

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee March 13, 2019

**LINEHAN:** Welcome to the Revenue Committee public hearing. My name is Lou Ann Linehan. I'm from Elkhorn, Nebraska, and represent the 39th District. I serve as chair of this committee. The committee will take up the bills in the order posted. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. If you are unable to attend the public hearing and would like your position stated for the record, you must submit your written testimony by 5:00 p.m. the day prior to the hearing. Letters received after the cutoff will not be read into the record. To better facilitate today's proceedings, I ask that you follow-- abide, excuse me, abide by the following procedures. Please turn off your cell phones and other electronic devices. Move to the chairs at the front of the room when you're ready to testify. I know it sounds like a little thing, but it does move things along a little bit quicker if you move up front. If you will be testifying, please complete the green form and hand it to the committee clerk when you come up to testify. If you have written materials that you would like to distribute to the committee, please hand them to the page to distribute, and I'll introduce the pages in a second. We need 11 copies for all committee members and staff. If you need additional copies, please ask the page to make copies as soon as I introduce them. When you begin to testify, please state and spell your name for the record. Please be concise. It is my request that you limit your testimony. How many people are willing-- willing-- wanting to testify today? OK. We're going to go three minutes today, guys. And if you've got-- we'll work with you if there's-- we need to ask questions. If your remarks were reflected in the previous testimony or if you would like your position to be known but do not wish to testify, please sign the white form at the back of the room. It will be included-- included in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. Committee staff I'll introduce. To my immediate right is Mary Jane Egr Edson. To my immediate left is-- I'm sorry, legal counsel, Mary Jane Egr Edson and research analyst, Kay Bergquist. At the far end on my left at the end of the table, is committee clerk, Grant Latimer. And now we would like the members to introduce themselves.

**KOLTERMAN:** Senator Mark Kolterman, District 24, Seward, York, and Polk Counties.

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

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

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

**LINEHAN:** Today our pages are, can you stand up, ladies, Brigita-- Brigita Rasmussen, a sophomore at UNL majoring in agricultural education and Veronica Parish, a senior at UNL majoring in political science and prelaw. Thank you ladies for being here. Please remember that the senators may come and go during our hearing as they may have bills to introduce in other committees. Please refrain from applause or other indications of support or opposition. I'd also like to remind our committee members to speak directly into the microphones. Also for our audience, the microphones in the room are not for amplification but for recording purposes only. Lastly, we are an electronics-equipped committee and information is provided electronically as well as in paper form. Therefore you may see the committee members referencing information on their electronic devices. Please be assured that your presence here today and your testimony are important to us and is critical to our state government. So thank you for being here, and we will start with Senator Dorn, LB472.

**DORN:** Thank you, Chairman Linehan and other members of the Revenue Committee. My name is Myron-- Senator Myron Dorn, District 30, M-y-r-o-n D-o-r-n. Many of you are aware of the federal judgement-- court judgment imposed against Gage County for the violation of civil rights of six people commonly referred to as the Beatrice Six. I was in here about a week ago in front of most of the committee and explained a lot of the background of that judgment. The primary source of funding for counties is property tax levy. Counties were capped at 50-cent levy lid in collection of property taxes. Last year, Gage County's budget had a levy of approximately 38 cents. This left about 12 cents of the remaining levy available. In Gage County, that would collect approximately \$3.8 million per year, and would take the county around eight years at this level of property tax to pay off the federal judgment. In the 2018-2009[SIC] budget, Gage County increased its levy from that approximate 38 cents to the maximum 50 cents, and will be collecting these additional property taxes to start payment on the judgment. To try to ease the burden on the property taxpayer, I looked at a number of legislative options to pay this judgment. LB472 creates the Qualified Judgment Payment Act. Under this act, a qualified judgment is a federal judgment rendered against a county for

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a violation of federal law. The county board may adopt a resolution by at least two-thirds vote to impose a sales and use tax of .5 percent within the county. And the tax shall be used to pay the federal judgment. And the tax will terminate when the judgment is paid. This bill allows this tax to overlay all political subdivisions within the county even if those subdivisions have already imposed a sale and use tax. The bill also sets out the duties for the tax commissioners for the administration and collection of the sales and use tax set out in this bill. Currently a county may enact a sales and use tax for specific purposes set out in Section 13-319. The bill would prohibit a county from imposing a tax under Section 13-319 if the county has approved a-- has approved a sales and use tax under this act. So in other words, they couldn't come and, by a vote of the people, collect a state-- another sales tax in that county outside the municipalities that already have it. As I worked on LB472, I wanted to ensure [SIC] you that this was a very limited tax and use and duration. That is why the tax can only be used to pay off only a federal judgment and it will end upon final payment of that judgment. At this time, I'd take any questions or I'll be glad to listen.

**LINEHAN:** Thank you, Senator Dorn. Are there questions from the committee? Senator Briese.

**BRIESE:** Thank you, Chairman Linehan. Thank you for bringing this. Could you explain to me what you said here towards the end about you can't impose a tax if there's already one being imposed? What was that again?

**DORN:** Currently under that statute 13-319, counties can have a sales tax under--

**BRIESE:** OK.

**DORN:** --with these qualification. It has to be by a vote of the people. And then it can only be collected where another government entity or municipality isn't collecting a tax--

**BRIESE:** OK.

**DORN:** --is collect-- isn't collecting a tax. So in other words, the city of Beatrice-- right now, our county cannot impose a sales tax. In the city of Beatrice, they have their own sales tax. I know in Wymore and Cortland, they also have their own sales tax in the county. So we

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could not-- even by a vote of the people, we could not collect a sales tax in those entities.

**BRIESE:** Pursuant to this act.

**DORN:** Pursuant to this act.

**BRIESE:** OK.

**DORN:** And this act, if this would pass, then it would not allow you to go ahead and try and collect a sales tax under that 13-319 act. So in other words, in that part of the county where you could now, you would not be able to for the duration of this act-- or this bill.

**BRIESE:** OK. Thank you.

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

**McCOLLISTER:** Yeah. Thank you, Chairwoman. Just to make sure I understand based on the conversation you had with Senator Briese, so those towns that already have a sales tax, it would be the area around those towns that would be paying the sales tax and not the towns themselves, inside the towns themselves?

**DORN:** Under the current-- under the current legislation, that 13-319. This bill here is county-wide.

**McCOLLISTER:** So if you-- they'd have a city sales tax and then an additional county tax.

**DORN:** Yes.

**McCOLLISTER:** Now I get it. Thank you.

**DORN:** Yes.

**LINEHAN:** Thank you, Senator McCollister. Other questions? What is Beatrice's sales tax?

**DORN:** Beatrice passed-- in November, they passed a bond issue for a fire barn, and that did raise theirs to the allowable maximum of 2 percent. We did visit when I was still on the county board. We visited quite often with the city. Part of what we-- the discussion about coming from this perspective with this was that city now, the city of Beatrice now, that fire barn will take six to seven years approximately to pay off. Unless they took-- or decided not to collect

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some other part of that, they will be at the maximum 2 percent for most of the duration of this bill. So this city-- this sales tax have-- would have very, very minimal effect on the city of Beatrice because they are already at their 2 percent.

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

**KOLTERMAN:** Thank you, Senator Linehan. Thanks for bringing this, Senator Dorn. Could you clarify just for the record a few things for me? The judgment was for \$28 million--

**DORN:** Yes.

**KOLTERMAN:** --but then on top of that you've got lawyers' fees and you've got interest probably. What's your total obligation right now?

**DORN:** The judgment was \$28.2 million. In addition to that, because the plaintiffs won and were awarded a judgment amount, there is an-- approximately a \$2 million lawyer fee on top of that. So that puts that up over \$30 million. The county, in the last eight to ten years, has also, through their budget, paid approximately real close to that \$2 million also. The interest-- currently the interest from the judgment, the court set that at a little less than .5 percent or .4512. Just doing real rough math and not sitting down and doing it dollar for dollar, the interest rate will be-- the interest paid on this will be somewhere in the \$1 million neighborhood also. So you're looking at approximately a \$33 million bill for the county.

**KOLTERMAN:** So can I keep going?

**LINEHAN:** Yes.

**KOLTERMAN:** Thank you. So at the present time, are they getting paid?

**DORN:** At the present time, they have not been paid anything. In last year's budget, in the county's budget that was submitted to the state by September 25, was included in there a 12-cent levy on the property taxes. That will collect approximately \$3.8 million. They will get paid half of that sometime after May 1 which half of those taxes are due on May 1 in Gage County. So sometime in May, they will be paid approximately half of that. They will be paid the other half of that \$3.8 million, or about \$1.7 million, shortly after September 1 which are, the second half of that, when they are due. They will not be paid then any more until, again, the next year when the county-- the county does have to go back in their budget. They do have to appropriate to

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do that 12 cents a levy approximately every year. It is not an automatic. You cannot commit-- or you cannot obligate future-- future years. The county board cannot do that. They have to approve that every year, all eight years, in their budget

**KOLTERMAN:** And I'm going to put you on the spot here. Do you think that should come off the back of the property tax payers?

**DORN:** Currently today, by state statutes, that's the only thing allowable. Do I think? No, it should not be 100 percent on the back of the property taxpayers. There are multiple people in the county, multiple people I visited with through the years, that think the state should be paying some or all of that. There are multiple people that also think that there should be other ways allowable to help pay for that. Currently today, 100 percent of that \$33 million will be paid by the property taxpayers of Gage County.

**KOLTERMAN:** Or the-- or if we pass this legislation, it would be sales tax.

**DORN:** This-- this-- this half-cent sales tax, in each of the last two years when you go to the Nebraska Department of Revenue and look at the amount of dollars collected in Gage County, the state sales tax of approx-- of 5.5 percent has collected, in each of the last two years, a little over \$11 million or a little bit more than \$1 million per half cent.

**KOLTERMAN:** So you're at-- you're at 7.5 percent now.

**DORN:** In the city of Beatrice, it would be at 7.5 percent.

**KOLTERMAN:** OK. And like Wymore, are they?

**DORN:** I don't know what Wymore's is, no. Uh-uh.

**KOLTERMAN:** OK. So this would take the city of Beatrice to 8--

**DORN:** To 8 percent.

**KOLTERMAN:** 8 percent. What other-- and obviously we've talked-- we've talked about other options, loans-- low-interest loans.

**DORN:** Yeah. We've had two other bills which most of you are aware of, or I visited with you up here in them-- in this session about that. They were introduced two years ago. One that-- we did reintroduce both

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of those this year. And there's three bills that are out there, right now, trying to help address part of the problem that Gage County has--

**KOLTERMAN:** OK.

**DORN:** --this being one of them.

**KOLTERMAN:** Thank you.

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

**BRIESE:** Thank you, Chairman Linehan. Thank you, again. You probably can't predict what the county board's going to want to do going forward, but if you could, what do you think will happen here? How long would you anticipate this being in place? Maybe you addressed that in your opening. I don't think so.

**DORN:** You're right. I can't predict what they'll necessarily do. What this would do, at the current rate, we estimate it will collect approximately \$1 million a year. It's going to take a little bit of time here to get it going. And then, it'll take approximately a year to, I don't know, a year and a half or however long it takes to collect that. That will only be used to pay on that judgment until that judgment's paid off. Without this, it's going to take-- at \$3.8 million a year, it's going to take approximately eight years to pay off the judgment, the lawyer fees, and the interest. With this here, that would maybe shorten that up. If you can collect \$1 million a year and pay as you collect it going along, it will shorten up at least a year to a year and a half on the back end of the amount of time it takes to pay the judgment off.

**BRIESE:** County board could reduce that 12-cent extra levy and take a little longer to pay it off utilizing these types of funds, correct?

**DORN:** The county board has a letter from the lead attorney for the plaintiffs. They received that letter last year in August through our attorney that we had working for us for the county board that if the county did not go to their maximum 50-cent levy, they would pursue legal action in court.

**BRIESE:** OK. So they're seemingly bound to the levy that extra 12 cents.

**DORN:** So from that perspective and knowing that the county had that-- and the county board had that letter and was looking at that, they

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are-- they are not bound because the county board could come in future years and say, no, we're not going to pay it. But then the net result of that most likely will be more court cases.

**BRIESE:** OK. Thank you.

**LINEHAN:** Thank you, Senator Briese. Other questions from the committee? I have one more.

**DORN:** OK.

**LINEHAN:** Do you know approximately of the property in Gage County that's subject to property taxes, county property taxes, what percentage is agricultural, what percentage is commercial, and what percentage is residential?

**DORN:** Strictly ag land, and that is not the buildings or the houses or anything on that, 52-- 52 percent of the-- 52 percent of the property in Gage County is 100 percent agriculture land. After that, I don't know the breakdown of commercial or-- or houses. Now you have to realize that on the agriculture land, there's also all of those houses and all those buildings.

**LINEHAN:** Right.

**DORN:** If you take out just the cities, and I don't know how much commercial would be in that, when we took out the nine cities that are listed separate on the assessor's sheet that the county board got, then that 72 percent is not in the cities. So I don't-- I mean other than that, we could get you more information, but I don't know. But strictly ag land, 52 percent of the valuation is only ag land, has no buildings on it. So today, to pay off this \$30-some million judgment, over 50 percent of that will pay-- be paid strictly by ag line.

**LINEHAN:** So can I-- if I understand you, so if 72 percent of it's outside the cities--

**DORN:** Yeah.

**LINEHAN:** --and 52 percent of it is property, then you're saying 20 percent of this is other-- is farmer's houses and buildings.

**DORN:** It's farm houses, farm buildings, acreages in the northern part of the county because--



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**LINEHAN:** Right.

**DORN:** --Gage County has the influx of Lancaster County. There are-- I believe there are eight or nine developments with acreages, and then there also are a lot of other acreages in that calculation for that other 20 percent.

**LINEHAN:** OK. OK. Thank you very much. Any other questions? Seeing none, thank you. And you'll be here for closing?

**DORN:** You bet.

**LINEHAN:** Proponents. Are there any proponents?

**ERICH TIEMANN:** I'm Erich Tiemann, E-r-i-c-h T-i-e-m-a-n-n. I'm the Gage County Board of Supervisors' chairman. I'm here in support of this-- this bill. We met earlier today, and we provided a letter here today in support of this. I can't say that we're in support of additional taxes, but this is a dollar amount that we're going to have to pay regardless. We aren't on the decision-making end of should we pay it or should we not. We're on the budgetary side and the allocation side, how do we find these dollars to pay the judgment against the county. We do not have a large budget. We're a rural county. The state, if I'm correct, has a budget somewhere in the range of \$4 billion. Our tax asking every year is around \$8.9 million to operate everything. We have additional funds that would show in that, but as far as tax asking, I believe last year, we were at \$8.9 million. We also supported LB474, which would give additional relief from the state directly, giving a means to turn a claim into the state. Although everyone does pay property tax either directly or indirectly through vehicles, rent, some-- some means or another, this is disproportionate. Currently the way we collect property tax, the numbers that Senator Dorn gave you illustrate our demographics of ag land versus-- versus residential or commercial. I believe in a-- in a county under 30,000 people, we have approximately, and these are rough numbers, approximately 1,300 farmers. Well, with 72 percent of the property tax coming from that smaller number, we're looking for any way to try to level that field between different-- different demographics. The sales tax would be a way where we could collect from a broader range of people, not a bigger dollar amount, but a broader range, maybe spread that out over a larger group. It would also include some people coming through town. So that's just an additional bonus to the residents. We will continue to find ways to pay this. Like I say, we're not on the decision-making as far as do we owe this.

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That's not our job. That's a job for the courts. We're on the side of how do we pay it and how do we pay it as painlessly and as quickly for, not only our taxpayers but also for the defendants or the plaintiffs in that case. We're asking for help from the state in the means of different ways through different bills that Senator Dorn has proposed and also other ways through conversations we've had with different members of the Legislature. It puts the county operations as well as the morale of the county under extreme duress when we're trying to come up with dollars that weren't ever there before. We tried to keep dollars-- dollar asking low, and all of a sudden now we're the county at a cap and that's not something we expect in Gage County. We expect to keep taxes as low as possible the same as everywhere else and provide the services that we are supposed to provide.

**LINEHAN:** OK. I need you to wrap up. Red light.

**ERICH TIEMANN:** I'm sorry. That-- that's really all I've got there.

**LINEHAN:** OK.

**ERICH TIEMANN:** I didn't mean to keep going.

**LINEHAN:** That's fine. Are there questions from the committee? Senator Friesen.

**FRIESEN:** Thank you, Chairman Linehan. So if-- if the lid wouldn't have been in place, you would have just had to raise your levy to wherever it took to settle the judgment, correct?

**ERICH TIEMANN:** Correct. The way the claims process works through statute, if we're-- we owe money, a claim is submitted and-- we're supposed to pay it if it's a valid claim. In this case, even though it could be considered a valid claim, there's no dollars available. So with that letter we received from the-- those holding the judgment's attorneys, we had to increase that to that lid.

**FRIESEN:** So you-- but you can't exceed the lid because the state law says you cannot.

**ERICH TIEMANN:** Either state constitution or statute, I can't remember which, but correct.

**FRIESEN:** OK. Thank you.

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**LINEHAN:** Thank you, Senator Friesen. Other questions from the committee? Are you an ag producer?

**ERICH TIEMANN:** I'm not. I'm not a ag land owner. I work in town.

**LINEHAN:** That's OK. Do you have any idea what-- but you're on the board, so do you know what ag land per acre of taxes is in Beatrice, Gage-- Beatrice public schools?

**ERICH TIEMANN:** I do not know that number.

**LINEHAN:** Senator Dorn might know that?

**ERICH TIEMANN:** Senator Dorn might.

**LINEHAN:** OK. All right. Thank you for being here very much. Senator Briese.

**BRIESE:** Thank you, Chairman Linehan. Thank you for your testimony. Just curious, would-- would you be in favor of reducing levy and extending the repayment period if you had the ability to access sales tax revenue?

**ERICH TIEMANN:** Potentially. We're-- we're open to looking at every potential avenue. There's two sides to every coin.

**BRIESE:** Sure.

**ERICH TIEMANN:** If-- if that's extended, the stress on the county may go down. The other side may say, we're-- we're not being paid as quickly as we should be.

**BRIESE:** OK.

**ERICH TIEMANN:** So I mean trying to look at both sides.

**BRIESE:** Sure. Thank you.

**ERICH TIEMANN:** Thank you.

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

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**McCOLLISTER:** Yeah. I would bet, and thank you for your testimony today, that given the time value of money, paying it off sooner would actually lower your cost. Isn't that what you've [INAUDIBLE]?

**ERICH TIEMANN:** That would be correct with interest. And as far as on the receiving side, I would always like to have money in hand quick-- more quickly.

**McCOLLISTER:** Earlier rather than later.

**ERICH TIEMANN:** Right.

**McCOLLISTER:** Thank you.

**LINEHAN:** Thank you, Senator McCollister. Other questions? Seeing none, thank you very much for being here today. Appreciate it.

**ERICH TIEMANN:** Thank you for your time.

**LINEHAN:** Are there proponents? Good afternoon. Go ahead.

**JON CANNON:** Good afternoon, Chairwoman Linehan, 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 here to testify in support today of LB472. I don't need to reiterate what Senator Dorn has already expertly told you all, but this is obviously an extraordinary circumstance. This is one of those situations where an extraordinary remedy is probably required. I will note that this bill is narrowly tailored. This isn't going to be all of a sudden a free-for-all where every county in the state is going to start raising additional revenues through a county-wide sales tax. It appears to be the sort of thing that, if it occurs again, will be rare at best. Also I'd like to note for the committee that this is one of the rare occasions where the county would be able to export their tax base. One of the things that, generally speaking from a policy standpoint, we like about the property tax is that we know where the property is and it's fixed and it's not going anywhere. But the downside of that means that you're not able to export your tax base to people that don't live within the community or don't own property within the community. This is an opportunity for the people of Gage County to do that. And the other thing I'd like to note is that when they go to the maximum levy, when they go to 50 cents in a declining agricultural market which we've started to experience here in Nebraska, you're going to notice that the amount of total funds

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available for them to collect is going-- is-- is probably going to start going down even when they're at the max. And especially when they're at the max. Obviously when you're not at the maximum levy, you can manipulate the levy so that the levy rate-- so that you're able to take in those dollars that you can. And so to the extent that there is an additional source of income that's available to the county, NACO is 100 percent in support of this. I'd be happy to take any questions you might have. Thank you.

