

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee January 30, 2019

**LINEHAN:** Welcome to the Revenue Committee public hearing. My name is Lou Ann Linehan. I'm from Elkhorn, Nebraska and represent District 39. I serve as the Chair of this committee. The committee will take up bills in the order posted. Our hearing today is in your-- is your public part of the legislative process. This is your opportunity to express your position on proposed legislation before us today. If you are unable to attend the public hearing I would like your position stated for the record. You must submit your rest-- written testimony by 5:00 p.m. the day prior to the hearing. Letters received after the cutoff will not be read into the record. To better cafil-- cafil--

\_\_\_\_\_ : Facilitate.

**LINEHAN:** facilitate-- thank you, today's proceeding, I ask you abide, you abide by the following procedures: please turn off your cell phones and other electronic devices; move the chairs and this is-- really does help speed things along. I know it's really bad weather so I want everybody to have an opportunity testify but if we can move as fastly-- move forward when you're gonna testify because it helps us know kind of what's coming. So if you're going-- if you want to testify-- if you're in the first couple rows it helps. In order of-- the order of testimony is first the introducer, the proponents-- those speaking in favor, opponents-- those against, and those in neutral, and then we'll ask the introducer for closing remarks. If you will be testifying please complete the green form and hand it to one of the committee clerks when you come up to testify. If you have written materials that you would like to distribute to the committee, committee, please hand them to the page to distribute. You will need 11 copies for all the committee members and staff. If you need additional copies, please ask the page to make cop-- copies for you as soon as they're able. I'll introduce them in a minute. You don't have to wait until right before. Because if we can get that out of the way, that'll speed things along, too. When you begin to testify, please state and spell your name for the record. So we'd have to have you, even if your name's Roger, spell your name for the record, please. Please be concise. It is my request that you lim-- limit your testimony to five minutes. We will use the light system so green is green for four minutes, then it's yellow for one minute. So then when it's red you need to wrap it up. If there are a lot of-- I don't think we're gonna have a lot of people considering the weather. If your remarks were reflected in previous testimony or if you would like your position to be known but do not wish to testify, please sign the white

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form in the back of the room and it will be included in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. I'd like to introduce my committee staff. To my immediate right is legal counsel, Mary Jane Egr Edson; and to my left is research analysis[SIC], Kay Bergquist. At the end of the table on my left is committee clerk, Grant Latimer. I would like the senators to introduce themselves starting to my far right. Senator Kolterman is introducing another bill right now so he will be back, back in a minute. So we will start with you.

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

**LINDSTROM:** Brett Lindstrom, District 18, northwest Omaha.

**FRIESEN:** Curt Friesen, District 34, Hamilton, Merrick, Nance, and part of Hall County.

**McCOLLISTER:** John McCollister, District 20, central Omaha.

**CRAWFORD:** Good afternoon, Sue Crawford, District 45, which is eastern Sarpy County, Bellevue, and Offutt.

**BRIESE:** Tom Briese, District 41.

**LINEHAN:** Thank you. Our comm-- our pages for today-- young ladies, can you stand up and introduce yourselves.

**KYLIE \_\_\_\_\_:** My name is Kylie.

**KACI JUMPS:** And I'm Kaci.

**LINEHAN:** And they're both students at the University of Nebraska. Please remember that senators may come and go during our hearing as they may have bills to introduce in committees, such as Senator Kolterman is doing right now. Refrain from applause or other indications of support or opposition. I'd like to also remind your committee members to speak directly into the microphones. And also, finally, if you see us looking at our phones or our computers, it's probably because we're trying to do research on trying to find an answer to something. So with that, I would like to welcome Chairman Stinner to introduce LB134.

**STINNER:** Thank you, and good afternoon, Senator Linehan and members of the Revenue Committee. For the record, my name is John J-o-h-n, Stinner S-t-i-n-n-e-r, and I represent District 48, which is all of

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Scotts Bluff County. LB134 proposes to reinstate the three-cent levy authority for fully and overappropriated Natural Resource Districts or NRDs. Fully and overappropriated NRDs are those districts directed by the state's Department of Natural Resources to undertake additional groundwater responsibilities. The levy authority to be reauthorized by LB134 may only be used by certain NRDs in order to implement groundwater management activities and integrated management activities under the Nebraska Groundwater Management and Protection Act. The Nebraska Legislature created this levy authority in 2006 in order to fund duties placed on fully and overappropriated NRDs under LB962 at that time. These groundwater management responsibilities still remain with the districts and the tools for the activities-- activities associated with this act is the actual levy. So we're asking that to be authorized-- reauthorized. I would just like to reiterate that the three-cent, cent levy authority contained in the bill only affects fully and overappropriated NRDs which brings us to 10 of the 23 NRDs in this state. When accounting for those NRDs which were using the levy authority as of last year or used in the past that would bring us to 8 NRDs out of 23 which will be impacted. But I'd like to point out that we are fast reaching the second increment which could be as early as August of this year. By now progress has been made by all the NRDs in the Platte Basin. It is important for us as a Legislature to ensure that we get the NRDs the tools they need to meet the obligations that are imposed under the integrated management plans, or MIPs [SIC], and prepare our water resources for issues that may arise down the road. I'd like to take a moment to address some of the comments I heard in the Legislature last year. This is not a tax increase. This is a continuation of a program which has been in place over ten years and an important tool for our NRDs. Second, there are safeguards under the statute to ensure that the NRDs must justify the necessity for use of the levy to meet the MI-- the IMP requirements. Just as the Legislature will have to justify the necessity for the three-cent levy authority under the sunset provision, so, too, must the NRDs justify their levy authority. Without the levy authority, we take away the ability of each of our ten NRDs to effectively manage the goals laid out under the MIP [SIC]. I would note that this year's bill includes amendment language offered by Senator Kuehn on last year's LB98 regarding transparency. Under that language, the NRDs will be required to keep specific records that document use of these funds. Finally, I'd like to make a point that although only 10 of our NRDs are fully or overappropriate-- overappropriated we are just one drought, one water compact away from potentially increasing that number. The coming years will bring more strict-- stringent streamflow requirements if

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the NRDs can't fund the necessary water management projects. As a result they will only be able to respond by reducing irrigation allocations for farmers which would devastate agriculture production and hurt our state's economy. If this occurs property taxes would increase for all other districts. As the number of irrigated acre shrinks, shrinks, land values will fall and property tax levies must rise to compensate. Without reinstating the levy authority we take away our NRD's ability to prepare for the future and ensure that there is sufficient water resources to keep our agricultural economy sustainable in the short and long-term future. Thank you, and I'd be happy to answer any questions.

**LINEHAN:** Thank you, Senator Stinner. Do we have questions from the committee? Senator Groene. Oh, I'm sorry.

**CRAWFORD:** No, go ahead.

**GROENE:** Well, thank you, Chairman. For clarification, this is a tax increase.

**STINNER:** It is not a tax increase until they utilize the three cent. Therefore, a short period of time, it is a tax increase. And if you look at the history over ten years, NRDs have moved that up from time to time and judiciously moved it back down because they are much aware of what the impact is of property tax.

**GROENE:** But it did sunset,--

**STINNER:** It has a sunset, yes.

**GROENE:** --the levy authority sunset, this is an increase in levy authority.

**STINNER:** This would be a request to give the tools to be put in place if they so get a second increment that they need to utilize this. And maybe I should explain what-- if you go back to 2006, look at the, look at the testimony. Just go back-- and I have it in my office if you want to look at it, and look at what this whole thing was about as it relates to water management. They decided, they decided-- the Legislature decided through a lot of studies that we were overappropriated which means we were using water stream-- we were taking streamflows down and so we needed to stop that for our state. So what they did was to put in legislation that-- I can't remember exactly what it was, but a legislation to restore steam-- streamflows.

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And instead of saying, OK, we need to restore 100 percent of it, we're going to do this in increments. And so the first increment was about-- first of all, getting a tool in place that measures these stream-- streamflows so that when my district says, hey, we restored 8,000 acre-feet back to the water-- back to the river that they know that, that, that measurement tool is actually certified and looked at and relied on for that information. And so our first increment was 8,000 acre-feet. So that restored it back to 1997. The next-- and, and so there was a glide path. There was a period of time when the NRDs were saying, hey, we can't get this done tomorrow. We can't get this done tomorrow. We can't put together this computer model that we need to have-- get it certified, so we need some time. We can't comply with all of this 8,000 acre-feet without a program without inspecting it. So put the management tool in place, it will instruct us or help us to look at different programs that we can put in place to restore those acre-feet back to wat-- back to the river. And my NRD has taken that very seriously. They have used that three-cent levy-- fairly heavy, probably heavier than anybody else. But guess what, we're at the headwaters. And guess what, we have the most surface irrigated acres along with pumping irrigation. So we have taken it extremely seriously. What I'm afraid of is the second increment, the second increment-- we'll say, we're going to take those streamflows up-- back to who knows what. And I, I can assure you that everything that I've heard it will at least be double the amount. So all of a sudden we have to react instead of 8,000 acre-feet, we've got 16,000 acre-feet to back-- to restore back. And that will restore back streamflows to a certain date which ensures Lincoln and Omaha that they have because of we're connected. Lincoln and Omaha have sufficient amount of water in order to grow there, there cities and towns and use that water. The second increment is what I'm afraid of. The second increment was supposed to have come out, but it sounds like it's been delayed and it will come out in August. We'll find out what that is. What I'm putting into the Revenue Department is we need to have this in place because-- first, all the fed funds and grants that are out there are now starting to shrink. We got a major drought over in, in California and some of the western parts of the states have a major, major problem over there. So a lot of those funds are being shifted. A lot of the funds are just being pulled down from the fed side. And frankly, you can't do a long-term project with short-term grants. OK. You can do maybe a couple, couple things with it that will have carryover but those monies are drying up. But we have local control-- local people sitting on boards making decisions that are abundantly clear about

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property tax and what it impacts as it relates to agriculture. This is a tool. This is not a tax increase.

**LINEHAN:** Thank you. I think--

**STINNER:** This is fairly passionate, so--

**GROENE:** I know, and I'm trying to stay calm. So--

**LINEHAN:** I know, so we we're not gonna have a debate here, we're not gonna even-- this is what we do on the floor.

**GROENE:** But there's another tool after this three cent-- two tools. If you're overappropriated and fully appropriated you get another cent of tax at four and a half to five and a half. That's another tool we gave them. The other one-- after this, we gave them the occupation tax of \$10 an acre to tax the people who basically profited and caused the water situation, which I'm fine. I'm a big pro-irrigator, but I don't believe your district has ever used one cent of that \$10 an acre.

**STINNER:** Here-- here's the difference between my district, probably than most districts, I have mostly surface water irrigators. The surface water irrigators are the people that are saying restore that streamflow. It's the pumpers that are taking it out. OK, so all of a sudden I'd say you guys that didn't cause this problem, you got to contribute a \$10 tax, tax. And it's just on the farm, but isn't water also for the municipality? Isn't there projects that the NRD affects the municipalities as well?

**GROENE:** But the question--

**STINNER:** There are-- there, there is a significant amount of projects that affect the urban city people as well as the farmer. So you're asking the farmer to take up all the slack for this because supposedly they caused the problem. Not all the problem was caused by agriculture.

**GROENE:** But also, Senator, you've asked the--

**LINEHAN:** I'm gonna limit you both to three minutes and three questions. [LAUGHTER] Just like on the floor.

**GROENE:** But, but anyway, because these guys can address it later, too. But also you're not just taxing that \$10 to that ditch irrigator. When you put three cents on, the vast majority of acres are dryland wheat

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farmers and, and ranchers who did not cause the problem and you're gonna put another three-cent tax on that--

**STINNER:** That would be the, that would be the other,--

**GROENE:** --or negative of it.

**STINNER:** --the other thing is the dryland people and pasture people and the like of that, yes.

**LINEHAN:** OK--

**GROENE:** We'll agree on that.

**STINNER:** I forgot,--

**LINEHAN:** Thank you.

**STINNER:** --I forgot that part of the argument. [LAUGHTER]

**LINEHAN:** Thank you. Thank you, Senator Groene and Senator Stinner. Other questions?

**CRAWFORD:** That's, that's part of what I was going to ask. It has already been asked. So--

**STINNER:** I've got a really a lot of smart people behind me that can testify and probably answer--

**LINEHAN:** It won't be debating hopefully. So any other questions? Senator Friesen.

**FRIESEN:** Thank you, Senator Linehan. You know it goes back to the economic prosperity that comes from irrigated agriculture is spread across the whole district. Have anybody ever looked at the economic development or the increase in property taxes and other revenues that irrigated agriculture has brought to the whole region? Because we do have, across the state, we are more irrigated now than California. And if you look at the economic impact that irrigation has on the state and on each district, it brings more benefits than just that immediate to that acre of ground it brings benefits across the industry and across agribusiness. Has anybody done any quantifying of what that might be?

**STINNER:** I-- and I have not seen any quantification but we all know what the impact of agriculture is on our tax receipts for an example.

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You know over the last three years now it's in a row we've seen a shortfall in our tax receipts due to agricultural prices. So-- but no, I have not seen anything that's been put together.

**FRIESEN:** Thank you.

**STINNER:** And, Senator, I, I would-- I'm pretty passionate about this. I didn't mean to get too passionate, but I thought that maybe because it's in the-- in this committee, the Revenue Committee, first time that you've seen this that somebody should explain increments in some of this,--

**LINEHAN:** Does this go--

**STINNER:** --some of this legislation that's happened.

**LINEHAN:** Thank you.

**STINNER:** Because we don't, we don't have the institutional memory.

**LINEHAN:** Does, does this go back to the water compacts with the whole water, water disagreements between Colorado, Nebraska, Kansas, and--

**STINNER:** There, there is a piece of that but it-- it's just a piece of it.

**LINEHAN:** The lawsuits that go way back for as long as I've been in government. OK--

**STINNER:** We, we had a lawsuit called Pumpkin Creek and it had to do with streamflows and there's been quite a bit of legislation that's led up to this and awareness that we were actually decreasing flows of the river.

**LINEHAN:** Right, I remember some of that. Any other questions? OK, thank you. And you'll be here for closing I'm guessing.

**STINNER:** Yes.

**LINEHAN:** Yes, OK. Proponents, please. Good afternoon.

**JOHN BERGE:** Good afternoon, Chairperson Linehan, my name is John Berge. First name is J-o-h-n, and last name is B-e-r-g-e. I am the general manager of the North Platte Natural Resources District in Scottsbluff, and I am providing testimony in favor of LB134 both on behalf of my district and on behalf of the Nebraska Association of



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Resources Districts. You will note that my testimony is a bit long so I'm going to abbreviate in order to hopefully maintain myself here in the, the light process. As Senator Stinner pointed out, we were one of those districts that was deemed overappropriated back in 2004. LB962 was passed and deemed several different districts over and fully appropriated. Ours was one of those districts. And as a result of that we entered into a process called integrated management plan. That integrated management plan, we are entering into our second increment now. Through the first increment, we did a number of different things. And I'd like to sort of summarize those for you so that you have an understanding of the management tools that we've used thus far in order to address our overappropriated steps. The first is, we have metered all of our wells. We have a deficit level of allocation on all irrigation wells. We have certified every groundwater use in our district. We have a moratorium on acre expansion and a moratorium on, on well drilling. All of those things happened in the first year. Some of those have been adjusted over time, but I wanted to point out that we've had some level of regulatory management that has been in place. In order to balance that regulatory management-- because I think Senator Friesen makes a good point, that this-- that agriculture-- the impacts of irrigated agriculture are, are great and we want to ensure that irrigated agriculture can remain successful in a district like ours. We wanted to balance that with incentive programs, with conjunctive management opportunities. And so we've done that as well. We've got a number of different programs in place. We use Nebraska soil and water conservation dollars in order to cost share a number of different practices that will improve effici-- efficiencies on groundwater irrigation. We have surface water leases that we enter into. We do intentional recharge with the surface water leases. We have groundwater leases, and retirements of, of marginal lands in our, in our district. We have an allocation buy-down ensuring that even a higher level of deficit irrigation is occurring on the ground where we have groundwater pumpers. We've done all of those things and we've done them in order to really have that balance but also maintain a, a high level of economic vitality in our district. A quick answer to your question that you asked of Senator Stinner, the sugar beet industry in our part of, of the state does a \$300 million economic impact each and every year. That's an enormous industry for us. So how do we fund those things? For the, for the past several years we have funded those things either through using our property tax levy authorities or by seeking out state and federal grants. We have access to a great number of state and federal grants. We are one of the first districts to be funded under the Water Sustainability Fund. We access

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a number of grants through USDA, through the Bureau of Reclamation. We utilize a great deal of water resources cash fund dollars in our operations. But oftentimes those matching requirements for those grants require us to come up with 40 percent to the-- to match those state and federal grants. That 40 percent requires us to raise revenues to do it. And we've done that by utilizing this levy authority from time to time. We have actively used it and as was pointed out we've been judicious in bringing it back down again when it's, when it's no longer needed. In reaction to what occurred in the past two years, we have cut \$1.4 million out of our budget in two fiscal years. That's a significant decrease in a, in a budget that at its highest was six and a half million dollars. We made those changes not because the, the, the needs don't remain but because we were anticipating the action that took place last year. And we are going to continue to seek ways that we can become a little bit leaner. But pretty soon we're going to get into the bone, and we're not gonna be able to have all of these incentives. And in lieu of the incentives-- in lieu of the expenditures of these dollars we have-- we're going to have no choice but, but to get an awful lot more Draconian in the way that we regulate. And I think that will be detrimental to irrigated agriculture and detrimental to the tax base. So in closing-- and, and you'll find more comments in my testimony, I would urge you to support LB134 to advance it out of committee to the full Legislature for further discussion, and I would be happy to answer any questions I can.

