

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**LINEHAN:** [RECORDER MALFUNCTION] -- public hearing. My name is Lou Ann Linehan, I'm from Elkhorn and represent Legislative District 39, I serve as Chair of this committee. For the safety, the safety of our committee, staff, pages and public, we ask those attending our hearings to abide by the following procedures. Due to social distancing requirements, seating in the hearing room is limited. We ask that you only enter the hearing room when it is necessary for you to attend the bill hearing in progress. The bills will be taken up in order posted outside the hearing room. The list will be updated after each hearing to identify which bill is currently being heard. The committee will pause between each bill and allow time for the public to move in and out of the hearing room. We request that everyone utilize the identified entrance and exit doors to the hearing room. We request that you wear face covering while in the hearing room. Testifiers may remove their face covering during testimony to assist committee members and transcribers in clearly hearing and understanding the testimony. I think unless-- in the hearings I've been in, it is kind of hard to hear you if you have your mask on and you're behind the glass. So pages will sanitize the front table and the chair between testifiers. Public hearings for which attendance reaches seating capacity or near capacity, the entrance door will be monitored by the Sergeant at Arms, who will allow people to enter the hearing room based upon seating availability. Persons waiting to enter a hearing room are asked to observe social distancing and wear a face covering while waiting in the hallway or outside the building. Hopefully nobody's outside the building, it's kind of cold. The Legislature does have the available-- does not have the availability due to the HVAC project of an overflow hearing room for your hearings, which attract several testifiers and observers, such as this one. For hearings with a large attendance, we request only testifiers enter the hearing room. We ask that you please limit handouts. 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. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please turn off your cell phones. The order of-- the order of testimony is introducer, proponents, opponents, neutral and closing remarks. If you will be testifying, please complete the green form and hand it to a page when you come up to testify. If you have written materials that you would like to distribute to the

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

committee, please hand them to the page to distribute. We need 12 copies for all committee members and staff. If you need additional copies, please ask the page to make copies for you now. So the pages are over here, I'll introduce them in a second. 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. I'm going to go to three minutes and then-- because that will give us some time for questions. So you'll have two on the green light, one on the yellow and then red. If there are a lot of people wishing to testify-- I just did that. If your remarks were reflected in previous testimony or if you would like your position to be known but do not wish to testify, please sign the white form at the back of the room and we'll-- it will be included in the official record. Please speak directly into the microphones, our try-- transcribers are able to hear your testimony clearly. I would like to introduce committee staff. To my right is committee counsel Mary Jane Egr Edson. To my-- to my left. This says right. To my left. I knew I couldn't have two rights. To my, to my left is analyst Kay Bergquist. And the end of the table on the left is committee clerk Grant Latimer, who has already been working very hard this morning. Now I would like the committee members to introduce themselves beginning at my far right.

**PAHLS:** Rich Pahls, representing southwest Omaha.

**BOSTAR:** Eliot Bostar, District 29, south-central Lincoln.

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

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

**FLOOD:** Mike Flood, District 19: Madison and part of Stanton County.

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

**ALBRECHT:** Joni Albrecht, District 17: Wayne, Thurston and Dakota counties in northeast Nebraska.

**LINEHAN:** Please remember that senators may come and go during our hearing, as they have bills to introduce in other committees. Refrain from applause or other indications of support or opposition. I would also like to remind our committee members to speak directly into the microphones. For our audience, the microphones in the room are not for

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

amplification, but for recording purposes only. Last, we are an electronics-equipped committee. Information provided electronically as well as in paper form, therefore, you may see committee members referencing information on their electronic devices. Be assured that your presence here today and your testimony are important to us and critical to state government. Since the first LR is mine, I'm going to turn the committee over to the very capable Senator Brett Lindstrom.

**LINDSTROM:** We'll now open the hearing on LR22CA, introduced by Chairwoman Linehan.

**LINEHAN:** Good morning, Vice Chair Lindstrom and members of the committee. Excuse me. My name is Lou Ann Linehan, spelled L-o-u A-n-n L-i-n-e-h-a-n, and I represent the 39th Legislative District. I introduced LR22CA, at the request of Governor Ricketts. I ran for the Legislature in 2016 and again last year. Concerns about ever-increasing property taxes is the number one issue on Nebraskans' mind. Consequently, in 2019, the Legislature passed-- excuse me, the Legislature increased the Property Tax Credit Fund to \$275 million. Last session, we passed LB1107, which was another step in bringing about property tax relief for Nebraskans. LR22CA is the next critical step in that process. LR22CA is necessary if we are going to get control over ever-escalating property taxes. LR22CA proposes to cap the total amount of property tax revenue of a political subdivision at 3 percent of the amount raised in the prior year. Over the last several decades, the Legislature has set levy limits, spending limits, and now we even have a bill introduced to set valuation growth limits. I am convinced the only limit that will work is a limit on the tax taking. You can see charts that are provided to you that all other efforts have in the long run failed. We need to limit the end result. The tax taking. The limitation does not apply to the amount of property tax revenue needed to pay the principal and interest on bond indebtedness, as that, it goes to a vote of the people, or the amount of property tax revenue raised in any fiscal year on the real growth within the political subdivision. So, for instance, in Millard Public Schools and in Omaha, the whole Heartland [SIC] Preserve or Boys Town Farm, which is over a billion dollars, would be new growth. Improvements to real property as a result of new construction and additions to existing buildings, any other improvements to real property which increase the value of such property and, important for cities, annexation of property by a political subdivision, those would all be above 3 percent. The constitutional amendment will allow a

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

public subdivision to exceed the 3 percent cap by a specific amount and a special election based upon the recommendation of the majority of the governing body of the political subdivision, which we generally refer to as a levy override, which we've had, I think Hastings, Millard and Westside have all had levy overrides and passed successfully. The recommendation must include the amount by which the property tax revenue would exceed 3 percent limitation for the fiscal year, and the amount must be approved by a majority of the legal voters. All costs of the election are paid by the political subdivision. Finally, the increased property tax request would be for one fiscal year. With that, I would be happy to answer any questions.

**LINDSTROM:** Thank you, Senator Linehan. Any questions from the committee? Seeing none, thank you.

**LINEHAN:** Thank you.

**LINDSTROM:** We'd like to invite the Governor of Nebraska.

**PETE RICKETTS:** Are you going to do the-- I follow directions here.

**LINDSTROM:** The cleaning.

\_\_\_\_\_ : We are under your directions, Governor.

**LINDSTROM:** Good morning, Governor.

**PETE RICKETTS:** Good morning, Vice Chair Lindstrom. I want to thank you and all members of the committee, especially Chairwoman Linehan, for introducing LR22CA. My name is Pete Ricketts, P-e-t-e R-i-c-k-e-t-t-s. As Governor of Nebraska, this is the fifth time I've been in front of this committee, so thank you very much. For, well, actually it was over 50 years ago that the voters of this state stripped the state's ability to collect property taxes because they were mad about property taxes then. And in the intervening years, legislators, legislatures and governors have worked on this issue because, as Chairwoman Linehan described, it's the number one issue here in Nebraska, people are mad about property taxes. Legislatures have tried to raise taxes, shift taxes, limit levies, or the one about potentially limiting valuations to add more money to school aid. And yet here we are talking about this. This is something that makes people mad. And why is that? Well, because if you look at the numbers over the last 10 years, you'll see that income growth in Nebraska over that 10 years has been about 48

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

percent. Inflation over that 10 years, cumulative, has been about 18 percent. Yet property taxes have grown at nearly 52 percent. And you may say, well, 4 percent growth over year, over year is probably not a bad thing. But if you compound that over 10 years, that's nearly 50 percent growth. And remember, folks, people own their homes generally, or lots of times they own it for 10 years. And they own their farms and ranches for 10 years. So they see-- I remember when I was paying for property taxes when I bought this place and now I see what I'm paying in property taxes now. Now, last year we made great progress with LB1107. It's going to increase the amount of property tax relief, direct property tax relief coming from the state. We need to take the next step, and that is controlling what people have collected from them in property taxes to make sure that those dollars that we, the state provide actually make it into people's pockets. And that's the problem we've seen in the past. So, for example, in 1990, the school aid formula, TEEOSA formula was passed that increased over a period of about three years, over doubled the amount of state aid from the state to school districts. Yet by 1993, we had record high property taxes. The state attempted again to do the same thing in '99 and 2005, with similar results, increasing dramatically school aid. But within a couple of years, we had record prior-- record high property taxes again. So we as a state, the Legislature and the Governor's Office, we work to provide that property tax relief. But we've got to make sure that people actually see it. And that's what LR22CA does. People don't pay property taxes in valuations or levies, they pay in dollars. And what LR22CA does is limit the amount of dollars that can be taken from people in a given year. If you look at a 3 percent growth rate, which is very reasonable, you see over a 10-year period that would end up being over 34 percent compared to the nearly 52 percent we have seen in property taxes, and it would apply to all these entities. So, again, as you go around the state, there are some school districts doing a fantastic job, some not so much. Some, I'm going to pick on community colleges here for a second. Some community colleges like Metro are keeping their growth to 3 percent or less, less. But if you look over the 10-year period, community colleges as a whole have increased their property taxes by 80 percent. Folks, you can't outstrip the, the ability of Nebraska families to pay these taxes by allowing property taxes to go up faster than inflation and faster than their income growth. This is what makes people mad. So that's why we've structured this to be something that people could live within because we know there are political entities out there doing it. Now,

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

it's also important to set the ground rules generally for everybody because there are over 2,500 entities that collect property taxes here in our state, which means there's thousands of people involved. So by saying that you can't grow more than your tax base any more than 3 percent a year, that will help make sure everybody's on the same page with regard to this thing. All those community colleges will be on the same page, for example. So that's what this is about, is making sure we're limiting the amount of dollars that are taken from people, that the tax relief the state provides is actually going into people's pockets and actually giving them relief with regard to their property taxes. And as I wrap up here, I want to let you know that there are going to be opponents coming here and they're going to say this is draconian or austerity. Folks, it's not draconian or austerity to live within your means. Every Nebraska family has to do it. And when you're raising property taxes faster than income growth here in Nebraska, there's a problem. The limits here are reasonable. We know that. We at the state are doing it, right? You all working together with me have worked to control the growth of our budget. In fact, the budget proposal I just provided to the Legislature is for a growth rate of 1.5 percent, half the rate of this 3 percent we're talking about. And if you look over the last 10 years in general, the Legislature has kept the growth rate to about 3 percent. So this is doable. We're doing it at the state. All our local entities can do the same to be able to make sure that we are providing that property tax relief from the state that then is making it into people's pockets and people see the difference. With that, I'd be happy to answer any questions.

**LINDSTROM:** Thank you, Governor. Any questions from the committee? Seeing none.

**PETE RICKETTS:** You all are being easy on me. All right, great, thank you very much.

**LINDSTROM:** Thank you, Governor. We'll now move to proponents of LR22CA. Morning, Commissioner.

**TONY FULTON:** Thank you, Vice Chair Lindstrom. Members of the Revenue Committee, my name is Tony Fulton, T-o-n-y F-u-l-t-o-n, I'm Nebraska's Tax Commissioner. Before I launch into this, which is going to be short, by the way, I just want to recognize some former colleagues who have only become more distinguished over the years. And my own senator, LD29. Hopefully we'll get to meet all of you in person after

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

this pandemic has subsided. You've been provided or are being provided with multiple charts, and we've tried to limit the number of charts. There are many more we probably could have given you. These demonstrate the continuous growth in property taxes imposed by Nebraska political subdivisions. If a picture is worth a thousand words, we're trying to say as many words as we can in those pictorials. All of the charts have been prepared by utilizing actual nonbond taxes levied by political subdivisions over the past decade, 2010 to 2020, and deducting the taxes that would be attributable to growth value. Growth value is assessed valuation for new construction, including additions to buildings, any other improvements which have been-- and any other improvements which have been added to real property, and annexation by political subdivisions. The Department of Revenue does not actually collect actual growth amounts for each political subdivision. So this growth amount is estimated and has, has been proportioned to each political subdivision based on the portion of the total county value for their respective political subdivisions. Each of the chart, each of the charts contains information about the data provided. We tried to spell it out. Well, we have. We've spelled it out, I think, such that it's self-explanatory. I'm just going to shut it off there. I leave that, each of these to you. You can look at them. You can ask us questions now, you can ask us questions later. The first chart, as I said, pretty self-explanatory, but it shows the state total nonbond property taxes with growth excluded compared to what that same amount would have been had the 3 percent limit been in place. That's really the meat and potatoes of the proposal. Chart number two shows an estimate of the cumulative percent increase over the past decade of the political subdivisions that collect the largest share of property taxes. So counties, city-villages, community colleges, school districts. And then chart three shares the-- compares the cumulative percent change in property taxes to the rate of inflation over the same period. And then lastly, this is the table that the Governor was referring to. This shows the compounded change, the first few graphs were a way of looking at making comparison with cumulative change. This is the actual experience. As many of you, I purchased my home some years ago, and so I'm comparing to what I was paying back when I purchased back in the day, as they say. So that's why we have a compounded way of approaching this. So with that, I'll simply ask for your favorable consideration on this proposal and attempt to answer any questions. You might have.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**LINDSTROM:** Thank you, Commissioner. Any questions from the committee?  
Seeing none, thank you.

**TONY FULTON:** Thank you.

**LINDSTROM:** Next proponent. Morning.

**DOUG KAGAN:** Good morning. Doug Kagan, D-o-u-g K-a-g-a-n--

**FLOOD:** Thank you.

**DOUG KAGAN:** -- representing Nebraska Taxpayers for Freedom. Every year our membership decreases a bit as a few of our members move to other states because of our high property taxes. Senior citizens with limited incomes and young professionals saving for a home find, find a better tax climate elsewhere. According to a WalletHub 2020 survey, Nebraska rates, ranks 44th-highest in property taxes of 50 states, contributing to our 16th-highest total tax burden. At 1.61 percent, Nebraska has the ninth-highest average effective property tax rate in the U.S.. On a \$250,000 Douglas County home like mine, a \$5,100 property tax bill annually, compared to \$2,675 nationally, according to SmartAsset. A Tax Foundation 2020 study showing property taxes paid as a percentage of owner-occupied housing value ranks Nebraska eighth-worst nationally. Nebraska property tax collections per capita are \$340 higher than the national average. Property taxes on ag land have outpaced other property types. From 1999 to 2013, the amount of property taxes paid on ag land increased 193 percent compared to 104 percent increase on residential property and 111 percent on commercial property, according to the Nebraska Department of Revenue Property Assessment Division. On average, Nebraska farmers pay \$16,200 in property taxes per year, among the highest figures of any state. Nebraska brings in more property cash taxing farmland than any state except California and Texas. The result is a lower standard of living for Nebraska residents, lower savings for both young and the retired, loss of homeownership for senior citizens, inability for younger generations to purchase a home or continue to farm, less ability to pay for new farm implements and materials, and less inclination for prospective corporate personnel to locate here with their companies. The time is now for our Unicameral to apply the brakes to our skyrocketing property taxes with LR22CA. Although not every Nebraska property owner would benefit the same from this resolution, we believe



\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

that Nebraskans should have the opportunity to vote on this crucial  
issue. Thank you.

**LINDSTROM:** Thank you, Mr. Kagan. Any questions from the committee?  
Seeing none, thank you. Next proponent. Morning.

**SHANE GRECKEL:** Good morning, committee members. Thank you for the  
opportunity for this hearing as well. My name is Shane Greckel,  
spelled S-h-a-n-e G-r-e-c-k-e-l. And this morning, I just want to  
illustrate a little bit on the other side of this tax issue with, in  
regards to LR22CA of the agricultural side. Property taxes affect all  
Nebraskans, but affects the state's farmers and ranchers probably some  
of the hardest. Farmers and businesses need stability in an operation  
of volatility. And I think that's what LR22CA provides with 3 percent  
and that stability. So in late 2020 and early 2021, commodity prices  
have increased somewhat. But let's not forget that in the spring and  
the summer of last year, they had a life-of-contract lows and an  
endless view of depressed prices, causing great uncertainty among the  
state's farmers and ranchers. Fast forward to today and we see a  
little bit better price outlook in the next years, but still a great  
amount of uncertainty still exists. And it's also critical that, to  
know that many farms made large sales last year at these low prices in  
fear of even lower prices to come. So these operations locked in sales  
at a loss just to prevent future bleeding out of their operation. That  
was basically 2020 in a nutshell. So let's focus on 2021 and beyond.  
What can we change and what can't we? I was always told by a history  
teacher that there are two things that we absolutely have to do in  
life, and that's die and pay taxes. The latter of that is very real to  
our state's farms. In 2013, farm income was 123 billion. Six years  
later, that was 69 billion, according to Farm Bureau. That 54 billion  
drop was a 56 percent decline in income. Translate that to property  
taxes, where we have seen increases at 7.45 percent annually in some  
respects. Over a year's period, that's 105 percent increase on tax  
land. So let's recap that. Farms suffered a 56 percent drop while  
seeing 105 percent increase in taxes in some cases. These are just  
offsetting scenarios that are just unacceptable in my mind. And the  
question to me always comes back is farms and businesses have to make  
compensations for this to work, why don't governments? Brings us to  
today, where we as producers are here to support LR22CA and help in  
efforts to control the growth of taxes. Provides for 3 percent  
increase, which is more than enough to keep up with the 1.6 percent  
inflation rate while giving some stability to tax growth. It isn't

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

asking much. All we're asking government to do is to live within its means. And it's just not farmers, it's every Nebraskan deserves this kind of predictability year after year so that they can plan for their taxes and their family budget. I mean, people talk about surprise medical billing. Well, we have surprise property tax billing. We need that stability in order for our operations to have a better chance. So I ask you for support and give the people a chance to vote on LR22CA so that our farms, our families and our ranches and businesses can continue to thrive and grow. Thank you.

**LINDSTROM:** Thank you, Mr. Greckel. Any questions from the committee?  
Senator Briese.

**BRIESE:** Thank you, Vice Chair Lindstrom. And thank you for joining us here today, Mr. Greckel. Is it fair to say that for a lot of farm and ranch operations that property taxes are one of the top three line item expenses on a per-acre basis relative to crop land in particular?

**SHANE GRECKEL:** Yes, and thanks for the question, Senator. I think that's very fair to say that it is one of the top items. And that only-- and to expand on that just a little bit, that doesn't always have to go just to the property owner. That cost is translated right back to the young farmer and rancher that's trying to rent the ground, because that's what we always hear. And I'm on that side right now in negotiations. We always hear it. My taxes went up, so the rent has to go up.

**BRIESE:** Sure. And fair to say that even in a good year for a row crop operation, sometimes the amount of the property tax bill can exceed profit per acre?

**SHANE GRECKEL:** Absolutely. That's been the case in over the last six years, that taxes have--

**BRIESE:** OK.

**SHANE GRECKEL:** --on the operation.

**BRIESE:** Thank you.

**SHANE GRECKEL:** Thank you for the questions.

**LINDSTROM:** Thank you. Any other questions? Senator Friesen.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**FRIESEN:** Thank you, Vice Chair Lindstrom. So when we're in your school district, what is your levy right now?

**SHANE GRECKEL:** Senator, I would have to check some of my references and get back to you with that.

**FRIESEN:** Do you, do you track the cost per acre in property taxes?

**SHANE GRECKEL:** On some of our farms, just on my own ones.

**FRIESEN:** So what kind of range would you say you're in?

**SHANE GRECKEL:** About a 33 per acre.

**FRIESEN:** OK, so, I mean, again, it goes back to the tax increase that you've seen over the last 10 years and obviously ag land values shooting up. I mean, we're going to slow some of this down. But I take it your school doesn't receive any equalization aid because you're not up to that \$1.05 levy. And so, again, you know, you are paying for education really. It's the whole bill is being pushed off on ag land. So how, down the road how do they-- how do we fund K-12 if we're going to, you know, in the end they won't get equalization aid if we freeze their increase. We're a long ways from that, whereas other schools get a lot of funding add. Is that, is there a way to go forward with how do we actually solve the problem that ag has been through?

**SHANE GRECKEL:** That is a very interesting question, but I think there has to be a writer with what that statement is. We have to find a way to fund that K-12 education, because that is our job as citizens and as individuals in Nebraska. But we also have to do it in a fair and respectful way to those individuals who are paying the taxes. So it's just not one or the other. And any situation like that comes back to can we limit the growth of government for one, to make sure that our individuals aren't paying more in taxes? But number two, do we have to take a look at it-- is it need to be based on the revenue brought in per acre? In my mind, that's what I always come back to. You have income taxes, you have other taxes that are regressive to the amount of income that you make. Property taxes don't care if you have a bad year.

**FRIESEN:** Do you feel that ag land should be valued more on its ability to produce an income rather than just its sales value?

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**SHANE GRECKEL:** That's my personal opinion. I think that would be more indicative to the rise and fall from our farmers and ranchers. If they have a great year, yes, they can pay a little bit more in taxes if they have a bad year. I think that's when the state or the local subdivisions need to be able to step in and say, we got your back, we're going to lower some of these taxes based on the amount of profit or loss that you have an acre.

**FRIESEN:** OK, thank you, Mr. Greckel.

**SHANE GRECKEL:** Yes.

**LINDSTROM:** Thank you. Senator Pahls.

**PAHLS:** My goal down here is to reduce the taxes on, for everyone, not just particular groups. And property taxes are significant to the ag culture. Would you be willing to give up any of your exemptions to help balance this out? Because I believe in balance.

**SHANE GRECKEL:** Senator, that's a very fair assessment, and-- but once you start giving up exemptions, I don't like to speak to that on broad base because it's a very slippery slope to go down to. But I think it could be a possibility going forward in the future. But I always like to look at new revenue streams. Is there any new businesses that we can create or are there other aspects that we can grow the amount of tax dollars based on growing businesses and growing entities around? So that's kind of where I would look.

**PAHLS:** I see exemptions, the word exemption is a mighty powerful word, especially in the area of agriculture. Last time I looked, which was several years ago, it was over a billion dollars. I'm not saying do away with them, but I think sort of a balance because we do need to help with property tax. But then I own no property anymore, so a property tax is not going to do a lot for me. I'm being selfish right now. So I'm trying to have a balance out of this. And I just think there needs to be give and take. And I understand once we take your exemptions away, oh my goodness. But somehow maybe we ought to do that to the vote of the people, of all the exemptions. Lay it out to the people like this and I have them vote on that. I mean--

**SHANE GRECKEL:** I see your point and I stipulate to your thought on it. I sincerely do. But let me illustrate just briefly. Farms and ranches

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

have to pay not only property taxes, we have to pay personal property taxes on what else we own: equipment and so on and so forth, that we have to do our job if. We don't get income all the time off of our property tax. I think that needs to be made clear. A lot of farms pay a wheel tax on every one of our trucks and trailers. We pay licensing, we pay fees. Farms and ranches really are taxed to death when it comes to a lot of things we do. So the exemptions are necessary. But at the same time, I think we have to look at a broader picture of how much some of our farms and ranches and businesses are taxed and those exemptions possibly may be necessary just for our operations to survive.

**PAHLS:** And I don't, I don't agree that you, the possibility that you're overtaxed, because I believe-- I have no exemptions, I am overtaxed as an individual. Unbelievable, seriously. I look at my taxes. So that's why I'm looking for balance. I don't want to take anything away, but I'm looking for a balance. And that's what--

**SHANE GRECKEL:** And I appreciate the comment I just said it in reference to, so you kind of know what we're, we're looking at on the back side as well.

**PAHLS:** I have a lot of relatives who are in the agriculture business.

**SHANE GRECKEL:** Thank you for your comments.

**LINDSTROM:** Thank you. Any other questions? Senator Brieese.

**BRIESE:** Thank you, Vice Chair again. Thank you, again. But the exemptions you speak of, those are exemptions related to business expenses, business inputs, equipment that you use to run your operation and hopefully make a profit?

**SHANE GRECKEL:** Yes.

**BRIESE:** They're business items, correct?

**SHANE GRECKEL:** Yes.

**BRIESE:** OK, thank you.

**LINDSTROM:** Thank you. Any final questions? Senator Bostar.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**BOSTAR:** Thank you, Senator. And thank you for your testimony. In response to a question from Senator Friesen, you spoke to your, your personal preference around flexibility. So if, if an ag producer has a good year, they can pay a little bit more. If they have a bad year, pay a little less. Isn't LR22CA essentially the opposite of a flexible system? I mean, it seems to me that the result would be that everyone just pegs their growth at 3 percent irrespective of what's going on. And so I just, with regard to your answer to Senator Friesen's comment, how do you, how do you view both of those things?

**SHANE GRECKEL:** I view them both as an independent. Ideally, that funding to where we have a system that goes off of production yield or production-based taxes might be ideal. However, we have to look at a grand scheme of things. Is that what's good for the state? Is that what's good for business? And if I have to negotiate anything, I'm going to go with the fixed amount that LR22CA provides with 3 percent, because I can predict it. I can predict every year, this is what it's going to be and a methodical growth. So I can look at my operation and go, this is what I either need to cut to pay my taxes or these are the new ways that I need to find revenue growth in order to pay for these taxes. So that stability that I talked about in my testimony is absolutely crucial in the volatility of our operations.

**BOSTAR:** Thank you.

**LINDSTROM:** Thank you. Any other questions? Seeing none, thank you, Mr. Greckel.

**SHANE GRECKEL:** Thank you.

**LINDSTROM:** Next proponent.

**DENNIS SCHLEIS:** Hello, my name is Dennis Weiss, D-e-n-n-i-s S-c-h-l-e-i-s, from Omaha. High property tax has really decreased my family's living standards and opportunities. When my family was growing with more kids on the way, we wanted to buy a bigger house, but we couldn't do it. House prices are high, but then you have to pay high property taxes along with sales, with the sales price and mortgage. So we stayed crowded in our small house in central Omaha. Now my son and daughter in law are living in a small house and planning a family. They want a larger house. Even though both of them worked, they cannot save enough income to pay for a house with high

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

sales price and accompanying high property tax, so they plan to stay in their small house. Another one of our children does not want to even buy a house with high property taxes in Omaha because he and his wife don't want to carry a high debt burden in these perilous economic times. I think it is sad that people like us who work hard for a living cannot achieve the American dream to be the kind of homeowners we would like to be. I think LR22CA, though it is not a total tax relief, at least would give folks like us a hand up. Thank you.

**LINDSTROM:** Thank you. Thank you for your testimony. Any questions from the committee? Seeing none, thank you for being here. Next proponent. Can we get a page to spray-- one second. We're making copies and other things. Good morning.

**SARAH CURRY:** Good morning. The Platte Institute is in support of this legislation because for property tax reform--

**LINDSTROM:** Could you--

**SARAH CURRY:** Oh, sorry.

**LINDSTROM:** -- spell your name, please?

**SARAH CURRY:** First time this season. Sorry.

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

**SARAH CURRY:** Sarah Curry, S-a-r-a-h C-u-r-r-y, with the Platte Institute.

**LINDSTROM:** Thank you.

**SARAH CURRY:** For property tax reform to deliver significant and sustainable results for Nebraskans, additional property tax limitations will have to be paired with any new revenues raised by state and local governments. LR22CA is one potential option that can help slow the growth of property tax burden moving forward. If this policy is paired with broader tax reforms, it could facilitate an overall shift to reduce reliance on property taxes to fund local government. The exceptions provided for this in, in the constitutional amendment will prevent an arbitrary situation where political subdivisions could not pay their bills, not including bonds or real growth associated with new construction are valuable and realistic to

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

be exempt from the cap. We appreciate Senator Linehan's inclusion of a real growth exemption to address the critiques this proposal garnered in 2019. The accommodation for a political subdivision's real growth will help mitigate many of those concerns. We also support the provision allowing voter-approved overrides of the property tax revenue growth limit. However, we would like to suggest to the committee that an amendment be drafted to allow these override votes to only take place during general or primary elections. This will ensure more voter turnout and a higher percentage of property taxpayers voicing their opinion for the override decision. Another benefit of this cap is that there is no prohibition on total revenue of a political subdivision growing at an annual rate greater than 3 percent. In the case of school districts, for example, revenue sources like state aid, motor vehicle taxes or fines are not included in the calculation. In cities, local option sales tax, occupation, tax and utility rates would also not be included in this figure. It should be acknowledged that this policy is not the only property tax limitation that needs to be considered by the Legislature. For example, our combined current levy rates are well over \$2 in many jurisdictions. And though this amendment will prevent the burden from growing at a fast pace, it will not reduce property taxes. Overall, this is a good starting point for additional property tax limitations, and it avoids many of the unfair pitfalls of other property tax caps. But it should not be the end of the property tax reform discussion if the Legislature wants to reduce the overall property tax burden. Thank you, and I'm happy to take any questions.

**LINDSTROM:** Thank you, Ms. Curry. Any questions from the committee? Seeing none, thank you. Good morning.

**MARK MCHARGUE:** Good morning, Vice, Vice Chairman and members of the Revenue Committee. My name is Mark Mchargue, M-a-r-k M-c-H-a-r-g-u-e, I'm a farmer from Central City. I serve as the president of Nebraska Farm Bureau and I'm here today on behalf of Nebraska Farm Bureau, as well as Nebraska Corn Growers, Nebraska Dairy Association-- Association, Pork Producers, Nebraska Cattlemen and the Soybean Association. I want to start by expressing my appreciation to the Legislature and Governor Ricketts for passing LB1107. I want to thank Senator Linehan and the Governor for continuing to make property tax reform a high priority again this session. I'm here this morning to remind you how important it is to reduce the state's overreliance on property taxes and to share our perspective on the issue of property



\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

tax reform. Some of my comments will be specific to LR22CA, the majority of what I have to say is about a much bigger picture. Our initial analysis of LR22CA is that it's a good start to the conversation about how the pieces of several bills could be combined to form a product greater than the sum of its parts. We need to adequately fund education, health care and many more priorities of the state. However, we need to make sure that it's in balance in who pays for these things. Comprehensive tax reform in Nebraska is necessary if we are to compete on a national and international level. Proponents of income, sales and property tax reform must work together. Agriculture plays a significant role in our state's economy, but we know we are part of a much bigger picture. It takes business, industry, health care, education, workforce, housing and so much more to have a thriving economy. Agriculture wants to be at the table with you and other stakeholders to raise the tide for all ships. The success of all this depends in large part on a balanced tax structure. As we go through the hearing process, I will likely, maybe unfortunately, appear before you on many occasions. As I stated before, there are several statutory proposals that we think could be pieced together to form sound legislation. I appreciate the committee's indulgence of me making some comments that are not specific to one proposal necessarily. I hope that I've made a positive gesture to the committee that outlined several of agriculture's interest in future conversations with this committee and about how the pieces of this puzzle fit together. And with that, I will close and respond to any questions that the committee may have for me.

**LINDSTROM:** Thank you. Senator Friesen.

**FRIESEN:** Thank you, Vice Chairman Lindstrom. So when we were talking earlier, you probably heard the question about exemptions.

**MARK MCHARGUE:** Yeah.

**FRIESEN:** So if you were going to give up some exemptions, what exemptions do you have now that would not be considered a business input? Because if we're going to start talking about exemptions, I'm-- we're going to look at all, all exemptions, manufacturing, ag, whatever. I mean, if we're starting to tax business inputs, that's a whole new-- it's noncompetitive anymore, I mean, compared to other states. So what exemptions do you get that you would say that they're not a part of your inputs?

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**MARK MCHARGUE:** I mean, without, without looking at the list, primary our exemptions are related to business. And so, you know, if we were going to go down the list of exemptions that we have that are not business-related, you know, off the top of my mind, I can't really think of any. I mean, we, we fundamentally believe in agriculture, as does, I think, most of the business sector, that if we start talking about exemptions, I think there are a lot of exemptions that we can probably look at out there. But I think it's fairly common. We've got to make sure that business inputs are off the table. Because how do we grow our economy? How do we do value added, especially relative to agriculture, which I think has great potential for the state? We want to attract those kind of businesses, but we cannot, we cannot tax their inputs. That's really pretty silly in my mind.

**FRIESEN:** Thank you, Mr. McHargue.

**LINDSTROM:** Thank you. Any other questions from the committee? Senator Briese.

**BRIESE:** Thank you, Vice Chair Lindstrom. Thanks for joining us here today. I heard the Governor earlier talk about anger. Would you characterize the public's attitude over their property tax burden as one of anger also?

