Municipality Economic Development Act, original LB840. So what this simply does is removes one of the statutory limitations placed on the local option. Right now there are two local options or two local caps that are in our statute. It's a flat dollar amount based on the classification of the municipality. The second one is it can't exceed 4 percent of the taxable valuation...property tax valuation in the prior year. Because it's a cap on 4 percent of the tax valuation, it moves every year. And so it becomes confusing for local communities to figure out whether or not they should have the first or the second one, and so what we're doing is simply clarifying and saying we're going to give a dollar flat amount across the state for each municipality based off of classification. This was part of a LR155 that happened in 2015 where the Urban Affairs Committee led by Senator Crawford went out and looked at these statutes and looked at some of the confusing language, and we're simply just trying to modernize it. And by doing that we are removing the cap of the .4 percent on the municipalities statutory limitations. There are roughly 70 municipalities that use LB840 program which is usually a local sales tax, so we believe that the property tax valuation and the .4 percent taxable valuation of the prior year has no basis in the law, and really when it was passed years ago, they just pulled it from a different statute. And today it is arbitrary and does not seem to fit in within the code. So there is still a maximum spending limit per municipality that depends on the class of that municipality, so that does not change, but we are removing the floating cap that seems to move up or down. The reason why that's also important is because this LB840 funds are based off...usually off of sales tax. And so they're still bringing in the money,

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they're just not able to spend it because of the arbitrary .4 percent limitation. So again, we are just simply limiting...are eliminating one of the provisions. There is still a spending cap per municipality based off of the classification, and there's a lot more information, but...that I can read from my notes, but this is a simple bill. And with that, I will answer any questions, and I will ask you to vote green on this bill. Thank you, Mr. President. [LB614]

PRESIDENT FOLEY: Thank you, Senator Wayne. Debate is now open on LB614. Senator Erdman. [LB614]

SENATOR ERDMAN: Thank you, Lieutenant Governor Foley. Good morning. Senator Wayne, will you yield to a question? [LB614]

PRESIDENT FOLEY: Senator Wayne, would you yield, please? [LB614]

SENATOR WAYNE: Yes. [LB614]

SENATOR ERDMAN: Senator Wayne, I see that you are removing one of the requirements, one of the limits, so as you said in your testimony that this money is generally collected through sales tax, but this provision is based on the property tax valuation in that city, is that correct? [LB614]

SENATOR WAYNE: Yes. [LB614]

SENATOR ERDMAN: So what happens is that if you have the four-tenths of 1 percent limit (commotion in balcony)...anyway... [LB614]

SENATOR WAYNE: To answer your question, yes. [LB614]

SENATOR ERDMAN: So continuing, so if you had a limit at the .4 of 1 percent, that limit could be...excuse me, less than the dollar amount that would be allowable under the other statute if you change this? [LB614]

SENATOR WAYNE: Yes, and it could be more. [LB614]

SENATOR ERDMAN: All right. I appreciate that. And I thought that's what it was, but I appreciate your clarification. I'm going to vote in support of LB614. Thank you, Senator Wayne. Thank you, Lieutenant Governor. [LB614]

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PRESIDENT FOLEY: Thank you, Senators Erdman and Wayne. Is there any other discussion on LB614? Senator Crawford. [LB614]

SENATOR CRAWFORD: Good morning, Chair, and good morning, Mr. President, and good morning, colleagues. I just stand and rise in support of LB614. This program is an important economic development tool for all of our local communities that choose to use it. And this is an important streamlining of that program to make sure that when they have resources to use for economic development that they are able to do so while still maintaining a limit on those expenditures. But it frees them up in a way to use those resources on important priorities in their own communities. So I urge your green vote on LB614. Thank you. [LB614]

PRESIDENT FOLEY: Thank you, Senator Crawford. Senator Groene. [LB614]

SENATOR GROENE: Thank you, Mr. President. Senator Wayne, would you take a question? [LB614]

PRESIDENT FOLEY: Senator Wayne, will you yield, please? [LB614]

SENATOR WAYNE: Yes, I'll take as many as I need. [LB614]

SENATOR GROENE: Senator Wayne, my assumption is somebody brought you this bill because they ran up against this barrier. Could you give me an example of where a community came up against this barrier, and a real life example? [LB614]

SENATOR WAYNE: Actually, nobody brought me this bill. This was part of an interim study in an LR prior to me being in the Legislature. So an example is, let's take the 4 percent taxable valuation cap. Let's say a community loses a large factory and it closes down. That property value can drop dramatically impacting the total taxable valuation of that municipality immediately, therefore resulting in less ability to spend money that they already have to better that community because that cap is based off of property value. So we're removing that cap and saying, now you can just use the flat line spending limit that every other city can use across the state. [LB614]

SENATOR GROENE: Another question. Let's say a new factory does come to town and it is TIFed. Is the valuation of that new factory or processing plant, is that included in to increase the valuation of the city, or is it not included? [LB614]

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SENATOR WAYNE: Well, it's off of total taxable valuation, and what we're actually doing is removing the taxable language, so if you support this, it wouldn't matter if it was TIFed or not. But if the program stays how it currently is, it would matter as far as whether it was TIFed because it would impact the taxable...overall taxable valuation. [LB614]

SENATOR GROENE: Thank you. I guess I don't see if you're taking like North Platte does the small amount of...not a small amount. They take half of the increase of the sales taxes that we collect every year of the increase, that you'd ever reach this limit. So that's why I was curious more than anything why it even needs to be removed. Thank you. [LB614]

PRESIDENT FOLEY: Thank you, Senator Groene and Senator Wayne. Senator Schumacher. [LB614]

SENATOR SCHUMACHER: Thank you, Mr. President, and members of the body. Would Senator Wayne yield to a few questions? [LB614]

PRESIDENT FOLEY: Senator Wayne, would you yield, please? [LB614]

SENATOR WAYNE: Yes. [LB614]

SENATOR SCHUMACHER: The stricken language, Senator Wayne, says no city shall appropriate funds derived directly from local sources of revenue for all approved economic development programs. Are those local sources of revenue just LB840 money, or are there other local sources of revenue? [LB614]

SENATOR WAYNE: Yes, I can see where that's confusing, but this section of the statute only deals with the LB840 section. The problem with the green copy is you don't get all the language. [LB614]

SENATOR SCHUMACHER: I realize that. Now, so you're saying that really what this is saying, no city shall appropriate from funds derived directly from the tax levied under the section that is restricted to the LB840 levy, not all sources of revenue like it says. [LB614]

SENATOR WAYNE: Correct. [LB614]

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SENATOR SCHUMACHER: Okay. Is there a reason that...what was the original reason for having this restriction of spending by local authorities of LB840 money on economic development, do you know? [LB614]

SENATOR WAYNE: Yes. So looking through the legislative history, it was...it seemed to be pulled from another section of statute that arbitrarily put caps on local spending, and this was one of them. But since our property taxes tend to fluctuate a little bit more over the last couple of years, cities have been running into this bump. But I do want to know... [LB614]

SENATOR SCHUMACHER: But haven't property taxes generally gone up? They don't fluctuate down. In fact, one of the arguments for the property tax is it's a stable source of revenue because you don't have much fluctuation. [LB614]

SENATOR WAYNE: In that regards, that is why I also, the flat amount is also placed in there to create a flat amount so where all the cities are operating underneath the same set of laws. [LB614]

SENATOR SCHUMACHER: What is the flat amount then? [LB614]

SENATOR WAYNE: The flat amount is...it depends on each class, and the it's anywhere from \$4 million approved...wait, let me get that. I'll push my button and get you the exact amounts for each class. They're separated by classes. I don't want to misspeak. [LB614]

SENATOR SCHUMACHER: Okay. So it's my understanding that LB840 is a special tax, sales tax, approved by the voters, that goes into a fund that once approved the local governing body can kind of, with very few restrictions, spend on this thing called economic development, is that correct? [LB614]

SENATOR WAYNE: Correct, generally. [LB614]

SENATOR SCHUMACHER: Okay. So it would seem to me that in an age when we are seeing significant impact on certainly our budget here, and I would expect utilization in the local budgets of the economic development monies without necessarily much to show for it in many cases, that removing a limit is something that we should discuss carefully. I'm not sure where I'm at on this bill. But anytime you remove a limit on spending, which this seems to be doing, you remove a limit on spending. And to the extent there is some money that can be sales taxed or used for public purposes, and you remove that limit, that money might be used for these

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economic development things and you have to raise the property tax to offset it. I've got a little bit of discomfort. I haven't seen the economics of this yet... [LB614]

PRESIDENT FOLEY: One minute. [LB614]

