FRIESEN: OK. Welcome, everybody, to the Revenue Committee. Chairman Linehan will not be here today, so I'll be taking over. I'm Curt Friesen, from District 34. I'll be the Acting Chair today. The committee will take up bills in the order posted. Our hearing today is on-- is your part of the public legislative process, and this is your opportunity to express your position on proposed legislation before us today. If you're unable to attend the hearing and would like your position stated for the record, you must submit your written testimony by 5:00 p.m. the day prior to the hearing. The letters received after the cutoff will not be read into the record, no exceptions. Make sure everyone turns off their cell phones and electronic devices. We do ask that you move to the front when, when we're testifying so that the next person is ready to get into the chair. If you'll be testifying, I ask you please complete the green form in the back of the room and hand it to the committee clerk when you come up to testify. If you have written materials that would like to be distributed to the committee, please hand them to the page and they will distribute them. We need 11 copies for all committee members and staff. And if you need additional copies, please ask the page to make copies for you now. When you begin to testify, please state and spell your name for the record. Please be concise. We're gonna go to-- use the light system. We're gonna have three minutes, so you'll have two minutes, and then you'll get the yellow light for the warning, and then the red light, you wish you would wrap up. Use the microphones so that the transcribers can hear, they're not really for amplifying your voice. Legal counsel here is Mary Jane Edson-- Kay Bergquist, and Grant Latimer, our committee clerk. And we do have pages today, Sunny Ghidey and Brigita Rasmussen, and they will take care of you. They're going to UNL, poly sci major, and an agriculture education major. Some senators will be joining us later. Some will come in probably as-- they probably have bills in other committees. And so-- I'd also ask that there be no clapping or anything like that, if you hear anything that makes you happy. With that, I'll let the senators introduce themselves starting to my right.

GROENE: Senator Mike Groene, District 42, Lincoln County.

LINDSTROM: Brett Lindstrom, District 18, northwest Omaha.

McCOLLISTER: John McCollister, District 20, Central Omaha.

BRIESE: Tom Briese, District 41.

FRIESEN: OK, thank you. And we will-- Senator Crawford will probably show up later, and I think Senator Kolterman said he'd be late. With that, we'll open the hearing on LB473. Welcome, Senator Dorn.

DORN: Thank you, Senator Friesen and Revenue Committee. This is a hearing for LB473. My name is Senator Myron Dorn, M-y-r-o-n D-o-r-n. I represent District 30, which includes all of Gage County, and the southeast fourth of Lancaster County. LB473, I'd like to bring you a little bit of background information on why I bring this bill to you today. Back in 1985, a 65-year-old woman was raped and murdered in Beatrice. After a few years six people were accused of the crimes, tried, and convicted. Eventually DNA exonerated-- DNA evidence exonerated those six individuals. The six people attended-- attempted to negotiate with the county for compensation for the wrongful conviction. No agreement could be reached, and so their attorneys filed a case in federal court. In July of 2016, at the end of a jury trial, the Beatrice 6 were awarded $28.2 million plus approximately $2 million in attorney fees for a federal judgment against Gage County. After researching possible payment options it was determined the only available source of revenue to counties was an additional property tax. Counties were limited by a 50 cent levy lid in its collection of property taxes. Last year, Gage County's budget had a levy of approximately 38 cents. This left about 12 cents of the remaining levy available. In Gage County, that would collect approximately $3.8 million per year, and it would take around eight years to pay off the total judgment of approximately $30 million. Throughout the last several years visiting with Senator Baker, and other senators, as well as the Governor, the message was the same. The state would not entertain any type of financial assistance until after the final judgment was entered and done. A similar bill to this was introduced two years ago by Senator Baker on the county's behalf as LB353. It was held in committee until the Eighth Circuit Court had entered a judgment last year. Gage County in 2018-2019 then increased its levy to the maximum of 50 cents and will be collecting these additional property taxes to start payment on the judgment. LB473 is brought back today to ask for help for the citizens of Gage County, who are bearing the brunt of the full property tax levy. LB473 would allow a political subdivision to pay the portion of a federal judgment they can pay and then apply to the State Treasurer for a loan. The bill would include federal judgments in statute. The interest rate on the loan will be one-half of 1 percent annually. The State Treasurer would determine the, the validity of the judgment and the schedule for repayment. LB473 was draft-- drafted in Chapter 77 instead of Chapter 13, as our former Nebraska State Treasurer believed it was to be a better fit. The language and loan provisions of LB473 are not new. They already exist in Chapter 13. LB473 just takes these exist-- this existing law and puts it into the chapter where it will be beneficial. LB473 allows for the judgment to be paid quickly. In this case, to Beatrice 6 plaintiffs, while still holding Gage County accountable for the total amount of the judgment. Currently, state statutes only allow the state to borrow on state judgments. About approximately a year ago or maybe two years ago-- at-- when this discussion was all going on with a state judgment or a federal judgment or borrowing at a half a percent, the Nebraska Attorney General had a request for an opinion on this. And he ruled-- he came back and ruled that the Beatrice 6 case was a federal case. And because of that, they could not borrow money to Gage County to pay this judgment off. The current statutes only allow state claims-- state judgments to be paid off. This bill then would allow the possibility of Gage County coming forward and requesting a loan. However, the one thing is, it still would have to go through the tort claims process. I'm, I'm done, I guess, ready for questions. I'll try to answer them.

FRIESEN: OK, thank you, Senator Dorn.

DORN: Yeah.

FRIESEN: Any questions from the committee? Senator Groene.

GROENE: You followed me until that last sentence, still have to go through the tort claims process.

DORN: This-- it, it still would have to go through the claims process. This, this bill would allow then that a federal judgment could borrow at the half a percent. It doesn't mandate that it will be borrowed. It still has to go through, like any claim does against the state, it would still have to go through that process, yeah.

GROENE: But, but like most claims, we just pay it off because we got sued. Some highway worker got hit or something.

DORN: Yeah, um-hum.

GROENE: But this one we, we would be repaid.

DORN: This one, you, you would be repaid, yes. It would be a loan.

GROENE: It would be a special instance for a county where it's under tort, you'd get the loan, you pay it back to the State Treasury.

DORN: Yep, um-hum.

GROENE: How much would it save you versus bonded?

DORN: Generally-- and all I can tell you is approximately what the bonding companies told us they would borrow this at, it depends on how many years you wanted to go out. If you went for on a 10-year bond, we were, we were not quoted the rate, but they told us the rate would be around 4 percent. We were not quoted that rate though because nobody-- they were not sure they could do that with bonds.

GROENE: So then how are you paying their claimants now? I mean, [INAUDIBLE].

DORN: The Beatrice 6 is basically the ones that are waiting to get their payment and--

GROENE: They're waiting yet?

DORN: They're waiting every year until the property taxes come in. When the property taxes get paid, for like this fiscal year in May and September, then that will be forwarded on to them.

GROENE: And they've agreed to so much of an interest rate on their payments for [INAUDIBLE]--

DORN: No, federal-- the federal court set the interest rate on this judgment after the jury trial.

GROENE: And what rate?

DORN: Point 4512 of 1 percent, or a little less than a half a percent.

GROENE: So then why don't you just leave-- why doesn't the county just leave them as the-- holding the debt, not the state?

DORN: Well, because the thing that would be beneficial to them is then they would have their money instead of--

GROENE: But it doesn't help the county out at all.

DORN: Not unless the county went that route, and did it that route.

GROENE: But you're actually less interest rate by the court then what the state would charge.

DORN: The court set, set a cheaper interest rate than what this here rate would be, yes.

GROENE: Thank you.

FRIESEN: Thank you, Senator Groene. Any other questions from the committee? Senator McCollister.

McCOLLISTER: Yeah, thank you, Senator Friesen. Senator Dorn, how long will it take to extinguish that debt at the current rate of payments?

DORN: At the current rate of what we're allowed to, to go up to the maximum 50 cent levy lid-- if the budget at the county stays similar to where it's at, it will take approximately eight-plus years to pay that off.

McCOLLISTER: I see, thank you.

FRIESEN: Thank you, Senator McCollister. Senator Briese.

BRIESE: Thank you, Chairman Friesen. Thank you for being here. You borrow this money from the, from the state. What type of repayment terms would you be looking at? What type of length of repayment? The eight, the eight years?

DORN: That's negotiable. The way it has in this bill, that's negotiable or that would need to come to agreement with the state.

BRIESE: You don't know what the county is looking for on that?

DORN: Well, right now I can tell you, if it still has to be paid off by property taxes, it wouldn't be quicker than eight years because we can't do that. We have no other source right now. So that would be the one thing that would be a benefit to the county is, they would not have to do as, as high of a tax rate through the whole period if you paid it off over a longer period of time. Say, for instance, if it was-- would be a 20-year loan then they would not need to charge the full 12 cents every year.

BRIESE: So there would be some potential benefit to the county's taxpayers by extending the length of this repayment--

DORN: Yes.

BRIESE: --rather than trying to do it all in eight years.

DORN: Instead of trying to do it quicker.

BRIESE: OK.

DORN: Yes.

BRIESE: And that would be one of their goals, I assume? Keep, keep,--

DORN: That, that would be one of their goals, yes.

BRIESE: --keep the levy a little lower than maxed out. OK, thanks.

FRIESEN: Thank you, Senator Briese. Any other questions from the committee? So have you looked at any other revenue sources? I know at one time you were looking at a county-wide sales tax. Is that still an option?

DORN: Yes, yes, that's still in the hopper. And, I believe, that's scheduled in front of here May-- March 13, not May, March.

FRIESEN: And so that-- the revenue from that could be used to pay these bonds [INAUDIBLE]--

DORN: If, if that would make it through the process, that could help pay any type of loan or any of the payment-- it would help pay-- make the judgment get paid off quicker.

FRIESEN: OK, thank you. With that, we will-- if you're gonna stick around closing?

DORN: OK.

FRIESEN: Proponents who wish to testify in favor of LB473.

JAMES NELSON: Good afternoon, Senators. My name is James Nelson, J-a-m-e-s N-e-l-s-o-n. I'm a practicing attorney in Beatrice, Nebraska. I'm here on-- basically with three hats. First hat, is on behalf of Nebraska State Bar Association. The Nebraska State Bar Association supports LB473. And what I've asked to be circulated-- quite frankly, is a summary of my remarks that I made to the Bar Association to convince the House of Delegates that we should support this bill. Very quickly, because I think there's two questions that I can address, that you addressed to Senator Dorn, on a more personal level about the effect of LB473 if it passes. Two reasons why the Bar Association supports this bill. If you represent plaintiffs, this provides an opportunity for your client to get paid in a more reasonable fashion-- in a much quicker fashion. Just as important if you represent the governmental entity, the county, a school district, the township that has got a judgment against it. That if it's a state judgment, the process is already set in statute. The state judgment against one of those entities, you process it just like any ordinary claim. And, I think, that was a reference-- that was a question. You file a claim with the governmental entity, and if they have the money they pay the claim. If they don't have the money in their current budget, then the state statute requires them to budget to pay that claim in their next fiscal year. If they don't have the ability to budget that amount, then if it's a state court judgment they are required to make an application to the State Treasurer for a loan at a half a percent. And the State Treasurer makes a determination whether that's a legitimate judgment. And that's the one statute that I attached to this very short memo. The rules only apply in that scenario to state court judgments. And as Senator Dorn alluded, the Attorney General's opinion that a Federal Court judgment doesn't qualify for that same process. So what LB473 does is, it puts a Federal Court judgment. You treat it in the same manner that we would treat a state court judgment. You can't pay it that year, can't pay it the next year, you go to the State Treasurer and ask for a loan. Here's the other hat I'm putting on, if you're a county or a municipality or a school district that has one of these judgments and you litigated it, you fought it, the fights over. This gives an opportunity to, quite frankly, in some cases to stop the bleeding and just move on. Get it paid, and move on. And that's the point Gage County is in right now. You know, bleedings got to stop. Move on. Like it or not, pay it and move on. So that-- Bar Association's position is, it's good for the plaintiffs, it's good for the defendants, you've run it through the system, let's get it paid and move on. And I'm gonna put my hat on for the Beatrice Area Chamber of Commerce.

FRIESEN: Wrap it up quickly.

JAMES NELSON: OK. It's good for the community, doesn't just apply to the Beatrice 6 and Gage County. I'll wrap it up there. And as a taxpayer the maximum levy that currently, the 12 cents that Senator Dorn alluded to, for every $100,000 valuation, it's 120 dollars a year additional taxes. That's maybe not so bad if you own a $100,000 house.

But it's rather onerous, if you own an $800,000 farm or a little more than that to be a successful farmer in Gage County. Questions?

FRIESEN: Thank you, Mr. Nelson. Any questions from the committee? Senator Briese.

BRIESE: Thank you, Chairman Friesen. Thank you for your testimony. So absent something like a mechanism like this, attorney's fees are gonna be paid out over an eight-year period also?

JAMES NELSON: Correct.

BRIESE: And you say the statute limits this mechanism to state court judgments. Any, any reason why it was initially put in that way? Why didn't we include other judgments when it was initially enacted? Any thoughts?

JAMES NELSON: Well, I don't know. That's covered by Section 77-1619, that passed originally in 1913, long before any of us. I, I honestly don't know.

BRIESE: OK.

JAMES NELSON: Perhaps that was before federal court judgments were much used.

BRIESE: OK, thank you.

FRIESEN: Thank you, Senator Briese. Senator Groene.

GROENE: Just off the top of my head-- thank you, Vice Chair. I think we have caps on liability for, for the state?

JAMES NELSON: Yes.

GROENE: Federal, we probably don't?

JAMES NELSON: That's correct.

GROENE: That's probably why federal was not in this statute in the first place.

JAMES NELSON: Probably.

GROENE: Because all of a sudden you're gonna have a billion dollar settlement. I don't think we have that in our coffers to-- so--

JAMES NELSON: [INAUDIBLE]

GROENE: --should we worry about that the next time? Or should we start putting caps on federal judgments? I mean, [INAUDIBLE]--

JAMES NELSON: That would be a good constitutional question for somebody in a much higher pay grade than me whether a State Legislature can cap federal judgments. You know, I think I-- my off the cuff answer would be, better be a federal statute if you're gonna cap judgments.

GROENE: So we're opening a door for some pretty large judgments that could happen while we were in control on state judgments because we capped liability.

JAMES NELSON: It is not a liability to the state. It's only the ability to make a loan.

GROENE: And the state can turn the loan down if they don't have the funds, or is it mandated that we have to loan it?

JAMES NELSON: I have not looked at the State Treasurer's regulations on how they handle these judgments. It's within the statute that the State Treasurer-- and I'm repeating from the statute, the State Treasurer makes a determination whether it's a legitimate judgment.

GROENE: Thank you.

FRIESEN: Thank you, Senator Groene. Any other questions from the committee? If the, if the loan option wasn't available on a-- let's say, a county was already at their lid, how would they go about paying this off?

JAMES NELSON: If the county was already at the lid? I'm gonna take a guess if it was the county, county board would go, how much can we if they're at the lid? How much can we cut in other places if we can? Otherwise, those plaintiffs may be just out of luck.

FRIESEN: Is there a bankruptcy option or is that never heard of?

JAMES NELSON: Certainly, there's, there's always a bankruptcy option.

FRIESEN: But either way they're out of, out of luck.

JAMES NELSON: They're out of luck. And also remember-- and I'm not a bankruptcy attorney, there are some judgments that you cannot discharge in bankruptcy.

FRIESEN: OK. OK, thank you. Seeing no other questions, any other proponents wish to--

JAMES NELSON: Thank you, Senator.

FRIESEN: --testify in favor of LB473?

ELAINE MENZEL: Acting Chair Friesen and members of the Revenue Committee. For the record, my name is Elaine Menzel, here on behalf of the Nebraska Association of County Officials. You spell my name, E-l-a-i-n-e M-e-n-z-e-l, and we are here today in favor of LB473. I-- as, Senator Friesen,-- or as Senator Dorn was testifying, it was essentially a good share of what I had written out to say to you. So I think I'm going to respectfully-- respect your time and just make the comments essentially the old phrase that it would be another tool in the toolbox for counties to utilize for purposes of paying judgments and doing so in a more timely basis in the event that the Treasurer approved the loan to the county. It would also-- there are three other-- or three options in total that Senator Dorn has introduced and as he alluded to earlier in the dialogue with you. One of those is a sales tax bill, and that will be heard at a later date in front of this committee. Another one of those bills is LB474 that will-- was considered last week in front of the Judiciary Committee. And that would allow a process through the Tort Claims Act. So I-- as you are aware more-- actually from my executive director and deputy director, counties have restrictions associated with lid limits and primarily they are-- their revenue is gained through property taxes. Therefore, that's in part the reason that we are asking for this legislation to be forwarded to the General File. Thank you, and I'll respond to any questions if you have any.

FRIESEN: Thank you, Miss Menzel. Any questions from the committee? Seeing none, thank you.

ELAINE MENZEL: Thank you.

FRIESEN: Welcome.

LYNN REX: Thank you, Senator Friesen, members of the committee. My name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We're here today in strong support of this option to assist Gage County. We think this is the best of the free-- the three options. I know we had the hearing on the bill last week. Because of the state's fiscal situation, I don't see that as being very practical, although we would certainly support it. We would strongly oppose LB472 on a county sales tax effort on top of local option sales tax. We really believe this is the way to go. In terms of the county sales tax issue, we'll be talking about that when LB472 is heard before this committee next week. But there's a recognition that local option sales tax was put in place as a recognition that when you live in a city or a village you're paying county taxes and typically you get a disproportionate-- you're paying a disproportionate amount than what you're get in county services. That being said, we also understand the obligation to assist in what can be done to try to assist Gage County. We think this makes a lot of sense and I think what Dorn was suggesting to you is to have this over maybe a 20-year period of time so they could perhaps lower their, their levy limit-- not their levy limit, but rather their, their amount right now just 50 cents at the maximum levy allowed for a county constitutionally. We think this just makes a lot of sense. With that, I'd be happy to answer any questions that you might have.

FRIESEN: Thank you, Ms. Rex. Any questions from the committee? Seeing none,--

LYNN REX: Thank you very much.

FRIESEN: --thank you. Any other proponents?

JEFF PATTERSON: Good afternoon. My name's Jeff Patterson. I was lead counsel for the plaintiffs in the Beatrice 6 federal court litigation. My clients were--

FRIESEN: Could you spell your name.

JEFF PATTERSON: I'm sorry, J-e-f-f P-a-t-t-e-r-s-o-n. My clients were Lois White, who is Joseph White's mother, Thomas Winslow, Ada JoAnn Taylor, and Kathleen Gonzalez. I'm here today on behalf of my clients, our litigation team, and on behalf of the Nebraska Association of Trial Attorneys. Frankly, my prepared remarks just really echo what Senator Dorn said. And what I'd rather do is, just kind of respond to the questions that have already been raised. Chapter 77, which is the current method for paying judgments that are not within the Political Subdivision Tort Claims Act is a territorial statute that actually existed before Nebraska was a state and the-- its purpose is Nebraska has never waived sovereign immunity as to collection actions against a county. So there has to be a process by which a county can pay judgments that are levied against it, and that process has existed since 1865 in Nebraska law. It, it requires a county to, once a judgment is entered, to immediately or promptly raise property tax revenue in order to pay the judgment. If the county would refuse to do it, then the, the holder of the judgment would go to the district court and ask-- do a writ of mandamus which would be an order of the district court to require the county to pay the judgment. What currently exists is in the Political Subdivision Tort Claim Act, and in that act there is a process by which a, a political subdivision that is hit with a judgment that exceeds their ability to promptly pay it, can go to the State Treasurer and ask for a loan for relief. The research I did on this two years ago when we first brought this bill up, I was never able to find an instance where a political subdivision had to go get a loan. And that is because as Senator Groene said, those damages are capped and there is insurance coverage available for those damages. So there-- it's really fairly improbable that there will ever be a situation where a political subdivision that is sued under the Tort Claims Act, the Political Subdivision Tort Claims Act, will have to go to the, to the, to the Treasury to get a loan. That's not true with federal cases because they are not capped and they would not be, be capable of being capped. So a judgment that would exceed-- and there is insurance for a federal tort-- for claims-- for civil rights claims. But they-- since they are capped, they can't exceed what is generally the available insurance which is a $1 million per person, $5 million per occurrence. So that's where we are right now is that the circumstances with Gage County is that they-- whether they had insurance or not it's a question that they're currently litigating in a district court in Lancaster County. But in any event they would not have had $30 million of insurance coverage. And so Gage County-- this situation that we have now is an immediate need for Gage County, but it is also a need that can occur at any county. I'll have, have you recall that Cass County had wrongful arrests that occurred prior to the Beatrice 6 matter coming to, to light. Three guys-- or two guys were held for six months for a crime they didn't commit. And Cass County ended up paying that judgment out. And it wasn't just Cass County, I believe the state Nebraska contributed. And I also believe that Douglas County contributed. A wrongful convi--conviction can happen in any county, a deputy sheriff can be a bad actor in any county. And any county in the state can actually be subject to a judgment that it cannot afford to pay under current ability to raise revenue. And I-- so I think-- we think this change-- taking what already exists in the Political Subdivision Tort Claims Act, and putting it in Chapter 77, which is where the excessive judgments should be paid. I think it just makes good sense.

FRIESEN: OK, thank you, Mr. Patterson. Any questions from the committee? So if the county would have had up against the lid limit, what have been the options?

JEFF PATTERSON: I-- what I think our option would have been under the law is to go to the district court and ask the district court to in a mandamus action and have the district court order payment. I think at that point in time you would have a district court either act as a receiver for the county or appoint someone as a receiver for the county and try and have that person figure out how much money could be available up to the statutory maximum for property tax that could be available to pay the judgment.

FRIESEN: OK. Senator Groene.

GROENE: So the court could require the county commissioners to raise the levy?

JEFF PATTERSON: I believe that that could happen. Again, this is-- I mean, it's never happened before. And that would be-- frankly, that would be the argument that I would make.

GROENE: And the court would say you have to set aside ten cents of that towards the payment and our payment schedule or something.