**MARK MCHARGUE:** You know, that's a, that's a great question. I was just out in the state last week and was fielding kind of a town hall from our members. And I would say anger was fairly appropriate in that committee. And, and quite honestly, it's, it's not that we haven't had a number of solutions presented to the body over the years, but it's just been difficult to get significant reform together. And what we're for in agriculture is to come together and have a, a broader conversation about the topic of how do we tax our state. I think this particular CR [SIC] has merit because it, it broaches the conversation. It says, you know what-- enough's enough at some point. And we've got to figure out how to cap this thing again. Again, as I said in my comments, it's a great start. We don't believe it's an end-all at all within agriculture, but we really appreciate the conversation. And where, where this will take us. And at the end of the day, the vote of the people potentially can raise their voice. And if nothing happens, Nebraska Farm Bureau is for some sort of ballot initiative.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**BRIESE:** Sounds like you're hearing from angry folks also. Thank you.

**LINDSTROM:** Senator Pahls.

**PAHLS:** All right, my question about exemptions is not directed totally at agriculture. Because I value-- I mean, you're in Nebraska, agriculture is-- I'm just saying let's take a look at everything. But I also heard that this will basically stop the growth. You would rather really lower the taxes. This, this vote of the people would just say you can increase it no more than 3 percent. But I'm hearing you say you think it needs to be lowered, not put a lid on it.

**MARK MCHARGUE:** Well, and that's the reason I believe that this is part of, part of the solution. So you can, you can kind of cut it either way. You can say if we, if we consistently are stepping up, one of the first things you could do is say, you know what, we're just not going to keep going up.

**PAHLS:** OK.

**MARK MCHARGUE:** But I think you can have that conversation, at the same time have a conversation of-- but I mean, how do we actually, how do we actually lower it? Because, I mean, you'll, you'll hear testimony, testimony coming through here, the balance of property tax is really the issue. We're saying that what property tax is funding fundamentally-- I think I heard you earlier talk about you wanted balance. Fundamentally, we believe that the amount that property tax funds for our services is too great of the, of the pie and that we need to broaden that, broaden that burden.

**PAHLS:** OK, so then you either cut services or you find maybe another tax. Would you be for increasing sales tax?

**MARK MCHARGUE:** Well, I think, I think the other option, though, is I think we grow Nebraska. So one of the initiatives within Farm Bureau, one of our top priorities is how do we grow the ag sector? One of the ways that we can grow the ag sector is through livestock growth. I've got a friend I just talked to last night up in northeastern Nebraska, he has 5,000 spaces for hogs. He told me last night, he says, you know what, it's working for me, I partnered up with another local guy. And he's adding another 5,000 spaces. Now that 5,000 spaces is going to add probably \$20,000 to the tax rolls that just physically wasn't

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

there before. So if we can do those kind of things within Nebraska, we can grow Nebraska, we can bring more manufacturers in. We can bring value added to agriculture. Because agriculture is such a big base in Nebraska, we can add to the tax base that way without having to significantly cut in areas, other areas.

**PAHLS:** I think to get that growth you do have to show that taxes are going to be lower. I mean, that's just what I, I believe.

**MARK MCHARGUE:** And yeah--

**PAHLS:** We need to--

**MARK MCHARGUE:** -- very, very good point, and that's the reason we're looking at-- we need to look at the whole system to be attractive to growth.

**PAHLS:** OK, thank you.

**LINDSTROM:** Thank you. Any other questions? Senator Bostar?

**BOSTAR:** Thank you, Senator Lindstrom. And thank you, sir, for your testimony. You spoke about the anger within the community related to property taxes and the Governor mentioned it, Senator Briese talked about it. And you mentioned that just recently you were out, out, you know, in the state and then hearing from people. Do you hear from the people about the Legislature's passage of LB1107 last year?

**MARK MCHARGUE:** Yeah.

**BOSTAR:** And so what is that, what-- from, from the conversations you're having, what, what do the members of the community think about that, think about that effort that went into reducing property taxes?

**MARK MCHARGUE:** Yeah, that's a great senators-- question, Senator. So I would say just as I'm out and about almost 100 percent, they are very grateful that we, we moved forward legislation that addressed property tax, that there is some relief in it. Almost 100 percent, though, would agree that it just, it wasn't, it wasn't in the category of reform necessarily. And that while they appreciate it, they want to make sure that the conversation doesn't stop. And so that's really one of the reasons I'm in front of you today, is to highlight that we want

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

to continue to have the conversation, because I think there's more  
that we can do for the property taxpayers of Nebraska.

**BOSTAR:** And thank you for that. And I certainly don't think that the  
conversation around property taxes is going to stop anytime soon. Do  
you think that, you know, should, should LR22CA pass-- so let me take  
a step back, I apologize. LB1107 passed, people are still angry. If  
LR22CA passes, will people still be angry, in your opinion?

**MARK MCHARGUE:** Yeah, I mean, that's, it's pretty subjective. I can  
tell you that in our, in our look at the analysis of, of CR22 [SIC]  
here, so a big chunk of it is education, OK? So when we looked at five  
years back, education, if you just took it as a whole state, grew at  
about 3.25 percent for the last five years. This would cap that asking  
at 3 percent. So we're talking about a quarter percent here. You know,  
\$500 million. OK, so you take one of the other categories, which is  
county, it's a pretty big category. You know, if we capped that, if we  
had capped that the last five years at 3 percent, you know, their  
growth was closer to, to 4.5 percent annually. So there's going to,  
there's going to be a little more of a trim there. So if you ask will  
this fundamentally quiet, quiet the conversation, I would say no. But  
again, it's these kinds of steps that we need to do to keep moving the  
ball forward.

**BOSTAR:** Well, and, and thank you again for that. And it was, it was  
mentioned in the State of the State by the Governor and again earlier  
this morning that, it's the idea that if we don't take significant  
reform then the people may take the decision out of our hands  
altogether. Again, let's say that this passes, what are the next two,  
three-- what kind of place do you think we need to get to before the  
threat of having the people remove this ability for us to to even  
address this as, as laid out by the Governor? What needs to occur for  
that to be resolved?

**MARK MCHARGUE:** Yeah, again, a very big picture question. I would say  
property tax from, from an anger level, from an angst level affects  
everybody a little differently. So out in western Nebraska on, on an  
ag operation, property tax is one of the actually one of the number  
one input items. You take someone in an urban area that owns a house,  
it's becoming more significant than it was several years ago. But if  
they're on a fixed income, their house is going up, property tax is  
going up, there's still anxiety there. So from agriculture, because

\*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

I'm sitting in this chair relative to agriculture, we want income tax, sales tax and property tax to be in a more balanced form of providing for the services that our people deserve and want in Nebraska. And so from our side of the equation, if we can get that balanced out more appropriately, you're going to see us not come to the table as much and just having these kind of conversations.

**BOSTAR:** In order to reduce the ones that you-- so when you say balanced, which of those three do you, do you feel should be increased? As far as being out of balance, property taxes, sales taxes and income taxes, which of the three do you feel is currently too low?

**MARK MCHARGUE:** You know, I mean, I would say sales tax would probably be the larger, would be the, the piece that we probably need to bring up. Again, we can do that in a couple of different ways. We talked about exemptions and ag will be very clear and the business community would be very clear, we take business inputs off the table and we can have a lot of discussion. But as we grow our sector as well, I think we can continue to collect more sales tax as well. And I think that's, that's the goal that Nebraska, Nebraska leadership should have as well. So I think that plays into that conversation.

**BOSTAR:** Right. Thank you, sir.

**LINDSTROM:** Thank you. Any other questions? Senator Albrecht.

**ALBRECHT:** Thank you, Vice Chair Lindstrom. And thank you for being here, Mr. McHargue. Because you have kind of the pulse of the ag community, what-- can you kind of enlighten us, how many farm and ranch families have, like, sold out or, or thrown in the towel? Not just because of property taxes, but obviously other issues. But would you say in the last two to three years you've seen more action than in the last 10?

**MARK MCHARGUE:** I would see, I would see some more, some more. I talk to the bankers a lot because really the bankers, you know, you got, you got your pastors, your bankers and your, and your accountants, you know, they know as much about us as anybody, you know? And so I think the bankers have a good sense. Now, you really push in on the bankers in the ag sector and they would say, in the last couple of years, the conversations about being close to that have gone up. I mean, and every year there's always some. And I don't want to be the guy, as

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

president of Nebraska Farm Bureau saying that ag is in dire straits  
and that people are going broke, and if we don't fix the property tax  
equation it's just going to be a landslide of people going broke. It  
plays into that conversation, but agriculture is a great bet in  
Nebraska.

**ALBRECHT:** It certainly is--

**MARK MCHARGUE:** You know.

**ALBRECHT:** -- if we control what we're talking about here today.

**MARK MCHARGUE:** Right.

**ALBRECHT:** So would you also agree that having this cap on what people  
can spend truly would allow a producer to know where he stands every  
year? You know, like he can kind of predict where he needs to be. I  
mean, we have to be able to predict that when we go to Farm Credit  
Services or FSA or anywhere else, you know, the type of income that we  
need to be able to produce what we, we need to to make a living. So,  
so this LR, when you're out there speaking to the people, again, I  
thought LB1107 was just a good start. But we're never going to be  
finished in the state of Nebraska until we do level out, you know, the  
sales tax, income tax and property tax. I mean, we've got to allow  
people to understand what they need to know in all sectors. I don't  
care if you have a home in town or if you have one out in the country.  
You know, we've got problems here and we're not going to grow Nebraska  
if we don't start taking care of something like this. So I do  
appreciate your testimony and being here today.

**MARK MCHARGUE:** Thanks.

**LINDSTROM:** Thank you. Any final questions? Seeing none, thanks for  
being here. Next proponent. Good morning.

**DOUG OERTWICH:** Good morning, Vice Chair Lindstrom, members of the  
committee. I thank Senator Linehan for bringing this bill forward and  
the Governor for all he does for tax relief. My name is Doug Oertwich,  
D-o-u-g O-e-r-t-w-i-c-h. I'm here as a farmer, and I'm well-aware  
that Nebraska needs property tax relief. And I thank the Legislature  
for all you did last year on LB1107. But while this bill does provide  
tax relief, my worry is that there's no guarantee Nebraskans will see  
real tax savings. If local governments keep increasing their spending,

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

the relief will become meaningless without limits. That's how we help control it. To keep giving property tax relief without controlling spending is much like pouring water into a bucket with a hole in the bottom. You can keep pouring in the water, keep pouring in the relief, but until you cap the hole in the bottom, we're getting nowhere. As a farmer, I want to see real property tax relief. We need to slow down spending locally or taxes will continue to go up and more relief will be needed. LR22CA is a solution that we need. I'm all about keeping our schools well-funded, and I understand from some research I did, Nebraska spends more per pupil on education than Iowa, Kansas, Missouri, Colorado and South Dakota. That's more per, per student. So unless we, the senators, have some discipline and we send this to the vote of the people, I think in a few short years our taxes will continue to go up some more. LR22CA can make this happen. I urge the Legislature to vote in favor of this resolution. And to add one thing as, as Senator Bostar said earlier, are people angry? I think some people I've talked to are scared. There's elderly people and some young people. My son just came back, we got involved in the Costco Lincoln Premium Poultry operation. So we're part of growing Nebraska. We've added two complexes, eight barns, and now my son realizes how high taxes are. And he came to me and said, Dad, I got to save to pay this when it comes due. Do you realize how much my personal property tax is? I knew what our tax was going to be on the real property. So it was an eye-opening education. He's 28 years old and he's doing a great job. But, you know, there's more young people that came back and we are growing Nebraska, but we just need a sense of some tax relief. So with that, thank you.

**LINDSTROM:** Thank you, Mr. Oertwich. Any questions from the committee? Seeing none,--

**DOUG OERTWICH:** Thank you.

**LINDSTROM:** -- thank you for coming. Next proponent.

**JESSICA SHELBURN:** Good morning, senators. My name is Jessica Shelburn, I'm the state director of Americans for Prosperity, Nebraska, J-e-s-s-i-c-a S-h-e-l-b-u-r-n. I'd like to thank Senator Linehan and the Governor for introducing LR22CA. AFP Nebraska is committed to working with the citizens of Nebraska and our elected officials to address the ongoing issues surrounding taxation in our state. You will hear countless ideas this year. This is just the beginning. And for



\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

some of you, you've heard several throughout the years. Some of the merit-- some of them have been with merit, some have been less than stellar. The property tax issue is a problem that did not happen overnight and we're not going to solve it overnight. Our state and political subdivisions began levying property taxes 1867. We have over 30 types of political subdivisions that can levy taxes. LR22CA seeks to amend our Constitution by limiting that property tax increase by 3 percent a year. This is a step we can take. It is not the solution, but it's a step. According to the Tax Foundation's property taxes on the 21-- 2021 business climate, Nebraska now ranks 41st, with only Rhode Island, Maryland, Massachusetts, New York, New Jersey, New Hampshire, Illinois, Vermont, the District of Columbia and Connecticut ranking lower than us. Is that really the company we want to be in? We can no longer kick the proverbial can down the road. We must do something. But it does not have to be an all-or-nothing approach that we have taken for so many years. Like you've heard from several testifiers, this is a step. It's not the end of the discussion. Two years ago, we spoke in favor of LR8CA. And with LR22CA, Governor Ricketts and Senator Linehan have taken additional steps to address the concerns that were had at that time. It recognizes that reducing the growth of spending is the best way to reduce property taxes. Raising or shifting taxes is not the answer to providing relief from our high property taxes. It doesn't increase our sales taxes or other taxes in the name of relief. And just to add comment to some of the discussions that we've had here, AFP Nebraska is a firm believer in broadening that base and lowering the rate, especially when you're talking about the sales taxes. If passed, it's placed on the ballot. Let the voters decide. You'll see it from time to time. When voters are given the question and have the opportunity to speak, they will approve it if they feel it is necessary. If the local government opts to override the limit, it goes to the people, they have that opportunity. And I will wrap up there.

**LINDSTROM:** We appreciate that. I know the shot clock is a little quick.

**JESSICA SHELBURN:** Well, you've heard my spiel before, so.

**LINDSTROM:** I appreciate it. Any questions from the committee? Senator Albrecht.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**ALBRECHT:** Thank you, Vice Chair Lindstrom. And thank you for being here. If you have anything to continue, you may, because I am a new person on the Revenue Committee. And if you like to add any more.

**JESSICA SHELURN:** OK. I'll just wrap up real quickly then. Thank you. I understand that there are going to be some political subdivisions that are going to offer-- are going to argue that this is going to hamstring them. I would say this holds them accountable and they have to do what every Nebraskan citizen is doing right now. They have to budget and they have to prioritize. I know for our family there are a couple of things that go into the property tax equation, right? You have the levy limits and then you have your valuations. Well, for us, when you have a six-figure increase in your valuation, that comes as a shock. And that's something that is hard for Nebraska families to plan for. So while you will hear the opponents argue that, keep that in mind, that we're asking them to do the same thing Nebraska citizens are doing.

**ALBRECHT:** Thank you.

**LINDSTROM:** Thank you. Senator Bostar.

**BOSTAR:** Thank you, Senator Lindstrom. You spoke about the numerous political subdivisions that have levy authority and you spoke about letting the voters decide.

**JESSICA SHELURN:** Uh-huh.

**BOSTAR:** Currently, it would seem that the voters are electing individuals to those political subdivisions that are taking the actions that we're considering putting some level of restriction on. So what would be the argument for not trusting what the voters have done by electing the individuals that we sitting here are considering essentially indicating that, that we want to overrule?

**JESSICA SHELURN:** I think that that's a fair statement and it is something that we have to consider. That being said, I live in a school district. We have an elected school board. It is hard to find individuals who will run for a lot of elected offices. So there aren't always a lot of options. I will say the school district that I live in, they put several bond questions on the ballot. Every one of them failed. Now, you had a school board who thought it was a good idea.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

They wanted that extra revenue for whatever the projects were, and the people voted it down because the people can't afford tax after tax after tax, especially when it's things that could be budgeted for, they could be planned for. And so I think that you're at a point where we elect individuals, but we don't always have a lot of options in who we are electing to these positions. And as a result, it's not necessarily the voice of the individuals and the people that are being heard when you're talking about increasing the tax base.

**BOSTAR:** Just a quick follow up. So do you, do you think that, and we can't know for sure, but if, if elected office was more accessible, if more people were interested in running and, and there was just more variety on the ballot that, that the voters had to choose from regarding their elected representatives in leadership, do you think that, you know, taxes would be lower today if, if that was the case? And, you know--

**JESSICA SHELURN:** It's pure speculation--

**BOSTAR:** Yes, of course.

**JESSICA SHELURN:** -- because you don't know the individuals who would show an interest in it. I can tell you from my position in visiting with activists across the state of Nebraska, I've talked to a ton of individuals who are very frustrated, especially with the tax situation in the state, who have said, you know, we would like to run, for example, for state Legislature. But because of the time commitment and the pay, they're not at points in their lives where they can. You know, you've all had the discussion about the, the pay for senators. You know, it does impact who we have as elected represent-- representatives.

**BOSTAR:** Is what I'm hearing you say that you would, you think that the state Legislature should be paid more?

**JESSICA SHELURN:** All I am saying is that it does impact the people who, who have the ability to run.

**BOSTAR:** Thank you.

**JESSICA SHELURN:** Yes.

**LINDSTROM:** Thank you. Senator Pahls.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**PAHLS:** The one question I have by listening to you, which is a little bit disturbing, rural is not collapsing. You said this is a step. I want to know what the endgame is. Maybe-- apparently we're not doing enough. I think there needs to be a reality check from all of us, from the voters to see what they want from the state. If they want even more, and I'm gonna use the word draconian because that's a word, you know, I like to play with, a direction to go, we ought to do it to let the people decide.

**JESSICA SHELBURN:** I think that that is a very fair comment. And you guys are in the worst position possible because it's up to you guys to provide solutions. And like we said, this is a step. But one of your previous testifiers alluded to the fact that we need to look at the big picture. Everything should be on the table. When we take the piecemeal approach, that's what's got us here. And we, if we don't look at the big picture, property, income, sales, all of it, we're going to continue having these discussions.

**PAHLS:** And you don't think we've done that in the past?

**JESSICA SHELBURN:** I think attempts have been made, but I don't think that we have gotten there.

**PAHLS:** I want to get to the end game, instead of the steps, to be honest.

**JESSICA SHELBURN:** Well, let's find ways to work together and let's get there. Nebraskans want it and need it.

**PAHLS:** Thank you.

**LINDSTROM:** Thank you. Any other questions? Seeing none, thank you.

**JESSICA SHELBURN:** Thank you.

**LINDSTROM:** Next proponent. Good morning.

**TRENT LOOS:** Good morning. I apologize, I do not have typed-up comments because I haven't made them yet, so I don't know what I'm going to say.

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

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**TRENT LOOS:** Go ahead?

**LINDSTROM:** Go ahead, sir.

**TRENT LOOS:** My name is Trent Loos, my wife and I ranch in Sherman  
County, Nebraska.

**LINDSTROM:** Could you spell your name real quick for the record?

**TRENT LOOS:** Trent, T-r-e-n-t, Loos, on the loose without the E,  
L-o-o-s.

**LINDSTROM:** Thank you.

**TRENT LOOS:** This is the fifth consecutive year that I've made my  
journey to the State Capitol to talk about an overburdening property  
tax problem. I'll walk-- and so I wonder what exactly am I doing wrong  
in the previous five years, four years that we're still having this  
discussion. I'll walk through the typical statistics. Sherman County,  
Nebraska, since 2010, ag land values have increased by 134 percent.  
The ag taxation has increased by 73 percent, all taxation by 53  
percent. I think that mirrors what's happening in the state across the  
board. I'll also tell you that my personal property tax has gone from  
\$4,800 in 2010 to \$9,400 in 2020. What do those numbers mean? Bringing  
it breaking it down not just in Sherman County, but across the entire  
great livestock state of Nebraska, the first \$115 that every cattleman  
puts into a calf is to pay property tax. That's before I buy the grass  
to feed the cow, that's before I buy tax-exempt feeds to  
supplement the cow. That's before I buy the fuel to get to the cow,  
whatever the case may be, \$115 is in my calf just to pay property tax.  
So I truly appreciate the representative republic that we have. And to  
be honest, Senator Briese, I have gained as much sitting here  
listening to your questions today as I'm going to ever share with you.  
But we have to get to the bigger picture, because four years ago and  
now five years ago, when I sat in this chair, I talked about my  
property taxes are out of whack, but they fund the schools. So what's  
going on in the schools? And that's what I've learned in the last five  
years. And I've looked at the schools, Sherman County, we got a  
problem with schools. We pay twice as much as the average student to  
educate them. And at the end of the day, we don't have a kid that's  
properly educated. We have a Nebraska Association of School Boards  
teaching the superintendents in the school districts how to go around

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

the property tax and increase the taxpayers' costs without actually going on the, being a bond vote. We're not really addressing the core issue. We've already heard that we pay more than any of these other states. I'm not opposed to paying for my daughters to get an education, but I want them to have a quality education. So I really appreciate the big-picture discussion that we're having today, because it's not just about paying taxes, it's about inspiring young families to continue to raise kids. Have you been to a church in rural Nebraska? We're the youngest people in the church. Have you seen the school building at Loup City, Nebraska, will hold 575 students. We have 285. The real issue is childbearing-age families that want to continue to convert the God-given natural resources into the essentials of life, and I expect my home state of Nebraska, the only capital that I'm aware of, that has an agricultural emblem on the very top of it, to be a champion for agriculture and young families that want to continue to produce the essentials of life.

**LINDSTROM:** Thank you, Mr. Loos. Appreciate it. Appreciate the comments. Any questions from the committee? Senator Pahls.

**PAHLS:** Since you've been here several years, I have not been here. I understand how your property taxes have gone up. Have that, the majority of that money goes to the schools out there?

**TRENT LOOS:** Correct. Our mill levy is 80, 80 cents. It went up from 63 last year.

**PAHLS:** What, what has always amazed me, they're not getting paid any more than-- the teachers like our administrators in the eastern part of the state. I've always been amazed of where that money is going. If, if your property taxes are going up, I, I don't know how it's being spent.

**TRENT LOOS:** Well, I have looked at that in my school district. I can tell you that we're averaging approximately \$1,300 a year per student in administrative cost. The teachers, I agree with you, are not adequately paid to inspire them to continue to do better. I didn't say they don't do well, but I'm saying that we need to find a way to continue to inspire people to excel. And in our school system, which I've looked at closely, we're top-heavy. And that needs to be fixed.

**PAHLS:** Yeah. Thank you.

\*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

**LINDSTROM:** Any other questions from the committee?

**TRENT LOOS:** I was hoping it didn't use up all the questions for Shane and Mark.

**LINDSTROM:** Seeing none, thank you very much.

**TRENT LOOS:** Thank you for your time.

**BUD SYNHORST:** Hi, good morning. My name is Bud Synhorst, B-u-d S-y-n-h-o-r-s-t. As the president and CEO of the Lincoln Independent Business Association, I represent well over a thousand businesses here in Lincoln and Lancaster County whose mission is to communicate the concerns of business, of the business community to elected appointed officials at all levels of local government. There are two things that Nebraska is ranked very highly in. Number one is volleyball and effective tax rate of property taxes is number two. One of those is because of top-tier talent and coaching, while the other is because of an archaic tax structure coupled with inefficient budgeting. One of those is something to take pride in, while the other is a serious embarrassment on our state. As Nebraska's property taxes have increased dramatically, so are the number of businesses frustrated over seemingly endless increases in local government tax payments. Many of our LIBA members continually share concerns with me that our state is slowly turning away from a business-friendly environment to something they don't want to be a part of. If government spending continues to grow in this manner, we will lose our competitive advantage in attracting business to our state. Nebraska's high property taxes hurt not just farmers and ranchers and homeowners, but also our small business owners across our communities. Two years ago, we had record floods, and for the last year our world has been coping with a deadly pandemic. Now it is time to deliver a sigh of relief to struggling businesses and property owners. As I continually hear small businesses struggling to make ends meet, I remain hopeful that their elected representatives are listening. LR22CA could give businesses a sense of stability during these unstable times. Economic development, development is dependent upon sustainable tax policy and a talented workforce. A business plan for three to five years to 10 years down the road limiting the growth of property taxes would greatly assist businesses with their budget forecasts. Moreover, with affordable property taxes, Nebraska becomes a more attractive place to live, work and raise a family for prospective workers of all ages. You're going

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

to hear from a lot of opponents and different groups that are going to talk about different things. I can't quite get to all of it on here, but I really want you to take a look at what the next sentence would be in their statement. We lost this much in state aid. And the reason is the next, the next sentence in that statement, which is because property valuations went up so much we collected that much in property taxes from our local property tax owners. So with that, I would close by saying, as Nebraska volleyball continues to dominate in the national rankings, it's time for this Legislature to take a dig at the spending growth that's happening in our local municipalities, set the businesses up for success and deliver an ace for all Nebraskans. Thank you.

**LINDSTROM:** Thank you, Mr. Synhorst. I like the play on words there. And I'm hoping that by next year this says volleyball and Nebraska football and we can eliminate the property tax.

**BUD SYNHORST:** I hope we can say that one of these days, Senator, before I get too old to be back here testifying.

**LINDSTROM:** I only have this session and next session. So we got one more shot at it.

**BUD SYNHORST:** I'm with you, brother.

**LINDSTROM:** All right. Senator Pahls.

**BUD SYNHORST:** Yes, sir.

**PAHLS:** I have a question. Do you represent the chamber?

**BUD SYNHORST:** I do not represent the chamber.

**PAHLS:** You know what the chamber's position is on this?

**BUD SYNHORST:** I do not, sir.

**PAHLS:** I'm sure it's been discussed.

**BUD SYNHORST:** I have not had a discussion with the-- I'm not a, I'm not on the government affairs committee for the Lincoln, Omaha or State Chambers of Commerce. I have not had discussions with them about



\*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

what their position is on this bill. This is strictly something that we've talked about with our own organization.

**PAHLS:** OK. Which are a number of businesses?

**BUD SYNHORST:** Well over a thousand small businesses in Lincoln and Lancaster County.

**PAHLS:** OK, then I'm to interrupt that you would prefer cutting. You don't think this is--

**BUD SYNHORST:** Senator, our organization has long, has long been a proponent of a proposal similar to this, of a formula which is inflation plus growth. A lot of municipalities are adding new developments. For instance, in Lincoln, there's a lot of home building going on, new houses. So that goes into the growth. Growth plus inflation is what, is what we think these municipalities should have to work under, because that's how our businesses have to operate so.

**PAHLS:** This includes growth, I'm assuming.

**BUD SYNHORST:** It does. This proposal does include growth, so that's-- it's one that we've been ad--

**PAHLS:** You're saying-- [INAUDIBLE].

**BUD SYNHORST:** LIBA has been advocating this proposal in front of the Legislature for longer than I've been a member, and I've been a member for eight years.

**PAHLS:** I'm using the word-- or I'm, I'm trying to, I'm actually trying to get to the bottom, not a step.

**BUD SYNHORST:** I understand.

**PAHLS:** You are saying growth and--

**BUD SYNHORST:** Plus the 3 percent.

**PAHLS:** Or 3 percent or you have a cost--

**BUD SYNHORST:** We've advocated different things. We're supportive of this proposal. What we've ad-- advocated for is growth plus Midwest

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

CPI, which is a similar, you know, which is between that 2.5, 3.5  
percent. That's why we're supportive of this proposal.

**PAHLS:** Thank you.

**LINDSTROM:** Thank you. Any other questions from the committee? Seeing  
none, thank you.

**BUD SYNHORST:** Thank you.

**LINDSTROM:** Next proponent. Good morning.

**KENT THOMPSON:** Good morning. My name is Kent Thompson, spelled K-e-n-t  
T-h-o-m-p-s-o-n, I am a commercial real estate investor. And my  
comments today are in support of CR-- or LR22CA. Nebraska needs to  
take a positive step to get taxes under control. And this is something  
that's a very grave problem that we have. I've talked to probably most  
of you at one point or another and I continually hear about how  
important controlling real estate taxes are, property taxes in  
Nebraska. Let me shed a little bit of light, if I could. As a real  
estate investor, taxes are just fleecing our tenants left and right.  
We get all sorts of complaints every year when we go back to collect  
the taxes back from our tenants. We're fleecing, and we're seeing a lot  
of people fleeing the state of Nebraska and making real estate  
investments here because taxes are so high. When I look at this, we  
are Nebraskans, we have been in Nebraska. We started our business in  
Nebraska, we want to stay in Nebraska. But our investments do not make  
returns because the taxes take the cream off the top. And let me just  
help you a little bit about what I mean when I say that. When we look  
at our property rents, the same rents in our class A buildings, and we  
have multiples of them in both Lincoln and Omaha, we are getting the  
same rents today that we got 20 to 25 years ago. However, our property  
taxes have gone up over 100 percent. Tenants can only pay a certain  
dollar to live where they're at. It's a component of their rent. It's  
a total cost of the rent. They cannot just bump it up because the  
government needs more money. So that means that's going to come from  
someplace else. And as a real estate investor, it's coming straight  
out of my pocket. So when I say that we're investing in other states,  
we are investing a lot of other states, we're growing rapidly and  
doing well because we don't have the tax burdens that are just  
slamming us here in Nebraska. And I love this, this opportunity to see  
us cap them, because we've seen these taxes go up so dramatically. But

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

what I am most interested in is seeing-- is that taxes have been going up so rapidly, but our real wages in the state of Nebraska that I see from the Labor Bureau statistics, is that our real wages are only going up by 1.7 percent. Well, I'm seeing taxes go up by 4 to 5 percent per year. That's a gap of about 3 percent pretty straight up that is not sustainable for our society. It's not sustainable for keeping our young people here and it's not sustainable for growing a business. So my request to you is to support this wholeheartedly. Let's start the process of getting some relief and getting some stability in our taxes. And I'll be happy to take any questions.

**LINDSTROM:** Thank you, Mr. Thompson. Any questions from the committee? Senator Friesen?

**FRIESEN:** Thank you, Chairman Lindstrom. So as a real estate investor also, my ag land, I think every 18 percent a year increase in taxes for 10 years straight, 180 percent.

**KENT THOMPSON:** It's huge.

**FRIESEN:** And so I, I know you're an investor in real estate. At some point, do we drive investors out? I mean, if I had choices, if I could exchange my land for land in Missouri or Iowa, I would sell it, do the 1031 exchange and move out.

**KENT THOMPSON:** So when I, when I talk to the people I do investing and see back and forth in, in the environment, the very first question that happens in looking at Nebraska is, why are your taxes so much higher than every place else? And when I say so much higher, I'm talking about exactly what you're saying, about 50 percent higher than the states. And we're in Colorado, Minnesota, Iowa and Missouri. So these are, these are significant numbers. And they impale us every single time we get into a conversation, whether we're going to the bank to try to get financing, whether it's a homeowner going for financing, taxes is a big conversation. When I'm talking to new prospective tenants coming into our state, the very first question they ask is, why are your taxes so high? And I say, you know, quality of life has a price, but that doesn't work well for the business model.

**FRIESEN:** So how-- other than to say either we're spending too much and we need to stop it or we need to fund it in a different manner. So

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

when you look at your properties, they require some services, whether, you know, they're housing they-- you're paying for schools and you're paying for the roads and everything. So are we taxing a wrong place or are you saying we're spending too much?

**KENT THOMPSON:** Wow, that's such a great question. You-- we could be here all day and I don't want to do that. So my, my conversation response would be, I think there's a lot of nonprofits that are in for-profit businesses that need to be taxed. I think that there is an awful lot of need to curtail how we administer our schools. It is by far the biggest comment that I hear as we, you know, interview senators that are running. It's always we're going to raise taxes and improve schooling. And that's oxymoronic. Somewhere in there we have to figure out how we can service the people, raise great kids, raise a great state but afford it at the same time. And so there's a lot of avenues there. And thank God you're in charge of doing that, not me.