**LINEHAN:** Thank you very much. Questions? Senator Groene.

**GROENE:** Sir-- thank you, Chairman. How many irrigated acres are in your NRD?

**JOHN BERGE:** It's about 450,000.

**GROENE:** So \$10 an acre occupation tax you'd bring in four and a half million dollars?

**JOHN BERGE:** That's correct.

**GROENE:** You see Upper Republican sitting over there maxed out at \$10. I see that my Middle Republican NRD, I believe they're four or five bucks now.

**JOHN BERGE:** Yeah.

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**GROENE:** You, you don't have to take draconic measure-- measures, do you? You have a revenue source that you have untapped.

**JOHN BERGE:** I have-- we have, we have-- as you pointed out earlier, we have other revenue tools that are available to us. The revenue option of an occupation tax in our district would be extraordinarily difficult to get it-- to put it in place. And I think it would be unfair-- an unfair burden on the surface water irrigators.

**GROENE:** The surface water irrigators in my district, Twin Platte pay.

**JOHN BERGE:** I recognize that, Senator Groene.

**GROENE:** So did the Middle Republican.

**JOHN BERGE:** You have a different situation than we do.

**GROENE:** But you believe the dryland farmers and the ranchers can afford a three-cent taxing?

**JOHN BERGE:** I think the entirety of the industry and I think the entirety of the district and I think the entirety of main street reacts well to a strong agricultural economy. That strong agricultural economy comes from utilizing our tax [INAUDIBLE] programs to get better technology in place so that we have more efficient irrigation occurring so that not only where-- are we meeting those obligations under the law but we're also helping farmers do better.

**GROENE:** I agree with you. Ag economy is how I make my living but you do have another revenue source you haven't untapped. So thank you.

**LINEHAN:** Other questions? Senator McCollister.

**McCOLLISTER:** Thank you, Madam Chair. It shows in our fiscal note that last year, last year you generated \$836,000 with, with your levy. Would you dissipate a similar kind of effect if, if you are giving this authority?

**JOHN BERGE:** So if we use the full authority based on last year's valuations, the full authority is worth a little over a million four I think-- something like that-- a million two, million four. Last year we, we did not use the full, the full authority that was available under this three-cent authority. I don't know the answer to that. I mean, I think what Senator Stinner was getting at was the question for us really is what does fully appropriated look like? We're not doing

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these programs because we think they're just phenomenal. We're doing these programs because we're obligated to, and we're obligated ultimately to reach a fully appropriated designation. We don't know what that is yet. And so rather than taking a tool out of our tool box-- maybe one of many tools, Senator Groene, but a tool out of our tool box, it seems to me that we ought to leave all tools on the table so that a fully appropriated is 50,000 acre-feet versus the 8,000 that we had to address in the first increment. We have the availability to go and find the resources to get that job done.

**McCOLLISTER:** Thank you. No, one more question. Looking at the map, there are South Platte, Twin Platte, Central Platte and Tri-Basin, they're all impacting Upper Republican a little, but are fully appropriated. Do the management techniques in those other NRDs impact you in some kind of way?

**JOHN BERGE:** Not really.

**McCOLLISTER:** Or a lack thereof?

**JOHN BERGE:** No. In fact, I would, I would say quite the opposite. We are all very unique, just ask us. I mean, all of us thinks that our, our district is the most unique and the coolest and we all have the best management schemes but each one of us has a unique situation. Each one of us brings to the table a different set of circumstances. We have 26 surface water irrigation districts in our NRD, more than half of, of the total in the entire state. That gives us a unique situation. So no, I don't, I don't look to Twin Platte or South Platte or any of these other either Platte or Republican districts and say, you know, how they're managing is going to impact the way that we're managing. Those are local decisions made by our local boards of directors and they're making decisions based on what's right for their constituents. And I-- you know, I commend all of those, all of those districts that you mentioned. They've all done a yeoman's effort in this first increment as well, but their activities don't impact what it is that we may or may not do.

**McCOLLISTER:** So you're at the headwaters?

**JOHN BERGE:** Yeah.

**McCOLLISTER:** And don't you have certain obligations to maintain streamflows?

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**JOHN BERGE:** Yeah, and it's not just related to LB962. I focused on that in my testimony, but it's also related to Platte River Recovery Implementation Program which is a program that's designed to keep us out of consultation on the Endangered Species Act. A very important piece of, of water management here in Nebraska. We also have some compact requirements between us and the state of Wyoming for example. So there are-- and, furthermore, we also have a, a more senior surface water rights further east of us that we have to be able to ensure that they're going to get their fair share. So for example, the North Platte Canal which is one of the oldest water rights in the state is about 120 miles beyond my eastern border of, of my district. If they put a call in the river they expect water to be delivered. We have to manage those depletions for all of those different needs. And this, this meeting fully appropriated is sort of the silver bullet that gets you there on all fronts. But even if that, even if that were to, were to somehow go away or something that we're going to put off until the third or the fourth increment we still have those other obligations in the river.

**McCOLLISTER:** Thank you, John.

**JOHN BERGE:** Yeah.

**LINEHAN:** Other questions from the committee? OK, thank you very much.

**JOHN BERGE:** Thank you very much.

**LINEHAN:** Good afternoon.

**JASPER FANNING:** Chairman Linehan, and members of the committee, my name is Dr. Jasper Fanning, general manager of the Upper Republican Natural Resources District, and that's J-a-s-p-e-r F-a-n-n-i-n-g. I'm here in support of LB134 on behalf of the Upper Republican Natural Resources District and the Nebraska Water Resources Association. I, I think it's been touched on by previous testifiers quite a bit, but the-- LB962, and the requirements put in place by interstate agreements and compacts, we're obviously intimately involved in the Republican River Compact and the interstate cooperation that we are actively engaged in now. As an example of what we've done in, in our district and in the Republican Basin in cooperation with our, with our fellow NRDs in the Republican Basin, we've had to build a couple of augmentation projects that can supply on the order of about 16,000 acre-feet on average of water out of the N-CORPE project which can benefit both the Republican and the Platte has about that capacity.

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Our, our Rock Creek project, we've got about roughly 5,000 acre-feet a year or 6,000 acre-feet a year on average that we can put out of that project. Now they both have instantaneous capacities of like 60,000 acre-feet at N-CORPE in a given year or in as much as about 20,000 acre-feet in Rock Creek in a year. And under the new agreements that we have with Kansas, we hopefully don't have to use them at that level like they were designed because of the good things there, but those projects cost in excess of \$100 million to construct. In, in, in our case we're the least cost ways of complying with compact. A lot of what we do as Natural Resources Districts with this three-cent authority is to leverage other funds and there are other funds that we use that are state dollars. We get a lot of grants from federal sources in our district and we leverage those against each other to get things done. An example of future work that we need to do in our district, is we have about 10,000 acres in the CREP program that are temporarily retired. And we need to get those or a similar number of acres permanently retired near the stream in our district to manage our depletions into the future. A, a fair market value to retire that would be somewhere in the range of 30 to 35 million dollars. The three-cent levy we're talking about here, we have not always used, it depends on the budget to projects that we have from year-to-year. Some years we've used all three cents, some years we've used none. But we would raise about \$1.2 million with the full three-cent authority with our current 3.7 billion valuation. And I guess a district like mine is probably the example of the districts that have a relatively small tax base but have a very large piece of the water management puzzle to undertake. We have about a little over 45 percent of the irrigation of the Republican Basin is in our district because those were the lands that were irrigable and had a water supply. They were the ones that were developed. Our district is probably the most stringently, aggressively regulated area for water in the country. We've had allocations on farmers in our district going back to 1978 when the first Groundwater Management Protection Act was put in place and adopted rules and regulations in the late 70s that have been in place and the allocation reduced many times. Farmers continue to get more efficient. But this three cents isn't a tax, it's, it's something that we take and invest to help our farmers and producers navigate and get out of the big balls of red tape that are, that are imposed on us through compacts and agreements. The cooperative agreement on the Platte, the, the endan-- on the Platte the Endangered Species Act compliance so that Central Nebraska Public Power and Irrigation District and NPPD can have a FERC license and generate electricity. Through the program and through LB962, the state promised to pay for

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all of that. As time went along, the state decided they would pay through it by requiring the NRDs through LB962 to do it. So effectively, you have a lot of farmers in western Nebraska, irrigators who are now responsible for a large chunk of the expense of complying with the Endangered Species Act requirements in the Platte. In the Republican Basin, the NRDs and the irrigators are the ones that are paying for the solutions to maintain compact compliance. This three cents was something that we used when we needed it. I anticipate greater needs for it in the future. We're, we're certainly-- we have things in place right now and are doing quite well, but we have a lot more work to be done in the near future. With that, I'll stop and take any questions.

**LINEHAN:** Thank you very much. Are there any questions? Senator Groene.

**GROENE:** Thank you, Senator Linehan. Appreciate you visiting with me earlier, Jasper. How many acres do you have irrigation in your--

**JASPER FANNING:** We have about 445,000 acres that are actively irrigated in our district and our total district acreage is about 1.2 million so 1 in every 3 acres roughly in our district is irrigated.

**GROENE:** So 4.4 million, so you have 44-- how many acres?

**JASPER FANNING:** Four hundred and forty-five thousand.

**GROENE:** So four point--

**JASPER FANNING:** We raise about \$4.4 million with our--

**GROENE:** And then what, what are you levying on your occupation tax?

**JASPER FANNING:** We, we levy \$10 per acre. We-- we've maxed out our, our occupation tax. Like I mentioned, the two large augmentation projects. One of them is all ours in the Rock Creek project in our district. We're a member of N-CORPE. We pay 25 percent of that one. And so we, we take our \$10 and it'll pay our bond payments. And in using the rest of the \$10 as a sinking fund, we're able to manage and have enough money for our pumping expenses as long as we, we were a little bit lucky we could put some of that money away and we can operate the rest of it as a cash reserve. But as we continue to retire irrigated acres in our district that shrinks that base as electrical costs continue to go up into the future, the static \$10 at some point won't be enough to probably--

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**GROENE:** Thank you.

**JASPER FANNING:** --cover all those expenses.

**GROENE:** And I admire your farmers for stepping forward and doing that \$10 an acre irrigated farmers they did a good-- so it has mine and the Mid-- and the Twin Platte and the Middle Republican. But if I could give you a tool where you could alleviate some of your debt by selling the N-CORPE plan and the Rock Creek land and retiring debt and, and use more of that \$10 an acre going forward for some of these projects wouldn't-- what, what do you think of that?

**JASPER FANNING:** Well, I, I think that sounds good but some of the legal risks that we might face in the future and unknown legal risks that that might cause need to be more thoroughly investigated before we potentially go down that slippery slope.

**GROENE:** What if I told you it has been thoroughly investigated? Thank you. We'll work together.

**JASPER FANNING:** Thank you, Senator.

**LINEHAN:** Thank you, Chairman Groene. Other questions? Chairman Groene-- I said [INAUDIBLE]. OK, seeing none, thank you very much--

**JASPER FANNING:** Thank you.

**LINEHAN:** --for being here. Other proponents? OK, opponents. Are there any opponents? Is there anybody testifying in the neutral position? Chairman Stinner, would you like to close?

**STINNER:** In doing my work over the last four years with watered legislation and the like of that. I, I would counsel each of-- everybody to go back and look at the debates, the fights, the studies on water. This NRD system by itself is unique in the United States. In fact, California studied our NRD system because they've get water problems. So we were way ahead in terms of what the NRDs are about in the formation of it. The NRDs do a great job. They're locally controlled. They do a great job with the challenges that they have. But they need the tools to do it with. And our big problem with our Legislature is a lot of times we don't have that institutional memory to go back and take a look at that and be involved in those types of arguments and debates about water. Why did this even come about? It was fully and overappropriated, we were concerned about streamflows. We were concerned about longevity, about the viability of our, our



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state. So that's why it was put into place. Is it relevant today? I think it is, because I think there is another increment coming and I think it's a big-- a bigger number than what they've had to deal with before. So I would encourage you to take a look. It's in your hands as the Revenue Committee. It was in Natural Resources so there might be some, some studying that needs to happen. So thank you for your time.

**LINEHAN:** Thank you, Senator. Senator McCollister.

**McCOLLISTER:** Yeah, thank you, Madam Chair. I'd just like echo Senator Stinner comments, when I was at the Platte Institute we wrote a paper on the NR-- NRD system and there are many states: Oklahoma, Texas, California-- as the senator indicated, are envious of our control system and so we have done a great job and we need to do our, our best to maintain that leadership role that we've, that we've acquired. Thank you.

**LINEHAN:** Thank you.

**STINNER:** Thank you, Chairman.

**LINEHAN:** Any other questions? Oops, Senator Crawford.

**CRAWFORD:** That's all right. Thank you, Chairman. And thank you, Senator Stinner. Could, could you just clarify what you mean by the next increment?

**STINNER:** OK, streamflows are something that they're trying to gauge and we're-- we went back to 1997 and they said, here was the streamflow at that time and here's where you're at today.

**CRAWFORD:** OK.

**STINNER:** So North Platte, you need to restore that streamflow back up to this level and that's 8,000 acre- feet. With that you need to develop-- first of all, develop a tool that actually measures that. So they spent lots and lots of time developing computer programs and the like of that to develop a tool and they actually had to pass that tool through the Nebraska Natural Re-- Resource Department. And they, they certified that tool. They said, yeah, we'll, we'll believe what you're telling us. Then they went about with projects to try to restore that. And so the tool said, hey, you-- you're at that level now. The next level is a look back on streamflows that may restore and say back to 1980, for an example, and the streamflows are this much bigger. So you're gonna have to restore it back another 16,000 acre-feet to get

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to that level. And hopefully by that time then the overappropriated and fully appropriated you're, you're in sync. In other words, the water that comes in, the water goes out and it's in balance. And that's, that's the end game in this whole thing, is to get balance.

**CRAWFORD:** Is there a particular time when that next-- or date for that next increment?

**STINNER:** It was supposed to have been out when we brought the-- for the renewal but somehow it was delayed. I talked to the director, he thinks August. So in August, we're gonna get the numbers and we'll certainly make you aware of those.

**CRAWFORD:** Thank you.

**LINEHAN:** So when you say the director-- can you just clarify director?

**STINNER:** Director Fassett, Natural Resource Director--

**LINEHAN:** Thank you.

**STINNER:** --Director of Natural Resources.

**LINEHAN:** Thank you, thank you. Thank you, Senator Crawford. Are there other questions? OK, thank you.

**STINNER:** Thank you.

**LINEHAN:** We do have letters for the record. Proponents: John Thorburn, Tri-Basin Natural Resources District; Kent Miller, Twin Plating-- Twin Platte Natural Resources District; Lyndon Vogt, Central Platte Natural Resources District; Devin Brundage, Central Nebraska Public Power. And then we have one opponent: Jeff Fassett, Department of Natural Resources. Oh, there you go. Neutral: none. With that, we close hearing on LB134 and open hearing on LB185. Senator Friesen.

