

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 22, 2018

SMITH: [00:00:02] I'll let everyone grab a seat. Good afternoon and welcome to the Revenue Committee public hearing. My name is Jim Smith, I chair the committee; I represent the 14th Legislative District in Sarpy County. The committee will take up the bills in the order that's posted on the outside of the room today. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation that's before us today. We have-- to best facilitate today's proceedings, I ask that you follow these directions. First, if you would please turn off your electronic devices or mute them so as not to interfere with the person that's before us testifying. The order of testimony is going to be the introducer of the bill; the proponents of the bill; the opponents of the bill; those wishing to testify in a neutral capacity; and then we will invite the introducer of the bill back up to the testifiers' table to close on that bill. If you will be testifying, please complete the green form and hand that to the committee clerk when you come up to testify. If you have written materials that you would like to have distributed to the committee, we will need 11 copies; we're more than happy to help you make those copies. We have a page here to assist us and assist you. So just let her know and she can have those copies made for you just to distribute, once you get to the testifiers' table. When you do come up to the testifiers' table, if you would both state your name and spell it for us so we can make sure we get it into the record accurately. We don't have a lot of folks here, but I'm going to go ahead, since we have so many bills, we're going to use the light system and we're going to limit testimony to five minutes. And that means that the green light will be on for four minutes, once you begin your testimony, the green light will come on and it will remain on for four minutes. It will then turn to an amber color for one minute. And then once the five minutes is reached, it will turn to a red color. If you're still in your testimony and the red light comes on, I ask that you try to wrap that up so we can give some time for exchange with the committee if they have any questions for you. If your remarks were reflected in previous testimony or if you would like your position to be known but do not wish to testify before us, we offer that you can sign the white form that's in the back of the room and that will go into the official record and you can note your position when you sign in on that form. Committee staff with us today, to my immediate right is our legal counsel Mary Jane Egr Edson. To my immediate left is research analyst, Kay Bergquist. And then to my left at the far end of the table is committee clerk, Krissa Delka. We do have a page with us today to assist you and to assist us, Heather Bentley from Miller, Nebraska; Heather is a junior at UNL and is majoring in agricultural economics. I'm going to allow the

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committee members to introduce themselves beginning with Senator Harr.
[00:03:22][200.2]

HARR: [00:03:23] Thank you. My name is Burke Harr; I represent Legislative District 8, which includes Dundee; Benson; and parts of Hillside, including Mr. Cheloha's first home. [00:03:31][8.0]

SCHUMACHER: [00:03:36] Paul Schumacher, District 22, that's Platte, and parts of Colfax and Stanton Counties. [00:03:39][3.8]

BRASCH: [00:03:41] Lydia Brasch, District 16, that is Burke County, Cuming County, and Washington County. [00:03:45][3.9]

FRIESEN: [00:03:46] Curt Friesen, District 34; Hamilton, Merrick, Nance, and part of Hall County. [00:03:47][0.8]

LINDSTROM: [00:03:48] Brett Lindstrom, District 18, northwest Omaha. [00:03:48][0.1]

SMITH: [00:03:53] Senator Groene will be joining us a bit later; and Senator Larson, I do not believe will be in committee today. With that, we are going to open on our first bill, LB939, to be introduced by Senator McDonnell. Welcome back to Revenue Committee, Senator McDonnell. [00:04:08][15.3]

MCDONNELL: [00:04:09] Thank you, Senator Smith and members of the Revenue Committee. My name is Mike McDonnell, M-i-k-e M-c-D-o-n-n-e-l-l. I represent LD-5, south Omaha. Also I have a handout of my testimony; it's an information sheet. Thank you. LB939 is a bill to extend Nebraska's homestead tax exemption to housing located on federal military installations and occupied by members of the military and their families. Offutt Air Force Base, which is located in Bellevue, is the only military installation Nebraska impacted by this bill. In order to address poor housing quality, a significant backlog of repairs and rehabilitations to its military housing units on and near military installations, and a shortage of affordable, quality, and private housing available to members of the United States military and their families, Congress enacted the Military Housing Privatization Initiative, MHPI, as part of the 1996 National Defense Authorization Act. Without privatization, the Department of Defense faced an estimated 200,000 of its 300,000 housing unit inventory in need of improvement which would have taken 30 years and \$30 billion of federal funding to improve to modern standards. Under the MHPI and the DOD was granted the authority to award projects to private sector companies to develop, construct, renovate, and manage military housing. Leveraging private expertise

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and resources allow the DOD to focus on its core defense mission while the program ultimately generated \$31 billion of private capital with a governmental investment of only \$3.4 billion. Private sector companies selected by the DOD are responsible for financing, developing, building, renovating, and operating the housing for a period which is usually 50 years. All housing is located on or near military installations and is expected to be occupied primarily by military families. The privatization of the housing on Offutt Air Force Base started in 2005 and has since provided over 900 new homes and nearly 500 renovated homes. Today the total community compromise of nearly 2,000 homes rented primarily to military members and their families. Prior to the privatization, the housing at Offutt was owned by the DOD and paid no property taxes. The privatization effort resulted in a windfall to local taxing jurisdictions with the private interest in the project being taxable, but no additional services were provided. The project either contracts with the Offutt or otherwise provides for police, fire, street, and infrastructure maintenance, and other community services without reliance on the local jurisdictions. Over recent years, the sequestration and federal budget cuts passed will result in a 5 percent annual revenue loss to the project. As a result of two tornadoes and a subsequent major hailstorm in 2017, project insurance rates have more than doubled. These items combine to place pressure on the project's long-term financial viability. Given the project receives no services, relief from the property taxes would result in improved long-term funding for Offutt infrastructure resulting in a strengthened Offutt Air Force Base which has a major impact on our state's economy and a higher quality of life for the military families. We also have a fiscal note of \$1.3 million on this, and I have had a chance to talk to Senator Smith about doing what we can to work together with-- with him and you as committee members to eliminate that fiscal note. Also going to testify today is-- for the legal counsel is Lucy and Dominic who works for Burlington Capital will also testify. But I want to talk about Patrick who's going to testify who served 35 years in the military and was stationed at Offutt Air Force Base for five years and talk about what the military families go through while their family members are serving their country. In looking at, and we know the idea and the stats on what Offutt with the idea of 10,000 employees, including civilian employees, the economic impact to our state and what it does for Sarpy County, and again for our state. But also, I think we've got to make sure we focus on the idea of when these military people are serving, what are they coming home to and what are they leaving their families in, and what kind of-- what kind of housing. So that is part, and the major part, of bringing this bill is to have that discussion. Also knowing where we are as a member of the Appropriations and knowing we

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have \$173 million hill to climb right now, we will work, and we will work with Sarpy County, to try to eliminate the fiscal note of \$1.2 million. I'll try to answer any of your questions. [00:09:10][301.1]

SMITH: [00:09:11] Thank you, Senator McDonnell, for your opening on LB939. Questions from the committee? Senator Schumacher.
[00:09:15][4.3]

SCHUMACHER: [00:09:16] Thank you, Chairman Smith, and Senator, thank you, Senator McDonnell, for bringing this. I know it's a curious provision that the record title owner of the homestead receiving an exemption, who would that be? Would that be the developer or would that be the person who is renting the house? [00:09:35][18.4]

McDONNELL: [00:09:37] That would be the developer. [00:09:37][0.4]

SCHUMACHER: [00:09:39] The who? [00:09:39][0.1]

McDONNELL: [00:09:39] The developer. [00:09:39][-0.1]

SCHUMACHER: [00:09:40] The developer. Okay. And now the developer, we're creating this unique thing, we say the company does not have to pay taxes, but can make it-- has to pay a payment in lieu of taxes that would cover the school, basically. [00:10:00][19.9]

McDONNELL: [00:10:01] Yes, if you look at the \$1.2 million, the \$800,000 still going towards the schools would continue; \$1.2 million. The \$400,000 therefore would go back to help out with the infrastructure. So it's not. It's not changing. It's not creating another class of deemed owner, but it's clear-- it's creating another class of deemed owner, not create another class and exempt property.
[00:10:25][23.4]

SCHUMACHER: [00:10:26] So somebody is gaining \$400,000.
[00:10:27][1.0]

McDONNELL: [00:10:28] No, that would go back into the infrastructure.
[00:10:31][2.2]

SCHUMACHER: [00:10:32] Who owns the infrastructure? [00:10:32][0.6]

McDONNELL: [00:10:34] Well based on it's still in the military, it's-- the property is still owned by the military, by the federal government. But the structures are, for example, through Burlington Capital, but that money would go back to the infrastructure.
[00:10:46][11.9]

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SCHUMACHER: [00:10:47] So it would go back to the owners-- owner stuff. [00:10:51][4.0]

McDONNELL: [00:10:52] Yes. [00:10:52][0.0]

SCHUMACHER: [00:10:53] So they're just like any other owner, they're getting-- so how does this not conflict with our uniform portionate rules, where we just can't go willy nilly around saying this owner we're going to give special treatment to; that owner we won't. But we'll give it to this one if they make a proportionate contribution to the school system. It looks to me like we're setting up a special tax system for special people. [00:11:16][23.2]

McDONNELL: [00:11:16] Well, I'll let the attorney elaborate more on that, but we are also talking about something unique here. We're talking about property that is owned by the federal government, that is used for military personnel, so it is-- it is unique for us in the state Nebraska. But it is-- I don't think-- and I'll have the attorney follow up on that, but it is something unique, owned by the federal government, military property, but also the idea of contracting out and a private-- privatization through the people that are managing that property. [00:11:44][27.9]

SCHUMACHER: [00:11:48] Thank you. [00:11:48][0.2]

SMITH: [00:11:50] Senator Harr. [00:11:50][0.3]

HARR: [00:11:50] Just quickly, when the lease is over on these, on this development, what happens to the property and to the buildings on that property? [00:11:58][7.8]

McDONNELL: [00:12:00] Well, I-- I'll let them-- I'll let the attorney follow up. The property would maintain, of course, it's already federal property, so that doesn't change. I'll have them follow up on the building on the property. [00:12:11][11.6]

HARR: [00:12:13] Okay, thank you. [00:12:13][0.0]

SMITH: [00:12:15] Senator Groene. [00:12:15][0.0]

GROENE: [00:12:17] Thank you, Senator Smith. So this is on government property. [00:12:18][1.1]

McDONNELL: [00:12:19] This is on government property. [00:12:19][0.6]

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GROENE: [00:12:20] Streets going by, the fire department, the fire-- water mains, is it the federal part of the base or is it part of the city? [00:12:28][7.8]

McDONNELL: [00:12:29] It's on-- it's on government property, so it is part of the base. I'm not saying all of the property is-- is being protected as the base is being protected, but it is owned by the federal government. It's military property. [00:12:41][12.0]

GROENE: [00:12:42] So who put the street in in front of the complex? [00:12:44][1.9]

McDONNELL: [00:12:46] Well, there was-- there was changes as of 2005, [INAUDIBLE] it up, it was the federal government. [00:12:50][4.4]

GROENE: [00:12:51] So who maintains-- who pushes the snow, who fixes the potholes? [00:12:56][4.8]

McDONNELL: [00:12:57] Right now, the people that are trying to maintain the property. [00:12:59][1.7]

GROENE: [00:13:00] Not the county. [00:13:00][0.5]

McDONNELL: [00:13:01] Not the county. So you have \$800,000 going to the schools, which is understood, because the military personnel and their families are attending those schools. But you have the \$400,000 going, and those services aren't being provided to that military base and those families. [00:13:14][13.6]

GROENE: [00:13:15] So who-- who-- a crime takes place, who-- who comes? The MPs or the local police? [00:13:19][4.1]

McDONNELL: [00:13:20] The initial would be the MPs. [00:13:22][2.8]

GROENE: [00:13:23] And if a fire-- it's the base's fire department? [00:13:26][2.9]

McDONNELL: [00:13:27] Yes. And I'm not saying that there wouldn't be assistance from the local fire department, but the initial response will be handled by the military. [00:13:34][7.3]

McDONNELL: [00:13:35] So what you're addressing here is the only government entity that needs assistance is the schools to educate the kids, everything else the federal government basically take care now-- or the contractor? [00:13:45][9.8]

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McDONNELL: [00:13:47] Yes. [00:13:47][0.0]

GROENE: [00:13:47] What we consider public services? [00:13:48][1.0]

McDONNELL: [00:13:49] Yes. [00:13:49][0.0]

GROENE: [00:13:50] Thank you. [00:13:50][0.4]

SMITH: [00:13:55] Senator Schumacher. [00:13:55][0.2]

SCHUMACHER: [00:13:55] Thank you, Chairman Smith. Why wouldn't the Sarpy County just enter into an interlocal agreement with the base that says, look it, for \$400,000 a year that we Sarpy County pay to you, the federal government, we do this because you're taking care of the obligations of law enforcement or fixing the streets or whatever. Why do we give this break to the developer? [00:14:23][28.0]

McDONNELL: [00:14:24] Are you saying that the-- the \$400,000 right now is being paid to Sarpy County. The services aren't coming back to the base. [00:14:29][5.5]

SCHUMACHER: [00:14:30] So if this is unfair, somehow, because the base is doing some of Sarpy County's work. [00:14:34][3.8]

McDONNELL: [00:14:35] They're basically doing all of Sarpy County's work. And I'm not trying to-- I'm not trying to say that Sarpy County doesn't do a good job, but I'm trying to say that based on the \$400,000, knowing that the \$800,000, as example for the schools, we're talking about something different, but for the money, the \$400,000, and the services not being provided back, that's-- that's the issue. And I'm not saying there's not a possibility for something to be worked out with the Sarpy County Board. Which that's part of the discussion I had with Senator Smith, based on our \$1.3 million dollar fiscal note that we'd like to remove from this bill. [00:15:10][35.1]

SCHUMACHER: [00:15:11] But if it's unfair that the base is doing all the work and Sarpy County is doing all-- getting all the credit, then why not just have Sarpy County fess up and send them a check for \$400,000 a year; why are we giving this benefit to the developer? [00:15:22][11.7]

McDONNELL: [00:15:23] Because someone's-- they're doing the work, they're maintaining that, they're doing-- they're doing-- [00:15:27][3.7]

SCHUMACHER: [00:15:27] The developer is? [00:15:27][0.0]

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McDONNELL: [00:15:27] They're doing the infrastructure work. They're taking care of it. [00:15:30][2.9]

SCHUMACHER: [00:15:31] But if I buy a piece of property on rented land on a lakefront, I'm going to take care of that. [00:15:37][6.5]

McDONNELL: [00:15:38] Not only are they developing it, but they are maintaining it, they're managing it. [00:15:40][2.2]

SCHUMACHER: [00:15:41] Well if I rent a 99-year lease on a lake and I build myself a cabin on that lake, and I have to maintain the little road that goes to it, I got it fix the roof and all this other stuff that I got to do because I own a piece of property on a leased land, then why shouldn't I be exempt, because I'm doing that work too. [00:16:03][22.2]

McDONNELL: [00:16:04] So if you're paying somebody to actually maintain that road to your little piece of land on the lake, do you think that would be fair if they're not maintaining that road? [00:16:10][6.1]

SCHUMACHER: [00:16:12] But I'm still have to pay my taxes. [00:16:13][0.5]

McDONNELL: [00:16:14] Okay. And then for that tax dollar, you expect them to maintain the road? [00:16:17][3.2]

SCHUMACHER: [00:16:18] If I'm maintaining the driveway through it, I still have-- [00:16:21][3.0]

McDONNELL: [00:16:21] What are you paying taxes for? The police and fire, would you actually call 911 do you expect the police and fire to be there if you're paying taxes? Well right now, the police and fire is being provided by the military base before it's being provided by-- [00:16:36][14.3]

SCHUMACHER: [00:16:36] It's not being paid for by the developer, it's being paid for by the base. [00:16:39][3.0]

McDONNELL: [00:16:41] No, that's not-- that's not the case. [00:16:42][1.0]

SCHUMACHER: [00:16:42] Okay, well maybe I'll talk to somebody who has direct access to it. Thank you. [00:16:47][4.3]

SMITH: [00:16:48] Senator Friesen. [00:16:48][0.0]

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FRIESEN: [00:16:49] Thank you, Chairman Smith. And I'm just going to ask a few questions, kind of get a feel for it. So a member of the military that lives in one of these houses, do they pay rent?
[00:16:58][8.5]

McDONNELL: [00:16:59] Yes. [00:16:59][0.0]

FRIESEN: [00:16:59] Subsidized rent or something like that, they pay a nominal fee to live there? [00:17:03][3.7]

McDONNELL: [00:17:03] Yes. [00:17:03][0.0]

FRIESEN: [00:17:04] Okay, so a private company or individual owns these homes on federal land. [00:17:11][6.8]

McDONNELL: [00:17:13] Yes, since 2005. [00:17:14][0.7]

FRIESEN: [00:17:15] Okay. And so that company or individual is required to do maintenance on these homes and on the streets and infrastructure? [00:17:22][7.7]

McDONNELL: [00:17:24] Yes. [00:17:24][0.0]

FRIESEN: [00:17:26] And who pays property taxes now? That individual-- or company, they pay property taxes? [00:17:34][7.4]

McDONNELL: [00:17:34] They're paying the taxes to the county.
[00:17:36][1.4]

FRIESEN: [00:17:36] And that comes out of the rent that they're getting-- receiving, supposedly there is some sort of balance in there where they're making little money, I hope, right? [00:17:46][10.0]

McDONNELL: [00:17:47] I'll let them address the money they're making.
[00:17:51][4.5]

FRIESEN: [00:17:52] I get the-- I get the concept of it, so fair enough. Thank you. [00:17:55][3.5]

McDONNELL: [00:17:57] Okay. [00:17:57][0.0]

SMITH: [00:17:57] Senator Brasch. [00:17:57][0.0]

BRASCH: [00:17:57] Thank you, Chairman Smith; and thank you Senator McDonnell. I am listening to the described situation, but what I wonder is are the actual individuals, the men and women and families, who are living on the base, will they see any tax relief because of

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this; or is it just the developer, the contractor, the-- will tax relief come to them? [00:18:22][25.3]

McDONNELL: [00:18:23] What I believe those-- the military personnel and their families will receive and see is the infrastructure maintained, improved upon where they're living at. [00:18:33][10.4]

BRASCH: [00:18:35] And at this point, it is not being improved? [00:18:36][1.3]

McDONNELL: [00:18:37] No, it is not. [00:18:37][0.4]

BRASCH: [00:18:38] Because it is federally owned? [00:18:39][1.3]

McDONNELL: [00:18:41] No. Well it is federally owned,-- [00:18:43][2.0]

BRASCH: [00:18:44] Right. [00:18:44][0.0]

McDONNELL: [00:18:44] But also I believe because we have a problem where there's monies going towards-- to the county, and then the monies are not coming back to maintain the infrastructure. [00:18:53][8.8]

BRASCH: [00:18:56] All right. And so they will just get better-- like-- I don't understand. [00:19:01][5.1]

McDONNELL: [00:19:04] There will be people testifying that will go into detail of what the improvements will be. [00:19:08][4.4]

BRASCH: [00:19:09] Okay, all right. [00:19:09][0.0]

McDONNELL: [00:19:09] But there will be improvements that the military personnel and their families will see that are living there. [00:19:13][4.0]

BRASCH: [00:19:14] And the counties can't be held responsible for those improvements today because of the taxes paid to them today. [00:19:21][7.2]

McDONNELL: [00:19:24] I would say yes. [00:19:25][0.9]

BRASCH: [00:19:26] That's correct. All right. Okay. I have no other questions, thank you. [00:19:28][1.9]

SMITH: [00:19:28] Before we go to Senator Groene, I know that this will come into focus a little bit more as we go through some of these

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other folks that are here to testify behind you, and then-- and you-- you will plan on remaining here to close on the bill. [00:19:43][14.6]

McDONNELL: [00:19:43] Yes, yes. [00:19:44][0.1]

SMITH: [00:19:44] Okay, Senator Groene. [00:19:44][-0.0]

GROENE: [00:19:46] Many of these folks are listening, so I'm sure they will answer the questions that you answered wrong, because you didn't know, but they're not in the city limits are they? [00:19:56][10.3]

McDONNELL: [00:19:57] They are on-- they are on a military base. [00:19:59][1.7]

GROENE: [00:20:00] So when we look back at these property taxes, if they were in the city limits of Bellevue they would be paying more taxes, and then Bellevue's fire department would come out and put the fire out. Bellevue would come out and clean the streets. So really, they're not paying taxes for those services right now because the county don't have a fire department and they don't have snow removal on the streets. So the fact is they're not paying taxes for those services. [00:20:24][24.7]

McDONNELL: [00:20:26] I'll let them address how much taxes they're paying. [00:20:28][1.6]

GROENE: [00:20:30] Thank you. [00:20:31][0.4]

SMITH: [00:20:31] Senator Groene has such a great way of putting people at ease when they come to testify. [00:20:32][1.2]

GROENE: [00:20:35] I've been corrected when I sat out there. [00:20:36][0.3]

SMITH: [00:20:36] So I-- I see no other questions. Senator McDonnell, thank you for your opening LB939. We now move to proponents of LB939. Welcome. [00:20:53][17.5]

DOMINIC VACCARO: [00:20:54] Good afternoon. Mr. Chairman, members of the Revenue Committee, I'm Dominic Vaccaro spelled D-o-m-i-n-i-c, Vaccaro, V as in Victor, -a-c-c-a-r-o, president of real estate for Burlington Capital. I oversee the privatized military housing project on Offutt Air Force Base. You have heard Senator McDonnell talk about the financial strains on our project resulting from funding decreases by the federal government and rising costs related to storm cleanup and insurance. While the base remains strong and a vital asset to our community. with over 10,000 military and civilian personnel, the

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active duty military strength at Offutt has reduced 18 percent over the last 10 years causing further strain on the housing projects economics. While the project has built over 900 new homes and renovated nearly 500 homes to modernize the housing at Offutt, the key to these projects ultimate success is their long-term sustainability to prevent the military housing inventory from ending up as it did prior to privatization. The Air Force's current assessment of the long-term viability of this project is unfavorable with projected deficiencies in meeting the infrastructure needs of the community. LB939 is important for this reason. We currently pay \$1.2 million in property taxes in-- excuse me, in property taxes for which little or no services are provided for-- in return. We pay the base for police and fire services. So to the prior-- prior topic of discussion, that is a bill we reimburse the base for. They don't pay it on our behalf. We pick up our own trash. We maintain our own roads and utility infrastructure. We pay to maintain our own parks with over 60 playgrounds and amenities. Of our \$1.2 million in property taxes, \$800,000 goes to a combination of Bellevue and Papillion-La Vista public schools which will not change as a result of LB939 as the project will make a payment in lieu of taxes to maintain this level of funding. The approximately \$400,000 in savings will flow through the government-controlled funding priorities to first ensure long-term community maintenance before any returns to the private sector. These infrastructure improvements and maintenance are what is so critical to ensure the long-term health of Offutt Air Force Base, its housing and to provide quality housing for military members and their families. I'm happy to answer questions. I also, from the prior discussion, would be happy to address some of those prior questions where there were somewhat open answers. [00:24:03][188.8]

SMITH: [00:24:04] Thank you, Mr. Vaccaro. Questions from the committee? Senator Schumacher. [00:24:07][3.2]

SCHUMACHER: [00:24:08] Thank you, Chairman Smith. Thank you for appearing today. [00:24:09][1.8]

DOMINIC VACCARO: [00:24:16] Thank you. [00:24:16][0.1]

SCHUMACHER: [00:24:17] So I'm trying to get the big pictures here and, I mean, besides parts of what I perceive and you tell me if I'm heading in the right direction. Government says we don't do a real good job of building housing and maintaining houses; we do a better job of flying airplanes. So we think it could be done cheaper if we hire a private contractor to come in and build us some houses and maintain the development, and we strike a deal with a private

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developer for-- to take on those obligations. Is that pretty close to step on? [00:24:46][29.4]