JEFF PATTERSON: Right-- I mean, the court would be required to, to call a mandamus action. The court would be required to order the, the county board to do what it's required to do by law, which is to promptly pay the judgment. And if the county were at its maximum then I-- they would be-- I think in my view, they would be required to find a way to call out some money from their current budget to pay the judgment in some way.

GROENE: Thank you.

JEFF PATTERSON: And, and one thing I wanted to bring up, too, is the judgment interest rate on our judgment is .45 percent like Senator Dorn said. But that's really a function of when the judgment was entered, because the judgment interest rate is based upon the five-year bond rate. So it was very low in 2016, when our judgment was entered. Right now, the judgment interest rate is somewhere around two and a half percent, I think, on a federal judgment. So it would not always be that way, that there would be a lower judgment interest rate as opposed to what this bill proposes.

GROENE: Thank you.

FRIESEN: Thank you, Senator Groene. Seeing no other questions,--

JEFF PATTERSON: Thank you.

FRIESEN: --thank you for testimony. Any other proponents? Seeing none, anyone wish to testify in opposition to LB473? Welcome.

GREGORY LAUBY: Chairman Friesen, members of the committee. I'm Gregory C. Lauby, G-r-e-g-o-r-y C. as in Christian, L-a-u-b-y. I'm a resident of Gage County, and I oppose LB7 or LB473. However well intentioned, if LB473 was a fluorescent ceiling light, exposure would not charge a small handheld calculator solar battery in terms of the relief that it actually gives Gage County property owners, because it only delays and reduces the annual burden they would have to face without reducing the total amount that they would have to pay out of their earnings. It has a merit of a prompt and full payment of Tom Winslow, James Dean, JoAnn Taylor, Debra Shelden, Kathy Gonzalez, and the estate of Joseph White, as well as their attorneys, as awarded in whatever final federal judgment may occur. And I support that result. However, the payment is accomplished still by individuals equally innocent of the original miscarriage of justice and the actions of the county. Gage County assessed valuations in 2018, we're a little over $3.2 billion. Of that, if you subtract the amount of the assessed valuations within towns and villages you end up with rural property being valued at a little over $2.4 billion, or about 74 percent of the total assessed value in the county. And that gives you a pretty clear picture about who is gonna have to pay off this over $30 million judgment that's pending right now. Gage County farmers are subject to the same low market prices, inflated land values, and inequitable property tax burdens that plague other farmers across the state, as I know that you've heard a great deal about already. Its effect in Gage County specifically shows that there has been a reduction in total farm operators down to 1,303 in the report of the FSA in 2018. It was 1,447 in the 2016 report. There's also 211 fewer farms in Gage County under the present circumstances. Adding another $30 million, even with time payments, will drain the most resilient unfairly. There's been talk of a 20-year period of repayment, but that's not set in the statutes or the bill that's before you. As I read it, the repayment period and schedule would be set by the Treasurer. I have a written statement that I would like to, to have copies made of and passed out. It includes an attachment that shows why, I believe, the state has the responsibility to pay the total amount of this debt.

FRIESEN: Thank you, Mr. Lauby. Any questions from the committee? Seeing none,--

GREGORY LAUBY: Thank you very much for your attention.

FRIESEN: --any other opponents? Seeing none, anyone wish to testify in a neutral capacity?

DON SCHULLER: Good afternoon. My name's Don Schuller, D-o-n S-c-h-u-l-l-e-r. Certainly, the loan has merit. I do believe that the-- those known as the Beatrice 6 do need to get their money so they can move on with their lives and so that Gage County can move on as well. But a loan isn't what Gage County needs. I testified last week in favor of LB474, which is a bill that provides a pathway for the state to pay the judgment that faces Gage County. And I will say, the same as I said last week, that the state has responsibility for the payment of this judgment. The innocent people of Gage County need help in paying this judgment, not a loan. The income for many in the county, county is stretched to the limit already. There is not-- it is not their fault. The state needs to accept responsibility. Because the-- it's because of state laws that this judgment has occurred and of course the errors made by those officers and those investigating the Beatrice 6, but the people of Gage County do not supervise those, supervise those people. They have no control. We voted them in, yes, but we're still not the supervisors. The only control that is made over those that are elected is state law. And that's why I believe the state has responsibility and I'm finished with that.

FRIESEN: Thank you, Mr. Schuller. Any questions from the committee? Seeing none, thank you for your testimony.

DON SCHULLER: Yep, thank you.

FRIESEN: Any others wish to testify in a neutral capacity? Seeing none, Senator Dorn, would you like to close?

DORN: Thank you, Revenue Committee, for taking the time to hear this bill. I know you've had some long hearings the last few days and hopefully you don't have one again today. Just a couple quick things, somebody brought up the insurance part. During the 90s, Gage County changed from one insurance carrier to a second one, and to the current one, so during that process there were some things that you find out 20 years later that weren't all included. That's kind of what happened here, that is going-- there are lawyers hired and they are pursuing that in court for insurance. I don't know if that will be successful or not. If it does, then it would also help pay this judgment off. Bankruptcy-- we did approximate the last two years of this process, we were-- had hired a bankruptcy attorney so we had visited numerous times and had numerous meetings with him about that possibility. There was a question, I guess, about whether or not that was a viable alternative and if it was something we would have pursued if the court-- a bankruptcy court would even accept it or not. Through the lot of the conversation with him, it was decided not to try that option or whatever. Then one other thing, Lynn pointed out to me, that on page 2 of the-- is my green copy, up there on line 4, it already has that 77-1619 already has the state part in there and stuff. We're just adding the one line-- the one sentence part of a sentence in there which now would include any federal court because that wasn't in there, that's why the Attorney General ruled that Gage County was not-- this was not an option for them. I thank you very, very much for taking the time and listening to this and hearing some of the concerns that some of the other people have had also. I did forget to mention-- I think-- I don't know-- Senator Friesen mentioned if there was any other options we were looking at and I mentioned the one here, the other bill here in front of the Revenue, that is a new one. Several people mentioned the one last week that we had also for the payment of wrongfully incarcerated people so that one was just like this when they were both here two years ago when-- we're bringing them back again to try again for some money. I do know that talking to some people, the Forecasting Board today wasn't too kind to us, so I know there are some other things they're staring us in the face especially appropriations and the revenue and everything, so. But, I thank you guys very, very much.

FRIESEN: Senator Groene.

GROENE: Thank you, Vice Chair. Would, would this be considered an appropriation though if we gave you a loan? Wouldn't it be considered still an asset of the state that we consider it part of our reserves?

DORN: All I can tell you is,--

GROENE: It's not an expenditure, it's a loan.

DORN: I, I visited-- I, I have not visited with the fiscal office and asked them that. I have visited with a couple senators on the Appropriations Committee and they thought it would be a line out of, out of the budget. I do not have a definite answer on that so I could not tell you that.

GROENE: It's an asset to the state yet.

DORN: I haven't asked the state either, how they would look at it.

GROENE: It's a loan, and we're getting interest on it, and it's gonna be repaid. It's not a-- it's not an expenditure.

DORN: It's not an expenditure.

GROENE: Yeah, thank you.

FRIESEN: Thank you, Senator Groene.

DORN: Thank you, thank you for that information.

GROENE: Yeah.

FRIESEN: Any other questions from the committee? Seeing none, we do have one letter, proponent: Michael Sothan, Main Street Beatrice. And that's all, we will close the hearing on LB473. Thank you, Senator Dorn. And now we will open the hearing on LB710. Welcome, Senator Cavanaugh.

CAVANAUGH: Thank you, Chair-- Vice Chairman Friesen and members of the Revenue Committee, my name is Machaela Cavanaugh, M-a-c-h-a-e-l-a C-a-v-a-n-a-u-g-h, and I represent District 6 in West Central Omaha. I'm here today to introduce LB710, an increase in Nebraska's tobacco tax. We are facing another year of a budget crisis and it is my fear and the fear of many Nebraskans that we as a legislative body are going to continue down this road of making cuts to services that will impact those most vulnerable in our communities. Now I would like to make it clear, I'm not in favor of raising taxes. I'm absolutely-- I am absolutely opposed to raising revenue on the backs of the most marginalized in our society. I would never bring any legislation raising taxes without deliberate consideration and weighing the costs and benefits very seriously. LB710 is more than just a tax increase, it is a move towards addressing a growing health crisis in Nebraska. Increasing the tobacco tax by a $1.50 from its current level of 64 cents will have an immediate and major impact, a reduction in tobacco usage, particularly among underage youth. A study by UNMC Center of Health Policy estimates that this increase will cause over 2,000 fewer high schoolers smoking either due to quit, to quit-- quitting or simply never picking up the habit. Study after study has shown that a 10 percent increase in the cigarette tax results in a 3 to 5 percent decrease in cigarette consumption, and teenage smokers are even more sensitive to these price increases. When taking into account both the age, the average smoke-- adult smoker begins at 16 and the increased health care costs from smoking-related illnesses, this will save lives and money. LB710 seeks to additionally tax all other smoking and tobacco-related products in Nebraska. Almost every day there is a new story about the adverse effects of vaping on youths. In the past, it has been no secret that the tobacco industry marketed to teens as a means of gaining a foothold into lifelong smokers. As smoking has become more restricted, the predatory practice of marketing to youths has not gone away, it has simply shifted. Manufactures of vape products, who are in many cases the large tobacco companies, are facing lawsuits in multiple states from marketing to minors. According to information in one class action lawsuit, one vape pod delivers as much nicotine as an entire pack of cigarettes. The Center for Disease Control published a study two weeks ago showing that the number of high schoolers vaping nearly doubled from 2017 to '18 alone to a rate of 1 in 5. The data additionally shows that teens who vape are three times as likely as other youths to begin smoking cigarettes. Youth vaping is our next public health crisis. There is a considerable cost to Nebraska for smoking-related expenditures and productivity losses. It's estimated that tobacco-related health care costs exceed 900 million dollars in Nebraska alone every year. Again 900 million dollars, this is costing our state every year. The human cost is 2,500 lives every year. LB710 would increase the tax-- the cigarette tax by $1.50 per pack from the current level of 64 cents per pack up to $2.14. The additional funding from the $1.50 would be transferred into the Nebraska Health Care Cash Fund. Once in the Health Care Cash Fund, the additional funding would be used to ensure that Medicaid expansion is funded; and second, to provide additional funding for smoking cessation and addiction, addiction services and ensure the long-term sustainability of future growth of key services funded by the Health Care Cash Fund. LB710 also increases the tax on tobacco from-- products from 20 percent to 65 percent and adds language to include vape products within the definition of tobacco products. It makes sense to transfer the additional revenue from an increase in cigarette tax into the Health Care Cash Fund for view-- for a few important reasons. The provision of ensuring that the funding is used to fully mon-- to fully fund Medicaid expansion will eliminate the pressure that this would place on the overall General Fund budget. This will free it-- free up the General Fund budget to be used for property tax relief efforts. This could be done through direct property tax relief or other indirect measures such as foundational aid for school districts or other school funding measures to help nonequalize schools with districts reduce their local property tax burdens. The provision of additional funding for smoking cessation and addiction services will help reduce the rates of smoking, which will help save lives, reduce health care costs, and reduce pressure for funding these items from the overall General Fund budget. The provision of ensuring the long-term sustainability of the Nebraska Health Care Cash Fund helps to make sure there is funding for a variety of health care programs. The future help-- the-- this further helps reduce pressure on the overall General Fund budget. Medicaid expansion is estimated to cost $63 million this biennium and the costs are expected to increase for the next biennium. The cost is estimated to be over $100 million. By providing the funding for Medicaid expansion through an increase in the cigarette tax, there will be significant General Fund dollars freed up that can be used to provide property tax relief. I will be bringing an amendment to this bill, but I was unable to get the language finalized prior to today due to a large number of moving parts. Included in my amendment will be a change to LB710, how the funds are allocated-- the revenue is allocated. I spoke with the fiscal office and there was confusion between my intent and the way the bill is currently written. I did not intend to reduce funds going into the General Fund from the 64 cent tax-- and I have a hand out. In my hand out, you will see that the 64 tax is current-- how the 64 cent tax is currently allocated. That's at the top of the handout that's coming around. Each penny of the 64 cent tax currently represents eight hundred and seventeen million-- seventeen thousand one hundred eighty seven dollars and it's allocated to the General Fund and other cash funds. Based on the assumption of a 12 percent decrease in smoking with the $1.50 increase would result in a seven hundred and nineteen thousand revenue per one cent. This would result in a one hundred and seven million dollar increase in revenue plus the additional tobacco products. My distribution shows the general cash fund would go from $42 million to $55 million. The other cash funds would go from $12 million to $18.9 million. I did not change any of those distributions from the 64 cents. Some of those I did add additional resources from the $1.50. I did not add to the miscellaneous funds as I didn't really know what that entailed, so that's the explanation there. You can see how I have things distributed in the Health Care Cash Fund and the programs within. According to the Nebraska Department of Health and Human Services, tobacco use increases the risk of developing the following health conditions: cancer, chronic bronchitis, heart attack, stroke, emphysema, preterm delivery, low-birth rate, and many more life threatening and chronic conditions. It is for this reason that in addition to directing funds to support Medicaid expansion, LB710 directs additional revenue towards substance abuse, addiction services, cancer research, county health care facilities, a traumatic brain injury trust fund, and emergency medical services trainings to name a few programmatic and budgetary areas affected by tobacco use. In closing, the revenue generated by LB710 would help address several key budgetary issues facing our state and will at the same time reduce health care costs and save lives. I appreciate your time and consideration of LB710, and I'd be happy to take any questions that you have. I know we have just a few testifiers behind me.

FRIESEN: Thank you, Senator Cavanaugh. Any questions from the committee? I was, I was looking in here for the property tax relief, I couldn't find it.

CAVANAUGH: Well, I think if we can reduce our state expenses by $900 million, we can find some property tax relief.

FRIESEN: Thank you. Seeing no questions at this time, are you gonna stick around for closing?

CAVANAUGH: I will.

FRIESEN: OK. Proponents who wish to come up to testify. Welcome.

ALI KHAN: Good afternoon, thank you very much. I am Ali Khan, A-l-i K-h-a-n, dean of the College of Public Health at the University of Nebraska Medical Center. My thanks to Senator Cavanaugh, Senator Friesen, and the members of the Revenue Committee for allowing me to testify in support of senate bill LB710, which seeks to increase the state tobacco tax by $1.50. I'm here speaking for myself. I do not represent the University of Nebraska. You have a tremendous opportunity in LB710 to dramatically improve public health in the state of Nebraska by reducing tobacco use. There's strong evidence that interventions that increase the unit price of tobacco products are effective in reducing tobacco use especially amongst youth who are the most price sensitive and the target for big tobacco advertising to recruit their replacement smokers because they just keep dying. Tobacco use is the largest cause of preventable morbidity and mortality in Nebraska and the United States, approximately 240,000 Nebraskans smoke cigarettes. An estimated 2,500 of them die prematurely from smoking and smokers have approximately a 10-year decreased life expectancy compared to nonsmokers. As you heard from Dr. Cavanaugh, it seems that previous studies have established the association of tobacco use and secondhand smoke with cancer, cardiovascular disease, diabetes, premature birth-- I can go on and on with those proven associations. So poverty-- tobacco and poverty are coupled, 72 percent of smokers are from lower socioeconomic status. And data suggests that the spending on tobacco leads to less expendable income for necessities like food, education, and health care. And we all know that health care costs can be a tipping point into deeper poverty for people who are smokers and get a life-threatening illness. A recent survey of Nebraskans found that there's a broad support for tax increases to fund tobacco prevention and cessation programs. Seventy two percent of the survey respondents indicated that they'd support such an increase and a majority 57 and a half percent of actually current smokers also support tobacco backs-- tobacco tax increase. These Nebraskans understand that decreases in tobacco expenditures such as at convenience stores do not disappear from the economy. Rather they are redistributed to the consumption and production of other goods and services generating income and employment in other sectors. There is also no decrease in the number of convenience stores nor employment at convenience stores. We estimate that smoking-related Medicaid expenditures approximately $242 million annually. We also estimate that 6,000-- there are 6,000 lost workdays due to sick leave, among currently smoking state government employees in Nebraska resulting in an additional economic loss of $1.3 million. Thus, Nebraska taxpayers pay an additional $2.13 of ind-- in-- an invisible tax for every cigarette carton sold over the true costs of the cigarette sales to our state. So basically, I'm asking you please cut my taxes that subsidize, that subsidize smoking by raising the taxes on all tobacco products. Thank you.

FRIESEN: Thank you, Dr. Khan. Senator Briese.

BRIESE: Thank you, Vice Chair Friesen. Thank you for your testimony. And maybe Senator Cavanaugh hit upon this, but if not, maybe you can answer this. I missed it if she did. This increase in the tax we're talking about, how many individuals is that going to cause to quit smoking-- like your projection?

ALI KHAN: So at least, at least over 2,000 youth and probably, if can find the right number of adults, 2,190 fewer youths ages 14 to 18 are going to smoke because of this bill, sir.

BRIESE: OK, how about adults?

ALI KHAN: I have the number here somewhere, but it's slightly more number of adults.

BRIESE: Two thousand, three thousand?

ALI KHAN: I'll, I'll get back to you on that number, sir.

BRIESE: OK. I've, I've got a constituent in my district, who has told me in the past, you raise tobacco taxes and people are gonna keep smoking, they're just gonna have less money to spend on their-- for the kids' college education and putting food on the table and buying clothes and things of that. How, how should I respond to that person?

ALI KHAN: It's a-- actually, sir, if you raise the taxes enough that people stop smoking, they will have more money to buy food, buy housing, buy health care, and send their kids to college.

BRIESE: OK, but, but we're only talking about five or six thousand quitting perhaps because of this increase?

ALI KHAN: Yes.

BRIESE: OK. OK, thank you very much.

ALI KHAN: And most importantly, it's the kids who are quitting who aren't gonna be-- who aren't going to continue smoking through adulthood.

BRIESE: OK, thank you.

FRIESEN: Thank you, Senator Briese. Any other questions from the committee?

ALI KHAN: Oh, if I may add, it's also not just quitting it's also decreased cigarettes-- the number-- total number of cigarettes are also going down, and I will get you that number. Because at the calculation-- from the calculations I can go back and calculate exactly how many fewer packs are sold, so we have twelve percent. I think the projection was 12 percent decrease in cigarette smoking, so that's going to be--

BRIESE: If you have numbers on the incidence of reduce consumption and how much that reduce consumption would be on average among those people that actually reduce consumption.

ALI KHAN: So adults, it should be at least 24,000-- over 24,000 people will stop smoking if it's a 12 percent reduction if there's 240,000 thousand current smokers, sir. So it's not 5,000, it's a lot more.

BRIESE: OK, you say 12,000 or--

ALI KHAN: Twelve percent decrease in smoking--

BRIESE: Twelve, twelve percent.

ALI KHAN: --in the state.

BRIESE: OK, very good, thank you.

FRIESEN: Thank you, Senator Briese. Any other questions from the committee? Seeing none, thank you for your testimony.

ALI KHAN: Thank you.

FRIESEN: Welcome.

KATHY NORDBY: Thank you. Right, I'm gonna take a breath here. OK, let's get started.

FRIESEN: It's all right. It's OK.

KATHY NORDBY: Acting Chairman Friesen, thank you. And thank you to the members of the committee, my name is Kathy Nordby, K-a-t-h-y N-o-r-d-b-y, and I'm the CEO of Midtown Health Center in Norfolk, Nebraska. I am testifying today in support of LB710 on behalf of the Health Center Association of Nebraska. We would like to thank, Senator

Cavanaugh, for introducing this bill, which both increases tobacco pro-- taxes on tobacco products, which of course have shown that new and existing smokers decrease with the-- with raised taxes and bring needed support to health care safety net Nebraska which I serve. Nebraska's 70-- 7 federally qualified health centers are located in Omaha, Lincoln, Gering, Norfolk, Columbus, and Grand Island and serve people from 55 counties at 48 distinct locations. Our mission is to provide cost-effective, high-quality health care to the medically underserved. We provide comprehensive community-based, culturally appropriate primary care and preventative services including medical, dental, behavioral health, pharmacy, and support services to over 94,000 unduplicated patients each year. Ninety percent of our patients fall below 200 percent of poverty, and 200 per-- percent of poverty is gross wages of $51,500 for a family of 4 to live on. Seventy percent of our patients come from racial and ethnic minority populations. Forty-six percent of our patients served by Nebraska health centers are currently uninsured. That is the second highest number of uninsured patients served by FQHCs across the nation and a state-by-state basis. Our uninsured patients contribute to their own care by paying a nominal fee which is established by applying a sliding fee scale based on their income and, and household sizes. These patients are the working poor in our communities. That's who we-- we're dedicated to serving. FQHCs are funded through private and public partnerships. We access government funds. We get private funding. We take insurance payments and then we apply the personal slide on the patient as their ability to pay. We always are dancing a very delicate balance on operating efficiently and effectively while trying to read the ever growing need. For the past several years, Nebraska health centers have experienced an average increase of 10 percent in our patient growth. In many of our communities, we're the soul source of care providers in the community. The simple fact is, as FQHCs, we are at capacity and we need to increase access. The funding proposed under LB710 would allow our health centers to keep up with the increases in program operating costs and expanding patient populations while expanding our resources to provide prevention and health care to smokers and nonsmokers alike. In, in addition, LB710 addresses a long sus-- long-term sustainability of Medicaid expansion and shores up to Health Care Cash Fund, which has been tapped the last two years to balance the budget. LB710 strikes an important balance between generating revenue and funding vital health care services. In addition to revenue funding streams, LB710 can have a powerful impact on Nebraska's most vulnerable citizens. The impact of tobacco on overall health coupled with the lack of insurance can have a devastating impact on-- and consequences for our patients. Not only do low-income populations have higher prevalence of tobacco use, they are less likely to successfully quit than other income groups and are more likely to experience a high density of tobacco marketing than other income level individuals.

FRIESEN: I'll ask you if you could please wrap it up.