**FRIESEN:** Thank you, Chairman Linehan. My name is Curt Friesen, C-u-r-t F-r-i-e-s-e-n. I represent the 34th Legislative District. I'm here today to present LB185. LB185 creates an additional requirement in order to qualify for a greenbelt status. In addition to the current conditions found in 77-11344 [SIC] and LB185 would also require a landowner or a lessee of land to provide an IRS Schedule F showing a profit or loss from farming for two out of the last three years in order to qualify for greenbelt status. Such land must also consist of five acres or less. This proposal will ensure that those who are

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claiming greenbelt status are actually engaged in the business of farming thus complying with the spirit of the intent of the special designation when it was originally created. There will be a few folks here to testify on LB185, but I'd take any questions. Just to clarify some things, greenbelt status was created back in the day in order for cities that were encroaching upon ag land, those valuations were suddenly jumping because they had redevelopment value. And so a special designation was created that allowed them to remain taxed at [INAUDIBLE] values versus commercial property. And so as developments happen suddenly you had these little 5- and 10-acre tracts that came out there to be little subdivisions. But what was going on is they were mowing and haying two acres of front in the yard and putting some hay bales up and declaring that they were now a farm and they were protected under greenbelt status. And this is something they did to kind of skirt the property tax issue and lowered the value of that land that that home sat on. And so this, this kind of clarifies that you actually have to be involved in some sort of production. And so if you are filing a Schedule F, it shows that you, you are a farmer and you are showing a loss or a gain from actual agricultural activities and there's some other-- there's some cases back in the day that I'll just not mention, but--

**LINEHAN:** Thank you, Senator Friesen. Senator McCollister.

**McCOLLISTER:** Yeah, thank you, Madam Chair. Senator Friesen, is that a-- was that a widespread practice?

**FRIESEN:** I don't know how widespread it is but it does occur. And again, in order to be fair to all homeowners I, I think it's just a loophole that needs to be addressed. I couldn't tell you how widespread it is but it does happen.

**McCOLLISTER:** So there's extra documentation that goes to the county treasurer or does it go to the IRS?

**FRIESEN:** This would go to the treasurer or the assessor in order to-- for the assessed value of that land to be assessed at different-- basically it's a different use. You know, now if you, if you use the greenbelt status you're saying that you're an agricultural use and this, and this goes to make you prove that it is truly an agricultural use and not a residential acreage.

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**McCOLLISTER:** Does this technique-- is it likely to work? Will the assessors be able to pick up the distinctions you think?

**FRIESEN:** Yes, I, I think it very well clarifies that.

**McCOLLISTER:** Are there any other states that follow this practice?

**FRIESEN:** I don't know if other states have such an egregious property tax bill that they maybe don't have to deal with it. I don't know how other states deal with it.

**McCOLLISTER:** Thank you, Senator Friesen.

**LINEHAN:** Other questions from the committee? Yes, Senator Crawford.

**CRAWFORD:** Thank you, Madam Chair. And thank you, Senator. Is-- does is a Schedule F, is that usually completed only for farms of a certain size? I'm just trying to think of small farmers that might be near an urban area,--

**FRIESEN:** I think the, the description--

**CRAWFORD:** --if they would be required to submit the form.

**FRIESEN:** --the requirements to be a farm-- what it is, I think is a \$1,000 of production. Which to me these days does not qualify you to be a farm yet, but those are the requirements.

**CRAWFORD:** A \$1,000?

**FRIESEN:** A \$1,000 of agricultural production.

**CRAWFORD:** Thank you.

**LINEHAN:** Thank you, Senator Crawford. Senator Groene.

**GROENE:** Thank you, Chairman. Does the Department of Revenue track how many-- how much valuation in the state of Nebraska is this green-- under this category?

**FRIESEN:** I have no idea. There might be some people behind me that can testify to that. How many acreages are involved? I, I don't know-- have that number.

**GROENE:** Thanks, Senator.

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**LINEHAN:** Other questions? Thank you, Senator Groene. Other questions from the committee? And you'll stick around for closing?

**FRIESEN:** Yes.

**LINEHAN:** OK, thank you very much. Proponents?

**DON KELLY:** Good afternoon, Chairwoman Linehan and members of the Revenue Committee, my name is Don Kelly, D-o-n K-e-l-l-y. I'm a Sarpy County Commissioner from the 1st District, and today I'm here to support LB185. We thank, Senator Friesen, for introducing the bill and beginning a discussion about tax fairness in Sarpy County and across the state. As this committee well knows we often evaluate and discuss taxes based on three principles: proportionality, certainty, and simplicity. The current statutes relating to special valuation of agriculture and horticultural land or greenbelt have become difficult for county officials to apply consistently and reliably creating a lot of uncertainty for Nebraska taxpayers. Over the years, the legislator-- Legislature has made it easier and easier to qualify for greenbelt. The current system operates on an honor system and there is little ability for county officials to ensure the tax benefit is applied fairly. Currently, the only stipulation to qualify for greenbelt or special valuation is the land must be located outside the corporate boundaries, boundaries of any sanitary and improvement district city or village except that land within those areas that is subject to a conservation or preservation easement and the governing body of that city or village approve that agreement creating the easement and the land must be agricultural and horticultural land. Eligibility shall be determined annually on the 1st of January. However, that land must remain eligible, must remain eligible the entire year in order to retain the special valuation assessment for that year. To remain eligible in succeeding years, the land must continue to be agricultural or horticultural land. That is the entirety of the requirement for this special valuation. What does that mean in Sarpy County? Well, basically it means every person in the city's extraterritorial jurisdiction is qualified for an exception by just stating their land is used for agricultural or horticultural purposes. If you roll up a bale of hay in Sarpy County, you're a farmer and you're eligible. Our assessor has no means to dispute the landowners claim by any measurable metric such as acreage size, revenue produced. The current law is literally so nonspecific that almost anything imaginable falls under the criteria of horticultural or agricultural. In my role as chairman of the Board of Equalization,

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I've seen pictures of goats, a pallet of cedar logs, and other such products used as justification for special exemption. No record of receipts required, no farm income tax forms produced and Sarpy County's losing property tax revenue due to these who are enrolled in a program originally intended for those who use the land for their livelihood. The bottom line, the current state law is too lenient allowing landowners in rural areas an underserved property break which shifts the property tax burden onto other taxpayers which we believe is unfair. The taxpayers of Sarpy County deserve a level, level playing field, and tightening up this law would be a significant first step. Senator Friesen's bill makes great strides at closing these existing loopholes in the greenbelt laws and we completely support his effort. Thank you for your consideration of this bill, and I'll, I'll be happy to answer any questions.

**LINEHAN:** Thank you very much. Do we have questions from the committee?

**GROENE:** I have one.

**LINEHAN:** Senator Groene.

**GROENE:** Thank you. Valuations are by comparable sales, are-- aren't they?

**DON KELLY:** Well, the, the way I understand it, yes, they are.

**GROENE:** So if someone pays--

**DON KELLY:** I'm not an expert on, on assessment, but I believe you're correct.

**GROENE:** --if somebody paid five, five-- fifty thousand or a hundred thousand dollars for five acres and that's a comparable sales, that five acres even though they declare a farm, wouldn't be-- would it not be valued at a \$100,000 less times a 75 percent valuation or does it have to be pasture ground across the-- I think, across the whole county?

**DON KELLY:** Well, I, I called the assessor before I came down to testify and I, I tried to get a little primer on how they determine the valuations and he said, because Sarpy County is an urban metropolitan county now they have a hard time doing comparable sales within the county so they actually go outside the county and look for comparable sales to determine what the in use value of that land is. So as an example, for instance, there's a, there's a big swath of

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Sarpy County that's being considered for annexation by a city and they, they did a study and the in-use value of that land which would qualify for special valuation is about ten thousand five hundred. The market value of that land is anybody's guess. It could be thirty to forty five thousand acres, and I've seen some acres-- acreages sell in Sarpy County for numbers even higher than that. So I mean, at the end of the day what this comes down to for me is, is what's fair and under equalization if somebody is not paying their fair share of taxes that the, the taxes don't go away they just get shifted to other people and the rest of those folks get to pay more. So I mean, we really-- you know, this has been something I've been fighting for, for-- I don't know, I've been a commissioner for six years. I sit on the board of equalization. I shake my head every year and I, I just don't understand how people can show up with pictures of a goat or-- you know, a pallet of logs or-- you know, say they've got a shelter belt or they plant oak trees and the assessor has no means of disputing that they're not agricultural or horticultural-- you know, in nature. And so they, they get pretty large tax breaks. And, and if you talk to any-- and I represent a whole bunch of constituents that are-- that farm the land for a living, a, a large swath. I think in Sarpy County we have almost 85,000 acres that are, that, that that apply-- that are in the greenbelt status and a lot of those are large parcels-- you know, 160 acres or larger even though we're the smallest county. And they will tell you to a person that-- you know, they appreciate that-- to having that coverage so that they can continue to, to farm in, in areas where the land value far exceeds the ability that they could pay in taxes-- be-- and be a farmer. But they also-- you know, are not happy about the fact that somebody is getting the same benefit they are that aren't really farming for a livelihood. They're, they're getting that benefit just to take advantage of the loopholes in the current statutes. So we have about 266 parcels of land in Sarpy County that are five acres or less that qualify for greenbelt. And I, I am not gonna dispute if somebody says they're, they're a farmer, they're a farmer. But I would certainly appreciate the, the provisions of this proposed new law that will tighten that standard up and, and, and make them meet, meet a more stringent proof that they're, they're actually involved in farming. So we meet every year with the county commissioners from Douglas County and Lancaster County. And I don't know if any of them are here today, I didn't see any, but this is, this is, this is an annual discussion we have about ways to tighten it up and so I think that they would probably be supportive as well because they face the same problems in their counties.

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**LINEHAN:** Thank you. Thank you, Chairman Groene. Congressman McCollister, do you have a question?

**McCOLLISTER:** Senator.

**LINEHAN:** I mean Congress-- Senator. [LAUGHTER]

**McCOLLISTER:** Thank you. So thank you, Chairwoman.

**LINEHAN:** I knew-- I knew a Congressman by the name of that name. [LAUGHTER]

**McCOLLISTER:** Me too.

**LINEHAN:** Yeah, Senator McCollister.

**GROENE:** Do we need to turn our name plates, plates this way?

**LINEHAN:** Yeah, yeah.

**McCOLLISTER:** Of those 200-odd parcels that are five acres or less and receive that shelter belt designation, what's the loss of revenue to Sarpy County?

**DON KELLY:** The-- well-- you know--

**McCOLLISTER:** Assuming that they all are improperly labeled?

**DON KELLY:** Yes, if you can give me the-- afford me the discretion I'm giving a circa number. The county assessor tells me that the, the loss of taxes is about \$18,829,000 in Nebraska.

**McCOLLISTER:** Holy smokes.

**DON KELLY:** That's the, the decrease-- I shouldn't say the loss of taxes, that's the decrease in valuation--

**McCOLLISTER:** OK.

**DON KELLY:** --for those that have this special valuation. So it's pretty significant, and we're the smallest county. And, and you're from Douglas County so if you've ever talked to Commissioner Clare Duda, who actually farms for a living, he, he could probably even give you a much better prim-- primer on it-- on how it impacts Douglas County.



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**McCOLLISTER:** Applying that \$18 million with your tax limit, how much money is that?

**DON KELLY:** Well, that's a good question. I couldn't give you an exact figure but it's pretty substantial.

**McCOLLISTER:** Wow, amazing.

**LINEHAN:** Thank you, Senator McCollister. Senator Briese.

**BRIESE:** Thank you, Senator Linehan. And thank you for being here today. You spoke of loopholes earlier and I understand what we're trying to do here. I appreciate what we're trying to do. It's something that needs to be done, but what would prevent this greenbelt owner from finding a cousin or a nephew or a fourth cousin or a neighbor or somebody they knew from high school that does farm signing a lease and using that to establish this as ag land.

**DON KELLY:** Well, I, I-- I mean, I think the form F-- if, if you fill out a form F and state that you're, you're, you're a farmer then you're generating income or, or creating losses from farming. I mean, you're putting your integrity on the line. You're stating that you're doing something and if you're not in fact doing that I think that would, that would be like for most people, I think that would be a deterrent from trying to game the system.

**BRIESE:** But the, the language here speaks to the owner or a lessee must be able to provide a Schedule F. You know, most, most owners that aren't farmers know somebody that is and it would seem that they could game a system.

**DON KELLY:** Well, I don't know-- Senator, I don't know the nuances of, of, of the statute that well but the way I interpreted it, that meant that the lessee was actually involved in farming that specific land that they're, that they're filing that-- the form for. So I don't know that for sure. But I-- right now I mean honestly and I've, I've sat on the Board of Equalization and had people show me pictures of goats and say-- you know, they're goat herders and-- you know-- I mean, that's-- who, who am I refute if somebody tells me that's what they do, I have to take it at face value. We have to grant them exemptions-- special exemptions.

**BRIESE:** And it seems to me in this situation the owner might come in with his lessee's Schedule F and a fictitious-- well a sham lease

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showing those same pictures. It could be a problem anyway. I'm just throwing that out there, if there was a better way to do it or something [INAUDIBLE].

**DON KELLY:** If you look at the, if you look at the history of the greenbelt legislation, I think historically you'll see that at one time there were some revenue amounts that were stipulated. And you know, and, and, and in principle that sounds like a great idea. But what if you-- I mean, there are legitimate purposes for small-- you know, if you're raising sunflower seeds or, or-- you know, or, or vineyards for instance where, where you have a-- you, you generate revenue. You can generate actual horticultural or ag crop. So, so there's no really boilerplate solution in terms of revenue, but I think asking people to actually file, file an IRS-- you know, form F for income and loss from a farming operation-- you know, puts the integrity stamp right on to do the right thing. And, and I don't think any-- well, I think-- well, I just learned today-- I think, you got-- it's a \$1,000 threshold. That's, that's reasonable if you, if you got a small piece of land and you're, and you're, and you're doing something-- you know, we have a lot of folks in the county that actually have beehives and they sell the honey. Well, they don't generate a lot of, of, of income doing that, but it is a legitimate horticultural and agricultural enterprise. So we don't want to exclude those people if they're, if they're doing it-- that kind of stuff for the right reasons and they're just not able to generate a lot of revenue because of the constraints of the size of their land.

**BRIESE:** OK, thank you.

**DON KELLY:** You bet.

**LINEHAN:** Thank you, Senator Briese. Are there other questions from the committee? I have one. Wouldn't one of the differences be-- ag land is 75 percent. So let's just say the value is a hundred thousand, but if it's greenbelted you can only-- you can drop it to seventy five thousand versus if it's residential it would be 92 percent.

**DON KELLY:** Well, 75-- I think it's 75 percent on ag-- or all agricultural land.

**LINEHAN:** Right.

**DON KELLY:** So, so what they do then is if you get the greenbelt status, what the assessor told me is they take 35 percent of what it

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would sell for of that 75 percent value. So they get-- in Sarpy County they go out to other, other areas and see and, and get "comparatables" to figure out how much of a benefit it is. It's, it's a significant amount of money. It's significant.

**LINEHAN:** OK.

**DON KELLY:** I mean, I'm not an expert. I'll, I'll be honest, Chairwoman Linehan, I am not an expert on how, how an assessor does that. I wish my assessor was here but he couldn't make it today.

**LINEHAN:** No, that's okay. But that's, that's, that's very valuable information. So they don't, they don't go by sales?