DOMINIC VACCARO: [00:24:47] Spot on. [00:24:47][0.3]

SCHUMACHER: [00:24:48] All right, so now we're setting down with, I would assume more than one private developer and we're taking bids or something and we're going to strike a deal. And we said, we've got a field out here that we liked to have, you know, a bunch of houses on. Does the government pay the developer, or what's the nature of that deal? Do you get just to use the land for a fee and then you get to develop a development on it? [00:25:13][25.2]

DOMINIC VACCARO: [00:25:13] There is a 50-year ground lease that at the expiration of that ground lease the improvements-- the land is always stays owned by the federal government, but all of the improvements thereon revert back to the federal government. So that's the-- that's the general principle. The government does not make a payment to us. I think Senator Friesen accurately described it in the prior round of questioning that the military members pay rent-- for the active duty military members they receive as part of their pay a federal entitlement that's called a basic allowance for housing and they pay that basic allowance for housing to the project as their rental payment. [00:26:01][47.3]

SCHUMACHER: [00:26:02] Okay. So, basically, you get to rent a tract of land, you get to have it, like about any other little development around where you-- to have a term of year lease and you get to build some buildings on it and you get to then rent the buildings and that's to the servicemen that's paid for out of their allowances. We're still pretty close? [00:26:22][20.4]

DOMINIC VACCARO: [00:26:23] Pretty close. The difference is that I would say generally is that the federal government controls pretty much every aspect of the operation requiring who we can rent to, what we can charge. They establish as part of the ground lease what's called a lock box that monitors the flow of every dollar into and out of the project and sets forth the long-term funding. So it's similar in terms of a ground lease and a rental operation. But it's very different in the level, the mechanics of the project and who it's able to be used for. [00:26:56][33.3]

SCHUMACHER: [00:26:57] So the government tells you that you're going to have to maintain, I mean, it's not just plain old ground, you've got to maintain the roads, you've got fix the light bulbs in the street lights and whatever-- like that on the premises. So you took on

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as part of this deal that you saw as a profitable prospect a list of obligations, vis-a-vis, the federal government. And then-- and part of that obligations was that you were to cover the taxes on the property, the taxes on these buildings were your deal, that was your obligation. Right? [00:27:36][38.8]

DOMINIC VACCARO: [00:27:37] Correct. If I may, one further point of note, which we're happy to discuss in more detail, this-- this initiative was rolled out by the Department of Defense. It's not just at a local Offutt initiative, it was rolled out Department of Defense wide. This project is one of a very, very small minority. We have some statistics that Lucy would be happy to provide that actually pays property taxes. So when this project, although we did anticipate property taxes, it was a surprise to the federal government that they would apply, because I believe we may have been the first privatized military housing project to pay property taxes. [00:28:27][50.3]

SCHUMACHER: [00:28:28] You took on a deal that you thought would be a profitable deal and that included doing all of these things of maintenance, and include paying property taxes, and included the terms of that deal. And then things aren't looking so profitable. There was a storm or something, just kind of like a hail storm destroying your crops or something. The federal government in executing its obligations didn't make it look quite as profitable. And now you're coming to the Legislature to say we made a deal that wasn't as hot as what we thought it was going to be. So would you help out and give us \$400,000 a year. [00:29:13][44.8]

DOMINIC VACCARO: [00:29:15] The single greatest challenge to the financial operation is a change that was not anticipated 12 years ago when this project was entered into. The rents, the basic allowance for housing, the rents that we were designated to receive were set to equal-- it's a government driven formula to equal the market rent for housing, the same level of rent for the similar type of unit other landlords receive in the community. It was set to be 100 percent of that. Due to federal budget cuts, they passed a 5 percent reduction to that number, where ended it increases 1 percent a year for five years. So today, that we're-- 2018 is the third year that this has been in place. And so today, we received 3 percent less than the revenue that the project was originally intended to support. And over the next two years, it will be 5 percent less. And I feel-- I do understand that that is a change that was passed on by the federal government that I don't think would have been reasonable to assume. We should have forecasted when all of our agreements were based on a market rent level. So there was that reduction. And I believe that our perspective

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is that, you know, this is some way to help mitigate, it's a far greater number that we've lost, but help to mitigate that offset given the importance of Offutt Air Force Base-- [00:30:59][104.0]

SCHUMACHER: [00:31:00] But that was all this you undertook knowingly did not protect against contractually and did in hopes of profit. And now just like the farmers when the grain prices normalize and it wasn't \$7 corn but it's \$3 corn, you know, that's a business deal. [00:31:22][22.0]

DOMINIC VACCARO: [00:31:24] It's absolutely a business deal and it's a business deal that supports military members and their families. [00:31:29][4.4]

SCHUMACHER: [00:31:30] But the farmers come here arguing, but we feed the world. And so I mean this was a business deal that isn't as good as it looked at first blush. And so the taxpayers are supposed to pick up the difference. [00:31:44][14.5]

DOMINIC VACCARO: [00:31:48] I believe it's important to support the infrastructure needs of Offutt Air Force Base in the community and this is a step in the direction. It's been a-- it's been a windfall to Sarpy County for the last 12 years who prior to privatization received zero tax dollars. This project has supported \$5 million to the county over the last 12 years and received zero in return. [00:32:17][29.1]

SCHUMACHER: [00:32:18] Is your company involved in any other of these projects, or is this the only-- it's only business? [00:32:20][2.3]

DOMINIC VACCARO: [00:32:22] This is the only one-- of these types of projects. [00:32:24][2.4]

SCHUMACHER: [00:32:25] But you're a big company. [00:32:25][0.1]

DOMINIC VACCARO: [00:32:27] We have other business. [00:32:28][0.3]

SCHUMACHER: [00:32:28] And some go up and some go down and it's like-- thank you very much for your testimony. [00:32:33][4.2]

SMITH: [00:32:35] We'll go to Senator Groene, then Senator Brasch. [00:32:35][0.2]

GROENE: [00:32:36] So you answered some of the questions. You don't manage them on air bases in Missouri, in Texas, just Nebraska, this is the only federal one that you manage. [00:32:45][9.0]

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DOMINIC VACCARO: [00:32:46] This is the only project that we manage today. [00:32:48][1.8]

GROENE: [00:32:48] So what-- how many units did you say you had; 900 homes? [00:32:51][2.9]

DOMINIC VACCARO: [00:32:52] One thousand nine-- the actual number is 1,954 housing units. [00:32:57][4.7]

GROENE: [00:32:57] What's your average rent? Six hundred bucks a month? [00:32:59][2.1]

DOMINIC VACCARO: [00:33:00] No, it's probably \$1,200 a month. [00:33:01][1.4]

GROENE: [00:33:02] Oh, it is. [00:33:02][0.1]

DOMINIC VACCARO: [00:33:02] And all utilities, but that includes-- we pay all utilities as well. [00:33:07][4.3]

GROENE: [00:33:08] So you're probably \$800, \$900 a month for the rent, the rest goes to utilities. [00:33:10][2.7]

DOMINIC VACCARO: [00:33:12] Correct. [00:33:12][0.0]

GROENE: [00:33:14] So you're making \$8, \$9 million gross, and \$1.2 million of it goes to property taxes. [00:33:18][4.2]

DOMINIC VACCARO: [00:33:20] That sounds approximate. [00:33:21][0.5]

GROENE: [00:33:22] You've been hit pretty hard in the property taxes. I mean, as far as your profit and your cost, it's a big chunk of it. [00:33:27][5.2]

DOMINIC VACCARO: [00:33:28] It's a significant-- there's no question, it's a significant expense. [00:33:31][3.7]

GROENE: [00:33:32] And you have maintenance, you have to maintain them, you paint them, you put new roofs on them. [00:33:35][2.7]

DOMINIC VACCARO: [00:33:35] All the streets and potholes repairs. [00:33:37][1.6]

GROENE: [00:33:37] You do all of that. [00:33:37][0.0]

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DOMINIC VACCARO: [00:33:38] The sewer, the sewer lift stations. We have-- and the biggest other fixed costs was paying for the construction of the new and renovated homes. [00:33:52][13.6]

GROENE: [00:33:52] So that has to come out of your \$1,200 rent too. [00:33:54][1.5]

DOMINIC VACCARO: [00:33:55] Yes. That comes out of it. [00:33:56][1.1]

GROENE: [00:33:57] All of it does. [00:33:57][0.6]

DOMINIC VACCARO: [00:33:57] Yes. [00:33:57][0.0]

GROENE: [00:33:57] How many employees do you have? [00:33:59][1.5]

DOMINIC VACCARO: [00:34:00] We have probably-- fluctuates probably 35 full-time employees on site. [00:34:03][3.3]

GROENE: [00:34:05] So welcome to Nebraska high property taxes. But, no, that doesn't sound like you guys are making a killing on this. Anyway, I was just curious what your costs were. [00:34:16][11.2]

DOMINIC VACCARO: [00:34:18] Appreciate it. [00:34:18][0.4]

GROENE: [00:34:18] Because it is a big cost. So now somebody in Missouri has very low property taxes and they have an operation on one of their bases there, they get paid the same formula you do. [00:34:29][10.9]

DOMINIC VACCARO: [00:34:30] Same formula. It's set to the market; it might be a different dollar amount because it's calculated based on the average cost for local rents. [00:34:38][7.7]

GROENE: [00:34:38] In the metro area. [00:34:39][0.2]

DOMINIC VACCARO: [00:34:39] But-- but in those projects, they receive the full amount without the offset of property taxes, which is not the case here. [00:34:47][8.4]

GROENE: [00:34:48] Oh they don't-- it's considered federal-- those states consider that a government property and the homes too, they don't exempt them from the property taxes. [00:34:56][8.3]

DOMINIC VACCARO: [00:34:56] Yes. There are a variety of reasons in other states that results in an exemption. [00:35:02][5.6]

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GROENE: [00:35:04] Every state that would have the equalization clause in their constitution like we do probably. Senator Wayne keeps repeating that. So thank you. I know your predicament. [00:35:13][9.0]

SMITH: [00:35:15] Senator Brasch then Senator Friesen [00:35:15][0.9]

BRASCH: [00:35:17] Thank you, Chairman Smith; and thank you, Mr. Vaccaro, for coming here today. I'm compelled to come to the defense of the farmers who feed the world, as well as the men and women who serve in our military to protect the world and our freedom here. So I understand the situation that your company is faced with. I am interested, is Burlington Capital a Nebraska-based company, that's who you're representing today is that correct? [00:35:56][38.8]

DOMINIC VACCARO: [00:35:56] That is correct. We are we are-- our company is headquartered in Nebraska, founded and based in Nebraska. But we do operate outside of Nebraska as well. [00:36:06][9.8]

BRASCH: [00:36:06] And that was my next question, how many other states do you have a investment in? [00:36:12][5.7]

DOMINIC VACCARO: [00:36:13] Today-- he sent-- the company was founded in the early 1980s, and we've operated in-- in 39 states. Today we probably have investments in 22 or 23 states. [00:36:29][15.7]

BRASCH: [00:36:31] Okay, and so-- and I think we heard it earlier in Senator Groene's-- so in some states you are doing better than in Nebraska because Nebraska's tax situation is not getting you the margin that you would like. [00:36:55][23.6]

DOMINIC VACCARO: [00:36:55] While-- while we operate in many states, those properties-- the properties that we operate across those states are more traditional multifamily apartment-type operations. And there are so many unique features about privatized military housing, whether it's the fact that it's on federal land, the fact that you're basically maintaining nearly 2,000 homes in a-- in a almost city-like, small town-like setting there's attributes that are very different. So generally, I think there are some very unique circumstances related to this one that make it difficult to compare to the operating environment in those other markets. [00:37:40][44.8]

BRASCH: [00:37:41] But there would be some advantage to this specific market, is that correct? In the sense of advertising, finding residents, etcetera. I mean, it must have a-- it's not public service,

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it's for profit. You're not-- you're not a not -for-profit company, correct? [00:38:03][22.7]

DOMINIC VACCARO: [00:38:04] Correct. [00:38:04][0.0]

BRASCH: [00:38:06] And then the next is, just doing the math here, are you saying that that you're under-- like you have 38 more years to go under this contract or this agreement? [00:38:17][11.4]

DOMINIC VACCARO: [00:38:18] That is correct. [00:38:18][0.1]

BRASCH: [00:38:19] That is correct. So what you're trying to do is look into the future. [00:38:22][3.5]

DOMINIC VACCARO: [00:38:25] So the project commenced in 2005; and between 2005 and 2011 was the-- what they call the initial development period, and that's when all of the homes were either being built new or renovated. The project as envisioned is designed-- if you'll recall earlier, I spoke about a lock box that controls the funds through the project. There are-- there are intended to be funds set aside for a revitalization, they call it, or a midterm renovation, out at 25 years from the original inception to fund again improvements to the homes to prevent the disrepair that Senator McDonnell spoke to at a 25-year term. And so that's where when I speak of the Air Force's projections being unfavorable, today as we look out over the next 15 years to when ideally we would be able to fund a renovation of these homes to keep them well maintained across the project there's a projected shortfall in excess of \$40 million. [00:39:41][75.8]

BRASCH: [00:39:43] And you do understand the state of Nebraska is also under a financial shortfall. What are the consequences if this doesn't meet your needs in a five-year window for example. I'm just saying that arbitrarily. [00:40:00][17.6]

DOMINIC VACCARO: [00:40:02] Understood; and we-- in terms of the states challenges, as Senator McDonnell outlined, and we can discuss more, we believe there exists a possibility to remove the fiscal note, but generally if this is unsuccessful, it's-- it's a pinch on the project. I mean there's-- there's no, you know, we understand there is a risk of this not being successful and we will certainly look to other alternatives. We're hopeful that it's in the best interest of the state to support the base and the project in this effort. [00:40:48][46.7]

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BRASCH: [00:40:49] Very good. Thank you for your testimony and for coming here today. I have no other questions. [00:40:54][4.1]

DOMINIC VACCARO: [00:40:54] Thank you, thank you. [00:40:54][0.1]

SMITH: [00:40:55] Senator Friesen. [00:40:55][0.0]

FRIESEN: [00:40:56] Thank you, Chairman Smith. Thank you, Mr. Vaccaro, for coming. [00:40:59][3.1]

DOMINIC VACCARO: [00:41:00] Thank you. [00:41:00][0.2]

FRIESEN: [00:41:01] Just a few questions again. Average size of the home, square feet? [00:41:05][3.5]

DOMINIC VACCARO: [00:41:06] 1,600 square feet, two-car garages, [00:41:07][0.9]

FRIESEN: [00:41:07] 1,600, two-car garage. So-- [00:41:07][0.0]

DOMINIC VACCARO: [00:41:07] Duplexes. [00:41:07][0.0]

FRIESEN: [00:41:11] My calculation is \$614 in tax per home roughly; \$1.2 million? [00:41:17][5.1]

DOMINIC VACCARO: [00:41:17] Correct. [00:41:17][0.0]

FRIESEN: [00:41:21] Who sets the value of those homes? [00:41:22][0.9]

DOMINIC VACCARO: [00:41:22] It's set-- Sarpy County. And it's my understanding that they use an income approach to set-- as rental property on leasehold land. It's required to use the income approach to valuation. [00:41:35][12.6]

FRIESEN: [00:41:36] Okay, because I was going to say the value doesn't seem to match-- the assessed value would be on a different level. [00:41:43][7.1]

DOMINIC VACCARO: [00:41:45] I mean, I think part of that is that again it's on leased land. We don't have the ability to sell homes like you would a single family home, things of that nature is very different from trying to compare to-- [00:41:57][11.7]

FRIESEN: [00:42:00] What-- what-- you mentioned in your testimony that you do pay Offutt for fire or police protection, what-- I'm trying to get at what are your costs. I mean, you say that the city and county do not contribute anything, they don't come-- provide any of those

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services. So you're paying again either to the base or somewhere else for police and fire protection. [00:42:22][21.7]

DOMINIC VACCARO: [00:42:23] That is correct. We do pay a fee to the base for police and fire protection. I do not have that number readily available, regrettably I should have. But I can find it.
[00:42:34][11.2]

FRIESEN: [00:42:35] A contract amount you agree to yearly, or is it--
[00:42:37][2.5]

DOMINIC VACCARO: [00:42:38] No, there's a calculation that the base performs based on the number of calls that there's-- there's a-- there's a reimbursement rate for the assigned military.
[00:42:47][9.0]

FRIESEN: [00:42:49] I would assume the member of the military would never need police. An assumption only. [00:42:54][5.2]

DOMINIC VACCARO: [00:42:54] Yeah, there's a government formula that's based on the number of calls in an average pay and mileage that determines if-- [00:43:01][6.5]

FRIESEN: [00:43:01] But it is a contract that you-- I mean, you've entered into for that police protection. [00:43:05][4.1]

DOMINIC VACCARO: [00:43:06] Correct. [00:43:06][0.0]

FRIESEN: [00:43:07] And fire protection is roughly the same set up.
[00:43:09][1.3]

DOMINIC VACCARO: [00:43:10] Very similar, yes. [00:43:10][0.6]

FRIESEN: [00:43:12] Okay. So that's a set amount based on performance.
[00:43:15][3.3]

DOMINIC VACCARO: [00:43:15] It varies annually, based on, I think, a rolling average of the number of police and fire calls.
[00:43:21][6.1]

FRIESEN: [00:43:22] So has your evaluation of those homes increased or decreased, has it stayed flat over the past? [00:43:27][5.0]

DOMINIC VACCARO: [00:43:28] Generally, as we were doing the new construction and renovation, I believe there were some increase in the early years. It's largely remained the same over the last few years, but that is consistent with the operation of the project. Like I said

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earlier, when we talk about the income approach to valuation, the income is not rising, so we would expect that the level of taxation value would not be rising either. [00:43:58][30.0]

FRIESEN: [00:43:59] So have you ever-- have you approached the county and the city about services or, you know, you're giving them a lot of money, I agree, and they're providing nothing in return. Do they have anything to-- do they give you an excuse for that or say thank you? [00:44:14][15.5]

DOMINIC VACCARO: [00:44:15] Basically, they maintain that they are private roads, is their position that it's-- they maintain that it's a private community and that's the reason that it doesn't apply. [00:44:29][13.5]

FRIESEN: [00:44:30] And to me it sounds to me like you should be exempt from paying property tax because you're on federal ground, but-- if they're not going to come provide services on that for your property, I don't know why I would pay tax for a service I don't receive. I at least, you know, I'm comfortable paying my county taxes, I receive a service; but if I don't receive that service, I'd find it hard to justify a tax. [00:44:51][20.9]

DOMINIC VACCARO: [00:44:52] I agree. And I-- we did have-- I think this is-- if I may, related to your line of questioning, an open item from prior discussion, we do-- there was a question asked if-- if we were in the city of Bellevue, would the city of Bellevue, for example, provide police and fire? And I think there was a comment made that we don't pay for police and fires otherwise, so why should we expect it from the county; and that is untrue. We pay 10-- 23-- we pay approximately \$115,000 for combined police and fire services to the fire districts in the area. [00:45:37][45.5]

FRIESEN: [00:45:39] It will be a rural fire district? [00:45:40][1.1]

DOMINIC VACCARO: [00:45:41] Correct. So we do make a payment to a local fire district. Plus we, for example, and police, plus we pay the base and get those services primarily from the base. [00:45:53][12.2]

FRIESEN: [00:45:54] Thank you. [00:45:55][0.2]

DOMINIC VACCARO: [00:45:55] Thank you. [00:45:56][0.2]

SMITH: [00:45:56] Mr. Vaccaro, from time to time, in this committee and other committees, we-- we hear bills related to veterans, veteran affairs, or active duty and military. And we're often told that, you

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know, the outcome has a-- has an effect or has a potential effect or influence on the military-civilian relationship that we have in this state with Offutt Air Force Base and how that influences decisions that are made for, lack of better term, investments at Offutt. So in that context, can you speak to this and what we're trying to accomplish here? [00:46:41][45.0]

DOMINIC VACCARO: [00:46:42] As the owner of 2,000 homes designed to serve the military members of Offutt Air Force Base, our greatest fear is-- is could the base move elsewhere. We all look to the new construction of StratCom, the new StratCom headquarters which is being constructed as a show of good faith, shall we say, by the federal government in the long-term viability of Offutt Air Force Base. The reality, from my perspective, is probably 70 percent of the military personnel at Offutt, maybe even more than 70 percent, are related to the 55th Wing, not StratCom. And it's my understanding that that StratCom headquarters was designed to operate totally independently from the rest of the base and the base could be closed, could move to Davis-Monthan in Arizona where the 55th Wing already has a mission and a better runway and that is a risk for the project. I don't want to get as far out as saying that if this legislation doesn't pass that's a real risk, but it's something that keeps us up-- keeps us up at night as a risk. And from our conversations, we believe this type of a measure is-- we've researched, Lucy, there are 42 states with military-- with military installations. We started with the A's going down the list and looked at which ones offer an exemption for this type of housing on military installations. The first 10 all have an exemption for this type of project. I know we're not pushing for a full exemption here. We're pushing for something falling in lines of a homestead to support the military members. But there's a long list of states that in this regards show more support for their military installations than we found here. [00:48:55][133.2]

SMITH: [00:48:56] And certainly not that-- certainly there's a risk of losing what we currently have at Offutt, but maybe more importantly is we want to be attractive to recruiting more-- more investment at Offutt, relocating other departments or-- or such to Offutt, not necessarily losing what we have. [00:49:22][25.7]

DOMINIC VACCARO: [00:49:23] That would be our-- our great hope as well. And I think that, you know, the renovations to the runway that are, I think, planned this year, and another round rejuvenations and the local community, one thing we hear time and time again is that the strength of the local community at Offutt is very important to the military. We just had the celebration for the new Navy ship named

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after USS Omaha. There is already a Nebraska-- they talk about the Big Red Sub Club and the support that the military-- or that-- that Nebraskans provide to us, I believe it's a nuclear submarine sponsored or named after the state of Nebraska. We have a long history of support. This just happens to be an area that-- that is not so supportive of the military. [00:50:17][54.2]

SMITH: [00:50:17] Very good. Other questions from the committee? I see none. Thank you for your testimony before us today. [00:50:23][5.4]

DOMINIC VACCARO: [00:50:23] Thank you. [00:50:23][0.2]

SMITH: [00:50:25] We continue with proponents of LB939. Welcome. [00:50:26][1.8]

PATRICK ALSTON: [00:50:34] Good afternoon, Mr. Chairman, other members of the board. I'm Patrick, P-a-t-r-i-c-k, Alston, A-l-s-t-o-n. I am honored to be here today among you all and in front of you all. First of all, let me thank you for what you do each and every day for America's sons and daughters who stands in harm's way. Yes, I'm a 35-and-a-half-year veteran of the United States Army and I have lived in housing 15 years prior to the National Defense Authorization Act of 1996. And I would tell you that what we have today surpasses by any means what we had prior to going to privatize housing. I've lived in privatized housing for some 20 years after that massive defense authorization act was passed. And the housing that the private industry provides for us today is well, well above anything we could expect as we don a uniform each and every day. I would tell you that LB939, in my humble perspective, it gives the private organization an opportunity to provide what is necessary for America's sons and daughters. And that's a well-structure infrastructure of the homes in which they live in. There is nothing worse than a young American son and daughter going in harm's way and having to worry about the infrastructure they left its family in back at home station. Our soldiers, sailors, and Marines every day need to focus on allowing you to enjoy the freedoms you enjoy each and every day. And they need to focus on what's in front of them in 120 different countries that they're employed-- or there, or deployed to each and every day and not worry about the infrastructure of a street or road or light, trash, fire, or police being able to respond to whatever is going on in his neighborhood. And so I'm here to say that by all means I've lived from Fort Belvoir, Virginia; Fort Hood, Texas; Fort Riley, Kansas; Fort Leonard Wood, Missouri, and I'm telling you that Fort Leonard Wood, Missouri, homestead; Fort Riley, Kansas, homestead; Fort Belvoir, Virginia, right outside of District of Washington, homestead, some of