**FRIESEN:** Thank you.

**LINDSTROM:** Thank you. Any other questions from the committee? Seeing none, thank you.

**KENT THOMPSON:** Thank you.

**LINDSTROM:** Next proponent. Good morning.

**MATT SCHULTE:** Hello, senators. My name is Matt Schulte, M-a-t-t S-c-h-u-l-t-e, I have served as an elected member of the Lincoln Public Schools Board of Education. I'm an advocate of our public schools, they do a tremendous job of educating the next generation. I trust my kids, even in a remote world, to their, to their teaching. Additionally, I help run a program that serves teens and I've seen firsthand the good that Lincoln, Ashland-Greenwood and Norris Public Schools is doing. During my time on the LPS School Board, I had a front-row seat to see how generously supported LPS is, both by the state and the local community. I was on the board and got to see year after year the dollar amounts we received from TEEOSA ratcheted up, and have noted that over the next two years the state plans to give a record \$1.1 billion annually to public schools. Under LR22CA, school boards will continue to exercise the broad discretion over their budgets that they need. Boards retain their ability to ask taxpayers for more money, either for bonds or levy overrides. Here in Lincoln,

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

there is strong support for public schools. Citizens willingly agree to bonds when LPS makes a compelling case for them for additional funds. The public involvement in the process is great, and citizens deserve the opportunity to weigh in with their local public political subdivisions when they want a tax hike. LR22CA would encourage boards to behave responsible, responsibly by inviting taxpayers to participate in spending decisions that raise taxes more than 3 percent. In addition to being a former board member, I'm obviously a taxpayer. Here in Lancaster County, property taxes levied have grown by an average of 6 percent over a five-year frame, time frame recently. That's much faster than certainly my family income, and it's hurting our community. As a supporter of public education and a taxpayer, I urge the Legislature to pass LR22CA and give the people the, the voice they need in how property taxes should be managed.

**LINDSTROM:** Thank you, Mr. Schulte. Any questions from the committee? Seeing none.

**MATT SCHULTE:** Good deal, thank you so much.

**LINDSTROM:** Thank you for coming. Any final proponents? Seeing none, we will move to opponents. And I believe they're coming in from the hall. We'll invite our first opponent. Good morning.

**JOEY ADLER:** Good morning. Good morning, Vice Chairperson Lindstrom and members of the Revenue Committee. My name is Joey Adler, J-o-e-y A-d-l-e-r, and I am here on behalf of the Holland Children's Movement, a nonpartisan, not-for-profit organization that strives to fulfill its vision for Nebraska to become the national beacon in economic security and opportunity for all children and families in opposition to LR22CA. LR22CA seeks to restrict local control funding used for schools and other subdivisions. The Holland Children's Movement believes taking away from the local school districts-- control from local school districts and other subdivisions to make decisions and provide for the resources they need is an irresponsible approach to addressing the property tax issue in Nebraska, one that will only be harmful to our communities and children. According to the Nebraska Voter's Outlook, which is research done by the Holland Children's Institute in 2019, 59 percent of Nebraskans say the state is currently underfunding education and believe that is why property taxes are high. While only 35 percent of people believe Nebraska's education system is adequately funded and property taxes are high because of mismanagement and waste

\*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

on the local level. That same public policy research showed that 51 percent of Nebraskans would rather see education adequately funded over a tax cut for property owners and businesses, and only 45 percent said otherwise. The Holland Children's Institute's most recent public policy research shows that a majority of Nebraskans support policies like food assistance for those struggling, continued unemployment aid for those who have lost their job, a temporary eviction moratorium and increased aid for those struggling, including landlords, and health care for low-income Nebraskans, with 54 percent of Nebraskans saying they believe that the Legislature is either doing a poor job or just fair job in handling the current coronavirus pandemic. We believe LR22CA does not address the real problems Nebraska families are facing currently. And while property taxes are an important issue, we believe there are better ways to address this concern through fully funding TEEOSA at the levels needed, which would provide more state dollars, and to restore state aid to local subdivisions struggling to pay for the services they provide. It's for these reasons the Holland Children's Movement opposes LR22CA, and would be happy to try and answer any questions you may have.

**LINDSTROM:** Thank you, Mr. Adler. Senator Pahls.

**PAHLS:** Thank you, Mr. Vice Chair. I have a question. The information you sent to us that people are really very positive about schools.

**JOEY ADLER:** Yes.

**PAHLS:** That I would think that you would take this as a, is a challenge to let the people who vote on it. To me, if they feel so great about it, then why not say, OK, I don't-- I may not care for it, but let the people vote.

**JOEY ADLER:** I think that we have a good system in place already to do that, and it gives the voters the chance to already express their wishes one way or the other when it comes down to overriding the property tax levy. We also have elections for school boards, things of that nature. So I think that there is a direct way for the voters to express how they feel on this.

**PAHLS:** But also, if you feel so confident about the schools, and I'm a product of the schools, that you should be able to say, I take this challenge.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**JOEY ADLER:** Yeah, I think that would have to be up to the local school boards. I mean, on our position, it's pretty clear that they, the voters do not believe that there's waste at the local level so.

**PAHLS:** Thank you.

**LINDSTROM:** Senator Friesen.

**FRIESEN:** Thank you, Vice Chair Lindstrom. So I know everybody likes to do lots of surveys, and so if you're going to phrase the question right, you can always get the right answer.

**JOEY ADLER:** Sure.

**FRIESEN:** Now, if you ask someone, would, would you like to have your taxes raised so we can give more money to schools? I think the answer is going to be a little different than if you just say, do you support your schools? Because we all support our schools, we all support education. But when you put that question as, will you let me raise your taxes--

**JOEY ADLER:** Right.

**FRIESEN:** -- to give it to schools? And so, I mean, I like the data that you tried to bring, but it's how we phrase those questions. So in the end, I mean, have we seen or been able to measure the increase in our educational efforts, our results? Are they better because we've thrown more money at it?

**JOEY ADLER:** Yeah, I, you know, I don't have access to that data myself. You know, we just do, you know, the Holland Children's Institute does public policy research. We ask voters what they think. And so far what they think is that the school districts are doing a great job and that we should continue to support them on the levels that they have. Now, I understand your point about the questions. And if you ask the question, you know either which way, I'm going to take all of your money versus none of your money, people are going to say, well, don't take any of my money then, right? I would be more than happy to sit down with you and go over the polling that we've done and go through the questions that we did ask. So that way you can maybe get a better idea of how we ask those questions.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**FRIESEN:** Because I think sometimes we've, you know, you advocate for different things for what we should do in schools, you know, early childhood, probably those kinds of things.

**JOEY ADLER:** Yeah.

**FRIESEN:** But in the end, I mean, we have to see better results at the end of the K-12 time period if, if-- we just keep throwing more money and it looks to me like our-- the, the end result is getting worse.

**JOEY ADLER:** Right. I can understand where you're coming from. I think that, you know, our school districts look better than ever, personally, in my opinion. As somebody who lives in Omaha, I'm very proud of OPS, the job that they do.

**FRIESEN:** OK, thank you.

**LINDSTROM:** Any other questions from the committee? Senator Albrecht.

**ALBRECHT:** Thank you, Vice Chairman. Thank you for being here. And can you give me an idea when you say that you contact your-- what do you have, a group of people that belong to or you call on, how many people do you call?

**JOEY ADLER:** You know, I don't have the exact methodology for the survey that we did right in front of me. But I would be more than willing to set up a time with your office to come in and go over the methodology and the questions that we asked. And we can, you know, have that very specific question.

**ALBRECHT:** I'd like that.

**JOEY ADLER:** Yeah, OK, I can do that.

**LINDSTROM:** Senator Briese.

**BRIESE:** Thank you, Vice Chairman Lindstrom. Thank you for being here today, Mr. Adler. I believe I heard you say earlier that you would support additional state support of public education, correct?

**JOEY ADLER:** Yeah.



\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**BRIESE:** Your own opinion plus what the surveys are saying, I believe. I have a lot of letters here suggesting, from the opponents, suggesting that this cap would inhibit their ability to properly fund, for example, public education. And if it, if it would tend to do that, wouldn't a proposal like this tend to force the state to provide more state aid to up their support of public education?

**JOEY ADLER:** In theory, yes. I think that if we wanted to add something that would say, you know, we're going to ask every school district what they need and we're going to talk about whether that's reasonable that we can give that to them, that might be a different discussion. But to just say that we're going to limit local control without any guarantee of funding with it, I think really lacks on the ability for them to believe that the state will meet its--

**BRIESE:** But the net result of what you're opposing here might be that it would accomplish one of your goals, it would seem.

**JOEY ADLER:** Might be. Yeah, I think there's a lot of that up in the air still, you know.

**BRIESE:** Thank you.

**LINDSTROM:** Thank you. Any other questions from the committee? Seeing none, thank you.

**JOEY ADLER:** Thank you.

**LINDSTROM:** Good morning.

**DENNIS MEYER:** All right, good morning. Senator Lindstrom and members of the Revenue Committee, my name is Dennis Meyer, D-e-n-n-i-s M-e-y-e-r, and I am the budget and fiscal officer for Lancaster County. Lancaster County is testifying in opposition of LR22CA today. Property taxes for, for the county level is really the main source of revenue the counties have. And right now we already work with a 50-cent levy limit, along with a 15-cent allocation limit that we must put the ag societies, the fire districts, the cemetery districts, all of those underneath on an annual basis. We also work with what I call the lid on restricted funds. I know sometimes people refer to that as the spending authority. The spending lid to me, that's based on restricted funds, which is really based off of revenues. How much property tax and state aid can we bring in in, in a given year that's

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

limited to 2.5 percent plus 1 percent if voted on by the board. I've attached to my testimony in the graph today that kind of compares the increase in property tax with the increase in valuation of the Lancaster County. You will see that in the current year, the property tax increase was 2.79 percent, while back in fiscal year '19-20 was 12.9. Lancaster County had made some iss-- They had made some decisions on infrastructure issues and put an additional \$3 million to roads and bridges. But they also forced one of the miscellaneous subdivisions to decrease their levy within that 15 cents to help offset that. In 2021, this current year, the county board focused on cash reserves and body camera program for the sheriff's office. The infrastructure funding is still needed and still there. But at that, at this time, the board decided, you know what? We've got other issues we're going to try to address this year. Back in '12-13, you will see that we had a 12.5 percent increase. That was, that was due to us opening to the new correctional facility, the new jail here in Lancaster County. If you take a look at the two years surrounding that, you will see that we were at 1.21 and 2.53. So what this really shows is that Lancaster County really tries to make decisions based on an annual basis and what's really kind of driving the budget for, for this year and time. LR22CA would really force our decision making process to change, because if we don't levy that, levy that additional 3 percent that year, we'd lose it. And when it's needed, we would not be able to go back and get it. It also allows for the growth. And just to kind of let you know, for the last five years, Lancaster County has averaged about 2.15 percent in real growth. So you're talking about 5 percent right there. You know, a lot of times payroll costs, it's tough to keep it within the 3 percent. We're self-insured on health insurance. And when health insurance increases by 15 percent-plus, it is tough to stay within that 3 percent. LR22CA, what it will do is it will levy, levy out-- level out the property tax. But I don't know that it guarantees property tax relief. If you take a look at some of our percentages, you will then see that 3 percent plus our growth is over and above that. So I think I'll just quick finish up, that 3 percent number is such a small piece of the process. I think we got to look at that whole process because we're dealing with revenues that are being looked at this year to be eliminated, plus additional expenditures to be pushed to us. Thank you for your time and I'll try to answer any questions you got.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**LINDSTROM:** Thank you, Mr. Meyer. Any questions from the committee?  
Senator Albrecht.

**ALBRECHT:** Thank you very much, Vice Chair Lin-- Lindstrom. And I  
appreciate you being here. I think you have a whole lot more to say to  
us that we kind of cut you off. And I'm not going to ask you to  
continue, but I just wanted to--

**DENNIS MEYER:** I'll be back this afternoon also.

**ALBRECHT:** Good. OK, so, so when you say the county gets that extra 1  
percent, do you take it every year?

**DENNIS MEYER:** We do.

**ALBRECHT:** Whether you need it or not?

**DENNIS MEYER:** I worked in the State Auditor's Office for about 17  
years before I came to Lancaster County, and I dealt with everybody  
that files budgets. I've dealt with the lid on restricted funds since  
day one. And I, I have seen over the years how it has penalized  
governments for not taking it. Now, just because we vote to take the 1  
percent doesn't mean we increase our property tax, it just means I  
increase my base amount. People don't quite understand that. So the  
thing is, I'm growing my base because I don't want to lose it. I might  
need it five years down the road and to go back, I can't get it then.

**ALBRECHT:** So for the people that don't ask for that extra 1 percent  
and those that do ask, what have you done with that 1 percent? Do you  
put it in a fund and--

**DENNIS MEYER:** I mean, we don't even collect that money.

**ALBRECHT:** So you don't--

**DENNIS MEYER:** So let's just say our base amount for, for the year for  
property tax that we can collect is 50 million bucks. Now, if that's  
my base amount, I'm right at my lid. Now, I can grow that by 2.5  
percent and then take that additional 1 percent. So that bumps it up  
to, to \$50-some million, but I still might levy the \$50 million just  
like I did. But my base has grown, so if I need that 3.5 percent next  
year, then it's there for me to tap into. So it's, it doesn't

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

automatically mean property taxes increase. The boards still have to  
make that decision.

**ALBRECHT:** OK, so I have one more question here. So when you built this  
jail, did you go to the vote of the people?

**DENNIS MEYER:** We did. We went to the other people because we knew that  
was the best way to get the best interest rate.

**ALBRECHT:** OK.

**DENNIS MEYER:** They voted it down.

**ALBRECHT:** They voted it down.

**DENNIS MEYER:** And, and when we went to the vote, we were saying, hey,  
we're building it no matter what. We're trying to explain to you that  
we can get the best interest rate possible. They voted it down. So we  
went a different direction and--

**ALBRECHT:** And did it anyway? And did it anyway?

**DENNIS MEYER:** And built it anyway. We had to. We had to.

**ALBRECHT:** So-- but you can say you have to. But I'm here to say I've  
sat in that same chair as a county commissioner. And when you take it  
to the vote of the people, whether you sit on a city council, we had a  
police station that we took to the vote of the people and they said  
no, a resounding no. We were spending too much money. So we put out a  
survey and we said, hey, what would you do if we spent less? You know,  
what would you want to see in this particular building that we can  
share with the public? There are other ways to be able to talk to the  
public and get their input, because this is why we're where we're at,  
because you're doing it anyway. And that's the frustration level at  
our-- at the state level. You've been on both sides of the fence. But  
I'm just here to say that when you do it anyway, we have a real  
problem with that, because we're the ones-- the buck stops here. We've  
got to figure this out. And if you're doing it and everybody else in  
the state is deciding that if you can do it, they can do it, too.  
That's why we're having this problem.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**DENNIS MEYER:** And, and just to to kind of rephrase mine a little bit,  
the vote was strictly based for interest. It wasn't should we build a  
jail.

**ALBRECHT:** Just on the interest only, not--

**DENNIS MEYER:** It was, it was not to strictly build the jail. So it was  
more for what kind of interest rate do we want to get?

**ALBRECHT:** OK, so let me ask you about this other one at 12.9 during  
2019. Which one was that, was the jail at--

**DENNIS MEYER:** No, the 12.9 is when we dumped an additional \$3 million  
in for roads and bridges.

**ALBRECHT:** OK.

**DENNIS MEYER:** We've got some huge infrastructure needs. If you, if  
you, if you know our county engineer, she's might have sat here in  
front of you. You know, we've got some need. So that was the year that  
we decided to put it, put additional money there.

**ALBRECHT:** OK, so and roads and bridges with this kind of money, that's  
going to be part of it. And I know that if you get a match from the  
federal government and you have enough cash put aside, you can take  
care of those roads and bridges. So I do believe that, that taking  
this to the vote of the people will bring all boards, you know, back  
into what's our five-year plan. If you don't have a plan, people are  
coming in, like you say, somebody brand new to the board. They don't  
know all about the budgeting process. And when that happens, then we  
do have helter-skelter because they're just saying, yeah, let's get  
her done. Eight people get to decide the fate of all of us. So I think  
in doing something like this, it would, would help people understand  
that you have to have a plan at the, at the city, city level, county  
level, state level, just like we do at home.

**DENNIS MEYER:** Right. And with that plan, we also, we also forced our  
RTSD to drop their levy to help offset that percentage. So we tried to  
make it almost as even as possible across Lancaster County taxpayers.  
So just because ours jumped, the RTSD's decreased by-- to help offset  
that. So there is a plan there. What I'm saying is that plan we deal  
with different things during different years because body camera  
program for this year, you know, things come up and we got to make

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

decisions on what's the, you know, what's, what's the best decision  
for the county that year.

**ALBRECHT:** Well, I appreciate you coming.

**DENNIS MEYER:** Yeah.

**ALBRECHT:** Thank you.

**DENNIS MEYER:** Yeah, you bet.

**LINDSTROM:** Thank you. Senator Flood.

**FLOOD:** Hey, thanks for your testimony.

**DENNIS MEYER:** You bet.

**FLOOD:** A couple of notes here. What is your levy at right now, your  
county levy?

**DENNIS MEYER:** It is on my Post-it right here, I just wanted to make  
sure. It's 28.1576.

**FLOOD:** And what has the history of that been since 2011?

**DENNIS MEYER:** It's, it's been usually right around there. One year it  
was like, it was probably 27.3. But it's been right around 27, 28.

**FLOOD:** What kind of ag land valuation increases have you seen and how  
does it impact your county?

**DENNIS MEYER:** It, it doesn't affect us a ton because valuation only  
becomes a 5 to 10 percent number.

**FLOOD:** So you don't have the same situation that Madison County would  
have that's predominantly ag ground. You've got a large commercial  
base.

**DENNIS MEYER:** Right. Right.

**FLOOD:** What do you get in terms of inheritance tax funds annually?

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**DENNIS MEYER:** Annually, we get-- I budget for about \$5 million a year and we probably get anywhere from \$5 to, you know, over the last few years we might have gotten up to \$6.5 to \$7.

**FLOOD:** Where do you use that money?

**DENNIS MEYER:** We, we drop it straight into our general fund and use it for property tax relief. And that's why part of the reasoning is, you know, when we talk about the possibility of losing that revenue as a county, we don't really have anywhere else to go.

**FLOOD:** So you don't keep it in a separate fund--

**DENNIS MEYER:** No.

**FLOOD:** -- and use it for infrastructure.

**DENNIS MEYER:** I budget right in the general fund to help offset what, what we're trying to, to do that year.

**FLOOD:** So I ran your rolling 10-year average with your two infrastructure spends of over 12 percent, and I have a combined rate of 5.116 percent. And I basically took each one of your property tax increases and I spread it over the 10 years and you're a little bit over 5 percent.

**DENNIS MEYER:** OK. Yeah.

**FLOOD:** In the two instances where you were high, you had a \$3 million infrastructure and what was the other one?

**DENNIS MEYER:** The opening of the new jail.

**FLOOD:** And was that a staffing cost or was it just operational costs?

**DENNIS MEYER:** The majority of that was staffing. To open at that first year, you know, we had that many more pods, we had-- so it was strictly, it was strictly a staffing cost.

**FLOOD:** And at the same time, what's your valuation done in terms of growth from 2010 to present? You've got to be one of the fastest-growing valuation counties.

**DENNIS MEYER:** Well, the valuation is there in blue.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**FLOOD:** OK. The val-- OK. OK, so you really haven't enjoyed the ride  
that rural counties have been on?

**DENNIS MEYER:** We have not. I mean, if the value came in at like that  
8.70, we did not take that full 8.70 that year. We, you know, we're  
still trying to build our budget and determine how much do we need  
dollarwise.

**FLOOD:** So if we were to pass this constitutional amendment with some  
amended language, given the fact that you had two years with 12  
percent, one for the jail and one for the infrastructure costs.

**DENNIS MEYER:** Right.

**FLOOD:** I bet you if you, if there were a recognition of some of these  
one-time costs, either as public safety or, you know, safety-critical  
needs, something like that, I bet your average increase would be well  
under the state's 3 percent. Because you had, you had years where you  
were 1.81 percent--

**DENNIS MEYER:** Right.

**FLOOD:** -- which is pretty responsible.

**DENNIS MEYER:** Correct.

**FLOOD:** Is there a way this can be written to respect what you've done  
from a fiscal responsibility standpoint?

**DENNIS MEYER:** You know, that's a good question. You know, so, so much  
of what, what we're, what we're dealing with right now is just  
infrastructure needs. You know, we've got, we've got a ton of bridge  
issues, ton of road issues that are out there. And, you know, and  
there's been a few bills that have, that have come through here, you  
know, trying to come up with, you know, we even talked about a wheel  
tax outside the city of Lincoln. And the board went out, met with the  
rural individuals, and after that process figured out, you know what,  
nobody was on board for that. So, so we kind of backed off of that.  
You know, we almost heard, you know, we almost heard we'd rather have  
property taxpayers in the city of Lincoln covering some of those  
infrastructure needs out in the county. So, I mean, it kind of depends  
on your question, what you're talking about. But infrastructure needs



\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

are a huge part because with the 3 percent, it's going to really limit  
roads and bridges that we can do or how quick we can do some of them.

**FLOOD:** Thank you.

**LINDSTROM:** Senator Briese.

**BRIESE:** Thank you, Vice Chair Lindstrom. Thanks for your testimony.

**DENNIS MEYER:** Yeah, you bet.

**BRIESE:** I think you indicated in here your real growth, actual growth  
in the last five years, what, 2.15?

**DENNIS MEYER:** Yeah, that's the average. Yeah.

**BRIESE:** Senator Flood, I think your math was 5.1--something on an  
average. And if you pull back that actual growth, you could actually  
live within 3 percent if you could smooth things out correctly. It's  
more of a budgeting timing issue for you.

**DENNIS MEYER:** I mean, on certain years, there's no doubt about it. I--  
what just kind of makes me nervous is that, is that it's going to  
force our change, you know. Instead of me giving you the 18-- 1.81  
percent, I'm going to take that 5.15 percent because I don't know what  
the next year is going to bring. So I don't think that's a very good  
budgeting tool to have, because then it kind of goes against how we  
try to build the budget and figure out tax dollarwise, what do we  
need?

**BRIESE:** Or instead of a 3 percent annual cap, a 6 percent over a  
2-year period would be helpful in your situation and other situations,  
I assume.

**DENNIS MEYER:** I--

**BRIESE:** As an alternative.

**DENNIS MEYER:** Yeah, I mean, possibly, yeah. I mean--

**BRIESE:** OK, thank you.

**DENNIS MEYER:** Yeah, you bet.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**LINDSTROM:** Senator Flood.

**FLOOD:** Would you rather a 10-year rolling average or a 5-year rolling  
average?

**DENNIS MEYER:** Yeah, I'd be willing, there's no doubt I'd be willing to  
think about that. I mean, because I'm not strictly, I'm not strictly  
here saying that we want nothing to kind of slow down the property  
tax. I'm just concerned that when we lose some types of revenues or  
get additional costs pushed down to us, we've got nowhere else to go.  
We don't have a sales tax. We don't, you know, we don't have anything  
put-- we have no state aid anymore. We have none of that. So it really  
kind of pushes us into a box.

**FLOOD:** Thank you.

**LINDSTROM:** Thank you, other questions? Seeing none.

**DENNIS MEYER:** OK, thank you.

**LINDSTROM:** Next opponent. Hold on one second, Lynn. We're gonna spray  
it down quick.

**LYNN REX:** I'm sorry. Senator Lindstrom, members of the committee, my  
name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska  
Municipalities. We're here today respectfully opposing LR22CA. First,  
I would like to commend the Governor and this Legislature for the work  
that you've done to try to relieve property taxes. And you've been  
working on it, I think, diligently. Really appreciate the work on  
LB1107 and other bills that have been done, too. But I'd like to  
express to you quickly, because the time frames here, just the major  
reasons why we're opposing this effort. First and foremost, it's  
constitutional. It would be in the Constitution and it has no  
flexibility. So let's look about that. Let's think about what that  
really means. Since 2000, the rate of inflation has grown over 3  
percent five times, 25 percent of the time, rate of inflation, over 3  
percent. Since 1914, it's been 43 times over 3 percent. You have no  
flexibility to deal with issues like this. That's problematic. In  
addition, I would just underscore this point. We already have two lids  
and limits on municipalities, and the schools have a totally different  
type of lid. But let me talk to you briefly about 13-519. That is the  
lid on restricted funds of 2.5 percent over the prior year with one

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

additional 1 percent with a supermajority vote. And I think Dennis Meyers from Lancaster County just explained to you, because you take that 1 percent doesn't mean you spend, it doesn't mean you raise it. It means you protect your base. In addition, in Chapter 77-3442, you have levy limits. And let me give you a brief background, because some of you were not here at the time, and that is in 1996 when Senator Warner chaired this committee. And at that time, his position and his view was that there are certain areas in the state of Nebraska where folks are paying too much property tax and there needed to be an equalizer. There are certain parts of the state of Nebraska he felt very strongly were not paying enough in property tax. And so the Legislature passed LB1114 in 1996, which put in place levy limits that took effect in 1998. In addition, LB299 was put in place on the lid on restricted funds. That took effect immediately. The levy limit, two years later. So cut to the chase. We're looking here at yet another layer of lids on top of this. And you look at first, if this constitutional amendment would pass, OK, what is that 3 percent? Secondly, what's your levy, where are you up against the levy? Of our 529 cities and villages in the state, in 2018, levies based on the 2018, 213 of the 529 municipalities were already at the maximum levy limit of 45. They get an additional five on local agreements. However, when you look at how close others were, it's about 50 percent. So 50 percent of the 529 cities and villages in this state are up against their maximum levy limit. And of those, only half can even raise the funds to spend the 2.5 percent of lid unrestricted funds. So I have other information if anyone has any questions. But the other issue, just wanted to underscore the point, too, that with this there are some other complications that come into play and why this is not workable. With that, I'm happy to answer any questions you might have.

**LINDSTROM:** Thank you, Ms. Rex. Any questions from the committee?  
Senator Friesen.

**FRIESEN:** Thank you, Vice Chair Lindstrom. So I know cities have lots of other revenue streams also. I mean, again, smaller communities that I'm more familiar with do not generally have those revenue streams. And so, you know, the local option sales tax, for instance, in most communities, in the smaller communities doesn't raise much. But those communities that you're talking about, are those other revenue streams when you put them all together, what is, what is the annual spending on the cities?

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**LYNN REX:** I don't have the exact numbers for you. I think that's something that we probably need to hire that out and find that information. But what I can tell you, Senator, is that when you look at what constitutes, if you look at 13-519 of what's in the lid, and then you look 13-520, what's outside the lid, basically everything is in the lid, with the exception of essentially bonded indebtedness. And there's some other little exceptions there. But except for bonded indebtedness and other types of, you know, appropriate bonds, if you will, and indebtedness, that's it. I mean, for municipalities and capital improvements and a few other things. But at the end of the day, we're in a really tight, restricted list. Now, we weren't thrilled in 1996 when the Legislature passed LB1114 or LB299. And I know you were the mayor of a city of the second class. I don't remember the exact time frames when you were the mayor of Henderson. But I will tell you that every second-class city and village in the state of Nebraska in 1996 was over a \$1.05 per \$100 of valuation of their maximum levy limit because of voter-approved bonds, because of other things that came into play. They were asked in a matter of two years, from 1996 to 1998, to reduce that to 45 cents plus 5. So imagine if the federal government said to the state Legislature, great that you've got your income tax rate, great you've got your sales tax rate. Good for you. Reduce it in half. You have two years to do it and see what you can do. And to the extent of dealing with jails and some of the other issues, I fully understand why the state of Nebraska needs to deal with a new prison. I applaud the Governor and this Legislature for facing that issue, because it needs to be done and that needs to be addressed. But I would also submit to you if that was, if that was put on a ballot question statewide, whether people want to vote to impose a tax to build a prison, I don't know what they were-- that result would be. But all I can share with you is that from a local government standpoint, putting something in the Constitution like this is highly problematic because of the lack of flexibility and the number of times we've already exceeded inflation. Mike Rogers, who's bond counsel for GilmoreBell, has presented to you that you have in your file a pretty detailed letter on how this would also raise costs for borrowing and ultimately costs taxpayers more. In addition, I do want-- the Governor is sitting behind me, I want to thank him, too. Because some governors gave their local governments nothing in CARES tax funds, he's been-- CARES Act funds. He's been very generous in that and being helpful across the state in doing that. But I also want to underscore, you know, you raised this. And the answer to your

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

question, if you look at the 2013 tax modernization study, which this committee did, and some of us trekked across the state to all 12 locations. And Galen Hadley was then senator and Chair of that committee at the time. This was basically an update of the 1987 Syracuse study. And this is in part an answer to your question. Page 35 of the executive summary: The primary policy option for reducing property tax use recommended by the Syracuse tax study was increased aid to local governments, emphasizing equalization aid. This was to supplement the then existing aid programs, which had been implemented to offset the loss of property tax capacity from prior exemptions granted. The recommendation was implemented in part, but the existing and preexisting programs which Syracuse recommended, were repealed. That repeal was in 2011, LB383. It repealed aid to municipalities, counties and NRDs. So we have folks in a critical role here because the university is an economic driver, no doubt agriculture, a huge economic driver, so are municipalities. And that's why the Governor has received the governor's cup numerous times because of the number of economic development projects we have per capita in the state. But that happens in and around cities because that's where the people are. That's where the workforce is, that's where the infrastructure is so that you can accommodate businesses. But I'm happy to talk to you about this, but I highly recommend it's on your legislative website. A quick review, it's-- and if you, if you get-- if you just can't get to sleep some night, the Tax Modernization Study of 2013, I highly recommend it.

**FRIESEN:** Thank you.

**LINDSTROM:** Thank you. Any other questions from the committee?

**FLOOD:** No.

**LINDSTROM:** Seeing none, thank you, Ms. Rex.

**LYNN REX:** Thank you so much for your time. Thank you. And again, we do appreciate what the Governor and this committee has done. I wish more Nebraskans had that level of appreciation. Thank you.

**LINDSTROM:** Thank you.

**DON WESELY:** Senator Lindstrom, members of the committee, Governor, Senator Linehan, my name is Don Wesely, D-o-n W-e-s-e-l-y. I'm here

\*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

representing Greater Nebraska Cities who are opposed to LR22CA. I have a letter from them and it indicates the seven cities that are part of the GNC. I think Lynn Rex did a great job summarizing where the municipalities are, and I thought Dennis Meyers did a nice job on Lancaster County. Those seven cities that, that the GNC represents all have mill levies below the 45-cent general levy limit, let alone the 50-cent that is allowable. The lowest of those is Kearney, which has a 0.151 mill levy. They do have a sales tax and they've benefited greatly from the sales tax. All of these cities except Aurora also have a sales tax, so they're thankful for that taxing authority. The point I'm trying to make is having sat in the chair, not only you sit in as a state senator, but also as mayor of Lincoln, and I know several of you have been local governments, when you've been on the local government, you know the pressure you face to try and keep your property taxes down. You want those mill levies as low as possible and you do everything you can to try to reduce them. Kearney has been able to, these other cities are able to. And if they could do more, they would. But there's also the local control aspect, which people talk about a lot that don't always adhere to, which is that these communities know what they need to keep their community viable to be successful. And they need the option, as Lancaster County talked about, sometimes the roads are too bad. You've got to have the ability to deal with it. Sometimes you need a new jail or a new prison and you have to have the ability to do that. And I think local control has worked in Nebraska and we need to continue that. I understand the property tax pressure you're under. I just heard a lot of people testifying under frustration and anger about that. That frustration and anger has been here as long as we've had taxation. I mean, I faced it here and we've tried to do different things. And as Lynn Rex talked about, in 1996 we came up with something that I think has had a positive impact in trying to limit property taxes, at the same time, not completely hamstrung local cities and communities from doing what they need to, to address their community needs. I also-- it was also mentioned, again, the key point in opposition here is a constitutional amendment is too restricting. That-- Senator Flood, you asked some really good questions about how to average out increases and make this workable for people. That's something that can be done with legislation. It's not something that can be done with a constitutional amendment. It's too restrictive. And if you make a mistake, if you don't get it right, trying to correct it is very, very difficult. And I know we'll have legislation later this afternoon that, that is an

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

alternative to this. I think that if we're going to take action, legislation is preferable to a constitutional amendment. But even then, trying to get it right is difficult. And we will be raising some issues about that this afternoon. So I know my time's almost up. I will tell you that local governments, from my experience, try very hard to keep property taxes down. I know that property taxes are too high, I know that situation. But there's sometimes a reason why adjustments are made. And if possible, though, again, the political pressure on a local subdivision to lower their property taxes is tremendous. If you feel the pressure at the state, state Legislature, I can assure you at the local level that pressure is even greater. So everybody's trying to pull in the same direction. It's a matter of how best to accomplish the goal. Thank you.