KATHY NORDBY: OK. I think the biggest thing that I would like to contribute is that we serve the low income, and by having expanded opportunity we could increase our cessation work with these patient populations. And we talked-- there was some discussion about the costs and how much it takes to, to have somebody quit, but ultimately we look for critical moments in health care. And so when somebody experiences-- when you come down with lung disease all of a sudden you want to quit smoking. Sometimes a raise of a dollar a pack can make that critical moment come to somebody and if we're ready to come to the forest to help them quit, we can support long-term health. It's a better-- it's a cost effective way to address this care.

FRIESEN: Thank you, Ms. Nordby. Any questions from the committee? Seeing none, thank you for your testimony.

DAVID CROUSE: The Vice chairman Friesen, and members of the Revenue Committee, my name is Dr. David Crouse, D-a-v-i-d C-r-o-u-s-e. I am here today as president of Research Nebraska, Incorporated, a 501(c)(4) statewide organization which is committed to maintaining a strong research climate in Nebraska that encourages scientists and clinicians to use their abilities to alleviate suffering and improve the quality of life in our state as well as well beyond our state. Research Nebraska, Inc. takes a supportive role on LB710. This proposed legislation recognizes the importance of an increase in tobacco tax being linked directly to health care needs. We are especially supportive of those pieces of LB710 that may inverse-- invest a portion of the increase in cancer and biomedical research. For example, funding of biomedical research can have a significant impact on the economy and on public health. For example, look at the success of the Nebraska tax-- Tobacco tax-- Settlement Biomedical Research Development Fund. Since the establishment of that fund in 2001, UNMC has invested approximately $69.2 million in the recruitment of 280 researchers. These researchers have brought in over $1 billion in extramural funding to-- of research to Nebraska which represents a 14-fold increase on that investment. In just 2017-18, UNMC invested almost four and a half million received through the Biomedical

Research Development Fund in research-- in strategic recruitment and retention of faculty. These researchers targeted by this investment have a total research portfolio of over $150 million. The proposed tax and the increased funding resulting for biomedical research isn't just the right thing to do to improve the health of Nebraskans, but it makes good economic sense and that is why we urge you to advance LB710 for debate. I'll be happy to answer questions.

FRIESEN: Thank you, Mr. Crouse-- Dr. Crouse.

DAVID CROUSE: That's so fine.

FRIESEN: Any questions from the committee? So what, what other, what kind of-- is there any-- the researches and biomedical research, is any, any specific thing that would be--

DAVID CROUSE: It's a, it's a very broad definition in, in the bill and in what we, we support. I mean, this could be [INAUDIBLE] survey research to [INAUDIBLE] research, so areas in public health, areas in cancer. A wide variety of areas all qualify as research. And so we support all avenues of research and that especially those that lead to better health in Nebraska.

FRIESEN: OK, thank you. Any other questions from the committee? If not, thank you for your testimony.

DAVID CROUSE: Thank you.

POONAM VELAGAPUDI: Respected Chairwoman, Ms. Linehan, and members of the committee, my name is Poonam Velagapudi, spelled P-o-o-n-a-m V-e-l-a-g-a-p-u-d-i. I'm here today in support of Senator Cavanaugh's LB710, on behalf of Nebraska Medical Association as well as the Nebraska Chapter of the American College of Cardiology. I'm an interventional-- a structural interventional cardiologist at the University of Nebraska trained at Brown University and Columbia University in New York. So I treat patients who have heart attacks, heart failure, irregular heart rhythms, valvular problems by medications, or if needed, procedures such as stents and valve replacement. In addition, I also work closely with these patients with medications and various healthy lifestyles, healthy lifestyles to reduce the incidence of heart disease which is so important in the United States as well as prevent recurrence of cardiac heart attacks and other diseases that these patients come with. So I directly work with these patients and one of the most important things among lifestyles that is hard to change is cigarette smoking. I not only see-- I've, I've been a practicing interventional cardiologist for a year and a half and in training for three years. And over these few years, I'm seeing more and more younger patients come in with heart attacks and suffer from the consequences of these heart attacks. They not only suffer from reduced pumping function of their heart but sometimes they get into disability or the long-term and this reduces their work years as well as it has a very bad effect on their families and the community as a whole. And in my, in my head there are a lot of patients who cannot afford a $4 medications but will not quit smoking which is one of the saddest parts of our practice. And if influenza is an epidemic, I think cigarette smoking is a pandemic. And we have had a lot of information and numbers, but I will reiterate that increasing the tax on cigarettes by 10 percent will reduce 2 percent of Nebraska adults from smoking to 3.5 percent of young adults from smoking, 7 percent of children from smoking, an overall 5 percent reduction in the use of cigarette-related products. And in my head this is really important, the, the side effects of smoking which cause premature deaths are all reversible and preventable. And by reducing the-- increasing the tax on cigarettes will help prevent deaths prematurely among our Nebraska patients. Thank you.

FRIESEN: Thank you for your testimony. Any questions from the committee? Seeing none, thank you for your testimony.

POONAM VELAGAPUDI: Thank you.

JERRY STILMOCK: Mr. Vice Chair, members of the committee, my name is Jerry Stilmock, J-e-r-r-y, Stilmock S-t-i-l-m-o-c-k, testifying on behalf of my clients in Nebraska State Volunteer Firefighters Association and the Nebraska Fire Chiefs Association in support of LB710. There are two components that address EMS, Emergency Medical Services, within LB710 that have to do with work force training and recruitment has a 1 percent factor and then sustainability initiatives for Emergency Medical Services. There's no specific mention of volunteer, but I would encourage Senator Cavanaugh to consider including that word and for you all to consider including volunteer EMS in both those capacities. I share this story often with you so I'm not gonna go in depth, but if we look at Omaha to Lincoln or Lincoln west, Omaha to Lincoln first, it's all along I-80-- sure you leave Omaha but then you traverse upon-- across where volunteers would serve out of Gretna, Ashland, Greenwood, Waverly, and do the same thing repeating out west of Lincoln. As I was tucked in on Saturday afternoon, there was a, a motor vehicle-- multiple vehicle collision out near Waco-- York. We read about that at the news, there were volunteers that were out there providing services. We came to learn there were six injured-- six first responders, all volunteers injured. One remains hospitalized, faces multiple surgeries, a, a young person prolonging in the hospital. Why do I share that-- not for any reason other than to let you know that we rely heavily on volunteers. This will be a tremendous asset to volunteers in the EMS area across the state. Give you one, one example for example-- one example of how these funds could help, the Helmsley Charitable Trust was used a couple of years ago in Nebraska to build and assemble and locate four EMS trailers throughout the state-- four different locations. Those are being used now by volunteers, about 45, 40 percent of the training that's done on those trailers by volunteers. Fully automated-- wonderful equipment, but it looks like now that the items have been put in place-- the trailers have been put in place, that's additional ongoing funding that's needed. And so a, a-- there's a bill introduced to have 200,000 dollars a year. I'd suggest to you that those, those funds could be used from LB710 to help fund the operational components of the SIM-NE trailers throughout Nebraska. Senators, thank you very much.

FRIESEN: Thank you, Mr. Stilmock.

JERRY STILMOCK: Yes, sir.

FRIESEN: Any questions from the committee? Seeing none,--

JERRY STILMOCK: Thank you, Senators.

FRIESEN: --thank your testimony.

KENNETH COWAN: Senator Friesen and members of the committee, good afternoon. I am Dr. Kenneth Cowan, K-e-n-n-e-t-h C-o-w-a-n, director of the Fred & Pamela Buffett Cancer Center. While I do not speak on the behalf of the University of Nebraska, I am honored to be here speaking as an independent in support of LB710. I want to start by thanking the Nebraska Legislature for its support of cancer research at the Cancer Center of Fred & Pamela Buffett resulting in new research programs, equipment and facilities at our state of the art new facility. This includes funding for the construction of the Suzanne and Walter Scott Research Tower which opened in June of 2017, containing 98 new laboratories all devoted to cancer research. Thanks in large part to the State Legislature, UNMC has emerged as a major cancer research and treatment center across the world. The state's investment in cancer research has catapulted Nebraska into this leadership position. The Fred & Pamela Buffett Cancer Center is one of only 70 national cancer institute designated cancer centers in the country and the only one in Nebraska. In addition, the Cancer Center includes research faculty from the University of Nebraska-Lincoln and the University of Nebraska Omaha. Currently, the cancer has over 250 researchers on 3 separate campuses at the university. Cancer is the leading cause of death in Nebraska, 1 out of 2 Nebraskans. In fact, 1 out of 2 Americans will be diagnosed with cancer in their lifetime. Smoking, in particular, is linked to the increased risk of cancer of the lung head and neck, prostate, bladder, esophagus, stomach, pancreas, colon cancer, and kidney cancer. Smoking also reaches beyond cancers was reported again several times today and increases the risk of many other diseases including cardiovascular disease, chronic obstructive pulmonary disease, osteoporosis, and others. The mission of the Fred & Pamela Buffett Cancer Center is to reduce the burden of cancer in Nebraska and across the world. We must remain, remain focused on the prevalence and mortality of different cancers here in Nebraska. In 2018, approximately 1.7 million Americans were diagnosed with cancer. Nebraska ranks 20th overall in the U.S. in the incidence of cancer in the state, and cancer has been the leading cause of death in Nebraska for the past five years. Cancers of the lung, breast, prostate, colon, and pancreas account for over half of the cancer deaths in Nebraska each year. We will and must continue to focus our research on these five types of cancers. Lung cancer is the second most frequently diagnosed cancer among Nebraskans, but is the leading cause of cancer deaths in the state, accounting for 26 percent of the cancer deaths in Nebraska. In 2018, 1,300 Nebraskans were diagnosed with lung cancer and there were over 900 deaths. The five-year survival rate for people diagnosed with this lung cancer-- with lung cancer is less than 20 percent. Nebraska ranks, ranks 8th in the U.S. in the incidence of colon cancer. And colorectal cancer, in 2018, was the fourth most frequently diagnosed cancer among Nebraska residents, and is the second leading cause of cancer deaths in Nebraska. Breast cancer is the most common cancer among women in Nebraska and the second most frequent cause of female cancer deaths. From 2011 to 2015 over 7,900 women in Nebraska were diagnosed with breast cancer and almost 1,200 women died from this disease. Pancreatic cancer is the third leading cause of death in Nebraska and the incidence of pancreatic cancer has been increasing in Nebraska every year. It is a particularly difficult cancer to diagnose early and it's among the most deadly with only 8.5 percent of people surviving five years or more on being diagnosed with pancreatic cancer. The importance of cancer research cannot be denied. Cancer research has led to incredible breakthroughs and over 15 million people are alive as cancer survivors today. Tremendous accomplishments in cancer research, there's still much more to be done. Buffett Cancer Center is recognized as a major center for healing and hope for cancer patients across the world, and collaborates with hospitals across Nebraska to provide a network of clinical trials to provide cutting-edge research and therapies to patients across the state. In closing, every Nebraskan has been affected by cancer either personally or by a family member being diagnosed with cancer. In turn, every Nebraskan benefits from breakthroughs made possible in cancer research at the Fred & Pamela Buffett Cancer Center. Thank you for this opportunity today.

FRIESEN: Thank you, Dr. Cowan. Any questions from the committee? Senator Kolterman.

KOLTERMAN: Thank you, Senator. Welcome, Doctor.

KENNETH COWAN: Thank you.

KOLTERMAN: A few minutes ago somebody talked about the return on investment. I think they said it was 14 to 1. For cancer research, is it, is it 10 to 1?

KENNETH COWAN: So for every faculty that's recruited to the, to the Cancer Center-- we've had over 250 faculty recruited over the last 15 years. And every one of our faculty is expected to have their research program once they are recruited to Nebraska funded through extra more research. Each one is expected to have a million dollars annually in research funding. So over 10 years a $1 million investment or recruiting of faculty leads to at least $10 million just in 10 years. If they stay on our faculty like I have been for 20 years, it'll lead to a 20 to 1 return on investment.

KOLTERMAN: Each year?

KENNETH COWAN: [INAUDIBLE]-- it's a million dollars a year annually in research funding and, and those grants are each five-year grants mostly federally funded NIH grants and they each are expected to have two NIH grants.

KOLTERMAN: Thank you.

FRIESEN: Thank you, Senator. Kolterman. Any other questions from the committee? Seeing none, thank you--

KENNETH COWAN: Thank you.

FRIESEN: --for your testimony. Welcome.

TIFFANY FRIESEN MILONE: Thank you, Senator Friesen, members of the committee, my name is Tiffany Friesen Milone, T-i-f-f-a-n-y F-r-i-e-s-e-n M-i-l-o-n-e, and I'm policy director at OpenSky Policy Institute. I'm here today to testify in support of LB710 focusing specifically on the Medicaid expansion piece. According to the Appropriation Committee's preliminary report the state's expansion will cost about $45 million in fiscal year 2020 and 2021, $57 million in fiscal year 2021-22, and $59 million in fiscal years 2022-23. LB710 would offset these costs by about 50-- $23 million in fiscal year 2020-2021, and similar amounts in succeeding years according to the fiscal note. For the current biennium, the projected costs are already in the budget. However, as our receipts have come in below expectations for the past few months an increase in revenue like that provided by LB710 would help prevent some difficult decisions in the immediate future. Federal funds currently cover 90 percent of the cost of expansion and a number of other expansion states have looked at new funding to pay for that remaining 10 percent. Some states including Arizona, Colorado, Indiana, Minnesota, Oregon, and Virginia levy fees on hospitals. Others, like New Hampshire and California have turned to cigarette taxes. A few employ both. We support employing an increase in the cigarette tax to help with expansion costs due to the relationship between smoking and health care costs as well as the increased availability of smoking cessation programs that would be available under expansion. Several studies have found that low-income adults newly covered by expansion were more likely to quit smoking than their counterparts in states that didn't offer expansion likely due to increased access to preventative health care services including evidence-based smoking cessation services. We also have no concerns about the volatility of cigarette taxes over time for two reasons: first, as you can see from the handout cigarette tax revenues have been fairly stable over time; and second, most states have seen their costs become increasingly offset by savings. As such, Nebraska should see a diminishing need for added revenue specifically targeted, targeted to Medicaid expansion. A report from Georgetown University found that for Michigan, Montana, Louisiana, and Colorado expanding Medicaid has either been a positive, positive for the state's general revenues or hasn't resulted in any additional costs to the state. Another report from Wake Forest University said Arkansas, Indiana, Kentucky, New Mexico, Ohio, and West Virginia also saw reduced, not increased, state spending as a result of expansion. Virginia's expansion didn't start until January 1, 2019, but the projected budget savings were firm enough to be included in the state's new budget and reallocated to other priorities. These results are largely-- are due to a combination of substantial state savings from Medicaid now largely paying for formerly state covered services and an increase in revenues increased-- from increased activity-- economic activity associated with expansion. A study commissioned by the Louisiana State Government found that Medicaid expansion in the state had created and supported over 19,000 jobs, state tax receipts of over $100 million and local tax receipts of about $75 million. The estimated tax receipts exceeded the dollars budgeted by expansion by nearly $50 million. A University of Nebraska at Kearney study estimated expansion in Nebraska would create almost 11,000 jobs and generate $1.3 million annually-- billion, sorry, of new economic activity. Expansion is, therefore, an efficient use of scarce tax dollars according to the study's authors. Expansion of Medicaid in Nebraska stands to be one of the most impactful steps our state has ever taken to improve the health of our residents and by extension our economy. Passing LB710 would help make it-- help us make that investment while at the same time protecting funding for education, public safety, and other vital state services. With that, I'm happy to take any questions.

FRIESEN: Thank you, Ms. Milone. Any questions from the committee? So it shows a, a very stable tax return, but it's because of increasing taxes over the years because the number of packs sold?

TIFFANY FRIESEN MILONE: Yeah, there are two asterisks on the handout and that-- those represent when the cigarette tax was increased.

FRIESEN: So if, if this really keeps people from smoking we should see a sharp drop in revenue at some point in time?

TIFFANY FRIESEN MILONE: Yes.

FRIESEN: OK. Senator McCollister.

McCOLLISTER: Yeah, thank you, Senator Friesen. Referring to your testimony, and thank you for being here. Are you saying that there will be no fiscal cost to Nebraska with Medicaid expansion?

TIFFANY FRIESEN MILONE: There will be a cost up front as implementation gets going. But based on the experience of other states, they have seen their up-front costs offset by savings in the longer term as they're able to phase out programs that would-- as the people in other programs shift over into the expansion.

McCOLLISTER: How many other states have levied some kind of-- in lieu of tax on, on health care providers in order to fund Medicaid expansion?

TIFFANY FRIESEN MILONE: If I remember it, I think it's nine. I have it here somewhere. But if I recall right, most do it out of the General Fund. And then, I think, there are nine that go into other sources of revenue, most of them go to a hospital or provider fees, and then, I think, three do cigarette taxes.

McCOLLISTER: If you've got those lists in your testimony, I'd like to see it.

TIFFANY FRIESEN MILONE: Um-hum, I'm happy to share that.

McCOLLISTER: Thank you. Thank you, Senator Friesen.

FRIESEN: Thank you, Senator McCollister. Any other questions from the committee? Seeing none, thank you for your testimony.

TIFFANY FRIESEN MILONE: Thank you.

JULIA TSE: Good afternoon, members of the Revenue Committee. For the record, my name is Julia Tse, J-u-l-i-a T-s-e, and I'm here today on behalf of Voices for Children in Nebraska. I'm gonna focus my comments on two pieces of Senator Cavanaugh's bill found on page 12, lines 1 to 2 and 9 to 10. The first provision is one that makes an investment on our-- in our children-- Children's Health in a-- Health Insurance Program, also known as CHIP, increasing eligibility by 37 percent-- percentage points to 250 percent of the federal poverty level, which is just over $42,000 annually for a household of two. With the passage of LB710, Nebraska would join the majority of other states including 19 states that have set their eligibility levels at or above 300 percent of federal poverty level. Coverage expansions such as those taken by our neighbors on almost all sides would have a twofold effect. First, it would directly impact the number of uninsured children who are living-- who would be newly eligible under this bill. We don't have great numbers on this but it's estimated that some subset of 6,000 children who are currently uninsured would be affected by this policy change. Second, there is a larger but much broader impact on kids who are currently eligible but not enrolled in our Medicaid or CHIP program. So data from other states suggests that expanding coverage also has a welcome mat effect in getting more kids enrolled in, in coverage that they're already eligible for. The numbers that we've seen from other states have shown that children who are already eligible and enroll when coverage expansion happens ranges from 59 to 83 percent of all newly eligible enrolled populations after expansion. So the numbers that we have on this population is that over 15,000 Nebraska children were currently uninsured but likely eligible for Medicaid and CHIP. So this would help us maximize our federal funds in both of those programs. We also wanted to comment briefly on the funding designated for start-up costs related to paid family and medical leave program. As Nebraska looks for ways to keep our state economy prosperous, we must also think about the important connection between child development and economic development. During life's most precious, stressful, important moments, Nebraska parents shouldn't have to choose between the family that they love and the job that they need. Adequate time off after birth is linked to lower rates of infant and postnatal deaths, longer periods of breastfeeding, and improvements in maternal health and financial well-being. A state family paid leave program also offers a systemic solution to the significant costs that many employers are already paying for. For what some are calling the caregiving crisis with child care and one end and aging parents on the other. So this-- these costs are already being paid for in the form of employee turnover, absenteeism and "presenteeism", lost productivity. And with that, I'd wrap up and thank, Senator Cavanaugh, and the members of this committee, and be open to any questions.

FRIESEN: Thank you for your testimony. Any questions from the committee? Seeing none,--

JULIA TSE: Thank you.

FRIESEN: --thank you for your testimony. Welcome.

BRIAN KRANNAWITTER: Good afternoon, Senators. My name is Brian Krannawitter. I am the government relations director for the American Heart Association. I'm providing testimony today on behalf of the AHA in support of LB710. Cardiovascular disease remains the leading cause--

FRIESEN: Could you, could you spell your name.

BRIAN KRANNAWITTER: Oh, sure-- last name-- first-- last name's spelled K-r-a-n-n-a-w-i-t-t-e-r. Cardiovascular disease is the leading cause of death in the United States. And smoking is a major cause of cardiovascular disease. This bill can help alleviate some of the [INAUDIBLE] tobacco. According to projections by the American Cancer Society Cancer Action Network, Tobacco-Free Kids, and Tobacco Economics, the percentage decrease in youth smoking with a $1.50 increase per pack of cigarettes is 16.4 percent, 16.4 percent. This would result in 8,000 Nebraska youth under age 18 from becoming adult smokers. In addition, they also projected 5-- that 5,000 premature smoking caused deaths would be prevented as a result of the $1.50 increase per pack. This will mean fewer mothers, fathers, brothers, sisters, and loved ones that will die prematurely because of smoking-related causes. One other thing I just want to add, I believe Dr. Khan referenced one of the surveys that showed support for a tobacco tax increase. We also commissioned a poll two years ago that showed very similar level of support at a $1.50 with 71 percent in support of that, and also 71 percent identified that they were concerned about tobacco use among young people and that tobacco prevention programs were important. So I just wanted to add that in. Health care costs directly caused by smoking take a tremendous toll on our state. The annual health care costs in Nebraska directly caused by smoking is $795 million. In addition to a life saved, savings in health care costs would also be a positive result of this bill. Thank you for the opportunity to testify on this important matter. Please, pass this bill. And I would take any questions.

FRIESEN: Thank you for your testimony. Any questions from the committee? Seeing none, thank you for your testimony.