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the best neighborhoods I've ever lived in before. Now I'm telling you that LB939 would make all things perfect? No, but I'm telling you that from the five and a half years I lived at Offutt Air Force Base, I've had to repair my Land Rover tires four consecutive times from hitting potholes. I've had to calm my wife down numerous times for not having visible lights as she walked the dog. I had to make sure that my security forces were on point each and every day to respond to my young American sons and daughters request as they had issues at their homes. And so would LB939 change that? I think so. Would it give that private industry the resources necessary to get after some of the things I mentioned? I think so. But I'm honored to be here just to share that with you and I prepare for any questions you may have that I may be able to answer. [00:53:40][185.4]

SMITH: [00:53:41] Thank you, Mr. Alston, for your testimony. I do believe you're prepared for any questions we may have. Any questions from the committee? Senator Friesen. [00:53:49][7.8]

FRIESEN: [00:53:50] Thank you, Chairman Smith. Thank you for coming to testify and thank you for your service. May I ask what kind of rent you're paying in those different places. It has been based on the same criteria, your housing allowance? [00:54:03][13.3]

PATRICK ALSTON: [00:54:04] So we get basic housing allowance and it's determined by the zip code in which you live. So if you live in a high demand market, Washington, D.C., your BH is higher. You live in Offutt Air Force Base your BH is probably moderate or a little bit lower. I would tell you from an E9 my average rate was about \$1,400 a month. [00:54:21][16.8]

FRIESEN: [00:54:21] Okay. Thank you. [00:54:21][0.1]

PATRICK ALSTON: [00:54:21] You're welcome. [00:54:21][0.0]

SMITH: [00:54:24] Senator Brasch. [00:54:24][0.0]

BRASCH: [00:54:25] Thank you, Chairman Smith; and thank you, Mr. Alston, and your family for your service. I'll be frank, when I'm listening to what the streets are like and things like that, it sounds like maybe that service should not be privately contracted but instead go back to the taxes that are being paid to those counties. And I'm just wondering if the level of service reflects, you know, what that reflects, because that is concerning that someone is being paid and they're not providing it. [00:55:00][34.9]

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PATRICK ALSTON: [00:55:00] Yes ma'am. [00:55:00][0.2]

BRASCH: [00:55:01] Is that correct? [00:55:01][0.0]

PATRICK ALSTON: [00:55:01] Yes ma'am. And I'm in total agreement with you, ma'am. I don't think this is a money issue that we have here today, I think it's a service issue. Regardless of who provides the service, if Rising View has to pay for the services, then I think they recoup their money. If the county is going to provide the services, then the money is in the right hands. So we're not talking about a money issue here, we're talking about a service issue. We're talking about providing for America's sons and daughters who provide for all of us each and every day. And I'm not-- I'm here to say they really don't care how this money issue happens. They don't care, it's all transparent to them. They just want good roads, good lights, good parks, good facilities. [00:55:40][38.2]

BRASCH: [00:55:41] Absolutely. So I-- I would agree that that's something to consider in this is who can deliver the services you need. [00:55:49][8.5]

PATRICK ALSTON: [00:55:50] Yes ma'am. [00:55:50][0.2]

BRASCH: [00:55:51] All right, I have no other questions. Thank you. [00:55:52][1.3]

SMITH: [00:55:54] Senator Groene. [00:55:55][0.3]

GROENE: [00:55:57] Thank you, Mr. Chairman. Are you-- were you given examples of all the years, potholes, or are you talking about right now and at Offutt? [00:56:02][5.3]

PATRICK ALSTON: [00:56:04] Yes, sir; I'm talking about my five and a half years at Offutt Air Force Base. Now you got to understand, Offutt is broken down to two entities. One is an entity that is considered behind the fence, and then one is the entity that is considered open property. So Coffman Heights is open property behind the fence is where all of the muckety-mucks, GOs, and people like myself live. And so do we get somewhat better service? Well of course we're right there by the flagpole. So whatever is not being provided by Rising View, of course is being provided by CE. It's America's sons and daughters who are doing the heavy lifting, doing the fighting each and every day, the grunt work, the ones that are living at Coffman Heights, the ones not living by the flagpole is where I bust my tires on my Range Rover. [00:56:49][44.2]

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GROENE: [00:56:52] Thank you. [00:56:52][0.2]

SMITH: [00:56:52] Other questions? I see none. Mr. Alston, it's a pleasure having you with us today and thank you for your testimony. Thank you for your service. [00:56:58][6.0]

PATRICK ALSTON: [00:56:59] Thank you, Mr. Chairman. Thank you committee. [00:57:00][1.1]

SMITH: [00:57:02] Next proponent of LB939? Welcome. [00:57:03][1.2]

VICTOR ROUNTREE: [00:57:13] Good afternoon, Mr. Chairman and the committee. Thank you for this opportunity to also come and present before you this morning-- this afternoon. My name is Victor, V-i-c-t-o-r, Rountree, R-o-u-n-t-r-e-e, round tree without the D. I'm a 30-year, 17-day veteran of the United States Air Force, retired as a Chief Master Sergeant Wing Staff Superintendent and I spent about six years as a first sergeant; also taking care of all of our airmen as they've gone to war. I'm a veteran of three deployments: one after 9/11 trying to protect our country and what we needs to do. As a certified defense financial manager and defense financial management certified level 2, I know a lot about the inside operations of the funds out of Offutt Air Force Base. I just retired as our budget officer. But I come before you today as a resident of Rising View. I spent eight years from July of 2008, when I first arrived, until I moved out of Rising View in March of 2016; still in the local community. So I echo a lot of what Patrick Alston has said today. I'm a recipient of non-services on the snow removal. I've seen those done by Rising View, not by the county, but just this morning being out of Rising View, I saw Sarpy County come by and they politely did not push the snow back up in my driveway. As we got more help, some of the paid services and so forth. But the potholes and the infrastructure, yes, we really need that. And I've lived in base housing for a long time as well. Ten years up in Grand Forks Air Force Base and here at Rising View, I paid \$1,543 a month for a one unit, one car garage, renovated unit. It was a nice unit, but it didn't have the amenities that these new units that this project has brought on board. So I can tell you that our airmen, sailors, and soldiers that are here are certainly living in great units. So I'm a proponent of the privatization, but I'm also a great proponent of if I have to pay for a service, I want to get that service. And if they are paying for the county do this and it is not been done, then I say don't pay for it. Having sat as six years as the budget officer for the 55th Wing, I know where the monies are. This will be talked about-- what Dominic talked about as far as being reimbursed for the fire and for the police. We have an

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inner-service support agreement with Rising View, and so, yes, I know what kind of monies are flowing, but I'm not here to speak in that capacity today, but I'm here to speak as a resident and to say that, yes, we do need those services. And also from the education side, I have a daughter and son that graduated from Bellevue East so I have no issues with paying for the education. But as far as having a unit to reside in where my wife is happy, and as long as she's happy then I can go to work and take care of all the other airmen and things that I need to do, then I'm good with that. So for these services, we need to have those provided. And if Rising View is paying for those particular services they are not being provided, then I'm a proponent today to say, yes, let's dock that amount of money if they're going to have to also pay for it and pay the county as well. So that's my position here as I come before you today. So thank you for this opportunity.

[01:00:35][202.2]

SMITH: [01:00:39] Questions from the committee? Senator Brasch.

[01:00:40][1.4]

BRASCH: [01:00:39] Thank you, Chairman Smith. Thank you, Mr. Rountree.

[01:00:42][2.7]

VICTOR ROUNTREE: [01:00:43] Yes ma'am. [01:00:43][0.3]

BRASCH: [01:00:44] And thank you and your family for your service.

[01:00:46][2.1]

VICTOR ROUNTREE: [01:00:46] Yes, ma'am. [01:00:47][0.1]

BRASCH: [01:00:49] Saying that your wife is happy, you're happy, you're a very wise man. [01:00:52][3.4]

VICTOR ROUNTREE: [01:00:53] Amen. Thirty-five years with her.

[01:00:54][1.7]

BRASCH: [01:00:55] Congratulations on that as well. [01:00:56][0.2]

VICTOR ROUNTREE: [01:00:57] Thank you. [01:00:58][0.2]

BRASCH: [01:00:58] And my next question is how many years have you been in the service? [01:01:00][2.8]

VICTOR ROUNTREE: [01:01:01] I served 30 years and 17 days.

[01:01:03][2.1]

BRASCH: [01:01:04] Thirty years and 17 days. [01:01:05][1.3]

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VICTOR ROUNTREE: [01:01:06] Yes ma'am. I reached my high year at ten year. I would still be in today if my body would let me, but the government said you're too old, so I'm not. [01:01:12][6.1]

BRASCH: [01:01:13] Well, thank you for all that time. And you've stayed in Nebraska, even though you're retired. [01:01:18][5.9]

VICTOR ROUNTREE: [01:01:19] Yes, ma'am. We have retired here and I do pastor a small church off Galvin Road down and in Bellevue's so this is our permanent home. [01:01:27][7.8]

BRASCH: [01:01:28] Well, we thank you for that as well. And that was my question. We, as Chairman Smith had said, we on occasion do hear some military requests and one of our biggest fears are those who do leave our state because we do appreciate your service and work in the community. And so at this point you also believe the issues is services needed to be done, roads or potholes and things like that. Otherwise the conditions are admirable. [01:02:03][35.4]

VICTOR ROUNTREE: [01:02:04] Yes ma'am. We need to take care of those services and the homes. For me I lived in a renovated unit. I wanted to live in one of the new units, but it didn't accommodate me, but the renovated unit did. And one thing I'll tell you about some of the renovated units, they may have basements, but sometimes basements may flood; so when we're talking about bringing these homes up to standards, that's really important and I know that the project invest a lot of money into making those homes standard. One of the things that Patrick Alston might have talked about was some of the areas they might have what we call substandard housing. And we've done a great job in getting our people out of those substandard houses, so I believe that what the project has done here in other privatized areas that I've dealt with, they've done a tremendous job in bringing the homes up to a great standard so that our airmen and our military members can feel like they have a nice place to go home to after the rigors of a day out taking of the job. [01:02:58][54.1]

BRASCH: [01:02:59] Well, we have an excellent department of transportation and I have spent at least two or more days assisting filling potholes as a senator and laying some concrete, maybe Chairman Smith can make a phone call or two we can get those potholes going. We'll be out of a job here soon, so, you know, that might be our next step, including this guy too. [01:03:26][26.4]

VICTOR ROUNTREE: [01:03:26] Amen. [01:03:26][0.0]

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BRASCH: [01:03:26] We'll all bring a bucket. So thank you.
[01:03:26][0.0]

VICTOR ROUNTREE: [01:03:26] Yes, ma'am. [01:03:26][0.0]

BRASCH: [01:03:26] I have no other questions. [01:03:26][0.0]

SMITH: [01:03:30] Sounds like Senator Brasch is trying to put us all out of work. Senator Groene. [01:03:32][1.7]

GROENE: [01:03:32] So as citizens, for the military, have you ever gone down to the county board meeting and said we want our potholes fixed because we're paying taxes? [01:03:44][11.9]

VICTOR ROUNTREE: [01:03:46] No sir. When I lived in Rising View for those eight years, I know they probably could see my number when it came through because if I had issues I certainly would pick up the phone and call. [01:03:56][10.3]

GROENE: [01:03:57] Do you have community organizations like homeowners associations or anything like that, or just rely on an office that they have. I mean, do you have a community group organization that deals with the Burlington group or-- [01:04:11][13.6]

VICTOR ROUNTREE: [01:04:12] When we lived in Rising View, they were broken up into different communities with leads in those communities, so a lot of the items that might have come up you can do with your leader in that community before bringing it down. But being a senior leader, I had direct access, so a lot of times if I wasn't going to go through one of my leaders there I might just call and speak directly and say either I or some of my people might have this issue, and then-- and the financial management arena a lot of people passed through our office and my ears are always open and a lot of things are said out in the community, if you will, that they might not want to bring to a senior leader, but younger people may decide they would just like to fuss about it and talk about it so we try to get it elevated. [01:04:53][40.4]

GROENE: [01:04:54] So you broke your axle on a pothole and you're mad, you call-- they have an office you can call and say why don't you fix my potholes? [01:04:59][5.9]

VICTOR ROUNTREE: [01:05:01] I call up-- if it's over in the Rising View area, I'm going to call up to maintenance; the maintenance we have this issue and they have-- [01:05:09][8.1]

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GROENE: [01:05:09] Burlington has an office, the private company has a maintenance office? [01:05:13][3.3]

VICTOR ROUNTREE: [01:05:14] Yes, in the [INAUDIBLE] area, yes sir.
[01:05:15][1.2]

GROENE: [01:05:16] And construction tar in the back of it, they can go out with a scoop shovel and throw it in a pothole. [01:05:19][3.4]

VICTOR ROUNTREE: [01:05:20] They have the ones that would get it done. Not me and my Air Force job, we wouldn't get that done, because we take care of the base proper, but we don't take care of that part.
[01:05:29][8.6]

GROENE: [01:05:29] The Burlington react pretty good to the concerns of the renters. [01:05:32][2.6]

VICTOR ROUNTREE: [01:05:33] In my experience, yes, sir.
[01:05:34][1.0]

GROENE: [01:05:34] Thank you. [01:05:34][0.0]

SMITH: [01:05:37] Seeing no additional questions, thank you, Mr. Rountree, for your testimony. [01:05:39][2.8]

VICTOR ROUNTREE: [01:05:40] Yes, sir. Thank you so much.
[01:05:41][0.8]

SMITH: [01:05:43] Next proponent of LB939? Welcome. [01:05:44][1.0]

LUCINDA NEWBERRY: [01:05:53] My name is Lucinda Newberry, L-u-c-i-n-d-a N-e-w-b-e-r-r-y, and I'm counsel to Burlington Capital and really here to clarify a couple of points, clarify a couple of answers to questions that were provided and then give you an opportunity to ask me any questions that you would have. First of all, we've been asked in a couple of different ways, why can't you just contact with the county? The ground lease and the appendices to the ground lease require Burlington Capital to contract with the base to provide those services, it's not an option. So they are paying twice for services based on their assessment and based on the federal contract. Nebraska is in the very, very small minority of states that doesn't provide some type of property tax exemption for privatized military housing. We've identified 42 states that have installations with privatized housing, and a quick look at the top first 12 states, we found one that did not have something on the books, that would be Nebraska. From the assessment, the only portion that Burlington Capital, that the developer would ask to have an exemption for, and

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this would be a homestead exemption, would be that portion that is attributable to actual service members and the service member families vacancies-- not vacancies but rents. There would be no exemption for any vacancies or for any rentals that are attributed to nonmilitary families. Importantly, we are requesting a homestead exemption. The constitution provides the Legislature the discretion to determine who is going to be considered an owner. The Legislature, the Unicameral is permitted to decide if there is a deemed owner of the property, and you have done that before. You already have the homestead exemption on the book for property owned by a non-profit, but rented to another person, and you deem the owner of the property, even though it is a lifetime rental, that you deemed it owned by that private person, and you give a full homestead exemption to the ownership. Again, the bill as presented to you would simply ask you to do what the constitution permits you to do and determine who would be considered the owner of this property that is on federal land. And while the improvements are developed and currently owned by private interests, all of the improvements revert back to the government eventually at the end of the ground lease. That's the end of my statement. [01:08:31][158.4]

SMITH: [01:08:32] Thank you, Ms. Newberry. Senator Schumacher.
[01:08:34][2.0]

SCHUMACHER: [01:08:37] Thank you, Chairman Smith. Thank you for your testimony. Have you gone to the federal government said, look, we made a bad deal here. We're not making as much as we thought, can we work, renegotiate the terms of this deal so that we get what we thought we were going to get in the beginning? [01:08:49][12.7]

LUCINDA NEWBERRY: [01:08:50] I think that question would be directed towards the business people within Burlington, but in my experience you're not going to have the federal government to go back and renegotiate contracts from 10 years ago. [01:09:01][10.2]

SCHUMACHER: [01:09:01] So if they don't care, and if they're holding you to the deal you made, why is it that you're here? [01:09:12][10.3]

LUCINDA NEWBERRY: [01:09:14] They don't care. But what we care about is making sure the 55th Wing stays here. And if you look at base closures around the country, for example in Connecticut and Massachusetts within the past few years, one of the factors they look at is the quality of housing that we make available to our soldiers and their families. This money that will go back in will be done for quality of life improvements. So we have more of an interest than the

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federal government does in making sure that this property is developed to its fullest potential. [01:09:46][32.0]

SCHUMACHER: [01:09:47] So if I'm Undersecretary of Defense sitting at the Pentagon and I don't care, and I've got these 5 percent slashes at your budget, what is the profitability of Burlington Capital are going to make one bit of difference to me if I make a decision where I'm going to locate the 55th Wing? [01:10:03][16.8]

LUCINDA NEWBERRY: [01:10:06] I don't know that the profitability of Burlington Capital does make that bit of difference at all to that that person at DOD. But I think that the quality of housing and the satisfaction of the soldiers that reside in that housing does make a difference. [01:10:20][14.2]

SCHUMACHER: [01:10:20] But you have a legal obligation to keep that up anyway. And if you don't, and I'm that Undersecretary of Defense, I'm going to come after you as a company; you're not a little company. I did enough checking here while we're talking, you're not a little company. You're a big operation and although your financials aren't available publicly because you're privately and closely held, you get a general idea what your financial capacity is. And the \$400,000 a year, you've got that money in order to meet the obligations that you contracted for. And so this idea of somehow the base is going to close if your deal isn't as profitable as what you contracted for, I'm just not connecting on that. [01:11:06][45.6]

LUCINDA NEWBERRY: [01:11:06] Okay. [01:11:06][0.0]

SMITH: [01:11:15] Senator Groene, then Senator Friesen.
[01:11:15][0.0]

GROENE: [01:11:17] I don't think that's what he's-- I don't think that's what he said. I think he said as a business perspective that that's a risk that you look at that that the 55th Wing might go away has nothing to do with your housing, to Senator Smith's, but-- so it's about \$1,400 to \$1,500 a month, the rents you're getting, what I heard from two officers, \$300 to \$400 goes to utilities. That's not really low income rent, a thousand dollars a month. And you do realize with the income based deal, you're probably now paying about half the property tax it would be if it was just a regular assessment on a \$100,000 house. Let's say they were \$100,000 units; 1,200 of them, you'd be paying two and half to three million in taxes, not \$1.4. So you are getting-- Nebraska does make allowances for property taxes. We're just a very high property tax state, second, third, fourth in the nation; that's what we all live with. But what I don't understand

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is why-- on the-- on the homestead exemption, looking at this fiscal note, you got a problem here. I mean it's all homestead exemption or it's nothing. We're going to give the refund back. I guess the question is, did you help write this as an attorney? I mean--
[01:12:44][87.2]

LUCINDA NEWBERRY: [01:12:45] Yes, Senator. [01:12:45][0.0]

GROENE: [01:12:46] That's fine, we all take advice from the people who bring us bills. But you understand the double dip problem we have here. If you give \$800,000 to the schools, the county has to put all of that into the homestead exemption and we-- we reimburse, the state does, all the money back to the county. So, have you found a fix for that? [01:13:08][22.7]

LUCINDA NEWBERRY: [01:13:10] Yes, sir, I believe that an amendment is-- is going to be introduced to you to ensure that there is a--
[01:13:15][5.5]

GROENE: [01:13:16] Because there's a formula on the homestead exemption and you could fit in the \$800,000. [01:13:18][2.4]

LUCINDA NEWBERRY: [01:13:18] Right. I believe that the amendment that you see will carve out the statutory-- from the statutory provision pursuant to which the state is obligated to reimburse will carve out and de-obligate the state with respect to a homestead exemption if subsection 4 is added to 3502. [01:13:35][16.5]

GROENE: [01:13:37] So it would be a \$400,000 would be the fiscal note that we'd be making up to the-- why should we? The county ain't giving any service right now. [01:13:44][7.2]

LUCINDA NEWBERRY: [01:13:45] Couldn't agree more. [01:13:46][0.4]

GROENE: [01:13:47] Thank you. [01:13:47][0.3]

SMITH: [01:13:49] Senator Friesen. [01:13:49][0.0]

FRIESEN: [01:13:50] Thank you, Chairman Smith. I guess you knew all the parameters when your company signed the contract. The only thing that's changed is the federal government now has cut your reimbursement rate by 5 percent in the couple of years; that be a fair statement? [01:14:08][18.5]

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LUCINDA NEWBERRY: [01:14:11] Again, I'm not one of the business people and I don't work for Burlington, I'm their outside counsel.
[01:14:15][4.2]

FRIESEN: [01:14:19] Okay. I have no other questions then.
[01:14:19][0.2]

SMITH: [01:14:21] Senator Brasch. [01:14:21][0.0]

BRASCH: [01:14:22] Thank you, Chairman Smith. And I didn't have enough time to look it up on my phone, but the typical homestead exception, in my very basic understanding, is for individuals of 65 years old or older, or something like that. Can you tell me, you're an attorney, what a homestead exemption is for residential. [01:14:50][28.0]

LUCINDA NEWBERRY: [01:14:52] Sure, there's a homestead exemption for-- based on age; we have a homestead exemption for units that are owned and a multi-tenant facility owned by a non-profit but resided in by a natural person, doesn't make any reference to their age. Homestead exemption is given to the deemed owner if you will, which is what we're asking here is that you have a deemed homestead.
[01:15:17][25.1]

BRASCH: [01:15:17] Owner, but who is now for profit. I guess that's where I have a concern. Just had a huge debate on the floor today about tax incentives for businesses and now we're looking at a homestead exemption for businesses and I'm not positive the body is there yet, the Legislature, but my major concern again is the infrastructure and is this the adequate way we address this. And I'm not familiar with the Burlington Capital company but I'm also wondering is it a competitive industry because they don't own all of the bases, but they are-- but it's Nebraska base which is very favorable. So my thought is if the infrastructure situation would be resolved, would this be sufficient in your belief? [01:16:20][62.2]

LUCINDA NEWBERRY: [01:16:22] Again-- [01:16:22][0.0]

BRASCH: [01:16:23] You're just the attorney. Okay. [01:16:24][0.5]

LUCINDA NEWBERRY: [01:16:25] I hate to give you the same response.
[01:16:26][1.1]

BRASCH: [01:16:28] Okay. All Right. I have no other questions. Thank you. [01:16:30][1.8]

SMITH: [01:16:32] I see no other questions. Thank you, Ms Newberry for your testimony. Next proponent for LB939? Seeing no other proponents,

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we move to opponents, those wishing to testify in opposition to LB939.
Welcome. [01:16:54][22.3]

LARRY DIX: [01:16:56] Good afternoon. Senator Smith, members of the Revenue Committee, for the record my name is Larry Dix. I'm executive director of the Nebraska Association of County Officials. My name is spelled L-a-r-r-y D-i-x, appearing in opposition to LB939. This has been a very interesting hearing and I would tell you I think the situation here is very unique to one county in the state of Nebraska. We believe that-- we truly believe, just like the previous testifiers had stated, this is unique to Offutt Air Force Base. A couple of the things as I was listening to the testimony though that started to somewhat pique my interest, I want to make sure Sarpy County isn't getting thrown under the bus on this scenario. I don't know right now, Sarpy County, I don't know that they own any of the infrastructure or the streets for the previous how many years. You know, those roads have been maintained, not by Sarpy County, but some other entity. So now when the infrastructure starts falling apart, of course worst thing it's Sarpy County's problem. This-- it's unique in that the federal government owns that land and probably put in all the infrastructure, so-- so I truly don't know that if the county should be involved in that road maintenance or not. The way the bill is written, certainly it says we will pay in lieu of for schools because we send our kids to schools, and we've had a couple of statements that said, you know, well, Sarpy County is the one that has the windfall, so to speak, the windfall. Well I don't know that Sarpy County, I would imagine those taxes are going to ESUs; they're probably going to NRDs, they're going to all the other political subdivisions. So you can imagine from my background when I hear that Sarpy County is getting a windfall, I get a little bit concerned about that. It isn't as if Sarpy County the only thing that county government provides is services is road maintenance. I don't want that to get lost on the discussion here. It sounds like, you know, if we fix the roads, problems go away, but we shouldn't pay Sarpy County anything to that-- to their taxes. My guess is everybody that lives in these houses participates in elections. Counties put on elections, they cover those costs. We have courts. Some of these people may end up in court. I understand the military police are going to respond. My guess is when somebody picks up a cell phone and calls 911, that call doesn't just go to the base military police when you call 911 on that cell phone. I imagine it goes to our county-owned E911 services. So I just want to make sure we understand that there are some other services here other than roads that counties provide. But that being said, it is a unique situation. It is because of the federal ground. Now it's almost like this area functions more like an SID or a township. And when the

