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Revenue Committee  
October 28, 2009

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[LR212 LR214 LR215 LR241]

SENATOR CORNETT: Good morning. We're going to go ahead and begin today. I am Senator Abbie Cornett, from Bellevue. I'm going to introduce the committee members that are present. To my left is Senator Cap Dierks, from Ewing. Joining us today is Senator John Harms; and Senator Schilz. To my right is Senator Utter, from Hastings; and...I'm sorry, Senator Louden, pardon me, from Ellsworth. We rearranged today. I'm so...I'm, like, looking, going, where is everyone? And Senator Utter, from Hastings.

[LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Yeah, I'm the good looking one. That's how you keep us separate. (Laughter) [LR212 LR214 LR215 LR241]

SENATOR CORNETT: I'm just going to leave that one alone. Anyway, to the right is Shannon Anderson, legal counsel. And to my far left is Bill Lock, research analyst. Committee clerk is Erma James. Today I'd like to welcome you to our hearing. We will be listening to your concerns and thoughts related to four interim study resolutions dealing with ag land valuation, county budget levy limits, 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 these types of hearings. We will follow...today we will follow some very simple rules, which we believe will make it easier for everyone who wishes to testify to do so comfortably. You do not need to identify which resolution you are here to testify on. You do not need to state whether you are in support or opposition. You can just get up and speak how you feel about the issue. You will, when you begin to testify, need to state your name and spell it for the record, because the hearings will be recorded today. With that, I'd please appreciate it if you'd turn any of your cell phones to vibrate or to off. Because of the number of people here this morning and the time constraints, we will be finishing at...I'm limiting testimony to five minutes for each person speaking. If you wish to testify, you need to fill out a testifier sign-in sheet,

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which will be found at the table. Please print your name. Complete the form prior to coming up to testify. When you come up to testify, please hand your testifier sheet to the committee clerk. If you have handouts, please bring enough for the committee, and if you do not have enough, please hand them to the committee clerk also, for distribution. If you do not wish to testify but would like your name entered into the official record as being present for the hearing, there are clipboards also at the table. Please turn off your cell phones, like I said, and pagers, or put them onto vibrate. Today, three of the four resolutions are sponsored by the Revenue Committee. The fourth is sponsored by Senator Pete Pirsch. Senator Pirsch is not able to make it today. We will forgo the usual introductions of the resolutions. And with that, we will begin. [LR212 LR214 LR215 LR241]

PATRICK REECE: Is that the point at which five minutes begins? (Laugh) [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Yes. [LR212 LR214 LR215 LR241]

PATRICK REECE: (Exhibit 1) My name is Patrick Reece. The last name is R-e-e-c-e. I'm here on behalf of Platte River Basin Environments. I am a professor emeritus of the University of Nebraska, president of Prairie & Montane Enterprises, LLC. I would like to offer one example for my commentary, and that is parcel number 010278036. That parcel is represented in color on the first page underneath the cover page. And those areas that are in orange represent the lowest possible level of productivity in grassland, which would be a G4 grassland. It constitutes about 77 percent of the land area of this parcel. If you will go then to the single figure, you will see that the changes in annual taxes, real estate taxes on that parcel from 1999 to 2006 increased at a rate of about 5.9 percent annually. And then you will see that from 2006 to the projected 2009, that there is an annual rate of increase of about 30.8 percent. Clearly, this will put people out of business. The other points that need to be made would be on Tables 1 and 2, where you see that there are almost ten years of levies summarized. You can see the

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year-to-year changes on the right-hand column in Table 1 are relatively small changes in comparison to the increases in total taxes on this parcel. And then you can also see in Table 2 a comparison between assessed land values for grassland subclasses from 2005 to 2009. And so you can clearly see that it is the assessed land value that is the sole, nearly sole, contributor to this crisis that has been created. And I would like to emphasize that when you look across from left to right on each row, that there is a progressive increase in a counterproductive direction. 2G is more productive than 3G, and 3G is more productive than 4G. And so as you look at the 2G row, you can see that from '05 to '09, there was an 84 percent increase in taxes, total taxes, levied on that kind of grassland, that subclass. For 3G, it increased 127 percent, and 4G increased 188 percent. And I would say again that the parcel that I offered to you as an example has 77 percent of the land in a steep 4G category. Almost all of the land on this parcel is 4G grass. But I want to go back to the map. Please turn back to the color map, and I want to point out that the orange land--and this is based on NRC information, which your tax guidelines indicate should be followed by the Assessor's Office--77 percent of the steep property on this parcel has a slope of 20 to 50 percent. What that means literally is that if you attempt to drive a vehicle perpendicular to the slope, you will roll your vehicle and it will not stop until it gets to the bottom of the canyon or the draw. That land is so steep that cattle will preferentially graze everything else into the ground before they begin to graze the land on that slope. So we're looking at a situation now where...I'd like to direct your attention over to Table 3, which provides a summary of the different kinds of grassland. I think we have some problems in how the subcategories are being assigned to different kinds of grassland. In Table 3, I want to direct your attention to the third and fourth columns, the two middle columns. Please look at subclass, and to the right of that is herbage yield. And as we go through that, you see that we have a 4G subclass on a lot of the property on this parcel. What I think you should really notice is that that 4G, whether it's 4G1 or just 4G, covers a span in potential productivity from 1,700 to only 700 pounds of herbage per acre. As an ecologist, I can tell you that if you don't leave about 700 pounds of forage per acre on the ground, it's going to wash away. That's just about the minimum level ecologically

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where you can avoid soil erosion during thunderstorms, and about half or more of our precipitation comes from thunderstorms. If you take a look at the stocking rate, which is the next column over, stocking rate is in animal unit months per acre. Your guidelines are set so that AUMs can be used. And you can see that there is a progressive decline. We have 402 of 502 acres in that very steep category. There is no way that we can service, that we can make a payment on these taxes at this continued rate, or even at the current rate. I would point out that if you go to Table 4, if we take a look at the cost of the land, if we take a look at the market value of the land...in Table 4 that would be the second column from the right side. The assessed values, we are told, are set at about 70 percent of market value, so if you divide those by .7, you get an estimate of market value. And you can see that if you looked at a 30-year mortgage note with a 30 percent down payment and 7 percent annual interest payments, that there's no way that ranching can possibly pay for this land. And I would point out that since 77 percent of this land is land so steep that cattle will make little or no use on this property, we have almost no way of covering that level of taxation on this land. Now, I'd offer some comments in terms of resolving these problems. I think that we should be looking at issues of comparables. We should also be looking at year-to-year changes in value or taxation that are reasonable. Let me first comment on comparables. It's my believe that a comparable for grassland ought to be defined as a property that produces a minimum of 300 AUMs of forage, 300 AUMs of forage. And that can vary in acreage. If you have only two-tenths of an AUM per acre carrying capacity, then obviously that takes you to 1,200 acres. But if you have six-tenths of an AUM per acre, then the acreage would be considerably less, and that would only take you to 600 at five-tenths. So the issue here is, acreage would fluctuate. But the real issue is, how do we pay taxes? How do we generate revenue on the grassland? It comes from grazing. And so we ought to set the standard for a comparable based on what you can get out of it in terms of grazing. Otherwise, it needs to be classified as something other than grassland. The other point that I would make is that I think year-to-year changes in the valuation need to be linked in some way to cash rental rates on grassland in the state of Nebraska. The University of Nebraska does an annual summary on cash rental rates for the different statistical

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districts in the state of Nebraska. That's readily available. It's summarized in detail. Just simply contact the University of Nebraska ag econ department, and all of that information is readily available. I don't see any reason not to link it to this...the cash rental rates. This... [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Time, sir. Oh, no, no. The committee...that gives the committee time to ask you questions. [LR212 LR214 LR215 LR241]

PATRICK REECE: Very good. [LR212 LR214 LR215 LR241]

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

SENATOR LOUDEN: Yes. Well, Patrick, it's nice to see you again, from back in the stock grower days when we both had hair. [LR212 LR214 LR215 LR241]

PATRICK REECE: Exactly. (Laugh) You're doing better than I am. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Well, yeah, I phase it a little bit. When you talk about these grasslands, now...and I mean, you don't have to have a Ph.D. to know that for the price that this land is paid for and taxed at, you can't raise cattle and pay for it. I mean, anybody that's chased a cow can figure that out, and I agree. Now, when you talked about this map you had here, the amount of this land...and this is the way your assessor does this now, is they classify...are all the soil classifications, I guess I should ask, similar? Are there different soil classifications in this piece of property? [LR212 LR214 LR215 LR241]

PATRICK REECE: Yes. If I understand your question correctly, Senator, you're wondering about different soil types? [LR212 LR214 LR215 LR241]

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SENATOR LOUDEN: Yes. [LR212 LR214 LR215 LR241]

PATRICK REECE: At the bottom of the map, there's a table. This is the NRCS format. It identifies the soil series and also the slope on the property. So what I have suggested for your consideration is already readily available on every square foot of grassland in the state of Nebraska through the NRCS. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Right. We've already done that. I mean, because we run across the same thing in where I ranch. They would go out here in these sandy pastures and there would be this two or three acres of wetlands, and they were calling that meadowland. And after we got soil... [LR212 LR214 LR215 LR241]

PATRICK REECE: Which would be a G1. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: And after we got soil conservation, it was all Valentine fine, you know. And some of it was wet and some of it was dry, but it was still Valentine fine. Consequently, we had the same soil classification. Your problem here is, then, you have different soil classifications all within this one piece of property. I mean, not counting the slope; I'm just talking about the kind of dirt that you're walking on. [LR212 LR214 LR215 LR241]

PATRICK REECE: What needs to be acknowledged in the evaluation and the assessment process, in my opinion, is that differences in soil depth and differences in slope, which are readily available from the NRCS, need to be used to accurately value this property. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Now, a question I would have to ask on that...and they go out here...what did you have, some 2G or something like that? And I don't... [LR212 LR214 LR215 LR241]

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PATRICK REECE: That was the highest. We had one small acreage, it was on part of the acreage. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Yeah. And the...what I have the question is--and the same way it happened down in the Sandhills--is, this piece of classification is right there, but you can't do anything with it because the rest of it's all grassland around there. Shouldn't this whole piece of property be either classified more in the line of the 4G, or either averaged out, or something like that? If you averaged this out with 70 percent of it, you'd have a different valuation, wouldn't you? [LR212 LR214 LR215 LR241]

PATRICK REECE: I agree with what you're saying, Senator. There should be some way to deal with those differences. Your example is very unique, because you get those pockets of subirrigated ground in the Sandhills that have very high levels of production, in comparison to all of the upland around, yet they're too small to graze as a separate unit, they're too small to take haying equipment into it. And there needs to be some consideration in that process. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: And that's when our soil survey several years ago came out, leveled that up for down in the Sandhills. Evidently, it hasn't worked that well in this part of the country. [LR212 LR214 LR215 LR241]

PATRICK REECE: And we've gone upside down. The highest valuation is for the land that has the least potential to generate revenue. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Well, that's your...that's somebody is bidding it up for whatever reason they want to bid it up, I think, is what makes that. I understand that, but I don't know if there's much can be...anything can be done much about that at the present time, because people are bidding it...they bid that up because of the size of the parcel, and that's what they wanted probably. Now, one other thing. You mentioned that green and yellow sheet, you know, and that sort... [LR212 LR214 LR215 LR241]