NICK FAUSTMAN: Good afternoon, I'm Nick Faustman, N-i-c-k, F as in Frank a-u-s-t-m-a-n. I'm the Nebraska government relations director for the American Cancer Society Cancer Action Network which is the nonprofit nonpartisan advocacy affiliate of the American Cancer Society. We support evidence-based policy legislative solutions designed to eliminate cancer as a major health problem. ACS CAN strongly supports increasing the tobacco tax per pack by $1.50 because it's proven to be an effective way to prevent children from smoking and help adults quit. We also strongly support the bill's approach on, on one, treating all tobacco products including e-cigarettes the same when it comes to taxation and regulation regardless of whether they contain nicotine; two, establishing an equivalent tax increase on all tobacco products and e-cigarettes; and three, directing a portion of the revenues to tobacco cessation. So ACS CAN would recommend amending specific language into the bill regarding Agency 25, Program 30 which is the state's own tobacco prevention and control program. It's referenced on page 11, line 33. So Senator Cavanaugh has asked me to address many of the misleading and inaccurate arguments by opponents of LB710. I've got a lot of ground to cover, and I will have to do so rather quickly. But additional referenced cited information can be found in the handout that I've provided to the committee. So you'll-- you're likely to hear that tobacco taxes are regressive and unfair to low-income populations, but actually it's the tobacco use that is regressive. Cheap tobacco is the problem here. Significant tobacco tax increases effectively counter the tobacco industry's marketing strategy of, of targeting low-income populations with cheap tobacco products. The bill seeks to improve access to tobacco cessation programs and services for Nebraskans by providing additional funding for state tobacco prevention and control programs. You'll also hear that increased cigarette taxes contribute to smuggling and organized crime. However, smuggling and other tax evasion only reduce the total amount of net new additional revenues the state receives from cigarette tax increases. Excuse me. They do not come close to eliminating revenue gains or making tax increases unproductive. Keep in mind that the best way to reduce cigarette smuggling and organized crime is to reduce smoking. You'll hear that increased cigarette taxes will lead to border bleed. The full story is that consumers may initially seek lower taxed cigarettes, but most will eventually return to original buying patterns. Research shows that the vast majority of people don't buy cigarettes by the carton, and people simply don't go out of the way to buy small portions, quantities of cigarettes. This tracks actually with the research indicating that nearly 70 percent of current smokers actually want to quit completely. They want to break their addiction. And I see I'm out of time, so I'll take any questions you might have. Thank you.

FRIESEN: Thank you, Mr. Faustman. Senator McCollister.

McCOLLISTER: Thank you, Vice Chairman Friesen. Maybe a stupid question, what's the difference between e-cigarettes and vaping?

NICK FAUSTMAN: Well, it's-- vaping is kind of an old outdated term. E-cigarettes is one that we, we use to encompass that, that enormous growing almost by-- you know, the enormous growing class of products that are out there that do not qualify as a traditional combustible cigarette, anything that uses battery powered or there are new products coming out that are called heat-not-burn products. And so it's a term that we use to, to encompass all-- encompass everything else other than the traditional types of tobacco.

McCOLLISTER: But, isn't it true that only a small percentage of those so-called vaping or e-cigarette products actually have any tobacco in it?

NICK FAUSTMAN: That, that-- I don't know. I don't know the answer to that, but I'd be happy to find it for you. I do know that those types of products are often mislabeled which if, if, if we were to enact taxation and licensure for those types of products would lead to additional enforcement issues because of the mislabels out there. I mean, anecdotally I've heard from colleagues in other states that there's oftentimes products that are sold as not containing nicotine but they have been found to contain nicotine.

McCOLLISTER: I don't know about e-cigarettes, but vaping, it's contended helps eliminate smoking or help, helps a person get rid of that habit. Is that not true?

NICK FAUSTMAN: That-- the, the Surgeon General has not said anything of, of that sort. In fact, he's found-- or they have found-- CDC has found that those types of products actually serve as a gateway to traditional combustible types of cigarettes, smokeless tobacco, and the, and the other types of tobacco.

McCOLLISTER: Thanks, Nick.

NICK FAUSTMAN: Um-hum.

FRIESEN: Thank you, Senator McCollister. Any other questions from the committee? Seeing none, thank you for your testimony.

NICK FAUSTMAN: Thank you for your time.

FRIESEN: Any other proponents of LB710? Seeing none, opponents? Welcome.

MATTHEW VAN PATTON: Good afternoon, Vice Chairman Friesen and members of the Revenue Committee, my name is Dr. Matthew Van Patton, that's M-a-t-t-h-e-w V-a-n P-a-t-t-o-n, and I am the director of the division of Medicaid and Long-Term Care in the Department of Health and Human

Services. I'm here to testify in opposition to LB710. The bill mandates that the CHIP program, quote, increase eligibility by 37 percent, end quote, without saying what this means. For example, does this mean expansion of populations, services, funding, or something different? Our fiscal note assumes it is an expansion of the population served, but we really have no idea what the bill actually proposes. This bill, in effect, constitutes a vague expansion based on a nonsustainable revenue source. Furthermore, the department has already provided for a balanced budget in the Governor's budget recommendation. Lastly, this bill's provisions regarding gifts, grants, and donations, and the funding of behavioral health services would create federal noncompliance issues. According to federal law, 42 CFR 433.54, we are not allowed to use provider donations as the state portion of funding for Medicaid. We have to follow this law in order to receive federal matching funds. For these reasons, we oppose LB710. Thank you for the opportunity to testify. This now concludes my remarks.

FRIESEN: Thank you, Dr. Van Patton. Any questions from the committee? Senator Briese.

BRIESE: Thank you, Vice Chairman Friesen. Thank you for being here. The way I read this handout given to us, we're talking about proposing eligibility from 213 percent to 250 percent of federal poverty level. That, that would address your questions about eligibility, correct? If that [INAUDIBLE]--

MATTHEW VAN PATTON: That's a very good question, and that's exactly to the point made, Senator. When we look at, at our fiscal note we assume that it's an increase in population-- those coming onboard into the program by 37 percent. When you look at the fiscal note from the LFO, it assumes there's an increase in the current federal poverty limit by 37 percent. Those are very distinct differences, and that's why you see such a significant variation between the department's fiscal note and the LFO's fiscal note. And so that, that goes back to, again, my point of it lacks clarity around what the intent is.

BRIESE: That is a concern that could be clarified and taken care of though I assume.

MATTHEW VAN PATTON: It, it-- I will say it, it, it requires clarification.

BRIESE: OK, very good.

FRIESEN: Thank you, Senator--

BRIESE: And the provision regarding gifts, grants, and donations that could be eliminated and taken care of, correct?

MATTHEW VAN PATTON: It, it certainly as it is written now is not something that would, would fit within the constructs of federal law.

BRIESE: OK. Very good, thank you.

MATTHEW VAN PATTON: Yes, sir, you're quite welcome.

FRIESEN: Thank you, Senator Briese. Senator McCollister.

McCOLLISTER: Thank you, Senator Friesen. And thank you for being here.

MATTHEW VAN PATTON: Yes, sir.

McCOLLISTER: If it weren't for those provisions in the bill that told you how to spend the money, would the department have taken a position of support or neutral?

MATTHEW VAN PATTON: I guess in broader strokes, Senator, what's most concerning about it is-- and, and, I think, it's, it's testament to the fact that this is a bill in the Revenue Committee, it is a revenue issue. And so when you look at it in the constructs of funding services, any service that we take on and if this is in, in effect the expansion component of an, an existing service line for CHIP, whether it be population or whether it be by increasing the federal poverty limit it goes to the sustainability of the revenue source and that is, is a major concern.

McCOLLISTER: But, that's not the question I asked. If it weren't for those provisions that determine where the money was being spent-- it was simply a, a bill to raise the fee on packs of cigarettes, would you take a position-- a, a neutral position or a, a positive position for the bill?

MATTHEW VAN PATTON: I believe our position would still be negative. And the fact that-- again, it goes back to the sustainability of the revenue source, if it, if it is going to funding a service line that is part of the portfolio that Medicaid manages.

McCOLLISTER: So your fear would be that the amount of cigarette use would decline, and so you'd want to maintain and protect that, that, that funding source. Is that correct?

MATTHEW VAN PATTON: Well I think, Senator, if you look historically-- and I think there was a report released by the department in 2017, that I think's publicly available. If you look, there's been a significant decline over time in the state of Nebraska in utilization of cigarettes. So I think if you're, if you're selling and I'm just looking at it from the tobacco standpoint because I believe it's 88 percent of the utilization within the state of Nebraska is a cigarette and the tobacco product space. So if you looked at that and that dropped from the mid-70s and 80s of 180 million packs sold down to 87.7 million packs sold that's a significant drop over time. If you--

McCOLLISTER: So isn't that good?

MATTHEW VAN PATTON: It is a very good thing. And, and, and I-- again, Senator, I'm not disputing the benefits of smoking cessation. If you look within the constructs of Medicaid today, we cover smoking cessation. And I'm not, I'm not arguing against the merits of smoking cessation not one bit. I think clearly as a health care practitioner, a provider, administrator, I see the benefits of that. But that's not where this bill is, this bill's in revenue. And so I'm looking at it within the constructs of the business paradigm and the impact that it's going to have on the state and the Medicaid program if you're using these funds to sustain and prop up services within the construct of our portfolio.

McCOLLISTER: Well, I think the dichotomy of your position is, is a little strange but thank you very much.

FRIESEN: Thank you, Senator McCollister. Any other questions from the committee? Seeing none, thank you for your testimony.

MATTHEW VAN PATTON: Yes, sir. Thank you.

FRIESEN: Welcome.

SCOTT LAUTENBAUGH: Good afternoon, Vice Chairman Friesen and members of the committee, my name is Scott Lautenbaugh, L-a-u-t-e-n-b-a-u-g-h. Excuse me. I'm here representing both the Nebraska Premium Tobacco Association and the Nebraska Vape Vendors Association in opposition to LB710. Frankly, the provisions of this bill as written would be disastrous for small businesses located here in Nebraska. And we've been down this road before and we're talking about the other tobacco products tax of 20 percent. And in the past we've talked about it in the context of premium tobacco, cigars. Nebraska retailers pay that half the time the inventory comes in, so if you have 100,000 in inventory you also have to pay 20 percent or $20,000 tax if you will. Not when you sell the product, but when you get the product on hand, so you can imagine the burden, increase that comes with raising this to 65 percent. The other point is, is that on-line retailers which are the competitors of both the cigar bars and the vape vendors but not cigarette providers. You can't go buy cigarettes on-line. You can buy cigars on-line. You can buy vaping products on-line. And if we're not collecting the other tobacco products tax from on-line cigar bars or cigar vendors, I should say, their products are dramatically cheaper. And much of the testimony you heard today was about the evils of smoking and teenagers and teens and getting teens started smoking. No one could make the point with a straight face that premium tobacco products are a problem here. Teenagers are not going out and buying $5 and $10 cigars and they're not a gateway to-- I don't know what that would be a gateway to, caviar. I mean, nobody argues that that's actually happened. You didn't hear that testimony. Going on to the vaping side of it, this would add them under the same tax and raise it to 65 percent putting them out of business compared to the on-line retailers. The ones they have to compete with. There's a commercial out now dealing with vaping, it's puppets where one puppet tries to say vaping is safer than cigarettes, but before he can get the cigarettes out of his mouth, the other puppets open their mouths and a foghorn goes off to drown him out, because that's what we do now. If we don't agree with something, we drown them out, shout them down. That's not what should be done here. Vaping is new, it's not understood. The data shows it's astronomically safer than smoking cigarettes. Not even close-- 95, 98 percent. Data also shows it helps people quit smoking cigarettes. Data also shows-- you'll hear testimony about the Pennsylvania experience. They increased their taxes on vaping, people went back to cigarettes. That's the last thing you want. That's the least safe thing to do. They'll be people following me, both from the cigar bars and from the vaping retailers, to explain this. They're the experts, I'm not. But I implore you, this is the wrong approach regarding premium tobacco and vaping products, two significant businesses in Nebraska. I'd be happy to answer any questions you might have.

FRIESEN: Thank you, Mr. Lautenbaugh. Any questions from the committee? Senator Crawford.

CRAWFORD: Thank you, Vice Chairman Friesen. And thank you for being here. You are saying that the tax is paid when the cigars arrive as opposed to when the cigars are sold?

SCOTT LAUTENBAUGH: Yes.

CRAWFORD: I'm trying to figure that out. Why that would be the case?

SCOTT LAUTENBAUGH: Well, it's an excise tax. Basically, the answer is the current law says that's what you do.

CRAWFORD: OK.

SCOTT LAUTENBAUGH: So when they come in, you have to pay that tax regardless of when you actually get to sell the cigars. This bill and another one that came up earlier would add vaping under that so they would have the same burden of paying a tax on their inventory as it comes in. And again, on-line ones don't have to do that. So you have a letter that was submitted to-- from Warfighters cigars, they've relocated most of their business to, I think, Texas now because of the 20 percent not even in anticipation of the 65 percent in this bill but because of the 20 percent they weren't competitive and they were trying to sell to other states on-line and here. So it has a real impact on jobs and businesses right here, right now.

FRIESEN: Thank you, Senator Crawford. Any other questions from the committee? Seeing none, thank you for your testimony.

SCOTT LAUTENBAUGH: I would stay and close if you'd let me, but I don't think I get to. [LAUGHTER]

FRIESEN: You'd probably enjoy that.

KATHY SIEFKEN: Good afternoon, Senator Friesen and members of the committee, my name is Kathy Siefken, K-a-t-h-y S-i-e-f-k-e-n, here today representing both at the Nebraska Grocery Industry Association and the Nebraska Retail Federation in opposition to LB710. It's difficult to estimate revenue from cigarette excise taxes. Right out of the gate, this bill will not generate enough income to cover all of the earmarks that are contained in the bill. In addition, Nebraska's cigarette revenue has declined nearly 22 percent over the last 10 years and it continues to fall. A declining revenue stream impacted by lost sales to other states whose taxes are much cheaper will only exacerbate the shortfall. Your handout includes a chart that shows that 85 percent of the latest state revenue projections on cigarette tax increases missed their mark. Several states collected lower revenues than before the increase. A large part of that shortage was due to border bleed when customers changed their shopping patterns to purchase items at a cheap-- cheaper price outside their state. Eighty percent of Nebraskans live within 50 miles of the state line so going to one of the surrounding states for cheaper goods will happen. When we lose those sales, the MSA settlement dollars will also decrease because that amount is based on the number of packs sold by Nebraska retailers. The loss in sales will not only reduce the taxes collected by the state of Nebraska, it will harm the retailers who depend on those sales to remain profitable. This bill proposes a 230 percent tax increase. This is a significant increase on a small percentage of hardworking Nebraskans. The CDC estimates that 15.4 percent of Nebraskans are smokers. Therefore, this entire tax increase would fall on a small percentage of the Nebraska population. Only 9 percent of the earmarks go to assist smokers in cessation or smoking-related disease research. I wonder why the 15.4 percent of the people who smoke in our state should be required to pay for a multitude of things that have nothing to do with smoking. Such as, Nebraska outdoor recreation, Medicaid expansion, building renewal allocation, emergency protective custody services, emergency medical services, and even start-up costs for a nonexistent paid family and medical leave. This bill will irreparably harm Nebraska retailers who lose sales to other states by chasing customers to cheaper markets. For those reasons, we ask you to hold this bill in committee. I would take any questions. Thank you.

FRIESEN: Thank you, Ms. Siefken. Any questions from one committee? Senator Briese.

BRIESE: Thank you, Vice Chair. And thank you for your testimony. Is, is there a cigarette tax increase at which your objections would be much less?

KATHY SIEFKEN: No.

BRIESE: No.

KATHY SIEFKEN: It's, it's a very clear answer, because Nebraska's 67 cents per pack tax-- and it's on the map, is low enough to bring outside sales to the state of Nebraska.

BRIESE: OK.

KATHY SIEFKEN: If you increase that, even a small amount, those people that come from higher-tax states will stay at home. It won't be worth their effort to drive to a Nebraska location, so we will lose those outside state sales.

BRIESE: As I look at your map-- you know, South Dakota is 90 cents higher than we are. Iowa is 70 cents higher than we are. Kansas is 70-- 65 cents higher than we are. We have the 40th highest--we're number 40 in cigarette taxes, correct? Fortieth highest in the country.

KATHY SIEFKEN: And as a result we get those outside state sales.

BRIESE: Yeah, I wish our property taxes were 40th in the country. I know that, but--

KATHY SIEFKEN: I completely understand.

BRIESE: So any increase is objectionable to you?

KATHY SIEFKEN: Any increase would harm the retailers that are along the state line and, and there, there are a lot of them.

BRIESE: OK, thank you.

FRIESEN: Any other-- thank you, Senator Briese. Any other questions? Seeing none, thank you for your testimony.

KATHY SIEFKEN: Thank you.

JEFF DOLL: Good afternoon, my name is Jeff Doll, D-o-l-l. I'm the head of the Nebraska Premium Cigar Association. I represent 15 cigar bars or cigar bars and cigar shops. Scott did a nice job of explaining exactly where we're at on this. But one thing I want to clarify a little bit, right now Nebraskans can buy cigars on-line between 30 to 35 percent cheaper than I can buy them. Because by the time you look at the sales tax and you look at our Nebraska tobacco tax, plus when you look at-- I hire, I hire 10 people, I have expenses up to $600,000 a year, that all covers into it. Now if this tax would go through and bring us in part of it, we could be up to-- they could be, they could be 80 and 90 percent cheaper to buy them on-line. Where you just have to pick up a telephone, or you get on your computer for five minutes and they'll have them in, in two days. So we really feel that it would hurt a lot of our businesses and some of us would go out of business. One other thing I need to bring up, we always seem to get lumped up in the cigarette tax. The FDA had a ruling two years ago. They-- their ruling consists of-- they said cancer risks were, were nearly nil for anybody that smokes no more than 1 to 2 cigars a day. This is what the FDA said, 82 percent of cigar smokers don't smoke daily. The average cigar smoker smokes three cigars per month. Now 80-- they say 86 percent don't inhale smoke-- cigar smoke. I find-- I don't believe that because I've been in the business six years, I've never seen anybody inhale a cigar. I actually-- once, somebody told me a funny story and I sucked it in and about choked to death, but that's the only time I've ever had that experience. So we talked about Warfighters having to leave, so that's all I have right now. So-- and I want to thank you for your time. Do I have any questions?

FRIESEN: Thank you, Mr. Doll. Any questions? Senator Briese.

BRIESE: Thank you, Vice Chairman. And thank you for your testimony. You said earlier you can buy on-line cigars 30 to 35 percent cheaper than--

JEFF DOLL: Yes, sir.

BRIESE: What would this bill do to that percentage?

JEFF DOLL: Probably take it up to 80 or 90.

BRIESE: It would be that much?

JEFF DOLL: Yeah.

BRIESE: OK, I think you said it earlier, but I--

JEFF DOLL: And that's where we think it would just wipe us out-- you know, at that, at that point why would you buy it from us when we're that much higher?

BRIESE: OK, thank you.

JEFF DOLL: Yep.

FRIESEN: Thank you, Senator Briese. Senator McCollister.

McCOLLISTER: Thank you, Senator Friesen. Would the on-line Internet sales tax bill that's gonna come up before the Nebraska Legislature on Monday change that equation for you in any way?

JEFF DOLL: That will help us, but if we got the, we got the cigar tax or the tobacco tax that-- we still wouldn't get any closer, but that would help us. We don't-- we look at that, that we could reduce our price a little bit to compete. We can't get all the way down there, what would it-- would it help us? And you know what we look at is, we don't expect a free ride here. We're all Nebraskans. We want to support Nebraska. We-- I've always looked at this tax as-- you know, this is just part of doing business in Nebraska. And we're glad to do it, but we don't want to get unfairly taxed where we can't even do business.

McCOLLISTER: Thanks, Jeff.

JEFF DOLL: OK.

FRIESEN: Thank you, Senator McCollister. Any other questions from the committee? Seeing none, thank you for your testimony.

JEFF DOLL: Thank you.

AUSTIN HILLIS: Good afternoon, my name is Austin Hillis, H-i-l-l-i-s. My partner, Anthony Goins, and I opened up Capital Cigar Lounge at 16th and Old Cheney this past [INAUDIBLE]. We only deal with premium tobacco, which is cigars. We believe LB710 would be detrimental to our business. So honestly, the, the majority of our customers are hardworking blue-collar men and women. I believe that they, they really handle in a product-- we call it affordable luxury. Something that they don't have to have, that they maybe come in, like Jeff mentioned, three times a month. We do have some customers that frequent a little bit more, but it, it is really a product that people come in to, to get away from whatever they have going on for an hour or two when they visit us. Eighty percent of our customers at this point in time purchase cigars that are $8 to $10 at the suggested retail price. We believe that with the increase in the tobacco tax to 65 percent would raise the price to $13.20 to $16.50. At that current price range, only 10 percent of our business is done in that upper echelon. So we believe, like has been mentioned before, that more people are gonna go on-line where they can purchase these products at a considerably cheaper amount. Thank you.

FRIESEN: Thank you, Mr. Hillis. Any questions on the committee? Seeing none, thank you for your testimony.

STACY GRIFFIN: Hi, thank you. My name is Stacy Griffin, S-t-a-c-y G-r-i-f-f-i-n. I own and operate a flower shop here in Lincoln. I'm also the owner of the Nebraska Cigar Festival. I'm sure you'll agree that nothing goes together like flowers and cigars. Every year the cigar-- Nebraska Cigar Festival holds a large event to, to bring together over 300 men and women who enjoy fine cigars. This event is similar to wine tasting only it's designed for the cigar enthusiast. Fine cigars are just like fine wine and can improve with age. We have manufacturers who fly in to Nebraska from across the country. These manufacturers spend time in Nebraska hotels and eat in our restaurants. They often travel to the state-- throughout the state to our event and in order to meet, and they also stay to meet with other Nebraska retailers, like Austin's company that he was just talking about. The point I'm trying to make is that the cigar industry is already generating a lot of tax revenue for the state of Nebraska. Increasing taxes on people who enjoy an occasional cigar is not the way to solve the tax problems in Nebraska. Most people in Nebraska are asking for tax relief. I am certain that every senator has been in some discussion in the last 30 days about lowering taxes or ways that taxpayers could take a less burden that they take every day. Unfortunately, today we're discussing a bill that increases taxes on Nebraska businesses that are in a battle so large that it could be called a war. It's a war with Internet retailers that don't collect or remit any tax whatsoever. I, I cannot express enough how much this troubles me. The on-line retailers do not pay any tobacco tax and they pay no sales tax. And so we pay 20 percent on the wholesale cost. We also pay sales tax on that, on that tobacco tax. The Nebraska tobacco tax is 20 percent of the wholesale price, that's 20 percent higher than our neighbor, Kansas, which is at 10 percent. Our other neighbor, Iowa, places a 50-cent cap on each cigar. So in Nebraska a $5 wholesale cigar is taxed at a $1 today. And under this bill the same $5 wholesale cigar would be taxed at $3.25. It's then taxed again for the sales tax. Our neighbor, Missouri, has a 10 percent tax. We already see Nebraskans who drive to Missouri for their fireworks. We know this because the Nebraska State Patrol sets up a border enforcement around the Fourth of July. We don't want to lose our cigars sales to Missouri, too. Under this bill we will lose more sales to the Internet and we will lose more sales and sales tax revenue to neighboring states. Again, a $5 cigar has its tax jump from $1 to $3.25 under this bill. Please amend the bill to remove the tobacco tax increase or vote to oppose LB710 completely. Thank you for your time today. Do you have any questions?