**LINEHAN:** Thank you, Mr. Cannon. Are there questions from the committee? Seeing none, thank you very much for being here.

**JON CANNON:** Thank you.

**LINEHAN:** Other proponents? Good afternoon.

**JOHN HILL:** Good afternoon. My name's John Hill, J-o-h-n H-i-l-l, 3681 East Locust Lane, Holmesville, Nebraska. I'm also a member of the Gage County Board. I'm here testifying for myself. Obviously we have discussed, you know, the LB474 and that's our first choice by far. And we do feel there is responsibility for this to be shared, and we'll have more information on that later obviously. But in regards to this bill, LB472, for the .5 percent sales tax, normally I would say put it to the vote of the people, but when we had to raise our mill levy, we had to raise our mill levy. We had no choice. I mean we had a choice to go to court which we assumed we would've lost, and we had to raise our mill levy 12 mills which is basically 7 to 10 percent tax increase. And for those of you from the rural areas, you can imagine what stress that would put on farmers right now with the price of beans and corn. And even for you from the metros area, I pick up the Omaha paper and there's the valuations. And a 7 to 10 percent increase for your taxes would be pretty significant. And we had no choice on that. In regards to, you know, Beatrice, I get different numbers. I got no official numbers, but supposedly the trade area is about 40,000 people at some extent, you know, not on the primary level. But it's no different for Lincoln and Omaha. Even though you're much bigger areas, you get a lot of revenue from outside of your jurisdiction. And as far as the sales tax rates, and somebody would need to verify these with a better site than what I had, but when I looked, Marysville, Kansas, their sales tax rate is 8.1 percent. And that includes tax on food which we don't have in Nebraska. And Marysville, Kansas, is a significant shopping area for a lot of Gage County and especially southern Gage County. South Point in Lincoln is 8 percent. When I look at Fairbury, it's already at 7.5 percent. So Beatrice, right now, is

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at 7. They're going to 7.5. To pay for their fire hall, it would go to 8. In the rest of the county, it would be less than that. Well, I guess that's it. I'll take any questions.

**LINEHAN:** OK. Thank you very much for being here, Mr. Hill. Are there questions from the committee? You did a good job. No questions. Thank you very much.

**JOHN HILL:** Thanks.

**LINEHAN:** Other proponents?

**ART NIETFELD:** Hi.

**LINEHAN:** Hi.

**ART NIETFELD:** My name's Art Nietfeld, N-i-e-t-f-e-l-d. I guess you'll have to excuse me. One of my lenses fell out of my glasses, so I can't read real good. Anyway, I'm testifying as a--

**LINEHAN:** We found it evidently, sir. There it is. You can thank the pages for that. Thank you very much.

**ART NIETFELD:** These are just dollar glasses.

**LINEHAN:** That's what we all wear.

**ART NIETFELD:** Let's see here. Sorry to take your time.

**LINEHAN:** Do you want to borrow mine? You'd look funny in red though probably.

**ART NIETFELD:** Oop. I can read with one. First of all, I thank all of you for allowing us to testify on these bills, and I'd like to thank you guys for all your hard work. I would like to voice my support of LB472 allowing the Gage County Board to levy a sales tax to help pay for the Beatrice Six judgment. While I feel the state has a great deal of responsibility for this judgment, the state may not pay any of it. And the small amount of farmers left in Gage County will be forced to pay, according to Myron Dorn, about 52 percent of the judgment, just like they now pay about 52 percent of the county's budget and 52 percent of the school's budget. This is-- does not seem right to me. LB472 would allow our county board to spread the payment out some to everyone. Probably wouldn't spread it out that much, but it'd spread it out some. It is-- it is state law that forces counties to get all

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their revenue from property taxes. That looks like an unfair law to me. The county should not be told by the state how they can or cannot raise revenue. The county should not be forced by the state to make a small group of farmers pay most of their budgets. The county's duly elected representatives should make these decisions. For my wife and I, our property taxes were raised by \$7,300 this year and are set to remain that way for probably eight years until the Beatrice Six judgment is paid off, while the average nonfarmer, from what I've been told, will have to pay around \$200, an extra \$200 a year. If our county board can raise one person's property taxes by \$7,300 by a single majority vote, they should allow a levy-- should-- they should be allowed to levy a small sales tax on everyone. I hate to complain, but as one of the small amount of farmers left, I am getting darn tired of paying-- or of supporting cities. I ask you to please support LB472. Also, on-- on some of the other property tax bills, when I previously testified, I was not aware of all the tax bills that have been introduced. I am not sure which bill has the best chance of being passed by the full Senate, but we all need property tax relief now. So I ask you to bring the best bills to the full Legislature for a vote. Actually, after looking at all of them, I support Senator Friesen's LB479 the most. LB479 is the one I like the best--

**LINEHAN:** OK. Sir, I got to ask you to wrap it up because you hit your--

**ART NIETFELD:** What?

**LINEHAN:** --you hit your red light. You're out of time.

**ART NIETFELD:** OK.

**LINEHAN:** Thank you. No. Wait. There might be somebody to ask you a question.

**ART NIETFELD:** OK.

**LINEHAN:** Yes. Senator Kolterman.

**KOLTERMAN:** First of all, this is about the fourth time you've been here--

**ART NIETFELD:** Well, the third.

**KOLTERMAN:** --and I would like to thank you for coming--

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**ART NIETFELD:** Well, thank you guys for all your hard work.

**KOLTERMAN:** --because we need to hear from you.

**ART NIETFELD:** Well, thanks.

**KOLTERMAN:** Yeah.

**ART NIETFELD:** I guess this is my first year for it. I got to-- I do watch you guys on the TV some when I get time.

**KOLTERMAN:** But you said something about supporting Senator Friesen's bill?

**ART NIETFELD:** Yeah.

**KOLTERMAN:** Boy, I don't know. [LAUGHTER]

**ART NIETFELD:** What? But I think pass whichever one you guys think will do the best.

**KOLTERMAN:** Thanks for coming.

**ART NIETFELD:** I don't know, whichever one you guys think is the best.

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

**McCOLLISTER:** Yeah. I just want to compliment you, sir. You did very well with just one eyeglass.

**ART NIETFELD:** Thanks. Yeah. Thanks. It was a little tough.

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

**FRIESEN:** Thank you, Chairman Linehan. So Senator Linehan asked earlier of somebody, what is your property taxes per acre that you're paying right now? [INAUDIBLE]

**ART NIETFELD:** Well, I live right on the state line south of here, and we've got some poor land in the county. But my average is about \$55 per cropland acre and for pasture, it's probably about \$31. I know-- I think I told you this one time--

**FRIESEN:** Yeah.



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**ART NIETFELD:** --that pasture-- I rented that one piece of pasture out, and the-- the property taxes took up all the rent or the property taxes and the electric bill to pump water.

**FRIESEN:** OK. Thank you.

**LINEHAN:** Thank you very much for being here, sir. Are there other questions? Seeing none, thank you.

**ART NIETFELD:** Well, thanks to all of you guys.

**LINEHAN:** You're welcome. Other proponents? Any proponents? OK. Opponents?

**GARY BARNARD:** Thank you, Senators. My name is Gary Barnard, 67-year resident of Beatrice, Nebraska, 1400 Garfield Street. I am a former county supervisor. I was certified at one time to be a county assessor. I'm currently a 21-year veteran real estate brokerage business. And I had a crop production and livestock production, livestock set up for quite a few years, probably half my life. I've bought and sold farmland, residential, and a commercial property for myself and helping others. I'm opposed to this because this is a tax shift. I was-- I go-- I want to go back just a minute. I was chairman of the equalization committee on Gage County. And I can tell you, I listened to every single property protest so there's not much that I haven't heard. And if any of you were county supervisors or commissioners, you already know that. But this is a tax shift. It's a new tax. It'll be added, and it's also a tax shift. In Gage County in 2018, residential property owners paid 93 percent of assessed value. Commercial was 100 percent. And farm production land, not the acreages which are a separate calculation, but the production land was taxed at 72 percent. And that was last year. So how do we tell the person working on line in the factory trying to buy a \$100,000 home, and that-- equity in property does sometimes and many times become the wealth of people, and so what do we tell that guy if he's paying 93 percent? And we've got somebody in the country, and having farmed and raised livestock, I know what that's about, so what do we tell them? Well, that's too bad. Farmers have bad times. They do. So-- so do the people in town, retired people, close the factory up. We've had that happen in Beatrice. What do we tell those people? They've got no subsidies. They've got no crop insurance for their losses. And I think we're just shifting that to another way. And in Gage County, Beatrice is the county seat. We have one other town, Wymore, which I think might be 1,500, 1,600 people now, down to that, and other little towns

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and villages. Beatrice will be paying the sales tax. It is a shift because in these little communities, as you probably all know, there is no really business that's going to provide a substantial amount of sales tax. It is shifting it to the people in Beatrice. A lot-- large part of our population are retired people, and I'm one of them. And we also have factory workers. It's just not-- not the ag sector that hurts when a community hurts. It's everybody. So in my opinion, I think this is a tax shift, and I'm not sure everybody would appreciate it. And I was a county-- I was a county supervisor. I believe in the vote of the people. I believe in the will of the people. By a supermajority, this bill allows five people, I believe would be the supermajority for Gage County, to decide to add this tax and cause a tax shift. I've never been afraid to let people vote-- vote on anything. This is-- in my opinion, this is a one-off issue anyway. But I think I would be more comfortable with it if they would at least agree to let the people vote on it. People are smart. They know what we do and don't do when we're elected officials so.

**LINEHAN:** Thank you.

**GARY BARNARD:** That's what all I've got.

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

**FRIESEN:** Thank you, Chairman Linehan. So you think that a minority of landowners have more responsibility for paying this judgment than the majority?

**GARY BARNARD:** No, sir, I don't, Senator. But with-- as I personally know and you all know, land ownership is also wealth for many people. I've bought-- I've owned a lot of land.

**FRIESEN:** It can be-- but I'm just looking at the situation that happened though, the judgment.

**GARY BARNARD:** The judgment.

**FRIESEN:** So the judgment, why should one segment pay more? Do they have more responsibility for what happened?

**GARY BARNARD:** If you look at the proportionality of it, they're not. If-- if somebody has \$2 million worth of land, they're going to pay more. But if you've got \$100,000 house, you're still paying.

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**FRIESEN:** So the doctor in town that's making \$200,000 a year is not going to be paying any more?

**GARY BARNARD:** Well, the ones I know have pretty expensive homes, and their-- and real-- residential property goes up too.

**FRIESEN:** Everybody has a house to live in. So where did the incident happen, in Beatrice?

**GARY BARNARD:** It happened in Beatrice and Gage County.

**FRIESEN:** So the city of Beatrice shouldn't be responsible for the whole settlement?

**GARY BARNARD:** Well this-- when I-- I've asked this questions of some of my city friends on city government, and they say, well, Beatrice is also part of Gage County. And in our community, sometime we have a lot of back and forth about that. Excuse me.

**FRIESEN:** I mean this is a unique situation that happened--

**GARY BARNARD:** It is.

**FRIESEN:** --and it looks to me like sales tax would be the most fair way of this particular issue. Now if it comes to county services, I can-- I might agree with you. But this is something that happened in a city. And it, you know, it happened. And so to-- to spread that load evenly across everyone, this seems to me to be the most reasonable, you know, other than the state stepping in. But again, it is what it is.

**GARY BARNARD:** I guess, a couple comments to that. If you live in Beatrice and you're buying products that are taxed, if you're just working in a factory, a retired person, you're paying the sales tax. The ag community does have a break on sales tax on their equipment and parts. And I'm all for that because surrounding states did it, and we didn't want to be unfair to our people. But they do have those breaks. For retired people, the guy in the factory, what exemptions does he have?

**FRIESEN:** Well, I think all commercial businesses have that same exemption on equipment. All right. Thank you.

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**LINEHAN:** Thank you, Senator Friesen. Are there other questions? Yes. Senator Crawford.

**CRAWFORD:** Thank you, Madam Chair. And thank you for being here and testifying. Would-- would you say that a majority of the economic transactions that happen in Gage County happen in your two cities, Beatrice and Wymore?

**GARY BARNARD:** I'd say the majority by far in Beatrice.

**CRAWFORD:** Right. So--

**GARY BARNARD:** Wymore, I got-- there's some people here from Wymore. There's just not much left there for retail business.

**CRAWFORD:** --Right. So-- so would it be true-- would it be fair to say that people who are living in the farms around would be coming to Beatrice and paying that sales tax?

**GARY BARNARD:** On the items that have sales tax on them, yes.

**CRAWFORD:** Yeah. Yeah.

**GARY BARNARD:** I would-- well, I'd like to hope so--

**CRAWFORD:** Right.

**GARY BARNARD:** --but Lincoln's pretty close for some of them.

**CRAWFORD:** OK. Thank you.

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

**BRIESE:** Thank you, Chairman Linehan. Thanks for your testimony today. Do you have any idea what the impact of .5 or half a percent sales tax rate increase would have on a typical resident in the county?

**GARY BARNARD:** I do not know that, sir.

**BRIESE:** OK. OK. If they spent \$30,000 a year directed towards items that are part of the sales tax base, it might be \$150 a year.

[INAUDIBLE]

**GARY BARNARD:** It could be.

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**BRIESE:** And that's assuming they'd spend that many dollars that would be subject to this tax.

**GARY BARNARD:** Yeah. We do-- we do have some lower-income housing, quite a bit actually.

**BRIESE:** OK. What additional sales tax burden do you feel would be excessive for the residents of your county, \$150 a year, \$100 a year, \$10 a year. \$1,000 a year? Any thoughts on that?

**GARY BARNARD:** I guess, I'm not trying to oversimplify it for my benefit, but I think if the people could vote whether we enact this or not, they'd probably tell us by their vote what they think is fair.

**BRIESE:** OK. OK. Thank you.

**LINEHAN:** Thank you, Senator Briese. Other questions from the committee? So what one of the testifiers sooner said that it probably cost the average homeowner in Beatrice, the increase in property taxes-- the what-- from 38 cents to 50 cents would probably cost the average homeowner in Beatrice \$200 a year. Does that sound right to you?

**GARY BARNARD:** I would-- I won't-- I couldn't answer that because I'm not sure of it.

**LINEHAN:** Is there an average price of a home in Beatrice. I mean you have some--

**GARY BARNARD:** Average price might be up to \$100,000 now. For years, it stuck around \$75,000 to \$80,000 actually--

**LINEHAN:** So is that a--

**GARY BARNARD:** --as an average overall low residential.

**LINEHAN:** OK.

**GARY BARNARD:** It might be a little more than that, but we were always behind the nine ball on the valuations this minus-- of course, it's all based on sales. If I might add one thing, the way we tax all property, for the most part other than income-producing commercial stuff sometimes, ag land is valued by comparative sale. I don't always agree with that. I think there are some combinations that would be better, but that's how we do it. I myself, I can-- I think I can

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honestly say, I never paid too much for land, whether I was buying it to farm or buying it to resell later. So when there sit-- there is still competition for land. If you still put a farm up for sale today, you're going to sell, and it's going to be worth more than you can produce on that land right now. There's no business in town that a bank would loan money to to keep doing that. Praise our farmers for being eternal optimists because they have to be. And I understand it because I've done it. But by the same token, until we change the way we assess property like that, we're going to have this problem all the time. I think there's a better way to assess it, and I don't-- you know, look at some of our neighbors. I believe Iowa used to have what they called a corn formula. There's a lot of ways to do it, but that drives a value which also drives our-- our rural friends' property. And also drives up their taxes. And if you want to sell it tomorrow, you're going to get plenty of money out of it yet. And so from all angles if you're looking at-- from residential and our commercial businesses and our ag people, I don't inter-- I don't envy any of you for having to figure out this tax thing. I just hope you can.

**LINEHAN:** Thank you very much. Are there other questions? Thank you very much for being here, sir.

**GARY BARNARD:** Thank you for your time.

**LINEHAN:** You bet.

**MARTY BILEK:** Good afternoon, Senator Linehan, members of the Revenue Committee. My name is Marty Bilek, M-a-r-t-y B-i-l-e-k. I'm the chief of staff for Mayor Stothert in Omaha. We oppose LB472 not so much for what it is, but instead for what it will become or could become. We see it as a vehicle for future amendments that would eventually create county sales tax simply upon a two-thirty-- two-thirds majority vote of the respective county board. As it is now, city residents are unfairly treated by the existing property tax formula because city residents pay for county services they do not receive. For example, county sheriffs and county road maintenance crews do not operate within the city limits of Omaha, yet city residents pay county property taxes. Our fear is that a county sales tax would exacerbate this tax disparity if one day governments use their county sales tax to supplement their general funds. During these times when most elected officials are looking for opportunities to lower or eliminate taxes, it would be inconsistent to pass a bill that would create future taxing opportunities. Counties already have the ability to levy sales tax outside the city limits of Nebraska villages and

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municipalities. However, a county sales tax levied within cities would create a double sales tax for city dwellers. Fortunately, there is a more reasonable alternative. LB473 would give political subdivisions the ability to request a low-interest loan from the state from which to pay federal judges when they become-- when those judges become unmanageable. Thank you.

**LINEHAN:** Are there questions from the committee? Senator McCollister.

**McCOLLISTER:** Yeah. Thank you, Madam Chair, and thank you, Mr. Bilek, for being here.

**MARTY BILEK:** You're welcome.

**McCOLLISTER:** Would a merger of Douglas County and the city of Omaha rectify the situation in your view?

**MARTY BILEK:** You know, for the-- for the example that I gave you, oftentimes people-- for-- for years now, I've been talking about just exactly that, some sort of a merger so that property tax disparity would not exist. The problem is that's a daunting task. And many before us have tried it, and it's always been unsuccessful. But it's a very interesting conversation.

**McCOLLISTER:** Should I bring a bill like that before the Legislature next year?

**MARTY BILEK:** I would look forward to that. I might even participate.

**LINEHAN:** Thank you, Senator McCollister. Other questions? Senator Friesen.

**FRIESEN:** Thank you, Chairman Linehan. Do you realize that this is just to settle a federal judgment?

**MARTY BILEK:** I do realize that. Absolutely, I do. But the fear is that this would be a slippery slope then. And someone might be tempted to say, well, let's amend this slightly to include not only federal judgments but maybe public safety projects. And then the slippery slope further goes to maybe projects that have to do with infrastructure. And then it wouldn't be long before we would just have simply a county local option sales tax that would exist in Nebraska on top of all of the-- the city local options that exist already.

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**FRIESEN:** Like the sales turn-back tax that the city of Omaha gets that we should-- that was a slippery slope?

**MARTY BILEK:** That's-- that's just a separate tax that we use.

**FRIESEN:** It's state money that you use. We give you state sales tax money back.

**MARTY BILEK:** Its purpose is to incentivize. So the question then becomes do you get a return on your investment, and I would argue yes. You could also make similar arguments if you wanted to bring up the TIF issue.

**FRIESEN:** TIF issue, we could bring that up too.

**LINEHAN:** He's not here.

**FRIESEN:** He's not here today. I'll have to take over for him.

**MARTY BILEK:** My timing's. [LAUGHTER].

**LINEHAN:** He brought it up for you.

**FRIESEN:** I'll take over for him. OK. I just-- I mean, I look at it as kind of a unique situation. I'm-- I'm not so sure that it's a slippery slope because I don't think anybody wants to be where they're at. And I-- I'd have a hard time imagining that this could ever happen again.

**MARTY BILEK:** You know, it's-- you know, I get what you're saying because I had to think about that long and hard myself. But I could stick with so many examples where there is a tax. And maybe it was for a specific purpose. And maybe it was set to sunset. And maybe it never does. And then-- then it expands, and it becomes more encompassing. And pretty soon, you've got a full-blown county sales tax that-- that we're all trying to avoid here in the Legislature and the city of Omaha. I mean the mayor's reduced taxes in Omaha twice since she's been in office. And that's what our goal is, to keep taxes low for the citizens of Omaha even if it comes from the county.