SENATOR SCHUMACHER: ...and I'm going to listen to the debate rather closely. Thank you. [LB614]

PRESIDENT FOLEY: That was one minute, Senator. [LB614]

SENATOR SCHUMACHER: Oh, one minute, okay. I think we have to look at all these things very carefully because these are kind of examples of whatever Dirksen called the frog problem where you put a frog in cool water and he's kind of happy, and you can turn up the heat and very gradually you have frog legs. If you threw him directly into that same water, he would jump right back out if you threw him in boiling water. So there's a reason why this limit was there. I wasn't here when it was imposed and neither was I guess just about anybody else but maybe Senator Chambers. So I'm concerned that incrementally we're going off into a land of economic development which is a glossy term, and enabling spending of real tax money... [LB614]

PRESIDENT FOLEY: Time, Senator. [LB614]

SENATOR SCHUMACHER: ...specially levied, and there is a reason for this 4 percent limit, and I haven't heard... [LB614]

PRESIDENT FOLEY: Time, Senator. [LB614]

SENATOR SCHUMACHER: ...what that is and whether it was a good idea or a bad idea. [LB614]

PRESIDENT FOLEY: That's time, Senator Schumacher. [LB614]

SENATOR SCHUMACHER: Thank you. [LB614]

PRESIDENT FOLEY: Thank you, Senator Schumacher. Senator Wayne. [LB614]

SENATOR WAYNE: So just to answer Senator Schumacher's questions, metropolitan limits...spending limit is \$5 million. Senator Schumacher, \$5 million for metropolitan or primary.

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First-class is a \$4 million. Second-class or village is \$3 million. And the valuation, again, of the 4 percent, which we're trying to strike out, moves and changes over...year to year actually. So what we're trying to do is level the playing field for all municipalities, simplify the language, and say that there is one cap, not one cap plus another cap. In addition, the statute also allows cities to vote on an additional cap or whatever cap they choose. So we're providing the local communities with options to whether they can limit themselves if they so choose to, and if they don't, there is a statutory limit of what I just laid out depending on the classification. Like with many bills, they sometimes grab language from...and we do it, too, grab language from other sections. And that's what occurred here from the city municipality statutes. They grabbed this arbitrary 4 percent and applied it across to villages, applied it across to primary cities, applied it across to first-class cities, and what we're saying is some of that doesn't belong, especially in the primary and villages...I mean, second-class and villages should not have to have the same kind of property tax limitations as, say, the city of Omaha. So we're trying to simplify the statute, modernize the statute. And as it relates to economic development because over the summer it appears that I have traveled across the state talking about economic development and the big word TIF. One of the issues is our Constitution limits our economic development opportunities as you, yourself, Senator Schumacher, has proposed, a sovereign immunity area to help spur economic development because our Constitution is very restrictive. These are one of the few tools, LB840 tools, that allow the local communities economic development opportunities. And so we're trying to do is simplify it and make it easier for them to do so while at the same time in another bill that will be coming out of committee, working on TIF to make sure it works better for everybody. I agree with you that necessarily TIF should not be an economic development tool, but over the years that's what it became. But LB840 is trying to allow those local communities another option to grow and to do things with their sales tax from their community that they so choose to do. So it is a little bit about local control, but it is about making sure that we simplify our code to where there's not three caps but only two now. One, placed by voting green for this will still keep the cap that is set by the voters if they still choose so, or two, the statutory limits across the state equalizing all the classes as far as if you are in a class, you are treated the same whether it's a primary, metropolitan, first-class, or second-class, or village, each village is treated across the same as far as a spending limit. So that's the idea behind it and that's why we are proposing this language, and I would appreciate your support. [LB614]

PRESIDENT FOLEY: Thank you, Senator Wayne. Senator Schumacher. [LB614]

SENATOR SCHUMACHER: Thank you, Mr. President, and members of the body. That limit was there for a reason. Still don't know what the reason was. I hardly think that it was just a ditto that was mistakenly done. As I understand LB840, a locality can call a special election to impose an additional sales tax. That money goes into a fund. The city fathers then can distribute that fund with very few guidelines, very few restrictions, and can do it in a rather discriminatory fashion in the hopes of economic development. We've repeated studies now that indicate such

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incentive programs are not paying their way. And a lot of the people who are competing with the incentive business, don't get any. I know locally in Columbus there was LB840 money spent on an old Walmart store to entice an outfit to come in and run a call center, and suddenly that outfit is gone. And yet there was, I think it was in the hundreds of thousands if not over \$1 million of this LB840 money put into that. Easy come, easy go. And now we're taking off a limit without even hearing who hit that limit and where it created a difficulty. You know, where was somebody crippled because of this limit that's in here? Who hit it? We've kind of abandoned the argument now that this is because property values fluctuate so much they can't get a decent number. And I'm listening yet. Maybe somebody who was on this study committee that came up with the conclusion that this restriction was a terrible thing, can come forward and say why it was a terrible thing, why we need more discretion and more spending ability to spend this sales tax money. Economic incentive programs distort the market. Sometimes for good, sometimes for bad. But our experience with them hasn't been the greatest. If it was, seeing how we have very liberal at the state and local level economic development spending, we wouldn't be in the bind that we are today. They are not producing as a whole. And this is part of an ongoing debate that you're going to have long after I'm gone, but to take off a limit, you won't be able to get the 33 votes to put the limit back on, so there better be a good reason to take the limit off. I haven't heard it yet, other than everybody should just have the same, easy number to work with regardless of valuation. I'm listening. Still undecided either way. Thank you. [LB614]

PRESIDENT FOLEY: Thank you, Senator Schumacher. Seeing no other members wishing to speak, Senator Wayne, you're...oh, excuse me, Senator Crawford has her light on. [LB614]

SENATOR CRAWFORD: Thank you, Mr. President. I was just rising to speak. I think if you look at the limit just to clarify, that it is .4 of 1 percent of taxable valuation and so I think when you think about a very small community, you could hit that limit pretty quickly. And I was also speaking just to give Senator Wayne a chance to pull up some of his notes on that. It is critical to have these limits and the set limits per class of city, then make sure everybody know exactly what that limit is and they know it ahead of time as they are doing future planning, you know what that limit will be. And that it is a set limit for each class of city. And again, these are sales tax dollars that are specifically elected by the city, by the residents of the city to be used for economic development purposes. So this isn't General Fund budgeting that we're talking about, but what can they do with their own dollars that they have chosen to set aside for these kinds of purposes. And what those decisions about how to spend it are, how effective they are, those are all critical questions for the municipality and the residents to answer. But our question is, if we've given them this opportunity to set aside these dollars for an economic development purpose, that it makes sense to provide these set limits per class of city in terms of being able to use those dollars as opposed to per .4 of 1 percent of their taxable valuation. It is an attempt often to disrupt the market, but in a positive way. Whether the incentive works in all communities is another matter in terms of making sure that communities have the best resources

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to spend this effectively is important. But this bill is trying to just make sure that we have a good structure so people know what those limits are per classification city, and that the limits that are in place for those small cities no more than \$3 million for a project helps to put some limit in there to make sure that it is used with care. And so I think it was an important conversation to be had in terms of how to streamline the program and make it work again with those dollars that the community has chosen to put for that purpose specifically. Thank you, Mr. President. [LB614]

PRESIDENT FOLEY: Thank you, Senator Crawford. Senator Friesen. [LB614]

SENATOR FRIESEN: Thank you, Mr. Lieutenant Governor. I have just had a small chance to glance through the bill and I am sorry, and I have not been on the floor as much as I would have liked, but so when I look at this bill, you're just raising or changing some caps on what they can spend in LB840 money. Senator Wayne, would you yield to a question? [LB614]

PRESIDENT FOLEY: Senator Wayne, would you yield, please? [LB614]

SENATOR WAYNE: Yes. [LB614]

SENATOR FRIESEN: So what this bill does basically is raise some caps of LB840 money, the sales tax revenue if a community has voted to exercise their half-cent increase in the sales tax? [LB614]

SENATOR WAYNE: It removes one of the provisions, so technically, I guess, it will be higher than some, but it could be lower, so it depends on what community it is. It just removes one out of the two. [LB614]

SENATOR FRIESEN: So are there any controls on...when we've talked economic development for rural areas, and part of the concerns sometimes is you get the larger communities, the shopping centers of the region, they're able to use LB840 money much more effectively because they have a...you know, you call it a pull factor, a positive pull factor, they're actually bringing new revenue in. So when these larger communities bring in this revenue, and they're doing their economic development, sometimes does this money get used to attract businesses from the smaller cities in economic development? Are we, sometimes...you know, I don't want to use the word stealing businesses from smaller communities, but luring them into the larger communities using funds like this, or is it strictly for new economic development? [LB614]