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PATRICK REECE: Yes, this document. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: George Coordsen, you know, what, in about 2001 or 2002, came out with LB600, and that was part of his deal, was to figure out animal units. And yes, the university--I've been mixed up in appraisals and stuff like that--they've got, I think, every inch in the state of Nebraska figured up on an animal unit, to the inch. I mean, you can look up any piece of ground, and they have that animal unit on there. And if you can find a way to do it, very good. And that's fine for valuation. And I think you have something there. It's been tried before. We run into problems. But we get back down to, how are going to finance the local schools and how are we going to finance the county if we change any of that? [LR212 LR214 LR215 LR241]

PATRICK REECE: Well, I think that it would be very reasonable to set up an assessment on the basis of your ability to generate revenue. Your state statutes and some of the guidelines for the county assessor already include admonitions or encouragements to consider or even eliminate some of the highly bidded property. And it takes this to an interesting point, and that is, rangeland or grassland more than any other kind of ag land has aesthetic value that people are willing to pay ridiculous amounts of money for. We don't...we're uniquely exposed. People working with grassland are uniquely exposed to that process of inflated land values having a very negative and long-standing negative impact on ranching enterprises. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Now, and that...then when you mention that, you're going back to that in statute 77-1371, where you have the 12 guidelines for comparable sales analysis? [LR212 LR214 LR215 LR241]

PATRICK REECE: Yes, listed as to be considered by the assessor. [LR212 LR214 LR215 LR241]



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SENATOR LOUDEN: Okay, and you think that...and I agree, that... [LR212 LR214 LR215 LR241]

PATRICK REECE: I think that can be the point of making some changes. I believe there should be some modifications. But the intent of the Legislature is clear there. Why not follow through with the intent? [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: I agree, and thank you for your testimony. Wait, somebody else might want to give you a shot. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: No, that should do it. All right. Next testifier, please. May I please see a show of hands of everyone wishing to testify? Okay, thank you. [LR212 LR214 LR215 LR241]

ROBERT COX: (Exhibit 2) My name is Bob Cox, C-o-x. My wife and I live at 170436 Carter Canyon Road, Gering. I got a little bit ahead of your clerk before she made the announcement, and I laid my testimony out for each of you, so I'm just going to go through it, and then if you have any questions, feel free to ask. We own and operate the Kiowa Creek Land and Cattle Company, Incorporated, a ranch consisting of 5,291 acres of rangeland, situated in the Wildcat Hills. We've owned the ranch for 20 years, and it has historically been a cow-calf operation. In the period of time we have owned the ranch, our real estate taxes have increased 400 percent. It now takes \$4 per acre annually to pay the real estate taxes on the deeded portion of the ranch, which is literally 50 percent of the gross annual income that can be achieved by leasing the ranch for grazing. There is no class of real estate, whether you consider residential rentals, retail commercial real estate, manufacturing buildings, or anything else, that pays anywhere close to that high a percentage of its gross income in real property taxes. I believe this is due to several different factors. First of all, all other forms of real property tend to historically sell at a price that is reflective of the income stream

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generated by the property. Investors buy and sell apartment buildings, retail and commercial buildings, even irrigated and dryland farm ground, on the basis of income divided by rate of return equaling value. Only range and ranchland seems to change hands based on a person's desire to be a cowboy and ride into the sunset like John Wayne, or to avid hunters and outdoorsmen with large bank accounts. This totally skews the assessment process. One real bur under my saddle for years is number two: All property in Nebraska is assessed by parcel, which means a section or a portion thereof. My ranch is a single entity, but it is assessed in 11 different parcels. Assessors statewide take comparable sales from parcels that are not anywhere near being comparable to a 5,000-acre ranch. For example, if a 40-acre piece of grass which happens to be the corner of a larger irrigated acreage sells in Scotts Bluff County to be used as a home site, it is still considered agricultural, and though the price has nothing to do with the true market on rangeland or the return that can be realized for grazing purposes, it is still used as a comparable. I challenged the Scotts Bluff County assessor on the comparable sales used for 2009, and I was given a spreadsheet with 92 comparable sales, but only five of those sales were 250 acres or larger. Most of them were 100 acres or smaller. As a rancher, there is no way that I can stand comparables of small acreages being used to set my tax rates on a ranch. If the system wants to use comparable sales to value my ranch, that system should only use ranchland sales that are 50 percent or more of the size of my ranch, not a tiny acreage. In addition, it would be reasonable to eliminate sales that are not arm's-length transactions for agricultural purposes for comparable sales. Sales for recreational or other purposes, some even funded by money from our state lottery, are not comparable sales. Number three, the standard used by all competent real estate appraisers is to use three different approaches to value: replacement cost, comparable sales, and income generated by the property. Our current system uses only comparable sales, and poorly at that. It is obvious that one cannot use replacement cost on ranchland, because we're valuing ranchland, not improvements. To use only...the University of Nebraska, Pat Reece indicated, publishes NebGuides on an annual basis that divide the state and come up with income figures for each area. It would be very simple to use these to divide a

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reasonable rate of return and arrive at value. The use of comparable sales has created a further insult. Due to the fact that land which is heavily forested or rugged is considered more scenic and thus more desirable, the fact that this type of land is less productive for grazing is totally ignored. And Pat alluded to this also. The sale of small parcels of land that are pretty has caused Class IV lands in Scotts Bluff County, which are far less productive for grazing, to be valued higher than Class II and Class III lands. It is now fact that if your ranch is less productive but more scenic, the rancher pays even higher taxes. We find ourselves at a crossroads. Nebraska is the number one state in the union in mother cows. The western three-fourths of the state is composed of range and ranchlands. The entire ranching industry in this state is being forced into oblivion by the taxing process. Ranchers can contend and survive drought, the vagaries of the cattle market, varying interest rates, blizzards, and learning to cope with all types of adversity, but they cannot survive under the current system of assessment and taxation. No surrounding state has range and ranchland taxed anywhere close to Nebraska. I've been a licensed real estate broker in the state of Nebraska for 42 years, and I specialize in the sale and brokerage of only agricultural properties. I haven't sold a house in 20 years, don't care if I ever do again. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: About one minute. [LR212 LR214 LR215 LR241]

ROBERT COX: I think I am well versed and experienced in this subject as anyone, and I cannot for the life of me understand how our values have risen and remained as high as they have. But I fear for our future. One can only find so many greater fools to sustain a market under these conditions. To add insult to injury, if a rancher elects to give up and sell the ranch, even though it is a capital gain currently subject to a 15 percent tax rate, he'll wind up paying about half the amount of his federal tax obligation to the state of Nebraska. Unlike the school districts that take the largest portion of our property taxes, the ranchers of the state of Nebraska cannot expect an automatic cost of living increase in their income. We can't pass a bond issue to pay for capital needs. My wife and I have worked like Trojans, sweat blood, and connived at every turn to

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accumulate what we have, not one dime of it having been inherited. Coming out of the barn at below zero with the sun coming up after a long night in calving season no longer has any romance for me. I hate to think that I have lived the better part of my lifetime in a state that would now force me to consider selling all we have strived for to avoid the state taking away from me through unfair, exorbitant annual tax increases. I can only hope that you members of the Legislature can agree on an assessment process and real property taxation that will reflect the income capacity of ranchland throughout the state. It just has to come to a halt. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Questions from the committee? Senator Dierks. [LR212 LR214 LR215 LR241]

SENATOR DIERKS: Mr. Cox, how many acres on your ranch to take care of a cow for a year? [LR212 LR214 LR215 LR241]

ROBERT COX: I figure that it...if I keep a cow on my place for 12 months, carry a replacement heifer, so on and so forth--we run a cow-calf operation--it takes me 22 acres to run a cow. [LR212 LR214 LR215 LR241]

SENATOR DIERKS: And your average cost per acre is \$4, for taxes? [LR212 LR214 LR215 LR241]

ROBERT COX: Yep. [LR212 LR214 LR215 LR241]

SENATOR DIERKS: That's getting awful close to \$100, isn't it? [LR212 LR214 LR215 LR241]

ROBERT COX: Yep. [LR212 LR214 LR215 LR241]

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

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ROBERT COX: Real estate taxes are the biggest expense that a rancher in Scotts Bluff County has to pay right now. It costs more than winter feed. It costs more than any other bill that I have to pay. You know, and it's literally just taking it at gunpoint. The only difference is, this one is legal. [LR212 LR214 LR215 LR241]

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

SENATOR LOUDEN: Yes. Well, thank you for your testimony, Mr. Cox. You mentioned something about these pieces of ground, you know, 40 acres on the corner of a pivot or something like that. And at the present time, your home sites are valued and also your ranch site where your ranch building is set, and I think they've got a value on that, what, \$7,500 or something like that. And I've always wondered, why is that land under your ranch buildings worth more than your property out there that you're...the rest of the ground out there? Because for one thing, you pay...you're paying taxes on the buildings. They're assessed and valued. So to me, that land underneath there should be worth less, because you can't do much about it other than set a building on it. Do you have any opinion on...do you think those home sites and some of those should be taken out on these farms and ranches around? [LR212 LR214 LR215 LR241]

ROBERT COX: Senator, I appreciate your concern with that regard, but that is such a small portion of the problem that I face that I haven't even considered it. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Well, you're going to have to start someplace, because we didn't always have that valuation on the home sites. I mean, this is something that's come about in the last few years. [LR212 LR214 LR215 LR241]

ROBERT COX: I couldn't even tell you what my home site is valued at as opposed to the balance of it. [LR212 LR214 LR215 LR241]

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SENATOR LOUDEN: Well, it probably was \$7,500 and it may be going up to \$12,000 for the...where the house is set. [LR212 LR214 LR215 LR241]

ROBERT COX: But that would be such a miniscule portion of the tax portion that's killing me that it hasn't even crossed my radar. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Now, when your valuation...where does most of your tax money go? Does it go into your school districts, or...? [LR212 LR214 LR215 LR241]

ROBERT COX: School districts, obviously. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Okay. And what's your...what is your mill levy for your school districts out there? [LR212 LR214 LR215 LR241]

ROBERT COX: Well, I'm in three different districts. This is another hot button of mine. Scotts Bluff County has five different districts. We have five different administrations. We have a superintendent of schools for Morrill, Mitchell, Scottsbluff, Gering, and Minatare. We pay each of those people handsomely. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Okay, now then, to get back to... [LR212 LR214 LR215 LR241]

ROBERT COX: The superintendent of schools in Scotts Bluff County...in Scottsbluff, is paid essentially the same salary as the superintendent of schools for the city and county of Denver, and they have more teachers than we have pupils. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Okay, now, fine, I understand that, and I know where that goes. So in other words, until we do something to...about the funding with school funding, as I've said...I've been saying it for all summer at these meetings, that until we do

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something about school funding, what we're talking about on property tax is really idle conversation. [LR212 LR214 LR215 LR241]

ROBERT COX: I think I would agree with you. But every time the subject of consolidation comes up, people run in horror; the world is coming to an end. And it has to stop. We cannot continue, but particularly ranchers can't continue, under this system. You know, I... [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Well, I agree. I'm in the business myself. I know how much of my income went for property tax last year. It's running about over 25 percent of our gross income goes for property tax. And it's...anybody you talk to that's got a bunch of cows, it's going to be in that neighborhood someplace. [LR212 LR214 LR215 LR241]