**FRIESEN:** Now, we're going down a slippery slope. I'll leave that lay. Thank you.

**MARTY BILEK:** You're welcome.



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**LINEHAN:** Are there questions from the committee? I'm going to ask Mr. Bilek one, and he'll know why I'm asking since we all have mutual friends. Who takes care of all the county's security, excuse me, who takes care of security at the courthouse in Omaha.

**MARTY BILEK:** The sheriff's office.

**LINEHAN:** Are there other things the sheriff's office does that's inside the city limits?

**MARTY BILEK:** They-- primarily what they do-- probably a third of all the sheriff's office operations are at the courthouse. Probably--

**LINEHAN:** Because you used to be in the sheriff's office.

**MARTY BILEK:** Yes, I did for 38 years.

**LINEHAN:** Yes.

**MARTY BILEK:** And that's how I know--

**LINEHAN:** So they kind of say that they don't do anything inside-- inside the city limits.

**MARTY BILEK:** Well, you're very right, but that's why I qualified my statement. I said sheriff patrols. The patrol aspect of the sheriff's office doesn't operate within the city, but there are other aspects that do. That's exactly right.

**LINEHAN:** And isn't the courthouse one of their biggest budget items for the Douglas County Sheriff?

**MARTY BILEK:** You mean to provide security there?

**LINEHAN:** According to the [INAUDIBLE].

**MARTY BILEK:** It's a big budget thing, but I haven't seen-- I don't know what their budget looks like exactly because I'm not responsible for that.

**LINEHAN:** OK. Thank you. Other questions from the committee? Thank you very much, Mr. Bilek.

**MARTY BILEK:** Thank you, Senator.

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**LYNN REX:** Oh, that's a problem, excuse me.

**LINEHAN:** It's a glass thing today.

**LYNN REX:** Pardon me. Senator Linehan, members of the committee, my name's Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. First of all, I'd like to apologize because you're stuck with me today. There are several individuals and city officials that intended to be here. But because of a blizzard pending out west happening as we speak and also flooding in eastern Nebraska, they were unable to attend. And as a consequence, they didn't get their letters in before 5:00 yesterday either. So you do have me today, and I appreciate the opportunity to testify. First of all, I would like to say that the League of Nebraska Municipalities' executive board strongly supports LB473 which is a low-interest loan. And that was also supported by the bar association, the Nebraska Association of Trial Attorneys. That's what makes the most sense in order to be of assistance to Gage County in this effort. I would like to underscore some of the points that are out-- have already been made by Marty Bilek, the chief of staff to Mayor Stothert, and also the individual who testified before him in opposition to this bill. In Beatrice, Nebraska, that-- their valuation is roughly 20 percent of the valuation of Gage County. And I can assure you that, again, underscoring what Marty Bilek has said to you, when you're living within the city of Beatrice, and you already know this, you're paying county taxes, and you're paying city taxes. And there are services that are county services that you pay for, that you simply don't get. And I just want to underscore a statement that I've made to this committee before which is that local option sales tax was given to municipalities, by the way long before it was ever granted to the counties, for the express purpose of trying to balance the fact that when you live within a city or a village, you're paying county taxes as well as municipal taxes. But yet, you don't really get the same benefit as though you were living outside the county and then having-- being able to come into the city or village and use those types of services. So it was intended by the Legislature as a balancing if you will. I would also underscore that this is not just a Gage County bill. If you read it, that is not what this says. It is not a Gage County bill. There's no question this would be of assistance to Gage County. No question that LB473 would be. But if you look at the words on page 2, line 6, any county that has a qualified judgment rendered against it may, upon the adoption of two-thirds vote of the county board, impose this tax. That tax is going to be used for the qualified

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judgment. The city of Beatrice, right now, has a pending Section 1983 case. Is Gage County, in-- in the event that they lose that, is Gage County going to help pay that? What happens in your county? What happens in Sarpy County if Bellevue has a judgment? Does Sarpy County help pay that judgment? When Sarpy County has a judgment, this bill would say that basically two-- a two-thirds vote of the Sarpy County board would allow them to impose a sales tax on top of the other sales taxes in Sarpy County, of which you have several. So I think that this is really, as the gentleman indicated, the first testifier in opposition to this, this is a tax shift, a fundamental tax shift. Already folks living in Beatrice are paying the maximum 50 cents per \$100 of valuation in order to help pay off this judgment. I do realize the intent I think by Senator Dorn is very, very well-intended, and I commend him for doing everything he can to try to assist his county. But we think that he has an answer before him in LB473, and that that is something for consideration. I just want to underscore, I sent out-- gave to you right now, just the newest effective April 1. There's another several cities that adopted a local option sales tax or increased theirs. Beatrice did, at 2 percent. I'm in a red light, so I'll stop and see if there are any questions.

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

**BRIESE:** Thank you, Chairman Linehan. Thank you for your testimony, Ms. Rex. Appreciate that. You probably know by now that the phrase tax shift does not resonate very well with me in this context. But so I guess my question is, what do I tell the farmer back here who said his taxes-- his property taxes are going to go up \$7,300, and a typical nonag producer's tax is going to go up \$200? Well, what do I tell that individual when we try to pick apart this bill? What do I tell the ag producers there who represent 13 percent of the county, who represent 52 to 72 percent of the tax base?

**LYNN REX:** And again, they do represent that because they have ownership and they have value in that property. So let me make that clear too. It's because of the value that they have in that property that a lot of people probably would love to have that kind of value. But I would just underscore a point that I tried to make before this committee before, Senator, and unfortunately unsuccessfully so. But that is to say that as a Legislature, you've inherited the same issues and problems that counties, cities, schools, and other political subdivisions across the state have inherited. You've inherited the

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problem that for the last 40 years, your predecessors have kicked this can down the road on property taxes. And so instead of doing what other states have done, and that is to reimburse local governments for the tax base that was taken away, the Nebraska Legislature chose not to do that. And I think we've talked before about the 1987 Syracuse Study, the 2013 tax modernization study. And I'd reference you again to page 27 of the executive summary of that where the left-- where basically the same consultant said, we suggested to the Nebraska Legislature, highly recommended, if you want to reduce property taxes, the single most important way to do that is to do what other states have done, and that is to reimburse your local governments for the tax base you took away. Instead, with passage of LB383 in 2013, you eliminated state aid, if you will, to cities and counties and municipalities and NRDs. So what I would suggest is that, regrettably, everybody sitting in this room inherited this problem.

**BRIESE:** Is-- if I may, isn't this an oppor-- an opportunity to expand our sales tax base across the complete county, across a cross section of the county or to spread it more evenly and fairly, spread this burden?

**LYNN REX:** It is not. In fact, it's just the opposite. This would have an undue burden on those municipalities in Gage County that already have a local option sales tax. Beatrice just increased theirs to 2 percent for a fire-- a fire barn, as I understand it. And so basically, what I'm going to suggest to you is not only is a citizen of Beatrice, Nebraska, and the other municipalities as well I don't mean to just target them, not only are they paying just a disproportionate amount of property taxes. And by the way they-- this is not a municipal judgment, this is a county judgement, not that I don't have empathy. That's why our board is supporting LB473. But at the end of the day, not only are they doing that, but then most of the sales, Senator, are coming out of Beatrice, Nebraska, on the sales tax. So it's anything but fair. It just goes the opposite way. And as you already know from this section, as Senator Dorn pointed out appropriately, counties already have the authority, and they didn't have to fight for it. And good for them. The municipalities did. But in 1996, the Legislature just granted them the ability to have a local option sales tax outside of the corporate limits of any municipality with a city sales tax. And again, it was intended by this committee and the Nebraska Legislature to be an equalizer, to recognize the

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distinction of those living in cities and villages that pay the county tax and don't get those services.

**LINEHAN:** Thank you, and thank you, Senator Briese. Are you-- that's it, right, Senator Briese?

**BRIESE:** Yes.

**LINEHAN:** Thank you, Senator Briese. Are there other questions from the committee? I have some. You mentioned schools. We took away the schools' tax base. What are you talking about?

**LYNN REX:** Well, Senator, and we talked about before in terms of the tax exemptions. I think the one that I mentioned before was in 19-- 1972, the Legislature passed LB1241 which was-- which eliminated a five-eighths exemption for livestock, farm equipment, business inventory. In 1977, the Legislature passed LB518 which took away, if you remember--

**LINEHAN:** Oh, so they eliminated some property taxes, that's what you're talking about, for schools?

**LYNN REX:** They gave exemptions--

**LINEHAN:** OK.

**LYNN REX:** --and those exemptions then took away the tax base, Senator.

**LINEHAN:** OK. OK. Do you think it's a little odd that the community in Beatrice, and I don't know this and I have family in there so I-- just strikes me as odd that they would raise taxes to build a fire bond when they're living in a community that's in a financial crisis. Why would they do that?

**LYNN REX:** Because they have an obligate-- Senator, they have an obligation to make sure that they're providing-- that they take care of public safety. They have that obligation.

**LINEHAN:** I hope their fire barn was in really bad shape.

**LYNN REX:** They needed it. They desperately needed it.

**LINEHAN:** And then, as Mr. Bilek stated, this idea that people that live in the city don't live in the county, that-- well, who pays for the jails?

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**LYNN REX:** Well, that's an interesting question.

**LINEHAN:** Who pays for the jails in Gage County?

**LYNN REX:** Folks living in cities, folks living in counties.

**LINEHAN:** In Gage County, if you please.

**LYNN REX:** In Gage County.

**LINEHAN:** OK. Because the county pays for the jails, right?

**LYNN REX:** If you live in a city, you're paying county taxes which helps pay for the jails.

**LINEHAN:** Right.

**LYNN REX:** Yes.

**LINEHAN:** Right. And who pays for the courts in each county in Nebraska?

**LYNN REX:** I'm not an expert on county government, but county government does.

**LINEHAN:** Pay for the courts?

**LYNN REX:** But that's been paid for predom-- for example, again, 20 percent of the valuation of Gage County resides in the city of Beatrice, so yes, they're paying that too.

**LINEHAN:** Well, I don't think that's actually working in your favor. But--

**LYNN REX:** OK.

**LINEHAN:** --you can keep saying it. So they pay for the courts.

**LYNN REX:** I appreciate that.

**LINEHAN:** They also-- I don't know Beatrice. I don't think they do. But many counties in Nebraska have a county hospital. The counties generally, from my friends on county boards, they kind of take care of the least amongst us, right?

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**LYNN REX:** They have a very important role to play. There is no question about it. And I do not want to imply in any way that county government is not important.

**LINEHAN:** Or that some of the services they provide don't also benefit the people who live inside the city limits.

**LYNN REX:** But not to the same extent as it does when you live outside the city limits.

**LINEHAN:** OK. Well, I live in the county, so maybe that's why I'm feeling this way about it. Any other questions from the committee? Senator Friesen.

**FRIESEN:** Thank you, Chairman Linehan. You mentioned they took away some of your sale-- your property tax base. What-- what else besides machinery and-- did they take away at that time?

**LYNN REX:** Well, those-- those were the three that-- and that was the big bill.

**FRIESEN:** The intangibles?

**LYNN REX:** Pardon me?

**FRIESEN:** Would tax intangibles?

**LYNN REX:** Houses and intangibles were before that. And that resulted in a \$12.6 million governmental subdivision fund that was later merged with the \$70 million partial though inadequate reimbursement for the exemption of livestock, farm equipment, and business inventory.

**FRIESEN:** So if we-- if we would-- if we would put property taxes back on all the intangibles, would that be a problem today?

**LYNN REX:** I think what would be a problem is what has occurred which is, and again, not that you folks caused it, but again, when you take away a tax base, one has to be able to-- you're going to have a tax shift. And it just-- when you have a tax base that was like this in 1977 and it's reduced to this, there's no question the stress is going to be in the middle. And again local governments--

**FRIESEN:** Have we had a-- have we had a tax shift?

**LYNN REX:** Pardon me?

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**FRIESEN:** Have we had a tax shift?

**LYNN REX:** We have a tax shift. I think it's ongoing. I think it's-- I think you pointed out to us in several times that you and I've met, there's been a tax shift to ag, and now there's a tax shift going back to urban.

**FRIESEN:** It's headed back slowly, but we had a huge tax shift. And we have these all the time, and there's always winners and losers. It just looks to me like-- you know, and I shouldn't be doing this. I'm giving a sermon up here. But this is a unique situation that happened, and it probably will never happen again. But it looks to me like it's the fairest way to pay this situation. I'm not talking about all the other things. I won't get into that. I'm looking at this particular issue they're trying to address. But can you think of a more fair way, I guess, for this situation, I guess?

**LYNN REX:** Yes, sir. LB473, we testified in favor of that. It's a state low-interest loan. I think that makes the most sense. This bill-- again, everyone thinks-- and I understand the paradigm, just Gage County. But when you read the words, that isn't what it says. And I know you can't do that because it's special legislation. Any county could have a federal judgment, and with a two-thirds vote impose a county sales tax on top of the city sales tax without a state-- without a countywide vote of the people, without a sunset, without any limitations or provisions other than just needing-- needing to pay for a federal judgment. There's no limitation. This could happen in Douglas County. It could happen in Seward County.

**FRIESEN:** If there's a federal judgment.

**LYNN REX:** Yes.

**FRIESEN:** Yes, I agree with that. If we tried to narrow it down anymore, I don't know that we could. That gets to be unconstitutional, I believe. So I-- again, I looked at this, and maybe the-- the being able to borrow from the state is--is part of this package. It doesn't have to be the one and only solution. It could be part of the whole package and which would save them money.

**LYNN REX:** We support LB473, and we do strongly oppose this one for all the reasons we've noted because we don't think this is a one-time situation. I don't think it is.



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**FRIESEN:** OK. Thank you.

**LINEHAN:** Thank you, Senator Friesen. Other questions from the committee? Thank you very much.

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

**LINEHAN:** Thank you. Other opponents? Anyone wanting to testify in the neutral position? Senator Dorn-- are you-- I said, are you an opponent?

**ROY LAUBY:** Opponent against, yes.

**LINEHAN:** OK. Are there anybody else-- is anybody else opponent? Are there opp-- OK. You're opposed. Anybody else want to testify on this bill? OK.

**ROY LAUBY:** My name is Roy Lauby. I live at-- well, it's R-o-y L-a-u-b-y. I live at 8548 East Spruce Road, Wymore, Nebraska. I'm a business owner in Wymore, recently purchased the hardware store and moving it into my business as a-- with the fourth business I've purchased since I become an owner. I am opposed to this because of the fact that as everybody has brought out, a lot of my statements here have already been spoken to. But the actual-- when Senator Brieese's bill gets passed, Beatrice will be up to 8.5 percent sales tax, not 8. And as a business man and the fact that customers nowadays, especially my clientele, are Internet shoppers. They're price shoppers. They're asking me, how much would it cost to fix a leaky pipe in my basement? I need an estimate because I'm asking everybody I can think of how much it would cost me to have it done. They're going to be looking-- if I got a higher sales tax rate than everybody around me, that might be the difference between me staying in business and-- or my customers not supporting the hardware store. They'll be going-- because Lincoln ain't far and Marysville gets closer every day with this kind of language. The fact that the voters don't get to vote on it doesn't seem constitutional in my mind, taxation without representation. I would point out the county board had a chance to settle this judgment in the beginning when it first came out, and they chose, through the advice of their legal counsel, to appeal, appeal, appeal, appeal, appeal. I'd like to bring this a little bit personal. I'd like to speak on behalf of the defendants-- excuse me, Winslow was a member of our community in Wymore. His mom, his brother, and his sister live there. And I'm ashamed at myself because I held it against that family because everybody thought they were guilty. They were brainwashed.

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Evidence was manufactured. The state-appointed judge would not allow DNA analysis that would have cleared their names and would have stopped this-- this issue. We wouldn't-- we wouldn't be here today if it wouldn't have been for that state-appointed judge, OK? I feel this is a state problem. State trained these investigators. They were educated in the University of Nebraska or wherever. The-- the state patrol didn't retest the blood analysis that was improperly tested in Oklahoma that showed who the actual murderer was. They brought it back and put it into storage. There's so many reasons why the state is responsible, and I'm begging you guys, do what's right. The state is responsible for this. I support LB474. That is the only bill that's worth considering.

**LINEHAN:** OK. Thank you. You've got a red light.

**ROY LAUBY:** I'm sorry.

**LINEHAN:** No, no, it's fine. That was-- that was--

**ROY LAUBY:** I tell you, I work with my hands [INAUDIBLE].

**LINEHAN:** --valuable testimony, sir. Thank you for being here. Very much appreciate it. Does anybody have a question? Seeing none, thank you very much for being here, sir.

**ROY LAUBY:** Thank you for your time.

**LINEHAN:** You're welcome. Other opponents? Is there anybody--

**GREGORY LAUBY:** Good afternoon, Senator Linehan, members of the committee. My name is Gregory C. Lauby, G-r-e-g-o-r-y, C as in Christian, L-a-u-b-y. I oppose LB472. Despite the intentions, I think, of Senator Dorn, to me, it resembles the Sheriff of Nottingham's approach. If the peasants complain about a new tax being added to the old taxes, make them pay another tax. It's important to realize that a new sales tax would not reduce the annual property tax levies that the board has recently placed on property, nor would LB7-- or LB473, the loan bill, reduce those property tax levies. I'm going to skip down a little bit, it's on my written statement, and get to what I think is the most misleading feature of this bill, and that is that the illusion the board might not approve the sales tax by a two-thirds vote. Senator Dorn has confirmed, and also the two board members that have testified, that the county board was advised that raising the property tax levy to the maximum was required or the board would be

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forced to do so by legal action. And I think that was a mandamus action. That advice may have been based on Section 77-1623 which is included in your handout. As I read that statute, board members would become personally liable to pay any unpaid judgement if they failed to enact an available sales tax. I'm not so sure that that conflict and that personal liability might disqualify them from voting. Well, I'm not sure that if that was the case, they wouldn't then become personally liable for the unpaid judgment. Given that statute, if my reading of it is correct, you might as well just put in the state statute that Gage County is compelled to raise the sales tax. Now I continued on-- the other thing that I want to mention is that I think the goal is to achieve full and prompt payment of the judgments. And for me, LB474 is the way to do that. I've included in the handout a listing of some of the events and factors that I think give the state fiscal responsibility for the judgment, at least for that portion which Gage County does not have the resources to pay. And I've also listed some possible sources. I'm sure, as the Revenue Committee members, you're well aware of others that could arise that would provide funding for LB774[SIC]. Gage County can be spared.

**LINEHAN:** Sir, I'm sorry. You've got to--

**GREGORY LAUBY:** To me, It's just a matter of priorities.

**LINEHAN:** OK. Thank you very much. Appreciate you being here. Are there questions from the committee? Seeing none, thank you very much for being here.

**GREGORY LAUBY:** Thank you.

**LINEHAN:** Appreciate it. Are there other opponents? Is there anyone wanting to testify in the neutral position?

**JOHN HANSEN:** Madam Chairman, members of the Committee, for the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I am president of the Nebraska Farmers Union. Our organization has spent a fair amount of time on this issue. We have a lot of members in Gage County. I think, based on some of the testimony you've heard here today, if you were in my shoes, you can make a compelling case why you would be for, against, and neutral on this bill because there's all those different kinds of perspectives. But the one thing that kind of runs through all of those different kinds of ideas of, now what do you do now that you're in this mess, is for our policy, we feel that in the-- in the case of the-- the legal obligations, and, you know, really,

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from the beginning, Gage County didn't pass a law and then go enforce it. The state of Nebraska passed a law. Gage County has legal obligations to enforce the state law and adjudicate the state law. And there was certainly no intent on the part of Gage County to willfully be in a position where their insurance was not in compliance. These things happen. And so in the scope of all things, the one that is constant is that our members overwhelmingly feel that in these kinds of cases, it is a state obligation. We testify in favor of LB474, but to Lynn Rex's testimony, we also remember when it is that the state of Nebraska told municipalities and a lot of other governmental subdivisions that when we got through this current budget crisis, that we would go back and reinstate a bunch of that local support that we gave you before the budget crisis. That didn't happen. And so as you look at counties across the state, you know, they are legally liable for any mistakes that are made in this process that-- while they're in the business of carrying out the enforcement responsibilities of state law. I think it ought to be a state obligation. And certainly Gage County is a stronger county than a lot of other counties. But it was not that many years ago when the state Attorney General used to step in in a much more regular basis and say, you know, you guys have got limited resources. This is a tough case. You want me to-- you want me to fill in and carry the ball for you? That doesn't happen now. So all of the shift has been to the county. And now here we are in this situation. And we feel very badly for the people in Gage County who are going to get stuck paying the freight. With that, I'd end my comments and answer any questions if I could.

