

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

[LR212 LR214 LR215 LR241]

The Committee on Revenue met at 1:30 p.m. on Tuesday, October 27, 2009, in the courtroom at the Grant County Courthouse, Hyannis, Nebraska, for the purpose of conducting a public hearing on LR212, LR214, LR215, and LR241. Senators present: Abbie Cornett, Chairperson; Merton "Cap" Dierks, Vice Chairperson; LeRoy Louden; Ken Schilz; Dennis Utter; and Tom White. Senators absent: Greg Adams; Galen Hadley; and Pete Pirsch.

SENATOR CORNETT: All right, I'm going to go ahead with the introductions. My name is Senator Abbie Cornett. I am Chairman of the Revenue Committee. I am from Bellevue. The committee members present or that are going to be present will be Vice Chair, Senator Cap Dierks from Ewing; Senator Utter from Hastings; Senator Louden from Ellsworth; Senator Tom White, I believe, will be joining. And we have Senator Ken Schilz, Ogallala, sorry about that Ken. Committee staff today is legal counsel, Shannon Anderson, at the back of the room. Just remember, she's back there watching me. Over to my left is Bill Lock, research analyst. To my right is Erma James, committee clerk. With that I'm going to let Senator Louden speak for a few moments and then we'll go over the rules of the hearing. []

SENATOR LOUDEN: Okay. Well, I wish to thank you all for being here today. Also want to welcome the senators to the 49th Legislative District. We're pleased that they came out here. And the Revenue Committee, as far as I know, this is one of the first few times that the Revenue Committee has come west in recent memory perhaps. And we're very pleased that they are here today. And also very pleased for this turnout that we have here today. With that, I will let Senator Cornett introduce our newest member arrival today. []

SENATOR CORNETT: Senator White from Omaha.

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

SENATOR WHITE: Recently of the restaurant, we had a heck of a lunch. []

SENATOR CORNETT: Okay. (Laugh) I'd like to welcome everyone to the hearing today. Today we'll be listening to your concerns and thoughts related to four interim study resolutions dealing with ag land valuation, county budget levy limits, and County Board of Equalization procedures. These study resolutions were introduced to give the Revenue Committee members the opportunity to research and gather information on them. And one of the ways we gather information is to conduct this type of hearing. Today we will follow some very simple rules which we believe will make it easier for everyone who wishes to testify. To do so, we're just going to make it a very comfortable, easygoing setting. You need not identify which resolution you wish to testify on or about. You do have to...you do not have to state whether you're supporting or opposing the resolution, just what your feelings on the resolution you're speaking to are. We will begin with you stating your name and spelling it so we do have a record. And depending on how many people that we actually have to testify today, we will limit time on testimony. So I'll be asking for a show of hands in a few moments. If you are planning to testify, you will need to fill in and complete a sign-in sheet, which are on the tables outside the door. Please print and complete the form prior to coming up to testify. When you do come up to testify, please hand your testifier sheet to committee clerk. If you have handouts, please give them to the committee clerk for distribution. If you do not wish to testify but would like to have your name in the record as being present for the hearing, there are clipboards also at the table outside the door. You can fill out what you're here and how you wish to either support or oppose something. Before we begin, I would ask you to please turn your cell phones to either vibrate or off. Today, three of the four resolutions are sponsored by the committee. The other resolution is sponsored by committee member, Senator Pete Pirsch. Senator Pirsch was unable to be with us today. We will forego the usual introductions of the resolutions and instead as for our first testifier to come up. At this time, I'd like to see a show of hands of how many people wish to testify today. Don't be shy. Okay. We'll limit the testimony to about...please keep it under ten minutes. I only saw ten hands. If there are more that wish to testify, we will

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

shorten that time frame. With that, I'd like to have the first person come to the front.
[LR212 LR214 LR215 LR241]

LYNN HOLLINGSWORTH: I didn't know if I was even going to make it, so I hope you don't mind if I just read it to you. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: That's fine. Go right ahead, feel comfortable. [LR212 LR214 LR215 LR241]

LYNN HOLLINGSWORTH: (Exhibit 1) I'm assuming that there is agreement on the fact that any proposal must be acceptable as feasible for passing in the Nebraska Legislature as all residents would be affected by any changes in the current law. My proposal is justified by the fact that all of us must eat to live and that agricultural production must not be placed underneath other desirable objectives. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Sir, I hate...don't mean to interrupt you. But could you please state and spell your name. [LR212 LR214 LR215 LR241]

LYNN HOLLINGSWORTH: Lynn Hollingsworth, L-y-n-n H-o-l-l-i-n-g-s-w-o-r-t-h. Since it appears that a measure of unbalanced taxation is affecting that production, then I suggest that we correct it by instituting several considerations. It's obvious to me that any adjustments to the current system must not worsen our situation for residents as a whole and not just agricultural residents. Therefore, I suggest that the present method of basing property tax on annual property tax sales be left intact. However, I see the problem with that method as being property sales prices as the only criteria used. I have heard talk of tying income to the determination in some manner, but I believe that would prove to be flawed on the level of reporting, monitoring, administering, and open for abuse whereas the present method is comparatively cut and dried. I believe the answer may be to use the present property tax evaluation determinations as a baseline. That

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

baseline could then be adjusted according to whatever conditions the Legislature would pass into law. I suggest that property tax be reduced according to agricultural production not agricultural income. In other words, the amount of crops sold annually would be reported in numbers of cattle sold, tons of corn sold, pounds of eggs sold, gallons of milk, etcetera. Whether or not a profit was made would not be a consideration, but the amount of crop per acre...the amount of crop produced per acre lowering property taxes accordingly. So the more production per acre for the benefit of the general populace, then the less taxation and vice versa. This would mean that land used for the ultimate benefit of us all would be given a better chance of success. If agricultural land is being used for personal benefit only, such as in speculation or recreation, then the tax would be higher than the baseline since no sales would have been reported. For example, two lambs sold from an ownership of 25,000 acres would pay considerable more tax than 1,000 calves sold from 25,000 acres. And nothing sold would pay more than either of them. In my view, if you have the money to buy land and do little with it, you owe the public for that privilege since they receive no benefit. If the public benefits from the use then you shouldn't owe so much. To sum up, this proposal would contribute to the public good and not reward those who don't. The balance of funds received by the state is adjusted according to the fact...by that fact and not by sales price alone, which by itself shows no difference. My proposal does not try to cut the investor out of the picture, nor does it unduly favor the agricultural sector, nor does it pit corporation against independent. It does provide relief for currently jeopardized Nebraska agriculture without upsetting state coffers. It also encourages good management decisions for the benefit of current operators. Granted, it would raise taxes for speculators and recreational folks, but I think the continuance of the sustainable agriculture warrants it and the justification of public good is sound. I leave you with a general proposition only and leave a minor inclusion such drought relief, cutoff points, determination of agricultural entity, and other things for others. Thank you. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Questions from the committee? Senator Loudon. [LR212 LR214

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

LR215 LR241]

SENATOR LOUDEN: Yes. Lynn, thank you for your testimony and being here today. When you talk about personal use, now are you...would there be a different criteria such as recreational land use for valuing land or different classifications? Is this what you're talking about? [LR212 LR214 LR215 LR241]

LYNN HOLLINGSWORTH: I'm talking about if the land produces crops or any sort of benefit to the general public, then the property tax should be lowered. If there's no perceivable benefit but the personal use of the fellow that owns it, I don't see why he shouldn't pay higher taxes than people who are trying to produce something for the general populace. And so if you're talking about...I'm talking about the fellow that just wants it as an investment. Which I don't want to cut him out of it, but I think he should pay more taxes than I do. That has it just for speculation, like holds it for 10 years, 20 years, whatever it might be, to resell, therefore he produces nothing or very little, I think he should pay more taxes. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Then how would you decide that? Would you wait then, if land is bought and then if it's sold within five years they would have to go back and pay more taxes or if it's sold in ten years, I mean, how are you going to decide ahead of time whether that guy is a speculator or whether... [LR212 LR214 LR215 LR241]

LYNN HOLLINGSWORTH: He's not producing, he's not turning in any reports of sales. I would...I didn't include that in my proposal here. But I think we'd want to make that voluntary, not mandatory. You don't have to turn in how many animals you sold, but if you don't, you're going to pay that baseline or above. And so it's voluntary for you to report how many pounds of crop you sold, if you want to put it that way for general purposes, to the state. And therefore, when that's evaluated you get a report back that your tax taxes are reduced by whatever amount you people determine. You have the facts, the Legislature, of where this money has to come from. And I'm just proposing

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

where...if we lower taxes one spot, we're going to have to raise them another. And so that's where I'm saying to do it in that recreational, personal gain investor type deal. And if he doesn't report anything, well, then he didn't report anything. That's... [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: But there would have to be some type of reporting every ag producer would have to have. That reminds me of when I was a little kid, my dad was precinct assessor. And we went around and assessed everybody how many cattle they had. Would we have to go back to something similar? [LR212 LR214 LR215 LR241]

LYNN HOLLINGSWORTH: I don't think so. I think, like I say, if you leave it voluntary it behooves the producer to turn it in if he wants to get reimbursed for a reduction in taxes. If he doesn't, well, then, I guess, he likes to pay them. So that's how I see it. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Okay. [LR212 LR214 LR215 LR241]

LYNN HOLLINGSWORTH: That's how I see it. I was trying to make it so we don't upset what's in place now. I mean you have to have an eye toward that because otherwise everything is just talk, isn't it, if it can't be agreed upon and something really feasible to be done. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Okay. Well, thank you. [LR212 LR214 LR215 LR241]

LYNN HOLLINGSWORTH: Um-hum. I have copies. Do I turn it in with the paperwork? [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Yes, please. [LR212 LR214 LR215 LR241]

LYNN HOLLINGSWORTH: All right. Thank you. [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

SENATOR CORNETT: You're welcome. Thank you for testifying. Could I have the next testifier please come forward. Come on, I saw more hands than that. All right, I thought I saw...there we go. [LR212 LR214 LR215 LR241]

DOUG TEAFORD: You shamed me into it. (Laughter) I am Doug Teaford, T-e-a-f-o-r-d. I live in Ogallala and I am one of the...I'm the chairman of our county board this year. And we also preside over the Board of Equalization. And our Board of Equalization, the last few years, has been blessed by many people concerned about the property valuations. And like this last year we had approximately 800 who protested. And there were considerably more this year in the agricultural segment of our county. And, you know, the market value of ag land has been going up. That's...we're not disputing that. But, you know, when it's...I think it's...you know, a lot of the investment recently in our area has been through the virtue and use of a 1031 exchange, which is an IRS-type ruling that let's probably somebody who sells land generating a capital gains and they can defer paying the tax on that capital gain if they reinvest within a certain time period. And some of the accountants that I have talked with suggest that if this goes on long enough, maybe the IRS will even lose track of the deferred capital gain. So in essence, we, the other taxpayers, are subsidizing this because our taxes are going to take care of whatever is required to run the government, whether it's local or federal. But this is creating an artificial buyer in our local economy, I believe. Our county assessor and clerk indicate now that the 1031 sales are being tracked, I think. And, you know, I think there needs to be some sort of consideration for those types of transactions. And as these values continue to escalate, that's a healthy sign, I guess. You know, because production is there does that warrant the price of that land? Well, sometimes, as the previous testifier indicated, that may be done. People have pulled money out of the stock market if they were wise enough and reacted before the market took it, so they're laying that investment into ground because it is not as volatile. And it's going to, you know, if they have to pay a little bit more for that ground to have it, it's an investment, possibly long-term. But it's also creating another buyer in the market. That, I think, is

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

placing an additional hardship on our producers who live on the land and have been there sometimes for generations and all of a sudden they are now being faced with, I guess in some cases, outlandish requirements for property taxes as well as other production costs are going up. And, you know, in Keith County this year the ag land values took a substantial increase. Our total county valuation also went up. But this inordinate amount of increase in the ag land creates an additional shift of who is paying the taxes in our county from residential and commercial to a disproportionate level for the ag. And so in our Board of Equalization some of our discussion was right now, I think, the ag producer gets 75 percent of whatever the value is, is what their tax is based on. And that possibly needs to be lowered, maybe to 66 percent. Because there has to be some way to recognize that the people that are living on this land are not being looked to, to continue to carry more of the tax burden. Everybody should pay their fair share. But I think given the strong market right now, it's placing an undue hardship on our ag producers. And right now there's a window, the sales market is tracked over a three-year moving average. So as the new sales go on they're at a higher value than maybe the previous. So that's going to pull the moving average up. And if it's three years, maybe it need to be four years of moving average. But it definitely needs to be retained. I have heard some talk that they're thinking about possibly rolling that off. Keith County is one of the nine counties that has a State Assessment Office, and that will be going away within the next few years. But I think probably that assessment function is a little bit more aggressive than those who are not state offices. So I do appreciate the board...your Revenue Committee being here, giving us a chance to share some of our concerns. I ran out of breath. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Senator White. [LR212 LR214 LR215 LR241]

SENATOR WHITE: I really appreciate what you're saying. And I'd like to talk to you and everybody here about something that seems to be the problem to me. What we've got is a situation where a lot of folks from out of state mostly, but some from the cities, are engaged in economic activities that pay pretty well. And they're sticking money into land

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

and they're paying a price for the land, more than the land can produce. And that causes a lot of problems and let me run through some of them. I'm hoping together we can maybe start getting a handle on it, okay? First one is that our young people are getting chased off the land because there's no way somebody looks to the land to make a living could work it hard enough to make it pay for itself, pay the taxes and make a living for a family, unless you got a bunch of land already in your family. And even then it's getting tougher and tougher to stay on the land. And that's because they're competing with guys, no knock against them, but Mr. Turner, Ted Turner, for example, he's out bidding people for land. Well, he runs cable companies. You know, it doesn't matter what the price of beef is or in his case buffalo. It doesn't matter to him. And so we got trapped in this system where he'll pay a lot more for ranch land than anybody can make, no matter how good they are off that land. And now he drives up his neighbor's taxes next door to him. And we started at 100 percent, where ag land was valued at 100 percent. We dropped it down to 70 percent, and it's no better. Because the more we drop it, the cheaper it is for someone like Mr. Turner to hold it. And I'll tell you what I'd like to see is if we can get smart enough to figure out, I'd like us to give real serious tax breaks to people who live on the land and work it. Make it a lot more affordable for people who live here, young people to get in the industries, keep our communities alive and harder just for somebody who lives somewhere else and just wants to own it. Now that's a struggle because we can't necessarily discriminate against them under the federal constitution. But I don't know if that's really the concern here now. But that, to me, is the biggest single problem. Anytime we get prices higher than the land can produce in income we're upside down and we're running for trouble. We're killing off our communities. [LR212 LR214 LR215 LR241]

DOUG TEAFORD: I agree 100 percent. And on one of Keith County largest landowners now has just been buying ground recently. And it's because of the luxury of a 1031 exchange on property that sold in Florida. [LR212 LR214 LR215 LR241]

SENATOR WHITE: And that's federal, we can't do that, we can't change that federal law

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

here in the state. But what we might be able to do is start thinking about giving tax breaks, real aggressive breaks for income tax and sales tax for people who actually live here and pay those, and getting the money back to a guy so that he can afford to stay on the land through either income tax credits or other kinds of credits, which means we'd be paying Nebraskans but not paying somebody who lives in Florida. And that's what I'm hoping folks will start thinking about. Because nobody has figured it out yet. We need everybody's brains. But start thinking of a way where if we get Nebraskans to getting these breaks but nobody else, maybe we can afford to keep agriculture in the state because we sure can't afford to lose it. [LR212 LR214 LR215 LR241]

DOUG TEAFORD: That's right. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Senator Louden. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Yeah. Well, thank you for your testimony, Doug. When you talk about a disproportionate level of taxing, how much of your, in Keith County, does...how much of your taxes goes to support your school system? Do you know what the percentage is? [LR212 LR214 LR215 LR241]

DOUG TEAFORD: I don't offhand. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Is it 65 or 60 or whatever? [LR212 LR214 LR215 LR241]

DOUG TEAFORD: I don't, I'm sorry. It's... [LR212 LR214 LR215 LR241]

_____: According to the example (inaudible). [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Okay. Just a minute. What I'm wondering is about in Keith County about 24 percent of your valuation is in ag land in Keith County. Is that correct? This is what my paperwork showed. [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

DOUG TEAFORD: Okay, well, that would be... [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: And by doing that then, as your valuation of your ag land goes up, and if your percentage for supporting your schools then actually goes over onto your ag land as your valuation goes up more than where your residential or your commercial stays at actual cash value, depending on what it sold. What I'm wondering is, has anyone considered how much money is spent for supporting your school system in Keith County? Or where is it at? What do they do for a budget there? And is it continually going up? [LR212 LR214 LR215 LR241]

DOUG TEAFORD: It is continually going up. And just last month there was an election for a bond issue for some much needed improvements in our physical plant for our schools. And it was defeated like 70-30. And our Governor and his new session that you folks are going to be lining up for, agriculture may be part of the deal, but education is evidently going to. In this part of the state, in greater Nebraska the consolidation is a continuing challenge, population loss is also. So there are quite a few things that our communities out here are confronted with. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Okay. Then do you have any ideas on a different way of funding education rather than on property taxes, such as it is? [LR212 LR214 LR215 LR241]

DOUG TEAFORD: Well, maybe we could put a casino on Lake McConaughy.
(Laughter) [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: If they'd come and gamble, I guess you'd be all right. But I mean, you know, seriously, if that's where the biggest percentage of our tax money goes, we also, in order to get any property tax relief, we're probably going have to look at some way or other of handling how we fund education or how much we're going to fund it or what we are going to pay for. And that's what I'm wondering, if this is your situation in

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

Keith County? [LR212 LR214 LR215 LR241]

DOUG TEAFORD: It definitely is. And I feel very strongly that education is one of the most vital services that we can provide. That's...and we still have some of the best educated students in the country. To compromise that, I think, is a very serious shortsightedness. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: In other words, you're comfortable now with your mill levy for your school mill levy and that sort of thing on your...in your county? [LR212 LR214 LR215 LR241]

DOUG TEAFORD: As long as the ag land value keeps going up, we're all right. No, no. I... [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: But I mean if... [LR212 LR214 LR215 LR241]

DOUG TEAFORD: It is a challenge. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Yeah. But if that isn't changed then your property tax is probably going to continue to go up. If you change a valuation then you either change it off of ag land and put it more on residential and commercial or whatever and take it off of ag land. Is that what you would like to see done? [LR212 LR214 LR215 LR241]

DOUG TEAFORD: It has to be a little bit more of an equitable balance where our ag land is being so influenced by these outside pressures, I think. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: You think like...you mentioned 66 percent or something like that. You think that would probably bring it more in line then? [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

DOUG TEAFORD: I believe it would. I'm certain of it. So that's going to reshift some of the burden off of ag land back to residential, commercial. But, you know, that's...we need to have it be equitable. And I think it's just about out of...it's out of balance right now. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Okay, thank you. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Senator Dierks. [LR212 LR214 LR215 LR241]