**DON KELLY:** Well, in Sarpy County they don't because the land is so valuable because we're on urban.

**LINEHAN:** Right.

**DON KELLY:** So he, he has to actually go look for comparable tracts of land and, and, and more agricultural counties--

**LINEHAN:** I see.

**DON KELLY:** --for comparable.

**LINEHAN:** OK, that's good.

**DON KELLY:** And I, I assume it's somewhere in Douglas and Lancaster as well.

**LINEHAN:** OK, thank you very much.

**DON KELLY:** Thank you.

**LINEHAN:** Other questions? OK, thank you for being here.

**DON KELLY:** Thank you, Chairwoman, appreciate the opportunity.

**LINEHAN:** Other proponents?

**JON CANNON:** Chairwoman Linehan, distinguished members of the Revenue Committee, thank you for allowing me to be here. My name is Jon Cannon. I'm the deputy director of the Nebraska Association of County Officials. I'm here today in support of LB185. There are some questions regarding the nature of special value. I'd like to kind of

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briefly go into that and then I'll of course I'll take some any questions you might have for me. Special valuation was adopted in Nebraska through constitutional amendment probably about 50 years ago and it was designed to recognize the fact that encroaching urbanization can affect the market value of property and we did not want to tax those persons that were actively devoted to farming out of their land by virtue of the fact that the market value was going to skyrocket when they got closer to the urban influence, like say: Omaha, Lincoln, Fremont, or, or whatever you might, you might see as a-- as an encroaching urbanization. And so what we did was we said what we're going to do is we're going to have the assessor determine what the noninfluenced value of that property would be. And so in the case of Omaha, they're probably going to look at comparable soil types and comparable farm ground in say Burt County. In Sarpy, I'm not quite sure which counties the assessor is looking at. It probably would be-- you know, Richardson, Nemaha, and Cass perhaps. And so if-- what the assessor is looking at and has determined-- he has determined that that land is selling for roughly 35 percent of what his comparable ground is selling for in Sarpy County. That's, that's probably where he's coming up with that number. That's just kind of a very brief primer on, on special valuation. But what this bill does is it provides a tool for the assessor to determine what land is actually being actively devoted toward agricultural purposes and horticultural purposes. Commissioner Kelly had said earlier about folks showing him pictures of a goat. You know, I can-- I could run cattle across my ground or I could have my neighbor run cattle across my ground just to get to the river and say that I'm using it for agricultural purposes and I might not be getting anything at all from, from that lease of my ground. And so what we're trying to do is we're trying to tighten it down just a little bit so that we can know what land is actually being actively devoted. You know, to answer your question, Senator Briese, that are, are there ways around it? There are, and I'm, I'm fond of saying that when you draw a bull's eye, don't be surprised when someone's aiming for the target. And you know, no matter what sort of system you devise there's, there's someone that's going to probably want to try and game the system. That's, that's just a fact, and that's fine. I think by and large though, what Commissioner Kelly had said earlier, is probably accurate in the sense that you're going to force someone to put their name to paper on a Schedule F saying I've, I've derived this much income from farming practices or, or that much loss from farming practices. And so in that sense, you've got something that the assessor can hold on to and hang your hat on. I think there was a question earlier about what-- if there are any other

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states that do this? To my knowledge, no. However, Nebraska did have a version of this about 30 years ago and we got rid of it mostly because there was a lot of, of issues regarding special valuation and the valuation of agricultural land, I don't think really got in, in the way of what we're trying to accomplish here today. It's a valuable-- it was a valuable tool then. Certainly, it's a valuable tool now. That's all I have. And with that, I'd be happy to answer any questions you might have. Thank you.

**LINEHAN:** Questions from the committee? I have one, because this is very near and dear to me where I live. What about horses? I have ten acres. I live in Sarpy County. I overlook the Platte River. I raise the horses. My kids share the horses. Is that a farm?

**JON CANNON:** Ma'am if you are able to file a Schedule F, which is the IRS form for farm income, farm income or loss, then you would be eligible for special valuation.

**LINEHAN:** OK, any other questions? All right, thank you very much.

**JON CANNON:** Thank you.

**LINEHAN:** Excuse me, other proponents? Falling asleep here. Are there any opponents? Anyone want-- wishing to testify in neutral? Not so, would you like to close, Senator Friesen?

**FRIESEN:** Thank you, Chairman Linehan. I think one thing to keep in mind when we, when we look at the assessed value of properties like this is that all residences whether you're in agriculture or not, there is, I think, one acre allocated for where the house sits that does get assessed at the value of what residential property would be. And so it's the other four acres, I assume, that would-- that we're talking about. And so all residences across all professions are basically taxed the same at 100 percent of value and whatever that land that the house sits on. So we're talking about the extra four acres. And so what, what, what happens is, is you have development potential when you're next to a large city. You know, those could be selling for twenty thousand an acre whereas actual farm ground is probably dryland ground might be selling for two thousand an acre. And that's why there are no comparable sales next to those acreages and they have to go out of the area in order to find even a comparable sale. And then, yes, then it's brought down from there even yet down to 75 percent of value which gives a tremendous benefit to an acreage like that. And so I mean-- and it could be that-- you know, somebody

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wants to do some gardening and organic gardening and wants to sell some fruits and vegetables, I think, he's filed a Schedule F, and-- you know-- and if you wanted to tighten it up even further you could say that they'd have to show a gain or loss of \$500 or a \$1,000 or-- we could set other parameters. But right now this, I think, already would weed out a few of those and we can see how it works. But you know wherever we provide something, someone will always try to find a loophole, but I think this does tighten it up significantly. With that, I'll take any questions.

**LINEHAN:** Thank you, Senator Friesen. Are there questions from the committee? It doesn't look like there are. Thank you very much. So letters for the record: none. We have no letters for the record. So with that we close the hearing on LB185, and open the hearing on LB250. Good afternoon.

**WALZ:** Good afternoon. Are you ready?

**LINEHAN:** Yes.

**WALZ:** Chairman Linehan, and my wonderful committee members on the Revenue Committee, my name is Lynne Walz, L-y-n-n-e W-a-l-z, and I proudly represent District 15. I'm here to introduce LB250, a bill that I'm introducing on behalf of the city of Fremont. Formerly, LB772 that I introduced prior to this. Currently, there is a special valuation for agriculture and hort-- horticultural land if the land is outside the corporate boundaries of a sanitary improvement district, city, or villages. LB250 would change the requirements for counties with a population of less than 100,000. In those counties, land would qualify for a special valuation as long as the land is used for agricultural or horticultural purposes and does not fall within the boundaries of a sanitary improvement district. For counties with a population of 100,000 or more, there would be no changes. We kept this the same at the request of Douglas, Lancaster, and Sarpy counties. In Fremont, we are growing rapidly. New housing developments are going up and many more are needed as a recent housing study showed Dodge County will need 5,000 more housing units in the next few years. This is an important piece of legislation that will allow cities to plan ahead for the upcoming development to grow our community and our economy. And it is important for the landowner that is farming the land to be able to pay the rate of, of special valuation that most farmers pay rather than the inflated commercial or residential rate. I know the city of Fremont is going to be following me today, and they will be able to explain their reasoning for the bill and give some specific

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examples of why this is important for the city and to the landowners. I hope they can answer your questions that I may not be able to. I'm happy to work with the committee on the-- on amendments and hope you will advance LB250 to the General File. I also wanted to say that I think that Senator Friesen's bill that he-- you just talked about that bill is a nice complement to, to this bill. So--

**LINEHAN:** Are there questions from the committee? No. Will you stay for closing?

**WALZ:** Of course.

**LINEHAN:** Proponents for LB250?

**BRIAN NEWTON:** Good afternoon. I'm testifying as a proponent of LB250. My name is Brian Newton, N-e-w-t-- B-r-i-a-n N-e-w-t-o-n. I'm a city administrator for the city of Fremont. Thank you, Chairwoman Linehan. And thank you, Senator Walz, for introducing this bill on our behalf. I'd also like to thank Senators Albrecht, Briese, Crawford, Friesen, and Lindstrom for signing on as cosigners on this bill. Greenbelt status was, as, as the testimony in the previous bill, has been around for a long time. And, and the purpose of greenbelt was is as cities were growing, it was putting an undue influence on property up near the edge of the cities and so it was influencing the value of those properties and so there was a special valuation given those properties to build and bring those values back down and it worked, I think, very effectively. What un-- unfortunately, an unintended consequence of what's been happening is, is we're getting these donut holes so as, as the cities expand now we have pockets of, of property that's not getting greenbelt status because it's inside the city limits. So as the city limits grow it moves out, but it leaves these pockets of properties behind and they don't come in and want to be annexed simply because the county assessor raises their taxes because they're not eligible for special valuation anymore. Therefore, they're now valued either at 75 percent residential or 75 percent commercial. They're seeing huge property tax increases unfairly. We've got several examples of these donut holes where if we go to look at the county assessor they're assessing them at residential rate and they're still being farmed. And so we have these donut holes that are simply unintended consequences of the greenbelt status. We've brought this last year to your attention saying, hey, whether you're in on this side of the line or this side of the line your agricultural use has still stayed the same. Yes, the city expanded beyond you but now because the city expanded beyond you you're no longer eligible because

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you're inside the city limits. It's not fair and we're just trying to get that. I agree with Senator Friesen's bill. The last one's a good complement to this. I agree they should prove that they're actually using that for agricultural purposes, but they should still be allowed to get the special exemption that others are getting just across the line. And that's all we're simply asking here is a fairness issue is all we're asking. The city can't effectively plan as we grow beyond those boundaries. These pockets, we build around them. We build streets. We build infrastructure completely around these pockets, they're paying nothing for that. The minute they do come in, guess what? All the infrastructure is there. So all the other folks in town are paying for those improvements waiting for this property owner to come in and they only come in one parcel at a time simply because they don't want the taxes raised on the rest of their property. So it's an equity issue. So thank you for allowing me to testify, and I'd sure be happy to take any questions.

**LINEHAN:** Senator Groene.

**GROENE:** Thank you, Chairman.

**LINEHAN:** Um-hum.

**GROENE:** I followed you to the very end. It sounded like you said this 20 acres is inside the city limits,--

**BRIAN NEWTON:** It's around it-- the city, yeah.

**GROENE:** --and they should be valued at farm.

**BRIAN NEWTON:** Um-hum.

**GROENE:** And then you close by saying these people with the 20 acres are getting by free because once they sell a parcel then they didn't help pay for the infrastructure around them. So what are you saying?

**BRIAN NEWTON:** So as they say this is a pocket of property-- those 20 acres, right? All these prop-- properties around all come in because they've been developed,--

**GROENE:** Yeah.

**BRIAN NEWTON:** --this one's not developed. We've built all the utility infrastructure. We've built water, sewer, electric, gas. We build everything around them except on this parcel because it's not been



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annexed, and they're not developing it. Now the minute they start developing it they've had the free infrastructure paid by everybody else around them.

**GROENE:** I understand, but you, but you told us you wanted those poor people that are farming that you wanted to keep it at ag,--

**BRIAN NEWTON:** I said--

**GROENE:** --and once you annex--

**BRIAN NEWTON:** I do.

**GROENE:** --are you an-- annexing around and, and leaving an area that isn't annexed as it-- sitting in the middle?

**BRIAN NEWTON:** Yes, because we, we don't, we don't forcibly annex. We only voluntarily annex and so if-- unless they're willing to voluntarily come in, the [INAUDIBLE]--

**GROENE:** So now if you annex that, you want them to pay the higher tax or do you want them to pay the farm tax?

**BRIAN NEWTON:** No, we want them to pay farm tax, but we want them to be part of city planning so we plan the infrastructure-- they're part of the planning that comes with it.

**GROENE:** Thank you.

**McCOLLISTER:** I have a question.

**LINEHAN:** Can I just clarify something-- I think-- so right now if you're annexed you lose your greenbelt status, right?

**BRIAN NEWTON:** Correct.

**LINEHAN:** That's the state law.

**BRIAN NEWTON:** Yes.

**LINEHAN:** OK, that's what I thought. OK, Senator McCollister.

**McCOLLISTER:** Yeah, thank you, Madam Chair. Once that property is annexed and developed, isn't there a charge the developers would go, go through a charge those wishing to build in that area a capital

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facility is charged to include the cost of the streets, sewers, all of that so to minimize the cost to the city?

**BRIAN NEWTON:** Just inside that piece of property. All the outside stuff has already been furnished by others.

**McCOLLISTER:** I know at MUD when somebody develops a-- an isolated spot-- you know, they actually charge or make a capital facilities charge to-- for that piece of property.

**BRIAN NEWTON:** They assess the neigh-- neighboring property owners whether they're inside or outside. Is that was the MUD is doing?

**McCOLLISTER:** Right. So--

**BRIAN NEWTON:** We don't do that because they're not annexed. We just don't do that.

**McCOLLISTER:** But the city isn't at a loss for those, those street development and the sewers and everything else when those properties are developed. Correct?

**BRIAN NEWTON:** Correct.

**McCOLLISTER:** OK, thank you.

**LINEHAN:** Other questions from the committee? Seeing none, thank you very much.

**BRIAN NEWTON:** Thank you, appreciate it.

**LINEHAN:** Proponent, I'm assuming.

**LYNN REX:** Senator Linehan, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities, and we first of all would to thank, Senator Walz, for introducing this bill and the members of this committee that were kind enough to sign on this bill. We think it's an important measure that needs to be addressed and I thought Senator Walz did a great job of outlining what the bill does and what it does not do. I think just to respond to a couple of issues that have been brought forward, it's important to note that what's happening right now in Fremont and in other cities that would be facing this is that they are literally like, like Brian testified before me building the infrastructure around the area. So just in terms of efficiency of government and

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saving taxpayer dollars, if you can get the easement, if they were, if they were annexed and they could have the person that's doing it the ag owner can continue doing ag and would have to in order to get the greenbelt status but still the city would be able to have the easements, so the infrastructure doesn't have to be built around it. Common sense would be that you build through it. You have the easement to do it you need to do for natural gas, for whatever else you need to do from a, a standpoint of making sure that that property at some point would be able to be incorporated into the city itself in terms of being used for commercial property, industrial, or homes, or whatever it may be. But certainly it doesn't make any sense to say when you have that land inside the corporate limits of a municipality and it is being farmed and it's actually a farm not just somebody that decides to get a couple of rabbits that was brought up a, a few years ago. This is something more significant. This is a real farming operation and those folks deserve to be taxed accordingly as opposed to just being across the line and then being-- they would have been able to have greenbelt status but now that they're within the corporate limits under current law they basically-- the only way that they are getting greenbelt status is not to be annexed. And it just from a fairness standpoint, we think this bill is incredibly important. It's also important from an efficiency standpoint in saving taxpayer dollars for municipalities that have to provide and need to provide those infrastructure provisions for other entities surrounding the area. So with that, I'd be happy to respond to any questions that you might have.

**LINEHAN:** Any questions from the committee? Senator McCollister.

**McCOLLISTER:** Yeah, thank you, Chairwoman. If the city were to obtain an easement, does the property owner have to willingly provide authority to take that easement?

**LYNN REX:** Our municipalities, when we discuss this in our legislative committees, indicate that everybody does that. I mean it's, it's a nonevent. In other words, the city meets with the property owner and say, you know we need to have an easement over here doing this and here's why we're doing it because they ultimately will be the beneficiary of it. It's also adding value to their property at the time that they decide then to sell off parcels, parcels of it in whole to basically and whole or just in pieces frankly for the purpose of residential development, commercial development, whatever that might be.

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**McCOLLISTER:** But is that property owner obligated to give that easement, or could the proper owner receive--

**LYNN REX:** Some property owners want to contest it, and there's a process in place for doing that, too.

**McCOLLISTER:** And you're talking about eminent domain?

**LYNN REX:** I'm sorry.

**McCOLLISTER:** And you're talking about eminent domain?

**LYNN REX:** Oh, no, I'm-- a city's not gonna do eminent domain to get an easement. I mean that would be-- there's some, there's some mechanisms by which they could do that. I'm unaware of any city that has done that.

**McCOLLISTER:** OK, thank you.

**LYNN REX:** You're welcome. I mean this really is an opportunity for the municipality to partner with the owner of this ag land which is really being used for ag purposes and it's efficient for the city to be able to build infrastructure for future development of that to make sure that they-- it's incorporated, it's gonna be a lot cheaper to do it at the same time that everything else is being done from an infrastructure development as opposed to waiting until the owner says, OK, I'm no longer gonna use it for agriculture. So go ahead and annex me, because I'm gonna sell it for-- it's not gonna be used for ag anymore. It doesn't have greenbelt status.

**McCOLLISTER:** And the city would recover their investment in that-- those easements at the time that properties develop. Correct?

**LYNN REX:** Yes, but, Senator, I think what's important is that you think about if you were going to-- if you've got some property-- let's say, you've got 20 acres or 30 acres and you're going to develop it. It makes a lot more sense if you're doing it in a systemic fashion on that property as opposed to just building all the way around it, literally donut holes. The analogy I would give for those of you in the Omaha and metro areas-- SIDs, Sanitary Improvement Districts. The same issues municipalities have had when dealing with sanitary improvement districts. And then you have an annexation and other things happen, and had they been able to be put in municipalities and incorporated in a systemic way those issues wouldn't be there.

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**McCOLLISTER:** Thank you.

**LYNN REX:** Thank you very much. Thanks for the question.

**LINEHAN:** Other questions? Because I have one. I-- I'm a little confused. So is there any limit on how big these parcels can be or how small they can be?

**LYNN REX:** Not in this bill, no.

**LINEHAN:** So--

**LYNN REX:** But typically they're not huge but still--

**LINEHAN:** I know, but-- OK, so let's say that you're-- let's just put you in Elkhorn and you've got 30 acres or 10 acres and it's built all the way around me, but I can keep that 10 acres and I don't want to sell it because I inherited it and I don't want to pay capital gains tax, so I can sit on that 10 acres or 5 acres or 2 acres and say-- and just farm it?