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testimony was, you know, we-- we need help with our infrastructure, our roads and our parks and our lights and things like that, well I got to tell you, county government is really not in the business of parks for infrastructure and streetlights and things like that. That typically doesn't fall under what we typically see as county government. I'm not familiar enough with Offutt Air Force Base to know if that resides within the boundaries of any city limit or village or anything like that. But the other comment that was made, then I'll open it up to questions, is that well why don't the counties just-- why don't we just meet with the counties and then the counties say, okay, we're not going to charge you taxes because we're not providing the services for the roads. Counties do not have authority to commute taxes. Constitutionally we-- we couldn't do that even if we wanted to. And lastly, you know, again I don't want Sarpy County thrown under the bus. Sarpy County has done nothing wrong here. I mean they-- according to state statute, they have taxed these properties according to state statute. They don't have any authority to do anything other than what they have been doing. So with that I'll finish and open up to any questions that anybody may have. [01:22:00][303.7]

SMITH: [01:22:01] Thank you, Mr. Dix. Senator Harr. [01:22:02][1.1]

HARR: [01:22:03] Thank you. Thank You, Mr. Chair. And I agree with you that Sarpy County hasn't done anything wrong and I agree with you that the ESUs, NRDs receive some of this. But I don't think you can refute the fact that-- in fact, Sarpy County has received some form of a windfall though because of this unique situation. Is that true? [01:22:23][20.7]

LARRY DIX: [01:22:24] Well, Senator Harr, I would-- I would question-- I always question when it says windfall. I would say Sarpy County has received some taxes, but I don't know-- we do not know if the portion of it that Sarpy County received that you're going to say goes to road maintenance. I don't know if Sarpy County is responsible for that road maintenance, just like an SID. [01:22:52][28.0]

HARR: [01:22:53] Fair. But there are some tax benefit that Sarpy County, if we did a checks and balances or pluses and minuses, they probably come out ahead on this whole situation. Do you agree with that? [01:23:02][9.6]

LARRY DIX: [01:23:03] Oh, I think that's a given. [01:23:03][0.1]

HARR: [01:23:04] Okay. Is there a way to create a interlocal agreement to say, hey, we Sarpy County will pay this trash company. We'll let

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them-- pay them to collect this. Is that possible to create interlocal agreements to that degree? [01:23:20][16.7]

LARRY DIX: [01:23:21] Well, I mean, the interlocal agreement laws-- [01:23:24][2.8]

HARR: [01:23:24] Enter a contract then, [01:23:24][0.6]

LARRY DIX: [01:23:27] Pardon me. [01:23:27][0.2]

HARR: [01:23:27] They could enter a contract. [01:23:27][0.5]

LARRY DIX: [01:23:28] They could enter into a contract. [01:23:29][0.8]

HARR: [01:23:30] Okay. And they could do the same for providing secure-- fire and rescue? [01:23:36][5.8]

LARRY DIX: [01:23:37] The fire and rescue probably wouldn't be with Sarpy County because we do not have any county-owned fire departments. [01:23:44][6.2]

HARR: [01:23:45] Who would that be with? [01:23:45][0.5]

LARRY DIX: [01:23:46] I would imagine that would be either with whoever the rural, in this instance, whoever the rural fire department is or whoever the city fire department would be that would be the closest. [01:23:56][10.3]

HARR: [01:23:57] So because they don't have to enter into-- they don't have to protect that area, probably a contract could be made to a third party for that as well. [01:24:06][9.0]

LARRY DIX: [01:24:07] That could be possible. [01:24:08][1.0]

HARR: [01:24:08] Okay. And the same with roads, same with everything else right? [01:24:13][4.1]

LARRY DIX: [01:24:13] I think that would be certainly possible. [01:24:15][2.3]

HARR: [01:24:16] Okay. All right. Thank you. One more, I forgot, does the state collect property taxes? [01:24:23][6.9]

LARRY DIX: [01:24:26] The state does not collect property taxes directly. [01:24:30][3.6]

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HARR: [01:24:30] Okay, I can't remember that. Okay. But the state would be paying the homestead exemption right? [01:24:34][3.2]

LARRY DIX: [01:24:35] Well, as a current-- under current law-- under current homestead exemptions, the state reimburses the political entities that are impacted by that political-- or by that homestead exemption. Yes. So under-- under the current homestead exemption, that is reimbursed back to the political subdivisions. [01:24:58][22.6]

HARR: [01:24:59] Okay. Thank you. [01:25:00][0.7]

SMITH: [01:25:01] Senator Groene. [01:25:01][0.0]

GROENE: [01:25:03] It's really the only part that if you were taking care-- Sarpy County was taking care of this area, would be the roads, that would be it? [01:25:10][7.8]

LARRY DIX: [01:25:11] I think that would be it. I don't know of any other situation that we would do streetlights, sidewalks-- [01:25:17][5.6]

GROENE: [01:25:18] Not paying city taxes, so they are paying some interlocal agreement basically with the federal government for fire, utilities; I don't know who brings in the water. But you could do an interlocal agreement for a part of the \$400,000, reimburse them for the roads. [01:25:34][16.3]

LARRY DIX: [01:25:35] That would be up to the Sarpy County Board. [01:25:37][1.5]

GROENE: [01:25:37] And you made a good point, the NRDs, the ESUs, and brings back to mind that we gave Papio NRD \$17 million to do their levee, their duty for flood control around-- around Offutt, which the flooded basements ought to stop. So I don't know why they're collecting any taxes, property taxes when the state did-- when the only NRD that get state money. But anyway, so that's a good point too. You made a good point. The county of that \$400,000 maybe gets \$250,000. [01:26:10][32.5]

LARRY DIX: [01:26:11] Yeah, I wouldn't know. I wouldn't know how many miles of road are in that sub-- I don't know-- I don't know if the right terminology subdivision or what it is, but-- [01:26:20][8.7]

GROENE: [01:26:22] I've been there, but around the area is that county or is that right in the city limits right outside of it? [01:26:26][4.1]

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LARRY DIX: [01:26:26] I'm not familiar with that enough to know. I would guess-- I've been past it, like you have, I would assume that's in the county, but I don't know where those boundaries are.
[01:26:36][9.4]

GROENE: [01:26:37] So when they leave their subdivision, they're on county roads? [01:26:38][1.5]

LARRY DIX: [01:26:39] They are on county roads. [01:26:39][0.5]

GROENE: [01:26:39] Those citizens are using the county roads and the drainage and the sewers, so a portion of the county, those citizens are using costs. [01:26:48][8.4]

LARRY DIX: [01:26:49] Certainly, just like any other citizen, yes.
[01:26:50][1.2]

GROENE: [01:26:51] Thank you. [01:26:51][0.2]

SMITH: [01:26:53] Senator Schumacher. [01:26:53][0.0]

SCHUMACHER: [01:26:54] Thank you, Chairman Smith; and thank you, Mr. Dix, for appearing today. Sat on this side of the desk for seven years and I probably got a hard heart as a result. But what never ceases to amaze me is the creativity that people have as to why they should get a special deal on taxes. So this particular bit of creativity creates a new class of homestead exemption basically. One hundred percent homestead exempt, and presumably was granted because the violin played was a really good violin. So we've opened the door to creating special classes of homestead exemption where people that come here that say they're having a hard time in the business world or their personal world. So if we open this door, what's to stop next year, the year after that, folks coming demonstrating their creativity. For example, what would be to stop somebody from saying, look it, I send my kids to a private school. I don't use the public facilities of the schools. Please give people who send their kids to a private school 100 percent homestead exemption and then assess them a fee in lieu, or a tax in lieu for their taxes for everything minus the public school, and we'll send a fee in lieu to the NRD, and a fee in lieu to the counties. I mean wouldn't that be the same principle once we open this door?
[01:28:39][105.4]

LARRY DIX: [01:28:43] One thing, Senator Schumacher, you've been here for seven years, I've been here for a few more, and every year there will be nothing that would stop somebody bringing a proposal. But then

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of course it takes the number of votes to get something like that passed and that is your decision. [01:29:01][17.2]

SCHUMACHER: [01:29:01] Thank you. [01:29:01][0.0]

SMITH: [01:29:06] Other questions from the committee? I see none. Thank you, Mr. Dix, for your testimony. Remaining opponents, anyone else wishing to testify in opposition to LB939? Anyone wishing to testify in a neutral capacity? Welcome, Mr. Gay. [01:29:23][17.1]

TIM GAY: [01:29:30] Senator Smith, members of the committee, my name is Tim Gay, T-i-m G-a-y. I'm a registered lobbyist for Sarpy County. I wasn't going to testify, I know you've had a long hearing already. But I do think I should come and put a few facts out there just to clarify for the record. We were watching the debate. We decided we weren't going to testify in any opposition, because we've been working with Senator McDonnell, or at least listening to the creativity of what he wants to do, and open minded. Sarpy County, of course, is-- we have veterans-- several veterans of war, we respect the veterans and the housing and the base and it's very important aspect of Sarpy County. So we wanted to make sure we heard everything out and see what we can do so. But I did want to clarify a few things, I know I wanted to talk about Sarpy County maintenance I have heard on the roads. I don't want the impression left that we're not maintaining roads or we're not doing all we need to do as a county. As you know, Sarpy County you drive by there you could be on a city road and then go to a county road right away because we're kind of urban rural growth pattern. So we work together on interlocal agreements on roads and some of those things, but I think in this project, I'm not sure, I'll find out and get back to you, I think the actual roads inside are private property, they're not county roads that we go in and maintain that private property. So just to clarify, I think we are doing the best job we can with the resources we have to maintain roads. I appreciate Larry Dix stepping up and bringing some of the-- defending the county. That's what I'm here to do a little bit as well. There are other services, 911 services, for instance, the courts and some of those things are used quite a bit as needed by military personnel. So there are a lot of things; when it comes to fire services and all those, I would guess that there is base fire and law enforcement, of course, but sometimes there is aid that's given that would come from Bellevue, the city of Bellevue, or it could come from rural fire district, depending on what's going on. So EMS and some of those things I'd have to get back to you. And I will get back to you with the facts of what the services we're provided. So I just wanted to get that out there on the record. Like I say, we try to do whatever we can do to maybe find some kind of

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resolution. We wanted to monitor and we have been monitoring this bill for some time and I know it does have a fiscal note, so other issues it sounds like. So wanted to get that out there. Be available to answer any questions if there are any questions. [01:32:07][156.4]

SMITH: [01:32:08] Senator Brasch. [01:32:08][0.0]

BRASCH: [01:32:10] Thank you, Chairman Smith; and thank you for coming here today. And, you know, my questions directed at the county weren't specifically to say the counties weren't doing their job. But I truly believe that if the county realized that the conditions our military men and women were in that something should and would be done and it would be a priority. That's just my belief. When the city of Grand Island thought the State Fair was coming there, they did everything but pave the streets in gold to get the fair moved there. And I'm thinking, you know, in defense of their needs, surely, besides a tax exemption of a tax base that we're trying to grow and not erode from, that there would be a solution other than going into a tax exemption is my hope. And I think there's ways to work around this. Would you agree? [01:33:20][70.2]

TIM GAY: [01:33:22] Yes, Senator, I think what you're saying, we, of course, want to support the veterans in the base-- [01:33:27][4.9]

BRASCH: [01:33:27] Oh, absolutely. [01:33:27][0.1]

TIM GAY: [01:33:27] --everything that goes with that, absolutely on that. As far as housing, I'm not an expert on military housing. [01:33:34][7.2]

BRASCH: [01:33:35] We're talking about the roads right now. The roads in life. [01:33:38][3.9]

TIM GAY: [01:33:39] Well, inside or outside the area, because let's say you had a-- and I'll get-- make sure you get the facts here. The way I understand this though is that within their ownership, the land they lease and then they build and improve these for the veterans and active duty is there, but just like any other apartment complex somewhere else that military people might be staying in as well, I don't think the county comes in and maintains roads inside the private property. What I'm saying, on the roads outside and around, I'm sure we're doing a good job and-- well we try to do a good job to maintain our infrastructure, we always have, it's important to the growth of the county. So, but like I say, I don't think that's a county's responsibility to get inside their housing area. I think that's the

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private developers' responsibility. I think so, Senator. I would check for sure to make sure that's the case. [01:34:35][56.6]

BRASCH: [01:34:37] Very good. I have no other questions. Thank you, Tim. [01:34:37][0.4]

TIM GAY: [01:34:37] Thank you. [01:34:37][0.0]

SMITH: [01:34:39] Thank you, Mr. Gay. And I think probably though we're talking about a little bit more than just the parking lots of an apartment complex when we're talking about some of the access, the roadways and such that are currently being maintained by a private entity. I think at the very least you're acknowledging that a private entity is-- is providing services-- services that otherwise would have been provided by the county, in this case. [01:35:07][28.3]

TIM GAY: [01:35:08] Yes, Senator. Senator, we'll find out. And it's very, very good company, a reputable company and all that. So we-- nothing against that, and like I say, we have veterans on the board, the chairman of the board is a Colonel; he'll be here tomorrow actually, so they're very interested in this. I just didn't want to go away, have anybody go away with a feeling that we're trying to not do our responsibly or fulfill our needs. [01:35:32][23.6]

SMITH: [01:35:32] We certainly recognize that. [01:35:33][0.9]

TIM GAY: [01:35:33] Thank you. [01:35:34][0.1]

SMITH: [01:35:34] Thank you, Mr. Gay. I don't see any further questions. [01:35:36][2.0]

TIM GAY: [01:35:37] Thank you. [01:35:37][0.2]

SMITH: [01:35:37] Others wishing to testify in a neutral capacity? Seeing none, we invite Senator McDonnell back to close on LB939. [01:35:45][7.6]

McDONNELL: [01:35:47] Thank you. We still have the problem. We still have the problem with the the military personnel and their families and the infrastructure with the streets, the sewers, the parks. And as Patrick Alston said, they want the problem fixed. Now we can go back and look at prior 2005 when they weren't paying taxes and then since they have been paying taxes in the contract and what's gone on with the company, but it still comes down to we have military people serving their country and their families are living here and we can go through all of the reasons why one of the largest employers in the state Nebraska, Offutt Air Force Base, the idea of the economic

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impact, the idea of wanting to keep them here, and all those things that come into this. But we still have the people that are living there every day and they're the military people coming home to their families that are living there and we still have a problem with streets, with sewers, with parks. And that's what we have to focus on. And as I mentioned in the opening, talking with Senator Smith and working on the idea of knowing that \$1.3 million fiscal notes there, looking at amendments, I will continue to work with him. We'll continue to work with the people of Sarpy County, but still we have a problem and we got to solve it. And that's that's the goal of this bill. [01:37:06][78.3]

SMITH: [01:37:07] Thank you, Senator McDonnell. Senator Groene. [01:37:09][1.6]

GROENE: [01:37:11] What you're saying is we got high property taxes. If the property taxes are \$800,000 dollar, like a normal state, they wouldn't be here, would they? [01:37:17][6.4]

TIM GAY: [01:37:19] Well, let's first look at the-- let's look at the \$1.2 million and \$800,000 going towards education. They're paying the \$400,000 that I believe should be going towards those streets and parks and sewers. But the idea, I think, sometimes with taxes it's-- it's not only what we're paying, and then you look at what you're getting back for what you're paying. And I think those two things go together. So if you're-- if you're paying something and you're getting less than you believe you deserve back, there is a problem. If you're paying something you're getting nothing back, that is a real problem. And right now that's what we're looking at, not on the education side, but if we were talking about this today and we had the \$800,000 going and also there's a child of a military person that left the base, the federal property and went over to that public school and they said, well, we're not going to let you in, even though we know there's taxes coming our way because you live on that base. [01:38:13][54.6]

GROENE: [01:38:14] But it boils it down to, you're getting NRD services, you got flood control, you talked about flooded basement, you're getting ESU services, you're getting educational services, the one thing-- they're didn't fire; what they-- if they were paying to the city, they would be paying a lot higher taxes, but they're getting in lieu of payment to the federal government, that's an air base for fire and police. The one thing we're talking about here is maintaining roads. All the other services they're receiving. [01:38:42][28.1]

TIM GAY: [01:38:43] Okay, well, and also you heard the testimony based on the idea of those services they're receiving and also reimbursing

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through the federal government with, for example, the police and the fire. But also I think any tax you're talking about if-- if we're talking about property tax in the state Nebraska, okay, is it too high? The point is, if I'm John Doe, Jane Doe, I'm asking what am I getting back for the taxes I'm paying? And right now, again, those military people are saying here we have a problem with our streets, sewers. [01:39:11][27.9]

GROENE: [01:39:12] I correct myself. They would be getting the county sheriff too without paying the Offutt for the MPs. [01:39:14][2.3]

McDONNELL: [01:39:22] The problem is still here. [01:39:22][0.7]

GROENE: [01:39:23] Yes, it is. [01:39:23][0.3]

SMITH: [01:39:24] Senator Brasch. [01:39:24][0.0]

BRASCH: [01:39:25] Thank you, Chairman Smith; and thank you again for introducing this bill. I do have-- are they required to use the federal police and federal-- they do not have the option to use-- [01:39:39][14.4]

McDONNELL: [01:39:40] My understanding, the initial call, the military police will respond, the military-- the fire will respond. I'm not saying that there's not-- the fire department coming into assist them, for example, but the first initial responders are going to be from the military. [01:39:56][15.5]

BRASCH: [01:39:56] But that was contractual or is that legal binding that-- you know, could they-- [01:40:01][5.2]

McDONNELL: [01:40:02] I don't know if there's a contract on that or not. [01:40:04][1.7]

BRASCH: [01:40:04] Instead of reimbursing the federal plus paying the taxes which they do, could they save money by not having to contract the federal police and just use the other? [01:40:16][12.1]

McDONNELL: [01:40:17] I don't know if that's ever been discussed, but I'm certain there is a-- there's a number there of a cost, but I don't know if that's ever been discussed. [01:40:24][7.1]

BRASCH: [01:40:25] I just thought that rather than having double police protection, maybe they could save some costs by doing one or the other. But that-- that's my only question. Thank you. [01:40:36][10.5]

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McDONNELL: [01:40:38] Okay. [01:40:38][0.0]

SMITH: [01:40:38] Senator Schumacher. [01:40:38][-0.1]

SCHUMACHER: [01:40:39] Thank you, Chairman Smith. Think you again for bringing this bill to us. What we have here is a large, profitable, private company operating in multiple states that is under contract to provide these services. The third-party beneficiaries of that contract are the servicemen, service women. If there's potholes, whose problem is it? It is the problem of that private company who undertook to provide that service in hopes of a profit, but nobody is guaranteed the profit. So if there's a problem with something not getting done, why not contact the Department of Defense and say, look it, this company is shirking on its responsibility to fix the potholes.
[01:41:42][63.2]

McDONNELL: [01:41:44] Well, let's also remember that that private company is paying taxes and therefore there should be something coming back for the return on those taxes that they're paying.
[01:41:54][10.0]

SCHUMACHER: [01:41:54] That was a concern they should have taken into effect when they entered into the deal. They didn't, for whatever reason. And they've got this deal. This is not the taxpayers of the state of Nebraska at stake here, it is a private, fairly small, \$400,000 a year number on a large corporation's book due to probably what was a little bit of legal short thinking on their part, and a little bit of gambling that the government wouldn't tighten down on whatever subsidy they-- or things they get. So tell me how this is our problem. [01:42:33][38.4]

McDONNELL: [01:42:33] Okay, so if we looked at the \$400,000 and comparable to what that is in the big picture of that company, I don't know. But the idea of that \$400,000 was coming back to where it should be, based on those streets, those sewers, those parks, and then additionally we needed to have X because there still need to be more improvements on the streets and the parks and the sewers then I could understand more of your logic. But right now we have money being-- actually tax dollars being given and the return isn't what I believe it should be. Even though I believe that there is an opportunity here to work with Sarpy County. I know Sarpy County wants to work on this problem. But still, we have a problem. Now you have a company over here that is paying taxes, but there should be something coming back for those streets, for those parks, based on there's been money spent-- just like the school. There's \$800,000 going towards education. Those kids are going to those schools. And there is

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something on that return that that company is paying. Right now we have an issue, now maybe-- and I don't know the exact number, but let's say that \$400,000 solves half of our problem, while the other half is going to be-- then have to be solved in another way through the company. But still we have an issue with the money, the taxes and the problem we have with, again, streets, parks, sewers.
[01:43:54][80.2]

SCHUMACHER: [01:43:57] It is still a deal that we're being asked to rewrite the circumstances for. [01:44:00][3.5]

McDONNELL: [01:44:03] We're not asking to go back in this bill to 2005 and look at then thereafter the contractual agreement, we're looking at right now the problem and within that agreement they're paying taxes and we have an issue now with \$1.2 million of taxes and \$800,000 is not an issue because of the education being given to those-- those children of the military personnel, but we still have a \$400,000 issue based on the problems that we see where the people are living, again with the parks, streets, sewers. [01:44:35][32.5]

SCHUMACHER: [01:44:37] Do we give a little bit of tax in lieu, or pay them a little taxes to the Clerk's Office, to the court system, to the-- to the county roads that are used. I mean, we're doing-- we're saying the schools will give payment in lieu, but all the other services, there's no payment in lieu, people of Nebraska will pick up the tab. There was a little shortcoming, a business judgment, but not too much. [01:45:03][26.2]

McDONNELL: [01:45:03] Okay, I buy a house. My house is on a street. I'm living in that house. I'm paying taxes. They say, well, Mike the street in front of your house, yeah, we're not going to take care of that street. Well hold on, I'm paying taxes. Well, Mike, your house is special. We decided it's on this property, federal property, whatever. The point is we're not, hold on, I'm paying taxes, I should get my street fixed in front of my house. I'm now a company, I am paying taxes and now we have an agreement, which I know this is a unique situation we're in, we have federal land, but we still have tax dollars being given, again \$800,000 for education, and we have \$400,000 and we still have a problem with our streets. And I'm not saying the \$400,000 is going to take care of all the problems with streets, sewers, parks, I'm not saying that. I'm just saying that should be part of the solution for the problem. And then the remainder is going to have to be solved between the company and the federal government. But still, there is a part here that we can help those people that are living in that situation right now, those families,

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as-- as Patrick testified to, they they want a solution. They want to see some services here. That's what they're looking for.