SENATOR DIERKS: Thank you, Senator Cornett. Doug, thanks for coming over today. We appreciate all the input that you folks can give us. I think everybody in here remembers the '85-86 years when you couldn't hardly sell property. I saw property bring \$50 an acre because that's the first bid they put on it and no one else bid on it after that. We can't assure what's going on in the future. We can't assure that that same thing couldn't happen again. We've got some real unstable money problems in our nation today. So what that's going to bring we don't know. But the thing we always remember is that our needs never stop. So if our needs are to provide funding for the schools or for the courthouses or for the roads, that's always going to be a little bit more expensive every year. We got a problem here of how are we going to afford to pay for this stuff. If we come across one of those years when property all of a sudden values, what do you think would happen there? Suppose we had property selling for \$50 to \$100 an acre, which normally is around \$200 or \$250 an acre, and maybe \$300. And all of a sudden we don't have the valuation anymore. We do this running average you're talking about and all of a sudden the valuation starts to go down on all that land. What do you think? Where are we going to go to avoid a real terrible tax shift on that deal? [LR212 LR214 LR215 LR241]

DOUG TEAFORD: I guess, I think that's a very real point. And my career before I saw the light and became involved in county government, I was in banking. And I was there in the eighties. And it was a serious time and we had producers that were in critical

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

shape. And land values were deteriorating. I guess, we still need to be operating on what we have to look at today and not be committed to too much that's going to be out of whack if, as these things do soften up and very possibly they will, certainly the appearance of these new investors on the horizon are going to prop up these values to a degree, I think. But we have to run our house today based on good management and be concerned and watch these trends. But we can't not be in business. [LR212 LR214 LR215 LR241]

SENATOR DIERKS: Well, we have to be realistic, I guess. [LR212 LR214 LR215 LR241]

DOUG TEAFORD: Yes. [LR212 LR214 LR215 LR241]

SENATOR WHITE: The...one little point I was going to make, I was visiting with a superintendent a number of years ago who had been involved with trying to get teachers paid after the crash in the thirties. I said, how did you come to an agreement on teacher salaries? He said, we started by bringing the teacher into the room to talk with us and we started negotiating from the bottom up until we got to a place that we thought we could afford. And it's just that was the way they did it when they had to start over again. And I thought that was an interesting observation that he present to me. But I think about a lot of these things as we move along and try to remain realistic about what's actually going on, but also remember some of the things that we've seen in the past that could have an influence on what we do in the future. [LR212 LR214 LR215 LR241]

DOUG TEAFORD: I agree. [LR212 LR214 LR215 LR241]

SENATOR DIERKS: Thanks, Doug. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: I believe Senator White had another question. [LR212 LR214

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

LR215 LR241]

SENATOR WHITE: One of the things, I want to talk about education. You raised that. The biggest property tax expenditure is education as you all see. And one of the things that is really squeezing us is when we lose our young people because they can't get into ag, they can't find something in town because there is not enough people on the land anymore for them to make a living in town either. You're looking at between \$7,000 and 15,000 per year per child that we spend on average, depends district to district, to educate them. So as we drive these land prices up and we drive more young people out, that's our money walking out of the state. They don't pay taxes anymore. We get older, they're gone. It's a real long-term problem. And, you know, I know Senator Loudon was talking about 66 percent maybe. We started at 100 percent. And we've dropped now to 70, 75 really, thank you. But what that means is that it didn't make it any better. You know, you guys are in the same vice you were before where you're getting guys who don't care what the price of cattle are, they're going to bid whatever the heck they want for that piece of range land. And when they do that, they're chasing young people out which we're educating some of the best and smartest young people in the country, and they're going to other to other parts of the country. So I just...I mean, as Nebraskans to really look at it and really put our brains to it. We've got to stop it. We've got to stop the young people going and give them an opportunities here. That means we got to control the inflation cost of land, which means the young person has got to be able to make a living on the land. [LR212 LR214 LR215 LR241]

DOUG TEAFORD: Right. Yep, just one more comment. You know as far as education, like in Keith County, and I can't tell you what the percent is, but for community college our county pays right now right at \$700,000 a year. And I'm a strong proponent of education. And if we can have these junior colleges closer to home that makes it available for more. McPherson County, whatever their amount is, you know, they could probably pay the tuition for their students to go to Harvard and save \$200,000 a year. So maybe we need to maybe take another look at how those monies are. That might

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

help our local education budgets a little bit. But...and Medicaid, education are going to continue to be our big, big burdens. [LR212 LR214 LR215 LR241]

SENATOR WHITE: Yes, sir. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Senator Schilz. [LR212 LR214 LR215 LR241]

SENATOR SCHILZ: Thank you, Senator Cornett. Doug, welcome. We should have talked, maybe we could have rode up together. Going back to Senator White's comments on education and having talked with folks, I mean, one of the biggest issues that I hear going around, and maybe you're hearing the same things too, is as these valuations go up once again it does not necessarily mean...it absolutely doesn't mean that there is more production capabilities of the land or more wealth generating capabilities of that land on one hand. But on the other hand, on paper it looks pretty good. And then what happens is we lose state aid that we had before, which as we can see in our county, in Keith County with facilities and things like that, that's the first place that it comes out of because nobody wants to harm curriculum if we can help it. So the facilities take a hit. And as we've seen before, as those facilities take hits once again it gets down to that thing, where does it end? And after awhile, it's tougher and tougher to get people to come. I mean if you look at the folks that...or how many kids are now going to school in Keith County? And I think you know these numbers. We've seen students move from the Keith County school district to other schools around the neighborhood so to speak. And I was just wondering if you think that that's part of the problem as well? [LR212 LR214 LR215 LR241]

DOUG TEAFORD: I think it aggravates the situation when students are able to...you know, if they feel that they can get a more personalized attention by going to a school with smaller class sizes or they have a better chance on the volleyball team or something, I mean the reason the students go is probably more a decision of the parent than the desire of the child. And certainly Ogallala has seen students, our population

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

has decreased because some is population shrinkage, but it's probably equally because we have students that have chosen to go to school, some in Arthur, some in Paxton, some in Grant. So these are all things that contribute to the challenge that we have. [LR212 LR214 LR215 LR241]

SENATOR SCHILZ: But yet as you said before and as you stated before, those costs to maintain that school and that school district have not gone down, in fact, it's the other way around. They continue to rise. [LR212 LR214 LR215 LR241]

DOUG TEAFORD: That's right. [LR212 LR214 LR215 LR241]

SENATOR SCHILZ: It's a real problem. So I think Senator White is exactly correct, we need to find some way to solve this problem. Thank you. [LR212 LR214 LR215 LR241]

DOUG TEAFORD: Yes. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Thank you very much. [LR212 LR214 LR215 LR241]

DOUG TEAFORD: Thank you for my ten minutes. I'm sorry, I ran over. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: I think you probably got more, but that's not including our questions. Next testifier, please. [LR212 LR214 LR215 LR241]

AL DAVIS: (Exhibit 2) I don't want to scare you with all these papers. My name is Al Davis. I'm a rancher northwest of here in Cherry County. It's A-I D-a-v-i-s. I am the president of the local school board here in Hyannis and also the treasurer of the Independent Cattlemen of Nebraska. It was a pleasure meeting all of you last night. First of all, I want to thank you, Senator Cornett and the Revenue Committee, for coming out and Senator Loudon for arranging the setup here in Hyannis. To me it's just

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

an absolute great honor to have you here and for you to see firsthand the problems that people who live in an extremely rural areas have to deal with in terms of finances and distance. And you saved us a ten hour commute to Lincoln to do this. So thank you. I know that one of the objective that you have here today with this testimony is to sort of bat around some of the new ideas in taxation. I think everybody realizes that property tax, as a funding mechanism, is expensive, hard to deal with, it's a year behind, it lags, and there are lot of uncontrollable issues. I appreciated what Senator Dierks had to say because I was here in the eighties and I remember what that was like. The business that we are all in here, we're in a commodity business. And so what we sell, we have really no control over the price of it. My competition is my next door neighbor, it's the guy that lives in the next county over, the guy in South Dakota. And with NAFTA it's Canada and Mexico. So really it's all about controlling costs in our industry. Property tax is the first or second highest expense that we have on the ranch and it's out of our control. Over time, the drain on income, which will make your ranch less and less efficient relative to other ranchers in other states, and you won't be able to buy the better bulls, you won't be able to buy the better tractors because your responsibility is first to pay that property tax. And so you become obsolete. The same thing happens in the cattle feeding industry. I think if you ever talk to anybody who feeds cattle, you know, you can feed cattle a lot cheaper in Kansas. Well, the one difference between us and them is they have an improvement. And they can go to Kansas and setup their feedlots down there. And if they do and we lose our feedlot industry, then what happens to the price of cattle for us? It's driven down because it's farther to the market. So it's important for us to maintain what we have. And this to me, you guys have spoken about this earlier, but as profitability slips away, you know, the young people empty out of the state and we become more and more rural. You mentioned about the cost of education and people not being able to come back. And partly that might be because property taxes are so high that people can't come back. So here in Hyannis in the nineties, we had 160 children in our grades 7 through 12. Today we have 120 kids in K through 12. So you can see what a tremendous loss we've had in students. Now our district goes west 45 miles, almost to Alliance. It goes north 30 miles, south 25 miles, and east 16, so

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

it's a huge geographic area with very few students. Our economy is still overwhelmingly dominated by agriculture and agricultural enterprises. I cannot emphasize strongly enough that the taxing system which currently exists is badly broken and is destroying the agricultural economy which it depends on for support. It is stripping small communities of their youth and their vitality. Ranches, farms, feedlots, small businesses, and even rural community vitality itself are suppressed by a taxing system which reflects what I believe are nineteenth century perceptions of what wealth is and how it should be taxed. We provide tax exemptions and incentives to bring in other businesses, but we're sabotaging the very industry on which Nebraska's healthy economy has always depended and probably always will which is agriculture. And we've got to reverse that. One of the things that you have done in an effort to try to solve the problem is you have lowered the valuation on ag land, which really sounds like a very worthy thing to do. But if you do some study with the data, you'll find out that in the poor rural counties it doesn't help much. And this is why, and I'm going to go through my kind of detailed explanation for you. I took a farm in Douglas County which I'm going to value, an arbitrary value of \$1 million, and a ranch in McPherson County which is down at Tryon and we're going to say it's worth the same amount of money. And we'll say, just for hypothetical purposes, that Douglas County levies...valuation is \$100 million and so is McPherson County. Okay, now in Douglas County .32 percent of the land is ag land. In McPherson County 86.14 percent of the valuation is ag land. So now after the assessor does the adjustment on valuation, Douglas County now has \$99,702,400 to assess against. McPherson County has \$74,158,000 to assess against. They both have to have the same amount of money for their schools and their county government. So what happens is the levy in McPherson County goes up 33 percent. So what I'm trying to say is it seems like a worthy goal, but in the really rural areas it doesn't help because you have to raise a certain amount of money to operate your local government and there's only one source and that's agriculture. We've had...our own community here has a sales tax, Alliance has a sales tax. But most of us who live on these ranches have to go somewhere to buy parts and we can't buy most of them in Hyannis. So we have to go to Alliance or Gordon or Ogallala. And a couple of months ago I bought \$8,000 worth of

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

parts for my machinery. And so in the process of that I paid \$120 to support the city of Alliance, the government there. Same thing happens in Hyannis when I buy tires here, it supports the village. But it's ag money that is coming in to support these communities. That's what the whole problem is, is that everything out here is based on ag. And I want to kind of talk about the TEEOSA formula for a minute, if you will bear with me on that. What TEEOSA is, is the school aid formula and it's the Nebraska Tax Equity Educational Opportunity Support Act. As a school board member I know that school budgets can be manipulated. My superintendent is probably up there giving me a dirty look, but...any board member will often tell you that there are often discussions which take place at the end of the year about whether to shift money from one year to the next in order to sort of tweak the TEEOSA formula. And it's really hard as a school board member to not try to grasp that state aid money. I think there are some districts...our district dropped out of the race here a few years ago. We said it just didn't make sense for us to keep taxing our residents to try to get state aid when it was basically a constantly losing formula. But I know there are other districts that are right on the cusp of that and so they do that. One thing I think might help that problem and would lower some property tax would be if the minimum effort levy or requirement was a little lower than what it is. I've seen in my own district. I've seen it in neighboring districts. It's hard to ignore that pot of money. And another problem that I see with that formula is that it bases the ability to pay completely on the resources available through the property tax. Districts with the highest per capita disposable income receive the same treatment under the law as with the lowest disposable income on a per capita basis. The formula's income factor is the percentage of free and reduced lunch students. And that is not an accurate indication of the taxpayers ability to pay but only of the students within the school. Surely the ability to pay should be considered in the formula and the best vehicle for that purpose would be to add an income factor to the formula. And that information should be available from the Department of Revenue. Senator Pahls has proposed the elimination of sales taxes, sales tax exemptions. He thinks that we could have quite a change. I think that there's some merit to that proposal and it needs to be studied. But you know what I would like to propose is the elimination of what I consider

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

to be wealth exemptions. Real estate was once the definition of what wealth is, and that's the way everything is based anymore. But today, a lot of wealth is in stocks, bonds, CDs, retirement accounts. And, you know, I'm sure that you people from Omaha probably get sick of people talking about Warren Buffett. But, of course, he's the Ted Turner of this picture. Warren Buffett pays \$727,000...has a valuation on his house of \$727,600. He pays \$14,325 per year in taxes. He's worth \$62 billion. A rancher out here with 1,000 head of cows on his ranch, he's probably paying between \$45,000 and \$70,000 annually to support his local government. And that very same rancher may have may have loans against the cattle and loans against the land. And he may have a very modest net worth. Now where's the justice in that? So I'd like to also suggest that the Revenue Committee resurrect a proposal initiated by Stan Dobrovolny several years ago, which was the discussion of the transaction tax. You might remember, there was an initiative process that was thrown out. But I think it's something that we ought to reexamine. And I'd like to make one final suggestion to the Revenue Committee today. And that's to remove the property tax basis for the support of the community college system. The state should assume the operation of the community college system because it would mean immediate tax relief for rural Nebraska. We are in the Western Nebraska Community College district here. And Grant county pays \$127,000 per year to that school. Sioux County, also on the west end of the district, pays \$310,000 to support Western Nebraska Community College. Sioux County has, I think, three students. We have maybe six that come from here, who are participating in that. Last spring, WNCC had one full-time Grant County student and three students taking noncredit classes. If you divide the number of students enrolled from Grant County into the tax paid and, just like someone said earlier, you could go to Harvard for that money. I think there's a lot of duplication of services. The community college system is kind of an antiquated system. If it was taken over by the state there could be significant savings, a lot of things could be taught just through distance learning over the Internet, and I think it would be better for all of us. My real point is if you're going to have a community college you need to be able to benefit from it. And when the community college district that we are in is 120 miles away, we just don't get much from it. So again, I want to thank you all for coming

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

out. If you've got any questions, I'd be glad to answer them. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Mr. Davis, when you said that, because we've had hearings now on the sales tax repeal. When you said that's something that we should be taking a look at, in what regard? What area would you look at eliminating the exemptions on sales tax? Because at those hearings we heard from ag producers that while they wanted their property tax lowered, looked at the cost of producing anything without those exemptions for ag. [LR212 LR214 LR215 LR241]

AL DAVIS: I think with elimination of property tax, if the exemptions were taken out and never put back in again, I think you would have a low enough tax that it would be a significant savings on the property end of it. And I haven't read the whole data, you know. But from what I did examine, I thought that there were some real pluses to looking at that. Because exemptions distort the whole picture. Just like valuation changes distort the picture and 1031's do the same thing. You know, we probably wouldn't have a 5.5 percent sales tax today if we hadn't put all these exemptions in place. And it seems to me that the Legislature is constantly looking for other exemptions to put in place. But one thing that, I guess, I do think if you didn't do everything else, you know, I think the tax on food is not an improper thing. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: I was going to say, currently, I think, most of our exemptions are on ag or ag items, related like grain drying and electricity for grain drying, and mineral oil, and things like that. Okay, thank you. Questions from the committee? Senator Utter. [LR212 LR214 LR215 LR241]

SENATOR UTTER: Thank you, Mr. Davis, for your testimony. You present some interesting ideas for sure. And I want to pursue with you just a little bit, if I may, the concept of the wealth tax that you alluded to. One of the dangers that could be, and I want you to correct me if you think I'm wrong, is that will cause a flight of wealth from

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

our state. For example, we'd begin taxing timed certificates of deposit, which are in the banks of our state. And that money in turn is used to loan out to you folks. And if our neighboring states are offering that without tax, it seems to me like we could cause a tremendous flow of capital from Nebraska. Do you see any way to stem that flight of capital? [LR212 LR214 LR215 LR241]

AL DAVIS: No, but I would say this, when I lived in Florida there was no property...very low property tax and no income tax. But they did have what they called an intangible tax, which was basically a tax on stocks and bonds. And if you know your data on Florida, it's one of the fastest growing states in the country and has been for 40 years, probably not because of the intangible tax, I will say that. I don't know the answer to that. But to impose the whole burden of paying for local government on property owners just no longer makes sense when wealth has shifted and changed from what it was before. Maybe we need a national referendum on that issue. [LR212 LR214 LR215 LR241]

SENATOR UTTER: Thank you. [LR212 LR214 LR215 LR241]

SENATOR WHITE: Just so the record is (inaudible), since Mr. Buffett lives right across from my district, it would take him about 36 seconds to move to another state and he pays a tremendous amount of income tax in this state. And when his wife passed away, she paid a huge...that estate paid a huge amount of inheritance tax, which we've since that time we've actually gotten rid of it in large part to address the concerns of the family farmer... [LR212 LR214 LR215 LR241]

AL DAVIS: Which I appreciate. [LR212 LR214 LR215 LR241]

SENATOR WHITE: ...which we have pushed on. So a couple of points just so we can square some things. Community college were originally developed at the behest of areas away from Omaha and Lincoln that wanted to keep their young people there. And

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

originally, they were 100 percent supported by local property taxes. Recently, two years ago we had a huge influx of state money, largely from Omaha, and I got people on the warpath about it, out to Scottsbluff, subsidizing Western Community College and Southeastern Community College. Okay. And one of the thing that they're saying is, well, we should just shut them down, you know. But the argument against that is then we've abandoned the possibility of keeping our young people out here. You know, Metro Community College would make it without any kind of state money, but very few other community colleges would. [LR212 LR214 LR215 LR241]

AL DAVIS: I think you're right. But, Senator White, how would you feel if you were living 120 miles from your community college? [LR212 LR214 LR215 LR241]

SENATOR WHITE: Well, I guess, what I'm telling you is initially they weren't...I'm living 360 miles away from your community college and yet we're supporting it. The other thing that just so you know when you're talking about valuations out in McPherson, what really happens is state aid to education goes up when you drop valuation of ags. I mean it really does. The people that get hit the worst are living in towns or running businesses because they don't get that benefit. So, I mean, it's a complicated question, it really is. And you guys in a world of hurt and we got to fix it. But a lot of what you're suggesting will make it worse, I mean a lot worse. And if, for example, we got rid of property taxes, I don't care how good of a rancher you are, okay, some guy making a lot of money as a doctor or a lawyer can outbid you for that land because he doesn't care. [LR212 LR214 LR215 LR241]

AL DAVIS: And he can already. [LR212 LR214 LR215 LR241]

SENATOR WHITE: And what we have to do is make it a lot more affordable for a guy living on the land, operating a ranch to operate the ranch, not necessarily take the burden off some absentee landowner. I'm interested in Nebraskans owning Nebraska. I don't want us working for somebody from far away. And I'm asking and hoping that

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

together, urban and rural, we can figure out a better way so we can keep Nebraskans on the land. [LR212 LR214 LR215 LR241]

AL DAVIS: And I would hope so, too, Senator. But you know, you are the one who proposed to eliminate the tax rebate that came back from the government and give it to homestead exemption, which would not help people on ranches and farms. [LR212 LR214 LR215 LR241]