**LYNN REX:** Well, I don't think it would be a tough thing to be farming an acre-- I'll defer to some folks who do that for a living but--

**LINEHAN:** Well, you just-- you plant tomatoes and sell tomatoes in the summer.

**LYNN REX:** Well, I think that that comes down to an issue that I think Senator Walz may be able to address in her closing or not but that deals with the issue of how the county assessors are doing it right now. We've had conversations with the city of Omaha based on greenbelt issues that have occurred there because this is an issue that would not apply to Douglas, Lancaster, or Sarpy County, and there are issues about county assess-- basically county assessors and how those properties are all being assessed right now. In other words, if you have so many horses does that constitute something that's agricultural? What we are visioning here is a true farming operation which is what this is.

**LINEHAN:** So there were, there were little farms, two of them annexed by the city in Omaha this year that are in my district and they lost their greenbelt status.

**LYNN REX:** That's correct.

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**LINEHAN:** So you're saying that would stay-- they would still lose their greenbelt status?

**LYNN REX:** Under this bill, no. There's no change in this bill. If this bill was law--

**LINEHAN:** Uh-huh.

**LYNN REX:** --if this was-- let's, let's go backwards. If this bill had been law at the time of that, of that occurring in the city of Omaha, Senator, this-- it would not have impacted Douglas County at all. This bill only applies to counties with a population of less than 100,000 intentionally intended to exempt Douglas, Lancaster, and Sarpy County.

**LINEHAN:** So if you're unfortunate to live in Douglas County and this happens to you,--

**LYNN REX:** I guess I wouldn't say you're unfortunate.

**LINEHAN:** Well,--

**LYNN REX:** I would not be saying that, but I understand your point.

**LINEHAN:** I'm just saying from that person's point of view, from that person's-- this farm family that lived on the edge. From their point of view, they're living in Omaha so they lose their status but if they happen to have lived in Fremont they would have kept their status is what you're saying.

**LYNN REX:** There would be a distinction between counties with a population greater than a 100,000 and less than a 100,000. That's true.

**LINEHAN:** OK, thank you. Other questions? Senator Groene.

**GROENE:** Every time you testify you get a TIF bill-- TIF question.

**LYNN REX:** I actually look forward to it.

**GROENE:** I know of an instance around Valley. There was a lake-- they built houses-- about \$300,000, \$500,000 houses and they TIFed it. And they would have a hard time annexing that if there was farm ground between it because those farmers would get really upset. So is this a way that we can TIF projects out in the country and then manage to

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annex them because they have been the city limits and, and, and work with the farmers in between?

**LYNN REX:** I'm not sure I understand the question, but taxes--

**GROENE:** Ashland, Greenwood-- that was when I got involved in that deal. They were gonna annex-- build a housing development-- there was farm ground in between.

**LYNN REX:** You cannot skip--

**GROENE:** I'm sure--

**LYNN REX:** --you can't just skip annexation, Senator. So--

**GROENE:** So you could get approval-- you could get it-- it'd be easier to get the local farmer around that area to go along with that gimmick of a, of a project being TIFed on way outside of town that they would go along with annexation.

**LYNN REX:** Here's why I don't think that's true. I could be wrong, but I don't think that's true. Because the purpose of this is that the land is actually used for agricultural purposes. It's not just that someone's gonna-- going to sit on it and do nothing, it actually, it actually has to have an ag use. So I don't see how that would tie into the Ashland issue, but maybe perhaps I'm just not following your question.

**GROENE:** Because a city could do a project TIFed way outside of town and then get cooperation from that farmer in between to allow the annexation so that they could do it.

**LYNN REX:** No, sir. TIF can only be used in the corporate limits of the municipality. You cannot TIF outside the corporate limits of a municipality.

**GROENE:** You don't understand my question. Thank you.

**LYNN REX:** Oh, I'm sorry. I'm sorry. I'm not trying to avoid it.

**LINEHAN:** It's very-- it's not-- I think everybody-- it's very complicated.

**LYNN REX:** I apologize.

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**LINEHAN:** No, no, no.

**LYNN REX:** I'm not trying to avoid it.

**LINEHAN:** That's OK. Any other questions? Yes, Senator McCollister.

**McCOLLISTER:** But doesn't the land have to be contiguous for a-- for an annexation to occur?

**LYNN REX:** It does. There's only one exception to that, and that does deal with second-class cities and was put in by the Legislature years ago for basically for ethanol plants and that was on Select File by Senator Dierks.

**McCOLLISTER:** Thank you.

**LINEHAN:** Other-- does it specifically say only ethanol plants?

**LYNN REX:** No, it can't say that.

**LINEHAN:** OK, so it could be used for other things?

**LYNN REX:** That's true.

**LINEHAN:** So what is the exception?

**LYNN REX:** The exception is, if it is being used for certain-- I believe, it's certain designated purposes. I have to go back and verify and get back to you. But it was-- frankly, the League would not have supported it. Had it come through committee, we would have opposed it. We didn't support it when it happened. I mean, I understand there are entities out there that want to make sure that they can get a tax increment financing. We felt that that was not appropriate. It was done for that purpose and we didn't, we didn't support it then and we don't support that now.

**LINEHAN:** OK, other questions? Thank you very much.

**LYNN REX:** Thank you very much.

**LINEHAN:** You've been very helpful. Other proponents? Are there any opponents? Is anybody wanting to testify in a neutral position? Senator Walz, would you like to-- oh, do we have a neutral? OK, neutral?



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**MAGGIE DIERS YOST:** Dear members of the Revenue Committee, thank you for coming out on this very, very cold day to listen to what is obviously an important topic for us as we also ventured out in this cold weather. My name is Maggie Diers Yost. Do I need to spell that?

**LINEHAN:** Yep.

**MAGGIE DIERS YOST:** M-a-g-g-i-e D-i-e-r-s Y-o-s-t. I'm here today on behalf of three entities: Deer Pointe Corporation, the Charles H. Diers, LLC, and Mary Lou and Charlie Diers. We are developing land on the east side of Fremont and we have been for quite some time. We are watching this bill and I thank, Senator Walz, for recognizing that this is an issue that we all need to pay attention to. As I mentioned we have land that we are developing on the east side of Fremont. It's a staged development, started more than 15 years ago. And at that time, we were told that it would take a minimum of 10 to 20 years to, to get the development off and running and much longer than that to fill it out. We have some of the donut holes that our city administrator is referring to. The reason that there are donut holes is not because we are holding out for a project, we farm the land until we develop it. And after we develop each part, we annex that voluntarily and bring it into the city. As part of that development, we do all of the infrastructure. For the streets and then we turn that over to the city so we incur those costs as a developer. The taxes are high enough as-- I believe, taxes are high enough there as it is. A couple of years ago the city tried to mandatorily annex in about 1,000 acres into the, into the city. At that time, regardless, we would have lost our ag value on all of this land. We fought that, and we would fight that again. There is currently no special valuation in Dodge County and the Dodge County Assessor's Office. And so if, if land were to be annexed in we would lose our ag valuation. This bill is, is a start but it's not a complete answer. And again I mentioned that if, if we were forced to annex we would, we would fight that again. The valuation would still come from the assessor if the, if the bill required that for communities 100,000 or less. If they were brought into the city limits, it doesn't guarantee that we would get that special valuation. We would still have to go to the assessor and make our case for that special valuation. We have been developing this land for many years and I believe that we've done it with a high level of integrity. We want to continue to develop our land without the threat of annexation and higher taxes on land that we are farming. The land-- we do farm corn, alfalfa, beans, hay, and we-- to date in our developments have not used any sort of government funds. We have not

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used any TIF. We have not used LB840. We have no real work force dollars that were going into any of our projects. We have done this a very old and traditional way of developing it as the demand is there for it, and at, and at, and at that pace. We are already one of the highest tax payers in the-- in Dodge County. We are neutral on this bill because, like as I said before, I don't think it is-- it does exactly-- it's, it's just not there yet because it doesn't guarantee-- oops, the yellow light. I just-- I want to remind you that while-- talking about the infrastructure going in around us and we're not paying for that we have a stretch of-- where there's a 66-foot easement right now on a half mile of our property that they-- the city is using to bring utilities out to a SID that's on the outside of the city limits and they're running those utilities straight through our property right under our center pivot to get to that. And so the infrastructure is not necessarily going around us, it's going right through us. And so we are, we are losing that entire half mile and 66-foot wide. And it's just, again, it's not, it's not a given it goes back to the assessor and there's ambiguity there and-- you know, we are looking to have a concrete and definable way to gauge the ag valuation-- looking through my notes, for the land that's within the city limits. Red light. Stop.

**LINEHAN:** Somebody might ask you a question.

**MAGGIE DIERS YOST:** What?

**LINEHAN:** I think somebody might ask you a question.

**MAGGIE DIERS YOST:** Oh, I'm not leaving.

**LINEHAN:** Senator Groene.

**GROENE:** Thank you, Chairman. So the city's on all four sides of you?

**MAGGIE DIERS YOST:** Three out of the four, um-hum.

**GROENE:** So really I don't understand why they need to annex you. That they're doing what they want to do. If they annexed you, would they be able then to start coming in and putting streets in and everything that they wanted to do? Because now you're-- or do you have some control now to say no?

**MAGGIE DIERS YOST:** We put, we put the streets in, both residential and commercial.

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**GROENE:** I understand, but, but let's say you were annexed,--

**MAGGIE DIERS YOST:** Um-hum.

**GROENE:** --and they said, we're gonna put a street through your land and we're going to take-- we're just gonna do it with an easement or a-- because we've started a city planning. Would you be able to stop them? You just said they put a water main through you. Did they do that with an eminent domain?

**MAGGIE DIERS YOST:** You know I've never thought about that whether they could or not. Brian's back here, he might be able to answer that.

**GROENE:** Did they, did they do that with eminent domain on the water main?

**MAGGIE DIERS YOST:** Well, there's no eminent domain, they had an, they had an easement and they were able to-- they're coming straight through that part for half the utilities and they're coming in along the north side for the other half and-- you know, I was out there yesterday and there's graders-- you know, moving dirt over our fields and as long as it's ready so that we can plant again in the spring.

**GROENE:** That's the other question you were saying you're gonna lose 66 feet.

**MAGGIE DIERS YOST:** [INAUDIBLE] there's two parts.

**GROENE:** You just-- they just have an easement on 66-- you'll farm over the top of it.

**MAGGIE DIERS YOST:** We-- it-- well, it's, it's yet to be determined whether or not we will. We had been farming to both sides,--

**GROENE:** Um-hum.

**MAGGIE DIERS YOST:** and now a road has been-- basically a dirt road has been kind of created in that 66-foot easement. But the-- to answer your question, I, I don't-- I-- with all due respect, I don't know if they could come in and put a street and-- but if they did they'd probably make us pay for it,-- [LAUGHTER]

**GROENE:** Thank you.

**MAGGIE DIERS YOST:** --if history is any indication.

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**GROENE:** Thank you.

**MAGGIE DIERS YOST:** Um-hum.

**LINEHAN:** Sen-- thank you, Senator Groene. Senator McCollister.

**McCOLLISTER:** Thank you, Chairwoman Linehan. Did that easement predate your ownership of the property?

**MAGGIE DIERS YOST:** That easement-- it's, it's an old county road and it is, it is-- it's been part of the land for forever and ever and ever. It used to be a dirt road that ran-- and then when highway 275 came in it came-- it became kind of an exempt area and we owned on both sides and so we were farming to both sides. We had gotten a permit to do that, but then we didn't have any recourse because that 66-foot easement was there.

**McCOLLISTER:** I see. Now the area that the city is developing now and you're not growing crops so they're, they're working in that area--

**MAGGIE DIERS YOST:** Pardon me?

**McCOLLISTER:** You mentioned that the city is, is what-- put in a road and, and is developing--

**MAGGIE DIERS YOST:** No, they haven't put it in a road. They, they, they took it back-- it was crop and in order to get the utilities in they use the entire easement and so now it's dirt instead of crop from side to side that-- it's not a, it's not a road with concrete or anything like that.

**McCOLLISTER:** Right, I understand. But are there any damages to your property and they're gonna pay you for that loss of income of-- from crops or farming?

**MAGGIE DIERS YOST:** You know, we are working with our farm manager. It's amazing technology these days with the satellite images that they can take every day and show you the data and we are-- we're, we're-- we are looking into, into that. But that's really-- I mean, it's not pertinent to-- I guess, the LB250 in terms of the ag-- you know, the--

**McCOLLISTER:** OK.

**MAGGIE DIERS YOST:** Yeah, but--

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**McCOLLISTER:** Thanks very much.

**MAGGIE DIERS YOST:** Yeah.

**LINEHAN:** Thank you, Senator McCollister. Senator Kolterman. Oh--

**KOLTERMAN:** Go ahead and let her--

**LINEHAN:** No, I saw you first, I'm sorry.

**CRAWFORD:** That's all right.

**KOLTERMAN:** OK, thank you, Senator Linehan. Thank you for coming today. So you're in the land development business as well as farming. Correct?

**MAGGIE DIERS YOST:** We-- yes.

**KOLTERMAN:** So you're developing the land to your advantage and you're bringing in parcels-- say 20 houses at a time or 15 or whatever it is. Is that correct?

**MAGGIE DIERS YOST:** In different subdivisions, yes. We brought in 102 lots in total.

**KOLTERMAN:** Yeah.

**MAGGIE DIERS YOST:** Over half of those in the past two years.

**KOLTERMAN:** So at the same time, you're benefiting from the easement because of-- would that be a correct statement? With the water main going in, I assume you're gonna be tapping into that water main.

**MAGGIE DIERS YOST:** Ultimately someday, and we, we will pay a fee-- right, to tap into it.

**KOLTERMAN:** OK, so it's not all about necessarily them encroaching upon you or hurting you. There's some advantages to both sides of that situation. Would that be correct?

**MAGGIE DIERS YOST:** There is advantages to both of us, yes, yes. We-- the streets that we have put in and, and turned over to the city so far, and then the infrastructure that they are taking out to the SID that we will then tap into at some point hopefully.

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**KOLTERMAN:** I, I just wanted to get that on the record simply because I-- I'm in a development very similar to what you're doing where we own farmland,--

**MAGGIE DIERS YOST:** Um-hum.

**KOLTERMAN:** --and we bring in so many lots at a time and we benefit from what the city's done, and it sounds like you've worked very closely with the city over the years.

**MAGGIE DIERS YOST:** We have and it's-- and, and I think we will all say that over the past couple of years it's, it's just-- it's gotten so much better and everybody's working so much better together. We're not here against this bill we are here in neutral because again like I said it doesn't it-- there's still some ambiguity in that it doesn't guarantee that we can retain that ag value and--

**KOLTERMAN:** But at the present time you're still getting the ag value on the ground that you are farming.

**MAGGIE DIERS YOST:** We are on most of it, yes.

**KOLTERMAN:** OK.

**MAGGIE DIERS YOST:** But the, the gentleman after me it will probably touch on some of-- a little bit more in detail.

**KOLTERMAN:** So, so is there some transitional ag that you're maybe not getting it on?

**MAGGIE DIERS YOST:** There-- well, to, to this bill if, if, if, if, if we were to be annexed into the city it's still not a given that we would retain our ag value. We would have to go for each area and argue for that ag value. It's not, it's not a given that this bill allows us to retain the ag value.

**KOLTERMAN:** But at the same time the spirit of cooperation has been there and hopefully will continue to be there. Would that be a fair statement?

**MAGGIE DIERS YOST:** I think the spirit is, is, is there. Maybe it hasn't always been which is why we're a little gun shy.

**KOLTERMAN:** All right, but-- and you've never used TIF?

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**MAGGIE DIERS YOST:** No.

**KOLTERMAN:** All right, thank you very much.

**MAGGIE DIERS YOST:** Yep, any other questions?

**LINEHAN:** Thank you, Senator Kolterman. Senator Crawford.

**CRAWFORD:** Thank you, Chairwoman. And thank you. I'm just trying to make sure I understand your concern. Your concern is there's not a definition of the special valuation criteria that you need to meet or that-- is that the concern?

**MAGGIE DIERS YOST:** Well, I, I-- if, if, if we were to be annexed into the city at this time it's not a guarantee that we would be able to keep the ag value. And the-- there-- there's no concrete and defined way to define that ag value. And it's, it's, it's there, there-- that process is just not at Dodge County at this time and from what I understand it's not necessarily consistent across Nebraska. You might-- you know, find one assessor and in one county that does it this way and another assessor that does it this way. And so this bill, like I said, it's like a-- it's a great step in that direction but it still leaves us pretty vulnerable.

**CRAWFORD:** To be able to prove that you're using it for ag purposes to-- for your assessor.

**MAGGIE DIERS YOST:** Oh, I'm sure that we can prove that it's agriculture but in order to get that rate-- you know, approved and locked in I guess it would be.