SENATOR WAYNE: I don't know the answer to that because I don't recall of any businesses being taken from smaller communities. In fact, the ones I think of left Omaha and went to

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Wahoo, like a steel plant. So I don't know anybody, nor do I know if it's tied to these funds.
[LB614]

SENATOR FRIESEN: Okay. Thank you, Senator Wayne. That's my...part of my concern with the bill and I'm not sure which way I'm going to vote. I may move to move it forward to the next round and then I'll be visiting with Senator Wayne on the issues. But I've seen this happen before in the rural areas of the state is, you get communities that try to attract businesses, they try to grow, and they're using these funds to lure businesses from the smaller towns who don't have access to this kind of revenue. You know, the business may be wanting to move, and they're going to move anyhow, but if you allow them to use this revenue, sometimes I've seen it happen, so I'm concerned about it. I don't know how you control that. But I hate to see dollars like this used to lure businesses from one community to another. But otherwise, I think most communities have probably used this very responsibly to help grow their economic base. So, thank you, Mr. Lieutenant Governor. [LB614]

PRESIDENT FOLEY: Thank you, Senator Friesen. Senator Wayne. [LB614]

SENATOR WAYNE: It never ceases to amaze me that the first time I did an Urban Affairs bill, Senator Schumacher got up and we started talking about trains and that was a fun bill. We were updating codes. So this, I did not really bring a whole bunch of information, but luckily I have staff who helps me out a lot, but...because I have some information now. So to Senator Friesen's point, this bill, and I am going to pass this out second round or in-between, has information on who is hitting caps right now and who is not. So to answer your question, the majority of the people would have an increase in their ability to use funds because the majority of the people, or cities hitting caps, are not the big cities. Fremont is hitting their \$4 million cap. Grand Island, La Vista, Columbus, Bellevue, Norfolk, North Platte, and Omaha is not even hitting their cap. So the rest of the...out of the 70 cities, the rest of them are all smaller communities that are stuck at this .4 valuation. Why that's important? Sidney has a LB840 program. When their property values drop, if they cannot sell their homes which was in the article that I just read in the World-Herald, and businesses tend to leave and their property values drop, they will have a lower restriction because of the .4 percent. This is prime time for us to remove that .4 percent because this is based off of sales tax. It has nothing to do with property tax except for an arbitrary provision that was inserted, and if you were to look at the history of the LR155 Committee, on page 21 of the report, it says, second, based on the taxable valuation has not been increased since 1991. This cap was mirrored off a similar spending cap for the municipality publicity campaigns and could potentially limit the ability of municipalities with lower taxable valuations, but high-potential sale revenues. What does that mean? So the language literally was copied over in a committee versus...for on a committee amendment. And it was a way for them just to get this passed to figure out a limitation. Another example, when I drive down here every day is Greenwood. A lot of people pull off in Greenwood, buy gas, buy some food. They probably have

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a lot higher sales tax. They do not fall into the program, but if they wanted to have a program, they would have a lot higher LB840 sales tax than their property around it. So let's make all of these smaller communities compete on an even basis and again, we are...we still have a limit on it. We can argue about the other limits all day whether it should be \$5 million, \$1 million, \$4 million, or \$2 million, but this .4 percent arbitrary of 1 percent property evaluation is an arbitrary number that literally came as a committee amendment to make sure that we had another limitation in there. And what I submit to this body is, we still have two limitations even underneath this proposed statute. We have a dollar cap set by the state, and we have a voter approval cap set by the local government. I don't know what more insurance we need than those two things. But to have a .4 percent of 1 percent property valuation, when we have communities like Sidney and Greenwood that could be hurt by this arbitrary limit, we have a duty to help those communities out, I believe. And this is one way to do it. And that is why I would ask you to support this bill, move it to the next round. I will send out information about who is all hitting the limits and who's not. But you will see is Ainsworth, Allen, Beatrice, Beaver City...I can continue to go on, Blair, Chadron, Crete, Geneva, Imperial, Lexington, all of them are stuck below this .4... [LB614]

PRESIDENT FOLEY: One minute. [LB614]

SENATOR WAYNE: ...arbitrary limit due to property evaluations around their community. Yet they bring in more money. So they're already bringing in the money, we're just saying, you can't spend it when they already have the money sitting there and we can let them help their communities because they already have the money right now. I would say vote green. I will get you a list of the 70 municipalities that I have in front of me, and we can have a greater discussion next round if you still have questions. I will go back to the legislative history and find more out about the arbitrary .4 percent of 1 percent property, although Senator Chambers was probably the only one here in 1991. I don't remember him being on Urban Affairs, but I will ask him if he remembers anything, too, in-between this vote to the next round. So with that, I would ask you for a green vote and to move this bill forward. [LB614]

PRESIDENT FOLEY: Thank you, Senator Wayne. There's no one else in the queue. Senator Wayne, was that your closing? Senator Wayne, you're recognized to close. [LB614]

SENATOR WAYNE: Yes, I'm going to take advice from Senator Stinner. This is a good bill. Don't overthink it, and with that, I would ask you for a green vote. [LB614]

PRESIDENT FOLEY: Thank you, Senator Wayne. Members, you've heard the debate on LB614. The question for the body is to advance the bill to E&R Initial. Those in favor vote aye; those opposed vote nay. Have you all voted who care to? Record, please, Mr. Clerk. [LB614]

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CLERK: 35 ayes, 1 nay, Mr. President, on the advancement of LB614. [LB614]

PRESIDENT FOLEY: LB614 does advance. Items for the record, Mr. Clerk. [LB614]

CLERK: Thank you. Mr. President, new bills. (Read LB1000-1020 by title for the first time.) In addition, Mr. President, a few other items. New Resolution, Senator Lindstrom offers LR282. That will be laid over. Committee on Enrollment and Review reports LB146 to Select File. And I have a motion from Senator Riepe to withdraw LB915. That will be laid over at this time, Mr. President. That's all that I have. Thank you. (Legislative Journal pages 290-295.) [LB1000 LB1001 LB1002 LB1003 LB1004 LB1005 LB1006 LB1007 LB1008 LB1009 LB1010 LB1011 LB1012 LB1013 LB1014 LB1015 LB1016 LB1017 LB1018 LB1019 LB1020 LR282 LB146 LB915]

PRESIDENT FOLEY: Thank you, Mr. Clerk. Returning to General File. Mr. Clerk.

CLERK: LB96 is by Senator Crawford. (Read title.) Introduced on January 5 of last year. At that time referred to the Banking, Commerce and Insurance Committee. The bill was advanced to General File. I have no amendments to the bill at this time. [LB96]

PRESIDENT FOLEY: Thank you, Mr. Clerk. Senator Crawford, you're recognized to open on LB96. [LB96]

SENATOR CRAWFORD: Thank you, Mr. President, and good morning, colleagues. LB96 provides that public and private sector initiatives to improve the military value of military installations are eligible activities that can access loans, grants, subsidies, credit enhancements, and other financial assistance through the Department of Economic Development's Site and Building Development Fund. LB457, which was introduced in 2015 by Senator Gloor and was later signed into law, provided that projects could use the Site and Building Development Fund to make the necessary improvements to buildings' infrastructure to mitigate the economic impact of a closure or downsizing of a private sector entity. This is an important tool that allows communities to access these funds and proactively combat the negative affects of a major closure or downsizing. LB96 would extend this tool to public and private sector initiatives aimed at preventing a closure or downsizing of military installations by allowing to compete for matching financing through the Site and Building Development Fund. Please note, this program is not a tax incentive. It is competing for matching fund financing. LB96 will allow the public and private sectors to improve the military value of our military installations across the state. This includes Offutt Air Force Base in my district, and the many National Guard installations in our state spanning from Wayne to Scottsbluff. Improving the value of these installations allows our state to retain a competitive location with well-maintained installations. I mean, the Department