SENATOR WHITE: Actually, that was originally my bill, the whole thing was. Okay? And that went through on my bill. And what I had suggested early in the committees, just so you know, is looking at earned income tax credits for people who live on land. And even if you're losing money on your ranch, you could get a tax return as long as you were paying income tax here to replace the benefit that would have been gone. My concern has always been keeping the money in Nebraska. And it's not just your areas. The worst part is, you know who gets most of that money? It's in Omaha, because those property tax breaks overwhelmingly go to the big skyscrapers in Omaha. One Kawasaki plant in Lancaster County gets a \$40,000 a year check from us, that's your sales tax and your income tax. It's not that I'm begrudging anything here, it's just we're doing it bad. [LR212 LR214 LR215 LR241]

AL DAVIS: Which was a well-intentioned idea to try to bring business to Nebraska. But I'm not sure it's worked. [LR212 LR214 LR215 LR241]

SENATOR WHITE: No, that's a property tax that you're defending. That cost us, I don't know whatever each figure out what you get, Kawasaki plant in Lancaster County, \$40,000 last year went from us to Tokyo. One Walmart in Lancaster County, \$17,000 went to Bentonville, Arkansas. We have to figure out a way to keep that money here and give it back to people who live here. It is difficult, it's not easy to do constitutionally, but we can't afford to keep doing that. And the biggest pig at the trough is Douglas County because they have the most commercial land that gets that break at the highest

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

valuation. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Before we...oh, I'm sorry. Go ahead, Senator Utter. [LR212 LR214 LR215 LR241]

SENATOR UTTER: Just one more question, Mr. Davis. You mentioned you were on the school board. Are there...looking at the other side of this coin, and I think it's something that we really, closely have to look at both sides, and given the "locational" circumstances of your school and of the Cherry County and this county and the city of Hyannis and what have you, how do you feel...or do you think the government's, and by the way including the state government, are running as efficiently as we can and still provide the necessary services that government needs to provide or are there some things that we can do as a Legislature to cause all levels of government, from local, county, school, on up to the state government to become more efficient? Have you any suggestions in that area? [LR212 LR214 LR215 LR241]

AL DAVIS: I don't think any form of government is 100 percent efficient because it's...as a representative, if it was your own money you were spending, you're going to be more of a watchdog. I think our school district has done an excellent job of controlling the costs. We haven't...we have not raised the levy here for several years. As a result, primarily of the modifications that came about when Senator Raikes put through LB126, which was a very controversial thing in our area, and also we have had a tremendous loss of students. But, you know, we no longer have several of the rural schools. We had 13 elementary teachers, we now have 7. We could probably get by with less. But we've done everything we could to control costs. I think everybody tries to be as good a steward as you can. As a board member though we are always faced with the fact that the school board...the teacher's union comes and says, now what are you going to give us for a raise this year? And healthcare costs are out of control, we all know that, insurance as a part of the overall package is just an uncontrollable cost. So since the cost of education is 80 percent salaries, there is a big part of it that just is not within our

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

grasp to manage. [LR212 LR214 LR215 LR241]

SENATOR UTTER: And how do you feel about county government, state government?
[LR212 LR214 LR215 LR241]

AL DAVIS: I think there's a lot of... [LR212 LR214 LR215 LR241]

SENATOR UTTER: Are you going to give those two units the same grade you gave
your school district? [LR212 LR214 LR215 LR241]

AL DAVIS: ...I think there's waste, I think there's waste in the college system. No, I
won't, I won't. I think there's waste in the college systems, which I tried to address a little
bit today. And that wouldn't just be in the community college. But, you know, the
University of Nebraska takes a...what is the percentage of the budget that they take
from you? Twenty percent? To me that's a significant expenditure and I have some
problems with that. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Senator Louden. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Yeah. Well, thank you, Al, for your ideas and for being here today
and setting this all up around here. I...as Senator Utter has talked about some of the
intangible property and I won't go into that. What I would...when you talk about
education and state aid, you know they changed that very sparse and sparse and that.
That cut out these rural districts considerably. Do you know how much...did that affect
Grant County area school district? [LR212 LR214 LR215 LR241]

AL DAVIS: It did, but I can't...I couldn't come up with the figures. [LR212 LR214 LR215
LR241]

SENATOR LOUDEN: But I mean was it a significant amount? [LR212 LR214 LR215

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

LR241]

AL DAVIS: It was a fairly...I think it was fairly... [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: A couple of teacher's salaries? [LR212 LR214 LR215 LR241]

AL DAVIS: No, it was probably...you know, we never...we've always been a quote, unquote, wealthy district. So we were always way down on the bottom. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Right, 73 cents or whatever. [LR212 LR214 LR215 LR241]

AL DAVIS: Yeah. I'm guessing it might have been \$25,000 that we lost. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Okay. [LR212 LR214 LR215 LR241]

AL DAVIS: Now you know, Valentine, it hit them a lot harder. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Well, they're bigger... [LR212 LR214 LR215 LR241]

AL DAVIS: They're a bigger district. But, I mean,... [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: ...geographically. Yeah. [LR212 LR214 LR215 LR241]

AL DAVIS: ...that was...and Arthur County, I think that was one of the districts that...there were two or three districts that were sort of exempted out and got some different aid at that time when the sparse, very sparse went in Arthur County was one of those, and Sioux County was one of them. And I think those two probably had some

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

significant hits with the loss there. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: They were supposed to be held harmless for years, though, or something like that. Yeah. That's what I was wondering because I was there in 2003, when we raised that mill levy to \$1.05 for your school districts, which put everybody away from the state aid a little bit farther. And I think prior to that it was at .95 cents. And we were always supposed to loser it back as soon as we had some money. And for some reason we never did have any money or we never did lower it back. In fact, there was some legislation a year or two after that went in to raise it to \$1.07. We fought that tooth and nail. Getting to your community colleges, I testified when the Community College Commission had their hearing down there in Lincoln, last summer. And I was the only one that asked them what percentage of property tax is used to finance their athletic departments. And by doing that, then they've been investigating that since. And I've gotten a lot of long, long talks with some of these presidents, some of these community colleges from time to time, trying to justify that. North Platte down here, where at Mid-Plains, you know, they're talking about a little over \$2 million is what it cost them for that athletic department. And he still hasn't explained to me where I can understand it, where he's getting the money, where that athletic department is paying for themselves. So I am or we are probably looking into something along that line. I questions why we have to have athletic departments in community colleges, especially if it's funded by property tax. And as Senator White is defending Metropolitan Community College down there, I've been around a long time because I had to fight off, what was his name, Synowiecki with the community colleges. I mean, we had these discussions years ago on Omaha. They're sitting down there on what? Thirty-nine million dollars reserve fund or something like that, maybe it's \$42 million now. Where we have other community colleges that the whole valuation of the whole district isn't worth that much. But anyway, we have worked to get some state aid to fund community colleges. I think, Senator White, I would question if they were originally completely funded by property taxes, because Terry Carpenter was the one that wanted to have the state fund...have it completely funded by the state. And that didn't quite go through.

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

But nonetheless, we do have a problem with community colleges because that's running about 9 cents mill levy right now on everybody that's sitting in here that's got a piece of property, whether it's a car or whatever it is. So I think there is some room on our property tax to do something about community colleges. Right here in Grant County you're with Mid-Plains? [LR212 LR214 LR215 LR241]

AL DAVIS: We're with Scottsbluff. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: You're with Western Nebraska. And I don't know, I've not visited with them to see what they are, but I do think that we need to look into that considerably more. When you talked about a transition tax, were you talking about a tax that whenever there was a sale made of property, whether it was stocks, bonds or even real estate, that there would be a tax on that? Is that what you were talking about on the transition tax? [LR212 LR214 LR215 LR241]

AL DAVIS: Um-hum. transaction tax, yeah. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: And what rate do you think that should be at? [LR212 LR214 LR215 LR241]

AL DAVIS: Well, we were talking about that this morning. And it seemed to me that when Dobrovolny put that proposal together it was 1 percent from the buyer and 1 percent from the seller. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: On the gross value of the transition? [LR212 LR214 LR215 LR241]

AL DAVIS: Yes, so 2 percent. You know, you'd have to dig what he had done out and review it, it's been several years ago. But as I recall, basically, that was...his intention or his thought was that that would basically fund almost all services in Nebraska, local and

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

state. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: I see. Do other states have that? [LR212 LR214 LR215 LR241]

AL DAVIS: I don't know. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Okay. Well, thank you for your testimony. [LR212 LR214 LR215 LR241]

AL DAVIS: Thank you. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Senator Dierks. [LR212 LR214 LR215 LR241]

SENATOR DIERKS: Thanks, Al, for coming over and for your help in setting things up for us today. I have a couple of questions. One of them is, in your school budget what percentage of the school budget goes for teacher salaries and transportation? [LR212 LR214 LR215 LR241]

AL DAVIS: Can I defer that question to our administration? Terry, do you have an answer? [LR212 LR214 LR215 LR241]

SENATOR CORNETT: He can come and testify, but it's impossible for our transcribers to record conversations from the audience. [LR212 LR214 LR215 LR241]

AL DAVIS: About 85 percent. [LR212 LR214 LR215 LR241]

SENATOR DIERKS: Eighty-five percent. That's what I've been telling people. I was on a school board for 17 years, over in Ewing. We just had the same expense. The other thing I wanted to ask you, someone, I think maybe you talked a little bit about it that property taxes on ag land. Could you give us an average cost per cow per year on

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

property taxes in your area? [LR212 LR214 LR215 LR241]

AL DAVIS: I'm going to say it's probably \$50 per cow here. And I also have land in the Valentine school district. They levy at a much higher rate, I would say it's \$60 or \$70 up there. [LR212 LR214 LR215 LR241]

SENATOR DIERKS: Thank you. [LR212 LR214 LR215 LR241]

AL DAVIS: You know it takes 13 acres or 14 acres per cow. And by the time you multiply that all out... [LR212 LR214 LR215 LR241]

SENATOR DIERKS: Yeah, thank you. [LR212 LR214 LR215 LR241]

AL DAVIS: Thank you. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Just one quick thing. I wanted to apologize for hopping up in the middle and passing a note back and forth. You'll be all readying this evening the Forecasting Board has come back and we are \$288 million lower than was projected for the biennium budget, which is about \$48 million less than what we assumed the highest would be, I mean, it's more. [LR212 LR214 LR215 LR241]

SENATOR WHITE: It's worse than it looks. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Yeah, it's \$48 million worse than we thought it was going to be. [LR212 LR214 LR215 LR241]

AL DAVIS: And how much of, just as a question. How much of state government is manageable? You know, you asked me the question about schools and we say 85 percent. How much is discretionary spending? [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

SENATOR CORNETT: Oh, we're down... [LR212 LR214 LR215 LR241]

SENATOR WHITE: Do you consider Medicare, Medicaid discretionary? [LR212 LR214 LR215 LR241]

AL DAVIS: No, no, you can't. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Yeah, there's very little. You have to meet federal mandates, and therefore most of our spending is not discretionary based on federal mandates. [LR212 LR214 LR215 LR241]

SENATOR WHITE: Really, education is the biggest single one... [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Yeah, other than that. [LR212 LR214 LR215 LR241]

SENATOR WHITE: ...that's discretionary. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: With that, could I please have the next testifier. [LR212 LR214 LR215 LR241]

ART BROWNLEE: My name is Art Brownlee, A-r-t B-r-o-w-n-l-e-e. [LR212 LR214 LR215 LR241]

SENATOR UTTER: Can you speak up a little so they in the back of the room can hear. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: There is no sound system in this room. So we have... [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

SENATOR WHITE: This is recording. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: So we need you to speak up. [LR212 LR214 LR215 LR241]

ART BROWNLEE: Okay, I'm from Ashby, about nine miles west of here. And I, too, want to thank you for coming. I think it's really special to have you all here. And I would say it's even extra special that you brought some along from Omaha. And I know how foreign this is to someone from Omaha that may not have been in the western part of the state. And I say that because I spent most of my life in Omaha. I've been only out here about 16 years from Omaha. And I have a little bit of a unique look at it because I currently pay property taxes on commercial buildings in Omaha and I pay property taxes here, have businesses in Omaha and here. And have seen the flavors of both ends of the state. And something that I'd like to do this morning is not necessarily, I don't have a resolution. And, Senator Cornett, you kind of trumped everything when you said today and we find out we're \$48 million... [LR212 LR214 LR215 LR241]

SENATOR CORNETT: No, \$288 million. [LR212 LR214 LR215 LR241]

ART BROWNLEE: ...\$288 million down, but... [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Possibly \$298 million, we're not sure if we heard wrong. [LR212 LR214 LR215 LR241]

ART BROWNLEE: But what I would like to do is specifically speak to the fact of things that I found unique out here since I've been moving...since I moved out here that I didn't realize in Omaha. And some of you that may not live out here may not be aware yet, people probably behind me are all aware of these things so it will seem very mundane to them. It wasn't very long ago I was in Omaha and a store clerk asked me where I was from. I evidently looked like...I had hay in my hair or something. But where you from? I said, well, I'm from Ashby. And when you say Ashby, you know, blank looks happen all

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

the time in Omaha. Well, where is that? And I said, well it's about 350 miles west of here. And they said, oh, is it near Utah? (Laughter) You know, that's an absolute true story, but that's a fact of life in Omaha because most of Omaha does not understand the western end of the state. And I found that out very true in the last 20 years. So what I am going to try to do here is just lay out some things that I see unique out here compared to what I saw in Omaha. I recognize also that you, as a committee, have a unique opportunity and also a unique situation, very difficult to try to bring two ends of the state together, two situations together. And I appreciate your efforts, especially being here again to listen. From what I have experienced there are large differences in taxes and tax benefits between commercial enterprises in Omaha and ranching enterprise. As I spoke a little bit to this. Property taxes comprise a much larger percentage of total operating expenses for the ranching community as opposed to the commercial community. I understand, having lived in both end of the state, that Omahans might not want to hear this. But in essence, it's a situation that is close to a breaking point. Another aspect of taxation difference has to do with opportunities. A good business manager, whether they're in either end of the state, will attempt to find the best way to create revenue from their property. Commercial building in Omaha, you may change tenants, you may change your manufacturing, you may...what you manufacture or sell in the building. There are a lot of different avenues for being able to make a building pay for itself and property. With farmland, which comprises a good percentage of our state, it can mean a change in crops, going to irrigation. There are variables in there, in the farmland also. At this point in time ruminants or cows are the sole revenue source in the grasslands. This aspect of ranching severely limits the flexibility of being able to manage one's way to overcome increased costs, including property taxes. It may seem that cattle are our main product. In reality, what I have found is our primary product is grass. It's really very simple. Without grass we couldn't raise cattle. Grass is not a concentrated product, like corn and soybeans. A majority of our grass is capable of producing less than a tenth of tonnage of corn per acre. In addition, its nutritional value, especially humans when compared to corn, is negligible. Because of the low production ability it is impossible to justify pesticides and fertilizer.

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

And generally the reason land is in grass is because it's unusable for anything for anything more productive. Our friends in Omaha may look at the vast western end of the state and say, there should be a lot there that we can tax. As I have sought to indicate to you, I think they would be wrong. The state funded services provided to those in Omaha are much handier and less expensive to avail oneself of than someone in western Nebraska. And please don't get me wrong on this issue. I don't want more and closer state services. Nebraska's property tax burden for the cow-calf producer is high when compared to surrounding states. As I said, my tax is about \$50 for a \$500 calf produced each year. But the interesting part of it is you would think to your point, Senator White, the surrounding states would be the same way, but they aren't. Kansas state gets by on \$18 a cow unit. So there's inequity there somewhere as opposed to going and ranching in Kansas as opposed to ranching in Nebraska. For example, this difference in tax amounts to an additional yearly burden for a 100-cow producer of \$3,200 between Kansas and Nebraska. I don't have the Wyoming numbers. I thought I had them but there's a question mark in them. It's even more radical, as far as I know, between Wyoming production per cow and Nebraska. You know, this dollar figure again is...the tax law figure is not one that can be managed around. It doesn't make any difference how good of a manager you are, you can't do anything with it because we don't have the variables to do anything with the property we have. If there's one thing I would like to remind you of and ask you to remember it's the fact that the backbone of the state's largest industry, whether Omaha understands it or not, and I don't say that directly to you, Senator White, but I know your constituency very well, is cattle. The cow-calf rancher is the backbone of it. Individuals, given the opportunity to invest in our state are the true source of a better economy as opposed to government doing it. And if we cannot stop the escalation of property tax, bring relief to the tax burden in grass country, we will continue to see, and I repeat, continue to see a decline in individual investments made in the rural parts of our state along with children not returning to the ranch or the state. Thank you. I appreciate you listening. I'm open to any questions.
[LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

SENATOR CORNETT: Senator White. [LR212 LR214 LR215 LR241]

SENATOR WHITE: Let's cover a couple of things. First of all, everybody should understand that state government gets no property tax dollars, not nickel one. All property tax dollars stay and are assessed in the area where they are levied. Okay? And we don't have any control over what are the levy limits. We can put caps, but it's your local districts that set them strictly. And that's the first part we get. The second part is I grew up outside of Columbus and I rode pens in stock units. I ride horses, rode one yesterday. So I understand ag real well. Okay? So get it. And you're right, most Omahans don't understand it, okay. But what we're facing, as an example Wyoming, their taxes are much lower. They sell us coal. When you turn on the electric light, we're paying Wyoming's property tax. We don't have coal. We got wind. Okay? We're now ranked...I think Cap Dierks is the most knowledgeable, but he'll tell you, I think second in the nation or third, Cap, at 100 feet in the air or 100 meters in the air. We can't right now exploit that wind but we're trying. And you know what we're using to do it? A sales tax exemption on wind equipment. (Laugh) Now it's tough. Cap will tell you what it's done for a district in his...a township in his district when they put a wind farm up. And you're right in the middle of the best wind country in the...among the best in the world. But getting that industry in here means we take decisions that may not be popular, because we're giving sales tax exemptions to try to encourage them here. But I appreciate your ideas. And I do understand how tough it is. That's the worst part. But when we were at 100 percent we were in the same situations of valuation. We're now down to 75 and it hasn't gotten any better. Because we're still...your value of your land went up beyond the ability of the land to pay for itself. And I don't care if we valued it at 10 percent, if that's true, you're going to be struggling. We got to figure out a better way. [LR212 LR214 LR215 LR241]

ART BROWNLEE: Well, Senator, to your point, I didn't mean to impose upon you the problem not understanding us. But I know you're constituency. And I think you have the biggest job here on the panel here because of the constituency you represent. [LR212

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

LR214 LR215 LR241]

SENATOR WHITE: And Senator Cornett is from Bellevue and she gets it. I mean we do get it. But the problem we got, the way we're doing it, you know, as much as 50 percent of the tax rebate we're given goes right out of the state. Doesn't even go to Nebraskans. I mean we just got to get smarter, folks. Thank you. [LR212 LR214 LR215 LR241]

SENATOR DIERKS: I think I'm next. And I'm taking care of Abbie's chair for a little bit. You got...I think you had some very good information there for us, Art. And I think...I'm in production agriculture too. I have a cattle ranch over in Wheeler County. I'm a retired veterinarian, so I've been around a lot of farms and ranches. And I can tell you that when I started my veterinary practice, in 1961, I could go out every morning during July and vaccinate 300 to 400 pigs for cholera and/or syphilis. And today there isn't one of those farms raising pigs at all. Most of them have been sold to bigger...to other places. I can remember when I first started practice I helped collect semen from turkey's because there was still a private business for turkey's. Corporate America has taken that away from us. Corporate America has taken the pork production away from us. And corporate America is doing their damndest to take cattle away from us. How are we going to take care of that? [LR212 LR214 LR215 LR241]