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

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

**LINEHAN:** Anyone else wanting to testify in the neutral position?

**GAYLAND REGIER:** My name is Gayland Regier, R-e-g-i-e-r, and this is the last thing I thought I'd do if I'd come to Lincoln today. I thought I'd sit here and just take it all in. I have friends both-- that testified both for and against it. And-- I'm--I don't know what-- I X-d all the boxes, including neutral. So and I appreciate John's comments. I really do. And I appreciate your questions which you've presented. I'm a farmer. I have family that I'm working with, my-- a son who's come back to help farm. I have a daughter and son-in-law have chosen to come up to Beatrice and farm with me. And I had to point out to him, he's-- both of them actually are taken in by the

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school. They always sought them out because of their qualities that they had. They thought they would be a good addition, which I think they quite are. Son-in-law badly wants the farm. He could go back to Kansas and operate the construction business there in Wichita. But when they realized the tax burden and tax load here, you know, that we're are in awe of what it is. I don't understand why this public debt is saddled on a group of-- a specific group of people being farmers. What do we number, 1,300? And it seems like the state and federal government-- or state and local governments have our land collateralized. If there is a debt to be paid, whether it's education or something like this, left to the landowners. It's not based on income potential. It's based on value of property. Why, if you have \$2 million of property that's not producing an income, why are we being saddled with so much public debt, including education and everything else? So I don't know what else to say. Maybe you have a question or two. But I think-- I just hope this family that's come up-- and if, I-- I-- it would just be my family that's being threatened, you know. I've heard a lot of-- from other farmers that, you know, it's really tough to get their kids back. This week I told someone I can-- there'd be room for my son-in-law to be added to the family. And he'd ask every year, can I have a certain portion of the crop? Well, you better not lose your job because I don't think there's-- there's money enough there. But, you know, in time, hopefully-- you know, with a reduction or with correction of this tax situation we have in this state, you know, maybe-- maybe there will be opportunity. I told-- actually I told someone else, I said, there would be room if I would croak. There really would be. I mean that sounds funny, but yeah, it would be room for my son-in-law and son to farm. And I'm not-- I don't feel that-- quite that weak yet. So anyway that's all I have. Thank you for this opportunity.

**LINEHAN:** Thank you very much for being here. No, thank you. I'm glad you testified. Is there anybody on the committee who has questions? Thank you very much, sir.

**GAYLAND REGIER:** Appreciate it. Thank you.

**LINEHAN:** Thank you. Anyone else wanting to testify in a neutral position? Seeing none, Senator Dorn, would you like to close?

**DORN:** Thank you, Chairman Linehan and Revenue Committee. I think as you can see today, there were a lot of interesting comments both proponents, opponents, neutral. Wanted to clarify or make some comments on a couple things. The 50 cent levy lid is a constitutional

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amendment. Through Gage County's research by several different lawyer firms, we found out that that is a constitutional amendment. To change that 50 cent levy lid would require the Legislature to put something on a ballot. It would also then require a vote by the people of the state of Nebraska. The Beatrice school district-- and these are round numbers. I don't know how accurate I am other than this past year, Beatrice-- or Gage County did use-- not 72 percent, they lowered their rate to 70 percent on ag land value. If you live in the Beatrice school district, they have a dollar and a nickel. Plus you add on the county's tax and I'm-- some other taxes as Southeast Community College and NRDs. I put that at \$1.60, and I don't know how accurate that is. In my opinion, and this is just my opinion, an average dry land farm, 160 acres, that includes some waste ground, would sell for approximately \$4,500. I could find you some farms that would bring more than that and less than that. If you take that at 70 percent of valuation then take that times that \$1.60, that puts their property taxes at approximately \$50 an acre. Mr. Barnard stated that ag equipment does not pay sales tax. We do, however, pay personal property tax. We do have a \$10,000 exemption that is current today that has been part of the discussion on property tax relief. That is calculated or assessed at the same rate-- not the same, it-- it is-- used the same formula that you do for property taxes. Over the years, you turn in your personal property statement. The first year you buy that piece of equipment, they use different factors than they use on down. Over the life or over the seven years that we do that, we are paying as much or more than the 7.5-or-whatever percent sales tax is. So ag equipment is exempt from state sales tax. It is not, however, exempt from a tax that would be basically the same type of tax. And now that money goes to those entities in the county, the school, the county, the NRDs-- the NRDs, and all of those. Lynn Rex made a comment that 20 percent of the valuation in Gage County is strictly in the city of Beatrice. Gage County has approximately 22,000 people. Give or take, and I don't know the exact number, but I know more than 11-- 11,000 or more people live in Beatrice, so half of the people live in Beatrice. Under the current situation, where 100 percent will be paid by property taxes, half of the people will be paying 80 percent of the property taxes, half of the people will be paying 20 percent of the property taxes. This proposal, this bill, is attempting to, you can call it abrupt-- a shift or whatever you want to call, it is attempting to take away some of the obligation of those 80 percent of the people that are going to pay-- 50 percent of the people that are going to pay 80 percent of that amount. You've all heard on the floor, we've had a lot of discussion. Senator Briese, Senator Friesen,

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Senator Crawford, we've had a lot of bills so far about property tax relief. As it currently stands today, this judgment of approximately \$30 million will be paid 100 percent by property tax. That's why the two bills that I brought earlier were introduced two years ago, we had to wait until we had a final-- final determination of the cost or a final determination that there would not be any more appeals. That's where we're at today. This is the only option that is available to the county today is property taxes. This bill then was brought forward. As I said on the county board, we had a lot of discussion about other possible ways to help pay for that. This is the only idea at that time we could come up. I think other people have a lot of thoughts that the state should help pay today. That is not something that is happening as most of you know. That is something that I will probably continue to carry on. I don't know if that will ever happen or not. I cannot sit here today and tell you. That is why this bill was brought forward, in the hope of lessening some of that obligation off of taxpayers, property taxpayers. So I'd take any more questions. Otherwise, I cannot imagine what you guys have always gone through sitting here and all of your discussions as the Revenue. You guys have had a challenging, challenging year. I appreciate everything every one of you have done on here, and I appreciate a lot of the questions. I think there are a lot of people that understand the whole concept of our property tax and what all is involved. Thank you.

**LINEHAN:** Thank you, Senator Dorn. Other questions? Senator Friesen.

**FRIESEN:** Thank you, Chairman Linehan. So couple of times a guy brought up this should be paid for by the state. Should we, down the road-- I mean we've talked about the court system and who pays for the judge and all the location of it. And you know, there have been a lot of unfunded mandates pushed down on the counties. Can you make a good argument to make some changes so that this wouldn't happen to another county someday? Should we change our-- the judicial system, the way it's set up? Should it be more state-funded so that that obligation does land on the state because these were state laws that were violated? It wasn't-- the residents were all residents of the one town, so you could say, well, maybe that community should pay for this. But in the broader picture, should we-- do we need to look at changing how we fund our court system?

**DORN:** That's a good question. One of the things that happened here several years ago, a lot of people are forgetting that the Attorney General's office made a ruling that they were completely innocent. And

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then the state, and I don't know all the details, the state paid, I believe, five of the six. They have paid them some amount. And that Senator Wallman, Norm Wallman was a senator here at that time. And they put a cap or a limit on what the state could be liable for, \$500,000. That would have helped Gage County a lot if Gage County would have been included on that. That certainly would not have helped the Beatrice Six, from that perspective, you know, for what they could have ended up collecting here or whatever. One of the things that-- there were a lot of things that happened, I don't know, you could call them just completely went wrong. One of them was insurance. The county, through a lot of this, thought they had insurance until 2009 when the lawsuit was filed. The county attorney visited with the insurance companies that could be involved, and all of them denied coverage. That is still being pursued in court. Don't know if or what could be collected on that. There is some things that I think you could do from a legal aspect in limiting the amount of a judgment. That is probably the one thing that this body could do. Don't know if there is enough will or determination to do something like that. I don't know from the court system so much. A lot of people have a lot of ideas, but I don't have anything specific myself.

**FRIESEN:** OK. I just-- I mean I look at it, and I think in Norfolk, the murders at the bank up there, I mean that was prosecuted on a local level and it cost them a lot of money too.

**DORN:** Yeah.

**FRIESEN:** And there was an option to have it prosecuted under federal law which would have cost them nothing. And so bad decisions were made, so to speak. But look, it's always in hindsight.

**DORN:** Yeah.

**FRIESEN:** So I guess, we've got to look at this as a unique situation but can we make sure that it's a unique situation and never happens again. So that's kind of my--

**DORN:** That's something that I'll visit with NACO more. They testified here on this. I visited with their board several times over this. They've had a lot of discussion. There was a lot of discussion from the other counties from the perspective of could this ever happen to another county. Is there a another situation like this sitting out there that no one knows about today that could come forward in the future, and what would happen? We had a lot of discussion with



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insurance companies about making sure you had the right insurance with the correct amount. Several insurance agents told us that that would be a very costly insurance to have, the amount of insurance that this-- this had six people. It didn't have one. There's a lot of things that just kept adding up that ultimately made this the situation it was.

**FRIESEN:** Thank you.

**LINEHAN:** Thank you, Senator Friesen. Other questions from the committee? I just have one, Senator Dorn. Even if you've got the low-interest loan, who pays the bill is still-- that-- that might take part-- part-- care of part of it, but it all-- it still comes back-- the 8-- the 50 percent, whatever, the numbers you all said. They still have to pay the bill.

**DORN:** Low-interest loan in that scenario, that is borrowing from the state at .5 percent. The county still, in that situation, the county still pays 100 percent of that \$30 million.

**LINEHAN:** Right. So the--

**DORN:** The state is not paying any. It's just helping out with that part of the loan. Currently though, the county, because this was set after the last trial in July of 2016, it was set at the federal rate which is .4512 percent, currently the county's paying less than .5 percent interest. I know some of them back here really believe that is the route to go. I have visited with Sen-- because Senator Groene asked the question last time, he didn't think it should come out of the cash fund. I visited with-- my staff and I visited with our state Treasurer, John Murante, in his office for about an hour. Visited with Chairman Stinner. Visited with Tom Bergquist. We have visited with people, and until somebody comes up with something different, their determination is that it will come out of the cash fund or the rainy day fund. So that low-interest loan, this year, would be a \$28 million adjustment to the cash fund which currently, after the revenue forecasting board made their determination, we were sitting at \$278 million. So you would take another \$28 million out of there, and that cash fund would be at \$250 million. I've had a discussion with some of the counsel in the last several days, some of the Trial Attorneys' Association. We are continuing discussion about that and about what could happen to that bill. I don't see this legislative body this year

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allowing the rainy day cash fund that will remain at \$278 million, let alone go down to \$250 million.

**LINEHAN:** Thank you.

**DORN:** If somebody else has a different answer to that, I'd be interested in listening.

**LINEHAN:** I think my ques-- that's helpful, very helpful to know. But even if you get the loan, it doesn't solve who pays the bill here.

**DORN:** Even if Gage County received that loan currently today, 100 percent would still be paid by property taxes.

**LINEHAN:** Right. Which is-- that's-- this is-- it's kind of two different conversations, basically.

**DORN:** It's kind of two different conversations.

**LINEHAN:** OK. Thank you very much for being here. Other questions? Thank you.

**DORN:** Thank you. And thank you very much for taking the time and listening to the bills.

**LINEHAN:** Oh, I do have letters for the record, thank you: proponent, Monica Baete, Beatrice; opponent, none; neutral, Angie Bruna, Beatrice Area Chamber of Commerce and Gage County Tourism. So with that, we close the hearing on LB472 and open the hearing on LB585. Good afternoon, Senator Friesen.

**FRIESEN:** Afternoon, Chairman Linehan and members of Revenue Committee. My name is Curt Friesen, District 34, C-u-r-t F-r-i-e-s-e-n. I'm here today to present LB585. LB585 creates a renewable fuel infrastructure program. The purpose of the bill is to increase the number of locations across Nebraska where consumers are able to fill their tanks with higher blends of ethanol, from E-15 all the way up to E-85. For those of you not familiar, E-15 is 15 percent ethanol, 85 percent gasoline. It's like E-10, but it contains more Nebraska-produced ethanol. And that's good for Nebraska farmers. It's also good for the Nebraska ethanol plants, and it's good for our economy. You don't need a flex-fuel vehicle to use E-15. It has been approved by the EPA, and it can be used in most any car on the road today. The EPA has officially approved E-15 for use in cars 2001 or newer. The fuels consumed by these vehicles account for more than 85 percent of the

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unleaded fuel sold in the state. The problem is, even though Nebraska is the number two ethanol-producing state in the nation, drivers don't have many options where they can fill their tanks with the higher blends of ethanol. The blender pumps that would be funded by this grant program would also dispense E-30 and E-85. These blends of ethanol have been approved for use in flex-fuel vehicles. Again, the challenge for drivers of flex-fuel vehicles are that these higher blends are not widely available across our state. Increasing access to E-15, E-30, and E-85 in Nebraska is hugely important because renewable fuels have been a great thing for Nebraska. And higher blends of ethanol is one of the key to continuing growth of the industry. In a state like ours that is a leader in ethanol production, we should be leading the way in promoting the use of ethanol-blended fuels, and that's what this bill does. This bill will help Nebraska deploy increasing levels of renewable fuels. This targeted support from our ethanol industry will grow our renewable fuel energies, and in turn, invigorate our state. This program will be funded by an offset created by the repeal of 77-2704.66, the sales tax exemption for bullion sales. That's not as in bouillon cubes. As you can see from the fiscal note, the bill would actually create revenue for the state via the repeal of this sales tax exemption. This tax credit was created in 2014 under a bill introduced by Senator Schumacher who was the sole proponent of the bill. As we continue to face tough fiscal situation, we have to evaluate competing alternatives. And I would contend that renewable fuel infrastructure is a higher and better use of our limited revenue than a sales tax exemption for bullion. I would also like to offer an amendment today, AM771[SIC], that would ensure that monies from the grant program would be distributed to more than one applicant if more than one applies. I would also make sure that we're funding pumps and that we're dispensing the right kinds of blends. Thank you for your time, and I'd be happy to answer any questions.

**LINEHAN:** Thank you, Senator Friesen. Are there questions from the committee? Senator McCollister.

**McCOLLISTER:** Thank you, Madam Chair. Thank you for your bill, Senator Friesen. If you get multiple applications, how will you split the proceeds?

**FRIESEN:** Well, the idea is there is a cap on how much each one can receive, and the goal of the amendment is to make sure that just one company can't use up all the funds. It gets distributed over multiple locations and companies.

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**McCOLLISTER:** If you were to receive 20 applications from all different companies, the cap wouldn't be a problem but how would you-- they-- they-- they--

**FRIESEN:** They would fund it until-- until they run out of money.

**McCOLLISTER:** How much money would be generated by repealing the bullion exemption?

**FRIESEN:** We're capping the program at \$1 million, and that-- and that raises a little more than that. But we're just capping the program at \$1 million.

**McCOLLISTER:** Thank you.

**LINEHAN:** Thank you, Senator McCollister. Other questions from the committee? How many pump, we're talking about pumps at the gas station, right?

**FRIESEN:** Well, yes.

**LINEHAN:** So how many pumps does \$1 million get you?

**FRIESEN:** It depends on what they're all doing. There's-- there's two different levels of-- of-- of-- of cost-share, and it depends on what they're spending there. So it's variable. So typically it's not just simply changing out a pump. When a station needs to convert to a blender pump, they need to dig up all their lines and tanks and replumb-- repour concrete. And so it solves numerous problems. If you're an older station and needs to upgrade your tanks anyhow, it kind of helps with that process. But by doing this, as a member of the national-- or the state corn growers-- Corn Board, we have had a program where we subsidized this in the past. And so what happens is you have to-- if you replace your tanks, you can actually put in a tank of what you'd call the clear unleaded. And you can put in a tank of what you call 98 percent ethanol. And by doing the blender pumps, you can get by with two tanks and yet offer E-10, E-15, regular, E-30, E-85, and it's all just done with two tanks in your-- in your underground. And so, you know, with our leaky underground storage problems that we have, it also upgrades tanks to meet new standards. They would have to meet all those new standards. So it does a lot of things in helping those stations upgrade their facilities which if you will listen to the-- the-- the distributors, they don't make a lot of money on their gasoline sales. They make it more on the convenience

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store. So when we had the Corn Board, the checkoff, some of our dollars-- a lot of our dollars have been used to help stations upgrade facilities.

**LINEHAN:** Thank you. Are there other questions from the committee? Yes, Senator Crawford.

**CRAWFORD:** Thank you, Chairman, and-- Madam Chair, and thank you, Senator Friesen. Would you be interested in having the million dollar grant to start after we have those revenues? I have-- what we have right now is that the first year looks like it's coming out of the General Fund.

**FRIESEN:** Well, the-- I suppose the sales tax exemption, that takes time to build up.

**CRAWFORD:** Takes time to-- right.

**FRIESEN:** So however we can make the timing work is fine with me.

**CRAWFORD:** Thank you.

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

**McCOLLISTER:** Yes. Thank you, Madam Chair. Senator Friesen, would the checkoff be a more viable source of the revenue to fund this bill?

**FRIESEN:** I think that the corn growers will be behind me, and I think they already currently have a program going to council. We just have a lot of-- a lot of stations that need to be upgraded.

**McCOLLISTER:** So would this bill be duplicative-- duplicative then?

**FRIESEN:** I think it would probably partner rather well alongside it. But I'm-- maybe they could answer that question. I don't know how their program's designed today. I know what it was like when I was there.

**McCOLLISTER:** Thank you.

**LINEHAN:** Thank you, Senator McCollister. Are you married to the-- the way-- with how you're going to pay for it?

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**FRIESEN:** No. We've looked other places for the money, and this one just popped up. And so no, I'm not married to the-- to the-- where the money come from. I'd look in other locations if anybody has any ideas.

**LINEHAN:** OK. Thank you very much, and you'll be here to close because you stay here. Proponents for LB585?

**TROY BREDEKAMP:** Madam Chair, members of the committee, my name is Troy Bredenkamp, spelled B-r-e-d-e-n-k-a-m-p. I serve as executive director of Renewable Fuels Nebraska. We are the trade association for Nebraska's ethanol producers, certainly coming here is in strong support of LB585. Want to just start with some facts about the Nebraska ethanol industry. We have over 25 plants with capacity to produce over 2.5 billion gallons of ethanol annually. That puts us second in the nation in ethanol production. We represent over \$5 billion of initial investment. Ethanol production creates over \$3.8 billion in economic activity to the state of Nebraska. Four in ten rows of corn-- four in ten rows of Nebraska's annual corn crop, almost 700 million bushels, are processed by Nebraska's ethanol plants. We employ over 1,300 people in well-paying jobs in rural Nebraska. A senator asked about retail locations for blender pumps today. We have over 200 blender pumps in the state. We have 62 retail locations where those blender pumps are currently available. Nebraska's ethanol industry produces over 6 million tons of distillers grains. We generate over \$115 million in tax revenue. So for us to come in and ask for an investment like this isn't all that unusual, really, when you think about where the ethanol industry in Nebraska came from. It was from the state's initial investment. You go back to LB775 and even before that, the state of Nebraska invested in-- they took a shot at what this ethanol industry was going to be. Turned into a \$5 billion investment in plants out there. It turns into \$3.8 billion of economic activity. It turns into \$115 million of tax revenue. I think that's a pretty good return on that investment. So we're very supportive of LB585. Senator Friesen did a good job of laying out what LB585 would do in terms of setting up a small grant program. Iowa is a state that we look at often. Unfortunately, I always want to try and beat them. We're definitely not beating them in this category. They're number one in the nation, but they also have spent a lot of time investing in their infrastructure. The state of Iowa has put over \$30 million into their in-- infrastructure, into a blender pump program, over the last ten years. And their sales of ethanol have gone up. E-15 sales have gone up, over the last five years, 531 percent. Their E-85 sales have gone up 85 percent. And by contrast, sales of ethanol which would be

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E-10 blends and above, in the state of Nebraska, have been relatively flat. So we think that there is a need for this kind of infrastructure. I just want to close before my time runs out, Senator, by saying we do believe this is an investment in the future, certainly an investment in Nebraska ethanol. But also, think about it this way, more local sales of ethanol equal higher demand for ethanol. Higher demand for ethanol equals increased ethanol production from Nebraska ethanol plants. Increased ethanol production equals higher demand and value of Nebraska's corn crop. And everybody wins when there is more ethanol being used and purchased at the retail level for Nebraska. So with that, I'd be happy to answer any questions.