ROBERT COX: And I have personally set a time limit of how long I'm going to continue doing this if this system doesn't change. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Now, do you attend your school budget hearings? [LR212 LR214 LR215 LR241]

ROBERT COX: Absolutely. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: And do you have any of your neighbors or any people...I mean, do they go there and then...I've been at these kind of hearings, and all of a sudden they decide they need more money, so everybody votes to override the levy limit. Where does that...? [LR212 LR214 LR215 LR241]

ROBERT COX: That hasn't been our problem. Our problem has been that the inmates are in charge of the asylum. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Okay. (Laugh) I'll let... [LR212 LR214 LR215 LR241]

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ROBERT COX: The Gering school district, where I pay most of my property taxes to, just got done, a week ago, granting all the employees a 4.7 cost of living increase. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Okay, that's another subject that we're going to address here when the special session is on. [LR212 LR214 LR215 LR241]

ROBERT COX: The superintendent of schools for the Gering school district wants to retire, but he wanted one more year, even though his contract ended last year. So the district said, fine, we'll extend your contract for one more year to allow you to stay until you're ready to retire. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Okay, that's another subject, because I'm on the Retirement Committee down there, and I know how those get spiked. [LR212 LR214 LR215 LR241]

ROBERT COX: And instead of saying, we will continue you at your present salary, they said, gee, since you're going to stay another year, we think you need a salary increase for that year. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Thank you for your testimony. [LR212 LR214 LR215 LR241]

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

ROBERT M. SMITH: My name is Bob Smith. I work for Platte Valley Bank as a collateral specialist. I evaluate property for the bank, commercial, residential, farm, and ranch. And we have banks in Nebraska, Wyoming, and Colorado. I've been with the bank for ten years. I also manage property for Platte River Basin Environments, Inc. We're one of the largest landowners in Scotts Bluff County, owning over 18,000 acres.



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And also we manage an additional 4,000 acres for the Nature Conservancy and the Kosman family. Platte River Basin is all referred to as PRBE, is a local nonprofit 501(c)(3) volunteer-based grassroots conservation group. And this group is committed to enhance and manage these lands and other lands that we acquire for the benefit of improving plant communities, wildlife habitat, protect unique landscapes from fragmentation and development, educational opportunities for kids, and public access for all to enjoy. If you'd look at Exhibit A, please. We just recently opened up 13,000 acres for public use. The second sheet is our partners that are involved in what we do. Also, if you look through this, these lands that are opened up also include Game and Parks property, Buffalo Creek Wildlife Management Area, and Cedar Valley...or, Cedar Canyon Wildlife Management Area. If you could look at Exhibit B, please. This is one of the property records for Bead Mountain Ranch, which we own. And this is the 2009 property record. And I just want you to notice the number of acres, the taxable value. I've got everything underlined. And then, we purchased this ranch in 2004, and you can see the increase in taxes over the period of five years. Another thing I'd like to point out, if you turn the page, it shows the different land classes. If you look at the 4G land class that I've got underlined, about 54 percent of that is nongrazable due to slope. And also, there's another example of another parcel in that same category which is 42 percent of nongrazable. If we could look at Exhibit C. This is a property that we bought from...this is the old Hampton ranch, and Gary and Vicki Enlow, they were part heirs of the ranch. The first example would be the 2009 property record, and then if you turn to the other example, this would be the same property record that Gary and Vicki had in 2005. So you can see the huge difference in the increase in taxes and also assessed land value. If you look at 2006 to 2009, there was an increase of 156 percent on that land. And then if you look at the 2005 assessed value, the three-year period, would be 64 percent increase. So it's considerably more in this three years than the previous three years that they owned it. Another example, Exhibit D, would be another property that we bought from Evelyn Montz. This is an example of...I protested all these over the years, but this is the only one that I got...the assessor backed off on. I had to bring pictures of the improvements on this property, and also the insurance showing that we didn't even

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insure it for the amount that they wanted to put on it. They were going to put \$104,000 worth...or, \$404,000 value for these improvements. And so they kept it to \$48,000. Exhibit E would be...Platte River Basin also owns some farm ground, and this is kind of an example of the assessed value of different dryland ground. The first example, it's underlined, is dryland Class 4, valued at \$230 an acre. Another parcel, dryland Class 2, is valued at \$280 an acre. Dryland Class 3 is valued at \$260 an acre. Exhibit F, if we look at Scotts Bluff County assessed values for 2G grass, 3G, 4G: 2G is at \$230, 70 percent of that would be \$329; 3G at \$250, \$357; and 4G at \$300, which would be...70 percent of that would be \$429 an acre. When you look at the Class 2D, which would be dryland farm ground, it makes no sense to me how Class D farm ground could be valued less than Class G grassland. The income potential is quite a bit higher off the dryland than it is off the grass. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Sir, one minute. [LR212 LR214 LR215 LR241]

ROBERT M. SMITH: One minute? Okay. My research, it's costing...it's netting...4G grass is netting approximately about \$1.88 an acre. 4D dryland is netting about \$10 an acre, and 4A irrigated is netting about \$50 an acre. So how can...as far as the income potential, the Class 4A irrigated is valued at...or, assessed at \$600 an acre, and when you look at the huge spread on the income potential, it's just...it doesn't make sense. Also, I gave an example of Banner County, the assessed value for 2009 on grass, and also Sioux County. I guess my concern is that this mass appraisal method for grassland is unacceptable. It would destroy our ranching community in western Nebraska. It doesn't affect dryland or irrigated farm ground. When grass sales over 20 acres are used in the mass appraisal method to establish grass values for rangeland, that's ridiculous. Those sales should be rural residential sales. Sales of like properties with similar use should be used to establish tax value. And we...as far as Platte River Basin is concerned, we're a nonprofit 501(c)(3). We've opened up these lands to the public, and we're paying for the public to use our lands. [LR212 LR214 LR215 LR241]

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SENATOR CORNETT: Time, sir. Questions from the committee? Okay, Senator Utter first. [LR212 LR214 LR215 LR241]

SENATOR UTTER: Bob, thanks for coming today. Some information about the ranch, if you don't mind. Is...I take it that a nonprofit or something similar to that owns this ranch, all this land that we've been discussing. [LR212 LR214 LR215 LR241]

ROBERT M. SMITH Yes. [LR212 LR214 LR215 LR241]

SENATOR UTTER: And is it used for recreational purposes? Or is it used for...? [LR212 LR214 LR215 LR241]

ROBERT M. SMITH: It's used by recreational purposes through public use. [LR212 LR214 LR215 LR241]

SENATOR UTTER: Strictly recreational purposes? They don't run any cattle on any of this property? [LR212 LR214 LR215 LR241]

ROBERT M. SMITH: Yes, we do. We... [LR212 LR214 LR215 LR241]

SENATOR UTTER: You do? [LR212 LR214 LR215 LR241]

ROBERT M. SMITH: Yes. [LR212 LR214 LR215 LR241]

SENATOR UTTER: Thank you. I guess one further question. And I think this runs through maybe everything that we're going to talk about today. And I agree wholeheartedly the property tax burden...we think we've got a heavy burden down in Adams County where we come from, on irrigated land, on...the irrigated land, that has escalated through the years from a little over \$2,000 an acre not too many years back to as high as \$6,500 an acre recently. And those taxes add up and are a burden to those

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people, too. So I think ranchland property taxes are a burden, but also other agricultural properties are also really facing a substantial burden tax-wise. And I agree wholeheartedly with that. The problem that I think that we need to address together, all of us, is, as we readjust these taxes in proper amounts, who do we select to pay the extra taxes that makes up for those that we try to get back to somewhere near a realistic level? It seems to me like we've got a couple of choices. We've got to either pick out some other class of tax, or...maybe even property, or we've got to cut the expenses of government to compensate for the fact that we're going to bring these taxes back to a more realistic level. And I'd kind of like you all to be thinking about where do we go from here, assuming that we can get the tax burden back to a reasonable level for you folks. And it's...that's a question that I've thought about quite a bit since I've been a member of the Legislature, is, how do we do this? Or maybe it's a combination of cutting back government expenses...I honestly think there's ways to cut government expenses, and you touched on that some in your testimony. But we've also got to figure out what's the next most equitable way for the state to raise the money to pay the expenses of state government, schools, local government, right down the line. [LR212 LR214 LR215 LR241]

ROBERT M. SMITH: Well, we're...Platte River Basin is kind of a unique situation, where we're requesting that...if you looked at Exhibit G, it's showing the average level of value for residential, commercial, ag, and this first example was a special value on it for greenbelt. I don't really understand greenbelt. But what I would like would be a special value use that could be applied for the reduction of real estate taxes when opening up land to the public, which we are. We're paying for the public to use our land. [LR212 LR214 LR215 LR241]

SENATOR UTTER: Who are we going to pass those taxes on to? [LR212 LR214 LR215 LR241]

ROBERT M. SMITH: Well, I think we ought to tax tobacco and alcohol and gas taxes. It

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would be a lot...we'd have a lot healthier state if people weren't smoking cigarettes or chewing tobacco. [LR212 LR214 LR215 LR241]

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

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

SENATOR LOUDEN: Yeah. Well, for one thing, I want to point out, we've pretty well taxed tobacco and alcohol for probably all it will bear, you know, and it doesn't seem to make any difference. This was...when you purchased this land, your organization purchased this land, and was those sales used for comparable sales in the county? [LR212 LR214 LR215 LR241]

ROBERT M. SMITH: They said no, but I can't believe that, with the increase on these properties and everybody else's properties, our neighbors that make a living ranching. And their concern is that with what we're paying for the land has increased their taxes to the point where they can't make a living on it. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: When you protested this or anything, you didn't ask the county assessor... [LR212 LR214 LR215 LR241]

ROBERT M. SMITH: Yes, I did. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: ...if that land was used as a comparable sales when you purchased the land? [LR212 LR214 LR215 LR241]

ROBERT M. SMITH: I did, and they said no. They said no. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: And they told you no. Now, how much did you pay for that land?