ART BROWNLEE: You know, Senator Dierks, your point is...and it's something I've struggled with since I've been out here is the power resides where the voters are. And the voters aren't here and the voters don't know what is out in the western end of the state, even though it is the largest industry in the state. You know, how to resolve that, I don't know. [LR212 LR214 LR215 LR241]

SENATOR DIERKS: Well, I have an answer, but I'm not sure everybody agrees with me. I think we have to enforce our antitrust laws in this state... [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

SENATOR WHITE: Yes, sir. [LR212 LR214 LR215 LR241]

SENATOR DIERKS: ...and make sure that packers are paying up for the livestock we take to them. I want to make one other comment. Al, I think, mentioned it, Al Davis about the transaction tax. I actually introduced the last transaction tax bill that was introduced in the Legislature, back in I think it was 2000 or 2001. And I had worked with Stan Dobrovoly over the years and his efforts to do that. And I believe it was 1 cent for the seller and 1 cent for the buyer. At first I thought it was a half cent for each, but nonetheless, that tax would have taken care of all our property, income and sales tax, it would have eliminated all of it. And a lot of ranchers and farmers had difficulty with that because they thought it was going to cost them more when they paid the tax on the cattle they sold. I think if they actually figured it out it would be less. So I think there's some value to that system. The other thing that I introduced with Senator Coordsen and the research analyst, Bill Lock, we were talking about this morning, was on the property tax on land should be valued based on the production capacity of the land rather than the sale value of the land. And we didn't get anyplace with that legislation then either. So we've tried a few of these things. We just need to keep plugging away at it. And I thank you for your effort. I think you did a great job today, Art. [LR212 LR214 LR215 LR241]

ART BROWNLEE: Thank you. [LR212 LR214 LR215 LR241]

SENATOR DIERKS: Anybody else have a question? Senator Louden. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Yes. Well thanks, Art, for being here today and your testimony. When you mentioned the cattle business, industry, because I've been saying all along, because I was down here in 2003, when the state didn't have any money. And I told them then that when fat cattle got to a dollar a hundred we would be...your revenues would be there. And this is what I'm telling everybody now. When fat cattle get to a

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

dollar a hundred you probably will come out on your revenue. What people don't understand, I think, especially in our urban areas is what the livestock industry does for Nebraska. That's where the money is made. That's your product. That's our coal mine that Wyoming has is the cattle that we raise out here. And until we can benefit that industry, why we're in trouble all the time. And, of course, that's what we're here today about is because of the taxation on that industry. Now when we've talked about some of this...what the state effect has on property taxes, state does, and I'd have to defer with Senator White again on that, but the state does have an effect on property tax. We did that in 2003. We changed the levy lid on schools. That pushed everything onto property. We don't fund jail fees completely for counties. That pushed that back onto property tax on counties. Whenever we cut any of that out, that all put property tax on the counties. And I said this time when I visited with the Governor before and what I've said before, this time when we cut stuff I'm not going to be one that will vote for anything that's going to push anything back on the counties. I'm sorry, I can't go there again, I seen what happened before, because we were supposed to change all of that in a couple of years or when the revenues got back there and they didn't...they never changes. I mean, our county jail fees are about like they were. They run out in probably June sometime and that's the end of it. So this is what we have to look at. And I agree with you that the livestock industry, we need probably more PR on that because this is where the value is in Nebraska. Thank you for your testimony. [LR212 LR214 LR215 LR241]

ART BROWNLEE: Thank you. [LR212 LR214 LR215 LR241]

SENATOR DIERKS: Thank you. Next testifier, please. Come on up, Chris. Whenever you're ready. [LR212 LR214 LR215 LR241]

CHRIS ABBOTT: Chris Abbott, C-h-r-i-s A-b-b-o-t-t with the Independent Cattlemen of Nebraska. And definitely want to start off by thanking the Revenue Committee for coming out to out west, I guess. I think maybe some of you, some of the Omaha end might think "out west" might be Kearney. But it goes probably further west another 100

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

miles. So, I guess, what I...I'm going to shorten my testimony because we've got some really good testimony still to come. But a lot of you folks know this area, but some don't. I'm kind of looking at Senator White. Senator Cornett, I think, she's taking care of kids possibly. [LR212 LR214 LR215 LR241]

SENATOR DIERKS: She's getting me a cup of coffee, Chris. (Laughter) [LR212 LR214 LR215 LR241]

CHRIS ABBOTT: But I was born in Grant County and I'm 55 years old. And in 1954, when I was born, the county that we're all sitting in today was considered one of the wealthiest in the nation. In one generation, folks, in the 2006 consensus that came out Grant County was the seventh poorest county in the nation. You know, there were probably four or five other cow-calf producing counties, Arthur County to the south, McPherson County, Loop County, I'm sure you're aware of the counties I'm talking about, Sioux County up in the northwest counties. That gives you a little bit of the demographics of what we're dealing with here. I think if our granddad's could all come down on a cloud, they'd say, what in the h--- happened in one generation? I reside up in Cherry County now. And to give you a little idea, Cherry County is 60 by 90 miles, larger than the state of Rhode Island. And it's the largest, number one producing cattle county in the country, 170,000 plus or minus cows, 6,000 people. That's roughly 30 cows to every man, woman and child in Cherry County. I'm doing a little comparison here. And I look, and I'm going to talk states now. I'm looking at Nebraska compared to other states. I see Nebraska kind of like us cow-calf counties, we're not very diversified. Nebraska has agriculture. You say we have wind. Yes, we do, but we don't have any transmission to get the wind out of here. So what does Nebraska have that we're number one in? A little research, we're number one in red meat production, not cattle, not beef, red meat. It is produced and processed in Nebraska and we're number one at it. You know, we can all relate. Red meat relates back to the beef, back to the cattle. But none of us in this room, I'll bet, produce the red meat. It's corporate America processes the red meat. So let's talk about corporate America doing business in Nebraska. You know, I'm talking

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

about Tyson, the new kid on the block, JBS a company owned in Brazil. In an e-mail the other day, just to give you an idea how big JBS is, they have 25 plants around the world. And per day they process 74,000 head of cattle out of those 25 plants. They have one in Nebraska called Swift, down in Grand Island. You know, Tyson is our other big corporate company that processes that red meat. There's a lot of meat being imported into this state to be processed. That's another reason why we're number one in red meat. You know, the Tyson plants, Lexington and Dakota City, I know Lexington is 3,000, Dakota City maybe larger now. So we're talking roughly 10,000 head of cattle processed in this state. If you do the math, and I'll go back to your bill, Senator White, pick on you a little bit, LB13, and Ted Turner is a household name in this room. And you mentioned the rebate that Mr. Turner gets from our property taxes with the amount of land he has, majority of it in Cherry County, I neighbor him directly now, amounts to \$75,000 and it goes to Atlanta, Georgia. [LR212 LR214 LR215 LR241]

SENATOR WHITE: It's \$500,000 a year, roughly. [LR212 LR214 LR215 LR241]

CHRIS ABBOTT: How much? [LR212 LR214 LR215 LR241]

SENATOR WHITE: Five hundred thousand a year on all Nebraska land that he owns. [LR212 LR214 LR215 LR241]

CHRIS ABBOTT: Goes...so I'm way low then. [LR212 LR214 LR215 LR241]

SENATOR WHITE: Yeah. Ted Turner, about every two years, gets about a million bucks, give or take, a year from your sales and your income tax. [LR212 LR214 LR215 LR241]

CHRIS ABBOTT: Okay. (Inaudible) folks. Thanks for correcting me. [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

SENATOR WHITE: Yeah, it's bad. [LR212 LR214 LR215 LR241]

CHRIS ABBOTT: But with that even said, I'm going to go back to corporate America doing business in Nebraska. And I'm not going to just pick on the processing companies. Let's talk Walmart. But first let's talk the state of Nebraska is probably the number one employer. I'm guessing the number two employer is probably Walmart. And I'm guessing the rest of corporate America include ConAgra, that the processing companies of that number one red meat product that we have, I would venture to say that between just those three companies, they probably take out of this state in a week what Ted Turner takes in a year. [LR212 LR214 LR215 LR241]

SENATOR WHITE: Oh, easy. [LR212 LR214 LR215 LR241]

CHRIS ABBOTT: And so I think we have to take a good, hard look at corporate America. And Senator Dierks we all know well. We can fight these antitrust laws until we're blue in the face. I spent a month in Montgomery, Alabama, you know, and by the way for the record, Senator White is very knowledgeable about our business. He was the lead attorney on the price reporting trial up in Aberdeen, South Dakota, that's where we became acquainted. So we have an urban senator here that knows our business very well. And I could go on and on, but it has to come down, it can be fair and it can be simple. And real wealth is created when you exchange your goods. I'm going to go back, that's when that transaction happens. And whether you call it a consumption tax, a transaction tax, or exchange tax, it's simple and it's pretty darn fair. I say simple, when this guy can understand it. So with that, I'm going to let the rest of the folks testify. But I just wanted to come up and...we got red meat, folks. We need to capitalize on it. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: I was going to say, just to give you a little tidbit, actually, Offutt Air Force Base is the second largest employer. [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

CHRIS ABBOTT: Oh, stand corrected again. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: That and the defense industry that supports it. [LR212 LR214 LR215 LR241]

CHRIS ABBOTT: Okay. [LR212 LR214 LR215 LR241]

SENATOR WHITE: Chris, I really appreciate it. You and I both know I don't like the packers much. And I care a lot about ag, I really do. I got a lot of family still in it. Just so everybody knows, what's happened isn't only hitting you guys. We've got the poorest African-American community in the country probably in Omaha now, and I can tell you, that's because the packing plants moved out and they broke the unions. That used to be the way out of poverty for all kinds of generations of people. They'd go in there, they'd make a decent living. They'd work a dirty, hard, nasty, dangerous job, but they'd make a good living. That's all gone. So it's just devastated Omaha, too. I mean, we still are having huge problems with the loss of that industry. And I agree with you 100 percent. And what I would like to see us do, though, is make it cheap for a Nebraskan who wants to live here and live on the land, who pays income tax and sales tax, to stay on that land and own it and operate it. But I don't want to make it cheap for some guy who lives in Atlanta to outbid everybody for the land. It's that simple. I want Nebraskans to own the damn land. I don't want us working for a bunch of people that don't live here. And that's what we've got to figure out. We've just got to get that figured out. [LR212 LR214 LR215 LR241]

CHRIS ABBOTT: Well, to comment, you know, I have no problem with the packers either. We need them. They're very shrewd businessmen. I'm just saying, corporate America doing business in Nebraska needs to pay their fair share. [LR212 LR214 LR215 LR241]

SENATOR WHITE: Which they're not. [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

CHRIS ABBOTT: And how do we do that? [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Senator Louden. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: No, I didn't have anything. [LR212 LR214 LR215 LR241]

CHRIS ABBOTT: Thank you. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Thank you. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Can I see a show of hands for the people remaining who still wish to testify. Okay. Could you please move towards the front, we've got four empty seats here. Anybody behind me? [LR212 LR214 LR215 LR241]

SHERRY VINTON: (Exhibit 3) Senator Cornett and members of the Revenue Committee, my name is Sherry Vinton, S-h-e-r-r-y V-i-n-t-o-n, and I'm a member of the Arthur County Farm Bureau. I serve on the Nebraska Farm Bureau Federation, Board of Directors, and I appear before you today on behalf of the members of Nebraska Farm Bureau. My husband and I also ranch 35 miles southeast of here in Grant County, Hooker County, Arthur County, McPherson County, and Lincoln County. Let me begin by extending the appreciation of Nebraska's farmers and ranchers to this committee, the Legislature and the Governor for enacting and maintaining policies that provide property tax relief. Farmers and ranchers have very much appreciated your efforts to keep levy limits, budget lids, state aid to local government, and the Property Tax Credit Act. They've received property tax relief and as a result of these programs we want to recognize that that is truly appreciated. As you know and we've discussed today, agriculture is our state's number one industry. One out of every three jobs in Nebraska is attributable to agriculture, 99 percent of the receipts in Grant County are livestock receipts. Prices for crops reached record levels in 2008, but the cost of inputs by

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

farmers and ranchers also skyrocketed. Recently, while crop prices have fallen to almost half of their highs of last year, costs of production inputs remain extraordinarily high. Additionally, the state's livestock producers are struggling and still face economic difficulties. As a result, farm income in Nebraska is predicted to drop just like your revenues. Nebraska Farm Bureau has a longstanding member-adopted policy that places a high priority on reducing property taxes. We've been in front of the Revenue Committee numerous times over the years to not only share this position but also to point out that farmers and ranchers pay a disproportionate share of property taxes in rural areas. In many rural areas, agricultural property owners have been known to pay as much as 60 to 70 percent of the tax burden to local government entities. In addition, we know that Nebraska agricultural property owners pay significantly higher taxes than those in neighboring states, as we've discussed today, and our taxes on agricultural land are some of the highest in the country. For those reasons, our members are opposed to any relaxation in the budget or levy lids put in place by the Legislature to respond to the public's concerns over property taxes. From our perspective, relaxing the lids would be a step backwards in terms of attempting to provide property tax relief. We know that is the issue that's first and foremost in everybody's minds here today. To that point, I've handed out a chart put together by the Nebraska Department of Revenue, Property Tax Assessment Division. The chart tracks the growth in total property value, total taxes levied, and state aid provided since 1992. The pink line demonstrates the growth in property taxes levied over time on a statewide basis. You can see the annual rate of growth in property taxes has climbed over the last five years and jumped another 5.47 percent this year. And this growth is with levy limits and budget lids in place. Relaxing or removing the lids would only accelerate these already high growth rates in property taxes, growth that most Nebraskans and our members don't want to see. Moreover, farmers and ranchers have no options to pass the higher taxes on in the form of higher prices for the commodities we sell, as has also been discussed earlier today. The higher taxes would come out of our bottom line. Simply, we are price takers not price makers as commodity producers. Finally, property taxes paid to support schools, ESUs, community colleges are especially a thorn to farmers and ranchers. As farmers

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

and ranchers we don't mind paying taxes. What we do mind is shouldering a greater share of the taxes for a public good--children's education, in which everyone benefits. Farmers do not benefit anymore than the rest of society from providing children an education. Yet in rural schools they pay the majority of the taxes. Relaxing the levy limits or the budget lids would only exacerbate this problem. I'd also like to comment on the other LR212. On this topic, Nebraska Farm Bureau's policy states, Nebraska Farm Bureau supports an income capitalization approach as the most equitable means of valuing agricultural land for tax purposes. We understand that getting there may be difficult. And if an income capitalization approach is legislatively unattainable, we'd support lowering the current 75 percent of the market level of value. Assessed values on agricultural land increased dramatically over just the last year. The Department of Property Assessment and Taxation reports the assessed values for agricultural land increased over 12 percent from '08 to '09, this increase is on top of a 37 percent, from 2007 to 2008. In some counties, and I have land in one of these counties, we've seen increases in agricultural land values near 50 percent. No doubt favorable income conditions in 2008 were a primary factor in land value increases. However, farmers and ranchers continue to be concerned with the influence of nonagricultural factors in the market, as we've discussed. Section 1031 exchanges, nonagricultural investors, and persons purchasing property for recreational purposes continue to be market influences. In June 2009, the June 2009 UNL report of Nebraska farm real estate market reported that respondents believe that crop prices were having the most positive impact on land prices. Falling crop prices, however, nonfarmer investor interest, 1031 tax exchanges were rated fourth and fifth highest in their positive influence on land prices. The same report, in 2006, reported that respondents believed 1031 tax exchanges and nonfarmer investors were the two strongest factors contributing to higher land values. Interestingly, and while it varies across the state, the 2009 report showed that 25 percent of the buyers in the northwest crop reporting district were either local nonfarmers, nonlocal Nebraska residents, or out of state buyers. And in the north, 40 percent of the buyers fell into that same category. Given our present system of basing agricultural land values on market prices, it is difficult to sort out those nonagricultural influences in the market.

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

Thus these influences get captured and assessed in the value and property taxes paid. Generally, only 3 percent of the land in this state trades in any given year. Thus the market is too thin to provide a reasonable test of market value, too few sales to assign value to the entire universe of agricultural land. Most farmers and ranchers believe that valuing agricultural land on income-based capability would remove the nonagricultural influences in the valuation of agricultural land. They look at other states with significant agricultural sectors that value land based on income and question why such an approach cannot be used in Nebraska. Colorado, Kansas, Missouri, Wyoming, and South Dakota value ag land based on income capitalization. They then assess land for tax purposes at considerably less than Nebraska. It's difficult for agriculture to remain competitive giving our surrounding state's policies. While we advocate for an income capitalization approach to valuing ag land, we realize there are hurdles that must be carefully considered. They are the constitutional question surrounding such an approach given the constitution's uniform and proportionate language; the appropriate roles and functions of county assessors and the Department of Revenue, under income capitalization approach; a viable means...appeals process for agricultural landowners under income capitalization approach; the collection of data and sufficiency of data to implement an income capitalization approach. Once again, I'd like to thank the committee very much for making the trip out here. We truly appreciate your coming and listening to concerns on these issues. And if you have any questions, I would try to answer them or get an answer for you. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Senator Louden. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Yeah. Well, thank you, Sherry, for being here today. When you mentioned one of the counties there, the valuation went up 50 percent, did any of the levies drop in those counties? [LR212 LR214 LR215 LR241]

SHERRY VINTON: I don't believe so, no. [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

SENATOR LOUDEN: Okay. But nothing significantly. [LR212 LR214 LR215 LR241]

SHERRY VINTON: No. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Not any drop in that. And when you talk about the way other states value their ag land and that sort of thing, you know, in other states, how do those other states fund education in there? Do they...is it strictly on a property tax and then they try to have some state aid for equalization districts or do you...? [LR212 LR214 LR215 LR241]

SHERRY VINTON: I cannot answer that question for you, but I can get it. I know Kansas uses the income capitalization approach and... [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: For valuing the land. [LR212 LR214 LR215 LR241]

SHERRY VINTON: ...for valuing the land. It's essentially getting the land back to a production value, like we've been talking about. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Yeah. But don't they have a system down there that they pay so much per student from the state for education? [LR212 LR214 LR215 LR241]

SHERRY VINTON: That I'm not sure of. I have not studied their state aid formula. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: See, and I'm thinking that Nebraska is the only one that has these equalized districts deal. In other words, not all districts get the same amount of state aid. And at one time, when I...I was on a school board years ago. And when state aid first came in every district got, I can't remember if it was \$1,800 or \$2,200. That was what we got. And then that came along. And they decided there was these four districts and these rich districts, that especially Omaha was such a poor district with their what,

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

\$170-some billion valuation that they needed help. So we went into this TEEOSA type deal. And it's been downhill ever since as far as I'm concerned. Because that's what, as you've...I was mixed up in small school associations when you were...you guys were very little kids. But anyway, that's what school consolidation was all about was to get those district out there in those rural areas, them doggone people weren't paying any property tax to support schools, to get that valuation into the city schools. And we've come full circle and that's where we have it. So now we're paying for it. Because back then we had our free high school tuition, see. It was a different free high school tuition district. We didn't support the city schools, we just paid tuition every year. And this... [LR212 LR214 LR215 LR241]