**LINDSTROM:** Thank you. Any questions from the committee? Seeing none, thank you. Any other opponents? I do have written testimony in opposition. I'll list them out here. Justin Brady; Metropolitan Community College; Tim Gay with Sarpy County; John Neal, Lincoln Public Schools; Jack Moles with NRCSA; John Skretta with STANCE; Jenni Benson, NSEA; Nolan Beyer, Millard Public Schools; Mike Rogers, Gilmore&Bell, P.C.; Greg Adams, Nebraska Community College Association; Camdyn Kavan with OpenSky Policy Institute; Joseph Kohout, United Cities of Sarpy County; and Ann Hunter-Pirtle with Nebraska Education Collaboration.

**\*JUSTIN BRADY:** Chairman Linehan and members of the Revenue Committee; My Name is Justin Brady, I am testifying as the registered lobbyist for Metropolitan Community College in Opposition to LR22CA and would ask that this testimony and Opposition be made part of the committee statement. While not speaking for all political subdivisions, this testimony addresses the perspective of MCC, a political subdivision and community college that serves the residents of Douglas, Dodge, Sarpy, and Washington Counties-four unique geographic areas with unique strengths and needs. The last year has been a trying one for all Nebraskans. Countless systems that worked well before COVID-19 needed to be reinvented to work during a pandemic. Services we counted on to keep us safe, healthy, and connected had to be rethought, reconfigured, and renewed. While challenging, Nebraskans generally brought out their best creative solutions and ingenuity to come up with new ways of doing business and taking care of one another. This constant need for creative problem-solving was certainly the case at Metropolitan Community College. Within 48 hours back in March, we

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

shifted from primarily holding classes on-campus to offering those classes through remote and online educational delivery. We found creative ways to assist our students with online learning, through loaner laptops and hotspots, as well as remote advising and services. When the resulting economic downturn hit, we swiftly provided emergency funding support for struggling students, with assistance from private donations and our federal CARES Act allocation. When the Nebraska Department of Labor needed a temporary location to provide unemployment services, we offered them a building at our Fort Omaha Campus. When Test Nebraska needed accessible public sites for COVID-19 testing, we offered our campuses in North and South Omaha for their use. As you can see, Metropolitan Community College prides itself in responsive service to our four-county service area. Sometimes the required changes are predictable-but oftentimes not. This need for nimble, responsive educational delivery underscores the importance for our locally elected officials to have room to manage the College's budget in response to changing enrollments and workforce conditions. Looking ahead to the time when we get to create our "new normal," we can be fairly certain that our service area will be home to a significantly increased number of unemployed and underemployed individuals. They will be turning to us for short-term and two-year programs to skill-up for the new economy. At the same time, we can expect our local businesses to turn to us for skilled workers who can help them respond to life in the new normal, to fill skill gaps that hinder their growth. During similar times in the past, we experienced double-digit enrollment growth year-over-year. Were we to have to manage this uncertainty with LB408 or LR22CA in place, it is tough to judge what unintended consequences would happen to MCC and its service to our four-county area. If approved, LR22CA would significantly limit locally elected community college boards' ability to respond to local needs within their service area-the very purpose for which community colleges were established. While such legislation may appear simple and straightforward from a distance, the uncertain consequences would serve only to hinder MCC from responding adequately to local student and workforce needs-which, in turn, would limit economic growth and statewide well-being. While MCC remains committed to holding property taxes in proper balance, as we have done for many years, we strongly encourage you to find other, more proactive ways to reduce local property taxes across the state. If you have any questions, please do not hesitate to reach out to myself or Randy Schmailzl at Metropolitan



\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

Community College. We respectfully ask for this committee to IPP  
LR22CA. Thank you.

**\*JOHN NEAL:** Chairperson Linehan and Members of the Revenue Committee, The Lincoln Public School District submits this letter in opposition to LR22CA. We request that this letter be made part of the public record. The amendment to the Nebraska Constitution limits the property tax revenue raised by a political subdivision in any fiscal year to no more than three percent greater than the previous year. This limitation may be exceeded with approval from the majority of voters and does not apply to approved bonded indebtedness. Finally, the limitation does not apply to property tax revenue raised on any real growth value. Based on definitions in the legislative resolution, the exclusion for real growth value would not offset the reduction in state aid school districts experience when a school district's valuation increases. Often school district value increases due to price increases in the property market. The definition of real growth value in LR22CA does not appear to include valuation growth driven by market conditions. When a school district experiences increases in valuation, state aid falls. The state aid formula presumes that school districts access the valuation growth. Placing an overlay limitation on top of the system to finance schools in Nebraska in this manner will result in a significant structural gap in funding to educate children across the state. LR 22CA places the limitation on property tax revenue raised. This is problematic. The revenue from property taxes is paid to political subdivisions after they are collected by the county from the property owner. This process can span multiple fiscal years. In addition, the Tax Equalization Review Commission can make adjustments spanning multiple fiscal years. School districts currently develop budgets with levy lids and spending limitations. Local constituents elect a Board of Education to develop a budget within the parameters with a focus on public transparency. Communities seek high-quality education with investments in technology, security, and programming to promote student success. A statewide cap on property taxes collected would create significant revenue shortfalls for schools resulting in increased class size, elimination of programs, and erosion of the quality of education. Nebraska is proud to have high-quality public schools.

**\*JACK MOLES:** Members of the Revenue Committee: My name is Jack Moles. I am the Executive Director of the Nebraska Rural Community Schools Association, also known as NRCSA. NRCSA is made up of 213 member

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

institutions: 197 rural public schools, 13 Educational Service Units, and the three State Colleges. Our rural public school members have a combined student population of almost 83,000 students. On behalf of NRCSA, I wish to testify in opposition to LR22CA. NRCSA understands that Senator Linehan has a desire to slow the growth of property taxes, but we believe the effects of the constitutional amendment, if adopted by the voters, would be detrimental to Nebraska's public school districts. Equalized districts would be adversely affected when their valuations would increase. With increased valuations, a district's formula resources would increase. which would then cause equalization aid to drop. The locally elected Board of Education may not be able to make up for that loss in equalization aid because of a 3% property tax cap, which could cause the district to have to make late cuts in the budgeting process. NRCSA does have districts that are equalized and thus could be adversely affected in this way. As ag-land valuations skyrocketed, the number of non-equalized districts grew from 48 in 2008-09 to a high of 178 in 2017-18. Currently, 160 out of 244 school districts do not receive equalization aid. Most of these non-equalized districts are rural districts, and most of them are members of NRCSA. In 2008-09, Class C and D (NSAA basketball classifications) sized schools received almost \$163.000,000 in equalization aid. Today, those schools receive a little over \$68.000.000 in equalization aid. Most of those districts, however, have long lost that equalization aid. Thus, they have been forced by the State of Nebraska's school funding system to become so overly reliant on property taxes. It is the belief of NRCSA that if state funding were to be made available to non-equalized districts that property taxes would be lowered. Placing a 3% cap on property taxes without providing alternative state funding would severely limit the ability of a district to react to needed changes. For example, if a family with high need special education student moved into a district, especially a smaller district, it could devastate the budget without the ability to react in the district's only way of reacting: through property taxes. Another concern is that the Special Building Fund would almost assuredly become extinct in many districts. Many smaller districts have been able to use the special building fund to address high cost issues such as roof projects or HVAC projects. Locally elected Boards of Education would likely not have the ability to generate funds into the Special Building Fund as the ability to access property taxes would dictate that those funds would need to be dedicated to the General Fund. Thus, needed facility issues would be

\*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

pushed further out. The above reasons are only a sampling of the concerns that NRCSA has with LR22CA. Such a constitutional amendment would not be beneficial to Nebraska Schools and I urge you to not advance the resolution. Thank you for your consideration.

**\*JOHN SKRETTA:** Chair Linehan and Members of the Revenue Committee: Schools Taking Action for Nebraska Children's Education (STANCE) is comprised of 19 mid-sized school districts, free of lobbyists, that represents over 25,000 school children. STANCE is unique in the fact we have districts representing the entire state from Chadron to Blair, levies that range from \$1.05 to \$0.60, and enrollments ranging from 863 to 3,928. We are representative of Nebraska education, and we don't take that lightly in our positions with the legislature. We submit this testimony in opposition of LR22CA proposed by Senator Linehan that caps school taxing authority at a 3% increase because it would limit a school's ability to generate the revenue needed for their individual situation. We want to begin by acknowledging the revenue committee's continued efforts towards creating a bill that would provide property tax relief for our patrons. Schools have been forced into an overreliance on property taxes as state aid has been cut time and time again from the current TEEOSA model. LR22CA attempts to address this issue, however, the mechanism suggested eliminates a district's ability to raise the necessary revenue to provide the education expected from our patrons. This bill is only about school spending, while it is well documented that the over-reliance issues are due to funding. While STANCE fully recognizes the property tax issues facing our state, and want to be at the table trying to find a way to reduce our over-reliance on property taxes, we are opposed to LR22CA for the following reasons: • Schools currently have levy lids and spending caps that work. School districts have been under assault from several elected officials that say local property taxes are only high because of school district spending. Over the last few years, our taxpayers have educated themselves on the actual numbers available instead of just believing the political rhetoric. STANCE data would show our 19 school districts have increased spending by just 2.60% over the last nine (9) years. The legislature should be proud that the levy limits and spending lids already in place have kept our school spending .84% lower than our state government who has averaged a 3.44% increase during a similar time period. • Local control has always been valued as the best way to govern in Nebraska. Board of Education members are tuned into the needs of their local school district and

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

the communities in which they live. Each school has a reason and a story for lower, or higher property tax increases as it pertains to their school district. And each of those times, there were locally elected school board members that understood the reason for their decision whether it be reduced funding from the state, student growth, added programming to fit community need, improved instructional resources, change in demographics, unfunded mandates from the state/federal government, or reduction in class sizes. We need to recognize that our locally elected board members also value keeping the property tax-asking as low as possible, and demonstrated that time and time again over the last decade. We do not want to sacrifice the quality of the education to our students, and reduce the ability for our Board of Education to make decisions at the local level. We need the ability to react to local situations at each school district to ensure the quality of education meets the needs and expectations of our community members. • Focusing on school spending alone doesn't recognize the real issue. Schools are more than willing to roll up our sleeves and be a part of the solution to the state's overreliance on property tax taxes, but solely focusing on spending isn't telling the entire story. Many members of the body including several on this revenue committee have expressed concern about the way that schools are being funded from the state level. This constitutional amendment only addresses school spending, but fails to recognize that property taxes are high because the state has continually decreased the funding to school districts. Schools are fresh off the decade in which state equalization funding decreased in over 170 schools. From the STANCE perspective, over the last nine years, the 19 schools have had ~ receipt increases over 3.0% just 61 times of the 171 possibilities (35.6%). But during the same stretch they have had total receipts that were less (negative) than the previous year 52 times (30.4%). We can't say there is a spending problem when it is convenient, but not recognize there are almost an equal number of years the total receipts are negative to the previous year. Digging further into this situation, we want to note that state aid has been decreased 71 times during the same timeframe (41.5%). The decreases in state aid forced the local property taxpayers to take on more than their fair share to keep operating their school districts, and almost all of it was in reaction to a decrease in total funding. We have a funding issue, not a spending issue. STANCE prides themselves on being a part of solutions, not just standing in opposition. And since we are in opposition to this constitutional amendment, we wanted to offer a

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

solution. STANCE believes a better way to address the issue of property taxes would be to start with a fully comprehensive study of the school funding model. This study may provide some insights on ways that we can work together to address these issues in a holistic fashion, instead of just focusing on one side of the ledger. In conclusion, STANCE is in opposition of LR22CA but appreciates the revenue committee for their continued efforts in understanding the problems in regards to property taxes and school funding in our state.

**\*JENNI BENSON:** Good morning, Senator Linehan, and members of the Revenue Committee. For the record, I am Jenni Benson, President of the Nebraska State Education Association. NSEA opposes LR22CA. This proposed constitutional amendment limits the annual increase in property tax revenue by a political subdivision to three percent unless the political subdivision receives a majority vote from the public allowing the political subdivision to exceed the limitation. This limit does not apply to bonds. LR22CA does not address valuations or changes in other sources of funds which could create revenue flow or other unforeseen financial issues for many school districts. For instance, a school district may lose a large portion of State Aid due to valuation increases but would not be allowed to recoup that revenue loss without a majority vote of district citizens. Our election process is not nimble enough to handle such contingencies, and districts caught in such instances would be forced to make dramatic cuts to services. We should not hamper the education of our children in such an unpredictable and whimsical manner. Currently, there exist statutory limitations on the ability of public schools to spend and raise revenue. The existing levy rate lid and the budget cap limitations work quite well together to ensure that local public-school spending is in check. These restrictions already create many challenges for school districts to meet their state and federal mandates, often unfunded, within the classroom and learning environment.

Adding yet another limit on the ability of our school districts to meet the educational needs of their children is shortsighted. Doing so runs the risk of creating a "perfect storm" of multiple caps and lids, with varying levels of negative consequences for school districts across Nebraska. The NSEA, on behalf of our 28,000 members across the state, asks you to indefinitely postpone this resolution. Thank you.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**\*NOLAN BEYER:** Dear Chairwoman Linehan, and members of the Revenue Committee: My name is Nolan (N-O-L-A-N) Beyer (B-E-Y-E-R). I am the Executive Director of External Affairs testifying on behalf of Millard Public Schools. I am here today in opposition to Legislative Resolution 22CA. LR22CA would amend the Constitution of the State of Nebraska to cap the real property tax revenue of political subdivisions at 3% of the amount raised in the prior fiscal year, absent an election where more than 3% is approved by a majority of legal voters of the subdivision (with some limited exceptions). First and foremost, we oppose LR22CA because it limits local control. As political subdivisions, schools have locally elected boards that set taxes on real property within limits already existing in state statutes. If the voters of a school believe their taxes are too high, they currently have the ability to vote on board representatives to support their point of view. Imposing a new and artificial cap of 3% subverts that process by instead requiring additional time consuming and expensive additional elections. We respectfully submit that locally elected boards should be permitted to do what is in the best interests of their school and their taxpayers. Second, LR22CA is unnecessary in that there are several caps already in place. Multiple spending caps already exist for Nebraska schools and real property taxes are generally capped at \$1.05 (with some exceptions for items such as bond repayments). Third, we submit that the Constitution of the State of Nebraska is the wrong place for any such proposed limitation. The Constitution is more difficult to amend as needs change. For example, while we currently live in a time of relatively low inflation, how would political subdivisions be able to adjust if inflation increases significantly? It would take too long and be too cumbersome to amend the constitution again in high inflationary times. Fourth, this would arguably impose a significant expense on the State of Nebraska to continue to support political subdivisions such as schools. As property tax revenues are artificially limited to 3% and as needs of schools increase, the State may either choose to underfund schools (thereby negatively impacting quality of education for kids) or the state will be forced to find new revenue sources (e.g. increase income taxes or sales taxes). Finally, LR22CA addresses a perceived problem that we submit is not accurate. Alleged "overspending of schools" is a concern that is often articulated. However, when you look at the facts, that does not appear to be the case. Most recent calculations of per-student expenses available from the Nebraska Department of Education in 2018-19 was \$13,183.54 based on average

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

daily membership (ADM). Ten years prior (in 2008-09), the statewide cost per student was \$10,023.20. When factoring in the fact that spending increases compound upon themselves, that is an average annual increase of 2.8% per year. For more information on per pupil costs, see the Nebraska Department of Education website at: [https://cdn.education.ne.gov/wp-content/uploads/2019/01/1718AFRStatewidePPC\\_8081to1718.pdf](https://cdn.education.ne.gov/wp-content/uploads/2019/01/1718AFRStatewidePPC_8081to1718.pdf). Thank you for your willingness to listen to our concerns. We'd be happy to assist with any discussions going forward on this issue.

**\*MIKE ROGERS:** Dear Chairwoman Linehan and Members of the Revenue Committee, My name is Mike Rogers and I am an attorney with 19 years of experience in Nebraska serving as bond counsel to numerous political subdivisions throughout the State. Thank you for the opportunity to submit written testimony in opposition to LR22CA. My opposition to LR22CA is primarily related to its intended permanence for matters of internal operations and financings in the State and because it will add unnecessary complexity to the manner in which municipalities manage their budgets. Relinquishing control of this aspect of how political subdivisions manage finances leaves fewer tools and less flexibility for the Legislature to determine appropriate action with respect to budget and levy limitations on municipalities in the future. As has been noted by others in testimony before this Committee, LR22CA seems superfluous and unnecessary given existing budget and levy limitations, which can be adjusted by this Legislature. If enacted as an amendment to the Constitution of the State, LR22CA will complicate the securities disclosure clients must provide when offering bonds to the public. In our role as bond counsel, we are commonly charged with assisting clients with preparing the securities offering document (called an "Official Statement") used to offer bonds to the public through the municipal bond markets. Official Statements must describe all of the material information related to a municipality so that the market and rating agencies (if applicable) can make an informed decision regarding the financing. A description of how the additional limitation in LR22CA would impact a municipality, when combined with existing budget and levy limitations, will not be simple or possible in a concise way. Complicated disclosure regarding legal authority for a municipality to manage its finances, and permanent restrictions, can result in higher borrowing costs for municipalities. Further, such a Constitutional legal restriction would not likely be viewed favorably by rating agencies

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

who evaluate all resources available to a municipality when determining a rating. Placing yet another disparate cap on municipalities to permanently limit the levers that can be pulled in financially difficult situations may not only affect ratings on future bond issues, but could negatively affect ratings on outstanding bonds of a municipality. In terms of a technical correction to the resolution, LR22CA does not provide a definition of "bonded indebtedness", which could present an interpretation problem in numerous situations, like when determining whether tax increment financing obligations are "bonded indebtedness" and thus excludable from the 3% limit (which would be critical for any tax increment financing obligation). To expand on that example, some cities issue "Tax Increment Revenue Notes", which could be inadvertently restricted unless "bonded indebtedness" is defined. Because LR22CA includes a definition section, we suggest adding the following clarifying definition, adapted from a recent definition of bonds which appears in Section 77-27,142(5) (on page 2, line 7 of LR22CA): "Bonded indebtedness means any evidence of indebtedness, including, but not limited to, bonds, notes, warrants, debentures, obligations under a loan agreement or a lease-purchase agreement, or any similar instrument or obligation." Please let me know if there are any questions and I will do my best to answer.

**\*GREG ADAMS:** My name is Greg Adams, G-R-E-G A-D-A-M-S. I am the Executive Director of the Nebraska Community College Association representing the governing boards of the five colleges that make up the Association. Nebraska's community colleges by statute or by business and citizen expectation are tasked with providing training for careers requiring technical skills and providing transfer credit courses to move students into the four-year postsecondary world. Additionally, our colleges in each service area of the state are expected to provide customized training to area businesses. We are obligated to be open access we take all students, and to be affordable. Our sources of revenue are tuition, state aid, and property tax. Currently, tuition makes up about 21%, state aid 29%, and property tax about 51% of community college revenue. State aid to community colleges has seen only very modest increases over the last ten years. Hence, our colleges have had to turn to property tax. The 3% cap on property tax proposed in LR22CA would make funding basic college operations and meeting our obligations more difficult. Collective bargaining agreements, including health insurance grow each



\*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

year. Property and liability insurance has increased significantly over the last five years. Each year there is preventative maintenance to buildings and each year our colleges invest in purchases and/or maintenance of industry grade classroom equipment for teaching. The reality is that if property tax collections are further restricted by the passage of LR22CA, and state aid to community colleges cannot to some degree make up the difference, then our colleges are put into the position of reducing educational opportunities and/or raising tuition. Our college boards know they cannot pass a bond issue for new construction across their large and diverse service areas. Limiting their access to property tax with a 3% cap only further complicates and creates a barrier.

**\*CAMDYN KAVAN:** Good morning/afternoon, Chairperson Linehan and members of the Revenue Committee. My name is Camdyn Kavan and I'm the policy and outreach coordinator at OpenSky Policy Institute. We are here to testify in opposition to LR22CA because we're concerned about the harmful impact these bills would have on the critical services that local governments provide while undermining the principle of local control. A look at how the measure's cap would interact with the K-12 finance formula helps illustrate one example of the negative impact the measure's cap could have on localities. In Nebraska's school funding formula, a district's resources are determined by its property valuations. When property valuations go up, a school is determined under the TEEOSA formula to have increased resources, decreasing the amount of state aid they will receive. The cap proposed in this measure would create a distortion in that mechanism, and would likely have the effect of limiting spending growth for many school districts well below 3%. Take Millard public schools as an example. Their average spending growth over the past ten years has been 2.1%, so they certainly aren't a high spender. From FY17 to FY18, they had a 12% increase in property tax revenue, which resulted in an 11.2% decrease in state revenue, for a total revenue decrease of 1.5%. If LR22CA or LB408 had been in place, their property tax revenue increase would have been held to 3%, but their increase in valuation still would have triggered an 11.2% decrease in state revenue, resulting in a decrease of 5% in total revenue. This will be true for many school districts, who will take a hit anytime their state aid goes down due to rising valuations, or anytime when state aid is reduced due to revenue constraints. And of course, over time these effects will compound and force schools to go to a vote of the people to override the property

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

tax cap, which is a time-consuming and expensive process, or result in damaging cuts to the programs and services they offer students. This same situation will be true for other political subdivisions, depending on their revenue mix. Community colleges, for example, rely on property taxes, state aid and tuition. So if property taxes are capped at 3% and state aid is flat, they would be forced to raise tuition to even get to 2 or 3% spending growth. At a time when workforce training and development is a top concern, this seems to be a perverse outcome. Some cities might be able to make up for the loss of property tax revenues by increasing local option sales taxes, occupation taxes or fines and fees. While these options may help cities avoid service cuts, they are all regressive measures that would shift the tax load increasingly on to low- and middle-income Nebraskans. However, cities that are already fully utilizing local option sales taxes could find themselves in a situation where their revenue is going to be squeezed, possibly well below 3% growth. Never mind that this cap will make it difficult for local governments to respond to natural disasters such as flooding or tornadoes, or even the need to purchase a new piece of equipment by a smaller political subdivision. At the end of the day, it is the locally elected officials who have a better understanding of their constituent needs and desires than do state legislators who might live hundreds of miles from affected communities. In the end, the issue of property tax revenue growth is just one piece of a much larger puzzle. Failing to consider the larger tax picture when trying to address Nebraska's long-running issues with overreliance on property taxes is likely to create more problems than it solves. Because of this, we ask the committee not to advance LR22CA. Thank you.

**\*JOSEPH KOHOUT:** Good afternoon, Chairwoman Linehan and Members of the Revenue Committee. My name is Joseph D. Kohout and I am the registered lobbyist for the United Cities of Sarpy County and I appear before you today in opposition to LR22CA on behalf of the same. The United Cities of Sarpy County is a coalition of the five municipalities in Sarpy County. The Mayors of some of the fastest growing cities in the State, appreciate your efforts on the issue of property tax reform. While they too, worry about the growing burden of property taxes and what it means for the future of our great State, an additional revenue restriction on municipalities will not solve local property tax issues. Please understand, they do support property tax relief efforts; however must strongly oppose LR22CA. Over the past 20+ years,

\*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

the Legislature has implemented budget lids and levy limits, restricted revenue growth, placed restrictions on municipal occupation taxes and has eliminated state-aid. The provisions of this constitutional amendment, coupled with existing restrictions, will further hinder their ability to generate the revenue necessary to support the cost of providing essential municipal services. The proposed constitutional provision would be devastating in a period of even moderate inflation (anything over 3%). Municipal costs of operations would rise in a period of inflation, yet a City would not be able to increase its property tax revenues to pay for critical services such as police, fire, roads, etc. through an increase of property taxes because "real growth value" would not permit recognition of inflation. The legislation does not account for the very real cost drivers over which cities have limited or no control, including fuel, road maintenance materials, employee health care costs, technology, and wages. The United States has experienced average inflation over 3% 5 times since 2000 (that's 25% of the time in the past 20 years). And it was more frequent over a longer period; average inflation was higher than 3% 43 times since 1914. Ironically, property taxpayers would likely be in a position to pay more in property taxes under such conditions if the same inflationary pressures affected income and revenue generated from owning agricultural and commercial property. Political subdivisions will fall behind with no ability to catch up. Cities are on the front line of the competition to attract and retain job-creating businesses. We work to attract new businesses and provide the public services and infrastructure that businesses and their employees need. Additional revenue restrictions will reduce the ability of cities to provide the infrastructure improvements that have been crucial to closing the deal in many corporate decisions that create jobs for our citizens. In addition, cities are impacted by State economic development incentives that result in lost sales tax revenue. One member of the United Cities alone - La Vista - has forgone \$11.2 million in sales tax revenue since 2014. Revenue limitations are a one-size-fits-all approach based on the faulty assumption that the need for services is steady from year to year. Local revenue needs often spike above or below proposed revenue limits. In times of growth, municipalities have been able to build a fund reserve to protect against economic instability. There will always be events that cannot be predicted which may cause a city the need to raise property taxes to increase revenues more than 3%, and for which voter approval is impractical or impossible. For

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

example, during the pandemic the City of La Vista lost nearly 70% of its hotel occupation tax in FY20. This was a direct hit to the General Fund, a loss of \$414,000 in FY20 and \$129,000 in the first quarter of FY21 and continuing in the second quarter, which will never be replaced. Fortunately, the city had an appropriate reserve level to withstand this direct hit; however, it is still tough given the slow recovery of the travel/conference industry. Municipalities can only rely on their reserves for a period of time, because bond ratings drop as reserve funds are depleted, resulting in increased borrowing costs. The proposed revenue limitations may also result in unintended consequences associated with all jurisdictions maxing out their 3 % each year, even if it isn't necessary. Jurisdictions will want to make sure they maximize their capacity to generate revenue because there will be lean years or emergencies in which they don't want to fall short. The United Cities have tried to be succinct in our opposition given the limitations created by efforts of the Legislature to limit Covid-19 spread. They would welcome the opportunity to review their municipal budgets, processes, and philosophies with you so that you can better understand the extensive efforts put into long-range planning and budget management. They also want to voice their continued willingness to work with the Legislature, the Governor and others to explore options associated with property tax relief. In the meantime, they strongly oppose the advancement of LR22CA.

**\*ANN HUNTER-PIRTLE:** Dear Senator Linehan and members of the Revenue Committee, My name is Ann Hunter-Pirtle, and I am the executive director of Stand For Schools. For the purposes of this testimony, I am also representing the Nebraska Education Collaboration, which includes the Nebraska Council of School Administrators (NCSA), Nebraska Association of School Boards (NASB), Nebraska State Education Association (NSEA), Greater Nebraska Schools Association (GNSA), Schools Taking Action for Children's Education (STANCE), Nebraska Rural Community Schools Association (NRCSA), and Educational Service Units Coordinating Council, (ESUCC). The above organizations oppose LR22CA. The amendment does not address the root cause of high property taxes in Nebraska: decades of underinvestment by the state in public education. Rather than limit the ability of local communities to make up for this underinvestment, we support both a substantial increase in state investment in public education, and a comprehensive study of the TEEOSA formula led by the Commissioner of Education. LR22CA would, however, affect the ability of public schools across Nebraska to

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

provide a quality education to all children. The amendment would cap the growth of property taxes collected each to year to a total of 3% over the previous years total. This, using actual assessed value in a district to calculate the state aid they are to receive through the TEEOSA formula, will cost schools significant amounts of funding. Many equalized school districts lost state aid in recent years because property values increased in their districts. If this amendment had been in place during those times, districts would have had no choice but to make dramatic cuts to programs as they would have been unable to use the increased property values to offset the state aid losses. Levy override elections to make up for those losses could not take place fast enough to recover the losses-even if approved by voters. In this way, LR22CA limits local control. Every day across Nebraska, hundreds of school board members work to ensure that the public schools in our state provide the best education possible while maintaining fiscal responsibility. Often, that means making hard decisions about whether to raise revenue via property taxes, and sometimes that means exceeding the limits set in LR22CA. It is local political subdivisions - school districts, learning communities, and ESUs, among others, that are best able to assess the needs of their constituents and make those choices, not the Legislature. Nebraskans already possess the most effective means of holding local political subdivisions accountable - the ballot box. Already, all public schools have a property tax levy limit of \$1.05 per \$1,000 of valuation, and the Legislature sets our ability to grow districts' budgets with the annual growth percentage set in statute. These limits have worked in controlling resources as spending per pupil has increased at an average of 2.8% per year the last ten years-less than spending on state government over the same period. In short, schools don't have a spending problem; the state has a funding problem. In smaller districts, even one or two high-need special education students moving to a district could increase property tax asking beyond 3%. If the district is non-equalized, they would have no other means to raise the funds. In its effort to create a revenue growth ceiling, LR22CA will instead create a floor, incenting political subdivisions to increase property taxes at or near 3% annually. Schools face a variety of possible circumstances where their costs may unexpectedly increase year-over-year, whether that be an increase in special education costs, facilities costs, etc. Should LR22CA pass, the most prudent action a school district could take to would be to continually increase their tax asking. Finally, we oppose LR22CA because specific

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

policy language does not belong in the Nebraska Constitution. Passage of an amendment in this form as opposed to in statute would create additional rigidity should future lawmakers decide that a different growth rate than 3% is more appropriate. Enshrining this language in the Constitution would mean that future lawmakers could not react to economic climates where costs rise more than 3% annually-as occurred in 2019 with significant flooding and in 2020 and 2021 with the COVID-19 pandemic. Future years will bring their own uncertainties, and future legislatures need to be able to respond appropriately. For these reasons, we urge you not to advance LR22CA. Thank you for your consideration.

**\*TIM GAY:** Dear Chairperson Linehan and Members of the Revenue Committee, On behalf of Commissioner Don Kelly, Chair of the Sarpy Board of Commissioners, and the entire Sarpy County Board, I submit the following letter as testimony in opposition to LR22CA (Linehan) and ask that this position and testimony be recorded and reflected on the committee statement for the bill. While the Sarpy County Board certainly appreciates the bill's focus on property tax relief, the Board cannot and does not support the method used to achieve this goal. Sarpy County is Nebraska's fastest growing county, growth that has brought hundreds of jobs and millions of dollars in investment to the State of Nebraska from companies like Yahoo, Fidelity, Travelers, OxBow, Facebook, and Amazon, to name a few. The county, and indeed the state, does not experience this economic growth without growing pains, however. Sarpy County and other local governments in the area must provide more services such as law enforcement, infrastructure construction, and judicial costs to accommodate this growth. In addition to these rising costs, Sarpy County also faces the expense of underfunded and unfunded mandates that the State of Nebraska passes onto Sarpy County and other local governments: \$8 million in 2018 alone, which does not even include the additional jail costs we've experienced as a result of the significantly flawed LB605. What's more, Sarpy County has spent over \$2 million dollars since 2017 without any state support to help with the sewer infrastructure in place in south Sarpy County; despite the fact that the State of Nebraska stands to gain \$45 million annually from Sarpy County and Sarpy Cities' development of a wastewater system in the southern part of our county. LR22CA severely limits Sarpy County's ability to respond to the needs and challenges of the people in the county without cutting services. The impact of unfunded-underfunded mandates

\*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

on counties like Sarpy County on top of the limits proposed in LR22CA are magnified and unsustainable for the county's budget, placing boards like ours in the untenable position of eliminating services, employees, or both. We stand ready to partner with Senator Linehan and the Legislature on addressing unfunded mandates, which as previously noted, are a major driver of property tax dollars in counties today. Again, we certainly understand the intent of LR22CA and appreciate Senator Linehan's unwavering focus on property tax relief. However, the limits imposed by LR22CA are unworkable and unsustainable for counties with growing population (and needs) like Sarpy County. For these reasons, we respectfully ask the Revenue Committee to indefinitely postpone LR22CA.