FRIESEN: Thank you, Ms. Griffin. Any questions from the committee? Seeing none, thank you for your testimony.

STACY GRIFFIN: OK, thank you. Thank you for your time.

COBY MACH: Good afternoon, Senators, my name is Coby Mach, C-o-b-y M-a-c-h, appearing on behalf of the Lincoln Independent Business Association to oppose LB710. This would increase as you've heard the tobacco tax from 20 to 65 percent. We oppose it because of the negative impact it would have on the cost of cigars. We have elected not to weigh in on the proposed increase to the cigarette tax. What we're talking about here going from 20 to 65 percent is a 225 percent increase on one tax alone. It will lead to drastic increases in the prices of cigars. A $5 cigar purchased from a wholesaler and you add 65 percent in tobacco tax that cigar is now $8.25. That's before you add on the markup from the retailer that's required for the retailer to stay in business, and then it's taxed again at 7 percent. Making cigars significantly more expensive will only drive customers to neighboring states. Retailers that sell tobacco products are struggling to compete with Internet retailers that do not collect or remit any taxes to our state. We would suggest that you work with the Nebraska Department of Revenue and find a way to start collecting the 20 percent tax from on-line sales as well. Please, either remove-- or remove this portion of the bill or oppose LB710 completely. I'd be happy to answer any questions.

FRIESEN: Thank you, Mr. Mach. Any questions from the committee?

COBY MACH: Thank you.

FRIESEN: Seeing none, thank you for your testimony. Welcome.

BRETT MECUM: Thank you, Mr. Vice Chairman. Good afternoon, Mr. Vice Chairman, members. For the record, my name is Brett Mecum, that's spelled B-r-e-t-t M-e-c-u-m, and I represent the International Premium Cigar & Pipe Retailers Association. I'm very happy to be here. I just flew in this morning specifically for this hearing. You've heard from my retailers already. You've heard from my state association. What I'd like to piggyback on is the term evidence-based was used a little bit earlier by one of the, the proponents of this legislation. Well, I've-- we're passing out some factoids right now. I want to let you all know that the premium cigar industry represents one one-hundredth of all tobacco sales in the country. The FDA and the National Institute of Health did a study and the Journal of American Medicine did a study. What did they find? Well, they found that basically a premium cigar smoker only smokes at 1.2 cigars out of every 30 days. They also found that there is no, there is no meaningful correlation between cigar smokers and cigarette smokers. The target of this bill seems to be underage smoking. This industry-- the premium cigar industry is not part of the problem. What else did they find? They found that there is no statistical significant increase in the risk of any smoking-related diseases from premium cigar smokers. So this, this legislation is aiming to solve a problem and is inadvertently punishing a, a part of the industry that, that, that doesn't have any effect on what the target is here. So that is exactly why we'd like to see the, the, the triple-- the, the 65 percent increase-- or the 20 to 65 percent tax increase removed from this bill. One of the things I wanted to, to point out and I'm gonna use an inverse as there was some questions about what this would do as far as on-line sales and so forth. So I'm gonna make an inverse example, one of our big successes two years ago was in Minnesota. Minnesota had a $3.50 premium cigar tax per stick. We were able to reduce that tax to 50 cents. I talked to my retailers up there-- last two years, they've been having record sales. Customers come back, the industry comes back and that means more revenue not less tax revenue for the state. So those are my comments for today. Mr. Vice Chairman and members, I am happy to answer any questions and thank you for having me.

FRIESEN: Thank you, Mr. Mecum. Any questions from the committee? Seeing none,--

BRETT MECUM: Thank you.

FRIESEN: --thank you for your testimony. Welcome.

SARAH CURRY: Thank you. Members of the committee, my name is Sarah Curry, S-a-r-a-h C-u-r-r-y. I'm the policy director for the Platte Institute, and I'm here to testify in opposition to LB710. While we find that the funding for behavioral health is commendable, using an unreliable revenue source like cigarette and tobacco taxes draws-- to draw down more federal grants is not a wise decision for the state of Nebraska. Historically, federal grants for programs mentioned in this bill are adjusted annually and sometimes are stopped or significantly reduced with little or no notice to the state. This makes it even more risky to fund these operations with a revenue source that has declined on average of 2.7 percent per year over the last decade. A higher tax brings an expectation of even lower sales, meaning the state can expect to see more decline if this additional tax was levied. And I'm happy to explain the economic reason for this, and Senator Friesen's relationship on price and quantity if I have time. In the last decade, 85 percent of cigarette excise tax increases missed their revenue projections. There are 23 separate instances where there is state data to show how far states have missed projections. And of those, only four experienced more revenue with the remaining experiencing less. Many national organizations also agree with this, even NCSL specifically states cigarette taxes are not a stable source of revenue. From a policy standpoint, this regressive tax would affect lower-income adults the most. According to the Center for Disease Control and Prevention, 30.8 percent of adults in Nebraska who earn less than $15,000 per year are smokers. Raising this task-- tax will unfairly burden these low-income earners. Research has also found that higher tobacco taxes reduce usage by an insignificant amount and they are more likely to increase smuggling creating an illegal tobacco market without necessarily improving health outcomes. Under current law Nebraska is ranked 40th in the nation, with Missouri and Wyoming the only neighboring states with lower rates. If this bill is enacted, 230-- the 234 percent increase will give Nebraska the 12th highest tax rate in the country and the highest among its neighbors. LB710 could also unintentionally trigger an illegal market for tobacco. Economists at the Mackinac Center for Public Policy have created a statistical model to estimate the degree to which cigarette smuggling occurs in all 50 states. According to these economists, Nebraska smuggling rate was a puny 1.14 percent of total cigarette consumption in the state. But if this proposed bill is adopted, that rate will rocket to 30 percent of the total market putting Nebraska 6th overall behind Minnesota. In addition to smuggling concerns, the increased tax rate would also mean that Nebraska would see a decline of legally taxed tobacco products but not on the assumption that fewer people are smoking. The Journal of Health Economics found that 85 percent of the change in legal sales after increase due to a tax avoidance and evasion is not because of quitting smoking. And that's my time.

FRIESEN: Thank you, Ms. Curry.

SARAH CURRY: You're welcome.

FRIESEN: Are there any questions from the committee? Senator Groene.

GROENE: So Missouri is-- I mean, like 17 cents or 17-- it's one of the lowest?

SARAH CURRY: That's correct, yes. They're one of the lowest in the state-- or country, excuse me.

GROENE: So every time somebody around them raises their taxes-- they're smoking-- put it this way, if the amount, amount of cigarettes that are sold in the state of Missouri per capita, is their smoking rate higher than Nebraska's?

SARAH CURRY: Their sales-- their quantity demanded of product is higher than it would be here because their tax is lower.

GROENE: How would anybody know if somebody walked into a store and bought a pack of cigarettes if they lived in Missouri or if they lived in Nebraska?

SARAH CURRY: So they--

GROENE: When they do those statistics, they sound fictitious, fictitious to me.

SARAH CURRY: Right. So they don't know, you drive down to Missouri, you grab an extra pair of cigarettes on your way down to Kansas City. They don't know that. What they do know is the people that drive a van, drive down to Missouri, fill up the van full of cigarettes and drive them back up here and sell them. That's what they do know.

GROENE: Per capita in Missouri, purchases of cigarettes is a lot higher than any state around.

SARAH CURRY: That's correct. And they can tell the smuggling because you start to see those border stores and the border sales will increase after we have a neighboring state increase. New York saw this. New York has a-- I believe it's $4.35 tax per pack of cigarettes. And so what they were doing is driving to the southern part of the country, North Carolina, South Carolina, where the tax is very low and driving it up and selling it there.

GROENE: But, it's not illegal to go down and fill your van up with cigarettes and come back to Nebraska. It's interstate commerce. They're both legal in both states, right?

SARAH CURRY: It's considered smuggling and you're, and you're evading the tax. So if you're caught it is illegal because you're not-- you're, you're selling a product in the state of Nebraska and you are not paying the tax that is due on that sale because it's happening within the jurisdiction of the state of Nebraska. If they were selling that tax to a Nebraskan in Missouri--

GROENE: So if I go to Missouri and their sales tax is lower and I buy this shirt and I come back in Nebraska and wear it I'm breaking the law?

SARAH CURRY: No, but if you bought 500 of those shirts and came back to Nebraska and sold them that would be.

GROENE: Oh, sold them, but if I consume them I'm not [INAUDIBLE]?

SARAH CURRY: That's correct.

GROENE: All right.

SARAH CURRY: Um-hum. Yes, if you sold them.

GROENE: If I go down there once a year and buy-- took a trunk full of cigarettes, and for my own consumption, [INAUDIBLE]?

SARAH CURRY: Yeah, you can do that and then you're just giving Missouri more money and Nebraska gets less, so that, that also plays into the argument of it's an unreliable revenue source.

GROENE: A lot of things we tax is because it's a character flaw. These people who smoke are they any different than any other citizen? Do they have jobs? Do they work? Do they raise a family? Is there a higher divorce rate? They're just average people, but that's their form of entertainment. Is that-- is there any study that says they're, they're not any better than the person who smokes-- never smoked in their life?

SARAH CURRY: No, and the tax is levied the same reason why we have alcohol taxes or any other sin tax. It's the government's way of trying to alter behavior through taxation.

GROENE: Well, with alcohol there's side effects.

SARAH CURRY: I mean, there's, there's arguments on each for each good. But, yeah.

GROENE: All right, thank you.

SARAH CURRY: You're welcome.

FRIESEN: Thank you, Senator Groene. Senator Kolterman, do you have anything to add?

KOLTERMAN: No, I'm, I'm not saying anything.

FRIESEN: Senator Briese.

BRIESE: Thank you, Vice Chair Friesen. And thank you for your testimony. Is there a rate increase that you would not find objectionable here in this relative to cigarettes? We talk about smuggling, a lower rate increase would minimize or would dilute the incidence of smuggling I would think. We talk about the [INAUDIBLE] to predict revenue increases. I'm not troubled by that. You know, revenue predictions and inexact science to begin with. But what, what rate increase would you find acceptable? If I could use that phrase.

SARAH CURRY: Well philosophically, I don't agree with sin taxes because I don't believe it's the government's place to try to alter one's individual behavior. From a revenue stability standpoint, when we look at-- I'm gonna give cigarettes as an example-- economically when we study, when we study things there's, there's a price elasticity of demand. So it says if you increase the price will demand go down or will demand stay the same. And because tobacco is a heavily addictive thing we would say that cigarettes are inelastic to a point. So there is a price point at which cigarettes turn elastic, which means when you increase the price your total revenue or the quantity demanded will go down. At this level, we have moved over to where cigarettes become elastic and that will happen. If you're increasing the tax by two cents, I would believe at that level it would stay at the inelastic and so demand would not be negatively impacted, and it would be a much easier way to forecast it. Now I, I am gathering from the bill introducer's testimony that one of her intents is to reduce youth smoking. And I know there have been multiple studies on the elasticity of demand for youth consumers, and for them the price of cigarettes must be astronomically high for it to switch from inelastic to elastic because they're not regular consumers, and it's more of a social peer pressure thing rather than an addictive policy. So I can't tell you a price because for me drawing down more federal funds is a very, very serious thing for the state and it can cause a lot of problems. And so to use an unreliable revenue source of any type to match those federal funds is very dangerous and I would-- I just wouldn't use this tax as that method if you want more federal funds.

BRIESE: But if your goal here is to raise revenue for this or other reasons, what, what rate increase would you be agreeable to?

SARAH CURRY: If my goal was to raise revenues just by itself, it would have to be a very, very small rate increase. So you wouldn't bridge that-- you wouldn't transfer from one price elasticity-- the inelastic price to the elastic price. You'd have to keep it to where cigarettes are still inelastic and so you wouldn't affect demand.

BRIESE: OK, thank you.

SARAH CURRY: Sorry for the economics on it, but that,--

BRIESE: Oh, it's fine.

SARAH CURRY: --that goes into my decision making, yeah.

BRIESE: Sure, thanks.

FRIESEN: Thank you, Senator Briese. Any other questions from the committee? Seeing none, thank you for your testimony.

SARAH CURRY: Thanks.

FRIESEN: Any other opponents?

TIM BOWEN: Good afternoon, my name is Tim Bowen, that's T-i-m B-o-w-e-n. I represent the Nebraska Vape Vendors Alliance. I work for a company called Alohma, which was Nebraska's first brick and mortar vapor store. So I had something written and I had to throw it out because it's not really relevant to the conversation that I've been hearing. So we're-- I'm gonna wing it here. At some point we have to differentiate what is nicotine, what is tobacco? OK. Nicotine happens to come from tobacco. Nicotine is also in potatoes, tomatoes, broccoli, other things that we eat and we consume. It is an ingredient in the nightshade family of vegetables. OK. So all of us consume nicotine at some point. It's-- you know, almost daily. It's how we consume it and how we use it that depends on whether it is harmful or it is not. Smoking a combustible cigarette, lighting it on fire, inhaling 7,000 different compounds cause damage to the body, disease. Nicotine in its purest form, the same nicotine that is used in vapor products and used, by the way, in Nicorette gum and in transdermal nicotine patches is the same nicotine that's found in vapor products. I assure you there is no group of people that are more anti-smoking than the people in the Nebraska Vape Vendor Alliance and the people that whose livelihoods have been-- you know, based on converting people. So yesterday we met-- Alohma met with the FDA in Richmond, Virginia. And since I'm confined here with time, there were some topics of discussion. We have been capturing data now for almost seven years and some of this data, I think, is very significant. For example, 88 percent of our customers were smokers before they came to us. Of that group, 61 percent of our customers or 69.3 percent of all the smokers that came to us stopped smoking. OK. Vaping is touted by Scott Gottlieb, who's the director of the FDA, as being the-- as having a very significant and positive impact on public health. And Mr. Gottlieb states that FDA sees the smoking cessation rate because of vaping being as much as 65 percent more effective than any other type of cessation device or nicotine replacement therapy. I'll repeat that, nicotine replacement therapy, because the FDA over the last 60 days has begun to, to use nicotine replacement therapy in conjunction with vaping. I suspect that because of the success rate and because of the decrease in the number of smokers which is good in the nation and in Nebraska that, that vaping will become a nicotine replacement therapy product just like the patch, and just like Nicorette gum. Not like Chantix because there's no, there's no chemistry in there.

FRIESEN: OK, can you please wrap up.

TIM BOWEN: I'm, I'm done. I thank you for your time.

FRIESEN: Thank you, Mr. Bowen. Is there any questions from the committee? Senator Groene.

GROENE: Personal experience-- after being a good boy in high school and stuff, went off to college and started smoking. [INAUDIBLE]. I was up three packs when I was in management. I took Nicorette gum when it came out. And I chewed it all day long as much as I could, and I was supposed to take one every three hours. I went to my doctor anecdotally and I said, am I gonna kill myself chewing all this

Nicorette gum? He said, sir, a lot of people die of smoking, I have not one case yet where somebody died of an overdose of nicotine.

TIM BOWEN: That is correct.

GROENE: Is a-- I stopped smoking-- never been in the hospital in my life-- don't have lung cancer. Cigarettes don't kill everybody. But can you take in too much nicotine-- these young people?

TIM BOWEN: Actually, you can. And that is a topic that was brought up and I certainly am very sympathetic to it. There are products that are being introduced on the market today that should not be in the hands of, of young people. These products are called closed pod systems. Closed pod systems simply mean that I manufacturer this, I put the juice, I want you to vape inside this pod and you have to use it because it's proprietary, right? Proprietary closed pod systems contain as much as 54 milligrams of nicotine in a 1.5mil pod. This is the same amount of nicotine that is in a single pack of cigarettes. These pods can be vaped and consumed one, two, three times a day by somebody that is a frequent puffer. What we are seeing in high schools and what our Nebraska Vape Vendor Alliance is all about is, is doing some education so that these kids know what it is that they're getting. This is, this-- this is almost a conspiracy by Big Tobacco, Altria and a company called Juul, to hook a whole another generation not on, not on cigarettes but on another type of nicotine that is very, very strong. So there's a-- you know, that--

GROENE: It's the same nicotine, it's just a stronger dose.

TIM BOWEN: It's the same nicotine, it's just a stronger dose. A lot more of it. Yes, sir. And the average--

GROENE: And the body gets used to more nicotine and it craves more and little bit won't-- so just like any drug.

TIM BOWEN: Sure. You'll, you'll want it. And the first couple of times that you take a puff off of one of these devices you get a little-- just like that for cigarette puff you took. You get a little [INAUDIBLE]. And I guess that's what kids are finding interesting about it. But that goes away after puff 10 or 11. OK. The sad-- sadly the, the distribution channel for these things is in convenience stores and it is in through the Internet. It is not from the, the, the vape stores in Nebraska. So--

GROENE: And you're self-regulating?

TIM BOWEN: Yes, we are definitely self-regulating. And next week we are, we are going so far as-- this was announced to the FDA yesterday as well. We're going so far as to put in an age verification system prior to every sale, an ID has to be scanned and, and, and approved. So it's, it's-- if you're over 18 you get it. If not, then go someplace else.

FRIESEN: Thank you, Senator Groene. Senator McCollister.

McCOLLISTER: Thank you for coming all the way here. What's the difference between an e-cigarette and vaping?

TIM BOWEN: It's, it's terminology. In the beginning days, the, the devices looked like a little cigarette. And so they called them e-cigarettes. And to-- today, as technology has improved, vaping is a, a broader term for use of an, of an e-cigarette. It's a great question.

FRIESEN: Thank you, Senator McCollister. Any other questions by the Committee? Senator Crawford.

CRAWFORD: Thank you, Vice Chair Friesen. And thank you. I just wanted to clarify, but I think I heard you say, are you, are you saying that Juul type devices are not sold in vape shops?

TIM BOWEN: I'm saying that I have twelve stores in Nebraska, none of them carry the Juul. I have colleagues that are here, I do not believe they carry the Juul product either. So-- you know, I know they're getting them from somewhere. I get phone calls from high school principals asking-- we're working with some people in Grand Island now to put on an-- you know, an anti-vaping advocacy for the high school there. We intend to make those things available throughout Omaha and Lincoln as well. I mean we, we are legitimately for the person that wants to not smoke cigarettes but doesn't necessarily want to not use nicotine. One of the questions that was not answered was why do people, why did people smoke? Smokers are typically very anxious people. And nicotine opens up dopamine receptors and allows them to settle down a little bit. OK. That's why somebody will go without eating lunch to buy a pack of cigarettes. I-- should I go away now.

GROENE: Very good information.

TIM BOWEN: All right.

FRIESEN: Thank you, Senator, Senator Crawford.

CRAWFORD: Thank you.

FRIESEN: Any other questions from the committee?

TIM BOWEN: OK, thank you very much.

FRIESEN: Seeing none, thank you very much for your testimony.

ERIC JOHNSON: Good afternoon, everybody, my name is Eric Johnson, E-r-i-c J-o-h-n-s-o-n. Just like Tim, I'm here from the Nebraska Vaping Vendors-- [INAUDIBLE] Alliance?

SARAH LINDEN: Association.

ERIC JOHNSON: Sure, whatever. We, we actually are here to help expand-- well, I'm here to help expand on a couple of things that we've, we've already touched on a little bit before. The number one thing is when I get people into my shops a phrase that I hear an awful lot is, thank you. Thank you for helping me stop smoking. Thank you for giving me time back with my kids. Thank you for letting me play with them. Thank you for helping me be able to exercise again. Thank you for helping me not smoke anymore. Because as Tim alluded to, vaping is the number one smoking cessation product. We are 65 percent better than the next level of product that's there. Additionally, our products, if used in the same type of bell curve that you would normally see from a smoking utilization perspective, usually will offer a significant monetary cost reduction. When you consider that so many of our customers do exist on the lower end of the economic spectrum. I think it was something like 50 percent of the folks that have GEDs smoke. You know, that, that little extra bit, bit of money can make a huge difference. Now when we talk about this bill in particular we also see a lot of people make claims in, in any tax situation where, oh, this bill is going to do this. It's gonna do that. It's gonna have all these negative impact effects. And-- you know, we touched a little bit earlier on Pennsylvania. But, I think that it's a really good point to kind of hammer home and I'm gonna read this to you here. Pennsylvania passed a 40 percent, this is only 40 percent-- since then, a 130 vape shops went out of business. The monthly tax collection went down, not up, and the number of adult smokers increased. They didn't go down, they increased. You know, I can't, I can't emphasize enough to you that if we're going for one particular goal in mind we can look to this particular study right here and see how it did the exact opposite of what we're trying to do. Which is, we need people here in Nebraska off of smoking. Get them on to something that's much safer for them. And in the long-term, save the state a whole lot of money and provide a seriously legitimate increase in the value of how these people live their lives. That's it for me. Any questions?

FRIESEN: Thank you, Mr. Johnson. Any questions from the Committee? Seeing none, thank you for your testimony.