[01:46:13][69.6]

SCHUMACHER: [01:46:14] But if your house was in private gated community in which you would be responsible for the roads and everything else-- [01:46:19][5.3]

McDONNELL: [01:46:20] Okay. [01:46:20][0.0]

SCHUMACHER: [01:46:21] --you'd still pay the same county tax bill. [01:46:22][1.4]

McDONNELL: [01:46:23] Okay, let's-- right now we have an issue where they are paying that bill. This company is, they're paying their tax dollars. We have an issue with-- the problem with the infrastructure. And we have monies that's being paid that what percent of that could solve our problem? I don't know, is it half of our problem, is it 10 percent? But it could come back to help solve part of our problem. Even though it's been suggested that this is nothing about the company making more money, I disagree with that. I disagree with the idea that there is a fairness issue here too where there's been taxes, they're paid, and now they're asking, hey, we need some services because of those taxes. [01:47:02][38.8]

SCHUMACHER: [01:47:06] Thank you. [01:47:07][0.6]

SMITH: [01:47:08] Senator Brasch. [01:47:08][0.0]

BRASCH: [01:47:08] Thank you, Chairman Smith, and thank you again. I think the troubling point here is that they are paying taxes, but they are also gaining revenues from rent for 2,000 homes. I mean, it's a business transaction. And when it talked-- you know, we hear about fairness on this committee and we try to and we have legislation where individuals are paying their taxes, but they're also paying for private schools and paying for public schools. And you're caught between a rock and a hard place there. You know, our tax base is for the greater good of all. And again, you know, I would like to reiterate that I believe that before you come to the Legislature, unless it's a matter of writing into statute something here about a military installation, and county, and city, and transportation, but as far as going into the world of homestead exemption when clearly our property tax system is, I believe, unique to the rest of the country, it's going to be hard to bring that together in one place. But we do work for fairness, but we've got a couple of bills out there where

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people pay tuition for their kids to go to school and yet they're paying taxes to public schools. [01:48:46][98.5]

McDONNELL: [01:48:47] I'm one of those people. [01:48:48][0.8]

BRASCH: [01:48:49] Okay. Well, and I'm just saying that if this is an exception, I don't see the case quite yet, but I do believe the case is there to make sure that our military families have the same infrastructure that the rest of the individuals in the state do. [01:49:13][23.7]

McDONNELL: [01:49:13] And I'm not going to be saying this is going to give them the same infrastructure. I'm just saying this is going to be a helpful step forward to help improve the poor infrastructure that they're dealing with on a day-to-day basis right now. [01:49:23][9.2]

BRASCH: [01:49:25] All right. Thank you. [01:49:25][0.7]

SMITH: [01:49:28] I see no further questions. Senator McDonnell, thank you for your closing on LB939. [01:49:31][3.8]

McDONNELL: [01:49:36] Thank you. [01:49:36][0.1]

SMITH: [01:49:36] We will allow the room to transition here and then we're going to take up LB965 to be introduced by Senator Schumacher. Senator Schumacher. [01:50:02][26.0]

SCHUMACHER: [01:50:02] Thank you, Chairman Smith, members of the Revenue Committee. My name is Paul Schumacher, S-c-h-u-m-a-c-h-e-r, and I represent District 22 in the Legislature. I am here today to introduce LB965 which, on its face, is a fairly simple bill that calls for the use of the parcel number in addition to the legal description in the process of a tax sale for delinquent taxes. Just really briefly here to explain what's going on and this was brought at the behest, I believe, of the bar association; they thought it would help assist the process some. If you don't pay your taxes, then after X period of time the county treasurer runs an ad in the paper saying we're going to sell these taxes. Now for a long time, I wondered who would ever want to buy taxes, most people want to get rid of them. But the county sells those taxes, and offers them for sale through this list that appears in the paper. And if you're interested in buying it, you eventually go to a tax sale. We've discussed that on the floor several times, but that's nothing to do with this. They go to tax sale. Well if you're a person who's interested in buying those taxes, or maybe a landowner who is-- forgot to pay their taxes and whose-- whose property is up there, they would sure help to know. And those

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descriptions that appear in the paper are legal descriptions, you can't put the person's name in the paper, because they don't own the taxes the taxes are owned by the property. And so you see something like lot 2, block Z, Hummings addition to X town, or the north half of the northeast quarter of the south half of the northwest quarter of section such and such, township such as such. Really pretty hard to figure out what you're dealing with and it takes a lot of time to trace out what you're doing. Most of the counties now have got a very sophisticated Web page system, and most of you have probably been on it where it brings up equivalent of a satellite photo or a map and it shows the various parcels on there, and the parcels, the quickest way to identify a parcel is not to search for blocks and lots or to search for quarters of quarters and halves of sections, but to put in the parcel number. So if you want to shop that list, the quickest way is put in parcel number and that parcel number is assigned by the county treasurer. This particular bill says when they publish that list, put the parcel number in there so that people can search quicker and see what properties are up for sale or what properties might be their particular properties if they for some reason slipped up and didn't pay. The-- there is an amendment that I have given to the clerk in which, I think, pointed out that in some counties you had-- and largely ones that haven't updated, but you had the assessor's office using a different, older number than the treasurer's number. And the amendment basically says we use a treasurer's number because that's the number that's on the tax sales certificate, that's the number that counts for purposes of a tax sale. And so that's what the amendment clarifies that the parcel number we're talking about is a parcel number assigned by the treasurer which is also the one that appears on the Internet as part of the display of the county map. So that would be my introduction. [01:54:14][251.8]

FRIESEN: [01:54:15] Thank you, Senator Schumacher. I will have to say, I've looked through this forward and backwards and I want to know what the hidden agenda is here. This is too simple. [01:54:23][8.2]

SCHUMACHER: [01:54:26] That is a secret, Senator. [01:54:27][0.7]

FRIESEN: [01:54:30] Any questions from the committee? Seeing none, I'm still looking. [01:54:36][5.8]

SCHUMACHER: [01:54:38] It's well hidden. [01:54:38][0.2]

FRIESEN: [01:54:41] Thank you. Any proponents? Welcome.
[01:54:42][1.2]

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BUB WINDLE: [01:54:53] Senator Friesen, members of the committee, my name is Bub Windle, B-u-b W-i-n-d-l-e, here on behalf of the Nebraska State Bar Association in support of LB965. Senator Schumacher did an excellent job of laying out the basics, so not much to add there. This is about making it easier to identify these properties when they're published, not changing when it's published, the means through which publication or notice is forwarded or delivered, just stating that in addition to the legal description the county treasurer would include the parcel ID. The legal descriptions just usually aren't that familiar, that intuitive. I actually looked-- I was curious looked mine up, you know, the legal description is associated with Rathbone Sunset Hills. I would never think of my home being there. Rathbone is a street seven blocks away from where I live, and you know, might not do that easily. The parcel ID, however, is easier to identify, is on the tax statement, is something people are more familiar with, as Senator Schumacher said, it's easier to look up with the online systems that are available now and certainly easier to identify. As I've looked at some sample lists where they're published numerically it's very easy to find a parcel ID number as opposed to looking at legal descriptions or something else. I will mention we kind of heard two concerns since the bill was introduced. One, Senator Schumacher touched on with the amendment. There are limited circumstances when a county assessor might have a different number than a county treasurer. In talking to NACO, the example we heard is if you've got a large parcel that you end up subdividing, sometimes the assessor essentially acts more quickly so they're out assessing these newly subdivided parcels and will use a new number. The county treasurer essentially, because they operate on the tax year cycle, the tax statement cycle, they will catch up with that in that tax year's time, but there just may be some short term discrepancy. The amendment addresses that by specifying that it's the county treasurer's number. The other thing we heard is the cost associated with publication. But in talking to NACO, this is kind of reflected in the fiscal note, sounds like some counties already provide this information, so it's nothing new, no cost. And then also looking through the statute, it's my understanding that the county is actually able to recoup some of these costs by assessing a few, with respect to the delinquent taxes. So the costs kind of gets covered on the back end. With that I'll thank Senator Schumacher for introducing the bill and can answer any questions.
[01:57:42][169.6]

SMITH: [01:57:44] Thank you for your testimony. Questions from the committee? I see none. [01:57:47][3.0]

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BUB WINDLE: [01:57:49] Thank you. [01:57:49][0.3]

SMITH: [01:57:49] Thank you. We continued with proponents of LB965. Seeing none, we now go to opponents, those wishing to testify in opposition to LB965. Seeing none, those wishing to testify in a neutral capacity to LB965. [01:58:08][18.8]

LARRY DIX: [01:58:13] Good afternoon, Senator Smith, members of the committee. My name is Larry Dix, L-a-r-r-y D-i-x, I'm executive director of Nebraska Association of County Officials appearing in a neutral capacity upon LB965. A couple of things: Senator Schumacher and the previous testifier certainly covered everything that really, really is in this bill. One thing I'd ask the committee just to look at on page 2, line 13; I think it talks about the parcel number, if any, and I can go either way. If "if any" is really needed because I believe every parcel has a parcel number, so I don't know if "if any" really, really needs to be there. I'll leave that up to you. The situation when we, the NACO board, talked about it, talked to a number of counties, there are a number of counties that are already, when they advertise this, that they already put their parcel number in in the newspaper for the simple reason it does help people identify which parcels, just as Senator Schumacher replied, and the counties that didn't, we felt that any software change would be very, very minimal. And again, once we advertise that the thing of it is it will add a little bit of space to the advertisement. We understand that it's a space issue with the newspapers and on some day, as we move forward, we'll probably get to looking at laws where we can advertise these things electronically and that that really wouldn't be an issue. So with that I'd be happy to answer any questions anyone would have. [01:59:57][103.8]

SMITH: [01:59:58] Good; thank you, Mr. Dix. I see no questions from the committee. [02:00:01][3.0]

LARRY DIX: [02:00:02] Thanks. [02:00:02][0.0]

SMITH: [02:00:03] Others wishing to testify in a neutral capacity? Seeing none, we invite Senator Schumacher back to close on LB965. [02:00:10][6.8]

SCHUMACHER: [02:00:13] Thank you, Chairman Smith. And brief answer to Senator Friesen's question. If you look closely at the map in Platte County, parcel number of the county roads, or at least some of them, is 666. Now you know the secret. [02:00:34][20.8]

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SMITH: [02:00:35] All right. Senator Harr. [02:00:38][3.7]

HARR: [02:00:39] Thank you, Chairman Smith. Is this your last bill in Revenue? [02:00:42][2.1]

SCHUMACHER: [02:00:43] No, I've got a couple doozies coming. [02:00:44][1.0]

HARR: [02:00:50] Son of a buck. [02:00:50][0.1]

SMITH: [02:00:50] All right, very good. We'll look forward to those. Thank you, Senator Schumacher. That closes the hearing on LB965. We now invite Senator Briese to open on LB1016, 1-0-1-6. Welcome, Senator Briese. [02:01:12][22.2]

BRIESE: [02:01:13] Thank you, Chairman Smith; and good afternoon, Chairman and members of the Revenue Committee. I'm Tom Briese, T-o-m B-r-i-e-s-e, and I represent the 41st District. I'm here today to present to you LB1016. And I've provided an amendment for your review. And it is my wish that this amendment AM2015 becomes the bill, makes a couple of changes to the green copy. As many of us have contemplated various avenues for tax relief, one recurring question is how to pay for such relief. And that is the reason for this bill, it's an effort to access a source of funding for, in this case, property tax relief. In general, AM2015 creates the Money Transmission Fee Act. It's patterned to some extent off of an Oklahoma statute and an effort in Georgia to do the same thing. Under AM2015, a money transmitter license under the Nebraska Money Transmitters Act, found in Nebraska Revised Statute, Section 8-2701, will be required to collect a fee on money transmissions to locations outside of the United States. Green copy was anything out of state, amendment is outside of the United States, so international transactions. The fee would be 3 percent of the amount transmitted with a \$5 minimum fee. It would include money transmissions by order, wire, facsimile, or electronic transfer. There are several exclusions, it will not apply to a transmission on behalf of any business entity, including but not limited to corporations, limited liability companies, or partnerships. It will not apply to a transmission from a financial institution, from an account on behalf of depositors. The money transmitters will be required to remit the fees collected on a quarterly basis to the Department of Revenue, along with their report summarizing the transactions. These fees are then to be deposited into the Property Tax Credit Fund. The transmitters will be allowed to deduct and retain 2 percent of the fees collected, not to exceed \$500 per quarter. The individual for whom the transaction is made shall be given a receipt showing the fee paid pursuant to this act, and they shall also be provided a notice

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explaining that they are entitled to an income tax refund or the amount of the fee paid. The bill provides for a non-refundable income tax credit against the state income tax liability of a Nebraska taxpayer for the amount of fees paid pursuant to this act. I reference the fiscal note as estimating a gain to the Property Tax Credit Fund of about \$12 million per year, but that was the bill in its original form targeting any transmissions out of state. We chose to limit the amendment, as I said, to only international transactions. And colleagues, I believe this is sound policy. I anticipate some testifiers will come forward who may feel otherwise. But that's what we're here for, to flesh-- to flesh this idea out. And so I'd be happy to answer any questions. Obviously I'll be around for the closing, I could answer them then after we've heard from folks, but happy to answer any questions. Thank you. [02:04:21][188.3]

SMITH: [02:04:21] Thank you, Senator Briese. Senator Friesen.
[02:04:22][1.0]

FRIESEN: [02:04:23] Thank you, Chairman Smith. So to clarify, I mean the way you-- the new amendment says that it will only be international money transfers. [02:04:29][6.3]

BRIESE: [02:04:30] Yes. [02:04:30][0.0]

FRIESEN: [02:04:31] Not any domestic. [02:04:31][0.6]

BRIESE: [02:04:32] Yes. [02:04:32][0.0]

FRIESEN: [02:04:33] Okay. Thank you. [02:04:36][3.3]

SMITH: [02:04:36] Senator Schumacher. [02:04:36][0.0]

SCHUMACHER: [02:04:37] Thank you, Chairman Smith. Thank you, Senator Briese, for bringing us this bill. Any reason that we don't exclude transactions between relatives? [02:04:44][7.6]

BRIESE: [02:04:46] Don't exclude transactions. [02:04:47][0.8]

SCHUMACHER: [02:04:48] I mean, we exclude corporations; business entities; partnerships, presumably a husband and wife might be a partnership; or any other business entity; why not relatives too?
[02:04:56][8.4]

BRIESE: [02:04:57] Hadn't really thought about that. But I don't understand the importance of doing that or why we might do that, I guess, but hadn't really thought about that. [02:05:05][7.7]

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SCHUMACHER: [02:05:05] If you're excluding business transactions, what else is left besides relatives. [02:05:12][6.6]

BRIESE: [02:05:14] That's a good point; it probably would be-- majority of them would be relatives, I would guess. [02:05:18][4.0]

SCHUMACHER: [02:05:21] And assuming this is to a country that the United States has got a treaty or a trade agreement with, NAFTA, many of the ones with Southeast Asia, any of our trading partners, where we've committed to free trade and free flow of money, how does this not trip across that? [02:05:43][21.5]

BRIESE: [02:05:44] I'm not sure that it wouldn't. We'd have to look into that. [02:05:47][3.0]

SCHUMACHER: [02:05:49] And couldn't you beat the system if you were inclined to do so by simply having a group of running-- running through shell company that isn't an LLC on both ends and you made the transfers through shell companies that you'd beat the system? [02:06:08][19.2]

BRIESE: [02:06:09] If you were so inclined and sophisticated enough to do so, yeah there would be ways around this. [02:06:14][4.9]

SCHUMACHER: [02:06:14] Thank you. [02:06:14][0.0]

SMITH: [02:06:17] Senator Harr. [02:06:17][0.0]

HARR: [02:06:18] Thank you. Thank you, Senator Briese. Thanks for bringing this. I'm still trying to figure out what is the purpose or why we need this bill. [02:06:25][7.9]

BRIESE: [02:06:26] It's simply an effort to raise revenue. And nothing really else is being targeted other than a, in my-- from my perspective, other than a means to raise revenue. [02:06:37][11.2]

HARR: [02:06:41] Well, so why international versus just state then? [02:06:44][2.9]

BRIESE: [02:06:45] Trying to mute the concerns of some of the industry representatives that might appear-- appear today to talk about it would be the first and foremost concern I would say. Also you're going to have a lot of examples where you might have kids in college somewhere in the states. You know, I don't want to implicate too many of those types of situations. [02:07:05][20.0]

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HARR: [02:07:07] And as a person who went out of the country for a year for school, that's what kind of worries me. Did you draft this yourself or did someone give this to you, the bill itself?
[02:07:18][10.7]

BRIESE: [02:07:20] Drafted it ourselves, essentially; it's patterned after the Oklahoma statute and the Georgia bill, taking bits and pieces out of both of those. [02:07:30][10.2]

HARR: [02:07:31] Who would be most likely to pay this tax?
[02:07:33][2.0]

BRIESE: [02:07:36] Well, going back to Senator Schumacher's point, I guess it would be family members of folks here sending monetary transmissions out of the country and who they would be, I can't answer that, the specificity. [02:07:49][13.2]

HARR: [02:07:50] We kept Cuba going for a number of years through sending money back, but my concern is that this is wire transfers to use the words of our President that go to fecal matter or fecal crater countries right? I mean, that's where we're seeing the majority of these-- the money go to. [02:08:07][17.6]

BRIESE: [02:08:09] That's a possi-- I hate to characterize any country in that way, but it's using-- [02:08:14][4.4]

HARR: [02:08:14] Yeah, that's our President. [02:08:14][0.0]

BRIESE: [02:08:15] Yeah, yeah, sure. [02:08:15][0.3]

HARR: [02:08:16] That I didn't vote for by the way. But that's the concern is why are we-- because I see this going to countries back to poorer countries. [02:08:25][9.5]

BRIESE: [02:08:26] Sure. [02:08:26][0.0]

HARR: [02:08:27] And I see this as people come to the United States to earn more money and to send-- to help their family, maybe, maybe bring them back illegally through chain migration, if we still have that. And yet this prevents us sending money back or, not us, but people sending money back to their families in other countries and helps support those economies which ultimately that those economies do well maybe they don't want to come to our country. [02:08:56][29.0]

BRIESE: [02:08:57] Sure. I'm not against sending those dollars back there, but I feel my obligation here is to look out for Nebraskans and Nebraska taxpayers and to the extent we need dollars for tax relief. I

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think this is a legitimate source of funding for that. And who is-- and what comes back-- the question that comes back to me on this is who is being hurt? Ultimately, if anyone is being disadvantaged by this, it's most likely residents of other countries who-- who I have compassion and concern for, but whose well-being is not really my responsibility. [02:09:34][37.5]

HARR: [02:09:36] Thank you. [02:09:36][0.2]

SMITH: [02:09:39] Senator Brasch. [02:09:39][0.0]

BRASCH: [02:09:40] Thank you, Chairman Smith. Thank you, Senator Briese. I do share a concern about this is now focused on individuals who are transferring money for personal purposes. That's concerning. But I'm also now believing that my good friend, colleague here, is for transparency and open voting, perhaps, now that we know how he voted, I'll-- I didn't say their name, keep that secret. But did those other two states that introduced this do you know why they did? What was their driving factor? Was it just more taxes, new taxes, or would they have a problem? [02:10:32][52.0]

BRIESE: [02:10:32] I believe the-- I don't know if it's directed towards tax relief is what this would be. I believe Oklahoma's is directed to quote, unquote money laundering and transmitting funds or something-- revolving fund or something like that. I could look it up. And I think George's was proposed to go into the, essentially, just going to the treasury. And the purpose, the impetus behind it, I'm not really sure. [02:10:55][22.9]

BRASCH: [02:10:57] The purpose would be interesting to know what their end result-- what the problem they were solving other than more revenue. I have no other questions. Thank you. [02:11:08][10.8]

SMITH: [02:11:11] Other questions from the committee? I see none. Thank you, Senator Briese, for your opening. Oh, I'm sorry, I didn't see your hand. Senator Harr. [02:11:18][6.8]

HARR: [02:11:18] Thank you. Thank you. Does this apply to ATM transactions? [02:11:21][2.5]

BRIESE: [02:11:23] I'm not sure-- well, ATMs would typically be owned by a bank or financial institution who, I think, are excluded from the money transmitters act. So I would say I don't believe so. [02:11:35][12.3]

HARR: [02:11:36] Okay. [02:11:36][0.0]

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BRIESE: [02:11:37] And obviously there's multiple ways-- a multitude of ways to send money anymore and you're not going to catch everything with this. And I think Senator Schumacher alluded to ways around this and it's not going to catch everything. [02:11:51][14.0]

HARR: [02:11:53] Would this apply to bitcoin. [02:11:53][0.8]

BRIESE: [02:11:55] Bitcoin, I don't know, I don't know much about bitcoin. [02:11:57][2.0]

HARR: [02:11:57] All right, thank you. [02:11:58][0.9]

SMITH: [02:12:01] And just clarification, so this would be imposed upon resident Nebraska taxpayers? [02:12:08][7.2]

BRIESE: [02:12:10] Yes, it would be imposed on anybody in Nebraska sending these dollars, and to the extent they're taxpayers, they're entitled to this tax credit and say they are capped to the extent they are taxpayers they are made whole with this tax credit. [02:12:26][16.0]

SMITH: [02:12:27] As you are looking to put together this bill, did you have any thoughts or knowledge or understanding of where the people that would be impacted by this typically would reside? [02:12:42][15.7]

BRIESE: [02:12:45] The folks in Nebraska or the receivers or the transferee-- [02:12:48][3.4]

SMITH: [02:12:48] No, inside of Nebraska. [02:12:49][1.2]

BRIESE: [02:12:50] No not really, not really, hadn't thought about that. But like I say, Nebraska taxpayers they're made whole by the refundable tax credit; and to the extent they have a bank account, transfers out of a bank account, aren't-- [02:13:07][17.1]

SMITH: [02:13:08] To the degree that the people that are transmitting that fee actually own property. [02:13:12][3.7]

BRIESE: [02:13:15] But they're entitled to the refundable tax credit for the amount of the fee they paid is what I'm getting at as per the-- [02:13:21][6.5]

SMITH: [02:13:21] I see. Okay. [02:13:21][0.1]

BRIESE: [02:13:22] Yeah, that's what I meant by that. [02:13:23][1.1]

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SMITH: [02:13:24] Very good. Thank you, Senator Briese. We now open the hearing to proponents of LB1016, those wishing to testify in support of LB1016. Seeing none, proponent? Those wishing to testify in opposition to LB1016; opponents of LB1016? Welcome. [02:14:02][37.5]

ADAM WEINBERG: [02:14:03] Thank you. Good afternoon, Chairman Smith, members of the Revenue Committee. My name is Adam Weinberg, for the record A-d-a-m W-e-i-n-b-e-r-g. I'm here testifying on behalf of the Platte Institute in opposition to LB1016. I sincerely appreciate Senator Briese offering the bill and bringing the idea forward so that we can have this discussion. Our staff debated how to weigh in on this bill. It would be very easy for us to just let it go, but we felt that from an economic freedom and tax policy standpoint that there are some concerning aspects to LB1016's tax because it's a tax on money that workers might choose to transfer to others, in the original version across state lines or internationally, and with the proposed amended version would be is internationally. And for the sake of economic growth, we should want more people to move to Nebraska and to add their skills to our economy and to contribute to our quality of life. Work and family life are often complicated. Sometimes a person might be living and working here in the United States and in Nebraska, but they may have loved ones in other states or countries and they have a need to use money transfer services. Actually within my own immediate family, when I first moved here, I used the money transfer. My wife and daughter were finishing out the school year back in California and we were changing banks. We had a family emergency and I needed to use another method to be able to send them money right away. And if the original version, unamended of LB1016 had been the law at the time, I would have been effectively had to pay a 3 percent income tax on top of the income tax that I have already paid on that income, at least in my case, until it was time to file and claim a credit. And as I read it in the bill, this is a non-refundable credit; so because I have an income tax liability at the end of the year I could go and claim that. But if you do not have an income tax liability, and I can think of a number of Nebraskans who may not. For example, my mother-in-law she has a best friend in Brazil and if she wants to, she's on Social Security, if she wants-- she wants to send her money because something came up, I don't believe she'd be able to claim that credit if it's non-refundable. At least that's how I understand it. So by having this work around process by where some people pay the tax, but some people don't really have the right paperwork or they have the right tax liability, it suggests that LB1016 would impose a tax that doesn't adhere to the principles of sound tax policy, which according to the tax foundation would be simplicity, transparency, neutrality, which I think is a concern here, especially, and stability. From a stability

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standpoint, if we're taking this down, from across state lines to international, that reduces the base that we're talking about even more. So we can call LB1016 a fee, but really it's not taxing the cost of the service, it's taxing the earnings that workers send to their loved ones. And it's often on a regular basis so that means it's essentially a backdoor income tax, from our perspective. How it really aims to generate revenue for the Proper Tax Credit Relief Fund, particularly if amended to only deal with international transfers is through targeting a very specific portion of the workforce. And the Platte Institute believes that this kind of non-neutral tax policy is economically harmful and distortive, whether it's aimed at our top tax brackets or whether it's aimed at our bottom tax brackets. The right to do what we wish with our income is nearly synonymous with economic freedom. And to treat this method of sending money differently than others seems out of line if our goal is to grow our state, particularly since almost no other states find it necessary to impose a similar tax. It's one thing in the broader property tax reform discussion if we want to pay more of certain broad-based taxes, all of us, to pay more of certain broad based taxes so that we can have lower property tax rates. It's another thing entirely to use a tax to target people who are likely lower income and use that revenue to pay the property taxes of people who are on average wealthier. Thank you and I'd be happy to try to answer any questions that I can.