**LINDSTROM:** We'll now move to neutral testifiers. Seeing none, we would invite Chairwoman Linehan to close on LR22CA.

**LINEHAN:** I promise this will be really short so we can go have lunch and come back. I want to say something. Ever since I moved back to Nebraska in 2012, I have felt like I'm watching a car wreck. We really, really have a serious problem here. There are people who won't move here because of our tax structure. There are people who are leaving because of our tax structure. And it's, it's slow, so maybe I can see it in my district because many people in my district, Elkhorn, move here from someplace else. And when they buy a house, nobody tells them what the property tax is going to be. And then their car taxes, which Senator Hilkemann addressed in a different committee yesterday. And I think last year, maybe again this year, Senator Vargas has one on cell phones. Young people who we're trying to recruit through Blueprint and the University, they get on the Internet. I know, because I have four of them in the age group where we're looking for, and they look at taxes. And when you can buy a house, the idea that real estate homes are cheap in Nebraska. No, not when you add in the property taxes. You can buy a house everywhere except in the northeast and Illinois and pay much less in taxes than we're paying. We know what the ag situation is, so, anyway. As far as state aid to local communities, we have the Property Tax Credit Fund, \$275 million. We have LB1107, which to my recollection is over \$500 million. We have TEEOSA, which is \$1.1 billion. And we have the homestead exemption that's now over \$100 million. That's a lot of money, folks, where we're picking up the tab with no control. And a lot of these people spoke today to the fact that we have to do something of our sales, income and property taxes. I agree, we need to address all those. But

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

to think we're going to address all that and not worry about the spending, it won't work. So there's four components to this, big picture. And part of it's got to be spending. Three percent, and we'll see it this afternoon on the fiscal note for Senator Briese's bill, 3 percent plus real growth is actually 3.98 percent. That's 4 percent growth with state average, some places, Elkhorn would be a lot higher, Millard would be a lot higher. We have to-- like the state does it every year. First year I was here, we had to cut. I still get letters about how we had cut. We cut because we didn't have any money, not because we're heartless. Anyway. OK, thank you all for putting up with this hearing.

**LINDSTROM:** Thank you.

**LINEHAN:** Thank you, Governor, for being here.

**FLOOD:** I have a question.

**LINDSTROM:** Senator Flood.

**LINEHAN:** Yes, sir.

**FLOOD:** Can you hand this to Senator Linehan? I was surprised today that the community colleges didn't come in and answer any questions about this. I was surprised that we did-- we have over 50 education K-12 lobbyists in this building and we didn't have one of them here today that's in that business every day. And one of the things that I looked forward to about this discussion was, was asking, because I think there's some people that don't think there's a problem. And what I just handed you on page 3 are the community college taxing rates. Would you please get one to the Governor as well-- are the community college estimated total property tax revenue requests going back to 2008. And if you look, Central Community College has and 19.36 percent increase in 2009-2010, 23 percent in 2011, 10.86 percent in '11-12, 8.53 percent in '12-13, 9.8 percent in '13-14 and 18 percent in '14-15. I used a yellow highlighter on everything that was under 10 but above 5, and I used a green highlighter on everything that was over 15. Senator Linehan, when you look at numbers like this and you, and you see this happening during the time we saw huge valuation increase in rural farmland, these are the types of offenders you're looking at, right?



\*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

**LINEHAN:** Right.

**FLOOD:** And I shouldn't say offenders.

**LINEHAN:** Well, they took advantage of a situation.

**FLOOD:** And I, I guess I wanted to have a conversation today with the community college system. And what people will say to me in my district is it's only 10 cents. Well, the reality is that 10 cents generated over 15 million more dollars from 2009 to 2019. And that money came from somewhere. And it's in the counties that I, one of which-- two of which I represent. And I think it's important that people see this conversation. And unfortunately, we didn't get to have it today because in a world in a building full of lobbyists that represent interests like this, they didn't come sit down and have a conversation about it. Instead, we got Lynn Rex, who I think did a very good job, and a very capable, sharp gentleman from Lancaster County that I think is watching the money pretty closely. Are you disappointed?

**LINEHAN:** Yes. I'm disappointed in the cherry-picking of who comes to testify. We saw this, for those that weren't here last year, we saw this frequently last year. We'd pick a city, pick a county, pick a school district, pick a community college. They'd have one come in and they talk about their budget, but they never talked about the global picture. I mean, if taxes-- one of the sheets we handed out, the Governor handed out a new sheet this morning, I left it over there. But when your valuations go up this much and your levies only drop this much, something is going-- it's not fair. People don't have the-- it's not because people are greedy or they don't care. They can't afford it. We're outspending people's wage increases, we're outspending producers' incomes. They can't, you can't spend more money than the people that have.

**FLOOD:** People don't have it.

**LINEHAN:** Right, they don't have it.

**LINDSTROM:** Senator Pahls.

**PAHLS:** Thank you, Vice Chair. What I'm curious, I didn't go through all the letters, but I did see letters from some educators. I was disappointed there were not some here. That's my bailiwick. But also,

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

did I see anything from, like, the city of Omaha? Did anybody see the letters? Is that, is that not typical for, like, Jack to be here to discuss this? I'm just curious.

**LINEHAN:** Maybe it's because the Governor is here, I don't know.

**PAHLS:** Well, hey, I've been sitting here the whole time.

**LINEHAN:** Let's see this afternoon when the Governor is not present now, bet he shows up. One of the things on the schools that-- we can talk about this in exec committee, but the schools' story is a little off-kilter globally because you have such a difference. You obviously have some schools whose spending is going down because they're losing students. I mean, a lot of students, especially over the last 10 years. If you want to go back to the 80s, what happened with the farm crisis. So you have schools that are going down, but we have other large districts that are going up a lot more than 3 percent. It's trying to bring some balance. And I with others here, I've been to a lot of the schools and there's something not quite fair about the fact you walk into, I don't know, we go to Senator Briese's district and you walk into schools with, you know, they're sharing a football field. They don't have a swimming pool, they don't have golf, they don't have foreign languages, they don't have advanced placement classes. And then you go to another school district where we live and they have all that and a lot more.

**PAHLS:** But they pay for it, they do pay for it.

**LINEHAN:** Well, but the state pays for it, too. And those schools with those kinds of assets, the state's picking up a huge percentage of their bill.

**LINDSTROM:** Any other questions from the committee? Senator Bostar?

**BOSTAR:** Thank you, Vice Chair Lindstrom. And thank you, Chair Linehan. You mentioned in your closing that part of this is in order to attract younger people to Nebraska. Where would you say that lower taxes ranks from, from, from your, you know, your perspective, ranks within the motivations of young people regarding where they move?

**LINEHAN:** She'll be mad I put this on the record, but I have a daughter who's a nurse in Virginia, northern Virginia, just outside Arlington, actually. Her fiance is a COVID emergency room nurse. They can buy a

\*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

house there, if you're in northern Virginia two or three times what it would cost here, but their house payment would be about the same. So her fiance who grew up in Virginia looks at that and says, well, here we're building equity, there we're paying taxes. And I'd really like her to move back to Nebraska. I have another child who sold a home in Nebraska and moved to a much smaller home because he wasn't going to pay \$1,000 a month in property taxes, they can't afford it. And I, I can't be unique.

**BOSTAR:** Thank you.

**LINEHAN:** You're welcome.

**LINDSTROM:** Thank you. Any other questions? Seeing none, we did have letters for the record. There are 17 proponents, 8 opponents and 1 neutral letters for the record. And with that, we will close the hearing on LR22CA.

**LINEHAN:** Thank you.

**LINEHAN:** I need-- who's not here? Bostar and Albrecht and Briese, OK. Yes. OK, well I'll start because they'll get here. Welcome to the Revenue Committee public hearing. My name is Lou Ann Linehan. I'm from Elkhorn, representing Legislative District 39. I serve as the Chair of this committee. For the safety of our committee members, staff, pages, and public, we ask those attending our hearing to abide by the following procedures. Due to social-distancing requirements, seating in the hearing room is limited. We ask that you only enter the hearing room when it is necessary for you to attend the bill hearing in progress. The bills will be taken up in the order posted outside the hearing room. The list will be updated after each hearing to identify which bill is currently being heard. The committee will pause between each bill to allow time for the public to move in and out of the hearing room. We request that everyone utilize the identified entrance and exit doors to the hearing room. We request that you wear a face covering while in the hearing room. Testifiers may remove their face covering during testimony to assist committee members and transcribers in clearly hearing and understanding their testimony. Pages will sanitize the front table and chair between testifiers. So I've noticed and I think-- I wasn't up here this morning, but when I was in Education earlier, with the glass-- if you leave your mask on and the glass, it's hard to hear, so-- public hearings for which attendance

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

reaches seating capacity or near capacity, the entrance door will be monitored by the Sergeant at Arms who allow people to enter the hearing room based on seating availability. Persons waiting to enter the hearing room are asked to observe social distancing and wear a face covering while waiting in the hallway or outside the building. The Legislature does not have the ability, due to HVAC project, of an overflow hearing room for hearings which attract several testifiers and observers. For hearings with a large attendance, we request only testifiers to enter the hearing room. We ask that you please limit or-- limit your handouts. 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. To better facilitate today's proceeding, I ask that you abide by the following procedures. Please turn off your cell phones. The order of testimony is introducer, proponents, opponents, neutral, and closing remarks. If you will be testifying, please complete the green form and hand it to the page when you come up to testify. If you have written materials that you would like distributed to the committee, please hand them to the page to distribute. We need 12 copies for all committee members and staff. If you have additional copies, please-- if you need, excuse me-- if you need additional copies, please ask the page to make copies for you now. When you begin to testify, please stay-- state and spell your name for the record. Please be concise. It is my request that you limit your testimony-- I don't think we're going to have that many-- I'm going to go to five. So you have four minutes on green, one minute on yellow, and wrap up at red. If there are a lot of people, people wishing to testify, I will use the three-minute-- I've just thrown that out. Your remarks-- if your remarks are reflected in 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 in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. I would like to introduce my committee staff. To my immediate right is committee counsel Mary Jane Egr Edson. To my immediate left is analyst Kay Bergquist. And to my far left, at the end of the table, is committee clerk Grant Latimer. The committee members will now introduce themselves.

**PAHLS:** Rich Pahls, representing southwest Omaha.

**BOSTAR:** Eliot Bostar, District 29, south-central Lincoln.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

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

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

**FLOOD:** Mike Flood, District 19.

**LINEHAN:** And I have not heard that Senator Albrecht is not going to be  
here. She may be introducing another bill. I'd also like to introduce  
our pages, if they could stand up, please? Reid, would you raise your  
hand? Reid Preston is-- who's at UNL and Jason Wendling, also a  
student from UNL. Thank you. Please remember that senators may come  
and go during that hearing as they may have bills to introduce in  
other committees, which I think is the case for Senator Flood this  
afternoon. Refrain from applause or other indications of support or  
opposition. I would also like to remind our committee members to speak  
directly into the microphones for our audience. The microphones in the  
room are not for amplification, but for recording purposes only. Last,  
we are an electronics-equipped committee. Information is provided  
electronically as well as in paper form. Therefore, you may see  
committee members referencing the information on their electronic  
devices. Be assured that your presence here today and your testimony  
are important to us and critical to our state government. So with  
that, we will open an LB408. Senator Briese.

**BRIESE:** Thank you, Chairman Linehan, and good afternoon, members of  
the Revenue Committee. I'm Tom Briese, T-o-m B-r-i-e-s-e, and I'm here  
today to introduce LB408, which is essentially the statutory version  
of what we talked about this morning. And one recurring theme we heard  
about this morning was anger and frustration over property taxes. And  
from my experience, out across my district and out across the state, I  
would echo that belief that there is a lot of anger and frustration  
about that. And if you don't believe me, I'd, I'd invite you to join  
me on a trip out to rural Nebraska and talk to farmers and ranchers  
who are saddled with the third-highest ag land property taxes in the  
country. Then stop in some of those local communities and talk to Main  
Street businesses. And they're-- a lot of them are going to tell you  
that our unreasonable, unsustainable overreliance on property taxes to  
fund local government is choking off economic growth in many of our  
rural communities. Then go to the city. Talk to young couples whose  
house payment is comprised 30 to 40 percent by property taxes and then  
find some young couples-- I think somebody referred to them this

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

morning-- that were essentially forced out of the housing market because of the fourth-highest residential property taxes in the country. And then go talk to economic development people or corporate headhunters who are trying to attract residents to our state and ask them what happens when you try to recruit somebody to come to Nebraska and they find out that their house payment, on average, is going to be \$100 a month higher than it would be in surrounding states. According to Revenue Department data, we collect roughly 44 percent more in property taxes than we do corporate and individual income tax-- I think you asked about that earlier, Senator Bostar-- and according to those numbers, roughly 98 percent more in property taxes than we do in state, local, and motor vehicle sales taxes. And so it's no wonder that people are angry about property taxes in Nebraska and it's no wonder that we have what I would characterize as a crisis. So what are we going to do about it? There is-- you know, this morning we talked about a lot of approaches and Senator Pahls, you mentioned a lot of different ideas. And I think Senator Friesen-- several of us talked about different, different approaches. And this needs to be an all-of-the-above approach, in my view, and one of the necessary approaches is to limit the growth of tax askings. You know, and why is that necessary? Well, as we talked earlier, last ten years, inflation has run about 1.75 percent. Property tax askings have averaged about-- an increase of about 4.46 percent. So the increase in tax askings has been roughly 250 percent higher than the increase in inflation and that's not sustainable. And I don't think it's too much to ask of our local governing units to limit their property tax increases-- their asking to 3 percent. Now we heard various concerns this morning about some of this. You know, one, one of the concerns was placing this in the constitution. I, I support the constitution, the approach that Senator Linehan has putting this in the constitution. It creates a, a more permanent solution or partial solution, however you want to characterize it, but I support the permanency of it and I also support letting the voters decide. You know, Nebraskans know what they want. I always tell people Nebraskans are smarter than we are. You know, they're always right and I, I trust them to do the right thing on this. I trust-- I'd like to place this in their hands. But because of the concerns over the permanency and the need to make some allowances, we have here the statutory version of what we talked about. The statutory version would allow us to make some of those adjustments for inflationary pressures, you know, if we get runaway inflation here someday. Well, do we want 3 percent buried in our constitution? We'd

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

have to do something about it. A statutory version allows us-- would allow us to maybe adjust for some of those ups and downs that we talked about with one testifier, their, their budgeting and their tax askings. He pointed out how they vary so much from year to year. I think Senator Flood mentioned that, if I remember correctly, maybe some fire and safety concerns or something like that-- need to have the ability to accommodate some of those overriding concerns. A statutory version would allow us to accommodate those concerns down the road or possibly we could amend this thing up front to take, take care of some of those issues. And we, we received numerous letters and information here and some of the letters were from school districts and expressed concern, I believe, about a, a growing school district, a, a growing local subdivision. Well, what do they do? Well, this, this makes except-- you know, first of all, you have the safety valve, an override election, but you also, also accept your actual growth. So if you have a growing district, have new construction, new renovation, you know, that's a problem that kind of takes care of itself. And someone asked about a, a decrease or leveling off of state aid. Well, I've always maintained that the state does not adequately fund K-12 education in Nebraska, just look at the numbers, look at the data, and we need to do more at the state level. And you can make the same argument about the other political subdivisions. And I would maintain that if schools or others can't do their job with a 3 percent property tax asking cap, it's most likely because the state's not keeping up its end of the bargain. And I believe that this mechanism will put pressure on the state to fulfill its obligation to fund local government and, and in-- particularly local education. And then some in the education community, they have written to us about the modest increases in education spending over the years. And if you look at the data, you know, I've got a spreadsheet here that, yeah, the ed-- the increases have been, in the aggregate, fairly reasonable, you know, depending on the numbers, depending on the year up or twos, maybe crowding 3 percent, and those are reasonable amount in education spending. But then if you look closely, you see the outliers. You've got the 6 percent, you've got the 8 percent, you got the 10 percent and I wonder what's going on and, and so does the public. And then I look at U.S. Census Bureau data that tells us that our per-pupil spending in Nebraska is over \$2,000 higher per student than it is in the average of five of the six surrounding states. And that was a couple of years ago, it might be slightly less than that now, but it's crowding \$2,000. And I ask myself what's going on here and so does the

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

public, you know? And, you know, we're not here today to attack school spending and-- but those are legitimate concerns and, and concerns that the public has. So again, I, I would suggest that the issue requires a multipronged approach. And I think trying to limit property tax asking gross-- growth needs to be, be one of those prongs. And I think it's incumbent upon us to do what we can to address this issue and I would encourage any opposition or fellow members of the committee to inquire of any opposition, you know, are there, are there tweaks here that can make this more palatable? Are there some changes we need to make here? Otherwise, again, I'm supportive of the constitutional amendment, but if there's a path forward for any of this, we need to seek out that path. Thank you.

**LINEHAN:** Thank you, Senator Briese. Are there questions from the committee? OK, you will be here to close?

**BRIESE:** Yes.

**LINEHAN:** So now we will go to proponents. Are there proponents?

**BUD SYNHORST:** Good afternoon, Senator Linehan and members of the Revenue Committee. I'm back. I will-- I'll spare you the volleyball analogy with the submitted testimony that I gave earlier, but one of the things that I just wanted to mention and-- oh, I'm sorry. Bud Synhorst, B-u-d S-y-n-h-o-r-s-t, president and CEO of Lincoln Independent Business Association. One of the things I think that's important in both LR22CA and for LB408 is, is the asking. And, and it's interesting because while Senator Briese pointed out there were some districts that maybe are at a half a percent or 2 percent of spending and, and those increases, but the asking is what changes. And the asking, the reason it changes is because of valuations and I know that's one of the things that we don't have a lot of control over, right? But we, we hear a lot from our elected officials about we didn't raise the tax rate. Well, that's great. People's property taxes went up 25, 30 percent, right? And that's because the valuation went up and I think by the asking, what we're doing is giving them a way that they have to stay within their means. Local businesses do it. Small businesses that have been forced to close under no circumstance of their own for a period of time during a pandemic of no fault of their own have been forced to do that. It's time for our local political subdivisions to, to do that. As we've looked through the local budgets over the last year and a half since I joined LIBA, one



\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

of the things that I find interesting is the war chests that are being built up by these local, local political subdivisions. And it's because they're taking that additional valuation increase that I would call a windfall and they're using it and they're padding their budgets and they're saying, well, it's our money. Well, I think it's time that the local subdivisions learn that it's the taxpayers' money and the taxpayers are the ones funding this. So I, I think that's something interesting to look at. I appreciated Senator Flood's comments at the end, after the opponents, with his charts. I wish I could have been here and seen those charts. So thank you very much. I appreciate your time.

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

**PAHLS:** Yeah, thank you. I have a question-- is-- after I perused your notes. The county assessors, they determine, through a formula, how to assess, am I correct?

**BUD SYNHORST:** Statutorily, that's what they're supposed to do, yes.

**PAHLS:** OK. It's not in the constitution, it's by statute?

**BUD SYNHORST:** Yes.

**PAHLS:** OK, then we probably-- I know we've done some checking on that, but maybe that needs to be lowered all over again.

**BUD SYNHORST:** Potentially. I mean, I, I, I just know from Lancaster County, I sat in a committee meeting with, with one of our committees recently and we had someone who bought a house six months ago and paid about 20 percent over what the assessed value was when they purchased the house six months ago. Their valuation from the county assessor came in because they just posted them, I think, last week or ten days ago here in Lancaster County; 25 percent over what that person just bought the house for.

**PAHLS:** So--

**BUD SYNHORST:** I don't understand. If you're going to use comparable sales and the sale happened within six months, how are you going to raise that? So I think there might be some issues there too, Senator.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**PAHLS:** Well-- so you're telling me the county assessor has a lot of  
power?

**BUD SYNHORST:** I would argue they do.

**PAHLS:** OK, then maybe-- I know we've, in the past, taken a look at  
what the level should be, like, the farm-- farmland, but maybe we  
should even investigate that a little bit more.

**BUD SYNHORST:** I wouldn't be opposed. If you introduced that, I'll be  
here to testify for you.

**PAHLS:** Well, good. I'm looking for people to support-- I just think  
that sometimes there's something in the-- here that's causing this to  
happen.

**BUD SYNHORST:** Well, and I think it's the, the devil are in the  
details, right? So for a political subdivision, and I'm not going to  
pick any one in particular, but they say, well, our tax rate has  
remained the same for ten years. Well, look at what property values  
have done over ten years. So while that rate stays here, oh, my, my  
property taxes-- there was somebody in here testified earlier that  
their property valuation went up six figures. Well, those political  
subdivisions are still collecting that same percentage of that, that  
higher-- so they're collecting that much more in property taxes.

**PAHLS:** Right.

**BUD SYNHORST:** And that's why when Senator Linehan says her  
children's-- one of her children sold their house to a smaller house.  
That's why in my family, we're not buying a bigger house. Our kids are  
getting older. I'm not going to buy a bigger house because I like my  
money and I don't like to give it to political subdivisions.

**PAHLS:** Or you need to move to a county that the assessor is more  
friendly--

**BUD SYNHORST:** That, that--

**PAHLS:** --because I can, I can remember--

**BUD SYNHORST:** --that is an option as well, but we kind of like our  
schools and we kind of like our neighborhood.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**PAHLS:** OK. The reason why-- because I can remember what-- the last time I was here, the Sarpy County senators we're always uptight with the Douglas County because Douglas County, the value-- it was much-- Sarpy was much greater, so that's why I'm just-- to me, it's the power. We need to take a look at that also.

**BUD SYNHORST:** There's a lot of power there and I think-- don't quote me on this, but I think the statute says that it's supposed to be about three years of comparable sales. And generally what we've seen in Lancaster County is about six months of comparable sales. Well, when you take three years of comparable sales to assess the value of a house, you kind of go through some of the ups and downs in markets, right? When you use six months-- it's ironic to me that during a pandemic, house sales went like this. My realtor friends can't find enough people to, to, to list houses right now. So yeah, there is a valuation problem, but I think-- I don't hear political subdivisions up here saying, you know what? Property values in Lancaster County went up 35 percent as a whole. And that's a made up number, but no matter what that percentage is, I don't see political subdivisions saying, well, since that's the case, we only need this much more. They're taking what's there out of their levy because it's their money. That's their argument.

**PAHLS:** Thank you.

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

**BUD SYNHORST:** Thank you all very much.

**LINEHAN:** Oh, I have one.

**BUD SYNHORST:** Oh, yes, Senator Linehan.

**LINEHAN:** So because I was-- I got almost everybody's name this morning, but the gentleman, I think he said he was from Lincoln, the real estate developer-- apartments? You might not have been here.

**BUD SYNHORST:** That might have been after I left, Senator.

**LINEHAN:** OK.

**BUD SYNHORST:** Was it Kent Thompson?

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**PAHLS:** Yes.

**BUD SYNHORST:** OK, yes.

**LINEHAN:** So--

**BUD SYNHORST:** I thought I saw Kent in the building.

**LINEHAN:** --so he's-- I also talked to a person in Omaha who does a lot of commercial real estate and he said it's a situation where he will not buy anymore. He won't expand apartments in Nebraska because of the tax situation. Have you heard from other people in that business that--

**BUD SYNHORST:** I've heard a lot of people in the commercial property business that are, are members that talk about-- and, and it's a lot of things right now, Senator, because during the pandemic--

**LINEHAN:** Yeah.

**BUD SYNHORST:** --there's a lot of people that have gone to remote work and so those commercial property owners are renting to people who have gone remote. I don't know if you heard, but State Farm moved all 750 employees out at the big 84th and O center are out-- are now working virtually. And so commercial property owners are seeing more and more of that. And their fear is why do I want to get in the commercial property business, number one? But number two, their valuations are doing the same thing that we talked about. And what's the value of a building that nobody wants to rent? I know several people that have commercial property for rent. And, you know, it'll come up in a prop-- someone that goes out and rents properties for people. They'll go to them and say, I have this much square footage. This is the kind of space it is. I need somebody to rent it. And he-- they're, like, get in line. There's, there's tons of people with a lot of space and people are very fearful of what the market is going to do and what's at-- what that's going to cause long term. So that's beyond the property tax because of the pandemic, but it's, it's a very deep concern of our, our folks.

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

**BUD SYNHORST:** Thank you all very much. Have a good day.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**LINEHAN:** You too. Next proponent, after they clean the table. Thank you for being here, sincerely.

**ROBERT J. HALLSTROM:** Chairman Linehan, members of the committee, my name is Robert J. Hallstrom, H-a-l-l-s-t-r-o-m, and I appear before you today as registered lobbyist for the National Federation of Independent Business in support of LB408. I would be remiss-- while, while we're here today supporting the bill, I would be remiss not to mention the fact that small business owners are appreciative of what the Legislature has done to this point. NFIB has been supportive of the creation and expansion of the Property Tax Credit Relief Fund and were supportive of LB1107 last session in putting together the Refundable Income Tax Credit against property taxes. But it's no surprise that small business owner members still think that more needs to be done and the introduction of the constitutional amendment this morning, as well as the statutory change this afternoon, recognize that fact. We, we think that a, a governor, as sorts, that's put on by LB408 in statute would be the most appropriate thing to do at this point. It's certainly a step in the right direction. I noticed from the comments this morning, Senator Pahls was looking to get to the end of the game rather than taking incremental steps, but sometimes if you know what the path is, the journey isn't quite as exciting. So we would like to work with the Legislature in continuing to address the property tax burden issue in Nebraska. I think if we look at what the state has done in recent years in terms of the control of growth of spending, that we found ourselves, probably to the surprise of many, in much better-- our fiscal house was in much better order with the pandemic. And that same type of thing, I think, would be helpful on the local level with regard to the spending and the property tax requirements-- if those types of issues were addressed at the local level. So with that, I'd be happy to address any questions.

**LINEHAN:** Thank you, Mr. Hallstrom. Are there any questions from the committee? Senator Pahls.

**PAHLS:** Thank you. You knew the reason why you put me out here on the end. The-- you're in support of statutory?

**ROBERT J. HALLSTROM:** Yes, Senator. NFIB does not have a position with regard to the-- placing this issue into the constitution. I think there's also probably some apprehension about the, the flexibility that Senator Briese noted in his opening remarks that person---

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

probably is, is something that would be of, of at least modest  
concern.

**PAHLS:** So in other words, you're neutral on it?

**ROBERT J. HALLSTROM:** Yeah, we didn't-- we did not appear this morning.

**PAHLS:** OK, I know you're very involved with the chamber. Do you know  
that what-- where they're standing on this?

**ROBERT J. HALLSTROM:** I, I do not. I, I took part in some of their  
counsels, but I, I do not know. I know they had multiple counsels that  
took up this issue and obviously, I would never intend to speak for  
the chamber. I think, from their process, that they have a board  
meeting that's coming up, much like the bankers do, that I'm, I'm also  
representing late-- later this week, so at least the bankers have not  
taken a position at this point and I would assume the chamber would  
wait until their board meets.

**PAHLS:** Thank you.

**LINEHAN:** Thank you, Senator Pahls. Are there other questions from  
committee? I have one, since you've been a Nebraskan all your life,  
right?

**ROBERT J. HALLSTROM:** Yes.

**LINEHAN:** If this is on the-- if the one that was from this morning is  
on the ballot, do you think it would pass?

**ROBERT J. HALLSTROM:** I would suspect, given the level of interest--  
and I think it was described as anger and frustration and I don't  
remember what the other term was, but I, I would suspect yes. There,  
there are issues that don't make their way through the Legislature  
that do get passed by the voters. We've seen that, that happen. That's  
not good, bad, or indifferent, it just, it just happens. So I, I would  
suspect there's a good chance. The Governor indicated in his State of  
the State Address that-- of the concern that the people would rise up  
and, and look for, for changes that, that may be more than the  
Legislature would do. And I think the Legislature having an ability  
to, to address this issue, you know, may be something, at least from  
our organization's perspective, hopefully we trust the Legislature  
that this is in statute, that they would do the right things as

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

circumstances change and there might be a need for more flexibility  
than perhaps would be in the constitution.

**LINEHAN:** Thank you. Any other questions from the committee? Thank you  
again for being here.

**ROBERT J. HALLSTROM:** Senator, I, I did want to note that if the  
attendance is down today, there was a rumor going around I was going  
to do a dissertation on the Uniform Commercial Code and since there's  
so many members on the Banking Committee that are, that are over here,  
I hope that wasn't the reason, so thank you.

**LINEHAN:** [LAUGHTER] OK, thank you very much. Other proponents? Any  
proponents? Thank you. Good afternoon.

**SARAH CURRY:** Good afternoon. My name is Sarah Curry, S-a-r-a-h  
C-u-r-r-y, and I'm the policy director at the Platte Institute. This  
morning, you heard me talk about LR22CA, which is essentially the same  
proposal, except in constitutional amendment format, which is what  
Senator Briese said. And while we support and recommend that voters  
have a voice in their government whenever possible, we also know that  
Nebraskans want property tax limitations and the benefit to LB408 is  
that it allows this limitation to go into effect immediately-- well,  
upon passage. So if there's support to advance the constitutional  
amendment, I also encourage this committee to advance this legislation  
so Nebraskans can have immediate action on the growing burden of  
property taxes. The constitutional amendment can always come later,  
after the vote occurs, and so this-- putting it into statute helps it  
go into effect and help people quicker. We would, however, recommend  
an amendment, just like I said this morning, to only allow the  
political subdivisions to exceed their limit during a general or a  
primary election. Special elections have less voter turnout and it's  
an increased cost to the sponsoring political subdivision because they  
have to bring all of the resources together to host that special  
election. So if only a general or a primary were allowed, it would  
save the subdivision the cost, the administrative burden, while also  
allowing for a larger participation from the public in the democratic  
process. A benefit to LB408, similar to the constitutional amendment,  
is that the cap does not restrict the total revenue a political  
subdivision can garner and I gave examples of that this morning. And  
while that's beneficial, it can cause unintended consequences where  
the political subdivisions might increase fees or taxes on other

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

revenue streams to offset any lost property tax revenue. So if this is enacted, it would be prudent of this committee or some sort of oversight entity to review all the political subdivisions in the state that experience a total revenue increase of over 3 percent to ensure this offset is not occurring. And I've got the orange light, so I'm going to go ahead and wrap up and say thank you and I'm happy to take any questions.

**LINEHAN:** Thank you, Ms. Curry. Are there questions from the committee? Seeing none, thank you for being here, appreciate it.

**SARAH CURRY:** Thanks.

**LINEHAN:** Are there other proponents? OK, seeing none, are there opponents?

**DENNIS MEYER:** All right. Good afternoon, Senator Linehan and members of the Revenue Committee. My name is Dennis Meyer, D-e-n-n-i-s M-e-y-e-r, and I am the budget fiscal officer for Lancaster County. Just like earlier today with LR22CA, we are in opposition of LB408. We are no doubt-- we're no doubt open for discussions, but I think what we're, what we're trying to do is make a quick and easy fix without looking at the whole process. So as I mentioned earlier today and with my handout again, I was-- I, I loved that graph so much this morning. I went ahead and brought it back again this afternoon because I do want to remind you that not all political subdivisions are taking everything that the valuation is giving them. If you take a look at my graph, that graph will show that there was years that we were taking less, driving levies down. I talked about the different lids and levy limits this morning. The one thing that I, that I forgot to mention: on the year that we had the 12.90 percent increase, that was also right about the time that we had the flooding here, which-- so a lot of that infrastructure money that we included for that budget year was to help offset some of that flooding. I also mentioned that, you know, LB408 would, would do the same thing that the constitutional amendment-- it would force our decision-making to start thinking about taking the full 3 percent plus any allowable growth. And like I mentioned earlier, that real growth averages about 2.15 percent. Property tax will level out, but there's no guarantee that relief will come about. I think the one thing that we need to think about is, you know, the tools that are in the county's toolbox when they're going to, to do their budget. Property tax is our biggest tool. Right now,



\*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

you know, the Legislature will be looking at bills that will possibly change revenue, possibly change expenditures. Our only one tool that we're working with right now is that property tax. So when you think about it, we've also talked about unfunded mandates. Counties pay for courts, probation offices, you know, those are passed down to us to pick up. So those are part of the costs that are out there that, that we're dealing with. We talk about certain fees. Well, for the counties, the certain fees don't have the ability to increase. If you go out and get yourself a handgun permit, it's going to be \$5. You could have got that-- you could have paid that \$5 20 years ago. So what's happening is it's costing more to do that permit. Who's picking that up? It's the property taxpayers. So without the ability to look at other tools, we get very limited. So I, I think the thing that we need to look about is just not at the 3 percent, I think we need to look at the whole process. You know, if, if we're going to really make property tax kind of that big tool that we're using, we get very limited. So we've got to have, we've got to have other tools that come into play. You know, the Senator, when he was introducing, talked about other issues. Infrastructure issues are huge for us, you know? So that 3 percent would pretty much make those infrastructure projects become very slow or almost become nonexistent. So that's maybe an item to think about. Another item in LB408 talks-- defines approved bonds as bonds approved by the, by the voters. There are some bonds out there right now that are not approved by the voters and this terminology just kind of changes every other bill or other statute that's out there that really says, you know, bonded indebtedness as per law. So, so that one kind of concerns us too because there are a few bonds out there that, that are not actually voted on. Why that causes, causes us some issues is because rating agencies could possibly downgrade our rating status, which would then cost us in interest costs that much more down the road. So I think from there, I'll, I'll go ahead and wrap it up and I thank you again for your time and if you've got any other questions, I can try to answer those.