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of Defense is considering base or installation closures. Allowing these projects to compete for these funds also provides a tool for community development in the unfortunate case of downsizing or realignment of any of these installations. According to the 2016 economic impact analyses conducted by Offutt Air Force Base, there are 154 buildings on base, not including homes and housing units. These buildings have a total of over 4 million square feet. All together the land, buildings, and real property at the base has a value of over \$765 million. LB96 allows projects to improve this important economic asset of our state by proactively preventing downsizing or closure to collaborative partnerships that compete for the Site and Building Development Fund support. According to the 2017 economic impact, Nebraska military assets report conducted by our Nebraska Commission on Military and Veterans Affairs, the spending at military bases installation accounts for \$2.55 million in economic output; \$1.38 billion in employee compensation, and 26,368 jobs generated in Nebraska. In the event of a base down closing or closure, these jobs and economic output would be at risk. LB96 is one important step we can take to ensure the base remains open and these civilians can keep their jobs and avoid economic collapse in Bellevue, and the rippling effects of this economic devastation could have across the state. These improvement projects could also create new jobs in the process. Thirteen states, including Kansas, Indiana, and Texas have some sort of grant or loan program in place to preserve and enhance the military value...excuse me, the value of military installations. This allows their communities to improve and repair military installations and infrastructure and proactively mitigate a closure or downsizing. LB96 would allow public and private entities to apply for site and building development funds or to coordinate with the U.S. Department of Defense Office of Economic Adjustment to make these important improvements. It's important to know that this bill does not prioritize these projects to receive this funding over the other eligible projects in this important fund. The Department of Economic Development maintains authority to prioritize how the funds are spent and the language in statute prioritizing these projects that have a...prioritize these projects that have a pending agreement to locate a site within 90 days remains, as well as language in statute to protect an urban/rural split in the projects. LB96 simply makes projects to improve military installations in our local communities eligible to receive this financing. I appreciate your time and attention to this issue and will try to answer any questions that you may have. With that, I encourage you to vote green on LB96. [LB96]

PRESIDENT FOLEY: Thank you, Senator Crawford. Is there any discussion on the bill? Seeing none, Senator Crawford, you're recognized to close on the...and she waives closing. The question for the body is the advance of LB96 to E&R Initial. Those in favor vote aye; those opposed vote nay. Have you all voted who care to? Record, please, Mr. Clerk. [LB96]

CLERK: 33 ayes, 0 nays, Mr. President, on the advancement of LB96. [LB96]

PRESIDENT FOLEY: LB96 advances. Next bill, please. [LB96]

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CLERK: LB193 was a bill introduced by Senator Pansing Brooks. (Read title.) The bill was introduced in January of last year, Mr. President; referred to the Judiciary Committee at that time; reported to General File. There are Judiciary Committee amendments pending. (AM221, Legislative Journal page 511, First Session, 2017.) [LB193]

PRESIDENT FOLEY: Thank you, Mr. Clerk. Senator Pansing Brooks, you're recognized to open on LB193. [LB193]

SENATOR PANSING BROOKS: Thank you, Mr. President. Good morning, colleagues. Good morning, Nebraska. LB193 is a cleanup bill that was brought to me by the Nebraska Association of County Officials, also known as NACO, and the administrative office of the courts. They worked together to update statutory language to reflect modern practices in recordkeeping, and in county and district courts, and to update outdated statutes. The intent of LB193 is to revise statutes that require keeping physical records that are no longer necessary due to the court's electronic case management system. Since NACO and the administrative court's office both have their own ideas on changes, and they were quite voluminous, respective to each of their areas, I asked them to work together to develop the language of the bill. And before the hearing, they brought me an amendment to the bill, AM221, which will be introduced shortly by Senator Ebke. Representatives from the clerk of the district court's, the district court clerk's association and NACO testified on the necessities of the bill. We know changes in technology require changes in recordkeeping practices. The changes in this bill reflect modern technology use and processes. It also allows the courts and the county clerk to rely on the court's electronic case management system in order to keep records. It also provides that the court clerk is to serve parties, serve orders to parties by electronic case management system, in addition to allowing service by mail. So...and also it removes references to facsimiles where e-mails have now replaced archaic facsimile technology. So, LB193 also revises language to reflect modern court terminology, including the term "docket" to "trial docket" and record the judgment index among other terminology changes. I know this is so fascinating, but it's necessary. Anyway, I want to thank NACO and the administrative office of the courts for working together to update these statutes. There was no opposition at the hearing and all the senators present at our Judiciary Executive Session voted in favor of advancing LB193 and AM221. So in closing, I'd ask you to vote green on both LB193 and AM221. Thank you, Mr. President. [LB193]

PRESIDENT FOLEY: Thank you, Senator Pansing Brooks. As the Clerk indicated, there are amendments from the Judiciary Committee. Senator Ebke, you're recognized to open on those amendments. [LB193]

SENATOR EBKE: Thank you, Mr. President. As Senator Pansing Brooks has already noted, AM221 builds on the work done in the introduced copy of the bill to cleanup provisions of

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statute relating to the courts. Most of the changes made in AM221 are nonsubstantive in nature and were developed by the district court clerk's association, NACO and the Nebraska State Court administrator. Again, this is largely cleanup legislation. The amendment strikes certain sections of the bill to maintain consistency in reference to fees throughout Nebraska statute to maintain the use of the term "docket fee" per the recommendation of the Nebraska State Court administrator. AM221 further provides some technical definitions to aid in understanding the requirements of the changes. Other changes in AM221 work to provide more clear language for easier understanding. LB193, as amended by AM221 advanced from the committee on a 6-0 vote with two members of the committee absent during the vote. There was no opposition testimony provided during the public hearing, and on behalf of the Judiciary Committee, I ask for your green vote on both AM221 and LB193. [LB193]

PRESIDENT FOLEY: Thank you, Senator Ebke. As you heard the opening on LB193 and the Judiciary Committee amendment, is there any discussion? Seeing none, Senator Ebke, you're recognized to close on the amendment. She waives closing on AM221. The question for the body is the adoption of the amendment. Those in favor vote aye; those opposed vote nay. Have you all voted who care to? Record, please, Mr. Clerk. [LB193]

CLERK: 38 ayes, 0 nays on adoption of committee amendments. [LB193]

PRESIDENT FOLEY: The Judiciary Committee amendment is adopted. Discussion on the amended bill. Senator Schumacher. [LB193]

SENATOR SCHUMACHER: Thank you, Mr. President, members of the body. Would Senator Pansing Brooks yield to a question? [LB193]

PRESIDENT FOLEY: Senator Pansing Brooks, will you yield, please? [LB193]

SENATOR PANSING BROOKS: I will attempt to do so, yes. [LB193]

SENATOR SCHUMACHER: Just attempt to do so? [LB193]

SENATOR PANSING BROOKS: Yes. [LB193]

SENATOR SCHUMACHER: Oh, gee. [LB193]

SENATOR PANSING BROOKS: All the experts are out there, so...but go ahead, I'll try. [LB193]

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SENATOR SCHUMACHER: On the attempted yield then, I notice the fiscal note says the Supreme Court estimates no significant impact but notes that this bill may impact district courts which would be a county impact. Do you know if this is a cost to the county or reduction in cost to the county, what the nature of that impact is? [LB193]

SENATOR PANSING BROOKS: Well, the goal would be a reduction of costs because by making sure that all technology...all the records are kept technologically, it saves space, it saves ability to keep on top of it. But, again, NACO is supportive of this because they don't see a cost problem. So you can specifically speak to them, but it's my understanding there's no cost. [LB193]

SENATOR SCHUMACHER: Does this mean that some counties that don't have a computer system or some hard drive or something like that, big Internet connection or something, would have to now buy one? I'm just trying to figure out, is... [LB193]

SENATOR PANSING BROOKS: Remember the Court Automation Fund? That is accessible to the counties and is supposed to be backing up all the county courts on that. And, fortunately, I've just been handed a piece of paper that reminded me that Janet Wiechelman in the testimony that we had on February 10, 2017, said that counties have reported that their county will see a cost savings between \$105 to \$173 for a medium-sized court per month for converting the scanned images to a journal or a complete record. So the testimony is that they're saving this. [LB193]

SENATOR SCHUMACHER: Okay. Well, on the attempt to yield then, that was a pretty good attempted answer to an attempted question. Thank you, Mr. President. [LB193]

PRESIDENT FOLEY: Thank you, Senator Schumacher and Senator Pansing Brooks. Is there any further discussion on LB193? Seeing none, Senator Pansing Brooks you're recognized to close on the...no, she waives closing. The question for the body is the advance of LB193 to E&R Initial. Those in favor vote aye; those opposed vote nay. Have you all voted who care to? Record, please, Mr. Clerk. [LB193]

CLERK: 40 ayes, 0 nays, Mr. President, on the advancement of LB193. [LB193]

PRESIDENT FOLEY: LB193 advances. Next bill, Mr. Clerk. [LB193]

CLERK: Mr. President, LB377 is a bill by the Education Committee signed by its members. (Read title.) The bill was introduced on January 13 of last year, referred to the Education

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Committee. The bill was advanced to General File. I have no amendments to the bill, Mr. President. [LB377]

PRESIDENT FOLEY: Thank you, Mr. Clerk. Senator Groene, you're recognized to open on LB377. [LB377]