[02:18:01][238.3]

SMITH: [02:18:02] Thank you, Mr. Weinberg. Questions from the committee? I see none. Thank you. [02:18:07][4.3]

ADAM WEINBERG: [02:18:07] Thank you. [02:18:08][0.3]

SMITH: [02:18:09] Next opponent of LB1016. Welcome. [02:18:11][1.5]

JILLIAN PEVO COUGHENOUR: [02:18:21] Good afternoon. Jillian Pevo Coughenour with Western Union; J-i-l-l-i-a-n C-o-u-g-h-e-n-o-u-r. Good afternoon, Chairman Smith and members of the committee. My name is Jillian Pevo Coughenour and I am the director of government affairs for Western Union. I appreciate the opportunity to appear before the committee today to respectfully oppose the concepts found in LB1016. Western Union, as a global leader in innovative cross-border, cross currency money transfer services. We operate in over 200 countries and territories through a network of about half a million agent locations. As our customers move into digital platforms, we continue to meet them there. We have a big focus as a company on expanding in the digital space and existing online applications and mobile services. In Nebraska, Western Union is proud to offer money transmission services

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to consumers through about 300 agent locations. Our agent location partners in Nebraska include Hy-Vee, Albertsons, Walgreens, and many others including neighborhood grocery and convenience stores. Western Union facilitates money transfer services from paying utility bills to sending money to family members and friends for Nebraska residents from all walks of life. While licensed money transmitters initially appeared to fall outside the scope of the providers impacted by this bill, and now if the gentleman, Senator Briese's amendment was adopted, we would be directly impacted. Taxing money transmission could hurt consumers, businesses, and in our view hinder the work of law enforcement. Making money transfer services arbitrarily more expensive could significantly impact the number and frequency of customers who frequent our agent locations as consumers look to avoid the sizable new tax. Decreased foot traffic combined with the potential loss of revenue as consumers find other ways to move money would be especially detrimental to small businesses. Taxing money transmission could also seriously undermine the private sector's ability to work with law enforcement. Western Union has a strong focus on compliance and anti-money laundering efforts and that results in the ability to track transactions and provide real time assistance to local, state, and federal law enforcement on a wide range of security issues from fraud to terrorist finance. If enacted, LB1016 would encourage money to move underground and outside of reputable regulated systems. Once that happens, there really is no private sector partner for law enforcement to work with. If you allow it, Mr. Chairman, I'd also like to enter an article into the record from the Omaha World-Herald from January that details a story about an elderly woman being scammed and she was actually stopped at the point of sale due to Western Union's compliance efforts. Unfortunately, when Western Union refused to complete that transaction, she found an alternative, less regulated means to send those funds anyway. Lastly, and I think this has been hit upon in prior questioning and testimony, but efforts to track money transmission would likely hurt the consumers who can least afford it. Our customers are students, parents, our friends, our neighbors, our relatives, and taxing money transmission creates a serious burden for many segments of the population. So thank you for your time today. [02:21:58] [216.9]

SMITH: [02:22:00] Thank you for your testimony. Questions from the committee? So this World-Herald article that you distributed, this is-- I think your point is to show that there are other means of transferring monies should people be pushed away from the more traditional means. [02:22:20] [20.1]

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JILLIAN PEVO COUGHENOUR: [02:22:21] Yes, sir. So we believe that's, you know, a very price sensitive market. So as consumers look to avoid this new tax, it's likely that they would, you know, go to a black market type underground situation and then you lose that connection with law enforcement, you would have through Western Union, or frankly other licensed money transmitters, you know, with the state banking department. Correct. [02:22:44][23.1]

SMITH: [02:22:45] Very good. Thank you. Questions from the committee? I see none. [02:22:48][3.6]

JILLIAN PEVO COUGHENOUR: [02:22:49] Thank you, sir. Thank you. [02:22:50][0.2]

SMITH: [02:22:50] Thank you for your testimony. We continue with opponents of LB1016. Welcome. [02:22:55][5.4]

NATE DOBBS: [02:23:02] Welcome. Thank you. Good afternoon, Senator Smith, Revenue Committee. My name is Nate Dobbs, that's spelled for the record N-a-t-e D-o-b-b-s, and I'm staff attorney with the immigrants and communities program with Nebraska Appleseed. We are a nonpartisan, nonprofit organization dedicated to justice and opportunity for all Nebraskans and I'm here today to express our opposition to LB1016. I think we've established now this is likely a tax not a fee and this tax will hurt lower income tax paying Nebraskans and create an additional administrative burden on the state and even to a degree likely to be unconstitutional. It's cumbersome and circular reimbursement scheme, LB1016 would create unnecessary costs and administrative burdens on the state by imposing new tax on money sent out of the country and would allow people to recoup the payment through a later tax credit. This bill allows financial institutions to give a portion of that tax. So if a majority of people were to recoup the tax through the tax credit this would create a net loss to the state, not to mention the administrative cost to the state of creating and managing the bureaucratic process. And as been stated before, people most likely to be hit by this tax are the ones who have the lowest income and not required to file a tax return in the first place. It's worth mentioning to the constitutionality, I think, Senator Harr speaks to your question is maybe why the state-to-state transfers were removed. I believe that would likely be a violation of the Dormant Commerce Clause that's been-- the Supreme Court has addressed those types of economic protectionism and isolation in past court cases, so I think it would-- it was reasonable to remove that, but by creating a tax on international transactions you also hit on the commerce clause by violating the power of the federal government

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to speak with one voice in regulating international commerce as well. But my final point will be sometimes the goal proposals like this is to impose additional taxes on undocumented residents. We would also question that purpose since undocumented Nebraskans already make significant tax and economic contributions to the state. For example, undocumented Nebraskans pay nearly \$40 million per year in state and local taxes alone with access to fewer services than other Nebraskans. If that's the goal of LB1016, then this bill is very problematic and it would fail that purpose because the vast majority of undocumented Nebraskans pay taxes. And for those reasons we urge the committee to indefinitely postpone LB1016. And I'd be happy to take any questions. [02:25:43][161.1]

SMITH: [02:25:45] Thank you, Mr. Dobbs for your testimony. Questions from the committee? Senator Friesen. [02:25:48][2.9]

FRIESEN: [02:25:50] Thank you, Chairman Smith. When we talk about transferring money internationally, do you know of other countries and are there restrictions on wiring money back and forth, do you have any idea? [02:26:00][10.8]

NATE DOBBS: [02:26:02] I don't know about the other countries. I could speculate that perhaps other countries might have types of regulations in place on money going into the economy or to people, I don't know for sure, but I imagine based on their government structure some might. [02:26:18][16.1]

FRIESEN: [02:26:18] I mean at one time I thought-- I think it was Brazil or Argentina limited very strictly the amount of cash leaving-- or money leaving the countries, would that-- do you think there's-- are there countries like that, do you know? [02:26:32][13.4]

NATE DOBBS: [02:26:35] Probably. I would imagine if you were sending money as an individual to North Korea, you'd probably run into some some hurdles. [02:26:45][10.1]

FRIESEN: [02:26:46] So even if I leave the country with a lot of cash in my-- do I have to declare it or what are the rules there? [02:26:51][4.7]

NATE DOBBS: [02:26:53] I'm not sure of the rules on declaring money, as far as traveling from one country to another, I'd be happy to do a little research on that for you and get back to it, because I can't speak to that with any knowledge. [02:27:05][12.1]

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FRIESEN: [02:27:05] I guess I'm just kind of curious because I-- sometimes you know we try to keep money inside of your community and so it multiplies numerous times and so you encourage people to keep money local. So I mean I know countries do restrict the flow of cash, but I don't-- not done any research, I was just curious so.
[02:27:23][18.1]

NATE DOBBS: [02:27:25] I'd be happy to look into that a little further for you. [02:27:27][2.3]

FRIESEN: [02:27:28] Thank you. [02:27:28][0.2]

NATE DOBBS: [02:27:29] Thank you. [02:27:29][0.1]

SMITH: [02:27:29] Other questions? Seeing none, thank you, Mr. Dobbs, for your testimony. [02:27:32][2.8]

NATE DOBBS: [02:27:33] Thank you. [02:27:33][0.2]

SMITH: [02:27:34] Continuing with opponents of LB1016. Welcome.
[02:27:50][15.6]

ROSE GODINEZ: [02:27:51] Thank you. Good afternoon, Senators. My name is Rose Godinez, legal and policy counsel with the ACLU of Nebraska, spelled R-o-s-e G-o-d-i-n-e-z, and I am here testifying in opposition to LB1016. LB1016, as you've heard, throughout today's testimony negatively impacts Nebraskans and next it potentially violates the Dormant Commerce Clause as you've heard, and also the foreign commerce clause, and lastly it potentially violates the equal protection clause because of its undue impact on individuals based on their national origin. So to start off, much of my initial testimony was covered, so I will go into how it impacts low-income individuals. Often low-income individuals must resort to these wire transfers by nonbank depository institutions because they are unable to maintain a certain amount of money in their bank account. In fact, nearly 9 million Americans did not have bank accounts in 2015. The most common cited reason for not having one is not being able to maintain the account; and that is on page 2 of my testimony. Also approximately 94,700 to 140,156 Nebraskans did not have a bank account. If the-- if the affected unbanked Nebraska households are unable to access a financial institution, this state will sink-- will have, just based on the bill, it will face a cost of tax administration. But also, we will be encouraging informal channels of money flow as has been mentioned previously. I included some analysis on the Dormant Commerce Clause, but I will skip over to the equal protection clause which has not been covered. The Fourteenth Amendment, as you know, it applies to everyone

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no matter what your national origin is, and national origin is a suspect class and would be analyzed under the strict scrutiny test. Mexico, China, India, and the Philippines, are the countries receiving the most remittances from the United States in 2015. These four countries coincidentally relate to the four largest immigration populations in the United States. This list-- in turn this legislation seeks to harm an unpopular group of people and serves no legitimate or compelling government interest either under the strict scrutiny or rational basis test. For those reasons the ACLU strongly urges the committee to indefinitely postponed LB1016. [02:30:28][157.7]

SMITH: [02:30:31] Thank you for your testimony. Questions from the committee? I see none. Thank you. [02:30:36][4.6]

ROSE GODINEZ: [02:30:40] Thank you. [02:30:41][0.4]

SMITH: [02:30:41] Continuing with opposition to LB1016. Others wishing to testify in opposition to LB1016? We do have letters for the record that were submitted in opposition to LB1016: PJ Hoffman representing Electronic Transactions Association; Brian Tate representing Network Branded Prepaid Card Association; Corey Feinberg representing MoneyGram; Kathy Tomasofsky representing Money Services Business Association; Grover Norquist representing Americans for Tax Reform; Bradley Lui representing Money Services Round Table. We now move to those wishing to testify in a neutral capacity. Welcome. [02:31:37][56.3]

JERRY STILMOCK: [02:31:38] Mr. Chair, members of the committee, my name is Jerry Stilmock, J-e-r-r-y S-t-i-l-m-o-c-k, testifying on behalf of my client the Nebraska Bankers Association, in a neutral capacity, principally because of the introduction by Senator Briese of AM2015, it takes out financial institutions from the legislation and in each instance inserts money transmitters. For those reasons we have moved to neutral on this piece of legislation, Senators. That's all I have. [02:32:05][27.2]

SMITH: [02:32:06] Thank you for your testimony, [02:32:07][0.5]

JERRY STILMOCK: [02:32:08] Certainly. [02:32:08][0.0]

SMITH: [02:32:08] Questions from the committee? I see none. [02:32:11][3.0]

JERRY STILMOCK: [02:32:13] Thank you, Senators. [02:32:13][0.3]

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SMITH: [02:32:13] Others wishing to testify in a neutral capacity on LB1016? Seeing none, we invite Senator Briese back to close on LB1016. [02:32:20][7.4]

BRIESE: [02:32:22] Thank you again, Chairman Smith, and members of the committee. For those of you that know me very well you know the goal certainly here is not to penalize our immigrant population. The goal here is to raise revenue. And as far as a disparate impact on low income folks, you know, I think I mentioned earlier, it might have been a refundable income tax credit when actually it's a non-refundable, so we could convert it to a refundable and possibly address some of those concerns. And I don't buy the equal protection argument here, it's not discriminatory on its face to the extent it has a discriminatory impact that's unintended and inadvertent. And I don't think it's subject to strict scrutiny. It's rationally related to a legitimate government interest, and so I don't think equal protection is a real concern here. And I'm not moved by the economic growth argument or the economic growth argument against a proposal like this. You know, the only folks really that aren't made whole in-- under this mechanism are folks that are living outside the United States. Nebraska taxpayers have the ability to get an income tax credit to get a return of their fees to the extent we have folks not paying taxes. Well instead of sending \$200 to a relative somewhere, they can just send a \$194 and pay the fee with the other six bucks. So really I think the only ones penalized, the only ones not made whole are folks that live outside of our borders. And encouraging retention of dollars in our state, in my view, is-- promotes economic growth. And so with that said, I appreciate your consideration of this and be happy to answer any other questions. [02:34:12][109.3]

[02:34:13] Remaining questions for Senator Briese? I see none. Thank you, Senator Briese-- [02:34:18][4.2]

BRIESE: [02:34:19] Thank you. [02:34:19][0.1]

SMITH: [02:34:20] --for closing on LB1016. We now invite, as the room transitions, we invite Senator Hilgers to open on LB1095. Welcome, Senator Hilgers. [02:34:35][15.2]

HILGERS: [02:34:36] Thank you, Chairman Smith, members of the Revenue Committee. For the record my name is Mike Hilgers, M-i-k-e H-i-l-g-e-r-s, I represent citizens of District 21 which is in northwest Lincoln and Lancaster County. I'm here to open today on LB1095 which is my intent to begin a process, the product of which I hope is to take a small step forward towards increased transparency and increased accountability. As we talk about some of the property

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tax issues that we have around the state, I think it's pretty commonly said that it is incumbent upon citizens to hold their local political subdivisions accountable for the spending decisions that they make, and I think that's most certainly true. It is also true, I believe, that the reality of life, whether it's raising a family, working, traveling, all the demands on life, make it difficult to be a fulltime watchdog on spending decisions of local authority-- local spending authorities. And so I think it's incumbent on us as legislators to think about ways that we can at least remove obstacles and remove barriers for citizens to exercise their ability to hold their local political subdivisions accountable. One of those areas, I believe, is the property tax statement itself. And if you're anything like me, when you receive a bill of any kind, whether it's a water bill or a cable bill, you look at it before paying it and if it seems out of whack you investigate why it's out of whack. If it seems to be higher, there seems to be an issue, you can either-- either discern what the issue is from the bill itself, you know, if it's Internet and have an additional cost you can see, oh, I had more usage because my daughter was on or my son was on their cell phone this year, or if you can't discern it, you at least have a number and you know who to call and you say, hey, here's my account number, walk me through what happened. I think when we look at our property tax statement, and I haven't seen examples from all the counties, but I've seen the examples from many, I don't think we have that level-- level of transparency which I think presents an opportunity for us to maybe encourage some additional accountability. So I passed around an example which is my property tax statement from Lancaster County for 2017. And what it has is a description of the tax-- taxing authorities, the tax rate, the prior tax amount, the current tax amounts. When I received this, I noted for 2017 my tax-- my-- my tax amount went up over 10 percent. Now if I look at my tax description, they're really sort of two issues, I think; one is just identifying the taxing entity itself. Now some of these are I think are very obvious, right? Lincoln Public Schools. I know what that is. City police and fire pension, I can understand what that is. But I think there are other ones that maybe are not as intuitive. The Ag Society for instance; I do know what that is, but it's not-- it's not on its face clear. You may not know what an education-- an ESU is. I was taxed under ESU-- ESU 18. The railroad safety district, that's another one. So I think one level of transparency is ensuring that we have a clear plain English description of the taxing authorities. But I think another layer of transparency is to have a readily-- at our fingertips way of understanding what the budgets are for each of these taxing authorities, what they're spending money on, and how could I-- who can I reach out to and how to ask them questions about what they're

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spending money on. I think it's intuitive that if someone receives this and they don't even know where to go and they don't know who to call for any one of these or where to look that that's more likely than not, not always certainly, that they'll just put it down and not do any follow up. So what LB1095 at least intends, as introduced, under the green copy, it's meant to start a process of analyzing this question. The green copy, I don't think does the job as it's currently drafted, it mandates, you know, name and address and some contact information. I realize we are operating under some restrictions and I've had some conversations with representatives from NACO about this particular issue. We have a limited amount of real estate on these particular pieces of paper. There's postage considerations. There are also filing considerations. Many of these counties, as I understand it, have certain size filing cabinets for their property tax statements, and if you do something that might change the width or change the dimensions of the statement, that could cause additional expense. My intent is to-- to have a bill that fits within the current parameters of what the counties do. And I think there's probably some ways that you could do that either maybe through some electronic means having some Web site that you could direct-- you could direct your inquiries and questions to or the like. So I-- as the bill currently stands, I don't think it quite gets there what we need to do in a way that avoids additional costs and burden on the counties which is not my intent. But I look forward to having conversations with representatives from NACO and others to see what we can do about improving transparency at both of those levels. So with that I will close-- or I won't close, I guess I will conclude my opening, but I'm happy to take any questions the committee might have.

[02:39:41][305.8]

SMITH: [02:39:42] Thank you, Senator Hilgers, for your opening on LB1095. Questions from the committee? I see none. Thank you.

[02:39:51][9.3]

HILGERS: [02:39:52] Thank you. [02:39:52][0.0]

SMITH: [02:39:52] We now move to proponents of LB1095, those wishing to testify in support of LB1095. I see none. Those wishing to testify in opposition to LB1095? [02:40:05][13.2]

LARRY DIX: [02:40:13] Good afternoon, Senator Smith, members of the committee, my name is Larry Dix, L-a-r-r-y D-i-x, executive director of the Nebraska Association of County Officials appearing today in opposition to LB1095. First of all, we want to thank Senator Hilgers for bringing this forward, even though we're opposing the bill; it's

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always good to take a look back. We always feel it's good for transparency and to try to get as much information as we can to our taxpayers. And during our conversations, my conversation with Senator Hilgers, he's exactly right, we have a certain amount of real estate on a tax statement. And of course, we want to try to be as efficient as we possibly can in order to print those tax statements, put them into a standard size envelope, get them mailed out, do everything as efficiently as we possibly can. So over the years we have sort of condensed-- condensed and yet we don't want to condense too far to where it isn't-- isn't readable. And so with that when we looked at the green copy, we said, yeah, we're going to have to have a page or more on-- on everybody's tax statement. And I certainly don't think that's what anybody wants. I would tell you we're more than-- we would love to work with Senator Hilgers on the idea of trying to put something on a tax statement to direct them somewhere to an electronic Web site that may contain the information. One of the things that's unique about a tax statement, and I know Senator Hilgers uses the example of a water bill or an electric bill, and when you get those bills, of course, you can put the address on it because they're one entity, they're collecting it. I sort of use the analogy of when I get my credit card statement, they're one-- they're one company that provides a statement, but in all the detail, that shows where all the purchases were. And so if I wanted to go to one of those purchases, I look-- it isn't necessarily always going to give me the address and the phone number and everywhere, and that's sort of how the tax statement is because we have so many political subdivisions that on any tax statement it-- it may change. There are fire districts-- a number of fire districts within counties, sometimes multiple ESUs, educational service units, multiple NRDs could occur within a single county, certainly multiple school districts; obviously, a number of differing fire districts, cities. So you can imagine the number of addresses and phone numbers that we would have to come up with. But at the end of the day, I don't think the bill as written is workable. We are willing to come to the table and talk about some ideas to be able to do it electronically. We also know that some of the information that was in the green copy of the bill, some of that information is on the auditors Web site, so there is-- there are places to go to, I think, to help assist the taxpayer. And any way we can, we want to assist for the most part. If most people are like you, I get my tax statement and I start-- my eye sort go towards that one number, and that is what do I owe, and then later on I get into who am I paying? And so we as counties want to help through that process in any way that we possibly can. So I'm happy to answer any questions that you may have. [02:43:36] [203.0]

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SMITH: [02:43:36] Thank you, Mr. Dix. Questions from the committee?
Senator Schumacher. [02:43:40][3.9]

SCHUMACHER: [02:43:42] Thank you, Chairman Smith. And thank you, Mr. Dix, for your testimony. Seems like some of this could be resolved fairly easy by a link to some master page on the county's Web site. But, you know, I just got done telling the committee that it's really easy to find these property on these Web sites now using the parcel ID. So I decided to snoop on Senator Hilger's property, seeing how he gave us his tax statement. And I went to the Lancaster County, yeah, Lancaster County Web site, I can't find where I enter in his ID on there, at least on the i-Phone. So are they-- is there some trick to getting to this? [02:44:29][47.0]

LARRY DIX: [02:44:31] Well I-- I would tell you, Senator, I've gone on Lancaster County's Web site and, of course, predominantly people will go to Web sites and search a name, they'll type in the name first. But I think there is on Lancaster's Web site, I do believe there is a place where you can put an identification number or something like that, if you have that number. In Lancaster County, I think it's a series of numbers with a dash, maybe three more digits, a dash, and two, and then dash, then zero. But I do believe it is there.
[02:44:59][27.7]

SCHUMACHER: [02:45:01] It's in the secret category that Senator Friesen was looking for. It is on that one, but it's not quite as easy on this one. [02:45:10][9.4]

SMITH: [02:45:11] Other questions? [02:45:11][0.3]

SCHUMACHER: [02:45:12] Okay, thank you. [02:45:12][0.0]

LARRY DIX: [02:45:13] Thank you. [02:45:13][0.0]

SMITH: [02:45:13] I see no further questions. Thank you, Mr. Dix. Others wishing to testify in opposition to LB1095? Welcome.
[02:45:22][8.4]

CANDACE MEREDITH: [02:45:29] Good afternoon members of the Revenue Committee. My name is Candace Meredith, C-a-n-d-a-c-e M-e-r-e-d-i-t-h. I am the Lancaster County chief deputy treasurer. I am here to testify in opposition of LB1095. The Lancaster County Treasurer's Office and the Nebraska Association of County Treasurers do recognize that the intent of this bill is for citizens to have access to contact information of the political subdivisions that appear on their tax statement. However, with the limited space on the tax statements, this

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amendment would require additional insert at the cost of the counties. It should be noted that the State Auditor's does have a political subdivision budget and contact information available on their Web site. So as a suggestion, we would work towards amending the bill to include language on the tax statement that would reference the State Auditor's Web site, for example, for political subdivision contact information. So, and I can-- if I can answer any questions, especially about our Web site. [02:46:28][58.3]

SMITH: [02:46:33] Okay. Senator Friesen. [02:46:34][0.6]

FRIESEN: [02:46:34] Thank you, Chairman Smith. I guess my only question involves really, since I purchased a condo in Lincoln here, at home our taxes are delinquent May 1, and here it's April 1, and it always catches me, so I pay you some interest. Why are you allowed to make yours delinquent a month earlier? [02:46:53][19.0]

CANDACE MEREDITH: [02:46:53] I believe the statute states in the three larger counties that our delinquent dates are different than the rest of the counties. It's statutorily set that way. [02:47:02][9.1]