**LINEHAN:** Thank you very much. Are there questions from the committee? Senator Briese.

**BRIESE:** Thank you, Chairman Linehan. Thank you for your testimony and for being here today. Are there other programs that subsidize or encourage installation of these pumps, blender pumps?

**TROY BREDEKAMP:** Madam Chair, Senator Briese, there has been other programs. There was a USDA program called the BIP program. That has expired. That was dollars that could be used for blender pump infrastructure. I know Senator Friesen mentioned the Nebraska Corn Board program. There are checkoff dollars that they put in. I believe it's \$1 million per year, but I think they're coming behind me so they can testify to that effect. So certainly there are some dollars, but this is not a-- this is not a low-investment thing that we're talking about. And I do believe we have retailers coming behind me that can talk about exactly how much it does cost. Our-- our thought in this is that these all would be complementary, that if we can get, you mentioned, 20 people involved in this, that would be \$50,000 per year. That's actually the max for the program. The program states that there would be a \$50,000 if you want to over five years or \$30,000 over three years. That's the maximum that they could get from a grant from this particular program. So if they need to couple that with some other grants out there, that's out there. We just want to make sure that more infrastructure is getting put in the ground so that we're able to sell more ethanol and grind more corn.

**BRIESE:** OK. And that's a good point you make there. We want to ensure or encourage additional structures get put in the ground. We want encourage more locations, more pumps, right?

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**TROY BREDEKAMP:** Absolutely.

**BRIESE:** And the language here doesn't really distinguish between new locations, new equipment versus replacement equipment. Did-- do you know how Iowa handles it? Do they distinguish between the various categories?

**TROY BREDEKAMP:** I don't, Senator. I don't know how Iowa handles it exactly. We would certainly work with the energy office. They would be the administrator for this. We would work with the energy office to make sure that the rules were appropriate. Certainly we're going to see a lot of gas stations over time do some retrofitting of existing retail locations. That's-- those upgrades-- if they're putting in this kind of pump infrastructure, we're going to be supportive of that. If it's just a change on an existing pump, that's obviously something we do not want this kind of money to go for.

**BRIESE:** OK. Very good.

**TROY BREDEKAMP:** Yeah.

**BRIESE:** Thank you.

**LINEHAN:** Thank you very much. Are there other questions from the committee? Thank you very much for being here.

**TROY BREDEKAMP:** Thank you.

**LINEHAN:** Appreciate it. Next proponent. Good afternoon.

**RANDY GARD:** Good afternoon, Senators. My name is Randy Gard, R-a-n-d-y G-a-r-d. I'm representing two organizations this afternoon. One is Bosselman Enterprises out of Grand Island, Nebraska, and the other one is the-- I'm the secretary of the Nebraska Ethanol Board. So I'm going to start on the-- on the Bosselman Enterprise side. We're a family-owned business. Been around 72 years. We own 45 convenience stores, two travel centers, and dispense more than 50 million gallons of fuel on an annualized basis. And right now, all of our locations offer E-10. Seventeen of our locations, we've expanded into the higher blend categories of E-15, E-30, clear up to E-85. And we are really excited about Senator Friesen's LB585 because the-- somebody-- the handout that we gave you shows that over the last three years, our ex-- expansion of blender pumps, in-ground tanks that Troy talked about, have a direct correlation infrastructure and the amount of renewable gallons sold. And so, you know, from a-- from a retailer's



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perspective, we're excited about that. There was a question asked in terms of the cost. Just as a case in point, depending on the manufacturer and the complexity of how many hoses a dispenser has, a blender pump can cost between \$25,000 and \$35,000 apiece. And our stores run between four and six dispensers on each location. A underground tank can run you, by the time you do the concrete work and piping, can run you north of \$100,000. So there is certainly an investment, from a retailer's perspective. We as Bosselman have embraced heavily. We're one of the largest blending companies in the state of Nebraska. On the soybean side, we blend over 3 million gallons of soybean oil a year. So we're-- we're-- we're heavily committed. So with that, we're excited. We love the idea of LB585. There's certainly some expense on our side, but we're willing to accept that. I'm going to shift gears and talk a little bit from the Nebraska Ethanol Board point of view. Back in 2016, the Nebraska Energy Office, Nebraska Environmental Trust, Nebraska Corn Board, Nebraska Ethanol Board, Nebraska Department of Agriculture, and several ethanol plants funded 88 new advanced blender pumps and 7 underground storage tanks. Their equipment was installed at 22 retail fueling locations throughout the state. The mission of the program is to help facilitate the availability of higher ethanol blended gasoline to the traveling public. This program has doubled the number of pumps throughout the state that may be used to dispense higher ethanol blended gasoline to consumers, enabling drivers in Nebraska to increase volumes of Nebraska ethanol. The fact that retail stations in Nebraska with such blender pumps has doubled since the inception of the program shows--

**LINEHAN:** Sir.

**RANDY GARD:** I'm sorry.

**LINEHAN:** You know, maybe you need to wrap up, but I'm sure somebody will ask you a question.

**RANDY GARD:** OK.

**LINEHAN:** I see a hand going up here. Senator Kolterman.

**KOLTERMAN:** Thank you, Senator Linehan. Thanks for coming today. Do you know-- you just-- you were just talking about the Environmental Trust and the program. Could you finish up on that? And-- and then I have a question or two for you.

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**RANDY GARD:** Sure. I'll be honest with you, Senator, I don't know that much about the Environmental Trust. I know that-- that there were some matching funds that they were able to help us with the infrastructure developed, very specifically at our travel center in Grand Island, Nebraska. And I don't know how far [INAUDIBLE] the trust actually goes.

**KOLTERMAN:** So they-- they gave-- they had some matching monies?

**RANDY GARD:** Yes.

**KOLTERMAN:** Tied to ethanol [INAUDIBLE] for sales? Would that be another option?

**RANDY GARD:** I think you'd have to ask-- you would have to ask them. Like I say, I'm not well versed in the Environmental Trust side.

**KOLTERMAN:** All right. The other question I have is is there a huge difference in margins when you're selling fuel between E-15 and regular or is it-- does it wholesale for the same price?

**RANDY GARD:** Right now, we're selling E-15 at 5 cents a gallon less than E-10, and the margin is actually less. Now, the secret to putting blender infrastructure in is-- our strategy is that we're utilizing ethanol from the Nebraska ethanol plants. And what that does for us is, that enables us to not put it through a terminal and not have to absorb those through-put fees. Terminals can-- their through-put fees can vary between 2 and 4 cents a gallon.

**KOLTERMAN:** So you're getting it directly from the plants.

**RANDY GARD:** Yes.

**KOLTERMAN:** Ethanol plants.

**RANDY GARD:** Yes. Our strategy is, on every gallon of fuel that we blend, our commitment is we're using Nebraska-based, Nebraska-produced ethanol which gives us an advantage.

**KOLTERMAN:** So it's all coming from Nebraska facilities.

**RANDY GARD:** Yes, sir. Yes, sir.

**KOLTERMAN:** Do you still buy some from the pipelines?

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**RANDY GARD:** Yeah, on the E-10 we do, but I would tell you that-- that we're-- we're desperately trying to figure out a way to work around that. There's some economic things we have to work through.

**KOLTERMAN:** Biodiesel?

**RANDY GARD:** Biodiesel, we actually are-- we have underground blending systems at our travel center. So we actually buy biodiesel separately, put it in a ground in a separate tank, and blend it through an automated system.

**KOLTERMAN:** OK.

**RANDY GARD:** Yeah. We blended 3 million gallons of soybean oil last year.

**KOLTERMAN:** Thank you. Appreciate your help on that.

**RANDY GARD:** So. Yes.

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

**McCOLLISTER:** Thank you, Madam Chair. Thank you for being here. I used to do some business with Bosselman. I know it's a great company. How many-- how many facilities do you have in the state that sell motor fuel?

**RANDY GARD:** We have 45 c-stores in the state of Nebraska and one travel center.

**McCOLLISTER:** How many have these blender pumps?

**RANDY GARD:** Seventeen.

**McCOLLISTER:** And do you anticipate installing more blender pumps at your facilities?

**RANDY GARD:** If we could do it, because there's a-- there's certainly-- you know, there's a capital investment above and beyond, you know, what we're-- what we're asking for in LB585. But if we could, we would-- we would blend in every location if we could.

**McCOLLISTER:** It's simply a matter of volume? So you choose those locations with the greatest volume to revise the facility to accommodate this kind of pump?

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**RANDY GARD:** It's certainly based on volume, but it's also based on, you know, the competitive-- you know, who your competitors are in certain towns. I mean we've got-- we've got a store that sells-- just-- just sells E-15 in Hastings, and we have seen significant market share grow simply because, and we didn't market any differently, but what we've seen is that our people will drive across town for-- to save a nickel. And so there's-- there's just a good value proposition from a consumer's perspective on E-15.

**McCOLLISTER:** With Senator Kolterman's questions, you indicated there's really not much additional margin in the E-15 than the lower percentage ethanol, correct?

**RANDY GARD:** There-- right now, with the blending economics, the answer to that is the margin is less. Now once again, you get into different economics, the current price of crude versus the price of ethanol, and those numbers move. You know, I get data feeds. It moves every five seconds. But yeah, we're actually selling E-15 at a lower margin than we are E-10. But we're committed, and the-- the advantage we have to that is we're getting more customers.

**McCOLLISTER:** If crude goes up, then your margins increase for ethanol, correct?

**RANDY GARD:** Yes.

**McCOLLISTER:** All right. I guess that's it. Thank you for being here.

**RANDY GARD:** OK. I appreciate your time.

**LINEHAN:** Thank you, Senator McCollister. Thank you. Other questions from the committee? How many bushels of soybeans did you say?

**RANDY GARD:** We blended 3 million gallons of soybean oil last year at one travel center, and we absolutely love it.

**LINEHAN:** Thank you very much.

**RANDY GARD:** OK.

**LINEHAN:** Other proponents?

**DAWN CALDWELL:** Good afternoon, Senators. My name is Dawn Caldwell, D-a-w-n C-a-l-d-w-e-l-l. I'm the head of government affairs at the Aurora Cooperative. So we want to thank, first, Senator Friesen, for

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supporting ethanol and for introducing this bill. The Aurora Cooperative is driven by one fundamental belief: by joining together, farmers can accomplish things they cannot accomplish alone. Our current slogan is "stronger together." Every decision and every investment we make is focused on what's best for the farmers who own our company. Our decision to support LB585 and to work as hard as we can to deploy ethanol across our region, at our A-Stop fueling stations, is based on our focus on doing what is best for the farmer owners. While we supply many different fuels, Aurora Cooperative is proud to carry and support renewable biofuels like ethanol and biodiesel. We're proud to offer fuel powered by our corn, and we know that driving demand for gallons of ethanol and making higher blends of ethanol more readily available makes a difference in the market for corn locally. Aurora Co-op has invested in renewable fuels because it is the right thing to do for Nebraska. We currently offer E-15 blends at this list of A-Stop locations: Aurora West, Aurora Service Center, Grand Island, Minden, York, Grant, and St. Paul. And very soon, we will have our newest station open at Hastings, Nebraska. And to address something that was brought up earlier, we have used the Corn Board grants in installing two of those facilities, those St. Paul and Grant. They were \$50,000 each. So based on the numbers that you just heard and what it takes to put in a new facility, that was a small portion of the entire investment but certainly was helpful. Also as an example regarding St. Paul, we did formerly have an E-85 pump separate from what was the traditional station that had been there for years. We sold very little gas out of that pump when it sat off by itself just as an E-85 pump. When we put in a new island with the blender pump facility and modernized it and made it easier for everyone and they could choose the level of ethanol, our sales have gone through the roof. So it's been a wonderful return on investment and a great thing for the St. Paul community. While momentum is growing for expanding fuel choice in Nebraska, there is still limited availability of higher renewable fuel pump-- fuel blends at the pump. More than 90 percent of the cars on the road are 2001 and newer and can utilize E-15. And one in seven vehicles in Nebraska is a flex-fuel vehicle that can utilize even higher blends up to E-85. It's often difficult, though, for Nebraska drivers to find stations that are offering anything more than E-10. LB585 is incredibly important. It would help fuel retailers to expand offerings, giving drivers the option for less expensive, cleaner, higher octane, homegrown fuel. Retailers in Nebraska, like A-Stop and Bosselmans who you just heard from, are doing what we can to make those blends more available. We believe a state grant program that can incent other retailers to do the same

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would make these products available to more Nebraska consumers as well as those traveling through our state.

**LINEHAN:** Thank you.

**DAWN CALDWELL:** Thank you for your time, and I'd be glad to answer questions.

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

**KOLTERMAN:** Aurora Co-op, you have your own ethanol plant, don't you?

**DAWN CALDWELL:** We-- we-- we are in an LLC in the ethanol plant west of town, yeah, 26 percent.

**KOLTERMAN:** So you have some ownership there.

**DAWN CALDWELL:** We do.

**KOLTERMAN:** Do you utilize that to fuel all these stations?

**DAWN CALDWELL:** We do. Yep. Yes. And so our tanks are, what you heard Randy describe earlier, with a tank of the 98 and a tank of pure gasoline. That's how our stations are set up with ethanol from that plant.

**KOLTERMAN:** So by doing-- by setting up your own distribution system, you've eliminated that middle person that's going to get it from the-- correct?

**DAWN CALDWELL:** Correct. Yes. At the same time, when it's far away, it may make sense to get from a plant that's closer.

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

**McCOLLISTER:** Thank you, Madam Chair. Remind me. How many installations do you have where-- where you have located the blender pumps?

**DAWN CALDWELL:** We have-- we-- hold on, I'm going to count them: one, two-- we have seven in place and one more to open with the blender pumps.

**McCOLLISTER:** And only two have received any kind of grant subsidy?

**DAWN CALDWELL:** Correct.

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**McCOLLISTER:** So you're motivated to do this anyway because of customer demand and perhaps greater margins on the fuel that you have some--

**DAWN CALDWELL:** Correct.

**McCOLLISTER:** --better ability to purchase.

**DAWN CALDWELL:** In addition to creating demand for corn for the farmers.

**McCOLLISTER:** So three good reasons.

**DAWN CALDWELL:** Yes, very much so.

**McCOLLISTER:** And so you would-- you're able to do that without any additional benefit except for those two locations where you've got some help from Corn Board?

**DAWN CALDWELL:** Corn Board, yeah. Yeah. And it is incredibly helpful just because it takes years to return on investment, no different than putting up a livestock facility or anything else. So the quicker we can return that investment, the better it is for the owners of the co-op, even if it's only 50,000 of a \$500,000 investment.

**McCOLLISTER:** Yeah, I understand, and thank you for being here.

**DAWN CALDWELL:** Absolutely.

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

**KOLTERMAN:** I have another question. Thank you, Senator Linehan. Has the-- you know, you're in an area that produces a lot of seed corn. Does that affect your ability to purchase grain? Or is it-- does that drive the price up because you don't have as much commercial grain that way?

**DAWN CALDWELL:** Right. We-- we have not had difficulty in sourcing corn which we seem to have plenty of this year, regardless. So we've been really fortunate in that regard. But I will-- I would let you know that we're bringing corn in from a pretty big radius because we have a terminal at Superior, Nebraska. And we will-- we will move grain from as far north as Sedan definitely up to Aurora versus taking it down to Superior.

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**KOLTERMAN:** OK.

**DAWN CALDWELL:** We're moving it 50 miles pretty easily.

**LINEHAN:** Thank you, Senator Kolterman. Other questions from the committee? Seeing none, thank you very much for being here.

**DAWN CALDWELL:** Thank you.

**TIM KEIGHER:** Good afternoon, Chairwoman Linehan and members of the committee. My name is Tim, T-i-m, last name is K-e-i-g-h-e-r. I appear before you today as the executive director and the registered lobbyist for the Nebraska Petroleum Marketers and Convenience Store Association in support of LB585. You know, we feel this is a great opportunity for our members to-- that want to offer higher blends of ethanol, to get some assistance in putting those dispensers in. I guess it's kind of the chicken and the egg, you know. The retailers that you've heard from before have taken that chance and have seen rewards for it-- from it. And you know, I think there's other retailers out there who would like to, you know, be able to put in higher blends of ethanol and promote that to the customer. While we are supportive of the bill, we had one concern, and I've been working with Senator Friesen and the other supporters of the bill, and that's how the funds are distributed. If it was on a first-come, first-serve basis, someone could put in applications for 25, 30 locations. And if they were just done in the order they were sent in, we don't feel that would be a fair system. So we're working on some language, and I think Senator Friesen's amendment is-- is headed in that direction. And we're going to continue to work with Senator Friesen and the other proponents. I guess, the only other thing is we have no opinion where the money comes from, other than we do not want to see it taken out of the leaking Underground Storage Tank Fund which is what I think you may have been referring to before. There was \$1.5 million a year taken out of leaking Underground Storage Tank Fund for, I believe it was, a seven-year period, roughly \$10 million. So we feel that that fund was created to clean up release from underground storage tanks, and that's what it should be used for. So with that, I will be happy to answer any questions.

**LINEHAN:** Thank you very much for being here. Are there questions from the committee? Senator McCollister.



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**McCOLLISTER:** Thank you, Madam Chair. The fund that you just spoke of, couldn't that be used to upgrade to one of these blender pumps?

**TIM KEIGHER:** No, it is strictly for cleaning up releases into the environment of petroleum.

**McCOLLISTER:** So you can't use it for an existing facility?

**TIM KEIGHER:** Well, you can to-- to-- to clean up spills but not to upgrade equipment, no.

**McCOLLISTER:** OK. Thank you, Tim.

**LINEHAN:** Thank you, Senator McCollister. Other questions from the committee? Seeing none, thank you very much for being here.

**TIM KEIGHER:** Thank you.

**LINEHAN:** Other proponents?

**JOHN HANSEN:** Madam Chairman, members of the committee, good afternoon again. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I'm still president of Nebraska Farmers Union. We have been looking at ethanol and ethanol development for a very long time and involved in its development as an opportunity to participate in value-added activities. And so this committee spent a lot of time talking about how do you grow the Nebraska economy. The investments that you've made in the past in ethanol have had enormous returns. The fact that we are the second-largest ethanol-producing state in the nation is because this committee looked at the opportunity to see a better future. And we in agriculture, anytime that we can take the natural resources or commodities that we have and add value to them, that's a benefit because the economic benefits stay local. And so I want to thank Senator Friesen for bringing this bill forward. I want to be sure and thank our friends at the Renewable Fuels Nebraska for their support and their efforts. And certainly Randy Gard at Bosselman, they have been one of our best promoters and utilizers of ethanol and merchandisers of ethanol products for a very long time. They've been a great partner and certainly our friends at the Aurora Co-op which was organized originally by Farmers Union along with 440-some other cooperatives across the state. It's always good to see the kids off in the world doing good things. South Dakota took advantage of the opportunity with the stimulus money to invest in and use those monies to invest in blender pumps across their state, and it

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has yielded a tremendous return. And they are doing substantially better than we are, as a state, relative to the utilization of ethanol in their state. So of all the things that we're doing right in Nebraska, the one that we have struggled with for some time, and it was mentioned before, that our own utilization of our own product in our own state continues to be relatively flat. And a lot of that comes down to convenience and marketing opportunity. So this is a good idea. It will help encourage the utilization of product. So when you look at the price of corn and you look at the opportunity at the national level to go from E-10 to E-15, that doubles the total amount of corn that we can use for E-15 compared to E-10 when you think about just the additional usage. So the state of Nebraska has also been a leader in doing research with its own fleet relative to using 30 percent ethanol in vehicles that are not flex-fuel vehicles. So these are regular vehicles that are using 30 percent blend. We think those results are going to be really positive. And so we encourage you to support this bill and think about it favorably.