SHERRY VINTON: The school state aid formula plays a huge part in this, I believe. And I can say the county with the 50 percent increase in valuation, it does appear that we are being penalized for being fiscally responsible because it looks like a wealthy district on valuation per student. Although, I question whether it's any different than west Omaha. And yet our school there is very fiscally responsible. They don't levy the maximum. So it looks like our local effort isn't really where it should be. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Exactly. Like I said, I was on a school board... [LR212 LR214 LR215 LR241]

SHERRY VINTON: Yes, and I think our local...our small districts are really penalized for being fiscally responsible. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: ...when that came about. And if we could raise our mill levy up to a certain level, then we were entitled to state aid. And I said a bunch of us cowboys were on a school board. We could figure that out that if we raised it high enough, we could get state aid. And when you have big school districts that have superintendents with Ph.D.'s on it, they could certainly figure it out faster than we could. And from then

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

on, I think, until you decide how we're going to fund schools, our property tax problem is...to me it's idle conversation until we figure out how we're going to fund schools in Nebraska. [LR212 LR214 LR215 LR241]

SHERRY VINTON: However, reducing the valuation, getting it down to production value does help tweak that state aid formula a little bit on our local effort. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Yeah. But it will be a tax shift. It won't be a tax cut. [LR212 LR214 LR215 LR241]

SHERRY VINTON: Correct. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: I mean, yeah. Okay, thank you. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: LeRoy, I think next week we're going to get to look at that TEEOSA formula. (Laugh) [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Okay. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Senator White. [LR212 LR214 LR215 LR241]

SENATOR WHITE: A couple of points. And I agree, a production credit would be an improvement over a flat tax. Because if a guy is...yeah, because if a person is losing money on every head of cattle, they don't have the money to pay the tax basis. Get it, okay. What my concern is, if we go that way it becomes just cheaper for an...let's say it's me, I decide I want to own a ranch, not live on it mind you, just want to own it. Okay? Maybe I'm just speculating because I want to blow a bubble up like we did in the stockmarket. I can buy it. That helps me, under every system, we've said just as much as a person who lived next door their whole life, wanted to buy a place, and I can outbid

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

them because I have an income from practicing law that allows me to do that because I can make more, given this market, than the rancher who really belongs on the land. Okay, now what I'm proposing and what I hope people think about is instead that we give an earned income tax credit, and that means somebody actually physically lives on it and physically works the land, and that if they lose money it's a refundable income credit on their property taxes. If I'm a guy from Florida or Brazil or wherever and I just own land I won't qualify because I don't live on the land, I don't...it's not my sweat watering it. Okay. Because even if we dropped the taxes, and we've gone from 100 to 70 and it's gotten worse. And if we went down the problem is that the guy from Florida or the guy from Omaha will still outbid you for the land, your valuations will still jump up, your tax problem, the differential between what you can make from the land and what you're paying in taxes won't get any better, and we just keep going around the merry-go-round. We need to break that merry-go-round, we need to break it down so that people are...the incentive is not to own it, the incentive is to live on it and work it and earn towards ownership. So, I mean, because we can't afford to keep shipping money out of the state to people who don't live here. We can't afford it. They don't pay income tax on the same level and they don't pay sales tax. [LR212 LR214 LR215 LR241]

SHERRY VINTON: Would this earned income credit be based on production value of the land? Are you going to do it like per acre, per bushel, per animal unit? [LR212 LR214 LR215 LR241]

SENATOR WHITE: Well, no. What I would tell you is that it depends on what...you live on that land and you make income. In my world, okay, let's say you make an income, right? You certainly would get a credit for property tax, even if you broke zero you'd get a check back in a bad year, you know, because it would be part of what you're paying for your income tax. A guy who doesn't work it... [LR212 LR214 LR215 LR241]

SHERRY VINTON: But how would you... [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

SENATOR WHITE: Oh, we can do the...the devil is in the... [LR212 LR214 LR215 LR241]

SHERRY VINTON: How would you figure that is my question. [LR212 LR214 LR215 LR241]

SENATOR WHITE: Well, we'd figure it out against your income tax and the property tax you pay. And you'd get... [LR212 LR214 LR215 LR241]

SHERRY VINTON: Against the current property tax assessment, if you... [LR212 LR214 LR215 LR241]

SENATOR WHITE: ...current property tax so that it becomes a heck of a lot affordable for a person who lives on the land and works it with earned income and not a deal for a guy who never had set foot here to own the land here. And that's what I'd really like to figure out a way, working with people, to break that up. Because until we get that turned around, we're going to continue to lose our young people, because Ted Turner is still going to...if we dropped property tax to zero, Ted Turner will still outbid you for the land, he still will [LR212 LR214 LR215 LR241]

SHERRY VINTON: And that's an interesting scenario. I do have one other question about that. In our area it's common we have a lot of...they're not absentee landlords, they're people that lived and worked on a certain ranch for a long time... [LR212 LR214 LR215 LR241]

SENATOR WHITE: Now they're in town. [LR212 LR214 LR215 LR241]

SHERRY VINTON: ...and then they decide to lease it to a young couple. [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

SENATOR WHITE: And we can figure that out. [LR212 LR214 LR215 LR241]

SHERRY VINTON: So they would be included in this, because they're not... [LR212 LR214 LR215 LR241]

SENATOR WHITE: So the young couple might get the benefit... [LR212 LR214 LR215 LR241]

SHERRY VINTON: ...really absentee landowners. Right. [LR212 LR214 LR215 LR241]

SENATOR WHITE: The young couple would get the benefit, they could pay a higher lease rate because they got a better tax structure,... [LR212 LR214 LR215 LR241]

SHERRY VINTON: Okay. [LR212 LR214 LR215 LR241]

SENATOR WHITE: ...giving support to our young people getting on the land. [LR212 LR214 LR215 LR241]

SHERRY VINTON: Because I think it's important to recognize our aging agricultural population that still does want to help. [LR212 LR214 LR215 LR241]

SENATOR WHITE: Average age of a farmer is over 55 now. Where the heck we going to get those skills? [LR212 LR214 LR215 LR241]

SHERRY VINTON: Um-hum, right, right. And there's a lot of locals that lease their ranches. [LR212 LR214 LR215 LR241]

SENATOR WHITE: So now the question I would ask is this, if we could do that, if we could really upend it and really turn it around so young people could say, can make a

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

living on that land, wouldn't that be the best solution for all of us? Because I mean it from the bottom of my heart right now, we could drop that tax valuation to zero and we'd still be losing young people because some guy making money as a plastic surgeon in California will outbid for that ranch because he thinks he once watched a Tom Mix movie or Roy Rodgers movie, you know. So...but we got to get that turned around. If we could start looking at it that way, you think your folks might get behind something like that? [LR212 LR214 LR215 LR241]

SHERRY VINTON: I can't speak for the...you know, we have our policy set. But it can certainly be looked at. [LR212 LR214 LR215 LR241]

SENATOR WHITE: Thank you, Miss. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: I didn't know you were old enough to know Tom Mix. (Laughter) [LR212 LR214 LR215 LR241]

SENATOR WHITE: I still got my six shooter, Cowboy. (Laughter) [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Thank you. [LR212 LR214 LR215 LR241]

SENATOR WHITE: Clean living, LeRoy, clean living. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Is that right. [LR212 LR214 LR215 LR241]

SENATOR WHITE: Clean living is what that is. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Wow, it's getting deep. Next testifier. [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

RICK VANDER WEY: Madam Chairman and members of this committee, my name is Rick Vander Wey, it's R-i-c-k V-a-n-d-e-r W-e-y. I live in Cherry County, Nebraska. I grew up across the border in South Dakota. I appreciate what has been testified before. I think that land valuation should be based on production. And this was back in '85, my family testified before a committee something like this, it was the Board of Revenue and Board of Equalization in Pierre, South Dakota. And we were testifying that the taxes are too high, you know, the taxes should be based on what it should produce not comparable land sales. At that time we had figures, and I don't have them before me today. But we had figures that showed you couldn't give \$40 an acre for land and still make it profitable if you had to borrow the money to buy the land, borrow the money and buy the machinery, borrow the money and buy the cattle. You know, all of our property is at risk. If we have a fire, if we have drought, they're forecasting snow, if we have a blizzard all of our property is at risk. We might not make a cent. And it's been said before today, we might not make a sent on this property, but yet we have to pay the taxes. Just to give you a little example, the person that I run cattle on, I lease his land and I pay him so much an animal unit. He's a retired school teacher, he lives in Valentine, grew up in Valentine. He inherited this property from his father. He's paying \$11,340 in land taxes per year on 3,820 acres, that comes to \$2.97 per acre. It takes 12.73 acres to run a cow-calf for five months. There are no other improvements on this property. So to me I think this is a good example of what cattle will produce. So the taxes per pair are \$37.82. That's what he pays in taxes on that property per pair. Okay? The income off of that is \$30 per month per pair for five months. So the income is \$150. And if you divide that by \$37.82, that's 25 percent he's paying in land taxes before any kind of expenses. So...and so then the cattle that I'm selling off this land, we sold fat cattle last June for 81 cents, the year before we sold for 94 cents, that's over \$150 per head less. So we're...you know, nobody wants to take a salary cut. But what I'm asking you here today is to hold the line on spending. You know, we talked about teacher's salaries, nobody wants to take a cut. But we have taken a cut, we've taken a huge cut. Because of the economy, you know, the person that occupies the office of President just come out on the radio a few days ago and said that we have no inflation, so

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

therefore Social Security will not get a cost of living increase. You know, because of the economy we all have to live within our means, it's called responsibility. So it that's true, what he said, maybe we need to look at that on the state level. And that's what we were asking for back in '85 is let's hold the line, let's put a freeze on our spending. And at that time our Governor Janklow did put a freeze on state spending. You asked for suggestions and I'm sure this is not going to be popular. But several years ago, they put in place in Nebraska called the lottery. And the way it was sold to us in Nebraska was that all of this money would go to schools, to fund the schools. And so there was a lot of support behind that. But what happened, and I don't know all of the details, but approximately 49 percent of all the lottery money goes into an environmental trust fund. And somehow through the process the Nebraska Game and Parks gets a good percentage of that. My suggestion is maybe that money ought to be appropriated to our...back to our schools because I know in the past the Nebraska Game and Parks has aggressively tried to buy private property, which takes more land off the tax rolls, which puts more burden on the other private property owners. So with that and the time that we're at, I'll stop. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Let me ask you a question. Do you still ranch both in South Dakota and Nebraska? [LR212 LR214 LR215 LR241]

RICK VANDER WEY: Yes. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: South Dakota just went to an income base, which Nebraska had in the eighties. But we had structured it incorrectly so we moved away from it. What is your feeling about South Dakota's move toward the income base versus what we have in Nebraska? [LR212 LR214 LR215 LR241]

RICK VANDER WEY: I haven't studied it extensively, but I believe it's based on production, which is about the same. And I got to ask a person from the Department of Revenue how this new law in South Dakota is going to lower our property taxes. And his

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

answer was that was not the intent of the law. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: I was going to say, it's not necessarily been found to do that.
[LR212 LR214 LR215 LR241]

RICK VANDER WEY: That's my experience. He passed out sheets broke down county
by county... [LR212 LR214 LR215 LR241]

SENATOR CORNETT: It's great when your income is low. But what happens when
you...the economy turns around? [LR212 LR214 LR215 LR241]

RICK VANDER WEY: Right, right. And it looks to me like in a lot of the counties, I don't
know who's doing the pencil pushing and who's putting the numbers in there, but it
looks to me like they're extremely inflated. You know, when you take into consideration
all of your expenses, the production of the land is not up there at \$200 or \$300 an acre.
So I don't know what kind of formula they use in South Dakota, but I think their concept
is right. But how they're coming up with these numbers I don't agree with them. [LR212
LR214 LR215 LR241]

SENATOR CORNETT: Let me ask you another question. When you said that we need
to control spending at the state level, your property taxes are at the county level, at the
local level. If the state steps in and attempts to take control of that, I can tell you sitting
on Education, everybody is going to jump up and down and scream we want local
control for our schools. And the individual contracts that are being signed for raises with
teachers are at your local level with your local school boards. How do you propose that
we correct that without becoming a centered government where everything comes at
the state level and you don't have local control? [LR212 LR214 LR215 LR241]

RICK VANDER WEY: I don't know all the ins and the outs of this state aid. But I agree
that local control is where it should be. [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

SENATOR CORNETT: Basically, as you're...if you have lower property taxes, you would have...if you have lower income at the county level, you would have higher aid from the state. It kind of...where they're offset. [LR212 LR214 LR215 LR241]

RICK VANDER WEY: Yeah, and I don't have the solution today. But possibly you could take some of this lottery money and replace that. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: I was going to say, what's the total on the lottery money? [LR212 LR214 LR215 LR241]

SENATOR WHITE: It's not hardly anything. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: I was going to say, it's not, unfortunately, enough to even...it would be a drop in the bucket so to speak. Thank you though. Questions from the committee? LeRoy. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Yeah. How does South Dakota fund education up there? [LR212 LR214 LR215 LR241]

RICK VANDER WEY: I'm not involved in that. It would be... [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: You don't know on your property tax. Do you pay property tax in South Dakota? [LR212 LR214 LR215 LR241]

RICK VANDER WEY: Yes. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Is there a...on your receipt or anything to show how much goes to schools or anything like that? [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

RICK VANDER WEY: I think it's around 80 percent, but I'm...I didn't research that.
[LR212 LR214 LR215 LR241]

SENATOR LOUDEN: You mean 80 percent of your taxes up there goes to schools?
[LR212 LR214 LR215 LR241]

RICK VANDER WEY: I believe so. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: That would be... [LR212 LR214 LR215 LR241]

RICK VANDER WEY: And it's very difficult in my county, Todd County in South Dakota, it's on the Rosebud Indian Reservation. So about 70 percent of the money to run the school, and it could be higher today, comes from the federal government, not the state government. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Okay. Because I was thinking that South Dakota, everybody paid a 4 or 5 cent mill levy or something like that, then the state picked up the rest or something like that. There was a flat mill levy on everybody for education. But then the state, someday or another, funded the rest. And that's what I was wondering, if you were familiar with it? [LR212 LR214 LR215 LR241]

RICK VANDER WEY: No, I'm not. I do know that my land taxes in Todd County are roughly \$3 an acre. Land taxes in Nebraska are pretty close to \$3 an acre. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Yeah, but that's in...you just told me that was reservation land.
[LR212 LR214 LR215 LR241]

RICK VANDER WEY: No, the majority of the land in Todd County is reservation land,

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

but there is deeded property in Todd County. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Right. But that...when you got that reservation land then a lot of the infrastructure is paid for by the federal government or the Lakota Nation, is that correct? [LR212 LR214 LR215 LR241]

RICK VANDER WEY: It's paid for by the federal government. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Yeah, or the tribe. [LR212 LR214 LR215 LR241]

RICK VANDER WEY: I don't believe the tribe kicks in any. (Laugh) [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Okay. Well, the federal government pays the tribe and...through there. Yeah. And that's the reason, I know I've got relatives up there that ranch up there on the reservation. And yes, what they pay to run cattle is pretty near a sin compared to what we have to pay down here to run cattle. Because if they're a member of the tribe or something like that, then they get certain other benefits. And it's hard to compare what goes on, on the reservation. Now if you had land in Bennet County, because Bennet County is out of the reservation, isn't it all in Martin, around there? [LR212 LR214 LR215 LR241]

RICK VANDER WEY: I believe so. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Okay. Well, thanks for your testimony. [LR212 LR214 LR215 LR241]

RICK VANDER WEY: Thank you. [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

SENATOR CORNETT: Further questions? Seeing none, thank you very much. [LR212 LR214 LR215 LR241]

RICK VANDER WEY: Thank you. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Next testifier. How many testifiers do we have remaining? Okay. Due to the hour, I'm going to limit testimony to five minutes, that does not include questions from the senators. We're not going to do hard and fast on this. [LR212 LR214 LR215 LR241]

DAVID WRIGHT: (Exhibit 4) I hope not, because it's going to be very interesting, I hope. My name is David Wright, D-a-v-i-d W-r-i-g-h-t. And I would like to thank the committee for coming out here and having this discussion with us. I want to start with two statements. The first one is called the fear of loss is greater than the anticipation of gain. And a gentleman named Bill Hobb used to say that in the sale barn. When cattle were terribly, terribly cheap he would say, the fear of loss is greater than the anticipation of gain. And he'd buy those cattle like crazy and make money hand over fist. The other statement I'd like to point out is what Thomas Jefferson once said. And he talks about the first principle of association. We start gathering as a group of people, whether it's a tribe or government, there's a general understanding of association. And the statement is, the first principle is to guarantee to everyone a free exercise of his abilities and the fruits acquired to be at his disposal. Now I am in a unique position. I own a ranch, I own a newspaper, I own three newspapers, and I have a house that's in town. So I'm a taxpayer for a home, I'm a taxpayer for a ranch, I'm a taxpayer for a business, a Main Street business. I get the opportunity to pay lots of taxes to this state. And as you see in my testimony, at the ranch I need ten acres of grass and four acres of hay meadow to get one cow through the year. Last year when we sold calves I received \$574 a calf, which equates to 16.9 percent of my gross income whet to property taxes. The newspaper, as you can see what the revenue is with that, and you can see what the taxes that I pay at the newspaper. That comes to .12 percent of the gross income, a

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

little more than one-tenth of a percent goes to property taxes. Not that at our tax level or my property taxes, that's 16.9 percent, 63 percent of that goes to the school budget, 63 percent. And the school budget, 80 percent of that is salaries. So you keep figuring it out, 8 percent of my gross income, my gross, not whether I made a profit, my gross goes to the salaries at the school. This is insane. The newspaper has 13 employees. When the school wants to build a new track it's a one vote society. When the teachers want a raise or they want to give the teachers a raise, that's who decides. Those of us with the property, we only get one vote. So there's things associated with property tax like the cost of implementation of the tax. On the Unicameral's Web sit it says that that's one of the weaknesses, what it cost to implement property taxes. My suggestion is that we go to a sales tax system. And my suggestion is that we get rid of all exemptions. And as you well know, the newspapers receive a lot of exemptions, as well as ag land. But this is my point. If it costs us 5 percent on a sales tax on everything I purchase in agriculture, everything, I don't care if it's diesel fuel, I don't care if it's corn, I don't care if it's a pitchfork, if I pay 5 percent sales tax, 5 percent on a \$570 calf is a long ways from 16 percent that I'm paying right now. That's ridiculous. Now from the newspaper's standpoint, if the newspaper were to pay 5 percent on everything that it purchases, it would come up to about \$19,000 more a year that I'd have to come up with in revenue, and you divide that by 12 months, you know, that's a little bit more than...or by 52 weeks, that's a little bit more than one full page ad a week. I think I can do that. And the other interesting thing about business is that 5 percent gets passed right on to the ad seller...the person buying the ads anyway. So if you look at and I know you've seen the stuff that Rich Pahls has been talking about, in this state right now we pay sales tax on \$31 billion worth of sales. And his suggestion is if we eliminate all those exemptions, we're going to pay sales tax on what could be as high as \$85 billion at 5 percent or 5.5 percent that's going to generate about \$42 billion. Your biennium budget is \$7 billion, \$3.5 billion every year. And then our property taxes is \$2.5 billion every year. So if we would eliminate those exemptions, and I mean exemptions for everybody straight across, nobody gets an exemption, we'd be able to eliminate property taxes. And I firmly believe that if we did it on everything, we're going to find out that that tax rate might fall