FRIESEN: [02:47:03] Because-- do you have any idea why they've done that? [02:47:05][1.6]

CANDACE MEREDITH: [02:47:06] No. [02:47:06][0.0]

FRIESEN: [02:47:09] Okay. Thank you. [02:47:09][0.4]

SMITH: [02:47:10] Senator Schumacher. [02:47:10][0.0]

SCHUMACHER: [02:47:12] Thank you, Chairman Smith. And thank you for your testimony. Do you have to put the dashes in? [02:47:15][3.4]

CANDACE MEREDITH: [02:47:16] Yes, put the dashes in; or you can just-- I would just look it up by his last name, I'd use a name search. [02:47:21][4.3]

SCHUMACHER: [02:47:22] I was pitching this parcel ID number, so. So I got to remember to put the dashes in. [02:47:30][7.8]

CANDACE MEREDITH: [02:47:30] Just as you see it on the bill, yes. [02:47:31][0.3]

SCHUMACHER: [02:47:32] Okay, thank you. [02:47:33][0.1]

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SMITH: [02:47:33] I'm certain there's someone watching on NET right now that's shouting out the answer to that question, Senator Schumacher, how to do it. [02:47:38][4.9]

CANDACE MEREDITH: [02:47:38] We get quite a few hits, so.
[02:47:39][0.1]

SCHUMACHER: [02:47:39] Should I read the number for every one?
[02:47:41][2.5]

SMITH: [02:47:43] Other questions from the committee? I see none.
Thank you, Ms. Meredith for your testimony. [02:47:47][4.0]

CANDACE MEREDITH: [02:47:49] Thank you. [02:47:49][0.2]

SMITH: [02:47:49] Others wishing to testify in opposition to LB1095? Seeing none, anyone wishing to testify in a neutral capacity to LB1095? Seeing none, Senator Hilgers waives on LB1095, waives closing on LB1095. And we welcome Senator Hilgers back to open on LB1097.
[02:48:11][22.0]

HILGERS: [02:48:13] Thank you, Chairman Smith and members of the Revenue Committee. For the record my name is Mike Hilgers, M-i-k-e H-i-l-g-e-r-s; I represent District 21 which is northwest Lincoln and Lancaster County. LB1097 addresses really a technical issue related to tax sales certificates, an issue we've already discussed on the floor so far this year, and as best as I understand the problem, and there are a few people, I think, there are several treasurers behind me who are going to speak in a little bit more detail on the technical nature of this problem that LB1097 is at least trying to solve is that through these tax sales certificates which are-- which allow those to purchase these certificates that entitle them-- they pay the property tax and they're entitled to some interest. And if they don't pay the interest, then they can foreclose on the homes. And as I understand the way that works is, I've never done it myself, but you would go to the treasurer's office to get a deed. And typically when you get a deed through a sale of real estate for your own residential home, there would be a title search and a transaction and everyone feels very good about having clean title. In this scenario, that doesn't typically occur. And so there are some concerns that through this treasurer deed there might be issues down the road with ensuring that there is clear title to the property. Because in the interim, something-- someone may try to transfer the deed. There could have been something before the treasurer acted that could provide-- or cause an issue for the particular deed that's issued by the treasurer. So LB1097 at least offers an initial solution. I'm not so sure that it

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is the best solution, in consultation with some other stakeholders here, but it is intended to at least start a conversation to try to come up with a solution that doesn't overly create too much of a burden on those who purchased the tax sales certificates while also ensuring that this technical issue is resolved. And so with that I'm happy to take any questions. I don't know if they're technical questions, as I mentioned there are those behind me who could probably be better positioned to answer those. [02:50:11][118.5]

SMITH: [02:50:12] Thank you, Senator Hilgers for your opening on LB1097. Senator Harr. [02:50:15][3.1]

HARR: [02:50:16] Thank you. Thank you, Senator Hilgers. First of all, some say you are never a real senator until Larry Dix testifies against you, so congratulations. And the next question is, who brought this bill to you? [02:50:31][14.6]

HILGERS: [02:50:32] I spoke with Mr. Dix actually. [02:50:33][1.2]

HARR: [02:50:33] Okay, then I'll reserve my question for him. Thank you. [02:50:36][2.8]

HILGERS: [02:50:36] Thank you, Senator Harr. [02:50:37][0.3]

SMITH: [02:50:39] Other questions from the committee? I see none. Thank you, Senator Hilgers. We now move to proponents of LB1097; proponents? Welcome. [02:50:48][9.6]

BETH BAZYN FERRELL: [02:50:57] Thank you. Good afternoon, Chairman Smith, members of the committee. For the record my name is Beth, B-e-t-h, Bazyn, B-a-z-y-n, Ferrell, F-e-r-r-e-l-l; I am with the Nebraska Association of County Officials and I'm testifying in support of the bill. Sorry to disappoint you, Senator Harr. We'd like to start out by thanking Senator Hilgers for introducing this bill on our request. It's something that the treasurers have been working on. We've been meeting all summer to try and figure out what really to do to deal with what the treasurer's deed issue. And as Senator Hilgers said, this may not be the best solution. We're happy to work with any of the stakeholders to try and come up with a better solution. And, you know, we did-- I guess be willing to to discuss that with anyone that would be interested. What you're receiving is a letter from Jean Sidwell the Buffalo County treasurer. She was unable to make it today because of the weather. So with your indulgence I'll read part of her letter into the record and make some comments of my own on that. And then I'll be followed by the Chief Deputy Lancaster County Treasurer, so if you have any technical questions, I would defer those to her.

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Jean's letter: The purpose of the bill is to help correct a difficult position for county treasurers. We have the statutory duty to issue tax deeds in 77-1837. The process overall is complicated and difficult to do, but the proposed change would at least help with the problem of legal descriptions and the requirement to file a Form 521, the document from the Department of Revenue that's required by 76-214 when the ownership of the property is transferred. And that's the second document that you received. The legal description is in box 20 on that form. The Treasurer's Office collects taxes from a statement that has an abbreviated legal description provided by the assessor's office. We also sell the delinquent taxes on a tax sale certificate with an abbreviated description, and that's pursuant to 77-1803. That language-- that statute allows all proceedings relative to assessing, advertising, and selling property for taxes to be listed on the statement on an abbreviated form. That's not anything that we want to change, that works very well, be able to have that condensed statement on there. The issue that we're really dealing with is what happens in those instances when a treasurer's deed would be sought by a purchaser of a tax sales certificate. And going back to Jean's letter: When we prepare a tax deed, the full legal description needs to be used and the burden for providing that information should lie with the applicant for the deed, just as it would under normal real estate transfers. Valid deeds can only be legitimate when a full legal is used and an affidavit from a registered abstract would make that possible. And just a note here, an affidavit already has to be provided as part of the application process that tells that a title search was conducted to determine who was entitled to notice of the pending treasurer's deed. So what we're really looking at here is kind of standardizing some of the practices for county treasurers and working towards cleaning up some of the title questions. Again, we like to thank Senator Hilgers for introducing the bill. We'd also like to thank any stakeholders that are here that provide information. Again, we'd be happy to to work with them and try and come up with a solution for this. I'd be happy to try to answer questions, but again, I would defer any technical questions to the testifiers behind me.

[02:54:26][209.2]

SMITH: [02:54:28] Thank you for your testimony. Senator Brasch.
[02:54:30][1.5]

BRASCH: [02:54:31] Thank you, Chairman Smith; and thank you for your testimony. I'm just curious, I do not remember, but I'm looking at this form 521, and it was revised a year ago. What changes did we make a year ago specifically? [02:54:44][13.5]

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BETH BAZYN FERRELL: [02:54:48] Off the top my head, I believe those were in box 10, the type of transfer. I know over the last couple of years there have been some changes with the transfer and death deeds, and some of that language; not 100 percent, but I believe that's where it was. [02:55:05][16.6]

BRASCH: [02:55:09] On box 10, right in here, okay, very good. That's my only question. One year ago, it changed then. So it's been a long-time problem and just thought of lately or a new problem? [02:55:27][17.9]

BETH BAZYN FERRELL: [02:55:29] The treasurer's deeds, it's been an ongoing problem. And actually I think treasurers would be thrilled to get rid of the whole treasurer's deeds process, but it's just really not-- not feasible. What happens is, when someone is delinquent on their property taxes and this sales tax certificate is purchased, it can either go to judicial foreclosure or it can go to a treasurer's deed. And there are some instances where a treasurer's deed is probably the best approach, you know, it's a little property that nobody wants that only the neighbor wants or something like that where, you know,-- that that would be the best approach. [02:56:03][34.3]

BRASCH: [02:56:05] Thank you. I have no other questions. [02:56:06][0.8]

SMITH: [02:56:07] Senator Schumacher. [02:56:07][0.0]

SCHUMACHER: [02:56:08] Thank you, Chairman Smith; and thank you for your testimony. So briefly, taxes go delinquent and they're advertised; people can come into this little auction thing and buy them and then get 14 percent interest until they're paid. And that's usually what, two, three years out to the future. Okay. And then at that time if they aren't paid, they can collect on their deeds or their investment, so to speak, by a treasurer's certificate or treasurer's deed or judicial foreclosure. Of all the tax sales that are-- certificates that are issued, would you know an approximation of how many go and getting paid without having to go those final steps? How many end up as-- what percentage end up as tax-- treasurer's deeds and what percentage go through the judicial process? [02:56:58][50.1]

BETH BAZYN FERRELL: [02:56:59] I don't have numbers on those. Anecdotally what we hear from treasurers is that most of the taxes are eventually paid. So I would guess the numbers are relatively small that go either to foreclosure or a treasurer's deed. [02:57:12][12.7]

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SCHUMACHER: [02:57:12] Thank you. [02:57:12][0.1]

SMITH: [02:57:16] Remaining questions from the committee? I see none. Thank you. We continue with proponents of LB1097. Welcome back. [02:57:29][12.7]

CANDACE MEREDITH: [02:57:32] Yeah, yes, thank you. My name is Candace Meredith, C-a-n-d-a-c-e M-e-r-e-d-i-t-h, and I am the Lancaster County Chief Deputy Treasurer and I am here to testify as a proponent of LB1097. The Lancaster County Treasurer's office and the Nebraska Association of County Treasurers would like to thank Senator Hilgers for introducing LB1097. We do feel that this isn't-- that the amendment will set a standard procedure for the county treasurer's responsibility to accept an application for treasurer's deed. As rules and regulations of real estate titles and insurance evolve, we as treasurers want to ensure that the issuance of a treasurer's deed is accepted as a proper deed of conveyance. And I will try my best to answer any questions. [02:58:09][36.6]

SMITH: [02:58:15] Questions from the committee? Senator Schumacher. [02:58:15][0.6]

SCHUMACHER: [02:58:16] Thank you, Chairman Smith. Just briefly, of what percentage, if you know, of the tax sales certificates that are issued go through to a treasurer's deed or a judicial foreclosure? [02:58:29][14.0]

CANDACE MEREDITH: [02:58:30] I would say it's about 1 percent, because-- and we do have more foreclosures than we do treasurer's deeds, because once they file a foreclosure, the redemption process stops immediately, whereas a treasurer's deed, during the application process, a person still can redeem their certificate. [02:58:46][15.9]

SCHUMACHER: [02:58:47] So basically 99 percent are paid off with a 14 percent interest without-- [02:58:50][3.1]

CANDACE MEREDITH: [02:58:51] Yeah, and that-- and this is in Lancaster County, we just don't have a high rate, no. [02:58:55][4.2]

SCHUMACHER: [02:58:57] Thank you. [02:58:57][0.0]

SMITH: [02:58:58] Other questions from the committee? Senator Harr. [02:58:59][1.1]

HARR: [02:59:00] Thank you, Chairman Smith. And I just went through this process last Saturday. And I don't know why anyone would go for a treasurer's note or a treasurer deed over a judicial foreclosure. But

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that being said, what I heard earlier from testimony from Ms. Ferrell, it is probably those garden lots, right, those small little 10 by 25 lots or something-- some goofy-- I still don't know how the heck those come about, but they do. So my question is how much does it cost to go out and get this-- an registered abstractor to confirm this legal description? [02:59:37][37.6]

CANDACE MEREDITH: [02:59:38] That I wouldn't know what the cost is to use an abstractor. [02:59:40][2.5]

HARR: [02:59:40] Because that seems-- if these are largely worthless pieces of property and it costs \$150 to go out and do this, I mean, it doesn't make any sense. Yeah, it makes easier for you guys, but at the end of the day, laws are not meant to make your life easier. Maybe they will, but it's really meant for that consumer. [03:00:02][21.5]

CANDACE MEREDITH: [03:00:03] Sure, and we also look it as-- you know, the standpoint of we don't have the ability to go out and get that abstractor to make sure that legal description that we're putting on that treasurer's deed is accurate. So I think a lot of county treasurers have seen when they do the best, you know, legal description that they can, it may not be right when it does go to an abstractor, so that's when the clean title issue becomes-- [03:00:24][20.9]

HARR: [03:00:25] That's why you should never go with a treasurer. But okay, so walk me back. I get-- I get a certificate, and I get it for a small little garden plot. Right? It has a legal description on it given to me by whom? [03:00:39][13.3]

CANDACE MEREDITH: [03:00:39] The county treasurer and that abbreviated form that I talked about. [03:00:41][2.6]

HARR: [03:00:43] Okay. So now I have figured out I own this little plot here. I go in and I say, I want this, and the treasurer, the one who gave me the legal description, now are the one saying we don't like legal description we gave you, go out and get it confirmed by a third party. [03:00:55][12.6]

CANDACE MEREDITH: [03:00:57] I don't believe that we don't like it, it's just now we're finding out in our conversations that after the treasurer's deed is issued that the abstractors, it's the after fact, it's the real estate market that does not like it. [03:01:09][12.5]

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HARR: [03:01:11] Yeah, you can't get title insurance already on a tract-- [03:01:13][2.6]

CANDACE MEREDITH: [03:01:13] Right on abbreviated description.
[03:01:13][0.0]

HARR: [03:01:15] So that's why I don't know why you would ever get it unless it's what we talked about, it's a garden plot. But the reason I'm going this route to begin with, treasurer, is because it's a small piece of land and I don't want the additional costs of a judicial foreclosure and/or getting these abstracts. So you defeat the whole purpose. In fact, you're eliminating these treasurer's deeds altogether, is that it date back to what you're doing with this bill.
[03:01:42][27.7]

CANDACE MEREDITH: [03:01:45] I don't know, I can't fully say we'd be eliminating-- because I-- we have also different values--
[03:01:49][3.8]

HARR: [03:01:49] For all intent and purposes that's what you're doing. In reality that's what this bill does gets rid of treasurer deeds. So, that's all I want to put in the record. Thank you. [03:01:59][9.7]

SMITH: [03:02:01] Senator Schumacher. [03:02:01][0.1]

SCHUMACHER: [03:02:01] Thank you, Chairman Smith. And all that you're doing is getting a correct description, you don't know, for example, whether or not there's a minors or in confidence or all-- you know-- you still don't know if you're giving good title to the property.
[03:02:17][16.2]

CANDACE MEREDITH: [03:02:18] Right. Is this what the abstractor's on that 521. [03:02:21][2.5]

SCHUMACHER: [03:02:24] Right. So, I mean, if that's the case that these things are extremely limited in use and if only 1 percent go through to, you know, aren't paid up at the full 14 percent interest, then why don't we just eliminate the treasurer's deed and make everything go to a foreclosure. [03:02:42][17.1]

CANDACE MEREDITH: [03:02:43] That would be a very good conversation to have. [03:02:45][2.1]

SCHUMACHER: [03:02:46] Thank you. [03:02:46][0.0]

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SMITH: [03:02:49] I see no further questions. Thank you for the testimony. [03:02:51][2.2]

CANDACE MEREDITH: [03:02:54] Okay, thank you. [03:02:55][0.6]

SMITH: [03:02:55] Continuing with proponents of LB1097. Seeing none, anyone wishing to testify in opposition to LB1097? Opponents? Seeing none, those wishing to testify in a neutral capacity on LB1097? We do have a letter for the record in a neutral capacity from Randy James representing Vandelay Investments, LLC. We invite Senator Hilgers to close. He waives closing. That concludes our hearing on LB1097. We now invite Senator Friesen to open on LB1075. Welcome, Senator Friesen. [03:03:41][45.9]

FRIESEN: [03:03:46] Thank you, Chairman Smith, members of the Revenue Committee. We will try to make this short and sweet. My name is Curt Friesen, C-u-r-t F-r-i-e-s-e-n, and I represent the 34th District. And I appear to you-- before you today for LB1075. LB1075 imposes a 1 percent fee of the value of the real estate being transferred on the grantor or the seller of the real estate. The 50 cents of the fee is retained by the register of deeds and the remainders remitted to the state treasurer and is credit to the Property Tax Credit Cash Fund. If you'll see the fiscal note, it does have a fairly large fiscal impact, so I would be probably bringing an amendment to downsize that just a little bit. But this again, it goes back to if we were going to try to provide property tax relief for all people, this would get distributed back into the Property Tax Credit Relief Fund. And as you know, a lot of people buy and hold real estate. This would be a one-time fee. As you sell it, and to me it is tied kind of directly to the property, real property. So it's kind of almost the reverse of maybe what Senator Kuehn wants to do is freeze our values back when we bought it. I'm saying, you know, let's tax a little bit at the end, let's use it for property tax relief, and in the end maybe the Property Tax Credit Cash Fund can be repurposed into state aid to schools and therefore we could provide property tax relief and it's directly tied to the real estate with which we're always dealing with. So that's the purpose of it. It was a way to provide funding for any of the mechanisms out there. We've talked about a lot of ways in order to raise some revenue. This, obviously, would be a new tax. You could say, I suppose, that it-- I don't know if it cuts down the reportable income or gain or be almost like a estate tax before you die, so to speak, sell the property and we nick you 1 percent. But in the end it helps with property tax relief. So with that I'm glad to answer any questions. [03:06:12][145.5]

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SMITH: [03:06:13] Senator Schumacher. [03:06:13][0.0]

SCHUMACHER: [03:06:15] Thank you, Senator Smith. And I will try to make this as quick as possible. I notice, I had something a few years ago that would suggest a fee on the sale of property, a sales tax, and the numbers on the fiscal note were a whole lot different than this. There is a lot, lot higher; and maybe the whole lot higher is, this law says, there is hereby imposed a fee on the grantor executing a deed as defined in Section 76-203. And it always gets-- this is where the sneaky secret stuff is buried. If you look at 76-203, it says that term D shall be construed to embrace every instrument in writing by which any real estate or interest therein is created, alienated, mortgaged, or assigned, or by which the title to the real estate may be affected in law or equity. This seems to me-- this covers mortgages. When you take out a loan on your property, you're going to get hit for a 1 percent of the value of the real estate tax. And that's how the big money shows up. [03:07:19][64.1]

FRIESEN: [03:07:20] I was surprised at how large the fiscal note was. It was not meant to do that, and we'll look into that and make sure that it doesn't. It was meant to be only if property was transferred it would be a 1 percent on the actual value of money. So if you gave property-- a tax property away or just change the name from you to your wife or something, it would be exempt. If you don't pay doc fees on it, you should have been exempt and most of the transfers where you don't pay doc fees there is no money changed hands, is that correct? [03:07:56][35.4]

SMITH: [03:08:00] Senator Harr. [03:08:00][0.0]

HARR: [03:08:01] Thank you. Thank you, Mr. Chairman. Thank you, Senator Friesen. So I was listening last week when there was a bill, Senator Kuehn brought, and the question Senator Schumacher asked was, hey, what happens if an LLC owns a property and the ownership of that LLC transfers? There's no transfer-- there'd be no doc stamp. There would be just a transfer of the ownership of the LLC. Would it be your intent that this 1 percent still kicks in? [03:08:30][29.0]

FRIESEN: [03:08:30] No. If there's no money trades hands, there would be no fee. [03:08:34][4.1]

HARR: [03:08:35] Well, there would be a transfer of hands in the ownership of the LLC, but the properties would still be owned by the same LLC. [03:08:39][4.6]

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FRIESEN: [03:08:40] I don't see that-- it's only when you sell property. Are you selling the property? [03:08:45][4.6]

HARR: [03:08:46] No, I'm selling the LLC that owns the property. [03:08:46][0.0]

FRIESEN: [03:08:47] Oh, it's within the LLC. [03:08:51][4.0]

HARR: [03:08:52] That's within-- it's a-- only purpose of that LLC. [03:08:54][2.4]

FRIESEN: [03:08:55] I don't know if it would reach that or not. [03:08:57][1.5]

HARR: [03:08:57] Okay. [03:08:57][0.0]

FRIESEN: [03:08:58] Would there be doc stamp fees associated with that? [03:09:00][2.3]

HARR: [03:09:00] No. [03:09:00][0.0]

FRIESEN: [03:09:01] Then I would say it would be exempt. [03:09:03][2.2]

HARR: [03:09:06] Okay, thank you. [03:09:06][0.0]

SMITH: [03:09:07] Senator Groene. [03:09:07][0.0]

GROENE: [03:09:08] When you did this, what did you think the total dollar amount of real estate transfers was? [03:09:15][6.9]

FRIESEN: [03:09:16] Well we did it with the same method we used a little bit on the doc fees that are in the next bill we're talking about, and we just did a little reverse calculation. But I don't know, this number just jumped out as being a little bit bigger than what I thought. [03:09:30][14.3]

GROENE: [03:09:30] The \$12 billion in sales, I don't know if that's-- in a state size of Nebraska I don't know what the total sales are a year, you know, transfers a year. [03:09:38][8.1]

FRIESEN: [03:09:38] I don't really either. [03:09:39][1.2]

GROENE: [03:09:41] Why wouldn't you want the LLCs. I mean, catch everybody, inheritance when somebody transfers the ground to somebody else, whatever the valuation is at that time it's 1 percent. We could

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get rid of inheritance tax real quick with this. The county is going to make out. [03:09:53][12.3]

FRIESEN: [03:09:54] Could, the intent was though just to hit sales of property. And I-- to exclude the LLCs, I don't know, the way it was worded I thought at least if you're exempt from the doc stamp fees, you'd be exempt from this tax. [03:10:08][14.5]

GROENE: [03:10:09] So grandpa gives me an 80 acres, I shouldn't have to pay it. [03:10:11][2.2]

FRIESEN: [03:10:12] That's-- yeah, there's no money that changed hands-- [03:10:14][1.6]

GROENE: [03:10:15] Why not? [03:10:15][0.2]

FRIESEN: [03:10:15] Because you didn't sell it. [03:10:15][-0.2]

GROENE: [03:10:16] I got ownership. [03:10:16][0.2]

FRIESEN: [03:10:18] You were given it, you just said. [03:10:18][0.0]

GROENE: [03:10:18] I farm, I cleaned out the hog shed. [03:10:19][0.2]

FRIESEN: [03:10:19] Whatever. That wasn't-- that's the way the bill is written. [03:10:19][0.0]

GROENE: [03:10:19] All right. I like it. I mean let's get rid of the inheritance tax, put a doc fee on real estate. [03:10:29][10.9]

SMITH: [03:10:29] Other questions from the committee? I see none. Thank you. We now move to proponents of LB1075. Proponents of LB1075. Welcome. [03:10:52][22.1]

JOHN HANSEN: [03:10:52] Mr. Chairman, members of the committee, for the record my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n; I'm president of Nebraska Farmers Union and also their lobbyist. We are in conceptual support of the idea of a fee that would come on transfer of ownership of property. We would not be supportive of a fee that was done for generational planning and transfer of assets. We already struggle enough with that, we wouldn't want to go there. But we thank Senator Friesen for bringing this idea forward. It's kind of an idea piece that we have played with looking at different kinds of ways to fund the property tax incentive fund and ways to do that that has some logic to it. And to my way of thinking, I've always thought, for example, that NRDs, a property tax for NRDs where you're putting money back into the land and the water and the resource that there was a

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logic to that. And any time you can tie a tax to a logical use, that's a good day. And so this would go back to trying to help provide property tax relief, and so we think it's an idea worth pursuing. And would end my testimony and answer any questions if you have any.