SARAH LINDEN: Good afternoon, members of the Revenue Committee, my name is Sarah Linden, S-a-r-a-h L-i-n-d-e-n, and I'm here to also speak in opposition of LB710, which does two things: one, it defines vapor products as tobacco products, and we are not tobacco; two, it applies the 65 percent wholesale tax to vapor products. There's been a lot of-- I had prepared remarks as well, but there's been a lot of data that's been provided that has not been accurate. So I'm gonna actually go through some of the data that is accurate and I will give you the sources of that data. OK. One, vaping is not a gateway to smoking. The Journal of the National Cancer Institute published a new study in January of this year saying that there is absolutely no evidence that vaping is a gateway to smoking among youth. Royal College of Physicians, a 2016 study said vaping is at least 95 percent healthier than smoking, but we estimate it to be at 98 or 99 percent healthier. Let's see, I-- vape-- I rep-- I own a vape shop in Nebraska also, and we are not the enemy. We do not like cigarettes either. We just want to help people stop smoking. We have been self-regulating. Thank you for giving us credit for that. Since-- long before there were any regulations, the things that we do is we've always limited to-- the age to purchase vapor products. We always refuse sales to parents or friends that we know are purchasing for minors. We always track and eliminate bulk purchases which may be resold to minors. We always disapprove and ban brands that market to kids. We do not carry brands that look like candy or cereal or soda pop. We do not in the state of Nebraska. We reject consumers who have never smoked or vaped before to prevent them from starting a habit. I have personally sent people out of my store and refused their money telling them don't start it. If you're not addicted to nicotine don't start. Only 1 percent of the retailers in Nebraska who sold to minors in 2018 were vape shops. And in fact, it was one vape shop who is not here today. One sold to a minor. I mean, I have loads of data. And we're trying to set up meetings with you, but we want to be part of the solution. We know that teen vaping is an issue. We don't want teens to vape any more than anybody else, so we have solu-- alternative solutions. And one of them is to get rid of closed pod systems, because those are the systems that teens are using. Don't keep adults from being able to quit smoking, let's just try to get the products that adults aren't using-- closed pod systems by the way. Let's get those closed pot systems to be not available for teens.

FRIESEN: Thank you for your testimony. Any questions from the committee? Seeing none, thank you for your testimony.

SARAH LINDEN: No problem.

TIM KEIGHER: Good afternoon, Vice Chairman Friesen and members of the Committee, my name is Tim, T-i-m, last name is K-e-i-g-h-e-r. I appear before you today in opposition to LB710 on behalf of the Nebraska Petroleum Marketers and Convenience Store Association, which I am their executive director and registered lobbyist. I was going to also discuss the border bleeding issue and that got covered pretty well earlier. But to keep it brief, I will give you an example: back when Iowa and Nebraska went back and forth on raising their cigarette tax there was one wholesaler of tobacco and candy products in the Omaha market who saw his sales go down 24 percent when we had the disadvantage. Subsequently, he saw his sales in Council Bluffs go up 25 percent. If you have 80 percent of the population that lives within 50 miles of the border, for people to say that people are not gonna find an alternative to buying these products if you raise the tax a $1.50 a pack-- I mean, that's not what we've seen by members who have stations in Council Bluffs. Yes, they're across the casino, but they tell me that 75 percent of the cars that are there are Nebraska plates. They were going over there, they were buying their cigarettes. They were buying their gas before our gas tax-- when our gas tax and theirs were at a differential. And I'm assuming they were spending all their savings on the riverboat, so Iowa was getting all the money. You know, I don't have an opinion. The association doesn't have an opinion on whether smoking is good or bad for you. It's a legal product. My members want to sell what the consumer wants to buy, and we have to be the best alternative for them to buy it. So with that, I won't repeat any of the other testimony, but we are in opposition. Thank you.

FRIESEN: Thank you, Mr. Keigher. You get a bonus point for that. [LAUGHTER] Any questions from the committee? Seeing none, thank you--

TIM KEIGHER: Thank you.

FRIESEN: --for your testimony. Any others who wish to testify in opposition to LB710? Seeing none, anyone who wish to testify in a neutral capacity? Welcome.

DANIEL MUELLEMAN: I think it's still good afternoon, Senator Friesen, members of the Committee, my name is Daniel Muelleman, that's spelled D-a-n-i-e-l, last name is M-u-e-l-l-e-m-a-n. I'm an assistant attorney general at the Nebraska Attorney General's Office, and I lead our Tobacco Enforcement Unit. I'm here to testify in a neutral capacity on behalf of the Attorney General's Office for LB710. The Attorney General does not take a position with respect to the taxation appropriation or public health aspects of this legislation, so you won't hear me talk about that. Instead, I wish to highlight certain aspects of the legislation that would affect state enforcement of the cigarette laws. Effective enforcement of state cigarette laws is the key to ensuring continued receipt of the cigarette Master Settlement Agreement funds. Those funds are the current sole funding source of the Health Care Cash Fund. Two changes to existing law contained in LB10 [SIC] would create burdens for state tobacco regulation and enforcement. These burdens would introduce potential liabilities that would place the continued receipt of MSA funds at risk for Nebraska which reduce-- which would introduce significant uncertainty to the current sole funding source of the Health Care Cash Fund. The two provisions of concern in LB710 are the changes to the definition of cigarette and the definition of tobacco product, and that tobacco product definition also would rewrite, rewrite the existing retail licensing scheme. Both of these amendments, if enacted, will place unwelcome administrative and enforcement burdens upon the state and place the state's continued receipt of the Master Settlement Agreement funds at risk. Regarding LB710's cigarette definitional change, I wish to highlight five concerns: number one, it does not amend the rule for smoking language contained in the current definition of cigarette. That failure to amend fails to contemplate market changes regarding new cigarette- like products called heat-not-burn and it exacerbates a disjoint between the tax and other enforcement laws. The cigarette definitional changes uses a weight per thousand metric when calculating tax ability of a broadened class of products. This assigns direct statutory tax and stamp duties on a new class of products without recognition of market realities. Its weight per thousand metric does that on the expansive line and product without appropriately discerning limitations for state enforcement liability.

It also places tax and stamp requirements on a series of products that the industry cannot easily adapt to comply with, and it places industry regulator regulate-- relations at risk. It would introduce immediate doubt as to the reliability of taxpayer reporting and stamping and erode state confidence in overall enforcement efforts. The final four concerns regarding the tobacco product definition are: that it reduces the entire noncigarette taxable product class of consumer nicotine products into a single definition reliant primarily on its qualification as a tobacco product while inherently conflicting itself by attempting to also include nicotine and nonnicotine products and that creates regulator enforcement as well as potential litigation exposure. The definitional change relies on tobacco products for its e-cigarette provision and a smoking device construction that weakens the contemporary scope of products. It also fails to provide regulator adaptability to include prospective products coming to the market and incidentally the tobacco product definition if used as intended in the bill explicitly exempts cigarettes from the tax definition of tobacco products and erases that requirement for cigarettes to have a retail license in order to be sold to consumers. I thank the committee for the opportunity to testify. I'm happy to answer any questions.

FRIESEN: Thank you for your testimony. Are there any questions from the committee? Senator Crawford.

CRAWFORD: Thank you, Vice Chair Friesen. I just want to understand what in the bill would eliminate cigarette requirements for licensure?

DANIEL MUELLEMAN: Yeah, so-- got a copy of the bill, I'll just point to the tobacco product definition on page 18 of the introduced copy. It says that a "Tobacco product means:"-- and then it includes subsection (1) (a) and (b). Subsection (2) says a "Tobacco product does not include:" cigarettes as defined in the tax statutes. And then if you flip back to Section 1, and then the following sections in Chapter 28 the amendments of the 1418 to 1425 licensing scheme. It eliminates all definition of cigarettes, cigars, vapor products, alternative nicotine products, or tobacco in any form whatsoever and reverts to a tobacco product. It does not provide a definition for what tobacco product is. The only defined instance of tobacco product exists in Chapter 77. So while it's not entirely clear that a Chapter 77 tax definition of tobacco products could be ported over to Chapter 28 criminal statutes in the first place if that's the intention. What that does is, it says tobacco products are the only thing required to have a retail license and explicitly tobacco products do not include cigarettes.

CRAWFORD: Thank you.

FRIESEN: Thank you, Senator Crawford. Any other questions from the committee? Seeing none, thank you for your testimony.

DANIEL MUELLEMAN: Thank you.

FRIESEN: Anyone else wish to testify in a neutral capacity? Seeing none, Senator Cavanaugh, would you like to close?

CAVANAUGH: Well, how's everybody doing?

FRIESEN: We're used to this.

CAVANAUGH: I do have another handout, because I, I feel that you don't have enough yet. So here's one more. OK. First, just want to address a few things, we are working with the Attorney General's Office on language to make sure that we are not jeopardizing getting that funding that we are due from the settlement. We also are working on the language for the CHIP allocation of funds. I met with the fiscal office, unfortunately we didn't know about that until yesterday because of how fiscal notes work. But we are going to work on an amendment to that language to ensure that it is not something that is difficult to enact for the Department of HHS. That aside, apparently the Department of HHS is against us giving them any revenue. I can't help them with that except for that I still want to give them revenue. So we've heard from a lot of different groups today. A lot of advocacy groups and the industry people. And I just want to take a, a step back from this and tell you about Bennett [PHONETIC]. Bennett is 29 years old, and on November 26, 2014, 155-- 1,554 days ago he quit smoking. He has currently not smoked 62,193 cigarettes. He's saved twenty thousand dollars and nine-- twenty thousand nine hundred ninety-one dollars. He's won back 259 days of his life. He's 15 percent away from reducing, reducing his risk of lung cancer to a nonsmoker level. He did all of this-- he got all this information from putting an app on his phone when he quit smoking on November 26, 2014. Bennett is my cousin who I love dearly and I'm thrilled to know that I will get to enjoy at least 259 more days of Bennett than I would have otherwise. And he's only 29, so that number is just going to keep going up. At the same time that Bennett quit smoking, he inspired another family member a month later in December of 2014 to quit smoking. A family member that at least one member of this committee I know knew well, my Uncle Tom. My Uncle Tom quit smoking in December of 2014, and in January of 2015 was diagnosed with lung cancer. And in October of 2015, we laid him to rest. It was quick. It was vicious. He was able to attend my brother's wedding, and that was the last family thing that he was able to do in August of 2015. I spoke about my Uncle Tom in a hearing last week because he was the county clerk in Douglas County and he left his hospice to execute his job in Douglas County. I tell you this because we've heard a lot from the business community. We've heard a lot from advocacy groups. We've heard about what smoking does and, and what the revenue would do. I want to stop people from smoking. I, I would think that's something that we as, as a society want to do. I want to help people. I think that's-- I, I know that that is something as a legislative body we all want to do. The revenue is a happy accident in decreasing the number of deaths annually from smoking. There's not many times any of us in this room-- any of you at this table will be able to say that we did something that saved thousands of lives. But this is something that we can do together to save lives. And in addition to that, we can generate revenue for our state. I believe as I said in the beginning that I don't believe in giving a tax-- putting a tax on the backs of economically disadvantaged without serving the economically disadvantaged, which is what I tried to do with my bill. I will work with anyone on the language. I will work with anyone on the execution of it. But I really hope that those of you that can vote this out of committee will take into consideration the opportunity you have today to save people's lives. It's, it's not about what is acceptable to retailers, what an acceptable increase is. It's-- that's not relevant. What's relevant is the lives that we can save. The health care costs that we can save. There-- we talked about the, the, the expense on our state, the millions-- hundreds of millions of dollars that we spend on smoking-related diseases and lost wages that we could be putting towards property tax relief. This bill is not perfect, but it does a lot of really amazing things. And we haven't done this, we haven't moved this forward since 2002. And in 2002, we were 26th in our cigarette tax in the nation. Today, we're 42nd. So it's been too long, too many other states have already realized the benefits of increasing the tax, and I hope that we can do that as well. So I thank you so much for your-- literally hours of your life today, and I hope that you will move this bill forward.

FRIESEN: Thank you, Senator Cavanaugh. Any questions from the committee? Senator Crawford.

CRAWFORD: Thank you, Vice Chair Friesen. Thank you for the bill, and thank you for your comments. How, how would you feel about the emphasis being on cigarettes as opposed to all tobacco products?

CAVANAUGH: So initially it was cigarettes for me, that was my emphasis. I was hearing from the broader tobacco community that they wondered why I didn't include all tobacco products which is why I did that. My priority would be cigarettes. I, I know that it's complicated. The tobacco as we heard from especially the vaping community that that's complicated. I don't agree with a lot of the testimony we heard or the research that was cited. I don't think that that is reflected in the broader national research around of addiction and especially in youth, but my priority is to decrease smoking.

CRAWFORD: Thank you.

CAVANAUGH: Thank you.

FRIESEN: Thank you, Senator Crawford. Any other questions from the committee? Seeing none, thank you very much.

CAVANAUGH: Thank you.

FRIESEN: We have numerous letters of proponents. We have several letters in opposition, and they will be entered into the record. That will close LB710, and next we will open the hearing on LB493, and you do not look like Senator Wayne.

JAKE SEEMAN: That's correct, yes. Good afternoon, Vice Chairman Friesen, members of the Revenue Committee, my name is Jake Seeman, J-a-k-e S-e-e-m-a-n. I am Senator Wayne's legislative aide. He was not able to be here for this introduction, so I'm doing it in his stead. He represents the 13th Legislative District, which is northeast Douglas County and Florence. Senator Wayne introduced LB493 at the request of the Omaha Housing Authority. The bill is designed to address an issue that comes up when a housing authority partners with private investors to aid in the construction of public housing. As federal funding for new public housing construction has fallen over time, a greater emphasis has been placed on housing agencies utilizing public- private partnerships to finance the construction of public housing. The typical model involves a private investor who helps finance a public housing project through federal Low-Income Housing Tax Credit commonly referred to as LIHTC. After the public housing project is constructed, the private investor retains an ownership interest in the property over a 15-year period in order to access the federal grant tax credits. The housing authority holds all operation management and maintenance responsibilities throughout the life of the project. However, county assessors, most notably in Douglas County, have interpreted the current language in statute 71-1590 to say: that because the private investor retains an ownership interest even though the investor does not control how the property is used or managed, the property is not eligible for the property tax exemption given to housing authorities as a political subdivision. After the 15-year period, the investor exits and the property becomes fully tax exempt. However, during the 15-year period the housing authority is paying property taxes on all those public housing units spending public dollars that should be going to providing additional public housing on those taxes. Because housing authorities do not have the ability to level-- levy property taxes, those taxes being paid on some public housing units are predominantly coming from rents charged to other public housing tenants. LB493, by clarifying that these properties are exempt from property taxes from the beginning ensures that housing authorities continue to have access to private capital to help reduce the costs associated with financing new public housing and to conserve and preserve the supply of existing public housing. Because it may be difficult for county assessors to determine whether a project owned by a controlled affiliate is eligible for the exemption, LB493 also requires that the housing agency or the controlled affiliate provide notice of the exemption to the county assessor on or before December 31 of the year preceding the year for which the exemption was first sought, and I thank you for your time. Oh, I'm sorry, there are multiple housing authority representatives behind me to testify in more detail on this issue. That being said, thank you for your time. I would be happy to answer any questions-- attempt to answer any questions you might have, and that's all I got.

FRIESEN: OK, thank you.

GROENE: Just one, one quick question.

FRIESEN: Senator Groene.

GROENE: Is this Senator-- the bill that Senator Harr brought last year?

JAKE SEEMAN: I don't know that, sir.

FRIESEN: Senator-- thank you, Senator Groene. Senator McCollister.

McCOLLISTER: Yes, thank you, Senator Friesen. There's no fiscal impact with the state, correct?

JAKE SEEMAN: Correct, I'm-- yeah, I'm pretty sure the fiscal bill is, yep.

McCOLLISTER: I don't see anybody from Douglas County here. What would be the fiscal impact to Douglas County?

JAKE SEEMAN: I will-- we will get back to you, Senator, about that.

McCOLLISTER: Could this be called a, a unfunded mandate?

JAKE SEEMAN: I, I don't have an answer for you on that one. Again, my apologies.

McCOLLISTER: Thank you.

FRIESEN: Thank you, Senator McCollister. Seeing no other questions,--

JAKE SEEMAN: Thank you.

FRIESEN: --stick around for closing? Proponents of LB493?

GEORGE ACHOLA: Well, it's been a long afternoon for you guys. I was able to take a little nap, but I don't know about you guys. [LAUGHTER] My name is George Achola, A-c-h-o-l-a, and today I come to you as a capacity of a member of the board of directors of the Omaha Housing Authority. Some of you have seen me here before in a different capacity as the vice president of Burlington Capital Real Estate, and I came here a couple weeks ago on the military housing matter. But I'm here today on a different bill so I just want to right off the bat answer a couple of questions that have already been asked. Number one, I think Senator Wayne was the one who proposed this bill again last year. And then secondly, as far as we can see there is no fiscal impact to the state. And as far as what the impact is from a tax perspective to Douglas County-- right now, it's about $50,000. So that's what it is right now. So I'm hoping that answers a little of your questions. I'm willing to answer some of the questions you have, but I wanted to give a little bit more background. This bill, I think to a certain extent, cleans up what the legislature started back in

1999 when they amended the Public Housing Act in LB105. LB105 gave the housing authorities a myriad amount of powers and abilities to develop property using unique financing vehicles. Prior to that, housing authorities did not have that capability or have that ability. And I think everybody recognized that the federal government was not continuing to fund public housing the way that they had done in the past and that continues to date. So they look to the states to give their housing authorities the ability to go out and do some of the developments themselves instead of relying solely on the federal government. And as most of you are aware as indicated there is no fiscal impact to the state. We did not get any fiscal funds from the state nor did we get any fiscal funds from the county or the city even [INAUDIBLE] housing through the city of Omaha we get no dollars per say to operate our properties from the city of Omaha. So we rely solely on the rents that are generated from the tenants which we serve. And that brings up another situation in that-- you know, un-- unlike our fellow political subdivision divisions MUD, OPPD or OPS, OPS has the ability to raise property taxes, MUD has the ability to raise their rates, OPPD has the ability to raise their rates in order to deal with some of the short-come funding that they may have. Housing authorities do not have that because our rents are restricted based on federal law and regulations. So unlike the private landlord in order to make up a shortfall, in order to raise his income, what he has to do-- he can raise his rents. We are not in the capability-- we're not in a situation where we can do that, so we are truly rent restricted property, and we are an agency that serves a public purpose. So I think that's important when we talk about this bill, and when we talk about the different private, private tax exemptions that you're being asked to take a look at. One thing that is unique about this is you have an agency that has a public purpose which is providing public housing and our general counsel can talk about that in more detail when he comes behind you. But I think this is a bill that essentially closes a loophole to a certain extent and I can call it that. That was probably not thought about when the bill was originally drafted back in 1999, because if you think about it technically it really does not make any sense that you have a political subdivision with a public purpose doing that public purpose. Whereas if they wholly owned it, they would not pay any property tax. But the fact that they use a financing vehicle ends up in them having to pay a tax even [INAUDIBLE] finance vehicle they still maintain, operate, and take all the responsibility under that property. I'll take any questions. I see my time has expired.

FRIESEN: OK, thank you. Senator Briese.

BRIESE: Thank you, Vice Chair Friesen. Thank for your testimony.

GEORGE ACHOLA: Yep.

BRIESE: You get this exemption in place, are rents gonna go down any or stay the same?

GEORGE ACHOLA: Rents will stay the same because our rents are-- you know, as indicated-- it's, it's based on the tenants rent as well as what the federal government allows. But what this allows us to do: number one, these properties-- they're not designed to be a huge cash flow because they're rent restricted properties, they're meant to serve a purpose. So then when you look at the cash for this property they're barely breaking even if that if we're lucky. So hopefully the thought would be we would take some of those funds that we would have and save from the tax bills and be able to basically reintroduce them back into the property, make some improvements that need to be made, and make some capital repairs that need to be made. Because right now the federal government is not giving us a sufficient amount of capital funding. Those funds have been reduced drastically. So we have to look for different ways to be able to deal with some of the capital repairs that we have and as a result we're not keeping up with the capital repairs that we need to make. But I think that would be one of the things that we would look to do is hopefully recycle some of this money back into our properties for those needs.

BRIESE: You have a substantial need for these dollars.

GEORGE ACHOLA: Absolutely.

BRIESE: Thank you.

FRIESEN: Thank you, Senator Briese. Senator McCollister.

McCOLLISTER: Thank you, Senator Friesen. So you, you do receive federal funds. Is that correct?

GEORGE ACHOLA: We receive federal funds for our housing-- for our public housing and we also operate a Section 8 program which-- and for this purpose of this discussion I take off the table because all we are is an administrator for the federal government in that program. But the public housing units, of the housing units that we do own and the funds that we receive is a subsidy to help our tenants pay their rent. So for example by federal law the tenants are required to pay up to 30 percent of their income if they have income, and then the government subsidizes the balance. So let's say the rent is-- you know, $100 to keep it simple, and the tenant can pay $30 and the federal government can pay $70 so that's what we get from federal government, the $70. But the $70 is not even what we need to be able to operate so they prorate that. So we come back and say we need this to operate our properties, they'll say well, we'll give you 90 cents for that. So--

McCOLLISTER: Do you also receive some money from Douglas County?

GEORGE ACHOLA: No money from Douglas County.

McCOLLISTER: OK, thank you.

FRIESEN: Thank you, Senator McCollister. Senator Groene.

GROENE: How many total units do you have-- housing units? I mean, individual living quarters?

GEORGE ACHOLA: Overall in our entire stock in the public housing side, we have 2,700 units.

GROENE: And then how many of these are taxed?

GEORGE ACHOLA: On the tax credit side, I do not have the number in front of me. I think I-- I'll let our general counsel answer that. But I want to say the ones that remain currently in the tax credit program and he'll correct me, but I'm guessing probably somewhere in the neighborhood of 100 or would be a little bit over a hundred.

GROENE: And this number keeps decreasing?

GEORGE ACHOLA: It decreases because they-- this is a financing vehicle that we use to build these properties. And what the investors, and I hate to use that term because that's not what they are, because what they're getting is a dollar for dollar tax reduction to it and they take that money and they put it into the project to help us build the, the, the property. So-- and that tax credit is something that's taken out over ten years. So in order to make sure that we're in compliance with the IRS regulations that's another unique thing about that program, it's an IRS program not a HUD program. To make sure that we're in compliance with IRS programs, they maintain a limited partnership interest so that's-- we call that the compliance period.

Once that compliance period is over, they essentially give us-- they, they exit, and we own 100 percent. Once that occurs--

GROENE: But still a practice-- I mean, are people coming in and building more units or is this-- I thought-- correct me if I'm wrong, but I thought the first time I heard this bill, I've been here four years,--

GEORGE ACHOLA: Yep.