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

**BOSTAR:** Thank you, Chair Linehan, and thank you for your testimony. You mentioned infrastructure and you mentioned the 2019 numbers related to the flooding. If, if, for example, LB408 was law, in statute in 2019, what would that have looked like for, for the-- for example, for the impacts of, of the flooding?

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**DENNIS MEYER:** Right, if-- you know, I don't have exact numbers, but if, if we were talking, if we were talking that 3 percent number right there, you're talking the majority of those roads and bridges that, that we done would have been maybe down to one project or no projects.

**BOSTAR:** And how many projects did you, did you have?

**DENNIS MEYER:** On, on that year-- you know, over the years, because of some of the flooding, we have closed bridges and we still have bridges closed and so I don't know, off the top of my head, exactly how many projects we did that year.

**BOSTAR:** OK, thank you.

**DENNIS MEYER:** Yeah, you bet.

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

**FRIESEN:** Thank you, Senator Linehan. So, so are, are counties-- could you do bonding?

**DENNIS MEYER:** We, we can, but Lancaster County itself has not bonded for-- I've been around for 13-plus years, we have not bonded at all for those.

**FRIESEN:** So with the flood damage that happened, would that have been a time that you could have bonded? And again, I--

**DENNIS MEYER:** Yeah.

**FRIESEN:** --I'm going by the fact that some bonds, maybe the ones approved by the people, would be outside, some not--

**DENNIS MEYER:** Right.

**FRIESEN:** --so is that an issue?

**DENNIS MEYER:** I mean, at that time, at that time, we would have, we would have had to go do a vote of the people to issue those bonds, if that's what we are doing. You know, some, some of those projects too, you also get FEMA involved. And as you can just imagine, those projects that we completed two, three years ago, we still haven't gotten our money back from FEMA yet because of that whole process,

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

so-- but, you know, we've, we've had a bill or two over the last few  
years dealing with some bonding for infrastructure stuff to kind of  
tweak it a little bit, but, yeah, we, we could have went to a vote.

**FRIESEN:** So can the, can the county-- do they have the authority to do  
some bonding for capital improvements like bridges without a vote of  
the people?

**DENNIS MEYER:** Right now, it, it limits it by dollar. It, it kind of  
puts a limit on how much, you know, based on so many cents or I think  
23-120 has, like, a \$2 million number that's in it.

**FRIESEN:** So if you have more than \$2 million of bonding, then you  
can't do any more or--

**DENNIS MEYER:** Yeah and, and the-- you know, the other thing is with  
the constitution, the, the bond indebted-- bonded indebtedness is  
really always within the, the county's levy limit. The constitution  
does not allow for stuff outside of it. All the levy limits in statute  
do, but the constitution does not.

**FRIESEN:** OK, because I, I know that, like, cities have their bonding  
for street improvements, things like that is outside of the lid.

**DENNIS MEYER:** Right and it's-- on the county side, it is, it is a  
little bit tougher.

**FRIESEN:** OK, thank you.

**LINEHAN:** Thank you. Senator Friesen. Are there other questions? I just  
want to make sure I understood something you said. You said your real  
growth is about 2.15 percent?

**DENNIS MEYER:** Yeah, on the average over the last five years, it has  
been.

**LINEHAN:** So would that mean, under this or under the constitutional  
amendment, it would-- you would have 3 percent plus 2.5 percent, so  
you're real lid--

**DENNIS MEYER:** 2.15 percent.

**LINEHAN:** 2.15 per--

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**DENNIS MEYER:** Yeah.

**LINEHAN:** --so your real lid would be-- or your tax-taking lid would be  
5.15 percent.

**DENNIS MEYER:** Right.

**LINEHAN:** So you're saying you couldn't live with 5.15 percent?

**DENNIS MEYER:** I'm not saying that. I'm just saying, you know, with,  
with the way we're going to set this up-- you know, at this point in  
time, we could. But we also then-- you know, when-- that's why I say  
the property tax will level out, but you might not get any property  
tax relief. So if, if in our one year when we dropped to 1.81 percent,  
you forced me to levy at 5.15 percent, it's going to be level year  
from year, but you're not going to see property taxes. So I, I kind of  
want to also make sure that everybody understands it. This doesn't  
automatically mean property tax relief without looking at the whole  
process.

**LINEHAN:** I think the goal here is not-- this is to give stability so  
people know they're not going to get a 20 percent increase in their  
property taxes or a 12 percent or, you know-- and it is, it's very  
complicated, I know, because--

**DENNIS MEYER:** I mean--

**LINEHAN:** --different people-- depend on where you live and your  
valuation and your assessor and how they do it. But I just want to be  
clear here. So this bill would affect Lancaster County. Your lid would  
be 5.15 percent.

**DENNIS MEYER:** Yes, it-- as long as the growth is kind of right there,  
yes.

**LINEHAN:** OK, then there was another question, if I-- I think Senator  
Friesen answered that one. OK, and the other one on courts, probation  
officers, certain fees, handguns, have you ever asked the  
Legislature--

**DENNIS MEYER:** Yes.

**LINEHAN:** --to increase those fees?

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**DENNIS MEYER:** Yes, we have. We brought the marriage licenses a few years ago. It got bumped up. But when my son went and got his marriage license, everybody in Lancaster County helped pick up part of that cost. So because those fees are not allowed, allowed to be increased to really cover those costs, property tax is picking it up. Same with handgun permits and all of that.

**LINEHAN:** I think the committee would like to see a demonstration of what you're talking about, those fees.

**DENNIS MEYER:** OK.

**LINEHAN:** OK, thank you very much. Any-- yes, Senator Bostar.

**BOSTAR:** Thank you, Chair Linehan. You mentioned just recently about-- well, it was in response to a question about bonding. I seem to recall that there was a bill related to bridge bonding recently that came before the Legislature--

**DENNIS MEYER:** Right.

**BOSTAR:** --and so would that, would that-- and it, it's my recollection that bill did not succeed.

**DENNIS MEYER:** Right.

**BOSTAR:** Would that bill have made the situation easier for those kind of infrastructure problems?

**DENNIS MEYER:** It would have gave us, it would have gave us another tool that we, that we don't have. So it-- yeah, it, it would have, it would have.

**BOSTAR:** And that didn't-- that-- I'm correct that that didn't pass?

**DENNIS MEYER:** Correct. I believe it was last year or within the last couple of years.

**BOSTAR:** Thank you.

**LINEHAN:** Thank you, Senator Bostar. Other questions? Seeing none--

**DENNIS MEYER:** All right, thank you.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**LINEHAN:** --thank you for being here.

**DENNIS MEYER:** You bet.

**LINEHAN:** Next opponent.

**GREG ADAMS:** Senator Linehan and members of the committee, my name is Greg Adams, G-r-e-g A-d-a-m-s, executive director of the Nebraska Community College Association. You've already seen some of my testimony because I handed it in in written form this morning on LRCA-- LR22CA, but-- I don't have a lot additional to say to that, but I do want to highlight a little of it. The five colleges-- and even though Metro is not part of the association, I'm going to speak about community colleges in general right now. We are tasked, either by the statutes or our citizens, to provide technical education, transfer education, to move people on to the four-year world, customized job training for employers within our service areas. You know, that's, that's just very broadly speaking. We're open access. We take all students, it doesn't matter, and we are obligated to be as fordable-- as affordable as we can possibly be. We have three sources of income, revenue-- and we've got property taxes, which now make up over half of our revenue stream, and we have state aid and we have tuition. And you've heard from-- other political subdivisions talk about their expenses. Our biggest one, and I hear it all the time from the college presidents, are personnel. Collective bargaining agreements and health insurance drive about 80 percent of our operating budget. In addition to that, of course, we've got property maintenance. When I speak of property maintenance, too, realize that we, we could bond to build, but we can't pass a bond issue across multiple, multiple counties at our community colleges. So we have our capital levy and we use that and certainly a lot of help from private donation. And that varies from college to college, the amount of private donation we get. But aside from building, there is just the property maintenance that we have. We have seen extraordinary increases in the last five years in our property and liability insurance in all of our colleges, double-digit in, in all of them. And all of those things-- and in addition, we're required constantly, every year, to try to budget-- not required, but we, we know that we need to, to purchase equipment and to maintain equipment-- the kind of equipment that we need in a classroom that meets industry standards. There's no use in, in letting things go because we wouldn't be meeting our obligation. To do all of that, we use tuition, we use state aid, we use property taxes. And we

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

feel like, more than anything else, the 3 percent cap-- there are times we could live within that 3 percent cap. It's a flexibility issue, those times when we, when we have real difficulties with that, and I think you've heard that from other political subdivisions as well. And if we have to lower the property tax, then either something in the budget has to be squeezed or tuition has to be raised. Those all become, those all become options. So with that, I'll try to answer questions that you have.

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

**FLOOD:** Thank you, Chairwoman Linehan, Senator Adams. I was frustrated this morning. I didn't realize you were planning to come this afternoon and so I apologize, I should have-- we should have talked, but I sent you this spreadsheet that I handed out this morning, which you have a copy of, is that right?

**GREG ADAMS:** That's right, got a copy of it this morning and thank you for the correction.

**FLOOD:** Yeah and I told you on Saturday I had some questions. I feel like, I feel like Mr. Meyer from Lancaster County, like we stopped him on the side of the highway as a state trooper would do and I can kind of buy his story. I mean, he's trying to make things work. He's-- you know, when you, when you roll it out. And I know that you didn't do this and that you weren't even the head of the Community College Association when this happened, but when there's year-over-year increases of 19 to 23 percent, successive years, for Central Community College-- much less for Mid-Plains, Northeast has got a couple of years in there, 13 to 14 to 16 percent increases. Southeast, pretty much under 10 until they hit 16.37. Western, not so much, but how do you reconcile those types of increases through the last ten years?

**GREG ADAMS:** You know, Senator-- go ahead with your question--

**FLOOD:** No, no [INAUDIBLE]--

**GREG ADAMS:** --I didn't mean to cut you off. I don't, I don't know that I can give you an exact answer because I wasn't in the driver's seat in, in either college. But, but when I got the spreadsheets this morning, I did a scramble to try to come up with some kind of

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

hypothesis as to why this occurred. You know, if, if I look at the years '09-10, 11-- or '10-11, and '11-12, as you and I both remember serving here in the body, we were in a deep recession and-- just, just to, just to pick out those, those years as an example. We were in a recession. Our state aid was flat over those years.

**FLOOD:** Our commodity prices were through the roof.

**GREG ADAMS:** They, they were, but our, our state aid was flat and our enrollment numbers, Senator, went through the roof, which is a good thing. They went through the roof. And when they do, we have to try to accommodate. And under, under current law, we're allowed the 2.5 plus 1 and growth and there was pretty significant FTE growth. That's-- and, and there was building going on at both Central and Northeast. Those-- that would be my explanation for it.

**FLOOD:** When the revenue-- if you look at those same sheets, when the actual revenue that comes in goes from-- let's take Central Community College. Total property tax revenue request for Central Community College, 2008-2009, is \$22 million. Now just about ten years later, they go from \$22 million in property taxes to \$49 million in property taxes.

**GREG ADAMS:** I see that.

**FLOOD:** That is a more than double increase inside ten years for a political subdivision. Is that acceptable?

**GREG ADAMS:** A difficult question, if it was within the law, but obviously it's, it's an awful lot. I, I would also add it doesn't, it, it doesn't remedy it, but under the new leadership at Central Community College, you're looking at budget numbers that are going down every year.

**FLOOD:** Would you say it borders on unconscionable?

**GREG ADAMS:** I don't know if I'd go that far. It was within the law. Excuse me, Senator.

**FLOOD:** Yeah, I get it. I--

**GREG ADAMS:** It bothers me--



\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**FLOOD:** Yeah.

**GREG ADAMS:** --because now I have to be here trying to defend that.

**FLOOD:** Right and I know that you weren't in charge during that time,  
but when you, when you consider this is only 10 cents of a property  
tax bill plus your 2 cents of capital construction authority and the  
total tax bill could be \$2.25 per \$100 of valuation, does it help make  
the point as to why so many people are upset?

**GREG ADAMS:** I think it does, it does. I, I can't argue with that.

**FLOOD:** And I want to make sure, you know-- I'm a fan of the community  
colleges. I, I think, though, what we have here is we have an absolute  
problem. And the car that we've got stopped on the side of the highway  
is the community colleges and we don't have a choice anymore as to  
what to do, to write a ticket or not. I mean, this is willful,  
reckless driving that I think we're seeing here. So thank you, Madam  
Chair.

**LINEHAN:** Thank you, Senator Flood. Are there other questions? Senator  
Adams, one of the things-- you said FTE growth, so that's employees,  
right?

**GREG ADAMS:** No, I'm talking about students.

**LINEHAN:** OK, I'm sorry, but do you have--

**GREG ADAMS:** That's, that's my fault.

**LINEHAN:** --high employee growth too?

**GREG ADAMS:** Some schools more than others.

**LINEHAN:** So-- and this is-- I'm sure you're going to hear this again  
this afternoon and I have some sympathy for it, but huge amounts of  
your expenses are payroll and benefits.

**GREG ADAMS:** About 80 percent typically.

**LINEHAN:** OK, so and I've also heard before-- and I'm taking advantage  
of your knowledge and all that you've done, including being here-- but  
one of the problems is the CIR. But then when I talked to the Court of

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

Industrial Relations, and this was, like, two weeks ago, they couldn't find anywhere where the CIR had ever decided a case. So do you know of any-- have-- when you're negotiate-- when your schools are negotiating, do they feel like they have to do something? Has anybody ever said we'll go to the CIR, going to threaten?

**GREG ADAMS:** That's a valid question. I think that-- I don't know that they feel threatened, but they feel like they have to meet the midpoint of the array. That's, that's inevitably what's going to happen when they get to the CIR, if they get there, and--

**LINEHAN:** Wouldn't you-- I'm sorry. Somebody has got to say no. Like, that's, that's what's going on because the mid-- if you do that, then the midpoint is always going up.

**GREG ADAMS:** Yes, it is.

**LINEHAN:** So somebody has got to be willing to say, no, we're not going to do this anymore. I'm-- that wasn't a question, I'm sorry. But do you agree that maybe we need to figure out if there's a way that we can't just automatically, everything--

**GREG ADAMS:** All, all of my presidents would agree that we ought to do something with our collective bargaining.

**LINEHAN:** But none of them have taken anything to the CIR as of now?

**GREG ADAMS:** Neither side has taken one there. You know, if, if I may, in a former political position when I was the mayor in, in York, we would sit down annually and negotiate with the police union. And I can tell you that we spent a month deciding who was-- what ten cities of comparable size were going to be in the array. Once that was decided, it was fairly easy to come up with the midpoint and decide what benefits and salaries were going to be. Hence, both sides were following direction from the CIR and historical direction from the CIR and we could, we could end it. But that array is going to influence where that midpoint is and what those salaries are going to look like.

**LINEHAN:** So that puts it all on automatic pilot.

**GREG ADAMS:** In some respects, it is.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**LINEHAN:** So you can't-- nobody can run the automatic pilot without getting in trouble, right? And you can't just automatically decide something 12 years ago and never look back and think it might not be a bump in the road.

**GREG ADAMS:** That's right.

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

**PAHLS:** Thank you. I heard you say you attributed some of the issue to le-- not yours, but the leadership of that particular institution. It's changed.

**GREG ADAMS:** It has.

**PAHLS:** Now is that unique to that particular institution? Are they all like that?

**GREG ADAMS:** Changing in leadership, you asking--

**PAHLS:** Well, their attitude-- well, you know, let it go.

**GREG ADAMS:** Well, for instance, there's been a change of leadership at Northeast Community College and it was-- it's a big step in the right direction. The, the president there, President Barrett, is, is reducing administrative staff and trying to bring things more in line with what any of us would like to see and what, what you're talking about here. The other, the other colleges-- you know, every board takes a little different perspective on it. Southeast, Southeast historically has been on the other side of this. I, I, I will tell you that for years, they prided themselves in keeping their levy very low. They wanted to be the lowest, which is a good thing. But to do that, they neglected, they neglected things and now they're playing an extraordinary catch-up game and, and part of that is mandated by the Higher Learning Commission. They've, they've got to catch up on things, but they're doing that-- but they're doing it within the limits that are imposed. So there's, there's both sides to this. I don't know that I'm answering your question, Senator.

**PAHLS:** Well, I think you are. This morning, someone pointed out that the quality of, of the people who are the leaders over the leader, the boards, were not necessarily quality people. I'm assuming-- and I don't-- I'm not-- I'm just picking at-- because I don't know.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**GREG ADAMS:** Yeah. No, that's all right.

**PAHLS:** Let's say Central. What type of individual is on that board?  
Are they farmers, businessmen and women?

**GREG ADAMS:** All of the above. Educators, there's farmers on all the  
boards. I don't know about the Metro board.

**PAHLS:** Right.

**GREG ADAMS:** But there's, there's ag producers on all the boards.  
There's, there's business people on all the boards, male and female.

**PAHLS:** And you'd say quality people?

**GREG ADAMS:** I, I would say they're quality people. Now I don't sit in  
their board meetings and their budget hearings and say they're  
fiscally conservative enough or, or not. I-- that I don't know, but--

**PAHLS:** That to me doesn't make you quality just because you're  
fiscally conservative. It means you're a good person.

**GREG ADAMS:** True.

**PAHLS:** That's all I'm looking for.

**GREG ADAMS:** There, there is that. They're good people.

**PAHLS:** OK and they live in that community?

**GREG ADAMS:** Live in the community or, with the community college, in  
the service area, which you get out to Western and Mid-Plains, they're  
big service areas. They travel 100, 150 miles to get to Scottsbluff  
for a meeting or to Alliance to a meeting.

**PAHLS:** Thank you.

**LINEHAN:** Thank you, Senator Pahls. Other questions from the committee?  
Seeing none, thank you, Senator Adams, for being here. Next opponent.  
Go ahead, I'm sorry.

**ROBERT POST:** Well, I'll have to change-- good afternoon, Chairman  
Linehan and distinguished members. Can you hear me? Do you want me to  
take this off?

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**LINEHAN:** I-- It's-- I'm really fearful that the, the people--

**ROBERT POST:** Right.

**LINEHAN:** --that have to type all this up are not going to be able to.

**ROBERT POST:** I'm fine with that.

**LINEHAN:** OK.

**ROBERT POST:** My name is Robert Post, R-o-b-e-r-t, Post, P-o-s-t. I'm the chairman of the board of Banner County Commissioners, member of the board of directors, national-- Nebraska Association of County Officials, and the Nebraska representative on the board of directors National Association of Counties. Banner County is an example quite different from Lancaster County. My testimony may be different, as our county seat is in Harrisburg, our only village-- in our only village that is unincorporated. This testimony is for my position of opposition to LB408 and LR22CA. It seems a bit confusing to me, as this bill limits our budget growth to 3 percent. Currently, we are at a limit of 2.5 percent and can increase that amount to 3.5 percent by a majority vote of commissioners at our budget hearing. Counties are also restricted to the maximum levy of 45 cents. The public can easily make their wishes known at this meeting and an open discussion can take place when-- where we can easily explain our needs. This bill does allow us to take the increase to an election for the same purpose of engaging the citizens. However, elections are not easy to do, are very expensive, and the cost of the election could just as easily be spent for better purposes. Often these elections cause confusion and mistrust, resulting in a false rejection, rejection of the matter at hand. This was the case years ago when fire districts and ag societies moved out from under the county control of their levies. Out of the confusion, voters thought this was double-dipping and some fire departments and ag societies were left without funding. We really don't need a special election. Every two years, the voters let us know if we did not spend their money properly. We do understand the issue very well. As you know, we are the front line at the protest hearing. We take the questions for all the entities about property tax. Outside that, I far more often hear folks ask me about the money the school and community college spend. We have been elected by the people of our counties to do the job they want, so let us do what we've been elected to do. If valuations fall, we could find ourselves in trouble. If

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

expenses rise more than 3 percent, we will be in trouble. Let's think for a minute. Will fuel prices rise more than 3 percent as we roll back the oil companies? Yes. Will costs go up for road maintenance if the waters of the United States' rules are changed? Yes. Will health insurance continue to climb? Yes. Will labor costs climb? Yes. And let's not forget COVID expenses. Did the county hospital spend more money than usual? Yes. Did county, did county sheriffs' costs go up? Yes. Do we still have unfunded mandates? Yes. We have worked hard in Banner County to have some reserve. We are-- we use our inheritance tax for our reserve and we also use it as our finance arm. When we make a large purchase, we use that fund. We still would not have near enough power to cover the disaster like northeast Nebraska had in 2019. I really don't know how these counties survived. I do know some still have major repairs yet to do and I'm quite sure that these counties have spent their reserves and will have a very difficult time rebuilding these funds. And after the repairs are done, if this passes, we'll be required to go to an election. Well, I need to back up. If this passes, will they be required to go to an election each year to rebuild their reserves? If so, that's a bad plan. Finally, in a rural county like Banner County, every increase in property tax asking substantially goes to ag producers. Footnote, we don't have any business. We have a cafe and a bank. We have nowhere else to shift it. Fundamentally, the three-legged stool, sales, income, and property taxes, should fund education, thus relieving-- relieving the burden on property taxes. Furthermore, the TEEOSA formula favors large school districts because the low-- local effort portion is once again a disadvantage to ag producers. The term asset rich and cash poor enters here. Please fund the schools property [SIC], dismiss this bill, and the property tax issue will be much better. Thanks, Robert Post. Any questions?

**LINEHAN:** Thank you, Mr. Post. Are there any questions from the committee? What-- how, how many schools do you have in Banner County?

**ROBERT POST:** There's just one.

**LINEHAN:** And it is?

**ROBERT POST:** K-12.

**LINEHAN:** Is it Banner County Schools?

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**ROBERT POST:** Yes.

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

**ROBERT POST:** Thank you.

**JOHN SPATZ:** Good afternoon.

**LINEHAN:** Good afternoon.

**JOHN SPATZ:** Senator Linehan and members of the committee, my name is John Spatz, J-o-h-n S-p-a-t-z, but it is pronounced "spots" [PHONETIC], believe it or not. I'm the executive director of the Nebraska Association of School Boards and I'm here on behalf of locally elected school board members to oppose LB408. But first, I really do want to thank Senator Briese for the work he has put in over the years to address our state's overreliance on property taxes. He has participated in a number, in a number of bills and discussions in an effort to address the real concerns that we have about prop-- the property tax burden and I do appreciate the conversations we have had over the years. However, we are here today to oppose LB408 because we think at best, this bill will not solve our overreliance on property taxes and at worst, could increase our overall tax burdens. I'm going to frame our opposition in, in three areas. The first one, as you've heard before, is that local control concept. And this bill chips away at board's-- a local board's ability to manage its budget and do what's in the best interest of the district. School board members are like you. They're elected and they are accountable to their constituents. School boards live in their districts and they pay the property taxes that their levied. They have a strong, vested interest in the success of the district and the community. Communities trust school board members. Also, the current limits-- and you've heard this today too. Schools currently do have budget and spending limits and each year, the Legislature passes new unfunded mandates on schools and creates expectations that these new requirements must fit within the current levy and spending limits. But number three, and probably most importantly, this bill contributes to, to what I call is the broken narrative in the state. And, and we've heard this for, for many, many years, is that if we could just control spending, we could lower property taxes. This has been the state's narrative for many years and this has resulted in a very heavy property tax burden on our taxpayers. So there's two things I want to address, as it relates to

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

that narrative. Number one, how much we're spending, but maybe more importantly, how are we spending the money? And there is a difference. First of all, we look at how much we're spending. We heard this this morning. Since 2011, the average growth in the state's budget has averaged 3.17 percent per year, on average. The average growth collectively for all school spending in the state since 2011 is 3.0 percent. The average growth in the per-pupil spending in schools since 2011 has been 2.11 percent. The total school spending-- this comes directly from NDE's annual statewide financial report from the total annual cost. So if you look at this data, since 2011, on average, collectively, the schools have spent slightly less than the state since 2011. But we think, honestly, a, a more important question is how are we spending the money? And-- well, before we get to that, we all know this, that Nebraska ranks 49th in the nation in state support for public education. You've heard that before. That comes directly from the Census Bureau. But if you look at the other three states around us, number 50 is New Hampshire, number 48 is South Dakota, and number 47 is Texas. If you look at those three states, they all have one thing in common. They do not have income taxes in those three states, but Nebraska does. And you would assume in a state that does not have an income tax, you would rely a little more heavily upon local property taxpayers. But Nebraska, as we know, does have an income tax. But if we look at how schools are spending-- and this comes from the Census Bureau as well. Nebraska is the second highest in the nation in the percentage of resources being invested in the classroom. This is a result of school board members working with their administrators and teachers to prioritize how to best invest taxpayer dollars. This shows that school board members have been good stewards of taxpayer dollars and put money in the classroom where you see the highest rate of return. Prioritizing this way requires a lot of work and collaboration, but our unpaid volunteer school board members are willing to put in the time. And Senator Friesen, you might be interested in this. We did a survey this last summer and we found out that 75 percent of school board members in the state of Nebraska have some relation or dependency on the ag industry. So there are a significant number of farmers and ranchers who are school board members, 75 percent have some dependency on our ag industry. So our farmers and ranchers and others with this vested interest, interest in the ag industry, we want to make-- they want to make sure that we invest wisely. And this is reflective on how school board members prioritize resources in the classroom where there is a higher rate of



\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

return. So in closing, I want to emphasize this bill does not increase investment in schools. This bill does, however, add another barrier for locally elected officials to manage their budgets as they try to make decisions to best support its constituents. For over a century, Nebraskans trusted locally elected leaders to make decisions on behalf of the community. LB408 erodes that tradition and we ask that the Legislature allow locally elected school board members to do the work they're elected to do. And my time is up, so that was pretty good timing.

**LINEHAN:** Thank you, Mr. Spatz. Do we have any questions? Senator Bostar.

**BOSTAR:** Thank you, Chair Linehan. Thank you for your testimony.

**JOHN SPATZ:** Yeah.

**BOSTAR:** You know, we've, we've heard a lot about spending and I think, I think everyone can probably agree that property taxes are too high.

**JOHN SPATZ:** Yep.

**BOSTAR:** So as a representative of the school boards, how do you-- how would you address the property tax problem we're facing?

**JOHN SPATZ:** Yeah, good question. If, if you remember one thing from my testimony, the thing that I want you to remember is that school board members want property tax relief too and there's a variety of things we can do. What we feel is like there's always been this focus on spending, if we could just control spending. And that was part of that narrative that we talked about before. But we've got to look at the long term and I think there's some short-term things we can do and certainly long-term things we can do. And I know Senator Pahls, when you were here before, you, you were looking at exemptions and our overall tax burden and they are things in the short run, but that's not all. The state of Nebraska has, I describe, is a very narrow economic base. We don't have mountains or oceans. We don't have coal. We don't have oil. We lack a lot of the ways to generate resources that other states have. So we have to look at a long-term plan for economic growth. We have to broaden that economic base so we can lower tax rates for everybody. And one of our subsidiary organizations is a technology company and I know last year-- this is prepandemic because

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

of the fall of '19. At the time, I think they said there were 10,000 IT jobs open in the state of Nebraska. If we were to fill all 10,000 IT jobs, that would greatly expand the economic base in the state of Nebraska. It's looking on that other side of the ledger. Obviously, school board-- they're farmers, they're ranchers. They don't want to needlessly spend money. But we have to look at the economic growth in the state and I think there are things that we can do as a state if we can work towards broadening that economic base.

**BOSTAR:** Thank you.

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

**FRIESEN:** Thank you, Chairwoman Linehan. So I've heard this phrase a lot late-- last year, I heard it a lot, starting to hear it again. We're going to grow our way out of this. Lincoln is growing like crazy.

**JOHN SPATZ:** Right.

**FRIESEN:** Have you lowered your taxes enough here that I want to move here? Hasn't happened.

**JOHN SPATZ:** Right.

**FRIESEN:** We don't necessarily grow our way out of things. It costs money to add infrastructure and add roads and bridges and schools. And Elkhorn is growing like crazy. They're not lowering their taxes because they're growing. So when we say we're going to grow our way out of it, how, how-- explain to me how we can do that. I'm, I'm baffled.

**JOHN SPATZ:** I think we can. If you take somebody-- always talk about-- we, we focus on spending a lot at the time and, and obviously, it's important to do that sometime. With certain political subdivisions, maybe all of them to some degree, the correct question isn't how much you're spending, but the correct question should be what is the rate of return? How do we capture that growth dividend? And you do that in your individual lives, too. If you have an investment broker, you're going to say-- if we have some money to invest, you're going to say I want to lower the fees and expenses to this. But at the end of the day, what is the rate of return? And as a state, over the last 20 years, and, and you've heard me talk about this before, the things

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

growing as a percentage of the state budget, as a percentage of the pie, are things like Corrections and Medicaid. The things shrinking as a percentage of the state budget are things like K-12 and higher education. We're not capturing that growth dividend. We're not-- we've got to come up with a strategic way to, to have that growth dividend and capture it and reinvest it back into the system and look at the rate of return. I think there's ways of doing that. I, I, I share your frustration. School board members share your frustration. They're levying the taxes that they ultimately pay and they know there's an overreliance.

**FRIESEN:** Well, you know, school board members, I mean, it's, it's tough being on the school board nowadays because it's for our kids--

**JOHN SPATZ:** Yep.

**FRIESEN:** --and we're just going to throw money at them until we achieve whatever lofty goal we've set--

**JOHN SPATZ:** Um-hum.

**FRIESEN:** --but I don't think we've always measured performance. But again, it's hard for them to say no and I get that. I mean, I've been on other school-- or on different boards too and it's hard to say no, shouldn't do this, shouldn't do that. So I don't, I don't want to blame it on the school board necessarily because I think they're trying to do their best. But again, the way-- it's-- maybe is it leaning kind of the how we fund K-12 in the state, the way it looks like to me. I mean, we're just-- as a state, we're not putting enough money into it yet.

**JOHN SPATZ:** Yep.

**FRIESEN:** And yet we're investing \$1.1 billion in--

**JOHN SPATZ:** Right.

**FRIESEN:** --plus another, I don't know how many, \$500 million in property tax relief and we're still not there.

**JOHN SPATZ:** Right. Well, and I don't have the full list in front of me, but you-- on that list of the, the states that participate least in public education, you have Texas, South Dakota, New Hampshire. They

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

don't have income taxes. But if you go beyond that, you have states like Connecticut and New Jersey and Massachusetts, states in the Northeast that aren't ag states. They're not rural. If you look at their economic base and where they can pull resources in, there's all kinds of ways of doing that. You look in the state of Nebraska, we have, we have a pretty good transportation industry. We have a pretty good insurance industry. We have a budding technology industry. But what do we have in the state of Nebraska to tax? Valuable ag land. It's-- ultimately, that's what we have-- that's what we've done as a state. So the question-- I know, I know we, we, we focus on spending and school board members are willing to have that discussion, but we've got to look at that other side and say, how can we strategically broaden our economic base so that-- so we don't have to depend so heavily on the ag industry?

**FRIESEN:** Earlier a question came up about the CIR and I know--

**JOHN SPATZ:** Yep.

**FRIESEN:** --70 to 80 percent of them is the cost of running the schools, wages--

**JOHN SPATZ:** Yep.

**FRIESEN:** And so-- and yet no one has ever taken cases to the CIR in the last, I don't know how many years.

**JOHN SPATZ:** Yep.

**FRIESEN:** So is the, is the CIR-- and I looked at it and I would love nothing better than to go after it in a way to fix it because I, I think it's broken.

**JOHN SPATZ:** Yeah.

**FRIESEN:** No one wants to even use the system because they don't-- they, they already know what they have to do and they just do it.