**CRAWFORD:** All right, thank you.

**MAGGIE DIERS YOST:** Yep.

**LINEHAN:** Other questions? I just have one quick one. I think the city administrator, if that's the right title, said that they are not-- they don't annex against anybody's will. It's all like--

**MAGGIE DIERS YOST:** Voluntary.

**LINEHAN:** --voluntary annexation. Has that been your experience?

**MAGGIE DIERS YOST:** Well again, it was a couple of years ago where they were trying to do a mandatory annexation of just over a 1,000 acres.

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And now I, I understand that, that they have said that there won't be any more mandatory annexations.

**LINEHAN:** But is it your understanding that's not the law, it's just-- that's not-- it's just the rules. Whatever rules we are operating under at the time depending on who is elected I suppose.

**MAGGIE DIERS YOST:** Well, I'm not sure I can answer that.

**LINEHAN:** I'll ask Senator--

**MAGGIE DIERS YOST:** Yeah, I'm not sure I can answer that.

**LINEHAN:** OK. All right, thank you very much.

**MAGGIE DIERS YOST:** That's a good question.

**LINEHAN:** Thank you.

**MAGGIE DIERS YOST:** Any other questions?

**LINEHAN:** I don't think so.

**MAGGIE DIERS YOST:** Thank you very much for your time.

**LINEHAN:** Thank you very much for being here.

**MAGGIE DIERS YOST:** Yeah.

**LINEHAN:** Other-- [INAUDIBLE].

**JON CANNON:** Chairwoman Linehan, distinguished members of the Revenue Committee, thank you for allowing me to be here. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the deputy director of the Nebraska Association of County Officials, and we're here to testify in a neutral capacity on LB250. The reason that we're here in neutral, starting off with what Ms. Diers Yost had just testified to, the assessor does not recognize special valuation in Dodge County and also it's our understanding there's been no application for special valuation in, in Dodge County. And so really as far as the, the underlying facts are concerned it appears that this bill is intended to address a, a problem that hasn't yet cropped up because there has been no application made and no recognition of special value in Dodge, Dodge County. The second reason that we're testifying neutral is because, as I described earlier, there's a policy reason that we have a special valuation in the first place and that is to protect farmers



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from the valuation increases that accompany encroaching urbanization. Now in the constitution what it talks about is having special value essentially for land actively devoted to agricultural and horticultural purposes. What this Legislature decided some 50 years ago was that we were concerned primarily with the encroaching urbanization which is why we said if you're within city limits you don't qualify for special valuation. If you're without city limits you do qualify-- you can qualify for special valuation. Whether or not that policy needs to be revisited, is certainly something this committee is, is probably in the best place to do. But I'd just like to offer that perspective as well. To answer a question you had earlier, Senator Linehan, about the-- how we determine whether or not a par-- parcel is actually being used for agricultural purposes. When it comes to the determination of the primary use of a parcel, what the assessor is supposed to do is they're supposed to take off the first acre essentially and then look at the primary use of the remaining acres in that parcel. And so a two-acre parcel-- if someone is just raising tomatoes but they're, they're also doing other things on that land the assessor might-- may or may not consider that an agricultural parcel. And with that, I wanted to thank, Senator Walz, for bringing this issue to the attention of this committee. Certainly, there are a lot of issues that have come out as a result. You know, not the least of which would be the valuation whether or not there is special valuation within Dodge County. And with that, I'd be happy to answer any questions you might have.

**LINEHAN:** Any questions from the committee? How close is Dodge County to 100,000?

**JON CANNON:** Not very.

**LINEHAN:** OK, I, I just-- OK. Does your organization have a concern about having different rules for different counties?

**JON CANNON:** There is, there is a question as to whether or not-- you know, that would be considered arbitrary. We haven't had the opportunity to visit with the, the three largest counties and that being Douglas, Lancaster, and Sarpy. So that-- that's-- you know, whether or not they are-- would be in favor of, of having it opened up or they would be not in favor of having it opened up. We haven't had the opportunity to poll our members.

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**LINEHAN:** Is it-- is there a definition of a farm that's standard in Nebraska? What is a farm?

**JON CANNON:** There is a definition of a farm site and then there is the definition for a farm home site. And essentially what it comes down to is whether it's being actively used for agricultural and horticultural purposes.

**LINEHAN:** OK, thank you. Other questions?

**JON CANNON:** Yes, ma'am.

**LINEHAN:** Senator Crawford.

**CRAWFORD:** Thank you, Chairwoman. Thank you, Mr. Cannon. So the land in Dodge County that is being assessed at a different value is being assessed at ag value as opposed to special assessment. Is that the case? You said there's no special valuation in Dodge County.

**JON CANNON:** Right, and, and so there is a kind of a distinction when it comes to discussing values and so-- the way I look at it, ag value would be essentially special value, it would be the value that, that agricultural land has without any kind of urban influence. When those parcels that have been valued in Dodge County that are within the city limits they're being valued-- because they're being used for agricultural purposes they qualify for 75 percent, but it's 75 percent of its market value. And so that would be the, the value that, that property has in trade. And so if you're-- if you have farmland that's right next to land that zoned in commercial and industrial you're probably going to be at 75 percent of whatever commercial industrial is. If you're land that's abutting a residential subdivision you're probably going to be valued at what-- whatever 75 percent of residential is going to be fetching in that market area.

**CRAWFORD:** So the, so the special valuation would be lower than that because you're reaching out to see other parcels outside of that area.

**JON CANNON:** Yes, ma'am, it would-- it, it probably would. There are some counties where the special valuation is the same as the market valuation. And so the question would be whether or not if the assessor conducted a study as to whether or not the influence-- the urban influence or any other influence was affecting market value whether or not that would make a difference as far as the market value and the special valuation of agricultural land in Dodge County would be.

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**CRAWFORD:** Thank you.

**JON CANNON:** Yes, ma'am.

**LINEHAN:** Other questions from the committee? Seeing none, thank you very much.

**JON CANNON:** Yes, thank you.

**LINEHAN:** That's it for neutral. Senator Walz, would you like to close?

**WALZ:** Sure. Well, first of all I want to just thank the people who came to testify today, Maggie and Brian from Fremont. It was a cold day so I appreciate you driving down here today. Maggie said something that's kind of important. She's-- she is concerned that if you're farming that piece of property it's not a given that you will be taxed at the ag value. This bill would make sure that if you're farming-- actively farming that piece of property, it would be taxed at the ag value. So I just want to clarify that. Senator Groene had a question about if there was a street that was put right down the middle of the Diers's property-- in that case, the land would no longer be considered ag. So that's really not pertinent I don't think to, to this because it would be a piece of-- it would be development then-- infrastructure. So that would not be considered ag land any longer if it was an actual concrete street and sidewalks. OK. So in closing, I feel like this is really just a bill to be fair to people. If you're farming land, I think that you should be taxed at, at the ag value. It's an important consideration to ensure farmers' taxes are not overly burdensome due to the urban expansion. This also provides the city of Fremont to continue operating as other cities do in their annexation process. So--

**LINEHAN:** Senator-- OK for questions?

**WALZ:** Sure.

**LINEHAN:** Senator Groene.

**GROENE:** Senator, I get calls from constituents all the time. The city came in and put new sidewalks in front of their house-- paved a gravel road and they just got a bill. They got an assessment. They didn't get permission from that-- those homeowners. Once that's in the city, if the city wants to put a main thoroughfare-- put curbs through that land, the owner's gonna get an assessment. And they're not gonna be able to say, no, I want to farm that land, they're gonna get an

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assessment and there's gonna be a street right down the middle of that road-- that property without any input from them because now they're in the city. That's the way I understand the law. I'm just saying the way I understand what-- the way it works in North Platte.

**WALZ:** OK. Yeah, and you know from my experience it doesn't work that way in Fremont. I mean, we have been--

**GROENE:** No, it sounds like they're very-- they work with the people.

**WALZ:** Yeah, it's always been-- well, for the most part voluntary. I know they work very closely with our developers and our--

**LINEHAN:** Thank you, thank you, Senator Groene. Senator Crawford.

**CRAWFORD:** Thank you, Chairwoman. And thank you, Senator Walz. So if I understand, from our previous testifiers, there's a difference between special valuation and ag valuation.

**WALZ:** This was the exemption.

**CRAWFORD:** So, so this is creating special valuation for this land as opposed to just ag valuation?

**WALZ:** Yes, if the land is annexed into the city there's a special valuation that allows it to continue to be ag-- taxed at ag value. Is that--

**CRAWFORD:** Special valuation.

**LINEHAN:** Can I-- I think-- I mean, we're getting head nods from the back. I think if we use the term "greenbelt," it would help here. So we understand if this bill allow-- right now, if you-- if, if you get annexed by a city, I assume anywhere in Nebraska and it's greenbelt, once you're inside the city you lose your greenbelt status. That it, it doesn't matter if you're still farming it,--

**WALZ:** Correct.

**LINEHAN:** --your greenbelt status goes away. And what this bill does is allow cities, counties with less than 100,000 people to allow people to keep their greenbelt status, special valuation inside the city limits.

**WALZ:** Yes.

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**CRAWFORD:** Thank you.

**LINEHAN:** OK, Senator McCollister. Thank you, Senator Crawford. I'm sorry. Senator McCollister.

**McCOLLISTER:** Yeah, thank you, Chairwoman. Following up on Senator Linehan's question, is a special assess-- assessment cheaper than a greenbelt value? Is there a difference in those two values?

**WALZ:** Can I turn around and ask? I don't know the answer to that to be honest with you.

**McCOLLISTER:** Well-- or else-- you know, we can, we can talk after the session.

**WALZ:** OK, yeah.

**McCOLLISTER:** OK, thank you.

**LINEHAN:** Thank you, Senator McCollister. Senator Friesen.

**FRIESEN:** Thank you, Chairman Linehan. One quick question. I was just curious why the other counties were excluded? Because I know there are situations where they've annexed other, other land and it does not get greenbelt status. I'm just curious why you excluded the other counties?

**WALZ:** They just did not want to sign on.

**FRIESEN:** OK, thank you.

**LINEHAN:** Thank you, it was helpful.

**WALZ:** Yeah.

**LINEHAN:** Any other-- thank you. Any other questions? OK, letters for the record, I think we had none, none. So that brings the hearing to a close on LB250. Thank you, Senator Walz. So now we'll move to LB372. Senator Erdman.

**ERDMAN:** Good afternoon.

**LINEHAN:** Good afternoon.

**ERDMAN:** It's a pleasure to be in front of this prestigious committee. I'm Steve Erdman. I represent District 47, which is 10 counties in the

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Panhandle in Nebraska. I'm here to introduce LB372, a land grouping [INAUDIBLE] change. And my goal today is to explain--

**LINEHAN:** You have to spell your name.

**ERDMAN:** I'm sorry.

**LINEHAN:** It's OK.

**ERDMAN:** It's been a long time since I've been to a committee.

**LINEHAN:** It's been a long day.

**ERDMAN:** Steve Erdman, S-t-e-v-e, Erdman E-r-d-m-a-n. Thank you.

**LINEHAN:** Um-hum.

**ERDMAN:** It's good to see someone in the seat clear to the left.  
[LAUGHTER] That was for those of you--

**LINEHAN:** Clear to my right. [LAUGHTER]

**ERDMAN:** To your right, to my left. Thank you, Senator Kolterman.

**KOLTERMAN:** I've been here all day.

**ERDMAN:** Inside joke, but anyway. So my goal today I think I have two, I have two purposes here: one, to explain the problem that we have; and then secondly, what is a solution to that problem. Several years back when I became a county commissioner in 2005 there was a gentleman that lived in the northern part of my county and he would come every year and protest his valuation and he was-- often said-- tell, tell me that the way we determine the value for ag land we use dryland classifications to develop the value for all other ag land including irrigated and grass. And every year he would explain to me what we need to do differently. The gentleman got older and moved to Iowa with his son and some of you have seen Dr. Jerry Green's [PHONETIC] presentation on land-class groupings. And then Jerry Green took over for his father and continued that conversation. And I always enjoyed Jerry Green's presentation because it was very thorough. I understood exactly what he meant and what he was trying to change. And so I thought if I ever had an opportunity to help fix that I would do that. And so today this information that I'm gonna present to you about the problem is, right now there are 24 classes of, of land, there's, there's three subclasses of land-class groupings and in those

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subclasses of three it's interrogated, dryland, and grass and there's eight subdivisions of those three classes so 24 total. So what you call land-class groupings. All right, so what, what happens is in land-class groupings is they, they place a value on-- and it's all based on dryland. And so a dryland is consequently not the predominant thing when you get-- when you starting to do irrigated or grass. And so what we're going to try to do as the bill says, if you'll read the bill is very simple. The addition that we're going to put in, in the green copy says, land class-- "Land capability groups shall be the Natural Resources Conservation Service specific to the applied use." So in other words they're gonna use the value of the NRCS has for irrigated, that it has for grass, and it has for dryland. So we're gonna deviate from the fact that they're using complete dryland sales now, a dryland information. I have a, I have a soils map that I'm going to pass off to you later and I want to try to explain what it is that why-- what the problem is. But as we see that what they've done over the past they have used that dryland data for all forms of agricultural land which makes it very inappropriate and not accurate. And so what we needed to use, what we need to use is the NRCS productivity, productivity indices and they have those for dryland and the national commodity crop production index for dryland and for irrigated and they also have a range productivity ratings for these soils. So as we move forward with doing the application of this and I guess I will pass these out now. If you pass those out and I can explain what it is we do. When you, when you get one of those I want to draw your attention to a couple of things on that, on that chart. What this is, is 320 acres is actually 324 acres. This is half a section of land just a mile from my house. It's all-- this is all grassland. And I drew it up on this soil survey. And so this is what you see so if you go across the top you'll see it has the number of acres percentage of the, of the field nonirrigated and irrigated and then there's, there's a cel-- celi-- category that says range production. Range production is what amount of grass that land would produce on an annual basis and you move all the way across and you see clear on the right hand column it says NCCPI for soybeans. So the NRCS has, has already calculated what this ground would be able to produce. And so consequently, there-- it's totally different for grass production than it is for dryland. And so there's the discrepancy and so we need to make sure that we're valuing this land based on what it's producing and not basically what someone is assuming that it is. And so in my county when our county assessor sends out the notice to the rancher and it has graphs on it. It'll have one-- class one, two, three, or four and all four of those classes are valued at the same

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price. And I told her several years ago you'd be better off just putting grass, because if the rancher has a difficult time understanding, why do you have my best land based at \$330 and my poorest grass at \$330. And it's because it can't differen-- differentiate between the classifications of the soil and so consequently that's what we're trying to do. And this is a very simple process. I believe this will help modernize what we do. And as you know we are the only state that uses the market approach in our region. And the other states have already adopted a form of land class classification on the use of the soil and the productivity of it. And so as we move forward, we'll, we'll be able to accomplish treating everyone fairly. And some of the things that happens in our assessment division now, we don't have enough land sales in each county to make an array to get a sales array. And so sometimes in our counties-- for example, western Nebraska, we may sell 2 or 3 parcels on an annual basis out of 7,000 parcels of ag land. And consequently then we value the other 99.9 percent of the land that didn't sell based on the three per-- on the three-tenths of a percent-- one-tenths of a percent that's sold. And so consequently, if you don't have enough sales in your array you'd be like-- for example, if I had a bag of M&M's and I wanted to get 80 percent yellow I'd have a lot better chance of getting 80 percent yellow if I had five M&M's than I would have had 80. And so consequently the more array we have the bigger number of sales the better it is and we borrow sales from other counties to make sure that we have enough in the array. So even if we got to 20, 20 is still not a very good basis or enough to really get a justifiable raise or lowering of your value. So those are, those are the problems that I see happening, and I think this is a bill that would be an opportunity for us to bring some common sense approach to how we value ag land. And I'll be back to visit with you about another change in the ag land valuation, but it's a little different than this. But this helps solve some of the things that Jerry Green had been talking about for years and it gives the assessors another tool on how to value ag land. So I would take any questions you may have.

**LINEHAN:** Thank you very much, Senator Erdman. Are there questions?  
Senator Groene.

**GROENE:** Thank you, Chairman. You said a tool-- that means the assessor can use it or they don't have to use it or they will have to use it?

**ERDMAN:** Well, it'll be in the, it'll be in the statute, they'll have to use it.



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**GROENE:** All right.

**ERDMAN:** Yep.

**LINEHAN:** Thank you, Senator Groene. Other questions? Senator Kolterman.

**KOLTERMAN:** Thank you, Senator Linehan. Senator, based on-- I, I like what you're saying here, because this has been around for years, the soil-- the different soil samples and the different types of soil-- soil maps. Would the next step then be to utilize the better soils to tax more appropriately what it will produce?