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

**JOHN HANSEN:** Thank you.

**LINEHAN:** Proponents?

**STEVE EBKE:** Good afternoon, Chairman-- woman Linehan and members of the Revenue Committee. My name is Steve Ebke, and that's spelled S-t-e-v-e E-b-k-e. I'm a farmer from Daykin, and I'm here to testify in support of LB585 on behalf of the Nebraska Corn Growers Association. I want to thank Senator Friesen for introducing the bill which would implement a renewable fuel infrastructure program for higher blends of ethanol. Nebraska corn farmers have experienced an increased corn demand from Nebraska's ethanol industry, resulting in a stronger local price basis for Nebraska corn. The ethanol industry also has provided jobs, tax base, and investment in rural Nebraska. Nebraska corn and soybean farmers partnered with the state to provide production incentives to build Nebraska's ethanol industry, a good public-private partnership whereby those benefiting helped fund the business growth incentives. The Nebraska Corn Development, Utilization, and Marketing Board, known commonly as the Nebraska Corn Board, receives and administers a one-half cent per bushel checkoff on every bushel of corn sold in Nebraska. In recent years, the Nebraska Corn Board, as has been discussed, has been able to allocate some of those funds for growth-- for grants to fuel retailers to improve the

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infrastructure for dispensing ethanol-blended fuels. LB585 demonstrates Nebraska's continued support for the Nebraska ethanol industry. Additionally, LB585 benefits Nebraska consumers because the infrastructure upgrades will provide more choices at the pump. Demand is driven by many factors. Economics generally is the main factor. Ethanol blends offer the lowest cost per mile, and Nebraska consumers notice that value when ethanol blends are available. As was stated previously, the EPA has approved the use of ethanol blends. That's label E-15 in vehicles manufactured in 2001 and thereafter. However, E-15 capable infrastructure has not expanded at the pace necessary to give all Nebraska consumers the choice of this fuel. LB585 will accelerate the availability of E-15 and higher ethanol blends at the retail fuel locations. The Nebraska Corn Growers Association urges the committee to advance LB585 out the General File. I thank you for your consideration. I would be pleased to answer your questions.

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

**McCOLLISTER:** Yeah. Thank you, Madam Chair. And thank you for your testimony, Mr. Ebke. Thank you for being here. How much is the current checkoff?

**STEVE EBKE:** One-half cent.

**McCOLLISTER:** One-half cent. And how much money does that generate per year?

**STEVE EBKE:** I'll have to say that I'll have to get back to you. I'm on the grower's side which is a membership organization. I'm not on the governor-appointed checkoff board. I believe though it's in the area of \$8 million.

**McCOLLISTER:** \$8 million? \$8 million, correct? OK. How is that money generally spent?

**STEVE EBKE:** As their mission which is to develop markets, to create demand-- or, let's see, yeah, development of markets, utilization of corn, and then, you know, the marketing side. So they contribute to entities that tend to promote exports such as the U.S. Grains Council. They're members of the-- of the USMEF which is the United States Meat Export Federation. They also partner with the National Corn Growers Association involving work with-- with ethanol. As far as to develop demand to-- right now they're involved with national corn growers and the automobile industry working to test and perfect high-compression

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engines that will use high-octane fuels. Not sure, I think it might have been mentioned, you know, the state of Nebraska right now is running a test with the state fleet using E-30--

**McCOLLISTER:** OK.

**STEVE EBKE:** --to attempt to see how that'll work out.

**McCOLLISTER:** How long have you had the, is it the half-cent per bushel checkoff?

**STEVE EBKE:** I'm not sure on the-- on the time frame. It was increased to that level within the last ten years, let's say approximately five years ago.

**McCOLLISTER:** If-- if the sales tax option isn't preferred by this committee, would increasing the checkoff by a rather modest amount be another viable option to fund this program?

**STEVE EBKE:** I guess I would push back a little bit on that. As I mentioned earlier, Nebraska corn and soybean farmers partnered with the state. We contributed, over the period from 2001 to 2012, Nebraska corn and soybean farmers contributed over \$100 million towards the production incentives to get the industry started. And as I mentioned, the corn checkoff is funding, and has been mentioned by others, is funding grants for infrastructure. That is being absorbed. We're-- we're woefully behind, as everyone has suggested, in getting these pumps out into the public.

**McCOLLISTER:** I understand commodity prices are short, so I understand your-- your position, but thanks, Mr. Ebke, for appearing.

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

**CRAWFORD:** Thank you, Chairwoman Linehan, and thank you for being here, Mr. Ebke. About-- do you know about how many pumps you-- are subsidized a year now with your program?

**STEVE EBKE:** Again, not on that board. My understanding is that this year they've allocated \$750,000 to that program, and I believe their limit is \$50,000 per installation.

**CRAWFORD:** Thank you.

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**LINEHAN:** Thank you, Senator Crawford. Other questions from the committee? Thank you, Mr. Ebke, for being here. Appreciate it.

**STEVE EBKE:** Thank you.

**LINEHAN:** Other proponents?

**ART NIETFELD:** Hi, again.

**LINEHAN:** Hi.

**ART NIETFELD:** My name's Art, A-r-t, Nietfeld, N-i-e-t-f-e-l-d. Now I won't take too much of your time this time. As a Kansas corn farmer, I just want to say that I support LB585. I currently use all E-10 or E-85, but my area, I don't know of anywhere where I can get E-15 or other blends. So anyway I think it helped the-- helped corn farmers also and probably helped the state too. But anyway I support it, and I guess that's about it.

**LINEHAN:** Thank you very much. Questions? Seeing none, thank you very much for being here.

**ART NIETFELD:** Thank, you guys.

**LINEHAN:** Thank you. Other proponents? Opponents? If you're going to be a-- yes, if you're going to testify it helps if you, you know, get up here. I said proponents.

**DEB EVANS-OLSON:** Oh, I am so sorry.

**LINEHAN:** That's OK. Are there other proponents? Are you-- sit down if you're not-- OK. Please sit down. That was my mother voice. I'll have five texts from my kids saying stop it. [LAUGHTER] Just raise your hand if there's any more proponents. OK. So see, you're right about the graphs. Opponents?

**DEB EVANS-OLSON:** OK. Thank you.

**LINEHAN:** You're welcome.

**DEB EVANS-OLSON:** Chairperson Linehan and members of the Revenue Committee, my name is Deb, D-e-b, Evans hyphen Olson, E-v-a-n-s hyphen O-l-s-o-n, here to testify in opposition to LB585. My husband founded Lincoln Coin and Bullion in 2006. Our only concern with LB585 is the elimination of the sales tax exemption on currency and bullion which

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we believe won't even come close to achieving the objective. When I joined my husband in the business in 2010, I knew almost nothing about the business. When he explained that we were required to collect sales tax on legal tender and investments, I was shocked. As a former banker of almost 30 years, sales tax on money and investments didn't make sense to me. I never collected sales tax on CDs or other IRA-eligible investments. But gold and silver prices were rising. People were doing a lot of selling. We were doing well because we were buying it and shipping it to dealers out of state where Nebraskans were buying it. In fact, we added three full-time employees and doubled our office space, but we weren't selling much locally retail because people refused to pay sales tax. I heard a gentleman earlier say that people would drive across town to save five cents on a gallon of gas. But \$95 on an ounce of gold, which I'm just-- and I can't pass around, is a lot of money on just one ounce. Then 2013 came along, and precious metal prices plummeted from their record highs. People weren't selling much, so it was a difficult year for us. People weren't buying either because of sales tax. So we had to go down to one full-time employee. But I was really curious why 30 other states had sales tax exemptions and 5 of them were around Nebraska even though I knew why there wouldn't be-- why the other states wouldn't try to collect it. So I called our industry organization and talked to a woman who explained to me that, even though it's counterintuitive, sales tax exemptions actually increase state revenue. She said that sales tax exemptions allowed dealers to expand their business, hire more people, pay more income tax. She said major shows will not locate events in states with sales tax. So Nebraska had been automatically eliminated over the years. Even our regional show will attract 2,000 people for a period of 3 to 4 days. As I said, a sales tax of \$95 on one ounce of gold encourages people to buy out of state. And we lost a lot of business to Iowa. And Kansas people come to Nebraska and purchase now too. This means smaller investors are really penalized because wealthy people can buy futures contracts and they can buy bullion and have it stored at registered depositories but-- and Nebraska won't collect sales tax in those situations. But the smaller investor can't afford those storage fees or buy futures. So the only way dealers can sell directly out of their business is on a large scale which is no sales tax. So now that I understood what was going on, I am the one who approached Senator Schumacher and asked him about a sales tax exemption. And my husband and I could not believe that a small mom-and-pop could get something like this done.

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**LINEHAN:** OK. I'm--

**DEB EVANS-OLSON:** Oh, OK.

**LINEHAN:** That's OK. No. You're fine. Thank you for being here. Are there any questions from the committee? Senator Briese.

**BRIESE:** Thank you, Chairman Linehan. Thanks for your testimony. Thanks for being here today. I understand that the exemption then was put in place in 2014, correct?

**DEB EVANS-OLSON:** That's correct.

**BRIESE:** As I read your narrative here, I don't see an indication that your-- there was an uptick in your profitability or your business. Am I missing something?

**DEB EVANS-OLSON:** Yeah. What happened was as-- as precious metal prices dropped, we wouldn't even be in business if the sales tax hadn't happened. Kind of hanging on by our fingertips right now. Our one full-time employee is now part-time. So it did allow us to stay in business and remain competitive. But really, what happened was there have been a handful of states that have repealed their sales tax exemptions, but every one of them got them back. And it's because they saw a decrease in their state revenue, and dealers went out of business.

**BRIESE:** OK. Did you see an uptick in your business, though, after this was passed?

**DEB EVANS-OLSON:** Oh, yes. Yes.

**BRIESE:** I guess I didn't see it here.

**DEB EVANS-OLSON:** I'm sorry. I know.

**BRIESE:** OK. But that's fine. Thank-- thank you. Appreciate it. Thanks for your testimony.

**LINEHAN:** Thank you, Senator Briese. Other-- other-- yes. Senator McCollister.

**McCOLLISTER:** Thank you, Madam Chair. Do you end up competing with the on-line sellers then typically?

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**DEB EVANS-OLSON:** That was a huge problem for a long time, and we understand that loophole will finally be closed. But we're still surrounded by 5 states and now there are 36 other states. And West Virginia just passed one last Friday so 38 states.

**McCOLLISTER:** That-- that exempt sales tax?

**DEB EVANS-OLSON:** Exempt, yes. And Kansas has an active exemption this year. I would love to talk about their fiscal note compared to ours, but I don't have time.

**McCOLLISTER:** How about states right around Nebraska, which ones have tax--

**DEB EVANS-OLSON:** Five, other than Kansas-- Kansas is the only state surrounding us that does not have a sales tax exemption. So South Dakota, Iowa, Wyoming, Colorado, and Missouri all have exemptions. So if Kansas gets there's this year, you won't even need a compass to find it.

**McCOLLISTER:** So what you're saying is if we reinstated the tax, you'd be at a competitive disadvantage.

**DEB EVANS-OLSON:** Yeah.

**McCOLLISTER:** OK.

**DEB EVANS-OLSON:** Our age will fade away. The younger people--

**McCOLLISTER:** Yeah. Thank you very much.

**DEB EVANS-OLSON:** Thank you.

**LINEHAN:** Thank you, Senator McCollister. Other questions from the committee? I'd be interested in the difference between the Kansas fiscal note and our fiscal note.

**DEB EVANS-OLSON:** OK. I'd be happy to address that because I was floored when I saw the fiscal note come out yesterday for Nebraska. So the Kansas fiscal note is \$8,000.

**LINEHAN:** \$8,000.

**DEB EVANS-OLSON:** \$8,000. I e-mailed copies, but Jim Otto has copies also for you if you'd like to see it. I listened to the hearing. And when I heard them talk, I just wanted to say, one dealer will pay that



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much in income tax if you let them compete fairly. But our fiscal note of over \$1 million assumes \$21 million in nontax and tax-- and taxable sales. I would be willing to bet we have never had \$21 million total tax. Fifty percent of our sales are still nontaxable because we still sell excess out of state. And we also sell to refineries and so forth but-- so I couldn't understand the methodology. So I got on the phone and called some people late last night, a man in Michigan who worked on their exemption years ago. And he said there's usually only two options and methodologies in trying to figure this out. They either look at what they've collected and just assume they won't get that anymore which might be what Kansas has done, or they use a national survey of how much gold and silver is sold nationwide and then assume a certain percentage of the population of Nebraska is going to buy that. But the problem with that is in an ICTA survey, we know that dealers in states with no sales tax have ten times the sales. So if that's the case, we almost have to assume that we'd have 90 percent less of that proportion in Nebraska if we institute sales tax.

**LINEHAN:** OK. Thank you very much. Good research. Any other questions? Thank you for being here.

**DEB EVANS-OLSON:** Thank you for having us.

**LINEHAN:** Are there opponents?

**ALLEN GLASER:** Senators, my name is Allen Glaser, that's A-l-l-e-n G-l-a-s-e-r, and I founded and ran a successful computer store for 25 years. I cofounded and ran a successful Internet company. I sold it to a cable company and in 2013, I cofounded Nebraska Coins and Collectibles in Kearney. Most recently, in 2018, I opened a small second shop here in Lincoln called Star City Coins. When we started, sales tax was in place, in 2013. And having run previously-- having previously run businesses, I was familiar with collecting it. What I wasn't familiar with was the coin industry, the bullion industry. In the tech world, our markups were 30 to 40 percent and higher. Bitcoin and metals industry has a much tighter margin. We started with common coins, silver bullion, and four one-ounce gold coins. At the time, gold was right at \$1,400 an ounce. Our cost was just over \$1,400 an ounce. I researched and found the going rate allowed was for us to make 2 to 2.5 percent, roughly \$35. That was our market on an ounce of gold. Sales tax added right at \$100 to each ounce of gold. On numerous occasions, we had customers state that if they paid cash for the items at another shop, that shop would not charge them sales tax so we shouldn't either. I'd inform them that no matter how you paid, we had

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to charge sales tax. Every time that sale was lost. None of the customers were willing to invest \$1,535 for an ounce of gold that was worth \$1,390. Over time, I had customers tell me where they invested. They went to mail order, to tax exempt states that surround us, and under-the-table deals with other dealers. Those same customers would not invest in a mutual fund with a broker who had to collect 7 percent or in a CD at a bank that charged 7 percent sales tax either. Instead, they would do business out of state, on-line, or compromise their integrity. We ended up sending our gold to refineries since no one would pay such an inflated price. We continued to do so throughout April of 2014 when Nebraska passed the state sales tax-- tax exemption. With large gross sales, the coin industry appears to be an easy target for sales tax revenue, but it isn't. Large gross sales will disappear if the taxes are placed back in effect. Our customers are frugal, and they will go elsewhere. Our customers are very smart, and our margins are simply too low to add 7 percent to. If this bill places sales tax back on the industry and our gross sales dwindle, tax revenue will not come close to the estimated amounts.

**LINEHAN:** Thank you. Thank you very much for being here. Appreciate it. Are there questions for Mr. Glaser? I'm sorry. Oh, Senator Briese.

**BRIESE:** Thank you, Chairman Linehan. Thank you for your testimony here today. Good to see you. And looking through your testimony, listening to you, I also-- you know, was there an uptick in your business after April of 2014 or after the exemption was put in place?

**ALLEN GLASER:** There was an uptick. There was a lot of excitement because sales tax was off.

**BRIESE:** Sure.

**ALLEN GLASER:** Yeah, there was an uptick. The markets started to-- the markets had gone up in 2011 and 2012, kind of leveled off, and really had taken a nosedive--

**BRIESE:** OK.

**ALLEN GLASER:** --about the same time so they did-- yeah, there was an uptick but it was offset somewhat.

**BRIESE:** OK. Looking through your written testimony and listening, I didn't really see an indication of that but I guess the implication

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was clear. But I wondered a little bit. You're saying there was something of an uptick.

**ALLEN GLASER:** Yeah.

**BRIESE:** OK. Thank you for your testimony.

**ALLEN GLASER:** Definitely.

**LINEHAN:** Thank you, Senator Briese. Are there other questions from the committee? Seeing none, thank you very much for being here, Mr. Glaser. Thank you.

**DAVE PETER:** Good afternoon, Senators. My name is Dave Peter, D-a-v-e P-e-t-e-r, and I have owned Coinhuskers since 2011. You can only truly teach by example. So I would like to just share examples of what I've done with my business, Coinhuskers. So Coinhuskers started in Idaho because Idaho had a sales tax exemption on precious metals. And I've lived in Nebraska all my life up until that point. I returned to the area in 2012 to be close to family but chose to open in Council Bluffs, Iowa, because Iowa had this sales tax exemption on bullion in Iowa. The goal was to market to the people of Nebraska with the advertising message that Coinhuskers was the area's only place to buy tax-free gold and silver which I blasted all over KAB Radio. Most my business came from people from Nebraska while located in Iowa. When Nebraska passed no sales tax in 2014, I moved over-- moved my business over to Omaha in September and located in Rockbrook. And I left seven months' worth of rent which was about \$10,000 left on my lease because of the opportunity in Nebraska. In 2016, because of growth in my business, I was able to hire somebody and pay someone \$15 an hour. At the time LB585 was introduced, I was looking at a different location in Omaha, but because of the uncertainty of the sales tax exemption, I have chosen to only sign a lease for six months where they just signed this week. If Nebraska repeals the sales tax exemption on bullion, I will move my business back to Iowa or another state. Thank you for listening. I'll answer any question you may have.

**LINEHAN:** Thank you very much for being here, Mr. Peter. Are there questions from the committee? Thank you.

**DAVE PETER:** Thank you.

**SCOTT OLSON:** Chairperson Linehan and committee members, thank you for this opportunity. My name is Scott Olson, S-c-o-t-t- O-l-s-o-n. I'm

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from Lincoln. I'm here today to testify in opposition to LB585, and I'm reading a letter on behalf of Clark Wilke today who is home fighting floodwaters. Clark begins-- I'm not going to read the whole letter, by the way. You have a copy, but it would be a little too exhaustive for my time. But the long and short of it, Clark has been in the auctioneer business for 26 years, done hundreds of coin auctions, and does at least ten of them a year still. And since removal of sales tax on coins and bullion, he's attracted many South Dakota sellers and buyers. When Nebraska had sales tax on coins, these sellers did not want their product sold in Nebraska. The combination of state and city taxes made 6.5 to 7 percent difference versus South Dakota. Many of our Nebraska askers-- sellers asked to have their events moved to South Dakota. When we conducted an auction in Osmond, Nebraska, we frequently have bidders from South Dakota, Iowa, Nebraska stay at our local-owned motel. We are fortunate as a community to still have a great locally owned restaurant. That restaurant provides food during our events. Normally he will add about 40 meals to his daily gross plus coffee, soft drinks. The convenience store does better. It's a town of 700 people. It's a huge economic impact. They generate payroll for seven area residents. They rent bank safe deposit boxes or vaults. He said coin auctions are very different. If Nebraska imposes sales tax on coins, we don't need trucks and trailers to move product. Two briefcases of coins can be moved 40 minutes north to Yankton, South Dakota. There would be no sales tax. There would be no extra meals for-- and rooms to rent and convenience store business. Jo Anns [SIC] Steakhouse in Yankton, South Dakota, would welcome us. So this letter goes on. But I think you can understand what he's trying to say. One-- one of the things, excuse me-- one of the things that I thought about, the-- and first of all, I have nothing against the corn and soybean growers in this state. I'm very proud to be from Nebraska, and I now love corn and soybeans. I have great friends who are farmers and-- and customers. But this is a huge industry. I feel it should be self-supportive or at least looking in a different place for this money because I've been in this for 14 years, and it's not there. It's not where you're looking. You've got to look under a different rock because there's a bunch of little family businesses that we are trying to get this money from. So thank you for your time.

**LINEHAN:** Thank you very much for being here, sir. Are there questions from the committee? Seeing none, thank you very much.