GROENE: and it was about two hundred and some thousand dollar property tax.

GEORGE ACHOLA: It was, because we've had that money go off, roll off.

GROENE: And roll off, and new properties aren't coming on--

GEORGE ACHOLA: Right now there's not and new properties coming on, but I think as we're looking at our needs-- and this is really the only significant funding vehicle that there is out there to build affordable housing--

GROENE: So you're looking for investors to do this?

GEORGE ACHOLA: We're gonna be looking for projects like this in the future. This makes it just work that much better.

GROENE: And who pays the property tax, you or the investor? No, because he's just getting the credit. He's--

GEORGE ACHOLA: The tenants, the tenants, because we take it out of the tenant's rents.

GROENE: The investor left the scene.

GEORGE ACHOLA: Correct.

GROENE: He took his tax credit and left.

GEORGE ACHOLA: Yep.

GROENE: Yeah.

GEORGE ACHOLA: Yep.

GROENE: All right, thank you.

FRIESEN: Thank you, Senator Groene. Senator Kolterman.

KOLTERMAN: Thank you. So they're still on-- the investor is still on the hook for the term of the lease-- term of the loan, aren't they?

GEORGE ACHOLA: They're on the hook for-- make sure that we're in compliance with the Internal Revenue Service regulations. And if we fall out of compliance, then the IRS would come back and recapture those tax credits, correct.

KOLTERMAN: So, so the Omaha Housing Authority just administers the program for--

GEORGE ACHOLA: We administer the program. We administer two levels. Not only as the public housing side but we also administer the tax credit compliance side. Correct.

KOLTERMAN: When, when you build a unit--

GEORGE ACHOLA: Correct.

KOLTERMAN: Let's say you build a $100,000 unit. What kind of money do you have invested in that unit?

GEORGE ACHOLA: As a public housing authority, probably a minimal amount. Let's say we were to build a $100,000 project, and this is just me thinking right off the top of my head, the tax credits would probably pay 60 to 70 percent of that. And the balance of that we would have to find through other means. Some other soft funding, [INAUDIBLE] some other federal funds to be able to allow us to close that gap or some other potential HUD programs to allow us to close that gap.

KOLTERMAN: But, but the investor has about 70 cents on the dollar invested,--

GEORGE ACHOLA: Yep.

KOLTERMAN: --and then they get that type, type of a tax right off.

GEORGE ACHOLA: Correct, it's just-- I mean, it's, it's a complex program, but it's probably the most brilliant public- private partnership piece of legislation that's ever been crafted by Congress because it has allowed the private market as well as the, the public housing authorities across the country to continue to develop affordable housing and to a certain extent take the federal government out of the business building of public housing.

KOLTERMAN: Thank you.

GEORGE ACHOLA: But the problem is it puts the burden back on us when we have these issues.

FRIESEN: Thank you, Senator Kolterman. Senator Crawford.

CRAWFORD: Thank you, Vice Chair Friesen. And thank you for being here. So I'm just understanding the-- we're talking about the period when the investor still has an interest in the property?

GEORGE ACHOLA: Correct, Correct.

CRAWFORD: All right. Now why doesn't the investor have to pay, pay the property tax?

GEORGE ACHOLA: Because, because the way that it's structured, it is structured in a partnership where the partnership owns the property. So legally the partnership is responsible for paying the property taxes in those-- the only way that you can pay those property taxes is from the revenue that's generated from the rents that you get from these properties. So the way that these, these deals are often structured, I'm gonna buy a piece of land, we're gonna put it in the name of-- you know, Housing Authority, LLC. Housing Authority LLC will own the land, then build a project and Housing Authority, LLC will have the, the investors-- they call them limited partners because they really have no day-to-day operation there. There, there-- the interest is limited to their tax credits and then you have us as the general partner, and we're still responsible for the operations, the maintenance, the compliance, all those things. So the rates have to come from somewhere and they come from the rents. I mean the tax payments have to come from somewhere and we have to take them from the rents. Which is completely different from our-- what I would call our traditional-- public housing stock which we pay no rent, but it's the same operational scenario. The only difference is instead of taking federal dollars to build it straight from the federal government, we took it out of the tax credit. It's still federal money per say, but just through a different bucket.

CRAWFORD: Thank you.

FRIESEN: Thank you, Senator Crawford. Any other questions from the committee? Seeing none, thank you for your testimony.

GEORGE ACHOLA: Thank you. I, I ask for your support.

BRIAN HANSEN: Good afternoon, Brian Hansen, B-r-i-a-n H-a-n-s-e-n. I'm the general counsel of the Omaha Housing Authority. I'm here in support of LB493. Commissioner Achola really did a great job summarizing why this bill is critical, but I'm gonna hopefully add to that. We right now have 175 units which are in that initial compliance period that we're paying property taxes on. The Omaha Housing Authority serves the most vulnerable citizens in Omaha, meaning the, the near homeless, recently homeless, and we have a very high population with mental illness. Without property tax relief, many of our properties actually do not cash flow. Specifically you'll see on the handout that I provided, Ernie Chambers Court, which is a 70-unit building does not cash flow. Commissioner Achola stated that our tax liability right now is about-- is approximately $60,000, and that is correct. The numbers you're seeing are from 2016 when they were a bit higher. The reason why they have been-- come down a bit, is because we were able to work with the county on reducing the load of tax that we were paying because our properties make so little money or make no money at all. And I spoke with Mike Goodwillie of Douglas County this morning. They have supported-- they've submitted a letter that they're not going to take a position on this issue. They do recognize the need that this has in the county. We, we feel that-- how this works is we have properties that we take in the rents-- minimum rent on one of our properties is only $50 a month, meaning that if you don't have income that's the lowest rent you might pay. That's fixed by HUD. We've in the past tried to increase that rent to make up for the gaps that we have in property maintenance and being able to keep our building standing, and we attempted to increase that to $100. HUD said, no, got to stay at $50. So that's, that's a hardship for us. When you add on any additional costs, it's very difficult for us because that means that those monies that we would otherwise use for programming for potentially for supportive services for the families that we serve or for providing new housing or fixing the housing that desperately needs fixing, we just don't have those monies available. I'm happy to answer any questions.

FRIESEN: Thank you, Mr. Hansen. Any questions from the committee?

KOLTERMAN: Yeah, I've got one.

FRIESEN: Senator Kolterman.

KOLTERMAN: Thank you. I'm a little bit confused about-- and maybe you can explain this to me, the developer builds a house-- the unit, and I use the example of hundred thousand before. They pay seventy thousand of that and you pay thirty thousand. And then they get a tax credit, whatever it is over the, over the 15 years or 10 years, whatever the loan terms are. Is that correct?

BRIAN HANSEN: That's correct.

KOLTERMAN: And then after that period of time it comes back off the housing property tax rolls.

BRIAN HANSEN: Right, and then it would be wholly owned by--

KOLTERMAN: Omaha's Housing Authority.

BRIAN HANSEN: --Housing Authority, and it will come off the property tax rolls.

KOLTERMAN: But until then you are responsible. So and so the rents that you generate both from the tenant and the federal government are used to pay off the loan as well as pay your property taxes and maintenance. Is that, is that how it works?

BRIAN HANSEN: Well, we operate as the general partner. So, yeah. So we would be paying all that maintenance cost, taxes, any operating costs we are paying those.

KOLTERMAN: And the loan. Who pays off the loan?

BRIAN HANSEN: Well, George is the expert on the LIHTC developments. The loan, I wouldn't know specifically who paid the loan. In my role as general counsel, I've had the, the struggles of just keeping those buildings together.

KOLTERMAN: OK, but somebody's got to pay off the loan. I mean, with a hundred thousand, you can't get a tax credit, and somebody's got to build the thing. That's where the money is used I assume.

BRIAN HANSEN: Right.

KOLTERMAN: I, I just need to-- when he comes back-- when, when he comes up, we'll ask him.

BRIAN HANSEN: Right, I think he's the expert on these LIHTC developments. Commissioner Achola actually was in my position prior to me taking the position with the Housing Authority and he was, he was instrumental in putting a lot of these developments together.

KOLTERMAN: OK.

FRIESEN: Thank you, Senator Kolterman. Any other questions from the committee? Seeing none, thank you for your testimony.

BRIAN HANSEN: Thank you.

CHRIS LAMBERTY: Good afternoon, I'm Chris Lamberty, C-h-r-i-s L-a-m-b-e-r-t-y. I'm the executive director of the Lincoln Housing Authority. I'm also here representing the Nebraska Chapter of NAHRO, which is an organization that represents over 100 public housing authorities throughout the state of Nebraska. I'm trying-- I'm going to-- I'll answer your question at some point, but I'm gonna try to broaden the perspective a little so that you understand that this is an issue that goes beyond Omaha. Although, the Omaha Housing Authority is kind of on the cutting edge here on, on what the issue is. There are and the, the, the legislative language itself is really simple, but the reasoning and history behind it is rather complex as you heard the two other gentlemen try to explain, so I'll try to put it into some perspective. There are a little over 10,000 public housing units throughout the state of Nebraska in about 110 different communities. Most of that housing was built in the late 60s early 70s with funding from the federal government-- that housing-- and it's owned by public housing authorities and operated by public housing authority and serves the lowest income citizens in those communities-- generally seniors, disabled persons, and low- income families. That housing has always been property tax exempt. The state law has always exempted those properties from property tax because of the public purpose of, of serving low- income residents and it has been entirely federally funded. The history of federal funding and the way that the federal government is choosing to fund housing has changed. And across the country and in Nebraska the, the federal government has kind of systematically been cutting back on direct expenditures for things like modernization and updating of public housing. So most public housing in the state now is about 50 years old. Old housing requires reinvestment, updating-- most of the public housing authority in the state is in reasonably good condition, just, just needs ongoing modernization or updating all the mechanical systems. You know, the normal things you have to do. That is funded out of either federal funds or the, or the rents which are very limited that the tenants pay. The federal government has shifted from direct grants to pay for those kind of things and is now encouraging housing authorities to sort of change the structure of all those properties. And instead of doing direct grants for this sort of work, they're saying use the tax code and use federal tax expenditures. So in other words they want us to go out and recruit private investors whose only interest in putting money into this property is to get tax credits back on the back end. And that's how-- essentially how the federal government is saying this is how we think we can better deliver you the funding you need to keep these properties going over the long-term. OHA has been on the cutting edge of this issue because they're the largest community in the state, they've got the low-- oldest public housing stock in the state and they have taken actions to replace it and do some things using these financing mechanisms that George was explaining. And since they're on the cutting edge they've learned where the structural flaws are. One of the structural flaws are they've taken public housing that was otherwise property tax exempt and ended up putting it on the property tax rolls because they had to go through this financing mechanism to get the federal funds. So what we're really-- from my view what we're asking you to do is sort of create-- fix the structural problem in that so that we can access the, the financing mechanism that the federal government wants us to access to continue to be able to fund and preserve these public housing properties going forward. And my red lights on, so I'll stop and ask questions-- answer questions.

FRIESEN: Thank you, Mr. Lamberty. Senator Kolterman.

KOLTERMAN: So could you answer the question that I just asked a few minutes ago?

CHRIS LAMBERTY: So your, your, your question was the, the taxpayer and the investor pays for a certain amount.

KOLTERMAN: Who pays for the building?

CHRIS LAMBERTY: So what will happen is-- OK, so the $100,000 example, we might be able to raise 70 percent of that from an outside equity investor. The other 30 percent is debt or some other source-- that all goes into the building. And so then the debt or whatever, or whatever has to be repaid is repaid out of the income from the property. The property pays all the expenses including any financing.

KOLTERMAN: But in your case they're so old they need to be refurbished and there's not enough money there to do it.

CHRIS LAMBERTY: Correct, so--

KOLTERMAN: What's your occupancy rates? Do you know them? Oh, you probably don't know what they are.

CHRIS LAMBERTY: I don't know what Omaha's are. I mean, I mean in Lincoln we're about 98 percent occupied at all times.

KOLTERMAN: We've got a bunch of these in Seward.

CHRIS LAMBERTY: Right.

KOLTERMAN: That's why I'm asking.

CHRIS LAMBERTY: Um-hum. So--

KOLTERMAN: Would this, would this bill affect them or is this just for Omaha? I didn't read--

CHRIS LAMBERTY: No, no it would-- my, my point is right now more and more housing agencies across the state including ones in all of your districts will be looking in years ahead to figure out how to raise money to upgrade the stock they have or replace the stock they have now. And right now it's property tax exempt. And if they go through the financing mechanisms in order to essentially do it the way the federal government says they want to do it which is no longer direct grants but use the tax code in bringing private investors then it takes it off the tax rolls. So we're just trying to correct that-- essentially keep the properties' tax exempt as they are now. Does that make sense? Does that answer your question?

KOLTERMAN: I'm, I'm following what you're trying to do.

CHRIS LAMBERTY: OK.

FRIESEN: Thank you, Senator Kolterman. Senator Groene.

GROENE: I'm trying to figure out why the private investor does this. So you got a $100 project, and they come up with $70 and they bring a-- they just give you the money and then you go out and find a contractor or is this the contractor who's comes and--

CHRIS LAMBERTY: No, no, no the private investors are people who benefit from federal income tax credits.

GROENE: All right, so they give you $70 for the project.

CHRIS LAMBERTY: Yeah.

GROENE: What's their credit? Why would they do it if they're only gonna get $70 credit?

CHRIS LAMBERTY: They're not, they're gonna get a $100 credit.

GROENE: Oh, so could you negotiate with them?

CHRIS LAMBERTY: They're gonna get-- they're gonna, they're gonna give us $70, and get $100 back over 10 years,--

GROENE: All right.

CHRIS LAMBERTY: --so they have a rate of return.

GROENE: So could you negotiate with them and say you pay half the sales-- the property taxes?

CHRIS LAMBERTY: Sure, and they would give us less up front. They would just say, OK, we'll pay the pro-- you know, if that's the issue we'll give you 60 cents on the dollar. I mean it, it--

GROENE: Oh, that's negotiable.

CHRIS LAMBERTY: There, there-- it's a, it's a, it's a market, yeah.

GROENE: It's a market.

CHRIS LAMBERTY: It's a market, and it's a competitive market.

GROENE: So you go out there and--

CHRIS LAMBERTY: And we're trying-- yeah, you're trying to--

GROENE: You go out there and take bids. We-- we've got--

CHRIS LAMBERTY: To some degree, yeah.

GROENE: --ten million dollars of tax credits we're gonna finance, and you take bids from investors, one might come in at 50 percent and the next one at 55 and you [INAUDIBLE],--

CHRIS LAMBERTY: Yeah.

GROENE: --it might impact the credits.

CHRIS LAMBERTY: In a, in a simplified way that's how it works, yeah. You're, you're looking to get the most you can get out of it in the end.

GROENE: And [INAUDIBLE]--

CHRIS LAMBERTY: And the people investing are solely investing because they're getting a tax credit on the back end and essentially the federal government is providing the money to do the rehab or replacement, but they're doing it through their tax code instead of a direct expenditure and that's the choice they have made, and we're trying to respond to that choice and deal with them.

GROENE: Yeah, you're just using it as a tool--

CHRIS LAMBERTY: Yeah, um-hum.

GROENE: --because it's the federal government giving away the tax dollars.

CHRIS LAMBERTY: Right.

FRIESEN: Thank you, Senator Groene. Senator Lindstrom.

LINDSTROM: Thank you, Senator Friesen. You mentioned that the feds have gone away from the grant process and more towards tax credits.

CHRIS LAMBERTY: Yeah.

LINDSTROM: There's a lot of talk about opportunity zones in the last 12 months or so and I know--

CHRIS LAMBERTY: Yeah.

LINDSTROM: --they're still working through those discussions and the rules and regs. Is that something that could be utilized with regards to the capital gains portion of that or is there talks of combining that?

CHRIS LAMBERTY: I, I have heard talk of combining that. I am, I am-- I have not become a good enough expert on how the opportunity zones are gonna work. But I think-- you know, relative to some of the things-- I know Omaha is looking at-- for some of their redevelopment of their older public housing stock. It's possible that the opportunity zone benefits could help them get some private equity into those deals.

LINDSTROM: OK. [INAUDIBLE]-- with, with even looking for other sources of revenue,--

CHRIS LAMBERTY: Right.

LINDSTROM: -- if it's just on-- say the tax credit side, and then you also can get that deferral of the capital gains for some small businesses that might be liquidated, and that might be another source of revenue in that discussion.

CHRIS LAMBERTY: Yep, I agree. Thank you.

FRIESEN: Thank you, Senator Lindstrom. Senator Briese.

BRIESE: Thank you, Vice Chair. And thank you for your testimony. So the 70 percent figure we've been talking about all along that's negotiable then?

CHRIS LAMBERTY: Yeah, if you're talking about just the, the fed-- the low-income housing tax credit market, yes, that, that, that pricing of tax credit is a market-based pricing.

BRIESE: OK, so any additional revenue that OHA ends up with as a result of tax exemption here, that could ultimately end up in the hands of the investor couldn't it?

CHRIS LAMBERTY: No, that's, that's not how that's structured.

BRIESE: But if you're negotiating that with the investor it gives you the opportunity to--

CHRIS LAMBERTY: The, the investor,--

BRIESE: --cut a little better deal there.

CHRIS LAMBERTY: Yeah, what we're negotiating with the investor is how much money we're getting out of them up front. And that is a market based-- and the market goes-- it changes over time and federal tax laws have an, have an impact on that. What we're, what we're negotiating from the investor is how much money we're getting up front for whatever we're trying to do-- if it's a new development or putting money into a re-- into an old development. We're in-- we're figuring out how much we're getting out of that investor up front--

BRIESE: OK, so,--

CHRIS LAMBERTY: --for the tax credits that, that we've been able to get awarded.

BRIESE: --so, so these dollars are [INAUDIBLE] to the benefit of OHA and your projects?

CHRIS LAMBERTY: Yes, they would-- they come in and they, they go into the project and into the benefit of the project.

BRIESE: OK, thank you.

CHRIS LAMBERTY: Sure.

FRIESEN: Thank you, Senator Briese. Any other questions from the committee? Thank you, Mr. Lamberty for your testimony.

CHRIS LAMBERTY: Thank you.

FRIESEN: Any other proponents to LB463-- 493? Seeing none, anyone wish to testify in opposition to LB493? Seeing none, does anyone want to testify in a neutral capacity? Seeing none, want to close? He waives closing. With that, we will-- we do have a, a letter in a neutral capacity from Diane Battiato, Douglas County Assessor. That will close the-- we'll close the hearing on LB--

KOLTERMAN: Was that for-- was that support?

FRIESEN: A neutral.

KOLTERMAN: A neutral, thank you.

FRIESEN: Now we will open the hearing on LB529.

GROENE: Thank you.

FRIESEN: I expect a very short hearing.