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

down to 4 or 3 percent. When Mr. Dobrovolny was pushing for that transaction tax on both sides, several years ago, him and I had several intense conversations over it. And he was referring to if we did it on everything we could eliminate income tax also. Now with that said, now I want to jump back to the newspaper. Half of my purchases at the newspaper, half of them is salaries or purchasing labor. Half of that I'm purchasing that labor. We could, theoretically, charge 5 percent for that sale or for that purchase of that labor, which in turn, according to the figures that I've dug up you know, it looks like we could generate another \$50 billion that would be taxable. And if that's the case, if those numbers are close, we could have a 4 percent sales tax straight across on every transaction in this state and there would no longer be a state income tax, there would no longer be state property tax, and there would no longer be...or all there would be is the sales tax. So with those things said, I wish Mr. White would come back because I would like to entertain some questions. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: I think we can accommodate you. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Well, I'll ask you questions if you want to be entertained.
(Laughter) [LR212 LR214 LR215 LR241]

DAN WRIGHT: Okay. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: You talk about your \$574 calf. And the way I understand your...this here, you pay \$97.10 in order to get that \$574? [LR212 LR214 LR215 LR241]

DAVID WRIGHT: In order to keep that cow for one year. For one year it costs me \$97 to keep that cow. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Yeah. In other words, it costs you that to get that \$574 calf, because that's what you produce, right? [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

DAVID WRIGHT: Right, that's what I sold last year was this \$574 calf. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Yeah. And your taxes is \$97.10. [LR212 LR214 LR215 LR241]

DAVID WRIGHT: Yes. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Now if you were paying 5 percent on everything you bought and sold on that ranch, your fuel and everything, would it total up to more than \$97.10? [LR212 LR214 LR215 LR241]

DAVID WRIGHT: Heavens no, because the most I can spend is \$574. I can't spend more than what the calf bring in. Five percent of \$574 is 28 bucks. Theoretically, I cannot spend more money than... [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Okay. Then who's going to make up the other, the...who's going to make up the other \$75 in your county then? [LR212 LR214 LR215 LR241]

DAVID WRIGHT: That's the point I'm getting at, the newspaper. If the newspaper has to pay 5 percent on its sales, because right now the newspaper pays .12 percent. The doctor's office pays next to nothing, the dentist office pays next to nothing, the grocery store pays next to nothing. And when it comes time for a vote at the school,... [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Now do you make your entire living off of this \$574 calf? [LR212 LR214 LR215 LR241]

DAVID WRIGHT: Well, you tell me, sir. (Laugh) [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Well, I mean, what else do you have besides that...those cattle? I

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

mean, you're evidently making part of your living off of the newspaper now or something else. [LR212 LR214 LR215 LR241]

DAVID WRIGHT: Well, you know, my wife is a pretty shrewd accountant. And she makes damn sure that those two stay separate. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Okay. What I'm wondering is what I've noticed before then, if you put a sales tax, we're already paying a lot of sales tax on a lot of stuff that we already purchase. And if you tally it up for the year, why you're going to come up more than \$97 per your cow. [LR212 LR214 LR215 LR241]

DAVID WRIGHT: Senator, how can I? If all that cow produces is \$574 worth of salable calf, how can I pay... [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Well, somewhere along the line, of course, you've got your cows, you got your recovery value on your cows. There's other income you have besides just selling that cow off of that calf. Somewhere along the line you've got some replacement cattle you sell, you got some cows that you sell or something like that. [LR212 LR214 LR215 LR241]

DAVID WRIGHT: But if I sell a replacement cow, I buy a replacement cow. That's a wash. All it comes down to is that cow produced \$574. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: And you think with the 5 percent then that's all the taxes you would pay is the \$25 and some cents. [LR212 LR214 LR215 LR241]

DAVID WRIGHT: I can't spend more than that, that's the point, I absolutely cannot. There's...fiscally, I cannot spend more than what one calf sells for. [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

SENATOR LOUDEN: Well, theoretically, I agree with that. That's the way it's supposed to work. But there's a lot of ranchers that aren't working that way. [LR212 LR214 LR215 LR241]

DAVID WRIGHT: Well, then they ought to be in debt up to their eyeballs. Kind of like the government is. (Laughter) [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: They probably are, that's probably the reason we're here today is because...and I mean I visited with people, met with people up in Gordon this year. And they were talking about the amount of income that goes to supporting the property tax. Probably somebody mentioned today 25 percent of their income. I think that's probably straight across the board that 25 percent of it. Now whether...however you can fund that. But if it...you're either going to change a tax on somebody else or something because I mean, it's a tax shift, or someplace. [LR212 LR214 LR215 LR241]

DAVID WRIGHT: Exactly, exactly, yes. And that's the point I'm getting at. Main Street has gotten away with highway robbery, actually pure theft for many, many, many, many years. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Well, I agree. Ever since we had school consolidation I felt we come up with grand theft on Main Street. Now when you take care of your...all your bills with sales tax, it's all going to go to the state. I mean the state is the one that levies it. Providing now are you going to let your towns and cities go ahead and keep their 1.5 percent deal that they have no on sales tax? [LR212 LR214 LR215 LR241]

DAVID WRIGHT: Well, according to Pahls research, if we levy a sales tax on all...of all the things that are being exempted right now, that should or it could, has the possibility, to fall from 1.5 percent, with he's got written... [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Yeah, he drops it all off. Because last night I already talked to

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

people from towns that are already writing letters against that part. But what I'm wondering then, all of your money will go to Lincoln. Right? [LR212 LR214 LR215 LR241]

DAVID WRIGHT: Okay. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Now how do you intend to get that money back from Lincoln for what you need? [LR212 LR214 LR215 LR241]

DAVID WRIGHT: Well, that's interesting because in 2002, I ran for the Legislature and I ran with this proposal of property or sales tax. And I ran into Wheeler County. And the entire county is a school district, the entire county is one school district, Bartlett is the only school. And they informed me that they collect no state aid and they don't want no state aid because they don't want Lincoln telling them anything. And they also informed me that all their business...there's nothing for sale in Wheeler County to speak of. People go to Grand Island to buy their purchases. So about two or three years ago we were in Omaha at Scheel's sporting goods store, and they asked me an interesting question when I wrote out a check. And it was, what's your zip code? And I said, why do you want my zip code? And the lady said, because we use it for marketing to know where to advertise and where to do our marketing. And a light clicked on in my head which is really simple, that when we do a transaction or we do a sale all we have to do is this is my zip code and this is my school district. Or you could say, this is my county and this is my school district. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Now what about those counties with the small population that don't do that much business? Are they going to get enough money back from the state of Nebraska to operate? [LR212 LR214 LR215 LR241]

DAVID WRIGHT: Well, what else is for sale in the county besides...what else would the small population, they would have cattle for sale... [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

SENATOR LOUDEN: Well, the setup is now some of these...what is it, more money comes out of Omaha, goes west than what goes west goes east. I mean, this is what you're up against. And it's a good thing Senator White is leaving or he'd be all over us about that, that Omaha is supporting the whole state of Nebraska. I mean I hear this all the time. And so this is what I'm wondering, you know. I have an aversion to sending everything to Lincoln and then expecting it all to come back to us. Maybe it will work. But I've been around a long time and I've not seen where we always got back everything we thought we have. Right now jail fees, we're not getting those back at all. [LR212 LR214 LR215 LR241]

DAVID WRIGHT: But do you understand what I'm saying? If that purchase is tied to a zip code and a school district or a county and a school district, tell me how Lincoln, or the Revenue Committee, or anybody, how they've going to say, damn, we can't send that money back to them, that's too much. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Well, it won't be that. It will be that it just plainly won't get recorded or showed up or someplace. But not everyplace would ask you...every transaction would have to have a zip code on it is what you're saying in order to come close to making it work. [LR212 LR214 LR215 LR241]

DAVID WRIGHT: Yeah, we have the technology to do such things today. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: And I visited with Rich Pahls, well there at Icon we visited about that. Well, it's very interesting. Thank you for your testimony. But I don't know if it will work. [LR212 LR214 LR215 LR241]

DAVID WRIGHT: Thank you. [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

SENATOR CORNETT: Senator Utter. [LR212 LR214 LR215 LR241]

SENATOR UTTER: Thank you, Senator. And Mr. Wright, thank you for your testimony. And I have to admit that it's an interesting concept. But you're talking about, to me you're talking about the sales tax is going to be assessed on the sale of the livestock off of your ranch. [LR212 LR214 LR215 LR241]

DAVID WRIGHT: That would be correct. [LR212 LR214 LR215 LR241]

SENATOR UTTER: But doesn't normally the buyer pay the sales tax? [LR212 LR214 LR215 LR241]

DAVID WRIGHT: That would be correct. [LR212 LR214 LR215 LR241]

SENATOR UTTER: So you're not going to be paying that tax, the buyer is. But presumably he's going to lower the price that he's going to pay for your calf by whatever the sales tax is. [LR212 LR214 LR215 LR241]

DAVID WRIGHT: By arguably 5 percent. [LR212 LR214 LR215 LR241]

SENATOR UTTER: And then you're going to be paying a sales tax as a purchaser... [LR212 LR214 LR215 LR241]

DAVID WRIGHT: Exactly... [LR212 LR214 LR215 LR241]

SENATOR UTTER: ...on everything that you buy on that ranch for expenses. Is that...am I understanding that right? [LR212 LR214 LR215 LR241]

DAVID WRIGHT: That is correct. [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

SENATOR UTTER: Okay, thank you. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Mr. Wright, I hate to shoot holes in your idea. [LR212 LR214 LR215 LR241]

DAVID WRIGHT: Go right ahead. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: When I got elected to the Legislature, my city, one of my cities came to me and said, fix our zip code. Zip codes have nothing to do with school districts, cities or counties. In the city of Bellevue, the zip code goes back to Omaha because those are set by the federal government. Inside that zip code that goes back to Omaha are Omaha schools and Bellevue public schools. Inside that zip code you have different districts. For six years we've worked on legislation just to get a computer program to figure out when someone purchases something, a large item for delivery, to be able to identify where that money goes because it was going to the city of Omaha based on those zip codes. Zip codes, and trust me, that would be trying...you'd have to move the federal post office. And those zip codes have been in place since the 1800's. It would be almost impossible to distinguish inside that zip code where the money would go, to which school district, if there's more than one school district in that zip code, and if there's more than one city inside of it. It would be very difficult. But that's... [LR212 LR214 LR215 LR241]

DAVID WRIGHT: Okay. Now may I respond? [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Yes. And they've been working on a program...computer program for years. [LR212 LR214 LR215 LR241]

DAVID WRIGHT: Currently, we pay state income taxes, is that correct? [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

SENATOR CORNETT: Um-hum. [LR212 LR214 LR215 LR241]

DAVID WRIGHT: And in our state income do we not have to designate a school district? Because isn't there a percentage... [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Yes. [LR212 LR214 LR215 LR241]

DAVID WRIGHT: Exactly. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: So...but you would have to file a separate form for that. [LR212 LR214 LR215 LR241]

DAVID WRIGHT: There's a system in place. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: That would be different though. There isn't a system in it for what you're talking about, for sales tax. [LR212 LR214 LR215 LR241]

DAVID WRIGHT: Exactly the point. The point is we can sit here and argue and say it won't happen until someone, the fear of loss is greater than the anticipation of gain. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: I guess, my point is... [LR212 LR214 LR215 LR241]

DAVID WRIGHT: Until someone stands up and says this can happen. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: I guess, my point is Senator Louden is very right. You're not ever going to get what you put in. The city of Bellevue has been screaming for their percentage for years now and it's still not right. And that's with a program that we placed in trying to fix it. [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

SENATOR UTTER: I think it would be interesting for you and Senator White to get together once a year to decide how to divide up the money that's going to come in, yeah. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: For Bellevue and Omaha? [LR212 LR214 LR215 LR241]

SENATOR UTTER: Have a barbecue and (laughter) decide how you're going to divide that money up. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: From Omaha and Bellevue? [LR212 LR214 LR215 LR241]

SENATOR UTTER: Bellevue and Omaha, sure. I don't want you dividing up my money, but...(laughter) [LR212 LR214 LR215 LR241]

SENATOR CORNETT: You know, I think, we should just all get together and just split it up equally. How does that sound. (Laughter) [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Have a big smoke. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: There you go. Okay. Seeing no questions, next testifier, please. [LR212 LR214 LR215 LR241]

DAVID WRIGHT: I did have...I wanted to finish though. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Oh, I'm sorry. [LR212 LR214 LR215 LR241]

DAVID WRIGHT: Mr. White is still not here. But anyway,... [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

SENATOR CORNETT: He had a phone call that he had to respond to. [LR212 LR214 LR215 LR241]

DAVID WRIGHT: Anyway, he had made a comment about trying to get young people back out on the farms and on the ranches. And I'm on the Committee for the Center of Rural Affairs to try and get young people back out on the farm. And Mr. Vander Wey made a great point about how he's renting property and the guy he's renting it from is paying 37 percent in property taxes. If those property taxes were eliminated, that rent should, I'm not saying it will, but it should fall by 30 or 40 bucks. Okay? And Mr. Vander Wey then, when he purchases or buys that pasture rent he's going to pay 5 percent. Five percent on \$100 is 5 bucks. So my point is, and this is what we talked about in the Center for Rural Affairs, they keep talking about how to get young kids back out here. The only way you're going to get them back out here is they're going to have to be profitable. You got to make it profitable. And if you can eliminate property taxes and get them back out here, because there's an opportunity to make a living. And then Senator White had made the comment about Ted Turner, even if you eliminate property taxes completely, somebody is going to outbid you for that property. Well, it doesn't matter. Ted Turner doesn't matter if the property tax is 80 percent. If Ted Turner wants it he's going to buy it. That's an irrelevant point. He's going to buy it if he wants it. So that is a moot argument, and I wish he was here to talk about it. But the point is, if you want to get young people back out here you got to make it profitable. And you're not being profitable when Main Street right now gets away with murder. And like I said, I own a business, a Main Street business. If you guys want to fight and argue about it, you keep going right ahead and I'll keep paying the .012 percent, and I'll keep putting money in my pocket. But I want to thank you for your time. Oh, and if you want to start a committee to really do some research, you can call me up. Thank you. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: You are welcome. Next testifier, please. [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

RUSSELL ANDERSON: My name is Russell Anderson, R-u-s-s-e-l-l A-n-d-e-r-s-o-n. And I'm one of the younger generations trying to make it in agriculture. And thank God for people like Don Clayson that give us a chance. There's very few of us. I grew up and was not...this is the only way I'm going to be able to make it in agriculture is by the grace of Don. What I see is we're arguing on the property taxes, fighting against Ted Turner. You know, he's just an example. But like the tax incentives to buy real estate, which is jacking up our prices, I was just wondering, why can't there be a sales tax increase on property that's used for a 1031? Adding that with tax incentives for...if you live on the ground or are actually making or receiving at least 50 percent of your gross income earning that income off that ground. It looks to me like you should be able to...if you're going to live out there, you should be trying to help the young person out or not necessarily the young person but the small operation. It looks to me like corporate America, which is no different than if a neighbor has got 5,000 cows and if he can push, I mean he's a businessman and so am I. But if he can push me out, that's less competition. And that's America has went. That's what Walmart is doing. They push out all...they move into an area, they push out the competition and they get their prices. Then like you said, your taxes are going out of state. And like Chris said, in the fifties, this was one of the richest counties in America. Well, I think back in the fifties we didn't have...Tyson wasn't huge, Walmart wasn't huge or Main Street. And you can see it here and I think you can ask Senator White, down in Omaha, bet he's seen a lot of small businesses close up because they couldn't compete with corporate America. I was just...you know that...it looks to me like we ought to go from the, like we were stating earlier, there was people that brought up is go to, you know, tax the gross sales on a business, that combined with the transaction taxes. That looks to me like a way to...something to look into. And I know it's been brought up before, there was been presidential people run campaigns to drop it to...but they got blew out because that wasn't popular or...by corporate America lawyers. But that's just an insight that I've seen where, you know, I think it's easy to do, but it's going to take a lot of fighting in corporate halls against the lobbyists. That's all I had. [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

SENATOR CORNETT: Senator Utter. Senator Louden. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Yeah I might. When you talked about that on a national, you're talking about that flat tax that's been coming. [LR212 LR214 LR215 LR241]

RUSSELL ANDERSON: Yes. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: And you pay a flat percentage on everything that goes on all over the (inaudible). Which is something that Senator Pahls has advocated, only he wanted to do away with the tax exemptions. And then the flat tax would more or less be a by-product of it. And this is what you think you would like to see is a flat tax on everything? [LR212 LR214 LR215 LR241]

RUSSELL ANDERSON: Well, it looks to me like, you know, any smart businessman, you know, they've got lawyers setting there or accountants sitting there trying to figure out the ways around the taxes. They got loopholes all over. They hunt... [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: You don't think there would be loopholes come across with the flat tax or something like that? [LR212 LR214 LR215 LR241]

RUSSELL ANDERSON: Well, if you went...okay, for like agriculture out here, if you went for just a flat tax or like I say what's killing us or what's driving up our taxes is the people coming in and not making any money off of it. They don't care. You know, if I got Chadron, that area, they've got people coming in and buying up the ground to hunt on. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Now that...okay, that leads into another question I'd like to ask you. Then do you think we should have another category of land valuations?