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Did you pay market price? Did you pay above market price? [LR212 LR214 LR215 LR241]

ROBERT M. SMITH: Above market price. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Did you...was it an auction and you outbid everybody, or...? [LR212 LR214 LR215 LR241]

ROBERT M. SMITH: No, these families that owned the land approached us, and since Platte River Basin is a conservation organization, this land will be in perpetuity. And we gave them a premium. Like, for instance, this Carter Canyon ranch was settled in 1885 and they've owned the ranch that long, and they didn't have any heirs that wanted to continue ranching. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Okay. And then when...where did you get your funding from to buy this property? [LR212 LR214 LR215 LR241]

ROBERT M. SMITH: The Nebraska Environmental Trust, and also a lot of those partners have contributed money. And when we do get funded from the trust, it's 50 to 60 percent of the actual cost of the land. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: But it was from the Environmental Trust and from grants and that sort of thing, is where you got the money. [LR212 LR214 LR215 LR241]

ROBERT M. SMITH: That's right. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Then what makes you think that you should get any special benefit on paying your property taxes on that? Because in the state of Nebraska now, if it isn't park, you're going to have to pay in lieu of taxes. And whereas you're putting it out for the public, as you say, furnishing it for the public, but yet you got your money

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through... [LR212 LR214 LR215 LR241]

ROBERT M. SMITH: Well, we have borrowed money that we're paying... [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: ...through grant money, and you got it through the Environmental Trust, which is a sore spot in places, about Environmental Trust money being used to purchase land all around. So I'm wondering where you've... [LR212 LR214 LR215 LR241]

ROBERT M. SMITH: Well, when we look at the state of Nebraska, where only 2 percent of the land is used...is open for public use, we look at Wyoming or Colorado, where 50 percent of the land is, we don't...we've got the first property in the state of Nebraska, that we opened up along the North Platte River, for recreational use. Never in the history of Nebraska has it ever been done before. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Now, is that productive land that you've opened up for recreational use? [LR212 LR214 LR215 LR241]

ROBERT M. SMITH: Yes, it is. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: And then what is that productive land being used for now? [LR212 LR214 LR215 LR241]

ROBERT M. SMITH: Well, we're trying to be... [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: I mean, are you growing weeds and... [LR212 LR214 LR215 LR241]

ROBERT M. SMITH: No, we're grazing it and...no, no. [LR212 LR214 LR215 LR241]

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SENATOR LOUDEN: ...Russian olive trees on it, or are you using it to farm it? And is somebody farming that that has to go to town and buy parts and repairs in order to farm it, and that sort of thing? [LR212 LR214 LR215 LR241]

ROBERT M. SMITH: Absolutely. Absolutely. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: And then, so how...then what do they do for roping it up for recreational use? If that's being in production, how can you...you can't... [LR212 LR214 LR215 LR241]

ROBERT M. SMITH: Well, the river bottom, for instance, is mostly grass, so it borders the river, and so this time of year it's not being seasonally grazed. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: I see. And it's graze...you're using it for grazing land the rest of the time? [LR212 LR214 LR215 LR241]

ROBERT M. SMITH: Yes. And one thing to consider, too, is that we've been in drought for eight years, so we're trying to be better stewards of this land. This land needs time to heal. A lot of these properties we haven't grazed, to get it back into shape from a prolonged drought. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Well, that happens with any kind of...one other question I'd ask you. And we've been talking about this for the last few days when we have these hearings. Do you think there should be another classification for recreational land? Is that...? [LR212 LR214 LR215 LR241]

ROBERT M. SMITH: Absolutely. Absolutely. [LR212 LR214 LR215 LR241]



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SENATOR LOUDEN: ...valued different? Should that be higher than production land?  
[LR212 LR214 LR215 LR241]

ROBERT M. SMITH: Yes, it should. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Then you would fall in that category? [LR212 LR214 LR215  
LR241]

ROBERT M. SMITH: Well, we would. But how many of those recreational properties are  
opened up to the public for public use? Now, if you looked at the... [LR212 LR214  
LR215 LR241]

SENATOR LOUDEN: Yeah, but you're privately owned. Any time you decide to shut the  
gate, you can. It isn't like it's state owned or anything like that. I mean, you're an entity  
of its own. You own that property and you've got control of it. So when you say it's open  
to the public, it is, but then again, it can not be. So that's the reason I'm wondering if you  
feel that you would be comfortable if we had a different classification for recreational  
use and you were in that category. [LR212 LR214 LR215 LR241]

ROBERT M. SMITH: Well, as long as you had a special use also, where it was, if you  
open those lands up to the public or some other thing that benefits the public, I think  
there should be a tax reduction. [LR212 LR214 LR215 LR241]

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

SENATOR CORNETT: I think Senator...okay, Senator Harms. [LR212 LR214 LR215  
LR241]

SENATOR HARMS: Bob, thank you very much for your testimony. You know, I believe

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that in every crisis there's an opportunity for us. And with the fiscal crisis we find ourselves in, this probably is the best time that we've ever had in the history of this great state to actually revamp and redesign our government. What I want everybody to understand, if we start this process, what are you prepared to give up? Because that's what it's going...this is what we're going to boil...this is going to boil down to. And I don't disagree with what Bob Cox and Pat Reece said and what you have said. We need to bring this thing into line. But when we do it, it's going to be painful, but we need to understand that we're going to have to give some things up when we streamline government. And I think it's time to do it, personally. I think we have too much government. And with the decline in the number of people in rural Nebraska and rural America in general, it's becoming an issue for us. So I think that's what it boils down to--how we want to reengineer our government, how we want to design it, and then what are we prepared to give up so that we can have a better bottom line for the people who use the earth for their income. So I thank you very much, and I think that's what's going to have to happen. [LR212 LR214 LR215 LR241]

SENATOR DIERKS: Thank you, Senator Harms. I...Senator Cornett asked to be excused for a little bit, and so I get to take over. We've been through two of these hearings, one yesterday in Hyannis, and one over in Bloomfield about two weeks ago. We'll have another one down in Bellevue, I think, before we're through. So we've heard from a lot of different people about a lot of different things. We know that it's difficult to reduce our needs. And the needs we have are what causes our taxes to go up. I was on the school board in Ewing, Nebraska for 17 years. Not once in those 17 years did anybody ever come to a budget hearing. I was always surprised at that. There are built-in increases in school districts. Teachers have an automatic pay raise every year. School bus drivers have an automatic pay raise every year. It seems like, anymore, the cost of gas goes up every year. The needs increase. So we're between a rock and a hard place. How do we make the needs work? I, too, am a rancher. I can get by with a few more cows on my acres than you can, Bob, but I...we run about...it takes about ten acres for me to keep a cow. And my taxes right now are about \$60 a cow. So I'm

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looking for some help, too. We heard yesterday from somebody that said, we thought that when the lottery bill was passed all those dollars were supposed to go to education. But, he said, now 49 percent of them go to the Environmental Trust. So you see, there was a diverging of taxes. And you can see how we've come into some of the situations we come into. I still think that we need to make some tremendous adjustments in how we call for property tax assessment. I don't believe it should be done based on sale value; I think it should be done on its ability to produce. I've always felt that way. And there are states that do that. So it takes a lot of mathematicians to figure that out, but it can be done. So we're looking at all these things. And I appreciate your testimony today. I think that...and Bob Cox, too. I mean, he...their feelings are heartfelt. I agree 100 percent with what you're doing. So anyway, thanks so much. [LR212 LR214 LR215 LR241]

ROBERT M. SMITH: I appreciate it. Thank you. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Next testifier. I just dropped my timer. That wasn't a good thing. (Laugh) How many...can I see a hand...number of hands for the people left to speak? Okay. Then we'll relax a little bit on the time, then. Go ahead, please begin. [LR212 LR214 LR215 LR241]

JOE BURFORD: (Exhibit 4) Okay, thanks. I'm Joe Burford, B-u-r-f-o-r-d, from Bayard. I just gave the committee a copy of a memo. I'm representing three feed yards from Morrill County. Let me give you a little background. These three yards, we were...our assessments were increased substantially on our current valuations. We've been to the county level and protested, as have most of the yards in Morrill County, I believe, protested the valuations. We've filed a protest with the next level up, at the state, these three yards. We wanted to get...take this opportunity, with the committee being here, to discuss what our concerns are. If I'm correct, the assessed valuations...and I may not have these columns...the tax...the valuation under what I call tax valuation is what we're being valued. That's the 68 to 72 percent figure, I believe. So the actual value may have

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been somewhat higher than that. But as you can see, on a per head basis, these values are running from \$200 to \$400, or over \$400 a head. Our understanding of this process is that these values should be somewhat close to what the market value is of these properties. As a bit of explanation, the values that...when we say values, these are just what we're being taxed on. There's no equipment or farm ground included in here. This is just the land that lays underneath the feed yards, as well as the improvements, any pens, processing areas, office, mill areas. There's no other ground other than what lays directly underneath the feed yard. As I said, these values for these three particular yards--and I've talked to some others...and I'm not just picking on Morrill County, but the three of us happen to be from Morrill County and that seems to be...we've got a little issue there, it seems to be, the way that feed yards in particular are valued. We've been through the...as I said, we've been through the process there to protest at the county level, and we've moved on up the line. But that's going to take some time. We wanted to take this opportunity to visit with this committee and at least air our concerns about where this process is going. As I state in this information, there was a sale just within the last few months of probably one of the best feed yards out in this area, sold. And if you take the farm ground out of that sales price and take the rolling stock out, it sold for around \$75 a head. And it would be the...probably the best, as far as a...if you want to call it a "Cadillac" feed yard, in this area. And it just would be just across the line from...it's just outside of Morrill County. And that's...we've confirmed that with the buyers and the sellers on that particular property. So we think the values that we've got on...for our property tax basis in...for these yards...and there may be some others. These other two yards, we kind of went in together to file our protest. There may be some other yards protesting that we haven't gotten in touch with in that county. Our thoughts are, we just...we wanted to at least have an audience with the committee and let them know what we see out here as a concern. I think everybody, the three entities on here, have other yards here in the Panhandle, and have significantly lower valuations. They're closer to what we're talking here, at \$75...they're from \$60 to \$80 a head valuation, and then take a...roughly a 70 percentage of that, so they're valued at somewhere between 50 and 70 bucks a head for tax purposes. And that would be within, say, 100 miles of

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where these yards are located. That summarizes kind of where I am. I'd be glad to answer any questions, or if that's not clear on that memo, just clarify anything. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Well, actually, I'm going to...Senator Dierks. [LR212 LR214 LR215 LR241]

SENATOR DIERKS: Thanks, Joe. This is a little bit, kind of a personal question and a little bit off the subject, but how much have you made or lost per head that you've sold from your feed lot in the last year? [LR212 LR214 LR215 LR241]

JOE BURFORD: I don't know if I'd better answer that. My banker might be in the room and I don't want that quantified. (Laughter) [LR212 LR214 LR215 LR241]

SENATOR DIERKS: I didn't ask you for the numbers. I just wanted to know the head...per head loss. [LR212 LR214 LR215 LR241]

JOE BURFORD: Per head loss? We're getting down right now to where we're from \$25 loss to \$25 profit. But a year ago, we were running anywhere from \$150 to \$400 a head loss. Just between grain prices...and part of that's just in what the industry was paying for feeder cattle. We've incurred...feeding industry has incurred some fairly substantial losses. [LR212 LR214 LR215 LR241]

SENATOR DIERKS: So what can you do about what the industry is paying for feed...for fed cattle? [LR212 LR214 LR215 LR241]

JOE BURFORD: What can we as feeders do? Pay less for feeder cattle or pay less for corn. [LR212 LR214 LR215 LR241]

SENATOR DIERKS: So, see, that hurts me when I've got feeder cattle to sell. [LR212

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LR214 LR215 LR241]

JOE BURFORD: Exactly. [LR212 LR214 LR215 LR241]

SENATOR DIERKS: I'd like you to come up with a little bit different answer. (Laughter)  
That's enough for me. [LR212 LR214 LR215 LR241]

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

SENATOR SCHILZ: That was my question. [LR212 LR214 LR215 LR241]

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

SENATOR UTTER: Thank you, Mr. Burford. Tell me how this...translate for me this  
valuation per head into taxes per head of one-time capacity in these yards. What does  
that amount to in dollars and cents? [LR212 LR214 LR215 LR241]