**SCOTT OLSON:** Thank you.

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**JIM OTTO:** Chairman Linehan, members of the committee, my name is Jim Otto, that's J-i-m O-t-t-o. I'm president of the Nebraska Retail Federation and a registered lobbyist for the Nebraska Retail Federation, and I'm here to testify in opposition to LB585 following up several of our members that are gold and silver bullion dealers that you've heard from. They pretty much told the story. I just want to emphasize the-- Senator Linehan, you brought up the Kansas fiscal note, and I was absolutely floored, as a previous testifier said, that-- over the Nebraska fiscal note because the Nebraska fiscal note is 125 times greater than the Kansas fiscal note. Kansas has-- I think we have like 60 percent of the population of Kansas, Nebraska. So I don't know the methodology. Deb Olson kind of said she might have shared maybe what could have possibly been the method-- methodology, but as was just said the-- there just isn't that much money there. And Senator Crawford, you mentioned earlier how would they maybe be willing to wait until the fund built up. If the Kansas-- if the Kansas fiscal note is 100 percent wrong, in other words, it's twice as much as they say, it'll still take 50 years to generate \$1 million if that's [INAUDIBLE]. I guess what I'm-- once again, nothing against the ethanol industry, but at best, this fiscal note is highly questionable. At worst, it's ludicrous. So I will end my testimony with that.

**LINEHAN:** Thank you, Mr. Otto. Are there questions from the committee? Senator Briese.

**BRIESE:** Thank you, Chairman Linehan. Thanks for your testimony, Mr. Otto. But just so I'm clear here, from a couple of the letters I see in front of me, over 50 percent of the typical client base is not going to be impacted by this, correct?

**JIM OTTO:** Well, one of the letters said that-- I don't know. You say, typical client base. A lot of gold and silver is bought and sold wholesale. In other words, when it--

**BRIESE:** Yeah.

**JIM OTTO:** --if they were to buy it and then sell it wholesale, there would not be sales tax.

**BRIESE:** OK.

**JIM OTTO:** And over 50 percent is done that way. Is that what you mean?

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**BRIESE:** Yes.

**JIM OTTO:** Yeah.

**BRIESE:** Folks from Osmond said 50 percent. Lincoln Coin and Bullion says 52 percent. So there'll still be an established client base for these folks that really aren't going to be impacted by this just to be clear.

**JIM OTTO:** Yes.

**BRIESE:** OK.

**JIM OTTO:** But-- they wouldn't be able to-- their retail business-- their wholesale business, if they could make money that way only, it would destroy their retail business.

**BRIESE:** OK. Thank you.

**LINEHAN:** Thank you, Senator Briese. Other questions from the committee? Thank you very much, Mr. Otto, for being here. Good afternoon.

**JOE KOHOUT:** Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Joe Kohout, K-o-h-o-u-t, registered lobbyist appearing today on behalf of our client, the American Petroleum Institute. The American Petroleum Institute is the only national trade association representing all facets of the oil and natural gas industry. And we have over 600 members, including large, integrated members as well as pipeline, marketing, and supply firms. We appear today in opposition to LB585 for two primary reasons. First, API takes the position that the marketplace is not ready for E-15, and that this will have-- this will have consequential effects on multiple levels. The Corning Research Council and the American Automobile Association have previously stated that the use of E-15 can harm-- can provide harm to some vehicles. The marketplace could be negatively impacted. The nearly three-fourths of automobiles in the United States fleet that are not built to consume such fuel have the potential to be harmed and the consumer left with the tab. It is important to note that as a way to avoid unnecessary damage to automobiles, Subaru, Mazda, Mercedes, and Volvo have made a point specifically to state in their two respective 2019 owner-- owner's manuals, that fuel with more than 10 percent ethanol should not be used. Additionally E-15 is classified as incompatible with motorcycles, ATVs, and boat engines. A

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recent Outdoor Power Equipment Institute poll found that nearly nine in ten Americans are not aware that octane 88 fuel contains more ethanol than octane 87 fuel. More than three in five Americans say that they would purchase octane 88 to fuel outdoor power equipment if it was cheaper than other unleaded regular fuels. That number drops to 20 percent after they learn that 88 octane contains 15 percent ethanol which is neither legal nor recommended for use in most motor vehicles-- motor power equipment. The bill has the potential to create undue costs and both the owners-- on the owners of both vehicles and outdoor equipment, boats, snowmobiles, power transport vehicles, golf carts, and other small engine products, each of which can be easily avoided if the bill remains held in committee. Incompatibility, compounded with the lack of consumer knowledge, is one reason why API opposes the bill. The second reason is because API believes that previous utilizations of AV-- of E-85 have been a failure after decade-- decade's worth of money and resources have been spent with no success. E-85 efficacy has proven to be limited as E-85 has 70 percent-- 75 percent energy of regular gasoline, and it reduces the range of travel while increasing the cost per mile by 9 to 14 percent. All of these downfalls are linked with consumer demand for E-85 being roughly .1 percent of gasoline demand. The market of E-85 has proven to be exceedingly small in comparable states. For example, the Iowa Department of Revenue released statistics showing that E-15 and E-85 represented a combined 3.1 percent of the number of sold-- sold retail gas gallons. For these reasons, the government should not be subsidizing the building of related infrastructure. API opposes the bill because it sets a precedent for future-- for the future where other types of transportation energy may seek a subsidy intending to build out only their infrastructure. We ask that you indefinitely postpone LB585.

**LINEHAN:** Thank you, Mr. Kohout. Is there-- are there questions from the committee? Senator Briese.

**BRIESE:** Thank you, Chairman Linehan. And you've given us some reasons why you think that-- that these plans, you know, should not be considered, not good for consumers, not good for citizens who decide to use them. But if it's true, though, that these blends compete directly with the folks you represent?

**JOE KOHOUT:** Well, I mean, at the end of the day, we're refining the product and sending it to market. So these-- as these-- as ethanol is added, yeah, I mean we do. I mean we-- API from a standing position

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opposes subsidies for-- for any component-- for any fuel on the market.

**BRIESE:** It takes away from the market share of traditional fuel providers.

**JOE KOHOUT:** Correct.

**BRIESE:** OK. Thank you.

**LINEHAN:** Thank you, Senator Briese. Other questions from the committee? Seeing none, thank you very much for being here.

**JOE KOHOUT:** Thank you.

**LINEHAN:** Other opponents? Anyone wanting to testify in the neutral position? Looks like you can close, Senator Friesen. I do have several letters: proponent, Rocky Weber, Central-- excuse me, Rocky Weber, Nebraska Cooperative Council; opponent, Scott Olson and Deb Evans-Olson, Lincoln Coin and Bullion; Dana Webb, Fortress Wealth Advisors; J.J. McDonald, J. and J. Combs-- Coins; Mark Chaplin, Virg Marshall III Inc.; Robert Kinsey, Kinsey Rowe Becker and Kistler; Andrea Hayes, Kearney Coin Center; Alan was here; Paul Stevenson, Nebraska City; Christopher Felts, La Vista, Richard Giannoble, Lincoln; Bill Kingery, Lincoln, Byran Block, Lincoln; Richard Messina, Omaha; Dr. Eugene, I'm not sure how to say it, Bruder, Lincoln; Patrick Milliken, Papillion; Gary Westphal, Papillion; Evan Trofholz, Columbus; Greg Andrews, Lincoln; and, Kim, I do not know how to say this, Hoogeveen; neutral, none. Thank you.

**FRIESEN:** Thank you, Chairman Linehan. So in respect to the-- the bullion dealers who testified against my bill, there's no hard feelings on my part either. I understand why they did that. I just want you to know as a small businessman, my taxes went up 18 percent a year for 10 years, and I'm still here. The checkoff, and I'm open to looking for revenue anywheres. I am not tied to any one thing. But you've heard testimony in the past about removing sales tax exemptions. We've destroyed a lot of businesses. The checkoff, so right now, the corn checkoff, I mean there was some question about where that money gets spent. And so we spent a lot of money with the University of Nebraska doing research on animal feeding, different animal feeds. We fund an endowed chair at the University. We do a lot of that type of thing, education. And then going back to how much our industry subsidized the ethanol industry to get it built, the epic



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fund checkoff, funded a lot of money that helped subsidize those ethanol plants. So the industry, our industry itself, invested a lot of money into that development. And it has been the best thing that's ever happened to rural Nebraska. So when you talk about if we should do a checkoff to do this some, that would be like saying maybe we should have a checkoff on businesses to fund their economic development program. That's what we did. We taxed ourselves to do an economic development program for rural Nebraska. So if you want to have businesses, let's put a checkoff on businesses, and they can fund their economic development program. We can self-fund. I'm all in for that. So we did that. We invested millions of dollars in developing this ethanol industry. And so I guess we had a part in growing what it's doing today. The fiscal note? We've all-- we live and die by the fiscal note. And I can't argue whether it's right or wrong, and I'm not even going to try. It is what it is. We'll live with it. From the American Petroleum Institute, an industry that doesn't like subsidies? I'm going to laugh. E-15 also is the most tested fuel ever, ever supplied in the U.S. They have run millions of miles on it and testing it. There have been absolutely no failures attributed to ethanol, and they continue to spread that myth. And that's what really starts to tick me off. There's never been any damage from ethanol. I've used it since the '70s. I have never sustained damage because of ethanol in my fuel. So anyhow ethanol, again, is the most tested fuel there ever was, that ever has been. It is safe. There has been no recorded damage from it. I think this is just a way of getting-- you know, if you look at the-- instead of buying petroleum, whether it's from North Dakota or overseas, if we can use our own fuel that's produced here with our own workers, generating our own revenue, it's obviously better than buying oil from anywheres else, whether it's just out of state or out of country. So to me, if we can ramp up the use of this and right now, help out our ethanol industry. I mean we have exported a lot of ethanol overseas. We've exported to Brazil, Argentina. A lot went to China. And with the tariffs that were put in place, I think if you want to name one industry that was probably hurt the worst in the tariffs, it's probably been the ethanol industry because a lot of our surplus supply got shipped there, and that supply now's ended up here. And so the ethanol industry is struggling right now. And I'd sure hate to see the damage done by having, you know, that-- that industry hurt now because longer term, it's really going to damage the agricultural industry and in return, the animal feeding industry, the distillers grains. There's a lot have been built. There's a reason that we're number one in cattle and feed in the country. It's because of our distillers grains. So there's a lot of ramifications to this. But this

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is one small way, I think, that we can improve our marketing of a product that is proven safe. I think it's a small price to put into it. And again the Corn Board itself is still putting another \$750,000 into it. We are invested in our industry. Thank you, Chairman Linehan.

**LINEHAN:** Thank you, Senator Friesen. Are there questions from the committee? Would you be-- I think it was Senator McCollister may have asked this question. It may have been another senator on the committee. Would you be willing to look at any limits so it's just a percentage of what they have to do? Because we heard that it costs like \$100,000 and you've only get \$1 million here and then that one young testifier from Aurora said that \$50,000 was hugely helpful. So is your bill written in such a way that it's limited to so much of the overall?

**FRIESEN:** If I remember correctly, it's limited. There's one of them has a \$30,000 limit and one has a \$50,000.

**LINEHAN:** OK.

**FRIESEN:** One is a three-year plan. One is a five-year plan if they. So it does have some caps and we can-- we can look at that. I'm-- I'm open to any changes that might spread that money around more because I know, you know, the retail outlets, there's not a lot of profit margins in the gas. They're making it in their other products. But in this way, we can-- if we can get the infrastructure put in, like-- like they were saying, the-- the overall cost is fairly large. This is not a huge--

**LINEHAN:** It's more of a pump primer than a whole development.

**FRIESEN:** Yeah.

**LINEHAN:** OK. All right. Other questions? Thank you very much, sir.

**FRIESEN:** Thank you.

**LINEHAN:** So that will close the hearing on LB585, and do we need a break? Does anybody need a break? OK. We will open the hearing on LB-- I just said that, didn't I-- oh, open the hearing on LB707. Welcome, Senator Erdman.

**ERDMAN:** Thank you, Senator Linehan. Good afternoon, committee. My name is Steve Erdman. I represent District 47 which is ten counties in the Panhandle. The name is spelled S-t-e-v-e E-r-d-m-a-n. The last time I

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was in front of this committee, it was 0 here and 42 back home. Today, it may be 42 here and 0 back there. The Governor has declared an emergency for our area. There is not a road in the Panhandle of Nebraska that is open for travel, not a school, not a courthouse, nothing is open. So I'm kind of glad I'm here. So it's always nice to come back and visit with you. Today, I'm introducing LB707. LB707 is a bill that would allow the TERC Commission to do videoconference on single commissioner hearings by videoconference or teleconference. The TERC board-- and I'm not sure if you've been to the TERC board, but I've been there three or four times. They're very, very considerate of people's time and also to listen to what they have to say and share their opinions about their properties. The TERC is a-- the first hearing that you have with a single commissioner is more of a sit down and visit and share your results and share what you want them to know. And I appreciate what they do. But the single commissioner TERC hearings are designed to handle properties of \$1 million or less in value, and the parties can appeal that decision if the decision of that single TERC board decision is not received well by the person appealing. I'll give you an example. In July of last year, there was an elderly gentleman-- gentleman in Chappell that had a TERC hearing. His-- his hearing was in Lincoln. I drove to Lincoln and met with him and went to the TERC board. The TERC board-- there was a single commissioner. They agreed with the taxpayer. They gave him \$100,000 value on his property. And when they got the results back to the county, the county appealed it. And so either one of those on either side of that issue can appeal the decision. And so now, it'll go in front of a majority of the TERC Commission, which there are three members. But TERC can hold statewide election hearings now by videoconference, and they can do that for the equalization of counties. And there is a provision in the statute for that, but there is no provision for the TERC board to hold videoconferencing for taxpayers to have their issues heard. So what happens is if you travel to Lincoln for a TERC hearing and you win, you may still lose. And I'll explain that this way. If you live where I live and you drive 400 miles to Lincoln for a TERC hearing and depending on the value of your property that you're trying to adjust, the reduction in your property tax may be less than what it costs you to drive down here and spend the night and spend two days driving down and back. And so what this would do, it allows those people that are going to have a single commissioner hearing to do it by teleconference or videoconference. And Commissioner Hotz is going to testify after I do. He has a vast knowledge of how the TERC works. He's been there a long time. He does a fine job of representing the state's issue and making a decision

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that's fair and equal. And I-- and I appreciate what they do. You'll see the fiscal note. The fiscal note is \$4,360. If you go in the back page of that fiscal note, in the-- in the written statement, in the middle, it said the initial costs would range from \$2,660 to \$50,000. Now I don't know why I always get fiscal notes on my bills that shouldn't have any, but I do. So one of the things that I have done in my office to help bring people together, we have done a procedure called-- or a product called Zoom. Now in Zoom, we can present information on the screen on my computer from their computer, and they can adjust that and send me information back and forth. And we can do multiple people on a call. The bill, this bill, would allow them to do a teleconference where they can have one or two more people, whatever the need is, on the phone. So I think this makes some common sense. And when TERC travels to western Nebraska as they used to, it was more conducive for our counties to arrive there and do our-- our interview with them. But now, because of the budget restrictions, they don't come to western Nebraska anymore. They used to come to North Platte. They don't do that anymore. And so all of our people are forced to come to Lincoln. So I spoke with you about if you're a taxpayer and you could win and still lose. When those hearings were held in Lincoln, generally what happens is the county will send the county attorney and they will also send the county assessor. And so that's a 400-mile trip. And so then you have two hotel rooms, two days missed work, and you have all those expenses to have a 15-minute conference with a TERC board. So this just makes sense for everyone in rural Nebraska, anyone that doesn't live near Lincoln, to be able to access the opportunity to share what they think their value should be on their property without spending more money than it would cost-- then they would save by doing that. So it's a commonsense approach. I hope this bill doesn't have 50 testifiers like the last one I had when I was here. I don't believe it will. But I think this is the way we should go, and NACO will be-- be in to talk about that on the county side. But I've been to TERC hearings at least four times, and I do appreciate the concern and the compassion and the care in which TERC handles those taxpayers and the county. They do a thorough job of gathering the information to try to make the decision that's right. And I appreciate that. So those are my comments and I would stand for any questions you may have so.

**LINEHAN:** Thank you, Senator Erdman. Are there questions from the committee? Seeing none, you'll stay to close? Thank you.

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**ERDMAN:** Um-hum. Thank you.

**LINEHAN:** Proponents. Good afternoon.

**JON CANNON:** Good afternoon, Madam Chair, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. It's my pleasure to be here in support of LB707. I'd first like to thank Senator Erdman for bringing this bill. This is, as he said, a commonsense measure for the Revenue Committee to advance that would save the taxpayers of Nebraska, as well as the counties, some significant funds. I am handing out a letter from Tom Placzek. I'll beg the committee's leave to submit this as a letter. He got here at about 12:00 noon, and he had already had three texts from his wife saying you need to turn around and go back to Columbus. But he also wants to lend his support to this as well. I will note that the TERC's mission is to have a simpler, less expensive avenue of appeal for taxpayers that are protesting their valuations. And this accomplishes that. Like Senator Erdman ably demonstrated, if you come down to Lincoln for a single commissioner hearing which necessarily involves property with a value of less than \$1 million, you may get a reduction on your value and you may end up spending far more in travel costs than you had saved in property tax. This is a way for the commission to leverage its technology to provide that simpler and less expensive avenue of appeal for our taxpayers. You'll all note that, as Senator Erdman did, this is using statewide equalization, the annual equalization meeting that TERC undertakes every year. Those are records that will go-- if-- if a hearing is held via videoconference or teleconference, that record can go up to the Court of Appeals or the Supreme Court if that matter is appealed. I believe a couple of years ago, that Franklin County had a-- and I'm sure Commissioner Hotz will correct me if I'm wrong, that Franklin County had an equalization, show-cause hearing that was conducted by telephone conference, and that record was presented to the Supreme Court on appeal. There is a-- I received information from Mr. Placzek that I'd like to share. There was a cost analysis by Amy Ramos, the Scotts Bluff County Assessor. She broke down the cost: 394 miles one way at the standard reimbursement rate of 54.5 cents per mile is \$214.73; roundtrip from Scottsbluff is \$429.46 for her mileage; the government rate at the Cornhusker Hotel is \$110 per one night; meal is estimated at \$40; two days of work missed, 15 hours at \$27 of compensation is \$405. The total cost to the county for one employee is \$984.46. As Senator Erdman indicated, the assessor will come down, the county attorney will come down, and very frequently, a county board member

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will come down. This does not include time and paper that are used in preparation for a TERC hearing. And very frequently, because of all the reasons that we discussed so far with that cost being borne by the taxpayer as well, very frequently, they will not show up. And so you'll have three county officials-- two or three county officials that have been out of the office for two days incurring these expenses that are passed on to the property taxpayers. That's, I believe, all I have. With that, I'd be happy to take any questions.

**LINEHAN:** Thank you very much, Mr. Cannon. Senator McCollister.

**McCOLLISTER:** Yeah, thank you, Madam Chair. You indicated that Franklin County's case ended up in the Supreme Court.

**JON CANNON:** Yes, sir.

**McCOLLISTER:** Was that because of the way that the process worked or is there some other factor that took it to the Supreme Court?

**JON CANNON:** That involved an issue with the Department of Revenue and their measurement of how agricultural land in Franklin County was being valued. They had recommended an adjustment, and with that, the commission ordered a show-cause hearing to show cause whether or not that adjustment should be made. And that's what that involved.

**McCOLLISTER:** So the videoconferencing aspect wasn't a factor at all.

**JON CANNON:** No sir, it would not have been.

**McCOLLISTER:** OK. Thank you.

**JON CANNON:** Yes, sir.

**LINEHAN:** Thank you, Senator McCollister. Other members with questions? Seeing none, thank you, Mr. Cannon.

**JON CANNON:** Thank you.

**LINEHAN:** Other proponents?

**JOHN HANSEN:** Madam Chairman, members of the committee, for the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I'm president of Nebraska Farmers Union. We have a policy in Farmers Union to encourage whenever possible the utilization of technology to be able to increase participation by citizens in their government. And as we all know,

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Lincoln is not geographically located in our state. And so we have encouraged and supported efforts in the past for a certain amount of use of videoconferencing for legislative hearings, certain kinds of appeal processes which this fits, and other kinds of things where folks, in the west end of our state in particular, are at a distinct disadvantage for being able to participate in the affairs of their government. And so we thank Senator Erdman for bringing this bill forward and encourage you to give you favorable con--consideration. And normally, when we have bills that are in this genre, they're in Government Committee. But this one's in Revenue, so it's OK with me. Thank you very much.