SENATOR GROENE: Thank you, Mr. President. Members of the Legislature, LB377 is an Education Committee bill that was advanced by an 8-0 vote from the Education Committee and had no opposition at the hearing. LB377 would eliminate three school classifications from numerous statutes, including two classifications of school districts that no longer exist in Nebraska. The three school classifications being eliminated are Class I, Class II, and Class VI school districts. This change would mean that all Nebraska public schools will either be in a Class III, Class IV, or a Class V school district, with Lincoln Public Schools remaining as the only Class IV district and Omaha Public Schools remaining as the only Class V school district at the present time. This bill would only impact 18 school districts that are currently classified as Class II school districts and those schools would become Class III school districts upon passage of LB377. You've received a handout with the listing of those 18 school districts. None of those school districts protested the change. In 1949 the classification of school districts act was adopted and over the seventy years since classifications of school district laws were created, the Legislature on numerous occasions has enacted and amended these laws frequently and ensured that each separate statute contains similar provisions so as to be applicable to all school districts. It is redundant to have six classifications in statute when three would suffice. Today, the main difference in law between the classes of school districts is the election of members of the school boards. Class II school districts elect members to the school board only at the general election held in November of each even-numbered year. Class III school districts elect members to the school board at the primary election held in May and then the top candidates after the primary election move on to be elected at the general election held in November of each even-numbered year. By eliminating the laws of Class II school districts making them Class III school districts means county clerks or election commissioners will be using the same laws for conducting elections of school board members statewide, except for the Lincoln Public Schools' odd-numbered years at the same time as the city of primary class holds city elections, and Omaha Public Schools that have nine board members that are elected at the primary and general election held in even-numbered years. As I said earlier, a handout has been passed out. This bill was introduced at the request of the Nebraska Department of Education and besides the classification changes provided under this act, no additional public policy or practices are being changed by this bill. By way of a bit of history, the six school classifications implemented in 1949 was at a time when Nebraska had over 6,500 school districts, and today we have 244 school districts. I thank you for your time on this matter and will answer any questions you have. I ask for your support in advancing the bill. Thank you. [LB377]

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PRESIDENT FOLEY: Thank you, Senator Groene. Is there any discussion on LB377? Seeing none, Senator Groene, you're recognized to close on LB377. He waives closing. The question for the body is the advance of LB377 to E&R Initial. Those in favor vote aye; those opposed vote nay. Have you all voted who care to? Record, please, Mr. Clerk. [LB377]

CLERK: 41 ayes, 0 nays, Mr. President, on the advancement of LB377. [LB377]

PRESIDENT FOLEY: LB377 advances. Next bill, Mr. Clerk. [LB377]

CLERK: Mr. President, the next bill is LB469. It's a bill by Senator Larson. (Read title.) It was introduced on January 17 of last year; referred to the General Affairs Committee; advanced to General File. There are committee amendments pending, Mr. President. (AM155, Legislative Journal page 521, First Session, 2017.) [LB469]

PRESIDENT FOLEY: Thank you, Mr. Clerk. Senator Larson, you're recognized to open on LB469. [LB469]

SENATOR LARSON: Thank you, Mr. President. LB469, with the committee amendment, is necessary to protect Nebraskans who are participating in fantasy sports contests by licensing such contest organizers in order to promote fair play in the state of Nebraska. LB469 adopts the Fantasy Contests Act by codifying it in statute how fantasy contest operators are to be licensed and regulated in the state of Nebraska. A typical contest involves a participant competing against other participants by paying an entry fee and then assembling his or her fantasy team by selecting actual professional players. As the selective professional players finish their actual games, their game statistics are converted into points. The participant with the most team points wins the contest. This can be daily or a season long contest. LB469 prohibits fantasy contest based on the performance of collegiate, high school, or youth athletic events. In 2006, Congress passed the Uniformed (Unlawful) Internet Gambling Enforcement Act in an effort to modernize the Wire Act of 1961. The UIGEA specifically exempts fantasy sports contests. LB469 reflects the language in the UIGEA that defines a fantasy contest to mean any on-line or simulated game or contest with an entry fee required for participation in which, one, the value of all prizes and awards offered to winning fantasy contest players is established and made known to the fantasy contest players in advance of the fantasy contest. Two, all winning outcomes reflect the relative knowledge and skill of the fantasy contest players and such outcomes are determined by accumulated statistical results of the performance of individuals, including athletes in the case of sports events and, three, no winning outcome is based on the score, the points spread, or performance of any single actual team or combination of teams, or solely on any single performance of an individual athlete or player in any single actual event. LB469 includes a number of consumer protection. The fantasy contest operator must register with the Department

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of Revenue and pay a \$10,000 registration fee and an annual registration renewal fee of 6 percent of the fantasy contest operators gross fantasy contest revenue for the preceding 12 months, not to exceed \$10,000. Prohibits participation by individuals who might have confidential information or who may be involved in the actual, professional sports such as athletes, coaches, and officials. Fantasy contest participants must be at least 19 years old, and the operator must provide participants with information on responsible play and access to information on seeking assistance for compulsive gambling behavior. The operator shall also allow a person to restrict him or herself from playing upon request. Prevent participants from submitting more than the allowable number of entries. Six, the operator is also required to segregate player funds from operational funds or maintain a reserve that exceeds the amount of player funds on deposit which can be used for operational activities. Seven, unauthorized third party scripts are prohibited. Eight, independent financial audits are required on an annual basis and, nine, any person who knowingly violates any provisions of the Fantasy Contests Act shall be liable for a civil penalty at not more than \$1,000 for each violation; not to exceed \$5,000 for violations arising out of the same transaction or occurrence. And I'll explain the committee amendment on that time.
[LB469]

PRESIDENT FOLEY: Thank you, Senator Larson. As the Clerk indicated, there are committee amendments. Senator Larson, you're recognized to open on the committee amendment. [LB469]

SENATOR LARSON: Thank you, Mr. President. The committee amendment does the following: One, clarifies the definition of a fantasy sports operator to include in addition to a person, an entity or a operating division or a group of an entity. Clarifies the definition of location to allow players location to be determined through generally accepted technical standards. Three, instead of a flat \$10,000 registration fee, the committee amendment would set the registration fee at 6 percent of the gross revenue for the preceding twelve months not to exceed \$10,000, or \$1,000, whichever is greater. LB469 requires the Department of Revenue to adopt and promulgate rules and regulations to implement and administer the Fantasy Contests Act, including but not limited to the rules and regulations. The committee amendment also removes language, but not limited to. Inserts language to clarify the Department rules and regulations applied solely to the specific group, division, product services or offerings of a person or entity that cause a person or entity to meet the definition of a fantasy contests operator and shall not extend to any other group, division, product services, or offerings of such an entity. Six, in LB469 as a condition of registration, the fantasy contests operator shall submit evidence satisfactory to the Department that the operator has established and implemented, or has the ability to implement commercially reasonable procedures for the fantasy contest that provides fantasy contest player with access to information on reasonable play and access to information on seeking assistance for the compulsive gambling behavior, and the committee amendment strikes the word "gambling". And seven, permits the fantasy contest operators to utilize escrow accounts for segregating fantasy contest player funds from operational funds. I'd be happy to take any questions. I understand that

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many individuals out in the lobby say this is an expansion of gaming. I'd like to make my colleagues just aware that fantasy sports happen in Nebraska right now. These operators are currently operating. What this is doing is adding rules and regulations. This isn't an expansion. I don't know how it can be considered an expansion when this is actually currently happening. And we do view it as a game of skill and that is why they're operating in the state of Nebraska. But I do think we need reasonable regulations to ensure that we're protecting Nebraska consumers as well as you see in the fiscal note, will have a fiscally positive result from this. So thank you, Mr. President. [LB469]

PRESIDENT FOLEY: Thank you, Senator Larson. Speaker Scheer. [LB469]

SPEAKER SCHEER: Thank you, Mr. Lieutenant Governor. Colleagues, real quickly, last week when we talked at the end of the week, I had nothing of any significance other than now I have received information that there's enough support to move LB321 back up for another shot at the debate. So on Friday morning, we'll have a...if nothing else, we'll have the final three-hour block for LB321 to come back, which is Senator Lowe's bill on the university rifle team or whatever it was distinguished as. So I just wanted to give a heads up. If it doesn't take three hours, we'll move forward on General File, but I just wanted everybody to know that that would be coming back on Friday morning. Thank you. [LB469]

SENATOR LINDSTROM PRESIDING

SENATOR LINDSTROM: Thank you, Mr. Speaker. Senator Chambers, you're now recognized. [LB469]