JOE BURFORD: I think...now, don't hold me to this. I didn't look at that and I didn't bring  
that with me. I think the...and they're up about fourfold, but I believe that the Dinklage  
figure, I think he said he was going to be about \$120,000, his taxes just on this. And all  
of these operations have some other real estate with this. We've tried to sort this out  
and make sure we're just looking at...we don't have any farm property or grass included  
in here. [LR212 LR214 LR215 LR241]

SENATOR UTTER: So you think we're talking about 15 bucks, 10 bucks... [LR212  
LR214 LR215 LR241]

JOE BURFORD: Yeah, 10 bucks, one-time capacity. [LR212 LR214 LR215 LR241]

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SENATOR UTTER: ...10 bucks a head, one-time capacity? [LR212 LR214 LR215 LR241]

JOE BURFORD: Correct. And now, that, as I said, though, that does not include what we're paying for our equipment. That's on a completely separate schedule here, as well as some of the other taxes. And this is up from...most of these...I know each one of these entities has got some that are valued closer to the...or, they're being taxed on closer to the \$40 to \$60 or \$70 per head valuation, and that seems to be what's more common throughout the state. We seem...from what...talking to other feed yards around, we seem to be a little high just in this particular area. [LR212 LR214 LR215 LR241]

SENATOR UTTER: Well, as a country banker all of my life, I understand your reluctance to reveal in front of us bankers what that real story might be. (Laughter) [LR212 LR214 LR215 LR241]

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

SENATOR LOUDEN: Yes. Thank you, Joe, for coming here today. I'm wondering, on this tax valuation, now, that's actual...with your operation, it's actual value. You don't get a 70 percent or 75 percent of actual value. When you say it was valued at \$6.3 million, that's the actual value of what the assessor put on that feedlot. Is that correct? [LR212 LR214 LR215 LR241]

JOE BURFORD: Yeah. Well, I think they actually...they probably had it valued at \$8 million or \$8.5 million. But this is what that particular yard is paying taxes on, the \$6.3 million. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Okay. Then you did get a 75 percent of actual value? Is that what you're telling me, on the...what I'm wondering is, are you valued like commercial

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property or are you valued like ag land property on your feedlot itself? [LR212 LR214 LR215 LR241]

JOE BURFORD: We discussed this going in, and I don't...I believe we're taxed as ag property. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Ag property. [LR212 LR214 LR215 LR241]

JOE BURFORD: And I think when we went to the hearings at the county level, I believe they told us that these were the 68 to 72 percent values. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Okay, yeah. And then on some of this...of course, on your machinery, have you depreciate it out like anybody else does. In seven years, then you don't have to pay personal property tax on that, is that correct, on your...on some of your farm machinery and your trucks and stuff that go with that feedlot? Or do you have to continue to pay property tax on those trucks year in and year out? [LR212 LR214 LR215 LR241]

JOE BURFORD: It is on the depreciation schedule, but I've never had one around a feed yard that made it past seven years. (Laughter) It's gone in five, and you've got to have a new one in there. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: (Laugh) Must be, any feedlot I was ever around, looked like to me they'd been there about 10 or 12 years. [LR212 LR214 LR215 LR241]

JOE BURFORD: They just looked like that. They've actually...they're only three years old. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: I see. Usually they don't have the windows in, so them guys don't sit in the trucks during cold weather. What...anyway, this other, then, when you said the



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mills and everything is all part of your tax valuation, the milling, the mills and everything that go with it all went as part of the property, it wasn't depreciated out on any other kind of a schedule or anything like that. Do you think it should be on a...I mean, if you say some of these things only last a certain number of years, should there be a better depreciation schedule as far as the assessor is concerned? [LR212 LR214 LR215 LR241]

JOE BURFORD: Well, on most of these, the mills are...and I can't speak...I think the Valley Feed Yards, which is the one I'm involved with, we do not have a mill. The other two have...as I state in the memo, they've got dry roll mills, not flake mills. They don't have steam-flake mills. But those are probably 10 or 15 years old, but they'll last 25 to 30 years, as long as you maintain them. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: And are they still paying personal property tax or taxes on those mills, even...? [LR212 LR214 LR215 LR241]

JOE BURFORD: No, they're included in the... [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: In the valuation? Okay. [LR212 LR214 LR215 LR241]

JOE BURFORD: ...real estate valuation, because they're a...my understanding, they're included there because they're affixed to the property. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Okay, just like a windmill on a pasture. Okay, well, thank you for your testimony. [LR212 LR214 LR215 LR241]

JOE BURFORD: Thank you. [LR212 LR214 LR215 LR241]

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

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MELODY BENJAMIN: Good morning, Chairman Cornett. Senators, how are you all this morning in windy and wet western Nebraska? I'm Melody Benjamin. I work for Nebraska Cattlemen. That's M-e-l-o-d-y B-e-n-j-a-m-i-n. And I also own a ranch south of Lakeside. I had a whole bunch of testimony written out that I was going to give you this morning, but after hearing some of the comments here, let me just share a few thoughts with you. All of you know, every one of you on this committee knows that Nebraska Cattlemen's firm policy is that we need to change the way we collect property tax off of our ranchers. It's been that way for decades. And our policy also says that we would like to see it be a more equitable way of collecting taxes, that we see that there's three functions of taxes--sales tax, income tax, and property tax--and we'd like to see it be more fairly distributed across that. We have always stood for strong local schools, but we have got to find a different way to fund these schools than through property tax. As I said, I have a ranch. It's a small ranch. My son operates it for me while I'm off running around doing Nebraska Cattlemen's work. My taxes are the third-largest expense I have. Feed is the number one, because I figure my hay...the cost of producing my hay as a feed expense. They run around \$90 a cow. My second-largest expense is labor. I've got a kid there that's sweating, putting mostly sweat equity into the place, but I do give him a little bit of money so he can go to town once in awhile. That's my second-largest expense; that figures about \$75 a cow. My property taxes are \$67 per cow. To answer some of your questions, Senator, I can...after doing about \$150,000 worth of fencing and water development, I now can run about 16 cows an acre, and I think I'm getting as much production as I can. [LR212 LR214 LR215 LR241]

SENATOR DIERKS: One cow per 16 acres? [LR212 LR214 LR215 LR241]

MELODY BENJAMIN: Yeah, one cow for 16 acres. That's about as much production as I'm ever going to get out of that place, and that's cost me a lot of money to get to that point. Eighty percent of my tax burden that I pay to the county goes to schools. That's why we've to figure out how we can fund schools a little better. My son has been out of

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school for ten years. I don't even see a chance of having another child on that place for probably in the next 20 years. I had a superintendent of schools from a large town here in the Panhandle--this was a few years back--tell me that 98 percent of his students live inside the city limits, and 74 percent of his funding comes from property that's outside of the city limits. That is an unfair tax. We know that there's no opportunities to make an overhaul in the tax structure of this state, given the current fiscal crisis that we're facing, and that you have bigger fish to fry next week. So we look forward to working with you in the future. This is something that needs to be addressed. We need to get some changes made, or we're not going to have people out here on these grasslands raising cattle anymore, and Nebraska will no longer be the beef state, if we lose that. So we look forward to working with you. We know there's no easy answers. Yesterday, my members asked me to...we had a board meeting, and they asked me to relay their concerns over some of the proposals, one of them to eliminate sales tax exemptions to give property tax relief. Their concern is that the cities and the state collect that sales tax, and the counties are the ones that are collecting the property tax. And while we trust you completely with our money, we've not...not always have we seen that work that when we gave up one thing that we got relief in another area. So they expressed their concern there. They also expressed their concern about the Property Tax Relief Fund. That will be something that many people will eye as a way of helping to balance the budget, and they're hoping that you can resist that and leave that in place. Thank you for your attention this morning, and I welcome any questions. [LR212 LR214 LR215 LR241]

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

SENATOR DIERKS: Well, thanks for coming, Melody. Always appreciate hearing from you and from the Cattlemen. You heard my conversation with Joe Burford. He was reflecting the loss of nearly \$300 a head, I think, a year ago, on his fat cattle. And I asked him what he would do to change that, and he said, we'd have to buy his feeder cattle cheaper. And I told him that would affect me. And it would certainly affect the

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people that you work for. [LR212 LR214 LR215 LR241]

MELODY BENJAMIN: And it affected me. [LR212 LR214 LR215 LR241]

SENATOR DIERKS: Do you have any answers for us? [LR212 LR214 LR215 LR241]

MELODY BENJAMIN: I don't have answers. It did affect me. This year, I sold my calves \$12 less than...100, than I sold them last year. And at the end of the year, I think I'm going to be able to say that my...I lost \$70 per cow on the ranching operation this year. [LR212 LR214 LR215 LR241]

SENATOR DIERKS: Well, how long can that go on? [LR212 LR214 LR215 LR241]

MELODY BENJAMIN: It cannot go on for long. We've got to change that. I'm not sure what the answer is. Can't expect them to continue to be the ones that lose the money. [LR212 LR214 LR215 LR241]

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

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

SENATOR HARMS: You said that 80 percent of your tax burden goes to the public schools. How would you...what recommendation would you make to us, or suggestions, about how to fund the public schools? I mean, what are your thoughts about that? Because when you...it's really a very fine line, and I struggle with this myself, coming out of the educational arena. If we take away too much of the property tax side and start trying to contribute more from the state side, there's a certain point where you actually lose control of your public schools. And I know Nebraska is so embedded with the thought that local control is critical. So when you look at it, it's something that I think we

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all struggle with. So what's the best solution to this? [LR212 LR214 LR215 LR241]

MELODY BENJAMIN: I don't have good answers for that, although we realize that there's an awful...ten years ago, I would not have been allowed by my members to get here and say, look at other ways of funding schools, because they would have said we...local control is more important to us. However, as I've been told by many of our members that are also on their school boards, they do not feel they really have control over their schools much anymore anyway, so they would...they feel that there has to be some switch and some shift on how that...those are funded. [LR212 LR214 LR215 LR241]

SENATOR HARMS: Would the Cattlemen Association be in favor of continuing to consolidate the school systems? Because, let me just share with you, as you look into rural Nebraska and you look at the trend of enrollments coming into the marketplace of the public schools, there's a straight decline for ten years. And our responsibility as far as the constitution is concerned is that we have to provide equal access to quality education. So in order to do that, we're going to have to go much deeper than we are today, even in this county. There's no reason in the world why we shouldn't be consolidating. And it's coming to a point where, as Bob Cox said, it's getting...it's a concern of people. They can't pay the taxes. And somehow we've got to find a solution to this. But our only hope, to me, is looking at the districts, begin to address the issue of actual consolidation. Because if we don't do this, your taxes are going to continue to go up along this line. So would the Cattlemen Association be willing to step to the plate on this issue and support this movement? Because it gets into the heart of where they're going to be and where they live. They may lose that identity. [LR212 LR214 LR215 LR241]

MELODY BENJAMIN: At this point, we are working on policy to be discussed at our December meeting on this very issue of whether we would support our consolidation. We have not in the past, for one reason. We are....most of our members live remotely,