**LINEHAN:** Thank you, Mr. Hansen. Are there questions from the committee? Seeing none, thank you very much. Are there proponents? Seeing none, are there any opponents? Anyone wanting to testify in the neutral position? Here we go.

**ROB HOTZ:** Good afternoon, Senator Linehan and members of the Revenue Committee. My name is Rob Hotz, R-o-b H-o-t-z. I am one of three commissioners with the Tax Equalization Review Commission, the TERC Commission. The-- it might be helpful to have just a little bit of background. In 2-- up until 2011, the commission did not have a thing called single commissioner proceedings. This bill, or the section that Senator Erdman's bill, LB707, affects is the section that was created, new legislation in 2011 through LB384, and that section authorized the commission to do something called single commissioner hearings. It said that if the value of the property as determined by the board of equalization is less than \$1 million, the commission may assign that as a single. But there are some devils in the detail. If either party wants to have a panel committee-- hearing, they may elect to do that under the statute. And then as was-- what was mentioned earlier, if after the single commissioner makes a decision, either party dispute-- doesn't like that decision, that can be a rehearing request to the full panel of the commission. And so there are those avenues that are available to the taxpayer. So up until 2011, the commission often sat-- when I started with the commission back in 2007-or-something, sometimes we sat for commissioners. There were four. And then we started sitting three and then two and two and then we got single commissioner authority in 2011. From 2011 until 2017, we did single commissioner proceedings wherever we could. We did some in Lincoln. We did some in Omaha. We did some outstate, wherever, as far as Scottsbluff, North Platte, Grand Island, wherever we could. We had a commissioner that was from the Aurora area, so she would stay out

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there and take care of hearings. And we had a commissioner in Omaha who would stay in Omaha often, and that kept costs down for everybody. We still do that in Grand Island and Omaha and incur no additional cost to the commission. And it's fewer costs or lower costs for the counties and for the taxpayers involved. In 2018, the Appropriations Committee tightened our budget and said we want to restrict your outstate travel. We want you to stay in Lincoln to do your hearings. And we read that, and we-- I think it was agreeable that we would still have hearings, single commissioner, in Grand Island and in Omaha with the commissioner just staying in town, if you would, the commissioner who currently is from Grand Island and the commission who's currently from Omaha. And so we've not incurred any additional costs. I'll be testifying before the Appropriations Committee this Friday that we have found cost savings. We've tightened our budget even more, and I think, than was anticipated. And we think that we could handle within our budget being able to travel outstate without sacrificing any of the essentials here in Lincoln and so on. And in part, I think Senator Erdman's concern gets satisfied if-- if we travel out there and we meet the taxpayer halfway or-- or out in Scottsbluff as we sometimes have done. The single commissioner process-- there does have to be some--

**LINEHAN:** I'm going to interrupt you because--

**ROB HOTZ:** Yes.

**LINEHAN:** --because of who you are and because you've got the knowledge here. I'm going to let you go, but you are at your red light.

**ROB HOTZ:** OK. Thank you. I appreciate it.

**LINEHAN:** No-- keep-- I'll ask you the first question. But wrap up and then I have some questions and I think Senator Kolterman. But you can-- you can wrap up.

**ROB HOTZ:** All right. I'll talk as fast as I can. The single commissioner proceeding is different from what we're doing today, for example. Statewide equalization is more similar to what we're doing today. People sit down and testify. We did a telephone conference with Cherry County a couple of years ago. I think the same year we did that Franklin County. They told us there were 80 people in the room, and a dozen or more testified by telephone. We can do that, and that's statutorily authorized under 77-5022. We don't have the authority as of yet to do that with single commission proceedings. Now there are



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tradeoffs. There are advantages and disadvantages. And I mentioned when I testified on LB-- LB4, Senator Stinner's bill, a month or so ago that adjudicators want to be able to see the people who are testifying-- testifying when matters are in dispute. You want to be able to see and weigh that evidence and be able to make some judgments about what is reliable, how much weight to give that evidence. It's far easier and probably more efficient when courts and the commission functioning as a-- as an adjudicative body to do that and have people in the same room. The solution to that, in part I think, is us traveling again back out to the taxpayer and the county. And in part, we'll look for-- if this language in this green copy of LB707 were to be passed, I would view it as a discretionary matter that the commission is authorized and it would add to the 77-1505.02[SIC] authority that was first given to us in 2011. It will give us another tool in the toolbox. If we can make it work to do something like Skype or Zoom or whatever at low cost, we'll make that happen. We will-- we will be looking at that and analyzing that. Whether LB707 passes or not, frankly, we would look at those kinds of efficiencies if they're available to us. We have tried some technology. There are problems as sometimes we all ran into problems with technology. You get in the middle of a hearing and a connection goes out, and what are you going to do now? People traveled, people relied upon things, there was notice, people left work, etcetera. You try to work out those issues.

**LINEHAN:** OK.

**ROB HOTZ:** I'd be happy to answer questions. I may-- you may want me to mention the fiscal note because Senator Erdman mentioned that. Those came from OCIO estimates. And that's where we would have to go to do our technology whether it's phone or videoconference if there were costs.

**LINEHAN:** What-- why do you have-- excuse me, why do you have to go there?

**ROB HOTZ:** As a state agency, we have certain requirements that we first go-- they're our sole source ex-- ex--

**LINEHAN:** That might be why they're so much if they're sole source.

**ROB HOTZ:** If-- there are times when you can do a sole source agreement when-- when you can show that something's not available or there's

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certain criteria. We certainly would look for the cheapest way we could get the job done.

**LINEHAN:** But you said two different things there. You would look for the cheapest way that you could get it done, and you have to go there. Those aren't-- those aren't-- you can't do both.

**ROB HOTZ:** I agree, Senator. What I meant to say is we first went to OCIO because as a state agency, we're required to ask. They're the ones who do this, and we're required to ask them. When Fiscal Office sent us a request for a fiscal impact, we went to OCIO and said, what do you think the fiscal impact is? We submitted, then, what was a mid-range of what OCIO submitted to us.

**LINEHAN:** Correct. That's not on you. I get that. But that is something we need to look at because anytime you've got a sole source and there doesn't be checks and balances, they're going to be more expensive. That's just common sense. Anyway, you had a question, Senator Kolterman.

**KOLTERMAN:** Well, I guess it's-- it's a question of concern. So there's three of you right now working for the TERC, is that correct?

**ROB HOTZ:** Three commissioners. Yes.

**KOLTERMAN:** Three commissioners. And you don't go to Scottsbluff or Sidney or Gering or any place like that.

**ROB HOTZ:** We don't because the Appropriations Committee has told us we don't have the budget to travel out there. Yes.

**KOLTERMAN:** When-- when you did have the budget authority, how often were you out there?

**ROB HOTZ:** We went out there to do-- once the appeals were filed with us, we would take a Nebraska map frankly, and we would map out where all the appeals were. And we would start scheduling trips: Norfolk, Columbus, Grand Island, Kearney, Grant-- North Platte, Scottsbluff. And if it took a week to do something or two weeks to do something, we would schedule those trips and we'd do them. And typically, that would be two commissioners and one staff member because you're making a record. And some singles out there, then, could be done as well by one commissioner while you're there.

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**KOLTERMAN:** So right now, you have an employee that lives-- or one of the TERC board members lives in Grand Island--

**ROB HOTZ:** Yes, sir.

**KOLTERMAN:** --one in Omaha and one in Lincoln. I assume you're in Lincoln.

**ROB HOTZ:** Yes, sir.

**KOLTERMAN:** I just find it-- it's appalling that we're not taking care of the entire state. I don't-- I don't get that. Those people that live in western Nebraska, and I don't think Grand Island is western Nebraska, they should have the same kind of representation and the same type of services that the people in Lincoln and Omaha have. And you're telling me you don't do that anymore.

**ROB HOTZ:** I'm telling you that the commission is doing what the Appropriations Committee told us our budget would allow and that I will be advising the Appropriations Committee, after a two-year moratorium on travel, that we think that we've found ways to make the budget work so that we can do that again.

**KOLTERMAN:** Have you ever had more than three?

**ROB HOTZ:** We've had four commissioners up until July of 2011.

**KOLTERMAN:** And where was the fourth one located?

**ROB HOTZ:** It was an at-large and that commissioner lived in Lincoln.

**KOLTERMAN:** How many-- how many of these appeals do we have-- do you have with all three-- with three members involved?

**ROB HOTZ:** Currently we rarely do a hearing with all three members. We do two, and we're authorized to do that by statute. And that's just happens to be the more efficient way to do it. Two of the members are attorneys. One is a licensed appraiser, so we paired up that one-- the lawyer presides over the proceeding, takes care of all the evidentiary matters, objections, etcetera, presides over the hearing. And there is always the second-- the second commissioner is always-- almost always the appraiser.

**KOLTERMAN:** How many do you-- how many do you do a year?

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**ROB HOTZ:** Since I've been on the commission, the low per year is over 1,200, and the high per year is over 2,300.

**KOLTERMAN:** But they're all done in the-- in the eastern part of the state.

**ROB HOTZ:** No. Up until 2017, we did dozens and dozens of hearings out in western Nebraska. We brought very few hearings to Lincoln from western Nebraska.

**KOLTERMAN:** But after 2017, they're all done here?

**ROB HOTZ:** Yes, sir.

**KOLTERMAN:** I don't have any more questions.

**LINEHAN:** Thank you, Senator Kolterman. Anyone else? Senator McCollister.

**McCOLLISTER:** Thank you, Madam Chair. You indicated in your testimony, and thank you for your attendance here, that body language is important in-- in the process that you use. Is that correct?

**ROB HOTZ:** When-- when there is-- yes, sir. When there is a dispute about evidence and you're trying to determine-- witnesses are under oath. You're trying to make a determination of what weight to give testimony and evidence.

**McCOLLISTER:** Sure. Their veracity is at issue, right?

**ROB HOTZ:** It sometimes becomes an issue. Yes.

**McCOLLISTER:** How do you-- let's assume this bill passes and I believe it will. How will you transfer exhibits back-- back and forth?

**ROB HOTZ:** Transfer what, sir?

**McCOLLISTER:** Exhibits.

**ROB HOTZ:** That-- that becomes-- that becomes very difficult. Right now, with single commissioner proceedings, everybody brings documents in. They're not marked as exhibits, but everything is handed to the commissioner. And the commissioner can consider whatever is given to the commissioner. If we were to have single commissioner proceedings somewhere other than where the commissioner is, we would have to figure out a process for how to get the documents and who's talking

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about what when you're doing it. You would create some complexity. We think that with some hearings which-- currently we do what our called show-cause proceedings that are not hearings on the merit, but they're jurisdictional proceedings. We do those by phone. They typically involve one to three exhibits, and we can handle that most of the time faxing a document the morning of, etcetera, usually one- and two-page exhibits. But we get hearings where we have dozens or even hundreds of exhibits that are multipage that could not be done as a single from someone who's remote.

**McCOLLISTER:** So at the time of the hearing, do you agree to accept the documents or not based on what you see?

**ROB HOTZ:** At the time of the hearing, we-- we-- as it really comes down to it, we're saying there's no objection to relevance. We're going to consider everything that was given to us. We'll consider it. And if it's relevant, we're going to take that information, and we're going to apply it to the facts as best we can.

**McCOLLISTER:** But there's degrees of relevance, correct?

**ROB HOTZ:** For example, an effective date is January 1 of any tax year. The farther you get away from the effective date, sometimes things become less relevant.

**McCOLLISTER:** Yeah. Thank you very much.

**ROB HOTZ:** Yes, sir.

**LINEHAN:** Thank you, Senator McCollister. Other questions? So you're testifying in neutral--

**ROB HOTZ:** Yes.

**LINEHAN:** --so I think what you're saying, being very careful in how you're saying it, is you're not against this bill but you'd rather go back to traveling. And you hopefully, when you go to the Appropriations Committee Friday, they're going to agree that you can go back to traveling so you can actually go out and see these people face to face.

**ROB HOTZ:** If I were an individual taxpayer that knows what I know being a commissioner, I would say, as a policy matter, I think that's the better course.

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**LINEHAN:** So now, I'm going to just-- this is shocking to me. So the Appropriations Committee, without-- it appears, without communication with anyone else in the Legislature, decided, when we have property taxes as a main issue in the state, to limit your travel. Did anybody in your office think about coming to anybody in the Legislature and say, this is a problem, outside the Appropriations Committee? Because I will tell you, when I-- in other governments I've worked in and when there's Legislatures, when one committee like does that, people run to the other committees and say, hey, got a problem here.

**ROB HOTZ:** This may be the classic "don't bite the hand that feeds you" situation, Senator, but--

**LINEHAN:** The reality is we all vote on the budget.

**ROB HOTZ:** Yeah. When that came up two years ago and the Legislature voted on the budget, that was part of what the deal was with that budget. And when we testified before the Appropriations Committee that year, we said we thought we could make it on what was being appropriated. And I don't recall what that's called anymore.

**LINEHAN:** How much did they cut your budget?

**ROB HOTZ:** It was in the neighborhood of \$7,000.

**LINEHAN:** OK. OK. Well, I would hope that when somebody, an agency that is directly dealing with the taxpayers in Nebraska, gets their budget cut where they can't go out and do their jobs, that they would come to somebody else in the Legislature and give us a heads up that you have a problem. Any other questions from the committee? Thank you very much for being here.

**ROB HOTZ:** Thank you.

**LINEHAN:** Anybody else wanting to testify in the neutral position? Senator Erdman, would you like to close?

**ERDMAN:** Thank you, Senator Linehan. I appreciate Commissioner Hotz for being here. One of the issues that they may have, even if they travel to Scottsbluff, Senator Kolterman, unless they have a lot of protest in Sheridan County or one of those other remote counties, they may still use this tool because they still could be 100 miles from Scottsbluff. And so it will be a tool that they could use, even if they do travel. And I appreciate when he used to come to Scottsbluff. I attended two hearings there, and it was a lot more convenient. I

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went to North Platte and I went to Lincoln. And Mr. Cannon shared what it would cost the county to travel here, and he said then the commissioners. Well, in my commissioner service, when I was elected, I convinced the other two commissioners we would never take mileage for anything we did for the county. So when we traveled-- when my commissioners traveled to a meeting or to a hearing, we did it on our own dime, and we were cognizant of the taxpayers' dollars. And as he's testified, it'd be \$900 for each person they send down to Lincoln. And many times, what it cost in the travel here was far greater than what they would collect in taxes. And so this videoconference is very important, and I think even it could be used even if they do go to Scottsbluff. But we need to look at how we fund the TERC board so they can do those things that they need to do. And I appreciate his comments. I appreciate his time today and I appreciate your consideration of LB707. And I think it needs to be moved on. Thank you.

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

**KOLTERMAN:** So Senator, I understand. I'm not blaming the TERC board--

**ERDMAN:** Yeah. I understand.

**KOLTERMAN:** -- but I-- to hear the testimony today, so we got NACO that comes and says, you bring a commissioner, either a commissioner, county treasurer, or whoever, commissioner. I don't know who they're bringing, but to Lincoln. It makes a heck of a lot more sense to take a person-- one person from Lincoln to Scottsbluff than to bring three people from Scottsbluff to Lincoln.

**ERDMAN:** Correct.

**KOLTERMAN:** And that's inefficient.

**ERDMAN:** I understand

**KOLTERMAN:** And I understand-- believe me, I'm a proponent of telehealth and telewhatever, but it isn't right that we're not taking care of the people in western Nebraska. And if that means we put somebody in that area, within 100 miles, and still use this, at least you've got the ability to have somebody go talk to him face to face.

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**ERDMAN:** I appreciate that. We-- we used to have-- we did in the past have a TERC commissioner lived in Alliance, and that was-- that was pretty good.

**KOLTERMAN:** And you think if you had to drive from Scottsbluff to Alliance, that's no big deal or Sidney to Alliance.

**ERDMAN:** No. It's 30-- it's 50 miles.

**KOLTERMAN:** That's a lot different than if you're driving all the way to Lincoln.

**ERDMAN:** Yes, it is. So what--

**KOLTERMAN:** I just think-- I just find it appalling that we're not taking care of our constituents.

**ERDMAN:** I appreciate that. So when-- when the TERC board went from four to three-- or were thinking about going four to three, I happened to be in Lincoln at that time. And I don't want Senator-- or Commissioner Hotz to take offense to this, but I went in the Governor's office, and the person who was up for reappointment was an attorney. And I gave the Governor's office my business card, and I said, I'd like to be appointed to the TERC board. And she said, who are you? And I told her. And I said, I'm a commissioner from Morrill County, and I said, I've got a couple of things going for me. First of all, I'm not a lawyer. And I can make a commonsense decision on the same day I hear the information. And she said, don't wait by the phone. I said, OK. But--but what they do is important. And those three people on the TERC commission, I found them always to be very dedicated in what they're trying to do and get-- get it done right and make the right decision. So they can drive 500 [INAUDIBLE].

**KOLTERMAN:** Now, this isn't a connotation against them. The kind of money we spend in this state and not even take care of our people.

**ERDMAN:** Have you heard the comment or the slogan, unfunded mandate? That's what that is. And that's what happens. And so the state doesn't collect property tax. Well, when you send three people to Lincoln for \$2,700, somebody paid that \$2,700. That was property tax. So I'm on the Appropriations Committee now. I wasn't in '17 or '18. But I am now. So we'll see what happens.



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**LINEHAN:** Other questions? Thank you, Senator Kolterman. Other questions from the committee? Seeing none, thank you very much, Senator Erdman, for being here.

**ERDMAN:** Thank you very much. Thank you.

**LINEHAN:** Do we have letters for the record on this? No, none, right? We might have had a-- I may--there's none. OK. OK. So now you take over, Senator Friesen.

**FRIESEN:** Thank you, Chairman Linehan.

**LINEHAN:** If I can find my words.

**FRIESEN:** How long can we make this one take. We'll now open the hearing on LB437. Welcome, Chairman Linehan.

**LINEHAN:** Thank you, Vice Chairman Friesen. Good afternoon, fellow committee members. For the record, my name is Senator Lou Ann Linehan, that's spelled L-o-u A-n-n L-i-n-e-h-a-n. I represent the 39th Legislative District. I'm introducing LB437. LB437 would extend the sunset date for applications under the Nebraska Advantage Act. The current sunset date is December 31, 2020. The bill is introduced as a placeholder bill. It does not specify any new sunset date.

**FRIESEN:** Thank you. Any questions from the committee? Senator McCollister.

**MCCOLLISTER:** Yeah. Thank you, Senator Friesen. Could we, instead of at the end of the current term, could we end the Advantage Act early?

**LINEHAN:** Well, we could because we're the Legislature, but I would hope we did not. This is a placeholder bill. We've got a lot of work to do in the next whatever we've got, 40 days left-- or 45 days left. So I don't think-- you know, we've heard from the chambers of commerce and we've heard from the business groups. I'm hoping that we get something done so this isn't necessary. But I don't think we want to leave and get to June 1 and we've done not-- we-- we-- at least-- the very least if we can't get something else done, we could extend it. So there's not the panic that they've told us there would be.

**FRIESEN:** Well, given the--

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**LINEHAN:** So it's a placeholder bill. It's not-- it is not instead of Senator Kolterman, who is going to work very hard, he's got a bill that he would like to get done.

**CRAWFORD:** Um-hum.

**LINEHAN:** But in case that slips and slides and we don't quite get there, this could give us some wiggle room.

**McCOLLISTER:** Well, given the effectiveness of this committee's chair, we will finish this work early and who knows we could even, you know, end the Advantage Act early because we'll have a replacement bill to offer the Legislature.

**LINEHAN:** There must be a party waiting for us. Everybody's in a good mood. Thank you.

**FRIESEN:** Thank you, Senator McCollister. Any other questions from the committee? Seeing none, anyone wish to testify in favor of LB437? Seeing none, anyone wish to testify in opposition? Seeing none, anyone wish to testify in the neutral capacity?

**McCOLLISTER:** We're out of here.

**LINEHAN:** And I should thank the staff. I mean Jack, Kay and Grant because that's why we have these stop measures because they're like, just in case we need to do this.

**KOLTERMAN:** Hey, what time's tomorrow?

**FRIESEN:** Seeing none, that will close the hearing on LB437.