SENATOR CHAMBERS: Thank you. Mr. President and members of the Legislature, Senator Scheer, the Speaker, notified me of the fact that the bill would come up on Friday, so I was given notice. There's nothing that will come by way of a surprise, including my approach to that bill. I would like to ask Senator Larson a question or two. [LB469]

SENATOR LINDSTROM: Senator Larson, will you yield to a question? [LB469]

SENATOR LARSON: Yes. [LB469]

SENATOR CHAMBERS: Senator Larson, you said this activity is going on in Nebraska right now. [LB469]

SENATOR LARSON: Yes, sir. [LB469]

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SENATOR CHAMBERS: Is bookmaking going on in Nebraska right now? [LB469]

SENATOR LARSON: I wish it was, but it is not. [LB469]

SENATOR CHAMBERS: Yes, it is. How naive are... [LB469]

SENATOR LARSON: Okay. Legally, it is not happening in Nebraska. [LB469]

SENATOR CHAMBERS: Senator Larson. [LB469]

SENATOR LARSON: Yes. [LB469]

SENATOR CHAMBERS: Do you understand sports betting? [LB469]

SENATOR LARSON: Not completely... I don't participate in it, I understand the general concepting could explain it a little bit, but probably not as well as yourself or those that do it more often. [LB469]

SENATOR CHAMBERS: Why do you say not as well as me? [LB469]

SENATOR LARSON: I know that you have advocated for sports betting in the past, and therefore...and I'm not sure if you have introduced a law in Nebraska to legalize it, but I think you have and if I'm wrong you can correct me. But, therefore, I was saying not as well as you because you've looked at this issue in the past and introduced a bill to do it. So I just assumed that you knew it fairly well. [LB469]

SENATOR CHAMBERS: You made an assumption so I'm going to ask a question. Am I to assume that you're saying that because a person introduces a bill on a subject, the introducer understands that subject? [LB469]

SENATOR LARSON: Maybe not all introducers, but I have a high faith in you, Senator Chambers, to understand that any bill you introduce to have a good general knowledge of what's in that. [LB469]

SENATOR CHAMBERS: Senator Larson, have you ever placed a bet on the outcome of a football game? [LB469]

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SENATOR LARSON: Never with a bookie, just with friends. [LB469]

SENATOR CHAMBERS: Do you know of any people who placed a bet with a bookie before? [LB469]

SENATOR LARSON: Probably, yes. I would say that I know a number of people that have done that. [LB469]

SENATOR CHAMBERS: If you want to place...if you want to win \$10, how much do you have to put up in order to make a \$10 bet? [LB469]

SENATOR LARSON: It would depend on the odds. It could be \$1 if it's a ten-to-one odds. Am I correct on that? [LB469]

SENATOR CHAMBERS: No, you're mistaken. You probably haven't bet with a bookie, but you don't have to understand it to bet with a bookie. You have to put up 10 percent more than what you expect to win. So if you bet a dollar...if you want to win a dollar, you have to put up \$1.10. If you want to win \$10, you have to put up \$11. If you want to bet...win \$100, you have to put up \$110. [LB469]

SENATOR LARSON: See, I've never betted with a bookie so I didn't know that. [LB469]

SENATOR CHAMBERS: Now, what the bookies want to do, when they create a...first of all, do you know how point spreads are decided which bookies generally rely on? [LB469]

SENATOR LARSON: Again, you can correct me if I'm wrong, but I know Vegas determines the point spreads and oftentimes it depends on how many bets are coming in on each side. [LB469]

SENATOR CHAMBERS: And their purpose is not to say that a team is going to win by a certain amount, or a team will lose by a certain amount, but rather to get the same amount of betting on each team. You're aware of that? [LB469]

SENATOR LARSON: Yes. [LB469]

SENATOR CHAMBERS: So if you see that Nebraska is favored by three points, that doesn't mean the bookies say they'll win by three points. That spread has nothing to do with the ultimate

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outcome of the game. Senator Larson is correct, and we're going to have a chance to discuss this gambling... [LB469]

SENATOR LINDSTROM: One minute. [LB469]

SENATOR CHAMBERS: ...because I like to talk about it, and we're going to discuss it for a long time. And I have a strategy, but anyway. The bookie wants an equal amount of money bet on each team and that way, those who bet on team A will have the money that is paid to team B betters, should B win, and vice versa should A win. The bookie, just like these people who play the stock market, will get that 10 percent. The bookie doesn't care which team wins. The bookie wants to get his or her 10 percent. Do you know what that 10 percent is referred to as, Senator Larson? [LB469]

SENATOR LARSON: I...you know, in poker, you call it the take, but it's the vig, is that...no. [LB469]

SENATOR LINDSTROM: Time, Senators. Thank you, Senators Larson and Chambers. Senator Quick, you're recognized. [LB469]

SENATOR QUICK: Thank you, Mr. President. I rise in support of LB469. I think adding these regulations will actually benefit those who actually play fantasy sports. I don't play currently, but I used to play fantasy football with some friends of mine and we would pay a company to administer the...you know, keep track of the points and we would select how we wanted to keep...administer the points for a league. And then we, through our commissioner who would ever vote to be the commissioner, would keep, you know, take the money in and pay the money out. But it was a game that went on the whole season, so it's not like you're sitting down and actually pulling a slot machine and getting instant gratification. This is a sport that...or I would call it a sport, but you have to follow your players all season long and you have to keep track of everybody. You got to make...you know, see who is injured or who is on a bye week. So it was actually a lot of fun for most of us. So you would draft teams from all over...throughout the NFL and participate. And I think this bill actually would help regulate, so if there was a, you know, an operator who you had keep track of your scores, and you paid them to do that service and they didn't hold up their end of the bargain, you could maybe actually do something about it. So with that, I do support LB469 and the amendment. Thank you, Mr. President. [LB469]

SENATOR LINDSTROM: Thank you, Senator Quick. Senator Krist, you're recognized. [LB469]

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SENATOR KRIST: Thank you, Mr. President. Good morning, colleagues, and good morning, Nebraska. I'd point out two things. First of all, on the committee statement, I voted this out of committee, by the way, for some of the same reasons that Senator Larson has mentioned. But mostly in terms of an understanding of an activity, I won't even call it a sport or a skill game, I would say it's an activity that I have watched go on with my friends and it does take a good deal of concentration and effort to stay involved in the activity throughout a season. And what I worry, sincerely about, are those points of "gambling" or games of skill or activities that are unregulated and potentially revenue is not brought in by those activities. But more than that, the regulation part of it is to protect people from a bad actor who might be taking advantage of folks. Specifically, I'm concerned about our kids. Whether we like it or not, all of their devices, their Smart Phones, their iPads, are all opening up a window of gambling. And if you notice on that committee statement, the problem gamblers, David Geier, who is the chair of that organization, came and testified in a neutral capacity. And the reason for his testimony was to make us all aware that gambling is a part of life. Unfortunately, it creates addictions and those addictions need to be treated in some cases. You'll see a bill from me later on this year that tries to move more money into problem gambings, which I have done in my previous years to make sure that we are providing services and treatments for addictions that come from these issues. So, I'm in support of LB469 and I think the amendment, AM155, is extremely important because it clarifies a few issues. I do know that we will have, as we always do, have a robust discussion on gambling, and as it should be. Sometimes I think the people of the state of Nebraska speak regularly and should speak regularly about what they want in the state in terms of the gambling potentials. But I do have a question about the fiscal note and I would like to address the question to the chair of the committee, if Senator Larson would yield to a question, please. [LB469]

SENATOR LINDSTROM: Senator Larson, would you yield to a question? [LB469]

SENATOR LARSON: Yes. [LB469]

SENATOR KRIST: So the first fiscal note that we saw is completely...well, not completely, but it is different than the last one, the most recent note that came out. It shows General Fund expenditures of \$45,900, revenue of \$40,000 in 1819, and then in 1920 expenditures go down to \$23,950 with revenue at \$40,000. So if I look at those two years in terms of the projection, actually four years in total with the projections, I see that there's a positive note. And when I read the narrative down below, I don't really understand how the initial expenditure would decrease, and...nor do I understand if that's a linear equation, so that the next two years that would go down even again... [LB469]

SENATOR LINDSTROM: One minute. [LB469]

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SENATOR KRIST: ...and the revenue would stay the same. Can you explain that to me? [LB469]