**JOHN SPATZ:** That's a good question. And so prior to, I think it was 2011-- I may be wrong on that-- Senator Flood was-- I think he was the Speaker at the time. There was a CIR bill and school organizations, we asked for four things in that bill and we got three of them. Prior to 2011, you saw cases at the CIR pretty frequently. Since then, I

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

don't-- I could be wrong about this. I don't know that there's been one wage and benefit case. But you've got to be careful what you wish for because if you run a business, you realize you're subject to market forces, supply-demand forces, and one of the things that I'm worried about, if we're looking at the cost of schools over the next decade or so, the supply of teachers, the supply of bus drivers, the supply of janitors, the supply of administrators. As that supply goes down, what's going to happen to the cost? The CIR, to a certain extent, has served as a buffer. And if you removed that and we're subject to kind of those supply-demand forces in the market, the number of people applying for jobs has gone down and we see that-- there's other high-demand areas in healthcare. You look at the trades, you look at IT, high-wage, high-demand areas, we see demand going up and that supply going down. So that's a, that's a question we need to look at, but I think more practically for us as representing taxpayers, we see how do we make sure that the supply of teachers and bus drivers is adequate so we don't have to raise costs? And I tell you now with the pandemic-- and teachers have done just a marvelous job stepping up over the last several months, but it's not just the teachers. It's the bus drivers, it's the custodians and, and I appreciate it.

**FRIESEN:** There's a lot of essential workers because if any one segment doesn't do its job, we got a problem.

**JOHN SPATZ:** You're right, yep.

**FRIESEN:** And so I, I, I guess I look at that and to me, the-- I've never looked at the CIR as a buffer for holding them down because it always looks like it's a race to the top, but I guess maybe I'll have to learn more about it.

**JOHN SPATZ:** Be-- that would be good conversation you and I could have at some point. I would enjoy that.

**FRIESEN:** Thank you.

**JOHN SPATZ:** Yep, you bet.

**LINEHAN:** Are there other questions? I'm going to be honest, I'm having a hard time controlling my temper. Last year, we had a bill that increased state funding \$500 million. Did your association support it?

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**JOHN SPATZ:** Which bill was that? The, the tax--

**LINEHAN:** Well, it had several, it had several iterations, but it was \$500 million over three years to more school funding from the state to the schools. It specifically generated a great deal more state revenue to smaller schools, which I would say the majority of your schools are.

**JOHN SPATZ:** Right.

**LINEHAN:** They get no equalization aid.

**JOHN SPATZ:** Right, that's right.

**LINEHAN:** Did you support that bill, any of those bills?

**JOHN SPATZ:** No.

**LINEHAN:** OK. You said that you used the census data on a couple of cases.

**JOHN SPATZ:** Yep.

**LINEHAN:** Do you, do you know what the census data shows what we spend per student compared to our surrounding states?

**JOHN SPATZ:** Yes, that's over here. The last numbers I have were \$12,491.

**LINEHAN:** That's what we spend?

**JOHN SPATZ:** Yep.

**LINEHAN:** What about the rest of the states? What about Iowa?

**JOHN SPATZ:** Iowa-- let me find-- they are \$11,732.

**LINEHAN:** Missouri.

**JOHN SPATZ:** Missouri, \$10,800.

**LINEHAN:** South Dakota.

**JOHN SPATZ:** \$10,073.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**LINEHAN:** Kansas.

**JOHN SPATZ:** Kansas, \$11,600.

**LINEHAN:** Colorado.

**JOHN SPATZ:** Colorado-- give me a second-- \$10,200.

**LINEHAN:** All less than we spend per student.

**JOHN SPATZ:** Right, we are the twenty-one-- or 21st highest in the  
nation at \$12,491.

**LINEHAN:** OK. You said something-- one of our subsidiary organizations.

**JOHN SPATZ:** Yep.

**LINEHAN:** You have subsidiary organizations?

**JOHN SPATZ:** Yes. Yeah, we do.

**LINEHAN:** Who is that, who is--

**JOHN SPATZ:** For us?

**LINEHAN:** Yeah,

**JOHN SPATZ:** It's a--

**LINEHAN:** I'm talking about the Nebraska State Association of School  
Boards.

**JOHN SPATZ:** Yeah, yeah, we have a, a variety. The one I was referring  
to is a C corporation, SPARK Data Solutions. It's a technology  
company.

**LINEHAN:** Did they sell equipment to schools?

**JOHN SPATZ:** Software. It's electronic meetings.

**LINEHAN:** Could you provide the committee a list of your subsidiary  
organizations--

**JOHN SPATZ:** Oh yeah, you bet. I'd be happy to.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**LINEHAN:** --and whether they in fact have business contracts with  
schools?

**JOHN SPATZ:** Yeah, yeah. We'd be happy to do that.

**LINEHAN:** OK. One of the testifiers this morning said that your  
association actually instructed his school board how to build things  
without bonding, is that true?

**JOHN SPATZ:** I doubt it. I don't know what he's referring to.

**LINEHAN:** I think it's probably how to use the-- what levy? The  
building--

**KAY BERGQUIST:** The Special Building Fund.

**LINEHAN:** --the Special Building Fund levy, the 14 cents.

**JOHN SPATZ:** I-- maybe. I--

**LINEHAN:** Could you check because he--

**JOHN SPATZ:** I can certainly check, yeah.

**LINEHAN:** OK, thank you. And finally, I think finally- well no, not  
finally. I have a list from the Fiscal Office--

**JOHN SPATZ:** Um-hum.

**LINEHAN:** --of school spending. And you were right, it's only been up 3  
percent over the last-- I don't know if you said five or ten years.

**JOHN SPATZ:** Since 2011.

**LINEHAN:** OK, but right prior to that, the schools were giving a huge  
amount of ARRA money from the Obama-Biden administration, right--

**JOHN SPATZ:** Yep.

**LINEHAN:** --which increased your funding in three years rather  
significantly, right?

**JOHN SPATZ:** Well, I'd have to look at those numbers. I know there was,  
there was--



\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**LINEHAN:** I can--

**JOHN SPATZ:** --a weird blip on the radar screen because of the AR--

**LINEHAN:** There is a weird blip that you all went back to--

**JOHN SPATZ:** --ARRA money. That's right.

**LINEHAN:** --four-year cliff. OK, finally-- hopefully finally, could you  
provide me a list of the unfunded mandates you're talking about?

**JOHN SPATZ:** Great question. And this has come up before and I've  
tried. And the problem is, if you're not getting any state money, you  
can say math is an unfunded mandate. It's from one district to  
another. It's very difficult to quantify that. I've never seen a hard  
list with a dollar amount of unfunded mandates.

**LINEHAN:** Well, then I would suggest we don't keep talking about them  
if we can't provide a list.

**JOHN SPATZ:** Well, if you're not getting any state funding, everything  
that is-- that a school has to do by state law, you could argue is an  
unfunded mandate.

**LINEHAN:** Do you want to make that argument? That teaching math--

**JOHN SPATZ:** That's not what I'm saying, but I'm just saying it's, it's  
hard--

**LINEHAN:** --math is an unfunded mandate?

**JOHN SPATZ:** It's, it's-- everything-- you know, it depends from  
district to district how much you're getting from the state, whether  
it's--

**LINEHAN:** Is English an unfunded mandate?

**JOHN SPATZ:** Well, if you're not getting state funding.

**LINEHAN:** OK. Let's go to a state-funded school. Tell me what we're  
mandating Lincoln Public Schools to do.

**JOHN SPATZ:** I, I know what you're saying and it's, it is difficult to  
come up with a specific list with a dollar amount, how much it costs.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**LINEHAN:** Just a little list.

**JOHN SPATZ:** OK.

**LINEHAN:** Any list.

**JOHN SPATZ:** We'll get you, we'll get you a list. There is a list of  
the things that have been required over the last, I can't remember,  
30-ish years.

**LINEHAN:** Yes and I've looked at most of them and most of them were  
supported by the public schools of things they wanted to do. And then  
we pass it and then you come back and say it's an unfunded mandate.  
Other questions? Thank you.

**JOHN SPATZ:** Yep, thank you.

**LINEHAN:** Did they think we wouldn't ask you hard questions?

**SPENCER HEAD:** Yeah.

**LINEHAN:** They're wrong.

[LAUGHTER]

**SPENCER HEAD:** Promise to be easy. Chair Linehan, members of the  
Revenue Committee, my name is Spencer Head, S-p-e-n-c-e-r H-e-a-d. I'm  
a member of the Omaha Public Schools Board of Education and the chair  
of our legislative committee. I'm appearing before you today on behalf  
of OPS in opposition to LB408. So LB408 would impose a 3 percent cap  
on our schools and other political subdivisions' property tax requests  
over the previous year. At its heart, this bill is an intrusion on the  
concept of local control. Local school boards elect-- you know,  
elected by the very people whose taxes would be affected by this bill  
should have the right and responsibility to determine how to best  
serve the needs of our students. For worse or better, property tax is  
the most stable and predictable tax source. I know I speak on behalf  
of my colleagues on the OPS Board of Education, as well as those other  
school boards across the state when I say that we are the ones who  
should be determining whether to increase or decrease our property  
taxes and by how much. We already live with levy lids and spending  
caps and this approach could significantly impact the long-term  
implications for, for the Omaha Public Schools and our fellow school

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

districts across the state. LB408 would greatly restrict the district's levy authority and restrict our resources. This bill is the effect of, of freezing property tax valuations at current levels unless the property owner makes an improvement to their property. By way of illustration, in reviewing OPS's property tax requests since 2014, our preliminary calculations suggest that had a 3 percent cap been in place, it would have resulted in a \$55.7 million loss in property tax revenue for the district over that time. You'll see in 2020 alone, the cap on valuation growth would have also effectively reduced the statutory maximum lever-- levy for the district from a \$1.05 to \$1.028. Once that authority is cut, districts would have no way to make up that authority in the years to come. While LB408 focuses on limiting increases in property tax requests, its effects-- it's effectively a cap on the valuation for tax purposes. By introducing the concept of real growth value, you're essentially limiting valuation growth for tax purposes to the state at 3 percent. We're concerned that this will have un-- an unintended impact on the calculation of, of adjusted valuation in the, in the formula. While we have not had the opportunity to thoroughly model these concerns, we believe that restricting the district's levy authority and cutting our resources would shift over time to, to funding school districts to, to TEEOSA. So prior to 2016, when the common levy was repealed, OPS's budget was funded 45 percent by state aid, 55 percent by property taxes, respectively. Those numbers are now reversed. And as we all know, TEEOSA consumes a significant portion of the state budget, which creates further, you know, uncertainty and risk for the schools. This bill has changed-- the bill that changes this year's certification date at TEEOSA was just heard this week in the Education Committee. And we are extremely concerned going forward that the state will not or will struggle to, to fully fund TEEOSA. When Dr. Cheryl Logan, our new superintendent, arrived at OPS, she initiated a deep dive into the district's financials. And as a result of that analysis, our superintendent challenged our leadership team to evaluate each dollar, each and every dollar that we spend at OPS to make sure that it's necessary and integral for the education of our children. We take seriously our responsibility to be good stewards of the taxpayer dollar. Sound financial management and fiscal prudence are essential to our ability to manage both our responsibility to educate students and our duty to our underfunded pension system. Ultimately, LB408 as well as LR22CA, which was heard this morning, would both hinder our ability to make decisions that we were elected to do and continue to

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

educate our children during the global pandemic. For these reasons,  
the Omaha Public School Board of Education opposes LB408. Thank you  
for your time and I will try to answer any questions you have.

**LINEHAN:** Thank you, Mr. Head. Senator Friesen.

**FRIESEN:** Thank you, Chairman Linehan. Mr. Head, good to see you.

**SPENCER HEAD:** You as well.

**FRIESEN:** I do appreciate you're willing to run for a school board and  
I'm not trying to be too hard on you, but I've got some questions for  
you. So you-- I think you made the comment 58 percent of your budget  
comes from the state?

**SPENCER HEAD:** Let me go back, but that's, that's roughly correct,  
yeah.

**FRIESEN:** It kind of makes us a majority shareholder, doesn't it?

**SPENCER HEAD:** That does, yeah.

**FRIESEN:** Where's the local control? You know, I-- because in my  
district, none of them receive any state aid. We fund it all  
ourselves. So when I look at-- nobody wants any strings attached. I  
agree with local control. I like that idea. I had a bill that would  
have given you local control completely a few years back. It would  
have taken the lid limits off and it wouldn't have affected my  
district at all, but it would have cost you probably \$445 million that  
year and you would have had total local control. So again, we, we've  
heard over and over it's local control, but yet in the end, we're the  
one that take the heat. We-- we're getting the phone calls and  
property taxpayers are upset. So from your standpoint, as-- I know we  
can't cut spending to fix the problem, would you agree?

**SPENCER HEAD:** Yeah, I, I would generally agree. You know, going back  
to local control, I-- you know, I, I believe that-- and there's a,  
there's a member on this panel that I voted for multiple times now  
because I trust that, that when they come down here, they're going to  
make the right decisions on, you know, spending, budget, tax policy  
to, to move the state where I would, I would like it to go. And I  
would ask that, you know, we extend that courtesy to our locally

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

elected board members to make the right decisions for their  
local-elected bodies.

**FRIESEN:** I mean, I'm not disagreeing with that statement because I've  
been a local city council member. And yet we were told, you know, lid  
limits and spending limits. But when you get that much of your budget  
from another entity, you lose some local control. There's some  
stipulations put in place, shouldn't there be?

**SPENCER HEAD:** I, I, I think there should be. And that's also part of  
our, our hesitation is, you know, I, I don't think any school district  
wants to rely on, on TEEOSA or state funding or whatever, you know,  
source that may be for the, for the majority of our budget. You know,  
going back to-- from my years here-- I remember every single year,  
we'd pass the bill to delay TEEOSA implementation until after the  
budget. The reason being that, you know, the state can decide, OK,  
this is how much money we have. We're going to turn the levers to, to  
equal whichever number we need. And so the school districts, that,  
that puts us in an interesting spot of not really knowing how much  
money we're going to get so districts like OPS that are primarily  
reliant upon, you know, upon the state are in a, in a tough spot then.

**FRIESEN:** See my, my school districts don't worry about that at all.

**SPENCER HEAD:** Yeah.

**FRIESEN:** Thank you, Mr. Head.

**SPENCER HEAD:** Yeah. Thank you, Senator.

**LINEHAN:** Other questions for Mr. Head? You said it would be 3 percent,  
but Omaha is experiencing growth, are they not?

**SPENCER HEAD:** I--

**LINEHAN:** In real-- it's not just somebody remodeling their house.  
Midtown should be off TIF pretty quick, I would think.

**SPENCER HEAD:** I would, I would assume so. I don't know off hand.

**LINEHAN:** This would be a few million, billion dollars. Aksarben,  
that'll be coming off TIF pretty quick, I think. All the new area in--

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

north of downtown, including the Kiewit headquarters. Is Crossroads in  
OPS?

**SPENCER HEAD:** Yes.

**LINEHAN:** So are you supportive of them getting \$80 million in TIF to  
Crossroads?

**SPENCER HEAD:** Honestly, I haven't, I haven't looked at that, you know,  
at that plan or that policy, so I, I couldn't comment on it.

**LINEHAN:** OK, so what-- I would like if you could provide the  
committee--

**SPENCER HEAD:** Yeah.

**LINEHAN:** --is a list of new growth in Omaha over the last ten years,  
let's make it 20 years, and how much of that is "TIFed" and when's it  
coming off TIF? And my guess is we would find out this 3 percent would  
be more like 4.5 percent lid for OPS. So let's, like, figure out where  
we really are--

**SPENCER HEAD:** Yeah.

**LINEHAN:** --and then maybe have another discussion.

**SPENCER HEAD:** Yeah, we'll get that information to you, Chair.

**LINEHAN:** OK, thank you. Any other questions? Senator Pahls.

**PAHLS:** Just to help you out, I would go to the city of Omaha because  
there's one person designated who can give you all the information on  
TIF. It's very clear. It's, it's on the website that I would talk to  
in--

**SPENCER HEAD:** I--

**PAHLS:** --city hall in Omaha. It's all there.

**SPENCER HEAD:** I, I know you spent some time in the city. Do you happen  
to know who that person is?

**PAHLS:** Well, I would, I would call the planning department.

\*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

**SPENCER HEAD:** Got it. Thank you, Senator.

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

**SPENCER HEAD:** Thank you.

**RENEE FRY:** Is it OK for me to go?

**LINEHAN:** Yes.

**RENEE FRY:** Yes? OK. Good afternoon, Chairperson Linehan and members of the Revenue Committee. My name is Renee Fry, R-e-n-e-e F-r-y. I'm the executive director of OpenSky Policy Institute. We're in opposition to both LB408 and LR22CA because we're concerned about the harmful impact these bills would have on the critical services that local governments provide, while undermining the principle of local control. A look at how the measure's cap would interact with the K-12 finance formula helps illustrate one example of the negative impact the measure's could-- cap could have on localities. In Nebraska's school funding formula, a district's resources are determined by its property valuations, not by its property revenue-- property tax revenue, but, but by property valuations. So when property valuations go up, a school is determined, under the TEEOSA formula, to have increased resources, decreasing the amount of state aid that they'll receive. So the cap proposed in this measure would create a distortion in that mechanism and would likely have the effect of limiting spending growth for many school districts well below 3 percent. Take Millard Public Schools, for an example. Their average nonbond spending growth over the past ten years has been 2.1 percent, so they certainly aren't a high spender. From FY17 to FY18, they had a 12 percent increase in property tax revenue when the common levy of the learning community went away, which resulted in an 11.2 percent decrease in state revenue for a total revenue decrease of 1.5 percent. If LR22CA or LB408 had been in place, their property tax revenue increase would have been held to 3 percent, but their increase in valuations still would have triggered an 11.2 percent decrease in state aid-- their state revenue, excuse me, resulting in a decrease of 5 percent in total revenue. This will be true for many school districts who will take a hit any time where state aid goes down due to rising valuations or any time when state aid is reduced due to state revenue constraints. And of course, over time, these effects will compound and force schools to go to a

\*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

vote of the people to override the property tax cap, which is time consuming and an expensive process or will result in damaging cuts to programs and services that they offer students. The same situation will be true for other political subdivisions, depending on the revenue mix. Community colleges, for example, largely rely on property taxes, state aid, and tuition. So if property taxes are capped at 3 percent and state aid is flat, they would be forced to raise tuition to get to even 2 or 3 percent spending growth. At a time when workforce training and development is a top concern, this seems to be a, a perverse outcome. Some cities might be able to make up for the loss in property tax revenue by increasing local option sales taxes, occupation taxes, or fines and fees. While these options may help cities avoid service cuts, they are all regressive measures that would shift tax load increasingly onto low and middle-income Nebraskans. However, cities that are already fully utilizing the local option sales tax could find themselves in a situation where their revenue is going to be squeezed, possibly well below 3 percent growth. Never mind that the cap will make it difficult for local governments to respond to natural, natural disasters such as flooding or tornadoes or even the need to purchase a new piece of equipment by a smaller political subdivision. At the end of the day, it's the locally elected officials who have a better understanding of their constituent needs and desires than a state senator who lives hundreds of miles away. In the end, the issue of property tax revenue growth is just one piece of a larger puzzle. And failing to consider the larger tax picture when trying to address Nebraska's long-running issues with overreliance on property taxes is likely to create more problems than it solves. Senator Flood, I did wait until you came back because I wanted to talk a little bit and illustrate the same issue with the community colleges. Now we pulled this up over the lunch hour. Off-- we got the data from the community college website. From FY11 to FY18, community colleges saw an increase in state aid of 2 percent, 2.01 percent. They saw a property tax revenue increase of 7.32 percent for a total change in revenue of 3.25. So again, when we're just looking at those high increase in the property tax value or-- the property tax valuations or the amount of property tax revenue, if we're not looking at the state aid component, the state component of how much they're contributing, we're only seeing part of that picture. So that's what we just really want to hit home. So it really depends on the mix and our concern is that we're going to-- I can completely understand why you would be concerned with these 10, 15 percent increases, but we have to look at



\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

the whole picture. And our concern is that we're going to punish political subdivisions who are already keeping spending growth low, forcing that spending growth to go even lower in response to a few political subdivisions who may have had extremely high increases. So we're really concerned about those unintended consequences with a provision that attempts to treat all political subdivisions the same, even though their needs and their revenue mixes are very different. And with that, I'd be happy to answer any questions.

**LINEHAN:** Thank you, Ms. Fry. Are there any questions from the committee?

**FLOOD:** Thank you, Chairman Linehan. Ms. Fry, thank you for recognizing my comments about the community colleges. I think it's important to note in your example here with Millard Public Schools, that's with an equalized formula and the community college is not an equalized formula. And so talking about the impact of state aid on the community college versus a K-12 district are two very different beasts; one pays tuition, one doesn't. But I don't know that you've had the benefit of seeing the data that I have in front of me that would, that would challenge the thought that the revenue growth was-- that the property tax total revenue request was 7.5 percent. I think I need to get you a copy of this--

**RENEE FRY:** That'd be great.

**FLOOD:** --so we're looking at the right information and then compare this against what you looked at over the, over the lunch hour because I-- just the valuation increase at Central Community College alone from '08-9 to '16-17 was 118 percent increase in valuation. And I-- part of the problem here and do you agree-- the fire truck has shown up too late. I mean, the, the ten years of huge growth in our land, land valuations-- the tsunami is over, but we're left with this albatross around our neck. How do you fix that? Because it seems to me you understand where I'm coming from when you see those kind of-- how, how do we fix that outside of a 3 percent cap?

**RENEE FRY:** So, so one thing-- I would just back up for a minute. While state aid is absolutely-- an equalized-- equalization formula is absolutely different, the point I was trying to make-- and I would love to see those numbers and take a closer look at them when we have more time and can actually sit down and look at them. But still, if we

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

look-- so again, if we're looking at the total-- we have to look at the total revenue picture. I mean, there's a lot of conversation about the spending, right? And so if we're just looking at the property tax side and we're not looking at what's happening, happening on the state aid side, right, then we're not seeing the entire picture and that's what I'm trying to lift up. K-12 gets more complicated because TEEOSA actually regis-- recognizes valuation and not property taxes, but-- so that's even more complicated than it is on the community college side. I just am trying to show-- just trying to illustrate that if we only look at one piece of it, we're miss-- we're not looking at the entire picture. And so yeah, property taxes, you saw these huge amounts of growth, but we need to look and see what was happening at state aid and tuition at the same time to get the full picture. That's all I'm trying to say. So, you know, what do we do? What we've advocated for before-- Senator Briese has been here with bills that we have come in in support of that have looked at a tax shift where we taking pressure off of property taxes. As you heard, we're 49th in the percentage of K-12 that's funded-- or 49th in the percentage of K-12 that is funded by the state, so we're second most reliant on property taxes. For other local governments, we rank 45th. We're very, very heavily reliant on property taxes. And so we've supported Senator Briese's past efforts to raise other taxes to reduce our-- the amount of property taxes we have. The, the issue is that, you know, we do have elect-- local-elected officials. And you know what I want in-- for my school district and my-- you know, and my city is going to be different than, say, what Senator Friesen's constituents want, right? And we actually did some recent polling and that bears out. So in urban areas, a majority of people would actually pay more in taxes to get more services. Not true in rural areas in Nebraska and so that's why we think this local control is really important so that, so that I can go to my school board if I have a concern. And likewise, Senator Friesen said that he hears from folks that are upset with property taxes, but he's probably not hearing from OPS constituents about OPS spending, right? So again, I think we need to look at the big picture. I think Lynn Rex earlier talked about the Tax Modernization hearing-- Committee. I think you were here--

**FLOOD:** Um-hum, I was.

**RENEE FRY:** --during that time, which was a pretty big effort. And the number one recommendation, as Ms. Rex said, was to look at other taxes to increase state aid for local governments. I think that's the right

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

result. We already have spending limits. We already have levy limits. And again, fundamentally, with these problems, our biggest concern is these unintended consequences where again, you're going to see actually negative growth for a lot of these school districts or other local entities, just because of the way that the, the-- just because of their revenue mix.

**FLOOD:** Thank you. I'll get you copies.

**LINEHAN:** Thank you, Senator Flood. Senator Bostar.

**BOSTAR:** Thank you, Chair Linehan. So I'm-- what I'm hearing is that this legislation, which-- I think the intent was to-- is, is to allow at least 3 percent growth. What you're saying is that it-- there are situations where maybe you can't even attain 3 percent?

**RENEE FRY:** Yeah, that's--

**BOSTAR:** Can you, can you explain to me just maybe in a little bit more detail how that, how that work-- how that happens?

**RENEE FRY:** Yeah, absolutely, absolutely. So I'm going to give you a really, really basic example. So let's say you have a political subdivision and half of their revenue comes from property taxes and half of their revenue comes from someplace else, OK? So for schools, it might be state aid and then there's federal, you know, there's federal funds and there is some other mix, but I'm just-- for simplicity purposes, OK? So 50 percent comes from property taxes, 50 percent comes from somewhere else. So let's say if the property taxes is held at 3 percent, but that other source of revenue is flat. So because of the formula, just because of math, right, they're going to be look at-- looking at 1.5 percent growth, right? That's how the math works on this. So we're actually-- in those situations and where you're going to see this is you're going to see this predominantly in the urban areas where they're already at their levy limit. They can't raise any more. And actually, I think in the rural areas, where they have room under their levy limits, you might actually see that growth being closer to 3 percent. In the urban, urban areas, I think you're going to actually see less, which is sort of, you know, an irony because, again, as I said, voter-- taxpayers in Nebraska in urban areas are actually willing to pay more in taxes for more in services, whereas in rural Nebraska, they'd rather pay less in taxes and receive

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

fewer services. And I think we're going to end up seeing the exact opposite result. But if I could just walk through that Millard-- or let me give you another example, South Sioux City. Again, and we just pulled-- we just pulled different school districts and looked at them, but I can also run through the statewide numbers. But in South Sioux City, from FY17-18 to FY18-19, they had a 13.5 percent increase in property tax revenue, but a 3.3 percent decrease in state revenue. Well, 69 percent of their budget comes from state aid, OK, and only 21 percent comes from property taxes. So they had a 13.5 percent increase in property tax revenue, but their total increase in revenue was 0.6 percent. Now if LR22CA or LB408 had been in place, they would have been held to 3 percent in property tax revenue instead of that 13.5, right? They still would have had 3.3 percent decrease in state revenue because TEEOSA is recognizing their valuation growth. So they're recognizing that full amount and so they would have had a decrease of 1.3 percent in total revenue. So we're actually-- and that's part of our concern is that the attempt may be to limit spending growth to 3 percent, but in a lot of cases, they're going to be limited. The revenue that they're going to get may be negative, let alone up to-- you know, let alone less than 3 percent. And it will really depend on the mix of revenue for that particular subdivision. Again, if, if a city is already maxing out their local option sales tax and let's say local option sales tax growth is flat and they're limited to 3 percent on the property tax side, their total revenue growth is going to be less than 3 percent.

**BOSTAR:** So this is, this is a bigger problem for, say, my district in, in south-central Lincoln than Senator Friesen's district. Is that--

**RENEE FRY:** I think generally, yeah, because you-- because the political subdivisions in the urban areas are at, you know, their max levy, so they don't have room. In Senator Friesen's district, most of them have room under their levy. They can increase their levy. And quite frankly, my guess is you're going to see them-- they are going to maximize to that 3 percent because they're going to want to make sure that when something happens, a boiler, you know, blows out or whatever, that they can tap into that. So they're going to be levying up to make sure they capture that full 3 percent every time so that they can stock it away for when they need it because-- the other thing that we've noticed, looking at political subdivision budgets, they're not linear. From year to year, they go like this and you'll see a big increase one year and you'll see a decrease the next year. And that

\*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

can be attributed to, you know, making big purchases for a school district. If they have to buy a bus, you might see a big increase and the next year you see a decline. So you don't have this linear-- so I think you're going to see political subdivisions that are-- levy up to the extent that they can, but in those urban areas or anywhere where you have-- you're at your max levy, you're not going to be able to do that and your revenue is probably going to be well below 3 percent and could even be negative.

**BOSTAR:** Thank you.

**LINEHAN:** Thank you, Senator Bostar. Are there any other questions from the committee? Senator Pahls.

**PAHLS:** Thank you. Yeah, you identified two schools, two school districts.

**RENEE FRY:** Thank you.

**PAHLS:** I heard you say Millard and Sioux City-- South Sioux City.

**RENEE FRY:** Yeah.

**PAHLS:** Have you done that throughout the--

**RENEE FRY:** I have an example for Gretna, if you'd like it.

**PAHLS:** OK, I'm just curious.

**RENEE FRY:** Sure. So FY18-19, 17 percent increase in property tax revenue, 1.7 percent increase in state revenue. So they had an increase of 6.1 percent in total revenue, OK? If LR22CA had been in place, you would have, you-- they would be limited to that 3 percent instead of the 17 percent. And so, again, because they have this increase, that's going to trigger less in TEEOSA, so they had a 1.7 percent increase in state revenue. So they would have a decrease of 0.5 percent in total revenue. So they, they did have 6.1 percent. That was their actual from '18 to 9-- FY18 to FY19. Under this bill, it would be a decrease of 0.5.

**PAHLS:** That's Gretna?

**RENEE FRY:** That's Gretna Public Schools.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**PAHLS:** You-- have you done this, though-- I'm asking for all the  
schools?

**RENEE FRY:** No, no, we haven't because you have to go through-- so we  
have a TEEOSA model that our-- that Connie Knoche, our education  
policy director, runs. But this isn't necessarily baked into this-- to  
the model, so she's running each of these individually. We did run  
complete total for K-12, again over the break. Between '09 to '19,  
state revenue growth was 2.42 percent. Property tax revenue growth was  
3.6 percent. So total revenue growth for schools from '09 to '19 was  
3.22 percent, so-- but we're happ-- I mean, we can, we can run, you  
know-- we could run probably one year or we can do individual, you  
know, school district, but it just has to be done school district by  
school district, but we can absolutely do that.

**PAHLS:** Well, I think it would be interesting throughout the state so  
people would see how it would affect-- in other words, you told us how  
it would affect some school from the northeast, the eastern part of  
the state, two, two schools. It would be interesting, for the west, a  
couple of schools, just so--

**RENEE FRY:** Sure.

**PAHLS:** I want to callout in the rural area and then also the larger  
communities in rural areas, one or two. It would just be interesting--

**RENEE FRY:** Sure.

**PAHLS:** --to see the mix.

**RENEE FRY:** And we could just start by running all of the school  
districts that are in your-- all of your--

**PAHLS:** No, that may be what--

**RENEE FRY:** --legislative districts.

**PAHLS:** I, I just think it would be interesting to find-- to see  
where-- because you caught my attention on some of those.

**RENEE FRY:** Yeah.

**PAHLS:** You know, it's not quite the windfall that people were saying.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**RENEE FRY:** No, it's not.

**PAHLS:** It's easy to say windfall and if it's a windfall, it ticks me  
off.

**RENEE FRY:** Right.

**PAHLS:** But if you can prove to me that it's not a windfall, so that  
somebody is being windy-- there is a difference.

**RENEE FRY:** Right.

**PAHLS:** But I say if it's a-- if we're getting windfalls, I can see why  
people say, hey, I'm paying way too much.

**RENEE FRY:** Right and I-- and so that's our concern too because I can  
understand Senator Flood's frustration, right, seeing these  
double-digit increases, but yet you're going to end up punishing  
Millard, right?

**PAHLS:** Well, I'm not-- I mean, Millard, I don't want to hurt, but  
that's not my intent.

**RENEE FRY:** Right. Right, right, right. No, absolutely and that's--

**PAHLS:** It's, it's other schools because it's too self-serving if it's  
Millard.

**RENEE FRY:** Right. And so I'm just trying to illustrate those  
unintended consequences, right? So again, I think the common notion is  
we're lim-- limiting spending to 3 percent growth. That's very  
reasonable. That's about the same rate as the state, but it's more  
complicated than that because it's based on the mix. TEEOSA makes it  
even more complicated for schools where they're going to get punished  
any time their valuation goes up because that's driving down a  
decrease in state aid. And so it's just-- we have to look at it more  
globally than just looking at just the property valuation growth. We  
need to look at it, you know, in its scope. And again, we're just  
concerned that, you know, Millard has had, what did I see, 2.1 percent  
spending growth over the last however many-- 2-- after-- over the last  
ten years. And they're going to be taking a hit year over year in  
response to, you know, some community colleges that had record-- you  
know, really high, high growth for a few years ago and that's our

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

concern. And I just think with this-- the way we're doing this, we're  
trying to find a one-size-fits-all approach for a really complicated  
issue that's going to create-- have a really disparate impact.