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and it's hard for their children to get to school. Currently, I have a member that lives 30 miles past me. He drives his children 30 miles...well, it would be 32 miles to the highway to catch the bus to ride 38 miles to go to school, now. And those children are in kindergarten and third and fourth grade. That's a long ride for them. So it's been a concern of ours. We don't want to lose access to schools. Going along with that, we lose our young people on our places. If they can't get their kids to school easily, they're going to look for someplace else to live. So it's always been a concern, but we are addressing that at our annual meeting this year, and looking at it. [LR212 LR214 LR215 LR241]

SENATOR HARMS: Let me take it a step further, then, and move from the public schools side, because we really want to address the property tax issue. There's also a great opportunity for us to take our counties and merge our counties. I know that Senator Joyce Hillman introduced that legislation, which I don't believe was very popular at the time, but she was right on target. And would the Cattlemen Association be interested in doing that? Because if you look geographically out here, you could get by with two counties probably, maybe three, because with our capabilities technologically...I mean, just walk around this building and see what's available technologically. You just need a clerk. You can scan that material and that information directly into a database in this great state. SO where would the Cattlemen Association be on that? Because that is...when you start...that's what I'm talking about, design and reengineering government, because you've got to be prepared to give some things up. And I can tell you now, county lines are going to have to go away in the future. So where would you be on that issue? [LR212 LR214 LR215 LR241]

MELODY BENJAMIN: I can't speak to that either, because we do not have a policy in place at this point. However, I know that it wasn't very popular at the time that the issue was brought up, mainly because I'm already 70 miles from my county seat, and we look at counties in eastern Nebraska that are much smaller than that, and they weren't talking about them having to go away; they were talking about counties out here having

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to go away. And you know, are we going to be expected to drive 140 miles then to replace a driver's license when it's lost? [LR212 LR214 LR215 LR241]

SENATOR HARMS: But, you see the dilemma? [LR212 LR214 LR215 LR241]

MELODY BENJAMIN: I do. I completely underst...yes. [LR212 LR214 LR215 LR241]

SENATOR HARMS: I mean, see, that's where we are. You have to decide what you want to do and what you want to give up. Do you want to drive that 140 or whatever it might be, or do you want to have less taxes? But you could still do it through the technology side. The capabilities are here. And I'll leave you alone. Okay, thank you very much. I don't mean to put you on...but I just wanted you to understand, these are the hard questions you have to ask. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: I was going to say, more in the metropolitan area, we face some of those same issues, though, with mergers of city and counties, as the cities have eaten to the county line, and the county...then you have duplicative government with no need, really. I think Senator Schilz...or, no, Senator Utter. [LR212 LR214 LR215 LR241]

SENATOR UTTER: Thank you. You know, as I sit here listening to what we're talking about this morning and the things that you're saying, and I remember back a little over 50--I hate to think it was that long ago, but it was a little over 50 years ago--I sat in a college class at the University of Wyoming, and the professor was an ag economics professor, and he said, you know, the only way for a young person to get started in farming and ranching today is by the womb, tomb, or altar. And I think it's amazing that we're still talking about that same thing, but maybe it has even grown a little worse than it was 50 years ago, because now we're having to discuss whether or not if I got into farming or ranching that way, whether or not I could pay the taxes. [LR212 LR214 LR215 LR241]

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SENATOR SCHILZ: And I guess...thank you, Senator Cornett. Melody, thanks for coming in today, and thanks to everybody that's come and testified. Being in agriculture and a cattle feeder myself, all of this hits really close to home. And on the other side of that, on the schools issue, which is the main thing that we all talk about, you know, we all see valuations go up, which on the sheet that you go to do the TEEOSA formulation comes through, shows that every county has more of an ability to pay, when that wealth is only on paper, but yet it reduces the opportunity to garner more state funds, which puts us in even a worse position, which raises your taxes even more. And I don't know if that's a question, but is that a concern of yours as well? I mean, is that something that you guys look at and see what's going on? Because it's a big concern of mine, and how we fix this. [LR212 LR214 LR215 LR241]

MELODY BENJAMIN: Absolutely. And actually, this hearing is about cash rents, as opposed to comparable sales, figuring their valuations. That escalating valuation is the biggest...is probably the biggest problem that we're seeing. It's just rising...mine has risen 40 percent in seven years. And maybe moving to a cash rent system stabilizes that a little bit. So yes, that valuation is giving a false sense of what's out there, because that is not what the production is there, and the only way that that's realized is if I sell my place and go away. And... [LR212 LR214 LR215 LR241]

SENATOR SCHILZ: But even then you don't realize it, because you've got to pay the taxes to sell it. [LR212 LR214 LR215 LR241]

MELODY BENJAMIN: Right. But that's only a part of the problem. We've got other problems besides just the valuations continuing to go up. But yes, you're right, it is providing a false security that there's all this value out there, when there really isn't, because it's only as valuable as what it's going to produce. [LR212 LR214 LR215 LR241]

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



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SENATOR CORNETT: Seeing no further questions, I think this gentleman was next. And then, did you wish to testify? How many other people wish to testify? Okay, here's the deal. I've asked everybody to hold their hands up. We based the amount of time people had to testify based on the number of hands we've seen. We're going to have a strict five minutes, all right? And we'll probably have to cut the hearing off at noon. Go ahead and have a seat. [LR212 LR214 LR215 LR241]

KIM BOWMAN: My name is Kim Bowman, and I live in Gering, Nebraska. I guess I was just going to ask Senator Harms a couple of questions. [LR212 LR214 LR215 LR241]

SENATOR HARMS: Sure. [LR212 LR214 LR215 LR241]

KIM BOWMAN: You'd asked the prior person sitting here about how she suggested to save money...how the school is going to get funded. Doesn't the...don't the school districts across the state have an obligation to cut costs? [LR212 LR214 LR215 LR241]

SENATOR HARMS: Well, I think everybody has that obligation. [LR212 LR214 LR215 LR241]

KIM BOWMAN: But it seems like the school boards apparently feel it's free rein. Nobody guarantees a pay raise to a realtor, a farmer, rancher, and yet the school boards seem to think they have to have a pay raise, a guaranteed pay raise, whatever the amount may be. So it falls back to the landowner. [LR212 LR214 LR215 LR241]

SENATOR HARMS: Unless you take away collective bargaining, you're always going to have that issue. That's a part of the problem. And they can take it to the courts, and they don't take into accountability of your ability to pay. So it's really...you know, it goes much deeper. And if we're really going to deal with it, you're going to have to deal with the union side of things and you're going to have to deal with the ability to pay. And if you

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don't put that into the formula, it doesn't work, and you'll always have the 4 percent or the 3 percent or the 2 percent or the 1 or 10 percent. That's part of the problem. [LR212 LR214 LR215 LR241]

KIM BOWMAN: Okay. I have another question, addressing, I guess, financing. It's about...I mean, it seems like this hearing is about land, taxing land, farm ranchers. Why does it always have to be the landowner pay the bulk of the taxes in the state of Nebraska? Has Nebraska ever thought about taxing these rail cars like a penny, half a cent, each time they go through? And it's a user tax. They pass it on. I don't quite buy this, well, it's interstate commerce. The state of Wyoming is trying to put a toll booth on I-80. Now, that's interstate commerce. I think you got to think out of the box. But the landowner shouldn't have to suffer the burden of carrying this state solely. So I think they need to consider other alternatives for income. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: I don't think we can touch the railroads, because of federal law. Federal railroad law has completely different, just like railroad pensions are handled completely different. The state has no option in that. Senator Dierks. [LR212 LR214 LR215 LR241]

SENATOR DIERKS: Well, I just wanted to mention something to you all. We're facing a special session in a couple of weeks, or I guess about a week. And the purpose is that we are behind on our budget. We got figures yesterday that tells us that we are right close to \$300 million in the hole. We have to come to this hearing to remove that many dollars from the budget we passed in May, or June. Now, how do we deal with that when we have entities out there that have automatic pay increases every year? How do we do that? This happens with county officials, this happens with state officials, and this happens with school officials. There are automatic increases in their pay schedule every year. And now we're being asked to come back and take money away from the budget that we passed. It's difficult for us to go to education to get it, because they've got these automatic pay increases. We can't go and take the money away, take their pay

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increases away. The school board can do that. But that's pretty hard for the school board to do because they've got a union back there that they have to put up with that brings these issues to the school board. So you see, we're between a rock and a hard place in a lot of places here. We really have a difficult, difficult chore coming up here, starting next week, to take \$300 million from our budget and try to find out where to get that. So...and I'm not asking you to answer that. I'm just telling you. I think that people need to understand some of the problems we face. And it will come somewhat...the answer is going to come from an Appropriations Committee bill. The Revenue Committee will have to take a look at what they're doing, because we'll be involved with it as well. But these are part of the things that are happening, and I just think it's well for everybody to understand that it would be nice if we could just wish for the genie to pop out of the bottle, but it doesn't happen that way. [LR212 LR214 LR215 LR241]

KIM BOWMAN: But why does the state always--I'll just say the state in general--think it's the landowner in the state of Nebraska that has to pay the burden, whether it's ag, whether it's homeowner. Can't the state think out of the box and find other sources of revenue, sir? [LR212 LR214 LR215 LR241]

SENATOR DIERKS: Well, the out of the box is you do a tax shift. That means if you don't get it from property, you get it from sales or income. So the people who are going to be affected by the sales and income tax, they have their share of problems as well, see. So I think most of us up here agree with you that property tax on land is a wreck. But for us to make a change, why, we have to consider a tax shift. And to tell you the truth, most people in government don't like tax shifts. Our governor doesn't like a tax shift. So we've got a lot of explaining to do. And I'm anxious for you to get in touch with us. If you've got an idea that is viable, we want to know what it is. [LR212 LR214 LR215 LR241]

KIM BOWMAN: May I ask a...one of my colleagues in the real estate business asked, how did the state deal with the meltdown in the eighties of ag valuation? How did they

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handle their budget then? Does anybody...was on the board back then? I mean, that's something that should be readdressed. Look back 20 years and see how it was handled in the meltdown. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: They went to income-based, which then was found unconstitutional; then they went back to where we are now. [LR212 LR214 LR215 LR241]

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

KIM BOWMAN: Thank you. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: [LR212 LR214 LR215 LR241]

JANET SHAUL: I am Janet Shaul, J-a-n-e-t S-h-a-u-l. I'm the Garden County assessor. I'm also a landowner. And I have been in the assessor's office for over 22 years. I have seen a lot and heard a lot of these, and I...so I totally understand what everybody is saying about ag land. I'd just like to tell you a few things I have observed. And I've been setting the levies, working with the budgets and everything, for all of this time. Right now in Garden County, I think changing the percentage of value or changing the way ag land is valued won't make that much difference unless a total budget expenses goes down. Right now, Garden County is roughly 70 percent ag land, ag property. You can value the ag land at 5 percent of the total value, but it's not going to make a difference. The ag is still going to pay, unless the expenses go down. The school budgets are...about 67-68 percent of our total budgets every year goes for...it goes for schools. We have a huge chunk that comes to WNCC. We pay on so many different entities. Until the spending goes down, I don't care what you do with the valuations; it's not going to help. One thing that I have seen...and I don't know, this is my own opinion. But when the lids were put on county budgets and so forth, to me, that was the biggest mistake that happened, because since that time, budgets...everybody budgets the maximum they