SENATOR LARSON: Yeah, and I don't have a great answer. Again, the Department of Revenue is obviously the entity that were pushing, or that gave us this fiscal note. And I still as I read through the fiscal note, I don't know why it cost them so much to do this. I know that they also only estimated that four companies will sign up to participate in Nebraska when there are many more fantasy sports companies in there. So, you know, I think both of us have...we've all had death by fiscal notes and fiscal notes that we disagree with, and for me this is one of those that I think we will have significantly more revenue and hopefully those expenditures continue to go down as they implement that program. But I'm sorry, I don't have the answer that you're... [LB469]

SENATOR KRIST: That's okay. We're going to run out of time. But I think we need to address this and follow on discussion a little more. Thank you very much. [LB469]

SENATOR LARSON: I'm happy to. Like I say, I don't have those...all those answers for it. [LB469]

SENATOR LINDSTROM: Time, Senators. Thank you, Senators Larson and Krist. Senator McCollister, you're recognized. [LB469]

SENATOR McCOLLISTER: Thank you, Mr. President. Good morning, colleagues. My question is to Senator Larson, follow Senator Krist's questions relating to the fiscal note. [LB469]

SENATOR LINDSTROM: Senator Larson, would you yield? [LB469]

SENATOR LARSON: Yes. [LB469]

SENATOR McCOLLISTER: Thank you, Senator Larson. From the fiscal note, I note that the reoccurring cost to the Revenue Department is \$45,000. Is that correct? [LB469]

SENATOR LARSON: The first year is \$45,900 and then it halves, nearly halves to \$23,950. And, you know, I would assume, I have to go back over that fiscal note. I looked at it when it came back through...or when it came over, but it won't be a reoccurring cost of \$49,900, no. [LB469]

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SENATOR McCOLLISTER: Well, perhaps, I misread the fiscal note, but it shows to me that it's a reoccurring cost of \$45,000. [LB469]

SENATOR LARSON: No, I'm looking at it right now. In the first year it's \$45,900 and then the second biennium, 1920, it drops to \$23,950. [LB469]

SENATOR McCOLLISTER: Well, if we compare the cost the first year only, and the revenue of \$40,000, do we have a shortfall? [LB469]

SENATOR LARSON: The first biennium, 1819, would be \$5,900 shortfall and then the next biennium or the next year, not biennium, I'm sorry. The first one would be, the next one we would be up \$16,150, so if you take the \$5,900 first year minus the \$16,000, you're still up a little, just under \$10,000 maybe...or just over \$10,000, excuse me. [LB469]

SENATOR McCOLLISTER: Thank you. In your previous question or answer to Senator Krist, you indicated that there would be a great many more operators than apparently the Revenue Department indicated. Can you expand on that answer a little bit? [LB469]

SENATOR LARSON: Yeah, there's the main operators, which the Revenue Department is assuming, the sign-ups, the FanDuels, the DraftKings, the larger operators, but what we have seen out there is there are more operators just than the big four...or you know, the four main ones. So I would assume that any company that wants to be able to have access to the people in Nebraska participated on their Web site would do this. So I expect, again, more revenue to be...the revenue to be over \$40,000 but like I said, we've all had those fiscal notes that concern us at times and that's what we were dealt with, so that's what we have. [LB469]

SENATOR McCOLLISTER: In the first year of operation, do you assume revenue of \$40,000 during that start-up phase? [LB469]

SENATOR LARSON: Yes. [LB469]

SENATOR McCOLLISTER: What assumptions are you assuming in terms that... [LB469]

SENATOR LARSON: Well, I didn't assume that. The fiscal note does. [LB469]

SENATOR McCOLLISTER: Thank you, Senator Larson. Thank you, Mr. President. [LB469]

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SENATOR LINDSTROM: Thank you, Senators Larson and McCollister. Senator Chambers, you're recognized. [LB469]

SENATOR CHAMBERS: Thank you, Mr. President. I would like to engage Senator Larson in a bit more discussion. [LB469]

SENATOR LINDSTROM: Senator Larson, would you yield? [LB469]

SENATOR LARSON: Yes, and it is the vig or the juice. I learned it could be called the juice as well. [LB469]

SENATOR CHAMBERS: Senator Larson has been doing some checking. You said before that that 10 percent is referred to as vig. Do you know what that vig is short for? [LB469]

SENATOR LARSON: No. [LB469]

SENATOR CHAMBERS: Vigorish. Have you ever heard of vigorish? [LB469]

SENATOR LARSON: I wouldn't be able to define that, no. [LB469]

SENATOR CHAMBERS: Who told you that vig is the term applied to the bookies 10 percent? [LB469]

SENATOR LARSON: I think I've just heard it amongst friends that do sports betting...just in passing conversation. So again, I couldn't... [LB469]

SENATOR CHAMBERS: You were not misinformed. Who gave you the information that it's also referred to a juice? [LB469]

SENATOR LARSON: My awesome legal counsel. [LB469]

SENATOR CHAMBERS: And that is also correct. There was a movie...that's all I'll ask you right now. We're going to run out of time this morning, but we'll be back on this bill and I hope Senator Larson has 33 votes because I want to continue this discussion. It was called trading places and there were two racist, one of them was an obvious racist. But one had the theory...they were brothers. One had the theory that certain people were just ratty and they're no good and you can't change them no matter what, it's in their genes. The other one I guess would be called a

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liberal said that a person's background, circumstances, and environment have a large role to play. So we're going to take this individual who has had trouble with the law and see if by putting him in a different environment, we can change his conduct. And the liberal wanted to win a Nobel Peace Prize for establishing this. So Eddie Murphy was the one that they selected. And Eddie Murphy was having his job explained to him. He was supposed to be a stockbroker or an advisor, but he was working in that type of legalized gambling. Now, here's the funny thing. The Chicago City, their NFL team is known as the Chicago Bears. They have a basketball team known as the Chicago Bulls. In the stock market where you gamble legally, there's a bull market or a bear market. So by coincidence, you have these similar names. Now, you can make your bet on the stock market based on whether you think it would be a bull market or a bear market, and that's legal. And guys who take those bets and set the odds do it legally and are paid for it. But if you bet on the Bears football team, and set the odds on that, that's illegal gambling. If you bet on the Chicago Bulls basketball team, that's gambling. Those who bet on sports are just straight-up honest gamblers. They are what they are and that's all that they are. But those who bet the bull market and the bear market are cut-throats, they're liars, they are cheats, they manipulate the market, they do insider trading, they do everything they can to get an advantage, and everybody knows this happens. There's an entity that regulates the gambling on the stock market. If you all watch the morning news, you will see some people standing up on a balcony... [LB469]

SENATOR LINDSTROM: One minute. [LB469]

SENATOR CHAMBERS: ...and they have a mallet and it goes ding, ding, ding, ding, ding, ding, ding, ding, ding. That's calling the critters to the slaughter. Now, gambling is officially open. I think you all can see this is going to be an interesting, entertaining, but also an enlightening discussion, and I want to assure Senator Larson that should I offer a kill motion, it will not be at the outstart. This is a bill I can take a a lot of time on and my strategy is to take as much time this session as I can, because I'm not going to be the kind of responsible legislator I've been in the past. I'm going to take all of the time that I can get because I've seen some things happen that I think are hurtful to the integrity of the Legislature as an institution and to our processes. Thank you, Mr. President. [LB469]

SENATOR LINDSTROM: Thank you, Senators Larson and Chambers. Senator Pansing Brooks, you're now recognized. [LB469]

SENATOR PANSING BROOKS: Thank you. I was just...thank you, Mr. President. I was hoping that Senator Larson could answer a couple questions for me. [LB469]

SENATOR LINDSTROM: Senator Larson, would you yield to a question? [LB469]

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SENATOR LARSON: Yes. [LB469]

SENATOR PANSING BROOKS: So, I was just wondering because I know some people that play fantasy sports and it's my understanding that they just go to like ESPN and sign on. So how does this relate to that because it's not...they don't pay a fee to play and...I don't know, from what I've heard, there are some people like in these groups that might never do a thing and they still do really well. So, I don't really think of that as a game of skill. So, I'm just interested in your perspective on how...what that has to do with whatever you're trying to do here. [LB469]