[03:12:28][96.1]

SMITH: [03:12:30] Thank you, Mr. Hansen. So your understanding is that these monies would go where? [03:12:36][6.3]

JOHN HANSEN: [03:12:38] I think the property tax incentive fund. [03:12:39][1.3]

SMITH: [03:12:40] Okay. And who would be the primary payer of these fees? [03:12:45][4.6]

JOHN HANSEN: [03:12:47] These would be real estate owners. [03:12:48][1.1]

SMITH: [03:12:49] But because of the restrictions on where the money changes hands or not, is the primary going to be driven by residential property tax-- or residential homeowners, or buyers? [03:13:03][14.3]

JOHN HANSEN: [03:13:04] But the property tax incentive fund, as I understand it, goes all-- [03:13:08][3.5]

SMITH: [03:13:09] No, where will the money come from? [03:13:09][0.7]

JOHN HANSEN: [03:13:10] When property changes hands. [03:13:13][2.9]

SMITH: [03:13:14] But primarily where will that come from? [03:13:16][1.6]

JOHN HANSEN: [03:13:17] I'm not sure what-- what the totals would be, whether between residential and commercial and agricultural, but the property tax incentive fund that goes back to all property owners. [03:13:28][10.4]

SMITH: [03:13:29] It goes back roughly 50/50 to ag/non-ag, but I'm saying where is the money coming from? Not where it's going to, but where is it coming from? [03:13:37][8.9]

JOHN HANSEN: [03:13:38] The seller? [03:13:38][0.1]

SMITH: [03:13:40] But of what type of property buyers-- [03:13:42][2.5]

JOHN HANSEN: [03:13:45] What type of property-- [03:13:45][0.2]

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SMITH: [03:13:45] --is equally-- yes. [03:13:46][1.0]

JOHN HANSEN: [03:13:52] I don't really know-- I don't really know what the accurate answer would be to that. [03:13:56][4.1]

SMITH: [03:13:57] All right. Very good. [03:13:57][0.1]

JOHN HANSEN: [03:13:57] I haven't really thought about that.
[03:13:59][1.2]

SMITH: [03:13:59] Thank you, thank you, Mr. Hansen. Other question?
Senator Groene. [03:14:01][2.1]

GROENE: [03:14:03] But wouldn't this be-- we've had bills where people paying \$12,000 an acre of land, driving up everybody else's property, a guy paying \$350,000 for a house in the neighborhood you paid \$180,000 for, if we could off-- make them folks pay the 1 percent, because they're the one driving up the price, valuation, and take it off everybody else-- lower the property taxes on everything else, wouldn't that be a fair trade? So right now it's reversed. They pay a lot for the land because-- or the house and then they drive my property taxes up. It would be a fair tax. [03:14:47][43.5]

JOHN HANSEN: [03:14:47] The number that you gave would be the number that-- of the quarter that sold two miles north of me several years ago, so yes. So conceptually that's the right number. Our support for the idea, and I think it needs some refinement, is that it is a-- as I look at our state tax system and how we do it, we're struggling right now. I don't have to tell you that and that we have to look for some new and creative ways to try to kind of appropriately fund services and things we do in our state. And so this, when we looked at it, we thought it was more fair and less regressive than some other ways that are being considered to raise taxes. So we think that there is-- if you're a property owner and you have a fair amount of money tied up and wealth tied up in that and a one-time sale, that seemed like a reasonable thing to do. [03:15:58][71.5]

SMITH: [03:16:01] Other questions from the committee? I see none.
Thank you, Mr. Hansen. [03:16:05][3.6]

JOHN HANSEN: [03:16:06] Thank you. [03:16:06][0.2]

SMITH: [03:16:06] Other proponents of LB1075? Seeing none, those wishing to testify in opposition to LB1075? Opponents. Welcome.
[03:16:23][17.1]

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DARLENE FLETCHER: [03:16:24] Thank you. [03:16:25][0.2]

SMITH: [03:16:26] You've been sitting there patiently through a lot of hearings today. [03:16:28][2.1]

DARLENE FLETCHER: [03:16:29] Well it's interesting to hear what's going on. Thank you, Chairman Smith, and also members of the Revenue Committee for letting me come to testify. My name is Darlene Fletcher D-a-r-l-e-n-e F-l-e-t-c-h-e-r and I am the current 2018 president-elect for the Nebraska Realtors Association. I thank you on their behalf and mine for the opportunity to appear before you today on behalf of over 4,700 members of the Nebraska Realtor Association to defend the owners of real estate and Nebraska against the efforts of LB1075. Both the National Association of Realtors and the Nebraska Realtors Association oppose taxes on the transfer of real estate such as this propose-- as is proposed in LB1075. It is important to consider the many issues of inequity and negative economic impact associated with real estate transfer taxes. The most important reason not to implement a real estate transfer tax such as a contemplated-- is contemplated in LB1075 is that real estate transfer taxes are highly regressive because the tax burden is higher for owners of lower equity real estate and especially for lower income property owners. And the price of real estate actually doesn't matter. So I gave you a handout. I think if you have it, if you see on the first-- front page of that, it gives you examples that would effectively say that there is a 10 percent tax on equity or 20 percent or 5 percent depending on the equity of the property; how much there is in the property when it's sold. This is a significant reduction in equity coming out of the real estate sale and will very significantly reduce the owner's net proceeds and for any other intended purposes that he may want to use this whether it's debt reduction, investment, or some purposes such as paying for education, medical bills, or retirement. Then the effect is worse even on an effective percent of the transfer tax increases the less equity there is. In the case of a short sale where there is no equity and the seller must write an even larger check to close the sale, the state will be taxing negative equity, only benefitting from and adding to the owner's distress. If you turn around on the back page of this, you can see at the bottom of the page where is the example of some closing costs that we used from an actual transaction that was provided to us by a title company for a property worth \$138,000. As you can see, the tax-- the revenue needed just to close the sale is quite a large number. This is both sides of a real estate transaction added together. And so as a transaction, this would be taxable to that amount. So real estate taxes, transfer taxes are discriminatory because they are assessed against one class of access--

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asset rather. Real estate that is sold with a similar transfer tax is not applied to real estate that is leased or to the sale of financial assets such as stocks, bonds, or personal property. Transfer taxes are quite volatile also because they are subject to sudden and steep declines in real estate sales, as we saw in the last great real estate recession. Because of this volatility, transfer taxes are a poor and unreliable source of revenue for a state government. This tax also violates the principle of horizontal equity which holds that people with similar income and assets should pay similar taxes. One can simply avoid this tax by deciding not to sell. Meanwhile only those people who want to or have to sell have to pay the transfer tax. Since single-family homeowners sell more frequently than owners of commercial and ag property, a burden of any transfer tax will fall disproportionately on Nebraska homeowners. I was a former ag retailer before I started in real estate and worked with for 27 years with farmers. And in that period, I had one of my customers sell their farm. So it varied disproportionately would fall on property owners. So in summary, the tax on real estate transfers will hurt the owners of real estate, economic development, and local economies, and may have even an adverse impact on real estate prices. So LB1075 is not good for Nebraska. Thank you very much for the opportunity to appear before you today. And if you have any questions, I'd be happy to answer them. [03:22:32][362.5]

SMITH: [03:22:33] Thank you, Ms Fletcher. And I think your-- you kind of answered some of the questions I was asking of Mr. Hansen as to where the likely dollars would come from. And most likely disproportionately from homeowners. [03:22:49][16.1]

DARLENE FLETCHER: [03:22:49] That's right. And also if you'll notice on the back, you ask about the value of all real estate transfers, they are \$10,543,800,000; no, read that right, anyway, \$10,543-- [03:23:06][16.4]

SMITH: [03:23:08] A lot of digits. [03:23:08][0.3]

DARLENE FLETCHER: [03:23:09] Okay, lots and lots of digits. We put this together rather quickly so our math may not be-- [03:23:18][8.7]

SMITH: [03:23:18] Senator Schumacher has a question for you. [03:23:20][1.5]

DARLENE FLETCHER: [03:23:20] Yes. [03:23:20][0.0]

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SCHUMACHER: [03:23:20] Thank you, Chairman Smith. And thank you for your testimony. I was looking at this closing cost example, where are the real estate commissions at? [03:23:27][6.6]

DARLENE FLETCHER: [03:23:28] They're not in there. So that is just the fees that are paid without being any commission paid. [03:23:35][7.0]

SCHUMACHER: [03:23:36] And commissions run what, 5, 6, 7 percent? [03:23:37][1.0]

DARLENE FLETCHER: [03:23:38] They run all the way into those numbers, yes. [03:23:40][1.6]

SCHUMACHER: [03:23:40] So they're highly regressive too. [03:23:41][0.8]

DARLENE FLETCHER: [03:23:42] Absolutely. [03:23:42][0.0]

SCHUMACHER: [03:23:44] Thank you. [03:23:44][0.1]

SMITH: [03:23:44] Senator Groene. [03:23:44][0.0]

GROENE: [03:23:47] I think the first house I bought years ago I got charged 3 percent. [03:23:49][2.2]

DARLENE FLETCHER: [03:23:51] I know. [03:23:52][0.4]

GROENE: [03:23:52] Commission. [03:23:52][0.0]

DARLENE FLETCHER: [03:23:52] Well some of that-- [03:23:53][0.5]

GROENE: [03:23:53] I just got quoted, because I can't afford the house I'm in because I got to make \$12,000 now, anyway, besides I don't like mowing an acre yard. Anyway, my wife don't, I got quoted 12 percent. So did you guys worry about-- about raising these fees over the years? That's a 1, 2 [03:24:12][18.9]

DARLENE FLETCHER: [03:24:13] 12 percent? Wow. That may be aggressive... all the rates right now run from four to seven. [03:24:20][7.1]

GROENE: [03:24:21] Four to seven. But they've been creeping up too haven't they? [03:24:23][2.4]

DARLENE FLETCHER: [03:24:24] No, they're dropping. [03:24:25][0.9]

GROENE: [03:24:26] Over the years? [03:24:26][0.2]

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DARLENE FLETCHER: [03:24:29] Right, commissions have dropped over the years. But the -- [03:24:31][2.1]

GROENE: [03:24:34] Percentage amount. [03:24:34][0.1]

DARLENE FLETCHER: [03:24:34] Pardon? [03:24:34][0.0]

GROENE: [03:24:36] Percentage amount. [03:24:36][0.0]

DARLENE FLETCHER: [03:24:36] Percentage, correct. [03:24:36][0.0]

GROENE: [03:24:36] Auctioneers have gone up, I know that; Internet auctions have gone up 10, 12 percent. [03:24:40][3.9]

DARLENE FLETCHER: [03:24:43] And the main reason that real estate commissions have not is that there is great competitiveness and they are not set, they are negotiated between buyers-- I mean, between sellers and agents. [03:24:59][15.7]

GROENE: [03:25:00] Well, thanks, I'm going to negotiate I think. Anyway, but really it's just an add-on cost, every time we raise property taxes go up, the farmer keeps farming and the person keep paying his property taxes; it would just be added into the cost of 1 percent wouldn't it? The sale price, it would be added into the sale price, so why would the seller-- I mean everybody would sit there and say we got to add one more percent. When you-- when you come to me and say your house is worth \$300,000, you'd say no it's worth three, we've got to get \$303,000 now for it. [03:25:33][33.6]

DARLENE FLETCHER: [03:25:34] The market determines what a home will sell for, not what it's listed for. [03:25:38][4.9]

GROENE: [03:25:39] I understand that, but all of a sudden the whole state has to have one more percent, the prices will go up 1 percent. [03:25:45][5.7]

DARLENE FLETCHER: [03:25:47] I can't speak to that. I would not be able to tell you yes or no on that. [03:25:51][4.1]

GROENE: [03:25:53] And then on the back side, if it went towards property tax relief, that person who bought the house everybody would pay a little bit less property taxes, and over time they'd break even, the new buyer. [03:26:04][10.7]

DARLENE FLETCHER: [03:26:07] I can't speak to that either. [03:26:08][1.3]

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GROENE: [03:26:09] Thank you. [03:26:10][0.3]

SMITH: [03:26:12] Thank you, Ms. Fletcher, for your testimony, appreciate it. Looks like Mr. Head is showing you around the Capitol today. [03:26:17][5.0]

DARLENE FLETCHER: [03:26:22] Thank you. [03:26:22][0.0]

SMITH: [03:26:22] All right. We continue with opponents of LB1075. Other opponents LB1075. We do-- opponent? Got to move fast. Welcome. [03:26:39][16.6]

RON SEDLACEK: [03:26:39] Chairman Smith and members of the Revenue Committee, my name is Ron Sedlacek, R-o-n S-e-d-l-a-c-e-k, I'm here on behalf of the Nebraska Chamber of Commerce and Industry in opposition to LB1075. And our concern comes more from a commercial point of view in the land transactions. And I could possibly answer a couple of questions. I only brought one copy with me, but I can drop this off with the committee if you'd like, because the bill does mention in Section 2 that-- that this does not apply to those transactions which are exempt from the document stamp tax. And there's about two page document here of the exemptions themselves. So when you do have exchanges, for example, between limited liability partners, you add new partners, partners change, there would not be, that would be an exception to this. The same would be if a subsidiary corporation makes that a deed to a parent corporation. However, if the parent corporation should [INAUDIBLE] as opposed to the subsidiary corporation a document stamp tax would apply. It's kind of interesting how that-- how those exceptions were made. So there's also provisions dealing with whether or not-- not provisions, the question is whether or not this bill would apply to land exchanges or property exchanges and how that consideration would be based. And in regard to gifting, Section 1, subdivision B does provide for the gift-- a gift or a deed with nominal or no stated consideration essentially. Then you would revert back to the fair market value of the land so that determination would have to be made by someone. I don't know if that would be the register of deeds or if they'd look up the property tax record or they would have to have an independent appraisal, but anyway, there's some mechanic issue-- mechanics issues here. Secondly, if it is not a gift, then-- or a nominal consideration, it is presumed to be what appears on the face of the deed. But there is going to have to be a determination then on the face of the deed whether that is nominal consideration or understated value or as to whether or not it is actual value. So again, some mechanics problems, there needs to be some due process if you're going to have a transfer tax such as this.

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But for these-- and the effect obviously that it would have on particularly those engaged in businesses in trying to negotiate not only the value of the property but perhaps the loan itself, that loss of potential equity in the sale is going to have to be considered by that business in making that transaction. So for those reasons we oppose the legislation. [03:29:48][188.1]

SMITH: [03:29:48] Thank you, Mr. Sedlacek. Questions from the committee? I see none. [03:29:53][5.5]

RON SEDLACEK: [03:29:54] Would you like a copy of this? I'll leave it off with you. [03:29:56][1.9]

SMITH: [03:29:58] If you'd like leave that, we can have copies made and distributed. We continue with opposition to LB1075. Welcome. [03:30:13][15.0]

JERRY STILMOCK: [03:30:13] Mr. Chair, thank you. Members of the committee, my name is Jerry Stilmock, J-e-r-r-y S-t-i-l-m-o-c-k, testifying on behalf of my clients Nebraska Bankers Association, the National Federation of Independent Business, opposed to LB1016. The senator introducing, Senator Friesen, said, I mean it's a new tax and that's primarily why my two clients are opposed to it. Yes, there are exemptions that are set forth that Mr. Sedlacek just handed to you in LB1075. I think I misspoke, LB1075, pardon me, that are included in the documentary stamped tax statute 76-902 where it has a whole list of exemptions. So, yes, it would be exempt. What would be exempt in mortgages deeds of trust because of the statement of those items being exempt through the legislation LB1075. Conveyances from an estate proceeding going to a devisee or beneficiary in a state proceeding, same thing for a beneficiary in a trust, all those would be exempted out. Senator Smith, you raised a very good point with the first proponent. You know, farm real estate it's a legacy piece of land. The family held it for 50 years, the family held it for 60 years, that farm land just doesn't transfer the way residential property transfers. My wife and I, we've owned three houses, three or four houses, different communities, and we've been married 34 years, so we have that many transfers. Certainly residential property would be impacted. And that's basically is my testimony this afternoon, Senators. Thank you. [03:31:59][106.5]

SMITH: [03:32:01] Thank you, Mr. Stilmock. [03:32:02][0.6]

JERRY STILMOCK: [03:32:04] Yes, sir. [03:32:04][0.0]

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SMITH: [03:32:04] I see no further questions. [03:32:04][0.7]

JERRY STILMOCK: [03:32:05] Thank you, Senators. [03:32:06][0.3]

SMITH: [03:32:06] Thank you for your testimony. [03:32:07][0.6]

JERRY STILMOCK: [03:32:07] Yes, sir. [03:32:07][0.1]

SMITH: [03:32:10] Continuing with opposition to LB1075. We do have letters for the record that were submitted in opposition to LB1075 from Rocky Weber representing Nebraska Cooperative Council; Joann Fischer representing self and Knox County Clerk Election Commissioner Ex-Officio Register of Deeds; John Dickerson representing Nebraska Association of Commercial Property Owners; Jerry Banks representing Jerry Banks Group; Jeff Uhlir, from Verdigre, Nebraska; and Krista Podany from Verdigre, Nebraska, as well. We now move to those wishing to testify in a neutral capacity; neutral. I see none. We invite Senator Friesen back to close on LB1075. [03:33:06][55.9]

FRIESEN: [03:33:09] Thank you, Senator Smith and members of the committee. You know, the thought process here, and I do realize that any type of property that transfers more often will pay more. Majority of land, by far, that I own and farm, someone would've paid the 1 percent transfer fee. There's a lot of land sells and moves, it just doesn't move as often; I agree. And I do have the breakdown, I can get to you. I don't have it with me, but I think residential was by far because people roll houses. I've owned several houses and rolled through them. I think numerous people do that. Commercial property and things like that probably don't roll quite as often, but I don't know. But when you look at the numbers, I agree, I think it did point out, and I wish I had them with me, but residential, I think, was by far because we turn a lot of homes. But when you take the-- the person that has lived in their home for 40 years and if we can reduce their property taxes by 30 percent by doing something like this, they're not going to care at the end of their lifetime when they sell that home and are gone. It's a one-time tax versus a every year pain that you have to pay when you're on that fixed income and you have to come up with that increasing property tax that constantly goes up. So any way I think that we can do to reduce what I call a regressive tax, and that's property tax, we have to look for different ways. This is one method, one thought. I appreciate the testimony, but I think we have to look at other ways of trying to find a way to fund property tax relief for those who through no fault of their own, they've lived in their house for 40 years, the values continue to increase, it's paid

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for, and yet the fee they have to pay keep going up and up and up. So any questions I'd be glad to answer. [03:35:08][119.3]

SMITH: [03:35:10] Questions for Senator Friesen in his closing? I see none. Thank you, Senator Friesen, for the closing on LB1075. And we move to our last bill of the day, LB1076. Again, Senator Friesen is invited to open. [03:35:28][18.4]

FRIESEN: [03:35:28] This is a same song different verse. This just goes with the doc stamp fees. So I can make this fairly quick too. My name is Curt Friesen, C-u-r-t F-r-i-e-s-e-n, I represent District 34 and I'm presenting LB1076. LB1076 would increase the doc stamp fees by 50 cents to \$2.75 per thousand dollars of valuation. The new 50 cents would be credited to the Property Tax Credit Cash Fund and you can note the fiscal impact. It ends up-- it starts out at \$1.6 million and ends up down the road at \$5.7 million by 2022. Now currently, the doc stamps, the county register of deeds, 50 cents is remitted to the General Fund, Affordable Housing Trust Fund gets 95 cents; Homeless Shelter Assistance Trust Fund gets 25 cents; Site and Building Development Fund, 25 cents; and Behavioral Health Services Fund gets 30 cents. In 2015, there was a total of 83,539 transactions; 52,000 were taxable, 31,231 were not taxable. In total, collections for that year were \$23,521,000. And from this total, \$5,226,362 was retained by counties; \$18,294,000 was credited to [INAUDIBLE] listed before. With that I'd be more than happy to answer any questions. [03:36:59][91.0]

SMITH: [03:37:00] Very good. That is our opening on LB1076. Questions from the committee? I see no questions. We move to proponents of LB1076, those wishing to testify in support of LB1076. Seeing none, we go to opponents, those wishing to testify in opposition to LB1076. Welcome back, Ms. Fletcher. [03:37:29][29.1]

DARLENE FLETCHER: [03:37:31] Thank you. Again, my name is Darlene Fletcher, D-a-r-l-e-n-e F-l-e-t-c-h-e-r. And I won't go through all-- pretty much the same-- I have the same reasons for opposing this bill. Again, we're representing 24-- or 4,700 members of the Nebraska Realtors Association. And the-- we have always been in opposition to raising the doc stamp fees unless they are specifically used for related purposes to real estate. An example of this is our support for the continued increase to help fund real estate [INAUDIBLE] for county offices. The numbers, you have some numbers on the back of your flyer that say that the total increase that is in 2016 would have been \$5,271,281 with a 50 cent increase. So that is the reason that we are in opposition. And do you have any questions? [03:38:42][71.5]

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SMITH: [03:38:44] Questions from the committee for Ms. Fletcher? I see none. [03:38:48][3.2]

DARLENE FLETCHER: [03:38:53] All right. [03:38:53][0.3]

SMITH: [03:38:53] Thank you. Others wishing to testify in opposition to LB1076? We do have letters that were submitted for the record in opposition to LB1076 from John Dickerson, representing Nebraska Association of Commercial Property Owners; and Jerry Banks representing Jerry Banks Group. We now invite those wishing to testify in a neutral capacity on LB1076. Neutral? Seeing none, we invite Senator Friesen to close on LB1076. [03:39:21][27.9]

FRIESEN: [03:39:25] Looks to me like I should have made it a dollar. You know, when we talk about commissions, they've held steady supposedly it's kind of like our tax levy, it's held kind of steady too, but our valuation has going up quite a bit. So as homes have sold for more money, obviously the fees collected have gone up too. So I don't see that-- especially this one as being very traumatic to anybody. But again, it doesn't raise a whole lot of money, as you see that. The 1 percent transfer fee obviously did a lot more. This one here, it is kind of interesting to track those funds and see where they all go inside the Department of Economic Development, and there are some pretty good sized cash funds in there that could be kind of interesting to sweep someday. So with that I'd be glad to answer any questions. [03:40:13][48.7]

SMITH: [03:40:14] Senator Friesen, I imagine there's a story behind each one of those funds and how it came to be. [03:40:19][4.4]

FRIESEN: [03:40:19] I think there is. [03:40:20][0.4]

SMITH: [03:40:21] Questions from the committee? Senator Harr. [03:40:22][0.8]

HARR: [03:40:23] I believe Appropriations is sweeping some of those right now as we speak. [03:40:26][3.5]

FRIESEN: [03:40:28] They could be. [03:40:28][0.4]

SMITH: [03:40:30] Senator Groene. [03:40:30][0.0]

GROENE: [03:40:31] Senator Friesen, could we get a copy of your testimony so we could-- I can revisits those-- where all those fees go? [03:40:39][8.3]

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FRIESEN: [03:40:40] Sure. [03:40:40][0.0]

GROENE: [03:40:40] Have the page copy them and give-- at least to me. I don't know about the rest of you. I didn't catch of of them all as you read them off. [03:40:40][0.0]

FRIESEN: [03:40:45] Basically, this is where all the fees go, the different departments, Agency 72. [03:40:51][5.9]

GROENE: [03:40:53] I'll trust you did all the homework, just give me your recap. [03:40:55][2.5]

SMITH: [03:40:56] Maybe you could just share that with Senator Groene. [03:40:57][1.1]

FRIESEN: [03:40:59] I can do that. [03:40:59][0.3]

SMITH: [03:41:05] No, I don't think so; just to share with Senator Groene would be fine. Other questions from the committee? I see none. Thank you, Senator Friesen, for your closing on LB1076. And that closes our hearing for the day. Thank you all.