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can, whether they need it or not, because they're worried the next year they may not have that budget authority. Several years ago, we had a school in the north part of our county had no students, but they still increased their budget because they were afraid they wouldn't be able to budget next year if they needed the money. Lids, time and again, I have seen that what that has done is just cause everybody to budget the maximum every time, regardless. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: And actually, we heard testimony similar to that in Senator Dierks's district, where valuation had increased because of the wind farm, but nothing dropped. Matter of fact, in places, it actually increased. [LR212 LR214 LR215 LR241]

JANET SHAUL: Right. Right. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Any questions from senators? Senator Louden. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Yeah. Well, thank you for being here, Janet. I've been down that way a time or two, since we have some land in Garden County. When you talk about those districts that budget that...and I was on the school board for 30 years, so I know how the budget works. You can budget; doesn't mean you have to spend it all. And therein lies part of the problem. There's so many people...and I sat up half the night one time with a fire district, trying to explain to the board members that just because you budget, that doesn't mean you have to go ahead and spend it that year. They swore up and down that if they didn't spend it, they wouldn't get it the next year. And I tell them, no, you can carry that surplus over to the next year. And is that a problem there? Do some of those people that are doing that understand that you can keep your budget up there at that levy limit, but it doesn't necessarily mean the money that you bring in has to be spent every year, because you can carry that forward? [LR212 LR214 LR215 LR241]

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JANET SHAUL: They can carry that forward, right. But also, each year, they're going to budget the maximum. That's still that tax dollars being collected, whether it's spent or not. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: But it shouldn't be, not if they carry the surplus over from the other year, because you subtract that amount from your needs. I mean, it shouldn't be that way. [LR212 LR214 LR215 LR241]

JANET SHAUL: You're right, it shouldn't be. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: And I'm wondering how many people...like I said, when I had to sit up half the night one time explaining that to some people who ran a fire district on that, I question how many people out there do we have to have some PR on that? If we're going to cut expenses, is this all part of it that we have to show these people? If they're going to run this business, then they need to understand how the system works. [LR212 LR214 LR215 LR241]

JANET SHAUL: You're right, it should be a part of it. [LR212 LR214 LR215 LR241]

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

JANET SHAUL: Can I make one other real quick comment? One other thing, right now, the one gentleman said that people who own the property are paying for everything right now--they're paying the school budgets, the fire, the cemetery, the ag, the airport, the county, the ESU, WNCC, NRD, the whole shebang, but yet people who do not own any land, who rent, are still using the roads, still using the schools, using everything. Somehow, we need to get away from the property owner paying all the taxes for everybody's use. I can't tell you the answer, obviously, or I would probably be wealthy today. But you know, right now, if you own, you pay; if you don't, you don't pay, but yet your kids have the schools and everything. [LR212 LR214 LR215 LR241]

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

JANET SHAUL: You're welcome. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Next testifier. [LR212 LR214 LR215 LR241]

JACK ANDERSEN: Thank you for coming out to western Nebraska to see us. And I was fortunate enough to have the opportunity to sit in... [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Name? Can you state your name and spell it for the record, please? [LR212 LR214 LR215 LR241]

JACK ANDERSEN: Jack Andersen. [LR212 LR214 LR215 LR241]

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

JACK ANDERSEN: J-a-c-k A-n-d-e-r-s-e-n. Sorry. I was fortunate enough to sit in yesterday, and I'm going to try to not cover areas that have already been covered. Agriculture is business, plain and simple. It's a big business. Nebraska cannot afford to lose agriculture. We're taxing agriculture out of Nebraska. People in Nebraska cannot afford to pay that tax rate and compete with states that have a lesser tax. But that is also true of other businesses. If I were to want to start a new business, I'd come in...and I'm going to pick a restaurant, because that's a business I've been involved in. I build a new building, it gets taxed at the rate that it cost me to build it, essentially. I put in used equipment, it gets taxed for the depreciation time, even though it may be 12 years old, well beyond what the competitor is paying. And somehow, we've got to shift this burden from property tax, because we're hurting our state in more ways than just agriculture. The valuation of agriculture has very little bearing, as was just simply...just stated, on the amount of taxes paid in a truly rural county. Truly rural county is...Sheridan County, I

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think we're sitting at about 70 percent agriculture value. If we dropped the value, like she just said, we're still going to have to pay the same amount of taxes. One of the things that I would like to see the senators consider is looking at some of the one-size-fits-all laws that we are, as a county, required to do. Last year, the bill was passed that required the one-stop licensing. Looks good on paper, and I think it probably saved the county about...or, the state, about one computer per county courthouse. We could have been a lot better off to pay for that computer than the problems that that caused our county. Two years ago, I believe it was, the state passed a law that says we have to reappraise each property once every six years. Our budget for that process this year is...we talked the assessor down from \$90,000 to \$80,000 for this year. Granted, some of that funds would have been spent anyway. We were on more like about a 12-year, you know, "do the best you can" kind of a thing. But then the Legislature says this has to be done. That's an expense that equates to about 1.25 cents levy in Sheridan County. The cost of our schools, of course, is a problem. And further consolidation is maybe warranted in some areas, but in other areas, when you get to the distances that we're getting, we're about to the point where we need to be setting up boarding houses for our grade-schoolers, because we've got kids now, as Melody pointed out, traveling for an hour and a half a day each way, on top of their schooling. If you sit down and really look at the amount of time those kids are spending from the time they leave their house until they get home, let alone do any homework, we're requiring them to put in more hours per day than we allow a truck driver to put in, or more hours in a week. We're requiring those kindergartners, first-graders, and second-graders to put in more hours in a day than we will allow a truck driver. And I did that for quite a few years, so I'm kind of familiar with those laws. Merging counties, there may be some places that that will help. One of the things, though, that we need to look at is, why are there counties at all? And the reason that we have counties is because of difference in the areas. Sheridan County has a population of about 5,500 now, though in my opinion, I think we're probably already too big. The majority of our population is on the north end of the county, and the majority of the population tends to get the roads, tends to get the expenditures. The people on the south end just kind of take it in the



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shorts and pay their taxes. We in Sheridan County have a real problem with law enforcement, due to our proximity to the South Dakota border and the Pine Ridge Indian Reservation. A huge amount of our tax money goes towards that. And I don't want to take up any more of your time. I'd like to leave just a minute for questions if you have some. [LR212 LR214 LR215 LR241]

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

SENATOR LOUDEN: Yeah, I would...well, thanks for coming over here, Jack. Yeah, with our counties, as you say, we pass these laws, unintended consequences. And we discussed it yesterday a time or two that jail fees...you know, when we went through this in 2003, why, we cut some of the jail fees, and they were never reinstated. And of course, afterwards, why, Shawn Hebbert, the sheriff down there in Grant County, we had a big long discussion about the jail fees and so forth. And he arrested somebody that was wanted in Utah, and the state wanted Grant County to prosecute him and then send him to Utah, and the county attorney said they weren't going to spend the money. They turned him loose. And so this is what we're up against, you know, is, where can the counties afford to do what? And I agree that we have to come up with a better solution than what we have now. [LR212 LR214 LR215 LR241]

JACK ANDERSEN: On jail fees, Sheridan County usually don't get any of those. Usually, the state is out of money before we get anything submitted. [LR212 LR214 LR215 LR241]

SENATOR LOUDEN: Well, exactly. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Did what we passed last year...I know it has a layover period, but will that help at all? [LR212 LR214 LR215 LR241]

JACK ANDERSEN: You know, I'm sorry that I'm not familiar with what you're talking

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about. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Okay. Well, contact my office. We did basically a county aid program. [LR212 LR214 LR215 LR241]

JACK ANDERSEN: I will get in touch with you. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Okay, good. Next testifier. Sir? Mr. Andersen? Okay, I know I saw more hands over here. Okay. How many more hands do I...how many more people wish to testify? Just the gentleman here? Okay, great. [LR212 LR214 LR215 LR241]

TERRY EITTREIM: Good morning. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Good morning. [LR212 LR214 LR215 LR241]

TERRY EITTREIM: My name is Terry Eittreim, T-e-r-r-y E-i-t-t-r-e-i-m. I'm glad to see you folks out here today, listen to the gripes. I don't have too much more to say other than what a lot of these people have said. I'm just here to back up their statement. My brother and I ranch on about 8,500 acres in Scotts Bluff and Sioux County, and mostly what you've been hearing is the truth. We're going broke. One thing you haven't heard in here is we've been through nine years of drought. This year it's raining, it's wet. Last nine years, we didn't get enough water to pour anything out of. Our cow herd shrank over half. We went from 350 cows to 125-130 cows. Can't make a living on that. We're running 15 pair per section, and paying \$2 an acre. There's no money left. We're broke. My brother wants to sell out and get out. If you sell out, there won't be any more ranchers left in this country. We're the last of the generation that's going to do it. Like Bob said, if people want to buy it for the scenic expense, look at all the deer and antelope...there's no young guys in here. Everybody in here is white and bald, just about. [LR212 LR214 LR215 LR241]

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SENATOR LOUDEN: The young guys are supposed to be home doing the work.  
[LR212 LR214 LR215 LR241]

TERRY EITREIM: They're supposed to be, but they aren't doing it. They can't afford it. And that's sad. Nebraska brags about agriculture. I just heard a big ad yesterday, how great it is, how much we produce. You turn around, and just about putting us out of business. I mean, taxes are that bad. And not just taxes--everything. I mean, the whole economy. You can't blame it all on one thing. But for instance, property taxes three years ago went up 52 percent, in the year that our drought...we had already cut another ten...we cut cows every year for nine years. We already had to cut cows. We got taxed across the board increase of 52 percent. What else in the world went up 52 percent in one year? Nothing. You complain to the tax people, they say, oh well, everybody had it. You can't budget that. We had to sell extra cows. We can't do that. Talk about your Class 2 ground, Class 4 ground, blah blah blah. That ground isn't worth a dime if it doesn't get any water on it. It isn't going to grow anything. We're running 15 cows, 16 cows per section, weaning a 400-pound calf, that's starving to death because there isn't enough to eat out there. This is supposed to be the cheap gain. I've got to put them in Bob's feedlot to get any weight on them. That's the expensive part. Yet this is costing us, like I say, 25 to 45 percent of our gross income in taxes. And I don't know the answer. It's a hard question. But agriculture is in serious shape, and that's all Nebraska has. Really, we don't have any mining, we don't have any oil, we don't have any lumber. We have agriculture, and we're about to put it out of business. And I don't know the answers to all this for sure. One thing that a lot of people talk about is, if somebody from California wants to come in and buy property like they did down at my place at McGrew, the taxes on one little piece down there I calve on, the taxes are more than the place will produce. But I need it for calving. But why hold on to it? It's only...well, it's three miles from the river. Oh, that's river property; it's worth \$5,000 an acre. The hell it is. It's three miles away, and it's just a bunch of dryland cheatgrass. There's no well out there, there's no improvements on it, but I pay \$450 a year taxes on something that won't run two cows, two pair. This won't work, gents. It won't work. It's just about done. One thing

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you could do is tax people...if they're going to come in and buy it for \$5,000 an acre, tax them at \$5,000 an acre. They say, oh, that's unequal taxation; you can't do that. Well, governments can do about anything they want to do, is my experience. If somebody thinks it's worth that, let them pay taxes at that rate. And that's about all I have. Thank you very much. [LR212 LR214 LR215 LR241]