SENATOR LARSON: So, ESPN actually, it's a free fantasy football site. And they...I'm not sure if ESPN has daily games, but I know they have the season long ones and those they don't cost to participate in. It's more of just, you're amongst friends. There are a number of sites, however, that is essentially you pay an entry fee and you're in a larger group and the group takes the winnings. Now, you know, I will say that many people in those ESPN leagues might have side bets that aren't run through ESPN, but they're amongst friends, kind of. The larger organizations such as the FanDuels, or the DraftKings, they host individuals coming together for daily games. So you get a new line-up every week and you pay an entry fee into a select pool of people and the top however many win, win money back, or they also have season long ones. So these are happening in Nebraska as well. The ones that you pay to get into and receive winnings back. And what we are trying to do is regulate those to ensure that the fantasy sports operators are essentially aboveboard because there are a number of fantasy sports operators out there that...I'll give you a quick example. For let's say a one-day tournament, or a one-day game, they'll allow algorithms to come in and one person that has a very good algorithm can enter into one contest 3,000 times. And but, here I am the lonely guy that just goes out and picks my team and tries to, you know, win it that way, I really don't stand a chance against that computer algorithm that's making 3,000 entries, more than likely with, you know, they're looking at all these different...the computer is doing all the work, not the human. And what we're trying to do with LB469 is to stop that, to protect the consumers to say that you can only enter so many times, like five, six, seven, whatever is. Or just one depending on the contests and the FanDuels and the DraftKings, they're already doing that. They're limiting the number of entries that one account can enter, but there are certain ones that don't. And that just creates an unfair advantage to those Nebraskans that are playing on those sites. And we want to make sure that it is fair and that people aren't being taken advantage of, and that's what LB469 does. [LB469]

SENATOR PANSING BROOKS: So, how does LB469 stop the bad actors, that's what I'm...?
[LB469]

SENATOR LARSON: Well, essentially LB469, the companies that want to operate in Nebraska will have to become licensed, and if they aren't licensed, then they won't be able to operate in

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Nebraska. And by becoming licensed, we essentially make that illegal that they can't have the ability to enter...like that, you know, 3,000 times in one entry. We'd limit that. [LB469]

SENATOR PANSING BROOKS: Okay. So, is there a penalty then for... [LB469]

SENATOR LARSON: Yes. [LB469]

SENATOR LINDSTROM: One minute. [LB469]

SENATOR LARSON: A violation of the act. The violation is liable for a civil penalty, \$1,000 for each violation, not to exceed \$5,000 for violations arising out of the same transaction or occurrence. So, I mean every time they violate that... [LB469]

SENATOR PANSING BROOKS: So who is going to bring that? I'm just trying to figure out...so the person who is messed over by that company is going to bring that? [LB469]

SENATOR LARSON: I would assume...well, any company that's operating illegally, you'd be able to...the attorney general would be able to just go on to their Web site and see they're operating illegally in Nebraska because they're not registered with the Department of Revenue. Therefore, the attorney general could go in and just say give us anybody in Nebraska that has played on your site and each one of those would be a violation. [LB469]

SENATOR PANSING BROOKS: Okay. And one more quick question. You said play daily games, but my understanding with like ESPN from what I've heard, is that like it's weekly because... [LB469]

SENATOR LARSON: Season long. [LB469]

SENATOR PANSING BROOKS: ...teams only play weekly. [LB469]

SENATOR LARSON: Yeah, season... [LB469]

SENATOR PANSING BROOKS: So how could you play daily? [LB469]

SENATOR LINDSTROM: Time, Senators. Thank you, Senators Pansing Brooks and Larson. Senator Chambers, you're recognized. [LB469]

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SENATOR CHAMBERS: Thank you. Mr. President and members of the Legislature, people think that old folks forget. They start going down a path and they forget where they intended to go. I often digress and that's what I did when I was talking about trading places. Eddie Murphy was given some instruction on how to participate in this legalized gambling. So the two brothers got together and they were explaining it to Eddie Murphy. And they used the example of the price of orange juice. We advise our clients whether they ought to buy into orange juice, or sell into orange juice. Do you understand that? And Eddie Murphy, he was street smart. Anybody would understand that. Then the liberal one said, but here is the good part, whether the stock goes up or whether it goes down, makes no difference to us because we get our 10 percent. And you know what Eddie Murphy said? Oh, like a couple of bookies. That is the principle of the stock market. You get your 10 percent if you're the bookie. Oh, Senator Kolterman is not here. Is there anybody who understands insurance on the floor? Senator Lindstrom is in the chair and he can't answer. Senator Kolterman, would you answer a question or two to facilitate the moving forward of this discussion. [LB469]

SENATOR LINDSTROM: Senator Kolterman, would you yield? [LB469]

SENATOR KOLTERMAN: Yes, I will. [LB469]

SENATOR CHAMBERS: Senator Kolterman, what does the term reinsurance refer to? [LB469]

SENATOR KOLTERMAN: Somebody else taking on the risk. [LB469]

SENATOR CHAMBERS: Ahh, thank you. So then we have not only a parallel to the stock market gambling, we have a parallel to the insurance racket, I mean business. Let's say that Nebraska is playing Oklahoma, and Nebraskans are going to bet on Nebraska heavily, almost in disregard of the odds. Oklahoma residents are going to do the same with Oklahoma. So invoking the principle of reinsurance, the bookies, I meant the bookmakers, the entrepreneurs in Oklahoma contact the entrepreneurs in Nebraska and they layoff bets. The Oklahoma bookie will take a certain percentage of the Nebraska bets and the Nebraska bookie will take a certain percentage of the Oklahoma bets and they balance out for each other and each makes his or her 10 percent. They don't care which team wins. They don't care whether the price for orange juice...the value of the stock goes up or down, they get their 10 percent like a couple of bookies. So there's reinsurance in bookmaking also. The U.S. Supreme Court right now is considering a case to determine whether or not it is a valid enactment by Congress to allow bookmaking in certain areas but not others. And it looks like that Congressional bill is going to be struck down. The existing racketeers...I mean, the existing legalized booking operations were able to lobby Congress and get what they wanted. I would like to ask Senator Larson a question. [LB469]

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SENATOR LINDSTROM: One minute. Senator Larson, would you yield? [LB469]

SENATOR LARSON: Yes. [LB469]

SENATOR CHAMBERS: Senator Larson, is this activity legal in Las Vegas? [LB469]

SENATOR LARSON: Fantasy sports? [LB469]

SENATOR CHAMBERS: Yes. [LB469]

SENATOR LARSON: I'm not sure if the state of Nevada has made fantasy sports legal or not. [LB469]

SENATOR CHAMBERS: And these big four, as you mentioned them, have not approached the gambling commission in Las Vegas for that purpose, have they? [LB469]

SENATOR LARSON: If you say that, I'll take your word for it. I'm unsure what they're doing in Nevada. [LB469]

SENATOR CHAMBERS: But you say the big four. How many Dalton brothers were there? [LB469]

SENATOR LARSON: Excuse me, I missed that question. [LB469]

SENATOR CHAMBERS: How many of the...how many Dalton brothers were there? They hung out with Jessie and Frank James. [LB469]

SENATOR LARSON: Four. [LB469]

SENATOR CHAMBERS: Yes. Four. They were the big four in those days. And they worked on the railroad, and they worked in banking. But their work was a little bit different. [LB469]

SENATOR LINDSTROM: Time, Senators. [LB469]

SENATOR CHAMBERS: Thank you, Mr. President. [LB469]

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SENATOR LINDSTROM: Thank you, Senator Chambers and Senator Larson. Mr. Clerk for announcement. [LB469]

CLERK: Mr. President, I have items. New bills. (Read LB1021-33 by title for the first time.) In addition, Mr. President, constitutional amendment, (LR285CA) Senator Murante. He would propose an amendment to Article VII, Section 2; Article VII, Section 4; and Article XIII, Section 1 and repeals Article VII, Section 3 of the Nebraska Constitution. I also have new resolution by Senator Krist, LR286. Enrollment and Review reports LB668 and LB669 as...Mr. President, I had two earlier resolutions, I neglected to include those. Senator Brasch has LR283 and LR284. Enrollment and Review reports LB668 and LB669 to Select File. Hearing notice for Retirement. An amendment to be printed to LB310 by Senator Friesen and to LB469 by Senator Chambers. Mr. President, Reference will meet upon adjournment. And name adds: Senator Kolterman to LB747, Briese to LB747, Baker, LB912, Walz, LB912, Howard, LB912, Hansen LB989, Geist, LB989, Brewer, LB993, and LB994, Baker, LB998, and Groene to LR6. (Legislative Journal pages 296-304.) [LB469 LB1021 LB1022 LB1023 LB1024 LB1025 LB1026 LB1027 LB1028 LB1029 LB1030 LB1031 LB1032 LB1033 LR283 LR284 LR285CA LR286 LB668 LB669 LB310 LB469 LB747 LB912 LB989 LB993 LB994 LB998 LR6]

Mr. President, a priority motion. Senator Wishart would move to adjourn the body until Wednesday morning, January 17, at 9:00 a.m.

SENATOR LINDSTROM: You've heard the motion to recess until 9:00 a.m. tomorrow morning. All those in favor and adjourn say aye. All those opposed say nay. We are adjourned.