**ERDMAN:** Yes, sir, that's exactly right.

**KOLTERMAN:** All right.

**ERDMAN:** And that's what will be in my next bill when I come back.

**KOLTERMAN:** This year?

**ERDMAN:** Yeah, we haven't scheduled it yet, but I think it'll be coming up soon.

**KOLTERMAN:** All right, thank you.

**ERDMAN:** Let me call your attention to one other thing that's very important. Did you notice my fiscal note?

**LINEHAN:** I see that. Very good, those are always nice.

**ERDMAN:** I just thought I'd draw your attention to that. It seems like every time we introduce a bill I get a fiscal note even if there isn't one, but this time we got a zero. I appreciate it.

**LINEHAN:** You did well, that's good. Senator Crawford.

**CRAWFORD:** Thank you, Chairwoman. And thank you, Senator Erdman. So you-- I'm just trying to get the connection between the, the bill and this chart. So are, are you saying that, that the assess-- the evaluation would be based on like cutoffs based on the soil designation and a map like this?

**ERDMAN:** They'd be able to differentiate between the quality of soil. Because right now they get a 521 when they turn in their document that they purchased the land and it doesn't say anything about what class

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of soil is on there. So it's up to the assessor to try to figure out what class is what and how to categorize it. In our county all the grass is the same so why go through that trouble why have the land-class groupings if it's all the same price, and so this would give an opportunity to have a different value based on the value of the soil and the productivity of it.

**CRAWFORD:** All right. thank you.

**LINEHAN:** Thank you, Senator Crawford. Senator Kolterman.

**KOLTERMAN:** Thank you.

**LINEHAN:** I'm gonna go by who I see first. [LAUGHTER]

**KOLTERMAN:** All right. I must be seen a lot. Anyway, thank you, Senator Linehan. Would it be an accurate statement that most of your soil maps like this that your ACS office or SCS office wouldn't be this diversified?

**ERDMAN:** Yep--

**KOLTERMAN:** Don't like-- as an example, if you bought a quarter section of land by Goehner, Nebraska, wouldn't that-- I mean, isn't there a good possibility that would be a silt loam type of ground versus 14, 12, 14 different kinds in one area?

**ERDMAN:** Are you asking is--

**KOLTERMAN:** I'm asking is that--

**ERDMAN:** Is this information easily gotten [INAUDIBLE]?

**KOLTERMAN:** Oh, I know this information is easy got.

**ERDMAN:** Right.

**KOLTERMAN:** Because it's all recorded in-- already.

**ERDMAN:** Well, you see--

**KOLTERMAN:** But what I'm saying is you've got 12, 13 of them there all in one-quarter section of land.

**ERDMAN:** That's correct. It's a half section, yes.

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**KOLTERMAN:** Half section and, and most likely around here you're gonna have two or three. Is that, that--

**ERDMAN:** That's correct. The better soils you'd have more consistent soils you may have two or three soils on here instead of 15.

**KOLTERMAN:** Right.

**ERDMAN:** But we live where the soils aren't as good as here. And by the way, I'll just say it's 41 degrees warmer where I live than here. But irregardless-- but, no, you're exactly right, the better soils have-- you know, and some of the better ground in our area would have 4 or 5 soils on a, on a 240 or--

**KOLTERMAN:** Instead of 12.

**ERDMAN:** Yeah, that's correct. But the key point is at the bottom-- it gives you the totals at the bottom and this information is readily available. If you look clear down at the bottom on the weighted average on the bottom side of that range pro-- range production, range production, with the average they would produce 1,635 pounds per acre per year of grass on that, on that parcel. So that gives you information there and then you could, you could develop that into animal units per month, and generally a cow eats about a 1,000 pounds of dry matter a month. So you figure it out-- 1,635 pounds, a 1,000 pound cow would go about 1.65 months per acre. So it's a way to determine the value there.

**LINEHAN:** Thank you, Senator-- go ahead.

**KOLTERMAN:** That, that would be for grass.

**ERDMAN:** Yes, correct.

**KOLTERMAN:** But, but when you're talking about crops-- rural crops, that's all certified anyway so you would know what the production is gonna be--

**ERDMAN:** Well, then--

**KOLTERMAN:** --on that land as well as the types of soils that you have.

**ERDMAN:** That information is at the FSA office.

**KOLTERMAN:** Yeah.

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**ERDMAN:** You have to get them to reset.

**KOLTERMAN:** But that would be just as easy to get as,--

**ERDMAN:** Right.

**KOLTERMAN:** --as comparables.

**ERDMAN:** Correct.

**LINEHAN:** Thank you, Senator Kolterman. I think Senator Lindstrom has a question, but Senator McCollister you were up first.

**McCOLLISTER:** [INAUDIBLE]

**LINEHAN:** Yes.

**McCOLLISTER:** OK, thank you, Chairwoman Linehan. These surveys are pretty amazing. So every acre of ground in Nebraska has a survey of this kind?

**ERDMAN:** Yes, sir. Where, where I got this, Senator McCollister, I subscribe to this, to this app and this is a similar application that they have at some of the FSA offices. And if you had a parcel of land and you give me the legal description I could go to my office and bring up your parcel. I could draw a square around that parcel. I could print a soils map for your parcel and would have this information.

**McCOLLISTER:** How long has this been the case that you can-- is this something that, that these surveys occurred many years ago?

**ERDMAN:** Yeah, we've been-- long-- for quite a while. We've been using this very application in our real estate office for about 12, 14 years.

**McCOLLISTER:** Would the-- if we adopted the statute that you-- the statute that you're recommending, would it be difficult for the county assessors to use that information in a way that would be easy for them to calculate property taxes?

**ERDMAN:** Senator McCollister, I think you've asked me a question above my pay grade. I don't know exactly what the county assessors do but, but I think the advan-- I think the advantage would be that they sure could find that, yeah.

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**McCOLLISTER:** OK, thank you, Senator.

**ERDMAN:** Thank you.

**LINEHAN:** Thank you, Senator McCollister. Senator Lindstrom.

**LINDSTROM:** Thank you, Madam Chair. Thank you, Senator Erdman. This is similar to a bill from last year or the year before. Is that right? Or is it the exact bill?

**ERDMAN:** No, this is, this is just fixing the, the usage of dryland to value irrigated and grassland. The other one to change the way we value ag land is a totally different bill.

**LINDSTROM:** And that's the one that's coming at some point?

**ERDMAN:** Yeah, that's correct.

**LINDSTROM:** And you mentioned that other states utilize this.

**ERDMAN:** Other states use the NRCS accurate information that we have. And they don't, they don't base their, their quality or their value of their dry-- of their irrigated and grassland based on dryland. That's what we're doing here. That's what we're trying to do. We're trying to change from using the model of dryland to value all the other land. Because when you have dryland sometimes you put water on it, it still doesn't yield like other irrigated soils even though it's the same type of soil. And so there has to be a classification between dryland, irrigated, and grass.

**LINDSTROM:** OK, I appreciate that. I think that's all the questions I have.

**ERDMAN:** OK.

**LINDSTROM:** Thank you.

**LINEHAN:** Thank you, Senator Lindstrom. Is there--

**McCOLLISTER:** One more.

**LINEHAN:** Yes, Senator McCollister.

**McCOLLISTER:** So would this bill be considered, Senator Erdman, budget neutral to county assessors?

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**ERDMAN:** Oh-- I don't-- you know, I don't know. I think once they got it set up, and I haven't found the information I think it would be neutral. I don't know whether it'd be-- would cost them anything or not. And following me will be Jon Cannon, he worked for the assessment division, and I-- and that would be a question maybe Jon can answer.

**McCOLLISTER:** Thank you.

**LINEHAN:** Other questions? I have one. Is part of the reason-- because there's also the income-- you know, value and income. But different farmers have different outcomes when they farm the same piece of land.

**ERDMAN:** Correct.

**LINEHAN:** So this would be more-- it's just on the lands-- doesn't depend on whether the farmer--

**ERDMAN:** That's correct.

**LINEHAN:** OK. All right, thank you very much. Other questions? Senator Groene.

**GROENE:** Thank you, Chairman. You need this in place first to then incorporate the income based.

**ERDMAN:** This will be helpful.

**GROENE:** Yeah. All right, thank you.

**LINEHAN:** Thank you, Senator Groene. You'll stick around to close?

**ERDMAN:** I would.

**LINEHAN:** OK, thank you--

**ERDMAN:** Thank you.

**LINEHAN:** --very much. Proponents for LB372? Hi.

**JON CANNON:** Hi. Madam Chairwoman, distinguished members of the Revenue Committee, my name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the deputy director of the Nebraska Association of County Officials, and we're here in support of LB372. Senator Erdman described what LB372 accomplishes. From our perspective, the assessors in our case-- in our state, they have an obligation to discover, list, and value all real property in the state to the extent that this is a discovery tool that

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will allow them to have more accurate representations of the capability of whatever crop-- or pardon me, whatever agricultural use or the subclass. We're certainly in favor of it. There was a question earlier as to whether or not this would be budget neutral. The county assessor already has an obligation to reach market value to the extent that this would allow those properties which under a dryland capability might have them considered as poorer ground. When in actuality once, once you've got it in grass it may be more productive, it may be less productive. Certainly, there are going to be winners and losers but what this does is it slices and dices the grading system-- the gradients that we have for agricultural and horticultural land in a more accurate manner thus allowing our assessors to have more accurate assessments. And with that, that's why we're in support. I'd be happy to take any questions you might have.

**LINEHAN:** Thank you. Are there questions from the committee? Senator Kolterman.

**KOLTERMAN:** Thank you, Senator Linehan. Thank you for being here, Jon. Have you, have you looked at other states in how they've done this? In other words, if we would have implemented something like this ten years ago would it have made a significant difference on how our land is valued today?

**JON CANNON:** As far as looking at other states, Senator, I'm not sure that it would. We have the benefit or the curse of being a state that transitions from east to west where you've got a lot of irrigated in the east. You've got a lot of grassland and, and more dry in the west. And Iowa for instance-- you know, they base everything on, on what's the capability for growing corn. There's a corn index and that's how it basically almost all the agricultural land in Iowa is, is graded. With South Dakota, they, they do it just a little bit differently, so I'm, I'm not sure that we could compare ourselves to other states. There, there probably is one out there in Kansas that would probably come to mind but we haven't looked at that.

**KOLTERMAN:** If, if we utilize this-- you know, obviously it's gonna, it's gonna impact all the crops and I assume we'll hear that in the next bill that we get. But is there a way that when you run cattle on your property how much hay it would produce? Is there a way of figuring that out or would it just be based on the kind of soils it's growing-- the hay's growing on that [INAUDIBLE]?

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**JON CANNON:** Yeah, so the, Senator, the soil type will tell you-- there's, there's a, a way that the NRCS can grade how accurately-- or pardon me, how much production that that soil type will have for irrigated dry and grass and how that gets translated into the inventory. You know, so whether it's 1G or 4G1 or 1D and 1D1, 1A and 1A1-- you know, how that gets graded is, is going to be based more accurately upon its productivity within that subclass. And so in my opinion, in all likelihood, that is going to yield more accurate assessments.

**KOLTERMAN:** Thank you. Then-- and then-- I guess, finally, I would say you've heard most of the testimony today.

**JON CANNON:** Yes, sir.

**KOLTERMAN:** So this deals primarily with agricultural land and horticultural land--

**JON CANNON:** Yes, sir.

**KOLTERMAN:** --only. Correct?

**JON CANNON:** Yes, sir.

**KOLTERMAN:** And so it becomes very important that they are assessed in value based on that criteria so the bills that we heard earlier would help this bill. Would that be an accurate statement?

**JON CANNON:** I have to think through that, Senator. I, I think I agree with you but I might have to think, think about that a little bit more.

**KOLTERMAN:** In other words if you got somebody on the edge of town that's raising crops or they're raising hay and they're-- and, and they've applied for that greenbelt designation, they would be taxed as agriculture instead of commercial property.

**JON CANNON:** Correct, Senator.

**KOLTERMAN:** OK, thank you.

**LINEHAN:** Thank you, Senator Kolterman. Senator Friesen.

**FRIESEN:** Thank you, Chairman Linehan. I guess I, I want to clarify things and ask you, if you're gonna-- if you understand, if not I'll



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ask Senator Erdman. But I mean what this bill is just make sure that different classes of land are actually valued at they're-- what they're worth. You have-- we have soils that can produce more but this doesn't change the overall value of ag land, so to speak, it just-- it'll divvy up the price differently amongst the acres so if I have a Class A piece of ground that has really good productive soils on it and there's only one classification land across 160 acres versus 12 different classifications that obviously has the ability to produce differently. And so in the end the values are not necessarily going to change. It just makes sure that one type of land is taxed appropriately to another type of land as far as valuation.

**JON CANNON:** Sure. And, and if, if I read your question correctly, Senator, I, I, I think that it gets us there and I'll step through my logic and, and if I don't understand then, then it is probably more appropriate for Senator Erdman. What this-- currently, what assessors have now is the obligation to inventory all the subclasses of land according to the LCG's, Land Capability Groups, as determined by the property tax administrator. And I know that her staff does a-- you know, they put a lot of effort to accurately determine how that should be inventoried according to its dryland capability. What this bill will do is it will say for the irrigated subclass of land we're going to assign it a capability grouping based on its, its, its production value for irrigated purposes. Dryland will remain the same and for grass we're going to assign a, a different LCG based on its grassland capability. The assessor's obligation is to inventory according to those LCGs. Typically, what most assessors will do is when they have that inventory-- what they'll, they'll do a statistical profile and they'll figure out, OK, what is-- you know, 4D1? What does the, the value of 4D1-- all those soil types that are going into 4D1, what, what does that represent to the extent that we can make that inventory more accurate? Then when the assessors go to value based on that inventory, those assessments are going to be more accurate. Whether or not that's going to be completely revenue neutral-- whether, whether values, values will remain exactly the same as they had the year prior, I, I can't, I can't make that representation, Senator, but what it will do is it will make the inventory that the assessor is using for purposes evaluation more accurate.

**FRIESEN:** This bill will not do anything with changing values. His, his next bill takes care of that portion. This changes how they inventory.

**JON CANNON:** Yes, sir.

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**FRIESEN:** OK, thank you.

**JON CANNON:** Yes, sir.

**LINEHAN:** Other questions? Yes--

**McCOLLISTER:** Thank you, Chairwoman.

**LINEHAN:** Thank you, Senator Friesen.--

**McCOLLISTER:** Oh--

**LINEHAN:** Senator McCollister.

**McCOLLISTER:** Thank you. I think I just heard you negate that earlier comment that you made to say that this bill would be budget neutral. Did I miss-- did I hear you properly?

**JON CANNON:** What I'm, what I'm suggesting, Senator, is that what this bill will do is it will provide more accurate inventory for all the subclasses of agricultural and horticultural land. Within those subclasses, you're going to have some values that are going to change. They're going to be some, some persons that own property that is currently classified as 4G which is our lowest-- supposedly the lowest producing soil. That's based on its dryland capability. And so you might see some properties that are going to go from 4G to perhaps 1G or 2 or 3. You could see some properties that are currently classified as 1A1 which would be our, our highest category for irrigated land. You, you might see some of those drop to 2-- 2A or 3A. And so as to what exac-- I mean, whether it'll be absolutely revenue neutral down to the third decimal point I, I can't make that representation. But generally speaking you're going to see different parcels of land are going to be-- or pardon me, different soil types within the parcels of land are going to be assigned to somewhat different LCGs.

**McCOLLISTER:** But if an entire county was rated at a higher value soil category and all of a sudden we adopt this bill, wouldn't that necessarily reduce the, the property tax value?

**JON CANNON:** Not necessarily, Senator, because the senate-- the assessor's obligation is to find market value. And so if I'm, I'm an assessor in say Dawes County and 98 percent of, of all my property is in 4G and all that property is, is-- you know, and I know what the sales are. And the sales of 4G land-- you know, and everything's in 4G is at-- let's say, \$2,000 an acre. Whether or not I now have a quarter

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of it in 4G, a quarter of it in 3G, and a quarter of it in 2G isn't going to make much of a difference because I still have that obligation to value it according to its market value. And so to a certain extent you might have the folks that are remaining in 4G, they may go down a little bit, but the folks that are in 3G and 2G they will probably go up and overall that's going to reflect the overall market value for each of those subclasses of land.