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

SENATOR DIERKS: You made a comment, Terry, about bald headed? I just wanted to tell you that when I leave the Panhandle today, if I leave today, I want you to know that I've left a little bit of something here. It wasn't hair, but it was part of my scalp. (Laughter) I walked under a door in LeRoy Louden's house, and I forgot to duck. [LR212 LR214 LR215 LR241]

TERRY EITREIM: (Laugh) Well, we'll cough up a Band-Aid for that, Senator. Thank you very much. [LR212 LR214 LR215 LR241]

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

JIM MERRIGAN: Good morning, ladies and gentlemen. My name is Jim Merrigan. I live in Scotts Bluff County. I'm here primarily today as a representative of the board of realtors. There are several of us here today. My testimony will be brief. I don't see much reason to replot the same field twice. I just wanted to concur with many of the previous speakers that our property taxes are too high. And I don't like paying them, but there's a more fundamental reason why that's a bad idea. And the principal reason is that it decreases the profitability of the people that are here, and it makes it extremely difficult for us to compete for that shrinking pool of people who might move here--in other words, the recruitment of people who would ultimately solve the problem. If the...I could go through a number of specific instances, but the bottom line is, we're at a competitive disadvantage, all things being equal, with our neighboring states. That makes it difficult

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to attract businesses and people who might want to live here, and those sorts of things. And ultimately, the solution to this problem is more taxpayers. At least that's part of it. And it's difficult if we have placed ourself at a competitive disadvantage. What I wanted to say primarily this morning is to clearly state our support for Senator Harms's effort to take a comprehensive look at what the state is doing and to figure out a different approach and a different way of solving the problems that we have on a long-term basis. If you have a bunch of fish in a pool, as Senator Utter stated--maybe he didn't quite state it this way--but if the pool is shrinking, everybody is just going to fight over it, but ultimately the pool is going to shrink, and we end up with the same problem. So approaching it in a comprehensive fashion, trying to find the solutions that are out there, because I am very proud to be a Nebraskan and I think that this state has a great future, but only if we outthink the problems that we have right now. So what I am here today to do, Senator Harms, is to pledge the board of realtors' support in your efforts. We appreciate it. And I hope that his efforts will be taken seriously by the Legislature. Thank you very much. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Thank you. Questions? Seeing none, thank you. Next testifier. [LR212 LR214 LR215 LR241]

RAWNDA PIERCE: Hi. Rawnda Pierce, and it's spelled R-a-w-n-d-a P-i-e-r-c-e. I'm the director of Twin Cities Development, the economic development agency that covers Scottsbluff-Gering and the entire...about five other communities in the western Nebraska area. And actually, I was going to say a lot of what Jim was going to say, is that it's not property tax that hinders us to recruit to this area. It's not the number one thing. But when they start looking and getting down to details, they always have comments, any business, any employer we recruit, man, your taxes are high, and do I really want to come to Nebraska that bad? It is a hindrance, and it is an important thing to look at. And I'm not here to say, you know, what the solution is, but I'm here to ask you as a Legislature, you're going to have to be the ones to make the tough decisions, because politically, nobody is willing to do it. And until you looked at, like, what

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happened with Class I schools, you had to do it. You had to get down and do...we've got to close Class I schools. And you may have to do that with school districts. You may have to say, if you're within so many miles of another district, or so many miles in counties, we're going to have to start looking at those hard problems and saying we're going to have to make some decisions. A perfect example is, we have submitted a proposal to the state of Nebraska for a consolidated effort for health and human services. This proposal went in in April. And because of political decisions, I think, more than anything, this process has gone on eight months. It's been revised, revised, revised. It's been the most interesting process I've ever been through for a business decision. Business decision, I think, that they started with was a good one. The process that they've gone through, I think they're trying to please everybody politically. You're not going to be able to do that. So I think we need to look at the state as a whole, look at the plan of what we need to do as a whole, and make some tough decisions. And I think nobody is...you're not going to be happy, you're not going to please everybody. And I'm not here to talk about ag land versus other taxes. I think they're all too high. I have real estate property. We deal with businesses all the time. I think our property taxes are too high, and we need to make decisions as a state to move us forward. We also are in the employee recruitment business. Our economic development group has a web site called wehavejobs.net. We try, and we've been successful with recruiting employees. But we got fought all the way through the process by a governmental agency run by the state that we were competing with what they were trying to do. Well, we wouldn't have to compete with them if they were doing what they were supposed to be doing. So there's a lot of instances where I think government could do a better job. And I'm just asking you to make the hard decisions. You're our leaders, and we're going to have to do it. So, that's all I have. [LR212 LR214 LR215 LR241]

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

SENATOR UTTER: Just curious. The proposal you sent in in April, where did it go?

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Who did you send that to? [LR212 LR214 LR215 LR241]

RAWNDA PIERCE: Oh, it's actually...today is the new deadline for...no, tomorrow at 2:00 it will be opened at the Department of Health and Human Services. So it's a...I mean, basically, from April till now, October 29, this is how long this process is. And I don't know how long it will take to review the proposals. But...and I think the process is a good one, that they're looking at combining and consolidating the services across the state. I think the end product will be good. But it's just taken forever to get there. [LR212 LR214 LR215 LR241]

SENATOR UTTER: You know, I appreciate the fact that you say to us we have the hard decisions to make, and...but we need the ideas of you folks. We can't...as a group, while I think we're a pretty sharp bunch of people, we still have to have the input from the people all across the state on ways we can streamline all levels of government. We're not just looking at state government. God knows there's plenty of places in state government we can probably streamline, but I think all levels of government have got to take a look at streamlining. So we need your help, all of you, to...in this process as we go through it. Beyond that, we also need your support. It's...when we make these hard decisions, we don't want all you folks backing off into the corners saying, God, why did they do that; I didn't say anything that would make them do that. So your help and support is going to be vital in this process. And it has to be done. I wholeheartedly agree with Senator Harms. A remake of government at all levels is absolutely going to be necessary if we're going to compete with the folks in Wyoming that don't pay a whole lot of tax, and the folks in Colorado that have tax advantages we don't, and South Dakota, that does better than we do, and Missouri, that does better than we do. The only two states that have got a very similar tax burden to the state of Nebraska--and that's talking about the total taxes that our citizens pay--is Missouri and Iowa. The rest of them...and this is a competitive business. The state of Nebraska is in a competition to broaden our tax base. One of the ways that we generate more tax money and do more things is to broaden our tax base. But we've got to decide between the needs and the wants of the

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people. And then you've got to decide, those...are the wants really worth the chips?  
[LR212 LR214 LR215 LR241]

RAWNDA PIERCE: Well, and I think we know some of the big problems. Nobody wants to tackle it. And it's not going to... [LR212 LR214 LR215 LR241]

SENATOR UTTER: Will you come whisper them to me after the meeting? (Laughter)  
And... [LR212 LR214 LR215 LR241]

RAWNDA PIERCE: Sure I will. (Laugh) [LR212 LR214 LR215 LR241]

SENATOR CORNETT: You know, I just...I have a comment to that. And Senator Loudon is the only person now, with term limits, with more time in the Legislature. But in my time periods there, some of the same people from both western and eastern part of the state that scream about property tax--and rightfully so--are the same ones that if you try and do something about their school district, come unglued. Or the same people that I sit in Education and hear, we want our local control. Well, if you want your local control and you want your school districts, Nebraska has the most school districts other than the state of Texas, and we don't have the population to support that. You're going to have to pay for it. And that's a decision that the people have to make. Are they willing to pay, or do they want that consolidation? Because you can't have it both ways. [LR212 LR214 LR215 LR241]

SENATOR HARMS: Rawnda, I just...thank you very much for your testimony. In regard to the Health and Human Services, the proposal you're submitting, is that in regard to the new centers they're creating that's all going to be done by telephone or technology?  
[LR212 LR214 LR215 LR241]

RAWNDA PIERCE: Yeah. Yeah. [LR212 LR214 LR215 LR241]



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SENATOR HARMS: Okay. [LR212 LR214 LR215 LR241]

RAWNDA PIERCE: And I probably shouldn't have brought that up. But, you know, I think it's a political...I mean, everybody is trying to please everybody politically. They would never...I mean, they're not eliminating anybody along the way. And we know that probably there's a logical, systematic method, and it just seemed like they made the process to serve political needs rather than business needs. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Thank you. Are there any further testifiers? Okay. Is there anyone after this gentleman? Okay, I'm cutting the hearing off after this gentleman speaks. [LR212 LR214 LR215 LR241]

\_\_\_\_\_: Good luck. (Laugh) [LR212 LR214 LR215 LR241]

SENATOR CORNETT: No, we're done. [LR212 LR214 LR215 LR241]

\_\_\_\_\_: (Laugh) I don't know, this has been a wily group for hands today. [LR212 LR214 LR215 LR241]

ED MARTIN: First of all, thank you, Senators, for coming out here. Appreciate this. I'm Ed Martin. Live at 270606 County Road T, Gering, Nebraska, which seems to be the one that we're all after here today, is Scotts Bluff County. And I'm of the same opinion. There's been a lot of speakers before me that I thoroughly agree with. But I have to...I protested my grassland, as most everybody here has, I guess. They valued it at a total valuation, using the 70 percent criteria, at \$420 an acre. Well, there's no way that you can run cows on this grassland at that. I bought...I and my wife, we bought it in '74 for \$80 an acre. Now it's valued at \$420--quite an increase. Why could the county government and everybody work? You know, I don't think they went up that much in comparison as what my valuation has went up. And one of the things that they said

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when I protested, they said, well, the Platte Valley Environmental Trust pays that much money. So, I don't know if I have to put that on you guys' laps. (Laugh) So anyway, it's going to be for sale at that price, and we won't have to worry about the taxation no more. But years ago, some of the counties got into where the state paid for the assessors in the county. They took over the assessment. I think there's 12 or 13 counties. And Scotts Bluff County wanted to be one of them counties, but we got in too late. I was a commissioner at that time. We were going to turn the assessment over to the state also, because it's a big burden of taxes. At that time, our assessor was running at \$400,000 a year. And...but I think they cut it off about three months before we got in, so we were left out. But others are in, and they're still there, the way I gather it. Oh, they're not? [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Temporarily. We changed that last year. [LR212 LR214 LR215 LR241]

ED MARTIN: So temporary? It did change, then? Okay. Well, and then as far as taxation goes, what about intangibles? You're looking for something that will replace what we already have. And I know intangibles are a sore spot with a lot of people. But intangibles are the same as property. You can sell them today, tomorrow, or cash them in. And property, it takes time, but they have a value that could possibly be taxed. And then another thing, I think you could raise the sale...the income tax. But you got to get it off of some property taxes. It's just...and I think you...we all realize that, that it just has to be a change and a shift of taxation from one place to another. That's all I have. [LR212 LR214 LR215 LR241]

SENATOR CORNETT: Thank you. Questions from the committee? Seeing none, thank you very much for your testimony, sir. With that, we will close the hearings for today. I think some of the senators may be around for a moment, if anybody wishes to speak with them. Some of us are going to run for the border. (Laugh) [LR212 LR214 LR215 LR241]

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