GROENE: Just vote it out of committee and I'll walk away. Mike Groene, M-i-k-e G-r-o-e-n-e. I brought this bill because we're looking at property tax relief and then there's two ways to do this is make sure we-- well, it's three or four ways: you cut spending; you, you do some shift; or you make sure everybody's rowing the boat paying property taxes and, and you talk about sales tax exemption, but let's start looking at some of the property tax exemptions we have out there. LB529 changes provision with respect to property tax exemptions for hospitals. Per the Nebraska Constitution, Article VIII, Section 2: the Legislature may exempt from taxation property owned and used exclusively for educational, religious, charitable, or cemetery purposes, when such property is not owned or used for financial gain or a profit to either the owner or a user. And then we put that constitutional amendment into statute with Nebraska statute 77-202(1)(d): currently provides the property tax exemption for such property. Property must not be owned or used for financial gain or profit. In 1955, Gertrude Muller sued the Nebraska Methodist Hospital-- brought an action against the hospital to recover for injuries suffered when she was a patient of the hospital. Muller appealed to the Nebraska Supreme Court after the lower court found in favor of the hospital. Muller argued that the hospital should not be immune for liability as a nonprofit charitable corporation. However, the Supreme Court held the statutory provision was deemed to include hospital owned and used exclusively for charitable purposes. So that's how it all-- change happened where hospitals went to the county commissioners and became a charity. Hospitals are no longer run by nuns and Clara Barton. They're profit centers-- very highly paid into-- individual people. They made a big deal about goodwill a few years--the guy, he made peanuts compared to what hospital administrators make and doctors make in a hospital. They're not charitable institutions anymore. LB529 establishes further requirements for hospitals seeking a property tax exemption under this section. It requires hospitals permit licensed medical practitioners in the community to use hospital facilities regardless of whether the practitioner is employed by the hospital. Right now in some communities, my own, predatory practices are being used by hospitals to put free market medical practitioners out of business by not letting them use their facilities or operating rooms or labs. And then going to them and saying you can work for us. We had an instance in CHI in Omaha-- I think it was a CHI, where some doctors got a little frustrated. I'm hearing it from doctors all across the state. Goodwill doesn't try to put JCPenney's out of business. That's a free market predatory practice. We need more practitioners. We need competition. We do not need charities putting free market businesses out of, out of business. In addition, LB529 set the property tax exemption for eligible, eligible hospitals in proportion to the percentage of services the hospital provides gratuitously. It makes common sense, doesn't it? If they can document that 10 percent of their total gross revenues are charitable, we give them a 10 percent property tax reduction. And I have some handouts that I want to go over with you. Number one, from the health leaders, it's all-- what brought this on is they're no longer charities, they're gonna get paid for six hundred and some million on average, it's gonna keep going up over the next years. Medicaid expansion, they're getting paid. This is from HealthLeaders news: Medicaid Expansion Benefits Hospital Margins by John Coppins-- Commins. A study-- a new study by the Urban Institute shows that hospitals and Medicaid expansion states have more revenue, lower uncompensated care costs-- it's called charity, and fatter operating margins. When was the last time you heard a charity use the word margins? That's a business term. They're making a profit. Hospitals in Medicaid expansion states increased Medicaid revenues on an, an average of $5.2 million in 2015, reduced compensation care by $3.2 million-- that's charitable-- uncompensated, and improved operating margins by 2.5 percentage points, according to a new report. It doesn't sound like a charity to me. Handout number two, estimated cost of Medicaid expansion. That's when the study was done for the state of Nebraska and it shows different-- how much it would bring. We're talking six, seven hundred million dollars pretty quickly within four or five years. Hospitals get the vast majority of that. Medicaid payments go to hospitals-- they go to trauma hospitals, not the little country one. So who's gonna get the money? The bigger hospitals that offer the trauma centers, the ones that make the money. Number three, my county assessor has said this is, this is happening all over regional health centers and the bigger ones in Omaha and Lincoln. In the last couple of years several have become exempt. The main hospitals have always been exempt, so I'm not sure what the excess value would be. I asked her what the assessed value would be. Our hospital-- you know for charity, just build a $110 million new hospital. So you can take that time 2 mills and find out what kind of property taxes would be there. The main, main hospital has always been exempt so I'm not sure what the assessed value would be. They did a $14 million expansion project in '18. They added a, a ER, so the total value would be much more than that. There are three other exempt properties that have also always been exempt, so I'm not sure what those were. One of these is a house. They, they buy houses and they put their traveling nurses into it and doctors. They take them off the tax rolls for travelling nurses and doctors in-- like a parsonage-- you know, the charity. In the last couple of years several have become exempt or have a partial exemption totaling tax-- taxable value loss of ten million five hundred and twenty six. That's just recently. They put the doctor out of business. They buy his facility and then they go to the county assessor-- county commissioners and ask that property to be taken off the, the tax rolls. Ten million five hundred and twenty six wasn't-- what amounted to two hundred seventeen thousand dollars in taxes that we lost in a little county, in Lincoln County, in one year. That is not including the valuation of the four properties listed above including the main hospital. We've got a real problem coming, too, folks. Just last week or this week, Box Butte County had a, a nursing home come to them using the same argument that hospitals have, Box Butte commissioners took them off the tax rolls. It's the same company-- they own a bunch. It's a free market company. I, I can get the name for you. Now they're coming in Lincoln County and they're asking for one of theirs to be taken off the nursing home and assisted living which is valued at eight million eight hundred and ninety-four thousand dollars-- using the same argument-- they're doing charitable work. Box Butte started something-- how many of those are gonna come off the tax rolls? And I've got here to pay the-- if you want to see it-- I didn't hand it out, what they charge per unit to their customers. This isn't a charitable organization, it's a for profit that charges high rates for assisted living facility. Where's it gonna stop? Then I gave you the-- which we all know, the handout number four about CenturyLink. CHI Health buys Omaha arena naming rights for $23.6 million. That's, that's, that's a free market practice of buying naming rights so that you can get exposure. Who they competing against-- UNMC? UNMC is a government institution. They're not a free market, so why are they advertising if they're doing charitable work. I don't understand it. But, but what's frustrating this-- these nuns that are running this hospital for charity, in addition to naming rights, CHI will get to use one corporate suite and four club-level seats to all events at the arena. CHI Health will also get to use the convention center for company events twice a year and one VIP reception for as many as 30 employees or business associations. I didn't know nuns did that, but it they have time after they were running the hospital and taking care of the sick. I'm a little frustrated. Hospitals are not charities, they serve a customer base. Many times their customers are people needing sympathy, but they don't need sympathy. The employees of the hospital making high income in the high, high six figures, there's-- every business-- they're, they're gonna come up here and say they do a service. I heard the vaping industry-- I want to give them property, property tax as a charity. They're helping all these smokers-- they're doing the medical, but they admit they're customers. Nobody goes into the medical profession to be-- to do charitable work. It's to become wealthy, to create high income-- just like all of us do in the free market. Anyway, it's time to look hard at this. This isn't the old days, there's no-- very little charitable work involved here anymore. Once you do Medicaid expansion, they're gonna get paid, they're gonna get paid. So if they can prove a certain percentage of their work is charitable and take it down to the assessor and show their gross sales, because they're sales and making a margin on it, and we'll gladly-- not bad debt because every company has bad debt. True charitable work where they don't try to charge anybody anything. Not just the part-- not a proportion of it-- all of it, that's charity, that's charity. So anyway, I've got doctors in my family. I got doctors who pay taxes. In fact, they're all free market people and all of them pay taxes, none of them work for a charity. Anyway, it's time to do something about it and expand our tax base. This would be a big one to start at. So I appreciate any questions.

FRIESEN: Thank you, Senator Groene.

GROENE: Yeah.

FRIESEN: Senator McCollister.

McCOLLISTER: Yeah, thank you, Senator Friesen. I've been looking through that bill, Senator Groene, where do we define charity? Is that, is that in the bill?

GROENE: No, because as the statutes right now, just very vague. It's like a lot of statutes. It just says-- our constitution says education, religious, charitable, or cemetery purposes. That's it. And then I said that Muller's-- this Muller lady sued in 1955 and the court at that time said the hospital's a charity. But, they're supposed to be exclusively charity. I have a hard time-- the courts said exclusively. I have a hard time thinking any hospital is exclusively charity.

McCOLLISTER: Thank you.

GROENE: Not when we're at a Creighton basketball game in a suite.

FRIESEN: Thank you, Senator McCollister. Any other questions from the committee? Seeing none,--

GROENE: Thank you.

FRIESEN: --proponents who wish to testify in favor of LB529? Seeing none, anyone who wishes to testify in opposition to LB529?

MICHAEL FEAGLER: Good afternoon, Vice, Vice Chairman Friesen and members of the Revenue Committee, my name is Michael Feagler, it's M-i-c-h-a-e-l F-e-a-g-l-e-r. I'm the vice president of finance for the Nebraska Hospital Association, and I'm here today in opposition to LB529. The first part of Senator Groene's bill requires that a hospital, and quoted from the bill, must permit licensed medical practitioners in the community to use the hospital's facilities regardless of whether the practitioners employed by the hospital, except that a hospital may prohibit a practitioner from using its facilities if good cause is shown. Hospitals are already prevented from arbitrarily preventing physicians from practicing in their facilities under federal legislation or regulation. Under IRS 501(c)(3) standards, any 501(c)(3) hospital must be open to all qualified physicians. Also, federal antitrust statutes generally prevent hospitals from restricting physician access because such actions would limit patient access to health care services. However, each hospital does have a credentialing process for determining a physician's competency to provide the requested services at the hospital to ensure that quality care is provided. And that is an important standard that tax laws should not change. In certain circumstances, the hospital may decline privileges to a physician based on the volume of patients required for a service in order to maintain the quality of care for the patients that, that are-- need that service. This bill would impede a hospital's ability to ensure quality care can be provided. Community physicians are an asset to all hospitals. Without their support, there would be further pressures on health care access issues across the state. Nebraska hospitals and the physicians we work with either as employed physicians or community physicians are working every day to serve Nebraska's patients together. The second part of the amended language restricts the property tax exemption of not-for-profit hospitals. The loss of the property tax exemption for nonprofit hospitals would mean a significant disruption in the communities that our hospitals serve. They've added cost-- the added cost would impact the hospital's ability to provide certain services that would impact access to care. The loss of the exemption would also mean additional pressures on already tight operating margins that many of our hospitals operate under. One-third of Nebraska's hospitals had a negative operating margin in 2016. That is an increase from one in six hospitals in 2015. In 2017, Nebraska hospitals provided over $131 million dollars in charity care and incurred uncompensated costs of care related to government health care programs of $611 million. For Medicaid alone, that shortfall for that-- for 2017 was $215 million. Additionally, hospitals provided over $20 million in community-based programs and contributed $2.75 million in community support which includes economic and work force development. We are proud of our significant amount of community benefits provided by Nebraska hospitals, and the loss of the property tax exemptions would have a direct impact on their ability for hospitals to continue to provide, provide these services. The NHA and its members encourage the hospital-- the Nebraska Legislature to continue to work on comprehensive tax reform. However, it should not come at the expense of providing access to quality health care services for all Nebraska. Thank you for the opportunity to speak before you today, and I'm willing to answer any questions you might have.

FRIESEN: Thank you for your testimony. Senator Kolterman.

KOLTERMAN: Thank you, Senator Friesen. Thanks for coming today. So if we follow Senator Groene's model-- in essence what he's saying with Medicaid expansion, charity care is gonna go away, but that's really not what we're seeing here. Well, you say here that you provided $131 million in charity care and $215 million of, of the short-- well, then you go on to say $611 million.

MICHAEL FEAGLER: The $611 million is basically Medicare and Medicaid combined-- the shortfall of what it cost to provide the care to what we're paid for the services.

KOLTERMAN: So you-- what you're saying here in essence the shortfall of $215 million was due to lack of adequate funding on the part of Medicaid--

MICHAEL FEAGLER: Right.

KOLTERMAN: --and Medicare. Is that correct?

MICHAEL FEAGLER: Yeah, like for outpatient services our hospitals get paid 82 percent of their costs. The PPS hospitals-- the larger hospitals.

KOLTERMAN: How about your, how about your a-- you know, your--

MICHAEL FEAGLER: The critical access?

KOLTERMAN: The critical access.

MICHAEL FEAGLER: Critical access hospitals are reimbursed by Medicaid on what is called the cost basis, but it's the Medicare costs. It doesn't-- Medicare doesn't reimburse or allow you to claim 100 percent of all your costs. They make adjustments for certain types of-- you know, they have an interest, adjustments, things like that. So you don't get all of your costs under a cost reimbursement.

KOLTERMAN: OK, thank you.

FRIESEN: Thank you, Senator Kolterman. Senator McCollister.

McCOLLISTER: Yeah, thank you, Senator Friesen. And thank you for being here. Mr. Feagler or doctor?

MICHAEL FEAGLER: Mr.

McCOLLISTER: Thank you, Mr. Feagler. In the second paragraph of your letter, you said a hospital must permit a licensed medical practitioner in the community to use the hospital's facilities regardless of whether the practitioners employed by the hospital and I'll stop there. I'm in the Banking Committee as well, and next week we're gonna hear a bill where a doctor may in fact have privileges at that hospital, but he's not in network. And the best example, that's Bryan Hospital where the anesthesiologists are out of network and so somebody would come in, go to the hospital, perhaps have an operation and the anesthesiologist would bill them separately and an out-of-network price. Do you have any comment on that, so I can think about that all weekend? [LAUGHTER]

MICHAEL FEAGLER: The, I, I know the bill you're talking about. The, the, the, the thing we're talking about there in terms of this is that the, the hospital may-- we'll use Blue Cross as an example since it's the largest commercial payer in the state. The hospital participates in Blue Cross, the anesthesiologist probably-- may not, and that's the issue that you're talking about. If those anesthesiologists are independent of the hospital, they can contract with whoever they so desire. It's-- as Senator Groene-- it's the free market. They can determine whether or not they want to participate in a contract or not. They are a separate business from the hospital.

McCOLLISTER: But using your logic, you don't have-- the hospital doesn't have to employ them, do they? [INAUDIBLE]--

MICHAEL FEAGLER: They have to have it-- they have to have an anesthesiologist provider within the hospital, yes.

McCOLLISTER: But you could find somebody that's willing to go in network, couldn't you?

MICHAEL FEAGLER: They could if they were-- wanted to. It, it would be a matter of is there an available replacement.

McCOLLISTER: Well, [INAUDIBLE]--

MICHAEL FEAGLER: They have a-- generally those types of physicians-- independent. You talk to the-- you know, radiologists, pathologists-- hospitals will have contracts for services from that group. So if that contract is for a period of time-- you know, there may or may-- I don't know-- you know, I, I wouldn't know the specifics of the language that contract would have with-- that they have with that group of physicians.

McCOLLISTER: Well, come back and visit the Banking Committee next week if you would. OK, let's go through some of these Medicaid numbers.

MICHAEL FEAGLER: All right.

McCOLLISTER: And Senator Groene's provided us that. And going-- starting at fiscal year '20 clear through fiscal year '29, we're gonna see a right at total money, $617 million into Nebraska. So the uncompensated care certainly is gonna drop big time. Wouldn't you agree?

MICHAEL FEAGLER: Yes, we agree uncompensated care will likely-- what we call the true charity population will decrease. It's being replaced with the Medicaid population that we still, as we show right now, we're not, we're not reimbursed at what it costs to take care of those individuals. Additionally, those numbers are gonna include a population that what they call the crowd out effect. Those are individuals that would meet the requirements for expansion of

Medicaid-- the, the 138 percent over the poverty level, but currently have insurance. They're either buying it on the market in the, in the exchange or they're buying it through their employers providing it. Under this they would qualify for Medicaid-- that employer, or they would drop out of those markets and go to Medicaid which pays significantly less than what a private insurer would do. So we're-- the hospitals are also taking a hit. So our belief is that this is not a-- expansion is not a windfall for our hospitals and our state.

McCOLLISTER: Well, we're gonna be able to determine whether it's a windfall or not looking at your 990s, and, and just as Senator Groene talked about some of the salaries and what, what salaries on those 990s. And so-- and as I say I look forward to seeing you next week. Thank you.

MICHAEL FEAGLER: Senator.

FRIESEN: Thank you, Senator McCollister. Senator Briese.

BRIESE: Thank you, Vice Chairman Friesen. And thank you for your testimony. Do you have any idea of the total valuation of all the properties of the Hospital Association across the state?

MICHAEL FEAGLER: No, we don't. If it-- the way I understand it, and someone can correct me if I'm wrong, but the way the, the way the lang-- the language is situated this would only apply to the 501(c)(3) entities. This would not impact city, county, or hospital districts. Those government subdivisions as I understand the way this is written.

BRIESE: OK. OK, here, here you--

MICHAEL FEAGLER: So that-- those hospitals like-- and Senator Groene said it, they-- they've been off the tax roll. They don't get assessments on an annual basis, basis.

BRIESE: And here you've tried to summarize your uncompensated care across your organization and maybe $755 million give or take? If you add up some of those numbers [INAUDIBLE]--

MICHAEL FEAGLER: Well, yeah, that-- of the examples I provided in total, excluding bad debt, our hospitals for in 2017, that number is $1 billion in community benefit.

BRIESE: OK. What would the total be of all care including compensated care? Care for which you're compensated.

MICHAEL FEAGLER: I don't know those numbers off the top of my head. With the total-- what basically what our total net patient revenue would be. Is that what you're asking?

BRIESE: Yeah, yeah.

MICHAEL FEAGLER: You know, I, I could get that number. I have that number, but I don't have it in my head. So--

BRIESE: I am curious what this 755 or this 1 billion-- what percentage of, of what percentage that is what we're talking about here?

MICHAEL FEAGLER: I, I don't know the answer, but we can try to find some-- find something for you.

BRIESE: OK, thank you.

FRIESEN: Thank you, Senator Briese. Senator Kolterman.

KOLTERMAN: Thank you, Senator. Another question I have for you, Mr. Feagler, when I, when I read through this you, you talk primarily about your loss of revenue due to charity care within Medicaid and Medicare. Is it a, is it a fair assumption to say that the people that have health insurance that, that carry a high deductible health plan are now part of the people that you're, you're paying for because they can't afford to pay their deductibles. Are you carrying them on the books? Are you, are you writing some of that off? How-- how's that-- because what's gonna happen, I think having been in this industry, is we're gonna see a lot of people that, that aren't on Medicare and aren't on Medicaid are gonna, are gonna be struggling to continue to purchase insurance. Give me your thoughts on that.

MICHAEL FEAGLER: High deductible health plans are-- they-- I, I think in terms of-- it depends on the product. Some-- it can be classified-- you know, a $3,500 deductible can be classified as a high deductible. But a lot of the plans that are in the market are ten thousand, five, ten thousand dollar deductibles. A lot of our hospitals treat those types of patients that have that type as essentially uninsured as well because they know that that individual-- they're gonna, they're gonna have to work through their financial assistance plans with that individual to, to, to, to even meet-- to begin to meet that ten thousand dollar deductible. They look at them as essentially uninsured because of the size of that deductible.

KOLTERMAN: So are the hospitals creating-- financing plans for those people?

MICHAEL FEAGLER: Actually that's possible, but I think that of this 131 million dollars in charity care here that those-- any of-- that's, that's not a-- not necessarily every-- anyone who's just truly uninsured. This could be someone who's insured with a high deductible plan that has a ten thousand deductible that has no means whatsoever to meet that deductible that ten thousand. The hospital may write that portion of the bill off for the individual and that's gonna be part of their charity care as well.

KOLTERMAN: So that in-- that's,--

MICHAEL FEAGLER: It could be in some--

KOLTERMAN: --that's included.

MICHAEL FEAGLER: Some of that would be included in that charity care number.

KOLTERMAN: OK, thank you.

FRIESEN: Thank you, Senator Kolterman. Any questions from the-- Senator Briese.

BRIESE: Thank you, again. Thank you, again. So backing up on my question, you just have an estimate of what percentage of care is uncompensated considered charity care?

MICHAEL FEAGLER: Not as a whole in the state.

BRIESE: OK.

MICHAEL FEAGLER: I don't, no, not in my head. I, I-- the data is available. But I don't--

BRIESE: Yeah. OK, thank you.

MICHAEL FEAGLER: --have it with me.

FRIESEN: Thank you, Senator Briese. I have one question, I guess. So you're, you're giving up a billion dollars in revenue, and only one-third of the hospitals are operating negative in 2016. No other year were they operating in the negative?

MICHAEL FEAGLER: No, that--

FRIESEN: So you just picked one year?

MICHAEL FEAGLER: That's this most current year 2016. One-third of the hospitals in the state had a negative operating margin. In 2015, one in six hospitals, so it's doubled in one year it went from one in six to one in three having negative operating margins. I could go back and show a trend over the years that hospital operating margins have trended downward each year.

FRIESEN: And so how long can hospitals operate on a negative margin?

MICHAEL FEAGLER: We have some, some of our critical access hospitals-- that's a good question. We don't-- we-- it's how, how are they staying away-- open now is the question.

FRIESEN: So if-- but if they don't have to give away the uncompensated care if we have Medicaid expansion, surely those numbers turn around.

MICHAEL FEAGLER: Most of our really critical access hospitals probably won't benefit a lot from-- you know, the, the volume-- you know, the number of patients that are in those areas are lower. So it's not gonna impact them as much.

FRIESEN: We were told that was gonna save our rural hospitals.

MICHAEL FEAGLER: It, it can save some of them. But like I said, it's-- it-- it'll help, but it's not gonna save the little hospitals--

FRIESEN: OK.

MICHAEL FEAGLER: --that are in the situation that some of them are in.

FRIESEN: Thank you. Any other questions from the committee? Seeing none, thank you for your testimony.

MICHAEL FEAGLER: Thank you very much.

FRIESEN: Any others who'd like to testify in opposition to LB529? Seeing none, anyone wish to testify in a neutral capacity? Seeing none, Senator Groene. We do have one letter-- two letters, an opponent, Kristen Hassebrook, Nebraska Chamber of Commerce & Industry; and one neutral, Diane Battiato, Douglas County Assessor.

GROENE: Spent two nights in the hospital in my life and one was when I was 10 and I broke my leg and little old nun took care of me at the West Point Saint Francis. I thought they'd bring a least one nun here and say we do charitable work. But, Senator McCollister, that wasn't six million--

McCOLLISTER: It was a billion. I said a billion.

GROENE: A billion.

McCOLLISTER: Yeah.

GROENE: A billion dollars.

McCOLLISTER: [INAUDIBLE]

GROENE: We collect $2.5 billion total. Three-- about 3 billion property tax statewide a year. These folks, one industry, is going to get $6 billion over the next 10 years or more-- $7 billion, and they're a charity. Small town hospitals-- small community hospitals individually-- I mean, I'm sure he makes less than six figures working for a charity organization, but most of them are government. They have hospital boards, so they're a government entity. They're not a privately owned hospital, so they're not gonna be affected. A little town of Callaway where I go-- where I spend some time that's a little community-owned government. They have a hospital board elected-- Gothenburg. I think most of the smaller ones are, and they're not gonna get a hundred percent. They're-- that-- they're gonna get that 85 percent, and that's one of the reasons they're putting doctors out of business. The critical care ones are because the doctor only gets 85 percent. You come work for me, you'll get a hundred percent. We'll get 100 percent of, of Medicaid and Medicare payments. So-- and that was all in Obamacare and it-- that has put more small hospitals out of business than anything else has-- that right there-- that difference in that payment. Now they can pay-- they can be part of the community. They can pay property taxes. They're a huge business-- monstrous-sized business-- high paid individual's work there. My farmer friends, they don't get 85 percent of the government. They always criticize paying-- getting government payments and being part of their income. They don't get 85 percent of their cost from the government. And guess what every one of them pays property taxes and income taxes. Every one of them.

So why does this industry get all this government money, high incomes and doesn't pay property taxes. But I'm telling you there's an epidemic coming right behind this on these assisted living homes. And you go in small communities and you take that kind of valuations off the, off the tax rolls and we've got a real problem. I think we need to address it. They are not charities. They're not in the business, they're not in the business because they want to help people. They're in the business to make money period. The people who go in there are a captive audience that have life and death situations. They service that clientele period. It's a business. And as far as what I hoped in that-- I have a personal family member who walked into a hospital on a death bed with septic and we walked in there and the big fight between CHI and Blue Cross. They had Blue Cross. The surgeon would not accept it. Life or death-- had no choice-- my daughter told to make that decision for my son-in-law, and that doctor in that hospital would not take Blue Cross. Now they're gonna go bankrupt. Anyway, I have no sympathy for them. Thank you. Any questions?

FRIESEN: Senator Kolterman.

KOLTERMAN: Yeah, I just had a general statement. For you to sit right there and say that they don't do charitable work is absolutely wrong, absolutely wrong. I can show you hundreds of people that have gotten charity in my community. I think you're mistaken.

GROENE: They're not in business to do charity. They're in business to make a living.

KOLTERMAN: They're there to take care of you and me when we're sick.

GROENE: They're in business to make a living, sir.

KOLTERMAN: Well, we're not going to agree on that.

GROENE: Well, then take a pay cut.

FRIESEN: Thank you, Senator Kolterman. And thank you, Senator Groene. Any questions from the committee?

McCOLLISTER: We're out of here.

FRIESEN: With that, we will close the hearing on LB529.