**McCOLLISTER:** OK, thank you very much.

**JON CANNON:** Yes, sir.

**LINEHAN:** Thank you, Senator McCollister. Other questions from the committee? Senator Crawford.

**CRAWFORD:** Thank you, Chairwoman. And thank you, Mr. Cannon. So I think, I think I was following it until you said it has to do with inventory but not value-- valuation.

**JON CANNON:** The obligation for the assessor is to inventory according to these LCGs. Generally speaking, when the assessor goes to value their land they're going to do a statistical profile of that subclass-- that subclassification of land according to its, its, its land capability group. The more accurate that the assessor can be when they're running their statistical profile as far as what properties are going to be in 4G or 3G or 2G the better off we're going to be.

**CRAWFORD:** And this provides a more accurate way of determining which level it should, should be in. Is that correct?

**JON CANNON:** Yes, ma'am.

**CRAWFORD:** Right. Because it's, it's actual use, not just using dryland as the comparison across all these.

**JON CANNON:** That's correct, Senator.

**CRAWFORD:** Is that correct? All right, thank you.

**LINEHAN:** Thank you, Senator Crawford. Other questions? Senator Groene.

**GROENE:** But it isn't dryland. If it's grass it has a different classification. If it's dryland farm or crop it has a different

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classification or even wheat and it has another classification if it's irrigated. Why do I keep hearing it's based on dryland?

**JON CANNON:** So the Department of Revenue currently has a regulation, it's-- for what it's worth it's, its Title 350 of the Nebraska Administrative Code Chapter 14. And in that, it says that land capability groups are assigned according to the dryland capability of that particular soil type.

**GROENE:** And my irrigated ground should be the same as my neighbors that's irrigated?

**JON CANNON:** To the extent that you've got the same soil you, you probably should be inventoried the same. That doesn't necessarily mean that you're inventoried according to the productivity of your irrigated ground-- of, of that soil for irrigated purposes you are being inventoried for-- your ground is being inventoried according to its dryland capability. And so you and your neighbor if you have the same soil you're going to remain in the same, in the same LCG part of the land-- same land capability group. It's just that, that you may go up or down depending on where that soil type falls based upon the NRCS.

**GROENE:** So comparable sales, when there's 5 sales in the next 15-- within my county of irrigated land,--

**JON CANNON:** Yes, sir.

**GROENE:** --and then they revalue everybody's land every two years or whatever based on those comparable sales,--

**JON CANNON:** Right.

**GROENE:** --everybody's varies a little bit by their land-- dryland?

**JON CANNON:** So generally speaking the assessor is going to-- they're going to take your irrigated ground and they're going to put it into the bucket that's been assigned-- the LCG that's been assigned to them by the property tax administrator. They're going to run a statistical profile against that LCG and they're going to say-- you know for instance, hey, whether it's Holdrege silt loam or it's some other soil type because it's all in, in 4A or in 3A or whichever irrigated subclass it's in, we've, we've come up with a, a statistical profile which says that, that land should be valued at about \$2,200 an acre. Now your, your land because it's Holdrege silt loam to use the one

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soil that I know about because it's in the Holdrege silt loam it might actually be in 3A and your neighbor's probably going to be in 3A as well. And so the statistical profile of the county assessor runs is going to be more accurate for your land than it had been when it was in 4A because of its dryland capability.

**GROENE:** You're talking if this passes--

**JON CANNON:** Yes, sir.

**GROENE:** --right now if everybody with irrigated land basically [INAUDIBLE] the same per acre and that county based on statistical-- based on sales-- recent sales?

**JON CANNON:** If, if the county assessor has all the land in one subclass, and, and let's say 4A, in all likelihood your county assess-- the county assessor in Lincoln County, she is probably going to run the statistics. She's going to find out that all 4A ground that the, the median sales ratio has her at 69.5 percent. And she's gonna say, I'm good, and she's going to, to assign that value to all 4A ground. What this bill will do, is it will provide more accuracy in those subclasses of land and so if your, if, if you're fortunate enough to go up to 3A she will probably have you higher than 4A but probably lower than 2A. And it just depends on, on where those sales fall within that statistical profile.

**GROENE:** So they already classify the land now?

**JON CANNON:** Yes, sir.

**GROENE:** Yeah.

**JON CANNON:** Yes, sir.

**GROENE:** Thank you.

**LINEHAN:** Thank you, Senator Groene. Other questions from the committee? Seeing none, thank you very much.

**JON CANNON:** Thank you very much.

**LINEHAN:** Are there other proponents?

**LARRY DIX:** Good afternoon, Senator Linehan. For the record, my name is Larry Dix, L-a-r-r-y D-i-x. I'm executive director of NACO. And,

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Senator Linehan, I want, I want to make sure because I know the committee statement is gonna look a little bit odd in the fact that you're going to have two people from NACO testify. So I, I want to make sure I have your blessing.

**LINEHAN:** It's OK, it's a cold day.

**LARRY DIX:** OK. And, and I'm here in support and, and I want to try to clar-- clarify sort of the discussion and, and break it down a little bit. Senator Groene, you're, you're right on track, you're tracking with what it is. And as how I describe it in, in my mind and thinking back through the years when I used to do this as deputy county assessor. Right now, your valuation is based on a soil type and we use hod-- Holdrege silt loam and it's based on what it would raise as dryland. If you irrigate that land that general basis is still dryland and if you were to raise grass on that land it would be based on what it would raise as dryland. But when-- what Senator Erdman is trying to accomplish is if you have Holdrege silt loam, Holdrege silt loam may produce a fabulous crop of dryland corn. But if you elect to put that into pastureland it may not produce grass very well. And so what to-- by today's standards it would be what it would produce on dryland. So what, what he's doing is we're really getting-- finer tuning this, I think, so that when we do look at grassland we look at what-- how Holdrege silt loam would produce grass if it was, if it was grassland. So I, I think we're defining it correctly. I think we're getting with-- you know, we're certainly getting into the weeds which is great. I, I think it's a good, good discussion. But today the only thing the assessor can do is really value that based on the information that they receive from the property tax division and it's, it's really based on what that would produce if it was dryland. So it-- I, I think it will help and it will make it much, much more accurate for ag land folks because they do realize if you plant grass on a certain type of soil it may produce more or less regardless of what it would produce if it was a dryland row crop.

**LINEHAN:** Thank you.

**LARRY DIX:** So just trying to clarify.

**LINEHAN:** No, that's fine. Yes, we have questions. Senator Briese.

**BRIESE:** Thank you, Senator. Thank you for clarifying that. But as you talk about assessing what it would pro-- produce as dryland, how do

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you determine that or what, what factors do you use in determining what it would produce?

**LARRY DIX:** Well, the valuation of, of course-- you know for those groups, at the end of the day the assessor has to determine-- you know, based on market value. So as land valuation groups that information comes down and the property tax division will assist in establishing those ranges and, and values.

**BRIESE:** And the reason I ask that, do they rely on NR-- NRCS data as far as production capabilities here?

**LARRY DIX:** I would assume they take that into consideration. I can't tell you if that's the only thing they rely on. But I believe they would take that into consideration.

**BRIESE:** And do you know when those production capabilities were determined?

**LARRY DIX:** I do not.

**BRIESE:** How long ago?

**LARRY DIX:** I do not. I, I-- we'll, we'll find out for you.

**BRIESE:** Senator Erdman might know.

**LARRY DIX:** Yeah.

**BRIESE:** Seems, seems like it was long, long ago,--

**LARRY DIX:** Right.

**BRIESE:** --but anyway, thank you.

**LINEHAN:** Thank you, Senator Friesen. Senator McCollister.

**McCOLLISTER:** Yeah, thank you, Chairwoman Linehan. And thank you, Mr. Dix. All county assessors in the state of Nebraska are elected, are they not?

**LARRY DIX:** All 93 county assessors are elected officials, yes.

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**McCOLLISTER:** Well, this valuation method is fairly sophisticated, and, and boy am I impressed. Are they going to be capable throughout all 93 counties of doing this properly?

**LARRY DIX:** Currently, all 93 counties break land into the land valuation groups. And so they're, they're already taking the soil type that we have on every parcel and they are overlaying it with the land use and they are already breaking down the acres just as if Senator Erdman's bill passes that overlay is really going to look the same. So they're already there. They already know how many acres on a parcel are Holdrege silt loam and they already know how many acres are on that parcel are dry or irrigated or range and they know what the value is for each acre. And what Senator Erdman's bill is going to do is it's going to more accurately define what that value per acre is. So from the assessor's point of view there, there really won't be much of a change in a process. They will change a value and then the software will make the calculation, the extension of X number of acres times value to get an extended value.

**McCOLLISTER:** So if a county is doing it properly or not, the, the assessor I should say, does TERC measure that has they do the, the value is at, at a certain percentage?

**LARRY DIX:** Well, TERC will look into that. But you know when you get into ag land and, and you start protesting and going through County Board of Equalization and on up to TERC, it today pretty much is a mathematical-- here's how many acres I have of Holdrege silt loam, it's irrigated, it has a value, and that's about it. There isn't much, there isn't much more discussion that you can have.

**McCOLLISTER:** Thank you, Larry.

**LARRY DIX:** Yep.

**LINEHAN:** Thank you, Senator McCollister. Senator Kolterman.

**KOLTERMAN:** Isn't it, isn't it a fact that all county assessors have to be certified in our state to-- or have to get a certification after they're elected?

**LARRY DIX:** Correct. All county assessors have mandatory education. They must pass the test and they must be certified to-- and must have that certification in order to serve in office, yes.



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**KOLTERMAN:** And another thing just for, just for the record and I, I did a little bit of quick search here. These soil maps that we're talking about they go back to the early 1900's.

**McCOLLISTER:** Holy smoke.

**KOLTERMAN:** And so this is nothing new if you've taken any agronomy classes. You'll find that there's soil surveys. They, they refer to those in all agricultural discussions as it comes to rating ground and providing a history of the ground. But they did-- they had a celebration in 8-- 1999 of a hundred years so, so these soil maps have been around for many, many years and they're constantly looking at them and upgrading them. But as we have-- as we lose ground for urbanism that-- that's gonna change the maps as well. But I just wanted to make that clear this is not new science this is something--

**LARRY DIX:** Right.

**KOLTERMAN:** --that has been around for years.

**LARRY DIX:** What's changed on the soil maps is the technology and the ability for the assessors to count the number of acres. In, in the 70s when I was doing this you would have a map, you would sort of lay a plastic grid over it and you'd count them all by hand. Now in the world of GPS, they can follow that line. They can accurately say how many acres are of a specific soil type and so the technology has changed drastically and we see that in place in most of the assessor's offices.

**LINEHAN:** Thank you, Senator Kolterman. Other questions from the committee? Seeing none, thank you,--

**LARRY DIX:** Thank you.

**LINEHAN:** --Mr. Dix. Are we still on proponents?

**JOHN HANSEN:** Madam Chairman, members of the Revenue Committee, good afternoon. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I'm the president of the Nebraska Farmers Union. We are in support of this bill. We think that it is an appropriate update and utilization of the data and the information that is now available and that it is a better methodology for determining the classifications and groupings. And if we have this data and now we do and with deference to Senator Kolterman-- excuse me, the data that we have now and the mapping we have now, much more precise. And so we've, we've

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gone through and we have updated the mapping of our soils. When I was on the NRD, in the Lower Elkhorn NRD, we helped augment the rate at which the mapping was going on and the updating of the mapping was going on by providing additional staffing to help with that process. So we're, we're-- now we've done that we're now going through additional updates. So if we have all of this information and this is the kind of information that an informed buyer of agricultural land would want and would use to buy land why don't we use it to, to more accurately classify the grouping of, of the land for evaluation purposes. I can't find a really compelling reason why we wouldn't. I thank, Senator Erdman, for bringing this forward. I think it represents an important incremental improvement in the valuation process at the end of the day. And so with that, I will attempt to answer any questions but hope you asked all the really important and tough questions to the two previous testifiers who actually know what they're doing.

**LINEHAN:** Thank you, Mr. Hansen. Do we have questions from the committee? Senator Groene.

**GROENE:** The event of technology makes this a lot simpler, too. You just punch in the map and it runs the percentages on the soil map and it's easily done now.

**JOHN HANSEN:** Yes, it--

**GROENE:** Wouldn't it-- I mean, even though we've had these maps for a long time the technology and programming would make it very simple for the assessor then. Punch in a piece of property and calculate percentages. I would think so.

**JOHN HANSEN:** Yeah, yeah, as opposed to-- you know, with, with-- you and I, when we started, we did all these kinds of things manually and we got out soil maps and we did all kinds of-- you know, very basic kind of stuff and now-- you know, thanks to technology both for our purposes but also just for the appraisers purposes, the technology makes the process faster and, and hopefully more accurate.

**LINEHAN:** Thank you, Mr. Hansen. Thank you, Senator Goene. Are there any questions from the committee? Seeing none, thank you very much, Mr. Hansen.

**JOHN HANSEN:** Thank you.

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**LINEHAN:** Are there other proponents? OK, are there any opponents? Are there-- is there anyone wishing to testify in the neutral position? Seeing none, Senator Erdman would you like to close?

**ERDMAN:** Thank you. I appreciate that. Let me, let me address Senator McCollister's question. I think Senator Collier-- McCollister may be asking is it valuation neutral? And the answer is, yes. And whether it's revenue neutral will be up to the people who apply the taxes to the land but the valuation should be neutral. So in that regard it should be. But I appreciate that. And you know, I'll draw your attention to that map that I gave you. And you know, they were talking about you have to do it-- used to have to do it by hand. And if you'll notice in that column that's right next to the description of soil it gives the number of acres on that parcel that's in each class. And then in the next column over it gives you the percentage of the total field that's in that class. And so what the assessor used to have to do is total up how many acres of each type of soil there was. Now all she has to do is look at the bottom in the column for a total for her. So that-- that's a very, very helpful way for them to understand how many acres of each class of soils on, on each parcel. So the information is there. I, I really appreciate that Larry and John and Jon coming in to testify. I think they thoroughly described what we do. We're basing our evaluation of all land based on dryland classifications and this changes that. And so that-- I think that's how we solve the problem. So I appreciate your questions. I really am pleased that you had a thorough understanding of what the process was and the questions you asked prove that you were getting into the weeds and starting to understand what we're trying to do and I appreciate it. But I'd help-- I'd try to help answer any questions you may have.

**LINEHAN:** So any questions from the committee? Senator Kolterman.

**KOLTERMAN:** Thank you, Senator Linehan. This map that you passed out, it's got, it's got some advertisement for Kraupie's and Surety. Do you work for either one of them?

**ERDMAN:** Senator Kolterman, the Surety is the, is the application. The Kraupie's is the real estate agent that I work with.

**KOLTERMAN:** I thought it might be.

**LINEHAN:** Other questions? Thank you, Senator Kolterman. I have just one thing for the record, NRCS stands for?

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**ERDMAN:** Natural Resource Services [SIC].

**LINEHAN:** And I had another question. So in the real estate business do you know-- and I know mostly you try to buy the farm next door and so you build your-- from where you are. But you have it-- in your experience as a real estate-- in the real estate, do producers actually look at these maps to try and figure out whether they--

**ERDMAN:** Yes, they do.

**LINEHAN:** OK.

**ERDMAN:** Yeah, they do. And, and it's a-- and, and now with the technology we have it's very helpful that they can do this. This map application that, that I gave you, Senator Kolterman, I-- up until last week I had my own subscription and it didn't say Kraupie's on it. But my subscription expired last week and I didn't want to renew it.

**LINEHAN:** So one more question, unless somebody else has a question. Could you get these totals across the bottom for the whole state like here's the state of Nebraska and here's the totals?

**ERDMAN:** When I had my application, Senator Linehan, I tried to do it by county and it was-- it-- my computer wasn't big enough to--

**LINEHAN:** OK.

**ERDMAN:** --bring it all together. I think if your computer is big enough you could.

**LINEHAN:** OK.

**ERDMAN:** But my laptop wasn't big enough to bring it together. I could do townships and-- you know, 36 square section-- 36 square miles. But I couldn't, I couldn't do the state or I couldn't do a county. I tried to do a county and it wouldn't-- I just don't have the capacity on my computer to do that.

**LINEHAN:** OK, thank you. Senator Kolterman.

**KOLTERMAN:** Just in answering your question, you can go to the NRCS and get that information on any parcel you want.

**LINEHAN:** Or the whole state?

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**KOLTERMAN:** Or the whole state.

**LINEHAN:** OK. All right, thank you. Any other questions? Thank you. There is a letter for the record. We have a letter-- proponent: Thomas Plac-- Placzek, Placzek from the Nebraska Association County Administrators [SIC]. And with that, close the hearing. Everybody safely get home.

**ERDMAN:** Thank you.