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

Recreational should be set up in there separate from ag land or commercial property or something like that? And how would we decide what was recreational? [LR212 LR214 LR215 LR241]

RUSSELL ANDERSON: I would say if you do not live on the land and are earning your living from it, because most recreational land, which I don't care if some millionaire somewhere wants to come buy my neighbor's property just to come out and hunt for a few weeks during the year. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Well, that isn't that hard to do now because anybody that if you're not making a certain percentage, when you file your income tax, you can't take that deduction off that land unless you're making a certain percentage of your income off of that particular kind of business venture. So that part...but do you think then just...it wouldn't be that hard to set up a recreational category. And that's been talked a lot of times. What would the value...should that be valued at what it was paid for then... [LR212 LR214 LR215 LR241]

RUSSELL ANDERSON: I think... [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: ...and be a separate category from your ag land. [LR212 LR214 LR215 LR241]

RUSSELL ANDERSON: At least. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: And you wouldn't get your 75 percent or anything like that? [LR212 LR214 LR215 LR241]

RUSSELL ANDERSON: No. I think that is...I mean, if the guy that...if, yeah, if he's coming out, that should be a separate...because he's not using it for income. We're using this ground or real estate for income. [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

SENATOR LOUDEN: Yeah, we have a lot of it like that around...up in the Pine Ridge area and that sort of thing. [LR212 LR214 LR215 LR241]

RUSSELL ANDERSON: Yeah. And they're buying that ground...they don't care if they ever make a dime. They're just out there for a couple weekends a year. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: And I know the Dawes County assessor has tried to get something like that through there. But sometimes it hasn't always worked. [LR212 LR214 LR215 LR241]

RUSSELL ANDERSON: Well, I think it's going to have to go clear to the state level. And some of that stuff that I'm proposing, it will probably be at the national level, which this isn't...this committee isn't for, doesn't control. But that's just one way, you know. If you can tax the big guy, I mean, that's...I'm from down at Anselmo, grew up down there. And there's farmers down there that have made millions over their lifetime. And the one farmer, he's still buying up ground, he's in his 80's. And they said, why are you buying it? And he says, well, I don't need it, but I don't want my kids to run through it. Well, just him doing that is driving guys like me that we didn't have anything, we wanted to farm or ranch, but we can't compete against that. And he doesn't care because he's just got cash. He said, the reason I'm buying this is so my kids can't run through the money. What's...that's just killing Main Street because now there's some young couple that has a few kids, they can't do it. And then that's no different than Senator White down in Omaha, somebody wants to open a small business, and they got Target or Walmart or something down the road, they can't compete against that. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Getting back to the recreational part, should there be...how would you classify it, say, you have these people with these bed and breakfasts that are

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

coming out. And they have...the Pine Ridge area has a lot of hunting that they sell that hunting. And there's big money made in that hunting up there. Would that...how would you designate that land? Wouldn't be recreational because most of the rest of the year those people make a living agriculture. Get back to the amount of money you file on your income tax to decide your recreational land or business? [LR212 LR214 LR215 LR241]

RUSSELL ANDERSON: It would have to be based on that somehow. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Okay, thank you for your testimony. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Hold on. Further questions? Okay, thank you. Next testifier. How many? How many people do we have remaining to testify? Okay, three. Four, okay. [LR212 LR214 LR215 LR241]

KEM SIBBITT: Well, I brought tea bags for everybody, but I left them in the car. So...(laughter) My name is Kem Sibbitt, K-e-m S-i-b-b-i-t-t. Most everything I wanted to talk about today has already been well hashed over by some really good speakers. Just a couple things I'd like to hit on. At the county assessor level we protested assessments in...we have a ranch here in Grant County and Sheridan County. We went up to Sheridan County about a year and a half ago. Went through the whole process. And it was pretty disheartening. We found a couple of comparable sales, which is what they're using. And this particular one there's a note in here from the assessor, not a good sale as according to the sales verification questionnaire, signed by the seller, it was a forced sale due to partition, and he states, the property will be for recreational use and not ag purposes. And it's all right here. This, she said, went to the state and the state kicked it back, and said, you will use this for comparable grassland sales. Where is the outrage? Here's a specific...what is the purpose of having the county assessor? The valuations

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

went up, I think, it was just over 9 percent. And they said that the state said that's what it will be, or the state sets that, I don't know. But here's a situation, why even have the county assessor because her recommendation to not use it was totally kicked out. If it's the intent to regulate us or tax us out of business, if it's promoting like Agenda 21, then I think we're on a good roll to that because it won't be long, with property values increasing and increasing property tax, we're going to be unable, as everybody spoke of what percentage of it is of your operation. And I was surprised to find, I think Sherry said, 3 percent of the land in Nebraska changes hands every year. Only 3 percent, yet we're still based on comparable sales. And a lot of other states, and I think one of the last ones to be like...the way we are, but in other states ag land cannot be based on market value comparable sales, it must be based on current use. Senator White brought up the tax break for families that live on it and get an earned income tax credit. I think that's a great idea. And I guess the next question is, why aren't we doing that? What's holding that up? [LR212 LR214 LR215 LR241]

SENATOR WHITE: You want me to answer that? [LR212 LR214 LR215 LR241]

KEM SIBBITT: Please. [LR212 LR214 LR215 LR241]

SENATOR WHITE: I ran it and I couldn't get the votes. That's the bottom line. I took that issue up dead square in the Unicameral and said, we're going to ship too much hard to come by money out of state; let's do it smarter. And I couldn't get the votes. Fought it, couldn't. [LR212 LR214 LR215 LR241]

KEM SIBBITT: Yeah, I understand. Like I said, everything else that I wanted to say has been...pretty much been said. One other point though is I'd like...don't shoot down Dave's idea about the zip code thing. Think outside the box. I think there's technology out there. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: I agree with thinking outside of the box. I just think with the way

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

the zip codes are...you must have...it was sales tax... [LR212 LR214 LR215 LR241]

KEM SIBBITT: And probably right. Zip codes is probably not the way to do it. But there's probably a way. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: ...and the money from the sales tax would go to the school district based on the zip code. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Use a GPS, it will work. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: There you go. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Everybody is going to have to have one, one of these days anyway. It's going to be on the tail end of your Social Security number. [LR212 LR214 LR215 LR241]

KEM SIBBITT: Yeah, the federal census takers were already out GPSing your location. But really that's all I have. Like I said, everything else has been discussed. If you have any questions, I'll have some short answers. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Senator Louden. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Yeah. Thank you for your testimony today, Kem, even if we did have to wait this long for it, that's quite all right. When you...you mentioned, you know, and I agree that the property tax administrator for years, as long as I've been mixed up in property tax, have been real tyrants down there because they've "thrown" out your comparable sales analysis. I mean, they've "thrown" everything out. And I've questioned why we have the county assessors. And what happens is over the years the property tax administrator has threatened to pull a certificate on the county assessors if they didn't do what they asked them to. And I can't for the life of me understand how an

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

agency person in Lincoln can pull somebody's certificate when they've been voted into an election. But that's been going on. I would like to see perhaps if we can look into that some way or another to find out how that happens. Either that or we do away with the county assessor. And I don't see that happening because I think they.... [LR212 LR214 LR215 LR241]

KEM SIBBITT: Well, they're holding them hostage it sounds like. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: That's exactly what has happened. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Was that the Department of Revenue or was that TERC?
[LR212 LR214 LR215 LR241]

KEM SIBBITT: It wasn't TERC. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: No, no, it's the Department of Revenue. I've been through all this myself, yeah. TERC didn't have a thing to do with it. TERC just...they're kind of like a Bishop, they just kind of bless everything and put this (laughter) (inaudible) and it goes on like that. [LR212 LR214 LR215 LR241]

KEM SIBBITT: Right. [LR212 LR214 LR215 LR241]

SENATOR WHITE: You're that close to the Almighty you reckon? (Laughter) [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Yeah, well, I think so. But anyway, that has been a problem over the years with your comparable sales. And like you say, when Sherry said it was 3 percent, I myself was surprised because I didn't think that much...it was even that much. Because in most of these counties there's less than a quarter of a percent will change

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

hands. And they'll use the comparable sales on for awhile. I remember Linda Witt, up there in Rushville, was fighting something fierce because they were wanting to use the sale of these school lands as a comparable sale. Well, your school land is set...had a formula where they set the beginning price. And, of course, everybody joined it. Well, in your comparable sales analysis if you're purchasing nearby land that wasn't supposed to be used anyway as a guideline. So it's been real tough in there. And I don't know, that's something that needs to be looked at. Whether it will change our property tax any, I don't think so. I still say we have to figure out funding. [LR212 LR214 LR215 LR241]

KEM SIBBITT: Well, there's a start...that's the other thing, funding. Okay, if we have a different way to come up with the tax for property rather than comparable sales, that's one step in the road... [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: For valuation. [LR212 LR214 LR215 LR241]

KEM SIBBITT: ...for valuation. The state is going to be short, what, \$488 million this year, I believe you said? [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Two hundred and eighty-eight million. [LR212 LR214 LR215 LR241]

KEM SIBBITT: Two hundred and eighty-eight million, and what do we do as ranchers? We all know what cattle prices were dropped to, we don't spend. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Well, that's what we're going back in next week to do. [LR212 LR214 LR215 LR241]

KEM SIBBITT: Good. I wish you luck. But that's...we have to control spending. Obviously, that's not in vogue right now on the federal side, anyway. But at least maybe

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

local levels we can quit spending. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: I would like to ask you a question, Kem. As we were talking about state aid, do you think that the state employees should take a 2 percent cut in pay, straight across for state employees? [LR212 LR214 LR215 LR241]

KEM SIBBITT: Yes. Next question? (Laughter) [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Thank you. That's what I was wondering. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Any other questions? Thank you. [LR212 LR214 LR215 LR241]

KEM SIBBITT: Thank you. Thanks for coming. [LR212 LR214 LR215 LR241]

TODD ADAMSON: Todd Adamson, T-o-d-d A-d-a-m-s-o-n. I'm going to be real brief because, like Kem said, every...most of the things I had down have been covered today. But there are a couple, three points I wanted to make. I wanted to thank the senators. It's an opportunity that we seldom have out in this part of the state without traveling to Lincoln to get to voice our opinion. The one thing, my reservations are like the scenic river deal. We sit there with a...and I know that's a federal government thing. And after sitting here, I wasn't going to speak, but I can tell that all you folks, you know our problems, you're genuine people and I appreciate that. I'm a fifth generation...fourth generation rancher. We live up here in the middle of Cherry County, 65 miles to a grocery store. You know, all the same stories as a lot of people behind me. But I think what it boils down to is common sense and being fair. And then people out here work hard, no different than people in Omaha work hard. We just want to be on a level playing field. And even in our county of Cherry County, one thing that I think that one size fits all in this state never has worked very well, because a third of the population is in...well, if you drew a line, it's...I've heard in Lincoln there and like at... [LR212 LR214

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

LR215 LR241]

SENATOR CORNETT: It's just on the west end of Lincoln. [LR212 LR214 LR215 LR241]

TODD ADAMSON: ...right, half the population lives. So we know the problems. We've tried to do things right. I grew up with a country school. I went to the University of Nebraska, came back to ranch, love it. You have to like to ranch out here because if you don't, why would people live here. In fact, I heard a guy say the other day, I mean, we either have to marry it or inherit it. And that isn't even working anymore. In fact, one guy said the other day he's got three son-in-laws, and I'm trying to figure out which one I hate the worst, I'm going to give it all to him. (Laughter) So, I mean, that's kind of where we're at. And sadly enough, when we're looking for young people to come back, say that jokingly, but now my kids are junior high and high school age. My wife and I had this conversation the other day, do we want them with this burden. Because we want to work, we want to make a living, but things have changed. And because of the nature of our business, and we've heard about the \$50 a cow, that's true where we're at. I compared it to one of my friends in Valentine, and our net, now this was four or five years ago, when we had a net income. My net income and his net income were basically the same. We were paying six times the property tax he was for the same net income. So if you say, well, it's costing this family of three what it costs to educate their kids versus this family. So it really is unfair. The one thing, on the wind energy, something we don't want to see those big towers, but we'll do whatever it takes to keep that. But because of our public power in this state, there are some laws that really do need to be changed so we can export this wind out of here. Because that is...for example, in the small school district of Cody, up there, Cody-Kilgore, same size school as Hyannis, probably a third less valuation, maybe half the valuation. So when we look at state aid formulas there we go. Hyannis doesn't need to take that, Cody-Kilgore, because of the way these districts were set up, we have land in Valentine and Cody. In Valentine, we're 65 miles from there, we're 42 miles from Cody, but we're in Valentine's

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

district. I don't know if anything can be changed to make these districts...a couple years ago we tried that and that didn't happen. But what I'm saying is a 100-tower wind farm, there would double the valuation in our school district. But because of some state laws that need to be changed, these companies are coming in here, looking at those, and they're just driving the other way. So I think that would be a huge benefit with all the green talk going on. The other thing that I want to ask, I guess this is a question with the Ted Turner thing. To my knowledge Ted Turner pledged \$1 billion to the UN here a few years ago. To my knowledge he hasn't made good on much of that. One idea is will he gift all this land and it becomes UN? Are there or can there be state laws in place? I don't have a problem, this is America, who buys it, who it's given to. But I do have a problem with it needing to stay on the tax rolls. [LR212 LR214 LR215 LR241]

_____ : There you go. [LR212 LR214 LR215 LR241]

TODD ADAMSON: Is that...I'm sure that has been talked about. And, I guess, my question is, do we need to be worried about that or not? Is that a concern? [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Senator Louden. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Yes, it will stay on the tax rolls. Goodmanson, out there, that the foundation owns, they pay property tax, just like everybody else. The way that's set up, the Game and Parks, if it's wildlife management, they pay in lieu of taxes and they pay the taxes. My problem is with Game and Parks and them, whenever that land is given to someone like that, there's probably some families that were that were ranching that or farming that, that drove into town and they bought salt, they bought fencing, they bought whatever. And you lose that money that goes into Main Street. The tax problem can be taken care of. It's the problem, what would you call it, unintended consequences. When that land gets gone then there aren't people living on it. And that's where that is, but there are... [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

TODD ADAMSON: As the case is, the Box or some of the Spike Box Ranch which used to maintain maybe five families now maintains maybe one or two, and those kinds of situations. But that was a concern and I'm glad to hear that the UN, if they become owners of it, that, I mean, that would just devastate not only the counties but the state. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: They all pay the tax just like Goodmanson does now. [LR212 LR214 LR215 LR241]

TODD ADAMSON: That's just like I said, everything else I had was covered, the transaction tax. As we all know, the most fair tax there is, is the sales tax. If you have the money to buy something, you pay the tax on it. Whether...I know there's a lot of problems with it but I do think it's worthy of looking into because there's a lot of good things could come from that. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Senator White. [LR212 LR214 LR215 LR241]

SENATOR WHITE: Just a couple of points. On wind, thanks to Senator Dierks, a whole lot got done where they can actually put up wind farms that are working now because we changed some of the laws. The biggest two problems we've got right now...biggest one problem is the Federal Energy Commission, FEC, that controls that, won't open the markets so we can sell our electricity into the front range or into Minneapolis, Chicago, and St. Louis. We'll produce a lot more electricity than Nebraska can consume. A lot more. We've got to be able to export it. We can't get anybody to commit even though some of Buffett's guys were at this meeting that Cap helped ramrod. And the capital is there to build those transmission lines, and to build those wind turbines. They want to. And it will make a world of difference on the tax valuations when that happens. But we've got to get the federal government to blow open those markets so we can sell it. That's one of the big thing. So there's not a lot we can do at the state level right now,

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

but yell about it. [LR212 LR214 LR215 LR241]

TODD ADAMSON: With our public power which has been great, it's kept rates low, but also what it's prohibiting us from do, though, is companies coming in and exporting it out of here because they're afraid it's going to...I guess my question is, or not question, my...I don't think it has to affect our Nebraska meters. I think that we could even lower our tax rate if NPPD could be a part of that equation. We're just wasting a big tax advantage and...because we've had companies come in and look at this north tier of the state. They want to come here. They know we have the wind. They know that. They look at our Nebraska, our public power situation and they go talk to South Dakota or Wyoming. So, anyway. Yes, sir. [LR212 LR214 LR215 LR241]

SENATOR DIERKS: Todd, we do have the least expensive tax rates in the nation with public power and we've got to protect that. Corporate America can put up these towers and get a tax credit for producing electricity. NPPD can't do that. It's a public entity, so they can't take advantage of those same tax credits. So we have that little problem to take care of. Then we also have the problem of, like Senator White says, getting it into the transmission lines and getting permission to move it from place to place. We're moving in the right way. It's just taking a little bit longer than a lot of people would like to see. But I think we saw the other day at that meeting there were three "billionaires" there wanting to build electric towers. And I think it's going to happen. The bill I introduced was called the C-BED bill. That's a community-based energy bill that allowed for you to be a qualified owner or any citizen of Nebraska to be a qualified owner of one of those towers. Then you had to get someone to buy in to be the money men, like John Deere and Company or Florida Power and Light and after a period of ten years, they got all their tax credits taken care of and by the end of ten years they had paid off their investment and the investment did a flip so the qualified owner, which would be you, would get the whole thing in your lap. That still, I think, is a premier method of doing it, but it's been awfully slow happening, so. We're working with that stuff. I think we're going to get it, but I appreciate your coming Todd, and talk to us. [LR212 LR214 LR215

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

LR241]

TODD ADAMSON: Thank you. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Senator White. [LR212 LR214 LR215 LR241]

SENATOR WHITE: I do want everybody to know a couple things. Again, states can't control your property tax, what they set them at. We can't, okay. When we were up at that meeting, the counties that got those, those taxing districts, huge increase in their valuation, they didn't drop their levy. Okay. I mean, we did a lot of lawmaking to get them in there and they didn't drop their levy. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Matter of fact, the hearing...that one testified that one of the other counties had actually raised their levy. [LR212 LR214 LR215 LR241]

SENATOR WHITE: Even though they had a lot more valuation. So now, one of the things I don't like, and I like you guys to think about this as a possibility. One of the things makes people in Omaha crazy is they...I call them stealth tax increases. You know, they say, we never increased through tax rate. We didn't increase your mill levy. Yeah, but my house went up 25 percent and my tax bill went 25 percent and there wasn't a public hearing. What I would like to see to help local people control to spending, is that when there is an increase in underlying tax base, that the taxing authorities, all of them, cannot...they have to drop the mill levy to raise the same amount of money they did the year before unless they have a public hearing and taxpayers get a chance to come in and protest. What they're doing now is, we only make them have a hearing when they raise the mill levy. So they can raise the valuation on you. They are taking more money out of your pocket and to me that's a tax increase. But they're not having public hearings where guys get to go in there and try to put the reigns on them. Okay. So one of the things I think we could do a heck of a lot better to help you guys manage the spending in your own area's better, is to force them not (inaudible) stealth

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

tax increases. None of that stuff. You got to drop your mill levy back to raise the same amount of money unless you have a whole public hearing cycle, and a vote on the record and then you know, then you can kind of control who you got elected. [LR212 LR214 LR215 LR241]

TODD ADAMSON: Right. Common sense. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Senator Dierks. [LR212 LR214 LR215 LR241]

SENATOR DIERKS: Just one other thing, Todd. We...I made this remark for Bloomfield at a similar hearing about two weeks ago. If we were all in the business of ranching and all making a profit at what we were doing, we probably wouldn't even be here today. Thank you. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Senator Louden. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Yeah, I would...since I was on the Natural Resources Committee for a few years and on a electrical utility board, I would like to point out that there's nothing in state law nor has there ever been to stop anybody from building windfarms. The problem is in Nebraska with the Public Power District owns all the transmission lines and most of those transmission lines are built to capacity. In other words, there isn't any extra capacity on there. And consequently, if anybody wants to build a windfarm, the public power has told them, well, build your transmission lines and do whatever you want to. Because public power is actually buying the power from these windfarms. There was a problem there for a while that they thought that the public power by their authority of eminent domain would take over the windfarms. Well, it isn't going to happen because those are more expensive power than what they're already getting out of their coal and their nuclear. The other thing, and I just got back from Minneapolis on one of these deals the other day with generation and everything, but those states to the east of us where we thought we were going to build wind power and

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

ship it, now Florida is the only one that's got an interest in this one deal. But those states have decided that they don't want to buy our power. They decided they wanted to find ways to generate it themselves and whether it's nuclear or whatever it is they try to find or wind of their own, because they feel that their wealth will be going west to the central United States. The other problem we have is, I don't know if you're familiar but we have what you call the east-west tie across western Nebraska and they're on a different cycle. So until we can find a guy, which there is one in Wyoming now that's trying to build a DC transmission line from Wyoming to California, if we can get hooked into something like that, then we can probably market electricity wind power in this end of the state and sell it west. Because now anybody that's going to do that, they're going to go...well, Kimball, see, is in the west side so that's the reason they're going over there into Wyoming, Kimball, Colorado, and putting up the windfarms because they don't have to worry about going through that east-west tie. They're on the same cycle. There's a lot of things that go in there but there's nothing in state law that stops these people from building landforms other than trying to get it the stuff out of here. [LR212 LR214 LR215 LR241]

TODD ADAMSON: Well, that's all I have except just to follow up to Senator Dierks's comment. We wouldn't be here if we weren't making money. Ag people in this part of the world, ranchers, are pretty easy people to satisfy and we don't have much of a voice, but we've been pretty content and we don't want to go to Lincoln. We've got...I'd rather be fencing or whatever today, but the time has come for the straws about to break the camels back and they aren't making money but yet they're carrying the burden of the taxes. And something's got to happen and it's got to happen quick or it's getting these kids back on these ranches and these third, fourth, fifth generation ranches or even wouldn't it be nice to have some people that want to ranch. They didn't marry it or inherit it but to have a chance to come and, you know, start that up if that's their life's desire, so. Anyway, thanks for your time. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Next testifier. Are there any further testifiers other than this

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

gentleman? Okay. Go ahead, please. [LR212 LR214 LR215 LR241]

KENNETH RAMSAY: I'm Chip Ramsay. I represent Rex Ranch. I'm the big bad guy in the room. It's a corporation, it's owned by Ag Reserves which is the agricultural investment arm of the Church of Jesus Christ of Latter-day Saints. We're the Mormon, all right. We own a pretty good bit of ground in this part of the country and I thought...I didn't come to give you a solution which those are far and few between but I thought I would give you a perspective of the taxes across the country. We pay property taxes on every piece of ground we own. Seventeen families that love ranching just as much as anybody else are allowed to ranch in our system right here in Grant and Sheridan and Garden Counties. And the property taxes, I've been on the other ranches and it's just a huge eye opener coming to Nebraska. If I take the average of the ranches from seven different states, Texas, Florida, Montana, Oklahoma, Wyoming and Utah, and I look at the...and then I divide the average by what we pay on a per acre basis here. We're 280 percent of the average. Okay. We're...if I do it on a percent of animal unit and there's no fluff in these numbers, we stock the ranches pretty heavy but try to take care of the ground, we're 297 percent on an animal unit basis. And so...and that's including Florida. Florida is the only state that has property tax. They're \$2.92 an acre compared to our \$2.70 an acre here, but you run a cow to four acres there. And so in all the other places, you know, Utah is 20 percent of the average. Wyoming is 22 percent of the average. Oklahoma is 91 percent of the average. This is on a per acre basis. Montana is 70 percent of the average. Texas is 89 percent of the average. Florida, on a per acre basis, is 308 percent of the average. But if you go on a per animal unit basis that takes in, that adjusted to 1,000 animal unit, Utah is 52 percent of the average, Wyoming is 50 percent of the average, Oklahoma is 57 percent of the average, Montana is 100 percent of the average, Florida is 156 percent of the average, Texas is 184 percent of the average, 297 or 300 percent of the average is what Nebraska is. There's obviously something out of kilter in Nebraska on property taxes. And they've gone up. I did an analysis, you know, because everything has gone up in ranching. It's tough and we do it for a profit. Okay. It's not...of course, they hire people that it's their passion to do it. But we...if we

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

weren't ranching, if we weren't doing...if it wasn't profitable in bringing a return on investment, we wouldn't be doing it. Our company wouldn't be doing it. We don't consider anybody competition and we'll share everything that we've got as far as information, what we learn. And so I was doing a study on what's going up. I think the taxes have gone up like...and I shouldn't even say, it was either 172 or 272 percent over the last ten years, you know. So I don't know what changed but that study I did was from '97 on. And, you know, it just sticks out compared to everything else. We've reduced feed. We've...even with the cost of feed going up, we've only...our cost of feed per calf has gone up 7 percent because we've learned how to use the ground better and we're feeding less and still getting the same production. But the property tax thing is out there and I've not paid any attention to it because I didn't think I had any control over it. But I appreciated it when I saw this meeting and you all traveling clear out here to this end of the state to hear the good people of this country tell you that this one of the things that's making it tough. And especially, you know, I don't own a cow. Well, I do own some in Indiana where my home is, but I don't...you know, this is a great way of life here but the government would just stay out of our well. Let us sell to who we want to sell to. Don't regulate us out of business, and don't tax us out of business and we won't come to Lincoln asking you for nothing. Yes. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: From a corporate farm perspective.... [LR212 LR214 LR215 LR241]

KENNETH RAMSAY: I didn't say I wanted to be entertained with questions, though. (Laughter) [LR212 LR214 LR215 LR241]

SENATOR CORNETT: If you sit in that seat, you're there. (Laughter) [LR212 LR214 LR215 LR241]

KENNETH RAMSAY: All right, Senator, I'll take it. [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

SENATOR CORNETT: Why are you ranching in Nebraska? [LR212 LR214 LR215 LR241]

KENNETH RAMSAY: Why are we ranching in Nebraska? [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Why are you here? If we're 290 percent, 7 percent above the other states, what makes Nebraska desirable to maintain ranching in? [LR212 LR214 LR215 LR241]

KENNETH RAMSAY: It is some of the best cattle country in the nation. You take the Sandhills... [LR212 LR214 LR215 LR241]

SENATOR CORNETT: So you're making it up on another way, basically. [LR212 LR214 LR215 LR241]

KENNETH RAMSAY: Basically. Basically, yeah, I mean, I'm not saying it's not profitable here. I'm not saying it's the most profitable here. But I'm saying that... [LR212 LR214 LR215 LR241]

SENATOR CORNETT: But it's not the least profitable either. [LR212 LR214 LR215 LR241]

KENNETH RAMSAY: It's not the least profitable in our system. Some of it has to...but what is that due to. It's sure not due to property taxes, you know. I mean, that's taking it away. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: But basically other costs here are lower. [LR212 LR214 LR215 LR241]

KENNETH RAMSAY: There's other costs that are lower, yeah. It's, it's... [LR212 LR214

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

LR215 LR241]

SENATOR CORNETT: And in the other states where you have this, are you paying sales tax on veterinarian supplies, are you paying other... [LR212 LR214 LR215 LR241]

SENATOR WHITE: Tractor supplies. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: ...tractor supplies. [LR212 LR214 LR215 LR241]

KENNETH RAMSAY: There's no state sales tax in Florida. There's no state sales tax in Wyoming. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Then what makes it more expensive in Florida? [LR212 LR214 LR215 LR241]

KENNETH RAMSAY: More expensive in Florida is probably the environmental...well, at \$292 an acre is a bargain because it's just...1771 in AUM because you can stock so much heavier. Fifty-two inches of annual rainfall you can stock a cow at 4 acres, whereas here you're talking a cow at 17-20. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Right. Here's it's 17, yeah. [LR212 LR214 LR215 LR241]

SENATOR WHITE: Well, here you get bovine, encephalitis, all those other kind of troubles. [LR212 LR214 LR215 LR241]

KENNETH RAMSAY: Well, it's got its whole deal. It's more expensive in Florida because you got everything that you got to sell has got to come west to be fed. So there's some...you know... [LR212 LR214 LR215 LR241]

SENATOR CORNETT: There are trade-offs, though. [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

KENNETH RAMSAY: There are trade-offs, but taxwise I'm not sure how that fits in to...
[LR212 LR214 LR215 LR241]

SENATOR CORNETT: Wait a minute. For the corporate farmer, there are trade-offs that make Nebraska profitable. [LR212 LR214 LR215 LR241]

KENNETH RAMSAY: Right. We wouldn't be here if we didn't think it would be profitable or if we didn't think it was going to be profitable. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Thank you. [LR212 LR214 LR215 LR241]

KENNETH RAMSAY: Thank you. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Next question. LeRoy. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Do you know how schools are funded in these other states?
[LR212 LR214 LR215 LR241]

KENNETH RAMSAY: I heard you ask that question before and I...like I said, I don't have any answers. I just... [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Is there any way you can find out since your work...operating in these various states? Because when you pay your taxes, if you're paying anything to schools it's going to be on your tax receipt. [LR212 LR214 LR215 LR241]

KENNETH RAMSAY: I know having worked in Nebraska and Florida and Oklahoma, Nebraska is the most expensive place I've lived. I do...for taxes, cost of living, cost of living. Now I wasn't buying a house in Florida. I was living on the ranch. Lived on the ranch in each of those places. But taxwise it's high, distance to anything is high and,

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

you know, especially when it really gets magnified at \$4 gasoline. But...so this is the most expensive. It's also the best, because of the country and the people. I mean... [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: But you don't know how, if that...if schools are funded on your property tax on those other states or anything? [LR212 LR214 LR215 LR241]

KENNETH RAMSAY: Yeah, and I don't know and didn't think about looking about that. I could do that if you... [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Well, to me it's very important because that's the bigger part of our property tax. The state doesn't get any property tax. The property tax is your local taxes and until you find a way to fund your school system, nothing's going to...like I said earlier today, it's going to be idle conversation on property tax until you find a way to fund your school systems differently. Otherwise, you're just shifting the tax some place. [LR212 LR214 LR215 LR241]

KENNETH RAMSAY: Yeah, and I realize you need your money and that's...it's already been stated. I didn't bring that up, quit spending it. You know, we need to quit spending it, (laughter) or spend it rightly. And then you say the state doesn't have anything to do with property taxes but I just heard a couple of stories in here that says maybe they have a little more to do with it than what we aim for them to have to. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Well, I said earlier, they do have on...by doing away with some of the things that the money they send back to the counties, if they don't send it back, it goes back on property tax. The state doesn't levy a property tax like South Dakota, I think, levies a property tax. Do you have land in South Dakota? [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

KENNETH RAMSAY: No. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: I think they levy a certain...they did anyway, a certain property tax for school funding with everybody. And then they paid so much per student. Texas was the same way, because Texas just got out of a big lawsuit about five years ago because they weren't spending enough money in their school districts on their kids. Kansas down here has had a big problem because they were setting their, their fee at, like what, \$1,500 per student and the schools were going down the tube. And Missouri was in similar, and that's the reason I'm wondering when you're in these different states how that's handled. [LR212 LR214 LR215 LR241]

KENNETH RAMSAY: Yeah, and I haven't looked at that. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Now, I know Wyoming is all together different because most of that is all funded by your commodities and your coal and whatever. Thank you for your testimony. [LR212 LR214 LR215 LR241]

KENNETH RAMSAY: Thank you much. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Thank you very much. Next testifier. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: I hope you don't have a Ph.D because every time I see Ph.D take a drink of water before he starts to talk, it means we're going to be here for a long time. (Laughter) [LR212 LR214 LR215 LR241]

NATHAN GEISERT: It means problem. Well, my name is Nathan Geisert, N-a-t-h-a-n G-e-i-s-e-r-t, and I've been just sitting and listening and trying to think outside the box of what could actually improve our situation. I've always...I'm a fourth generation farmer down at Ogallala, and dad went a little bit in wind legislation. I don't know if you had

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

heard of the Nebraska Energy Export Association. I'm part of that and that's a whole another issue about how to taxation on the wind farms. But I've always thought that the property tax system has kind of run its course and is outdated at this point. I really feel that the more fair taxation is income but then you miss out on the people that live outstate that are buying our property and don't contribute to our income tax system. So I think the state aid formula, I think the income could be utilized more in the state aid formula to fund our school system to a higher percentage. And then also, I think getting away from all property funding our schools, maybe we could allow the districts to just taxation on the residential property. And that's where the kids are coming from. Your dwelling has a lot to do with your income that you're producing. But I suggested that to our school board and everybody said, well, by state law we can't do that. So maybe you could look at that and allow the districts to tax the residential property for schools. But then I can see that the broad base of the property tax in the district should be utilized to a certain extent. But why do we have to go through all the motions of valuating and finding a value every year to a piece of property? Wouldn't it be simpler to just go off the original purchase price of that property whether it's been in the family for years? I'm sure that some...you'd have to draw a line at 30, 40 years backwards to come up with the value but then from there on, all property would be valued at its purchase price, which would catch the people that live out of county or out of state that are bidding on these pieces of ground and bidding them up over the income producing ability of those grounds. I don't know if...I caught my senator as he was going out the door and asked him if that was constitutional whether you could levy a tax on the original purchase price of those grounds or those real estate parcels. And he didn't know, and don't know if...I don't know, maybe your know something about it, Mr. Senator. [LR212 LR214 LR215 LR241]

SENATOR WHITE: Equalization requires that we value the property according to market value. Up until not too long ago we had to compare a plant or a McDonald's dollar for dollar with a ranch. We've now got the ability to value ranches lower, but everybody's got to still be valued on a dollar for dollar basis under the constitution. It's

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

nothing we can do on that. [LR212 LR214 LR215 LR241]

NATHAN GEISERT: That's nothing you can do? [LR212 LR214 LR215 LR241]

SENATOR WHITE: Well, you can vote on it to change it. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: If you think about it, there would be an inherent inequity if you're talking about somebody that's a fifth generation rancher that's on the family's...the land's been passed down, that land would have been sold originally at a miniscule amount to what... [LR212 LR214 LR215 LR241]

NATHAN GEISERT: That's why you'd had to only go back like 30 or 40 years to put a value on that piece of ground. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: But then, it would still...you would have that lag. [LR212 LR214 LR215 LR241]

NATHAN GEISERT: But it would be a way that you could sell to your kids or to another young person and not inflict such heavy property tax on from somebody that's bought a piece of ground across the fence that two billionaires have fought over because they have to, to get some tax breaks. I know it...there's a lot of valuations that the assessor would have to come up with but it would change their scope, obviously. But in certain aspects it would make it easier too if you went off the original purchase prices rather than trying to come up with some valuation on that piece of ground and eliminate a lot of, well, I can't pay for that just because that guy paid that much for that piece of ground. You're basically your own worst enemy in that situation because you're paying taxes on the purchase price that you paid for that piece of ground. [LR212 LR214 LR215 LR241]

SENATOR WHITE: Well, just so you know, and everybody here should know, it's real hard to discriminate between people who live here and people who don't. On the

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

ownership of land, the only constitutional, federal constitutional way to do it, that I know of, is you can favor homes over any other kind of land. So people who have a home here can get a better break than people who don't. On income tax we can do a whole lot of things, and income tax we can't do on the ownership of property. You got a lot more discretion to be able to favor folks who actually pay income tax here, who actually buy things here and pay sales tax, than we do on how you own the property. So just so folks know, there's a lot more things we could get done if we chose to in the sales tax area which we've done a bunch for agricultural by exempting them from a lot of sale tax or on income tax. We can do a lot more there than we can in the ownership of property because the feds got our hands tied. [LR212 LR214 LR215 LR241]

NATHAN GEISERT: But you're not really discriminating against, you're just basically levying a tax against that purchase price whether they live here or not. [LR212 LR214 LR215 LR241]

SENATOR WHITE: Proposition 13 from California, they're bankrupt and that's part of the reason. [LR212 LR214 LR215 LR241]

NATHAN GEISERT: What would be the reason? [LR212 LR214 LR215 LR241]

SENATOR WHITE: They can no longer fund a lot of the stuff that they're doing because of Prop 13. Their schools have dropped from the best in the country to among the worst. And the state's, I don't know, what are they, \$40 billion short for this year? Forty billion. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: They're more than that. They're more than that now. [LR212 LR214 LR215 LR241]

NATHAN GEISERT: And they contribute that to what? [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

SENATOR WHITE: Part of it is Proposition 13, which is what you've described, is how you value land and... [LR212 LR214 LR215 LR241]

NATHAN GEISERT: Value it off the purchase price? [LR212 LR214 LR215 LR241]

SENATOR WHITE: Yeah, it's not the only but it's one of them. And the other thing, everybody here should know in defense, the Unicameral balances the budget every year. And we don't ever spend more than we take in. And I don't believe we've...property taxes have gone up a lot but we haven't raised income tax or sales tax in a long time. I wish we could have rolled them back. But just so you know, we're doing our job. We really are in terms of what we can control in spending. [LR212 LR214 LR215 LR241]

NATHAN GEISERT: Well, really, that's part of our problem that the state aid hasn't kept up with inflation. [LR212 LR214 LR215 LR241]

SENATOR WHITE: No question. We're 48th in the nation on state aid to local education, 48th, or 49th, it flips. Senator Louden is right. That's where you've got to look. Hate to say that. Damn that guy. (Laughter) [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Yeah, I knew you got...yeah, it's going to turn dark here now, isn't it? (Laughter) [LR212 LR214 LR215 LR241]

SENATOR WHITE: I'm going to get out of here now. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: No, no, it's going to get real cold. [LR212 LR214 LR215 LR241]

SENATOR WHITE: Yeah, hell has been freezing over, yeah, pretty much. [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

NATHAN GEISERT: Well I appreciate you listening to me. I'm just trying to throw some things out there that I'm sure people have thought about and discussed but I just wanted to throw them out there to see if they were viable at all. I really think...I commend you for keeping income taxes low but I think maybe times are coming that we should increase those to make up more state aid and less on property tax because the property taxes have gone out of sight. Just like the one fellow said, they've gone up, what was it, 250 percent in the last ten years and that's not sustainable. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: I understand though, with that, and I've lived through the Class I consolidation and 1024 and one city, one school, that with that you will be looking at more control from a centralized state government on your school districts. Your trade-off is going to be how your schools are ran and who funds them and how they're funded and you will not have the control you have now. [LR212 LR214 LR215 LR241]

SENATOR WHITE: Who they hire. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: How they hire, their budgets... [LR212 LR214 LR215 LR241]

NATHAN GEISERT: How about a county income tax? [LR212 LR214 LR215 LR241]

SENATOR WHITE: The problem is, everybody moves out of the county. Same thing with sales tax. You start increasing sales tax, look at the map sometimes folks, from Scottsbluff all the way a ring, a huge proportion of our population lives real close to a border. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: And they shop across that border. [LR212 LR214 LR215 LR241]

SENATOR WHITE: And what happens is, when we raise gas, cigarette sales tax, they fly across the border. If you look at just...look at, just for example, my edge, Blair, and then you go to Omaha, Bellevue, Nebraska City, Falls City, you're looking at a huge

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

chunk of population that can drive across the stateline in ten minutes and then so we lose that income. So it's a complicated thing but there's a real problem here. I don't think anybody doubts we understand how bad it is. [LR212 LR214 LR215 LR241]

NATHAN GEISERT: So you have discussed in your Revenue Committee about county income taxes? [LR212 LR214 LR215 LR241]

SENATOR WHITE: Oh, yeah. City income tax, county income tax. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: I think one of the things that I'm glad you brought forward was the state aid tied to income tax in an area. And that isn't right now. It's mostly tied to the mill levy and the valuation of the land is how state aid is tied. And I think that what has to be revisited is how we handle state aid if you're going to have any relief whatsoever. [LR212 LR214 LR215 LR241]

SENATOR WHITE: Well, that's right. I believe that's true. On the other hand, you lose a lot of control. [LR212 LR214 LR215 LR241]

NATHAN GEISERT: Yeah, I understand that. [LR212 LR214 LR215 LR241]

SENATOR WHITE: And in the meantime, I highly recommend you talk to your county board and your school board and tell them every time the valuation goes back, you expect them to roll the mill levy back until they have a hearing. Okay. TO get the same dollars. And you're not talking a budget cut, we're talking about just no more new dollars. So if your valuation goes up 10 percent across the taxing authority, your mill levy goes down 10 percent so you get the same dollars last year you got this year until you have a new hearing. No more of these secret tax hikes. [LR212 LR214 LR215 LR241]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Revenue Committee
October 27, 2009

NATHAN GEISERT: That's a good suggestion. Everybody needs to keep track of their school boards a little bit better but I know there's a lot of costs there that they don't have a control over too. [LR212 LR214 LR215 LR241]

SENATOR WHITE: Amen. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: I want to thank everyone for coming today. LeRoy, we want to thank you for helping arrange everything out here and I believe that we're going to leave the building. [LR212 LR214 LR215 LR241]