**PAHLS:** Well, I don't think it would have as much of impact in western  
Nebraska, would it?

**RENEE FRY:** I, I think you're probably right. I think, I think it would  
be-- again, as I said, I think we-- but we have to look-- we'd have to  
look district by--

**PAHLS:** OK, instead of just--

**RENEE FRY:** Yeah, I don't want to--

**PAHLS:** No, I hear you.

**RENEE FRY:** My, my assumption, though, is where you have room under  
your levy limits and you would levy that 3 percent, but I-- we would  
have to look at what they're doing now compared to what that would do  
under this proposal and we're happy to do that.

**PAHLS:** Yeah, several of them, because I know there-- three or four of  
us are in a metropolitan area--

**RENEE FRY:** Yep.

**PAHLS:** --I think-- because you'd get a feel for the state.

**RENEE FRY:** Yep.

**PAHLS:** Thank you.

**RENEE FRY:** Happy to do that.

**LINEHAN:** Thank you, Senator Pahls. Other questions from the committee?  
Senator Lindstrom.

**LINDSTROM:** Maybe a comment and then I'll try to turn it into a  
question.

**LINEHAN:** That's OK. Go right ahead.



\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**LINDSTROM:** So I've been on this committee going on five years now with Senator Friesen. What's interesting to me is that-- and I appreciate everybody coming down and testifying, but as I look out, I pretty much know when people come up what they're going to say. And every time we talk about this issue and I-- again, it's the same people. Farmer came down today talking about the same issue he was talking about years ago and it's frustrating for me and on this end that we can't seem to have a solution to correct this. I think we do have solutions, but it's this-- everybody talks about the puzzle, right? And every time we have this puzzle laid in front of us, there are certain pieces, one of them being the capping spending. But we come in with this idea and it says, if-- you know, I'm putting this together, I have a little brother or sister takes that piece of the puzzle, throws it across the room. And I'm sitting there, putting it together with one piece of the puzzle missing. I'm looking at what's not complete. And so it's frustrating when, again, we're talking about-- and Senator Linehan brought this up. We don't spend enough on K-12 education. When we look across the entire region and the states surrounding us, we certainly do spend-- we spend more per student. And so I guess the question is, when is it that-- are we-- we're going to start talking about solutions and incorporating bills like this into the bigger picture instead of every time we, we present these and look at the, the broader discussion point on how we reform the tax code? We, we don't correct the whole-- or put together the whole piece of the puzzle. We just eliminate one piece and well, it-- put that puzzle together without doing the whole thing. So I guess my-- I guess it's not even a question, just-- I would like more solutions based when people come up here and hammer on certain LRs or LBs that we're trying to do as we sit up here trying to put this all together, so that's just-- I, I've sat here for five years and, you know, it get-- it just gets a little frustrating after five years that we haven't been able to accomplish what we're trying to do here, so--

**RENEE FRY:** So I would say as an--

**LINEHAN:** That wasn't a question, I don't think.

**LINDSTROM:** Yeah, I'm sorry.

**LINEHAN:** I have some for you, though. Is there-- anybody else have any questions? I wish I kept my calm, cool demeanor-- whatever the word is-- demeanor as Senator Lindstrom, but I'm pretty sure that any of us

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

that were on this committee two years are beyond frustrated right now from this afternoon. But you said a couple of things here today. I want to-- maybe I misunderstood you. Did you say that local school boards are better to figure out what's going on than people who live hundreds of miles away?

**RENEE FRY:** So what I said is that-- so a local-elected official-- so my, my local-elected officials, right, better understand the needs in my community than Senator Friesen could understand the needs in my community. I mean, he lives very far away. He understands the needs in his community, right? And I would say my state senator understands the needs in my community, but, you know, anyone who's living on the other end of the state doesn't understand my community. And I don't understand-- I'm not living--

**LINEHAN:** Well, I think you're shortchanging the senators, frankly. I think, especially amongst this committee, they have a pretty good understanding of the needs across the state. The other thing, you kept referring to it as a spending cap. It's not a spending cap, it's a tax-taking cap.

**RENEE FRY:** Yeah, it's not a spending cap.

**LINEHAN:** OK.

**RENEE FRY:** I didn't say it was a spending cap.

**LINEHAN:** Did you look-- because I know you're very, very thorough and you do-- let me say you bring up a very legitimate concern with the TEEOSA formula. You're right on that. It would have to be-- that's something we'd have to fix, but a solution would be welcome to that problem. Did you read the fiscal note?

**RENEE FRY:** Yes.

**LINEHAN:** OK, have you got in front of you?

**RENEE FRY:** I do not.

**LINEHAN:** OK, so you realize the fiscal note says that the statewide level average real growth in property value for the last ten years has been 0.98 percent?

\*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

**RENEE FRY:** Yes.

**LINEHAN:** So when reality, statewide, this would not be a 3 percent lid on tax taking, it would be a-- almost 4 percent.

**RENEE FRY:** Yes, I read that in the fiscal note. They also indicated in the fiscal note that it would be very disparate from political subdivision to political subdivision.

**LINEHAN:** Right, there's a lot to more growth in Omaha than in Henderson. Yes, that's correct. OK, I'm going to go to your testimony, the paragraph about Millard.

**RENEE FRY:** Sure.

**LINEHAN:** Their average spending growth over the last ten years has been 2.1 percent. The reason they come up with that is they all go back to the-- ARRA money, which was a big pot of money that got put into the school funding formula and they were all told that that wasn't a real permanent thing and not to spend it all, but OK. Then you go from '17 to '18, they had a 12 percent increase property tax revenue, which resulted in 11.2 percent decrease in state revenue. Agreed, so-- because when property values go up, your TEEOSA aid goes down.

**RENEE FRY:** Right.

**LINEHAN:** But that's not what Millard said at the time. Millard said we cut their state aid and therefore, they had to do a levy override.

**RENEE FRY:** I think that might have come later because that, that particular--

**LINEHAN:** No, it's, it's-- I've got the, I've got the article right here.

**RENEE FRY:** OK.

**LINEHAN:** It's November of 2017.

**RENEE FRY:** OK.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**LINEHAN:** It was my first year in the Legislature. I remember it all very well. So you also said more than once that they can't raise it anymore, the levy. That's not true.

**RENEE FRY:** Well, they could go to a vote of the people. So in this case, it couldn't-- they couldn't do it with a levy override, though. They'd have to actually--

**LINEHAN:** They did do it with a levy override.

**RENEE FRY:** But they would also then have to-- they would have to seek a levy override, but they would also have to seek an override of the property tax cap as well. So they could-- under this bill, they can go to a vote of the people and they would have to get a-- they would have to make sure that their levy override is in place and then they'd also have to ask for an override of the 3 percent cap.

**LINEHAN:** Yes, I understand how that works.

**RENEE FRY:** OK.

**LINEHAN:** But you said they-- I, I heard you a couple of times say they can't take anymore, but, but Millard and Westside and Hastings School Districts have all done levy overrides, have they not?

**RENEE FRY:** Yes--

**LINEHAN:** OK.

**RENEE FRY:** But, but what I'm saying is under this, they would actually have to then go--

**LINEHAN:** I know, I know.

**RENEE FRY:** --to the voters-- OK.

**LINEHAN:** I think we all know that. But it's-- it isn't-- there are no caps, not this law, not the current laws. Nothing that we have on the books keeps any subdivision-- or would this legislation keep any subdivision from going to the vote of the people and asking them if they could take more.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**RENEE FRY:** And that was in my testimony that they-- we would be asking them. I'm not sure where it is, but I know it's in here.

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

**PAHLS:** I would appreciate the information.

**RENEE FRY:** Yeah, absolutely.

**LINEHAN:** I'm sorry. Go ahead, I'm sorry.

**KYLE FAIRBAIRN:** Senator Linehan, members of the Revenue Committee, my name is Kyle Fairbairn, K-y-l-e F-a-i-r-b-a-i-r-n, and I represent the Greater Nebraska Schools Association, GNSA, which is an organization of the-- 24 of the largest school districts in the state. For the purpose of my testimony, I'm also, also representing the education collaboration, which includes the Nebraska Council of School Administrators, Nebraska Association of School Boards, Nebraska State Education Association, Schools Taking Action for Children's Education (STANCE), Nebraska Rural Community Schools Association (NRCSA), Education Service Coordinating Council (ESUCC), and Stand for Schools. Senator Lindstrom, I know you know what I'm going to say here, so I'm going to-- sorry. I want to just follow up a little bit on, on what Renee said. Many of the points that, that I'm going to make have been said, so I'm not going to go into too much detail. But there are a number of things-- the, the collaboration does oppose LB408. And we look at the, the 3 percent growth in state-- or in the property tax, that could cause major problems. As, as Renee talked about with her testimony, Gretna Public Schools, while the 3 percent lid is there, the TEEOSA formula also actually looks at their assessed valuation across whatever they've got. So that difference is what creates the state aid formula. So Senator Pahls, they would lose money on a year-to-day-- year-over-year basis because of that because they can't increase their taxes enough to offset the loss in, in TEEOSA. And again, that's a district that's growing at 6 percent kids per year. So to say that they should get less money is, is a problem. And as you go through that-- Senator Briese opened with this as a way to get more money through the state, state aid formula to schools, but I think it's going to have the opposite effect because the, the formula still looks at assessed value, not the 3 percent increase. So TEEOSA is, is not going to change, but the ability of schools to offset that, that, that change is going to be affected. A couple of the, the, the other

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

points, in, in rural schools-- and again, I don't deal with rural schools, but I grew up in a rural school. In a rural school district, Senator Friesen, if you have, if you have a high-need special education student move into that school district and it's a \$100,000 child, that school district is all-- already over their 3 percent maximum and there would be no way to make that up because they're unequalized. There's no, there's no fallback position for them. They would get special ed money the following year, but they would already be at their limit, so, so there are concerns in rural school districts also. And again, that doesn't happen all the time, but those kids are out there and those kids move around. So that's a concern not only from, from the districts I represent, but also the rural schools around the count-- or around the state. They're going to have that problem too because 3 percent is-- that's the only money they have because they're unequalized or they're-- so, so that's a concern. Currently, we do have property tax levy limits, \$1.05. And most of my school districts at that \$1.05, we can't raise more property taxes unless there's an increase in valuation. We also-- the, the, the-- by statute, the Senate sets our growth limit every year. And there's a bill in, in Education right now to set our growth limit for the, for the, for the following year. So there are limits and lids on us right now. I will tell you, and all the testimony so far has talked about how much spending school districts do, and 3 percent is not an overabundance of spending for school districts. I, I've heard a lot of talk that we're not doing anything on property taxes. What you folks did on LB1107 last year is huge. We haven't even seen the effects of those changes yet and that amount of money put into the formulas and we're already talking about doing more. So I would like to see some of those things that you guys put in place last year, which were great, great bills. Senator Linehan talked about \$500 million. Well, that \$500 million went to property tax relief. That's a great deal and we haven't even seen that through. So that will end my testimony, but I'll sure answer any questions if you have any.

**LINEHAN:** Thank you. Are there any questions from the committee? Oh, yes, Senator Flood.

**FLOOD:** Thank you. Nice to meet you.

**KYLE FAIRBAIRN:** You too, Senator. I knew you in a past life. I was in Bellevue Public Schools for years and years, Senator.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**FLOOD:** One of the things that seems frustrating, just sitting here the first time, is that we seem to be the only ones in the room that are dealing with the biggest question, which is how do we slow down what has become a real burden to people with property taxes? A couple of quick questions: did LB1107 cause anybody that is a political subdivision any heartache?

**KYLE FAIRBAIRN:** No, I don't--

**FLOOD:** Of course it wouldn't because it replaces spending that you're already doing, right?

**KYLE FAIRBAIRN:** Well, it would-- it's, it's giving back to the taxpayer that amount of money that they're spending on school funding.

**FLOOD:** And so last year, when Senator Linehan proposed funding to the rural schools, something that they've wanted for-- since 19-- since 2002-- it never went away-- the rural schools said no. Why?

**KYLE FAIRBAIRN:** Local control, almost entirely local control.

**FLOOD:** What, what was-- how do you lose local control with a check from the state? Omaha and Lincoln seemed to do fine without it.

**KYLE FAIRBAIRN:** You would have to ask-- have to ask the, the rurals, but that was-- their main concern was local control, Senator.

**FLOOD:** Every time you turn around, somebody says local control, but nobody ever fixes the problem. And so if you're sitting up here and you're dealing with these rural communities, they won't take foundation aid because they don't trust it because somebody might tell them what to do. You love LB1107, I'm sure, because it doesn't, it doesn't impair your ability to function. It just takes money from an incut-- income taxpayer and gives it to a property taxpayer. Short of doing this 3 percent deal, you know, in my opinion, if we pass a 3 percent, you'd be in the same boat we are for the first time in 20 years.

**KYLE FAIRBAIRN:** I--

**FLOOD:** You'd be in the boat to try and find a solution because you'd feel the pressure. But I don't think that, collectively, a lot of these K-12 schools feel the pressure that we do--

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**KYLE FAIRBAIRN:** Well--

**FLOOD:** --is that true?

**KYLE FAIRBAIRN:** I would tell you, Senator, and I, and I may be wrong, but I know two years ago at both Millard's hearing on, on finances to set their budget-- on Omaha's to set their budget, on Millard's to set their budget, do you know how much testimony they got opposing the property tax lid? Zero.

**FLOOD:** Yeah.

**KYLE FAIRBAIRN:** So if they're not coming to their local boards and saying this is a problem, I--

**FLOOD:** Well--

**KYLE FAIRBAIRN:** I don't know what to say, Senator.

**FLOOD:** --I maybe solved that problem because I just put in a bill that maybe will allow people to jump on Zoom and participate.

**KYLE FAIRBAIRN:** Yeah and I, I don't know, but, but there is not-- if you look through--

**FLOOD:** OK.

**KYLE FAIRBAIRN:** --the board minutes, you would not see testimony opposing what schools are doing.

**FLOOD:** But you have to look at this from the legislative standpoint. When you've got a bill-- half a billion-dollar budget item and growing, you recognize what a big commitment that is from the state. I am uncertain that if-- you know, I'm almost certain that unless we subject the schools to this 3 percent lid, you're not going to appreciate the boat that we're in. And if we were to do it in a statute and you could live under it for a few years, we might get better buy-in toward a holistic solution because I feel like we're the ones trying to fix everybody's problem while keeping everybody whole.

**KYLE FAIRBAIRN:** And, and Senator, I-- you know, I-- that's-- those are just the things I hear from my school districts and I know-- obviously, you guys are taking heat, but--



\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**FLOOD:** But if they're going to reject foundation aid, what more can we  
do for some of these rural communities?

**KYLE FAIRBAIRN:** I, I, I can't answer that, Senator, I wish I could, I  
can't. I-- they're on this statement for this bill. That's all I can  
offer you, but I would-- I-- you know, I could certainly set up a  
meeting with you, but, but it was a local control issue, Senator,  
that-- but again--

**FLOOD:** That's good. I don't want to make it go in-- you did a good  
job. I appreciate it.

**KYLE FAIRBAIRN:** OK, thanks, Senator.

**LINEHAN:** Other questions from the committee? You didn't like-- the  
GNSA did not like foundation aid?

**KYLE FAIRBAIRN:** No, no, that's a big sticker for us, Senator.

**LINEHAN:** Why was that a big sticker?

**KYLE FAIRBAIRN:** Well, it, it's a-- those schools-- the, the rural  
schools can produce the money they need to, to educate their children  
locally. And we fight every year to fund TEEOSA, every year, Senator,  
and you know that as well as anybody. And when you're fighting for  
that money and all of the sudden, well, we're going to take some over  
here, then it's, it's, it's more of a pot we've got to fund.

**LINEHAN:** I don't recall you having to fight very hard for it last year  
at all. We funded TEEOSA last year. I don't recall you having to fight  
for it.

**KYLE FAIRBAIRN:** The bills going into it were, were, were not a lot of  
fun, Senator, getting there. Through LB1106 and LB967 and so--

**LINEHAN:** Yeah, but we're talking about the TEEOSA bill that--  
appropriated by Appropriations.

**KYLE FAIRBAIRN:** Yep, we funded it last year. That's correct.

**LINEHAN:** Yeah, I knew-- that's what I thought. OK, any other  
questions? Thank you for being here.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**KYLE FAIRBAIRN:** Thank you.

**CHRISTY ABRAHAM:** Good afternoon, Senator Linehan and members of the Revenue Committee. My name is Christy Abraham, that's spelled C-h-r-i-s-t-y A-b-r-a-h-a-m. I'm here representing the League of Nebraska Municipalities. You've already heard from Lynn Rex this morning on LR22CA and I just wanted to stop by and talk to you a little bit about LB408. We first want to thank Senator Briese. We-- every time I testify, I say he's a friend to cities and we appreciate, over the years, the different ways he has tried to solve our tax problem. And I'm, I'm sorry to say that we have some concerns about LB408. And Senator Lindstrom, I wish I was here to give you a solution to this problem. I really wish I was. And I think over the years-- there's been the Syracuse study. There's been the tax modernization study. I think there are ideas in there, but I agree with you. It's, it's a really, really hard issue and so I apologize up front. I am not here to offer you any tremendous solutions. I am here to tell you that what works in Ansley doesn't always work in Omaha. And maybe local control has gotten a bad rap today, but I want to say that overall, our city-elected officials do a really great job for their local constituents. They listen to their citizens. They know what's best for Ansley. They know what's best for Glenvil. And this 3 percent restriction, I think, is going to be detrimental to them because maybe there are some years they're going to have an emergency. They're going to need to do sewer infrastructure. They're going to do something that they're going to need additional funds. The other thing I think has been mentioned, and I'm sorry I'm mentioning it again, but there just are some costs that are beyond the city's control. Healthcare is one of them. You've already talked about the CIR, fuel costs, commodities. These are all things that increase and the cities really don't have much control over those costs. As you know, we have a, we have a levy limit of 45 cents. We have restricted fund lids. The state has really, I think, tried to solve the problem of even if property taxes go up, the valuations go high, we can only raise our budget by 2.5 percent every year. So there are limitations in place. We think this extra one just may be a little bit too burdensome. We are always happy to work with Senator Briese and this committee. If a solution can be had, we would love to be part of that solution. So thank you for your time. I know it's been a long afternoon, but thank you for listening for me today.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

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

**FRIESEN:** Thank you, Chairwoman Linehan. So you mentioned the CIR and  
so I'll, I'll-- you touched on it. I'll bring it up.

**CHRISTY ABRAHAM:** Sure.

**FRIESEN:** When I approached the league last November or December about  
doing something about the CIR, the league really didn't want to do  
anything. So is it a problem or is it not?

**CHRISTY ABRAHAM:** Well-- and Lynn Rex on our staff is obviously the  
expert on CIR. And it's my understanding we, we-- a city hasn't had a  
case in front of the CIR. So we're doing, you know, what you've heard  
today. We're doing the comparables and, and trying to do all of that.  
I think there are things about the CIR that work and there may be  
things that, that don't work, but I think what we said to you, Senator  
Friesen, is we're always happy to sit down and work with you on that.

**FRIESEN:** OK, I didn't hear any suggestions back then so--

**CHRISTY ABRAHAM:** I know. I feel that I've disappointed you and Senator  
Lindstrom. I have no solutions, but I'm happy to work with you and see  
if we can come up with something.

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

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

**CHRISTY ABRAHAM:** Thank you so much.

**DON WESELY:** Chairwoman Linehan, members of the Revenue Committee, for  
the record, my name is Don Wesely, D-o-n W-e-s-e-l-y, representing the  
Greater Nebraska Cities. I have a letter from the mayors of those  
cities that I've passed out. There's just a, a couple of points and it  
actually relates also to the earlier discussion on the constitutional  
amendment. They're, they're small points and I know you're looking at  
the big picture and it's a, it's a disjointed picture and you've got a  
challenge and we've had that challenge now. But two points that kind  
of point out why legislation is preferable to a constitutional  
amendment. First off, direct borrowing is not treated the same as

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

voter-approved bonds. And I understand why that might be appealing, Senator Briese. Voter-approved bonds voters have decided, but sometimes direct borrowing is actually advantageous. You save money with it. For instance, Grand Island direct-borrowed for \$5 million for our rec facilities and found that that approach was quicker with less costly-- and less costly than bonding, so they chose that route. Lexington uses direct borrowing to lower insurance costs on smaller funding and again, achieve lower interest costs. So the, the only point I'm making is that direct borrowing may not sound like it should be exempt, along with a tax-- voter-approved bonds, but in fact, the choice on the local control issue is that that may actually be advantageous and save money for the community. So we're suggesting that that be something that's addressed. And the second is we looked at the time frames. They're actually-- are uncertain about the time frames of the bill and the ability to have an election if necessary on the budget and on their tax levies. There's a very small window of opportunity to do that. And taking a look at that issue on time frames would be-- we'd like to work with Senator Briese on that. Again, I should reiterate that the Greater Nebraska Cities opposes the bill, but understands we'd like to be constructive in improving it. Thank you.

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

**DON WESELY:** Thank you.

**JON CANNON:** OK, we good?

**LINEHAN:** Go ahead. I'm sorry. Yes, go ahead.

**JON CANNON:** Chairwoman Linehan, distinguished members of the Revenue Committee, good afternoon. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I am the deputy director of the Nebraska Association of County Officials, otherwise known as NACO, here to testify today in opposition to LB408. First and foremost, we do have to thank Senator Briese for his efforts on solving the property tax problem. He's made many varied efforts over the years and I know he's, he's demonstrating leadership this year with a number of bills that he's got to get through this issue. Unfortunately, however, we have to take opposition to this one. And, you know, I understand that when we talk about the property tax issue, everyone wants to say this is what I'm paying for

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

in property taxes. I get that. Spending is only one factor, however. When I think about tax policy, I have four questions that I ask myself. And so, Senator Lindstrom, I, I don't have a solution necessarily, but I have-- this is my way of thinking about it and so maybe we can work something out between the two of us. The questions I ask myself are: what do you need to pay for, how much do you need, who do you want to pay for it, and how do you want them to pay for it? So I'll take those questions in order. And so from the county perspective, what do you need to pay for? You need to pay for roads, bridges, jails, law enforcement, elections. I don't think anyone says that we should spend less on those sorts of things. I don't think anyone says that counties are, are spending too much on those sorts of things. And what I will say is that not one dollar that the county spend goes toward a service that is not authorized or required by this Legislature. So it's not a spending problem on the county side, so who pays? We've determined collectively that it's a, a fine policy to have items of a local nature paid for by the local taxpayer. And so that's who's going to pay is our local taxpayers. How do we want to pay for it? We determined a long time ago that the property tax is the most stable form of revenue and therefore, it is the best form of revenue for those items of peculiarly [SIC] local concern. And generally, the property tax is supposed to correspond to the services received. And I would say that the sorts of things that counties provide, the aforementioned roads, bridges, law enforcement, jails, and elections, those are something that everyone is receiving. They're, they're receiving those services. Our county taxpayers are getting them. And then I get to the last question, which is how much is needed? And from the county perspective, I would tell you that it is all of it. And I'll reiterate that to make my point, all of it. There's not a single dime that the counties spend that is not what they were supposed to be spending it on. They're not-- we don't-- when we go and purchase a road grader, we're not getting the gold-plated one. Our county boards, if you've ever been to one of our budget meetings, they are looking at the best price they can get for the services they are providing to their constituents. I have not been to one where they-- where someone said in a county board meeting, let's spend lavishly. That just does not happen. Now the bill gets at the spending side, but it doesn't get at our costs. And the sorts of things that we're, that we're spending our money on, we're not spending on-- money on things that you would find reflected in the consumer price index, which we-- a lot of us, when we talk about inflation and the effects that it has, we should

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

tie to inflation or something like that. Roads aren't really something that you find in a consumer price index. That's not what a, a normal household is spending their money on. Bridges are not something you find in CPI. Jails, not something that the, the average consumer is going out and spending their money on, but those are things that counties peculiarly [SIC] have to spend their monies on, monies on. And so if, if-- we don't want to address the costs, but we want to address the spending side-- and I don't think we want to address the cost because we all like the free market here. We don't want to tell private vendors, oh, by the way, every time you have a contract with the county, your cost cannot go up more than 3 percent. If that were the case, there are a lot of people that just would not contract with county governments. If that were the case, there are a lot of roads that would, that would not get fixed. There are a lot of bridges that would not get replaced. There are a lot of jails that would not get built. And one thing that I'll say is I've attended a lot of county board meetings over the years and I don't hear people that are complaining about the services that they receive from the county. I don't hear people that say, I wish you didn't have elections. I don't hear people saying I, I wish we didn't have roads. What I do hear them say is, hey, you know what? You graveled my neighbor's road a couple of months ago, when are you going to get to mine? They want more service from the counties and those services cost money. The issue is not what revenue is raised by local government, it is what the state requires us to pay for through the property tax. So to go to the, the idea of unfunded mandates and I'll-- I will bring it up. The state has decided that the counties are going to pay for certain things: roads, bridges, jails, law enforcement, elections. Those are pretty much the big-ticket items that we have. So when it comes to other unfunded mandates or other ways that the counties are, are required to pay for sort-- those sorts of things, NACO did provide information for a study by the Legislature that was published in 2014 that was under LR582. That was updated in 2019 under LR149. Just as a quick-- well, I'm out of time, so I'll just stop right there.

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

**ALBRECHT:** Hello.

**LINEHAN:** Oh, I'm sorry, I'm sorry. Hi. Senator Albrecht.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**ALBRECHT:** Chairman Linehan, thank you, and thanks for being here. Glad you're here with NACO.

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

**ALBRECHT:** So do you still have a one and six-year road plan that they usually have--

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

**ALBRECHT:** --spelled out? So you kind of know the kind of money you'd be spending on a road or bridge or if you had the amount of money put away or set aside?

**JON CANNON:** By and large, ma'am. However, when, say, for instance, the Spencer bridge goes out in Boyd County because of the floods in 2019, that's-- that wasn't going to be in the, the one or six-year road plan. There are-- and, and oh, by the way, if-- there are certain reports that we have put out there that talk about how many bridges across the state are, are scour critical or in need of maintenance and those one and six-year road-- one and six-year plans, they're going to address some of it, but not all of it.

**ALBRECHT:** Um-hum, um-hum. So can you answer-- what are inheritance taxes used for in counties?

**JON CANNON:** It-- ma'am--

**ALBRECHT:** Is, is it in the-- is it spelled out in the law what they can use those funds for?

**JON CANNON:** No, ma'am, it is not.

**ALBRECHT:** It is not. Has it ever been?

**JON CANNON:** I, I don't want to answer a question that I don't know the answer to so I'll say I don't know.

**ALBRECHT:** OK, I guess-- I'm just kind of recollecting, at least ten years ago, that it had to be on brick and mortar. So you had to use it for certain infrastructure plans to-- so I just wondered so if you don't know that, that's OK.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**JON CANNON:** Yep, and--

**ALBRECHT:** How about interlocal agreements? When you say you have to have these jails, you have to have certain things, do you explore that before you make a decision to build a jail, let's say, and think that you're going to take it on by yourself as one county instead of having maybe two or three different interlocal agreements to help everybody pay for something instead of just one entity?

**JON CANNON:** I would, I would suggest, ma'am, that most county boards-- and, and I think that they are wise stewards of the taxpayer dollars-- that they are going to look at every funding source available to them. I, I couldn't tell you if, you know-- necessarily if Lancaster County had, had looked at doing a JPA with, with the city of Lincoln, pretty sure they did, but I, I don't know that. I don't know the particulars of that. We make our, our counties aware of the fact they have interlocal agreements that are available to them. And there are-- I know, I know that there are times when, say, city of Imperial and Chase County have, have got an interlocal agreement. And, you know, sometimes those things work out and sometimes they don't. And so it may very well be that, that a county is going to be gun-shy the next time it comes around, but they do try.

**ALBRECHT:** So let me ask you if something like this were to pass-- I mean, nobody is-- seems to want to come up with some solutions as to how we can control this. But if this were to pass, what were-- what would be some of the steps that NACO would immediately enact that you'd have to do to, to try to stay within this 3 percent?

**JON CANNON:** Well, ma'am, I-- as far as what NACO would advise its members to do, we would tell them what the practical effects of the legislation were. We would probably try to advise them as to here are your alternatives, what you can, can and can't do. I would suggest to you, ma'am, that the likelihood of that, that ceiling also becoming a floor is very, very high. If counties understand that, OK, 3 percent is the max that we can go, even if we only need 1, they're probably going to go to 3 just because you have, you know-- oh, and by the way, you, you brought up the inheritance tax and I want to circle back around to it just briefly. The inheritance tax functions very frequently as a-- almost as a reserve. There-- and, and counties have reserve authority and that reserve can be up to 50 percent of the prior year's levy. That would be a pretty huge bump-- jump if people--



\*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

if counties are starting to do that. And while some counties do maintain a reserve, most counties do not. In fact, most counties, the inheritance tax functions as the reserve. You know, as far as what they spend it on, counties do spend it on brick-and-mortar things. They also spend it to pay down the levy very frequently. And we'll probably have that greater conversation when we get to LB310, which is coming up sometime in the next several weeks. But as far as the inheritance tax being a source for counties to, to be able to use as far as paying for emergencies like Spencer Dam or, or bridges and roads being washed up, that is available. That is also, you know, not always going to be the case. It, it's something that's going to fluctuate from one year to the next. I, I think I got away from the actual question. I apologize.

**ALBRECHT:** I mean, I-- the reason I'm kind of asking these questions is-- the whole idea of talking about this all day is the fact that everybody needs to take a look at what's going on. And if we're not in that one to five-year timeframe or five to ten-- you know, some people get together at the beginning of a session when, when you're on a city council or county board or school board or whatever and find out what are your goals, you know? Because if, if it's just helter-skelter and you just, you know, you have two or three people that have a little bit more influence on their board than somebody else and you start not staying on track, that's when these sort of things get out of hand.

**JON CANNON:** Ma'am-- and, and you make, you make a, a great point. And I do believe that anybody should have a consistent philosophy when it comes to, you know, how are we going to make our spending decisions? How are we going to make, you know, decisions here as a Revenue Committee? And, and again, my, my view of tax policy is, is perhaps simplistic. But again, I go back to what do we want to pay for, you know, what sorts of things do we, do we need to pay for? We know-- and at the county level, we know exactly what those are. And there aren't, aren't any, you know, real hidden costs for anything that we have. And how do we want to pay for it? Well, we've decided that we want to pay for it through the property tax. Now if, if we say that we know what we want to pay for, we know that you're going-- we know that your, your costs are going to be fairly fixed and we know that we want the local taxpayer to pay for it, well, OK, then all of the sudden, if we say that property taxes are a problem, we need to figure out which of those other steps do we want to revise our thinking on?

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**ALBRECHT:** Um-hum. Well, I appreciate you coming today and sharing that  
with us.

**JON CANNON:** Yes, ma'am. Thank you very much.

**LINEHAN:** Thank you, Senator Albrecht. Senator Flood, did you have  
questions?

**FLOOD:** Yes, I'm looking for a brief answer here, Mr. Cannon.

**JON CANNON:** Yes, sir. You've already sussed me out.

**FLOOD:** Pardon?

**JON CANNON:** You've, you've already, you've already figured me out. I--  
I'll try and give a brief answer. Yes, sir.

**FLOOD:** What if we just took you down to a 45 cent maximum levy instead  
of a 50? And what if we took 2 cents out of the community colleges' 10  
cents of authority. Are we-- is that a more direct way to deal with  
this, with this idea that the, that the ceiling becomes the floor, the  
floor becomes the ceiling? Should we just start taking away your  
authority and drop you down to 45 cents?

**JON CANNON:** You, you could do that, Senator.

**FLOOD:** Is that more efficient than doing the 3 percent cap and  
listening to all this about how you'll do this if we do that. If we  
drop you down to 45 cents, the game's over. You can go back to get an  
override if you want, but I think that might be the most effective way  
to get your participation and that is drop your levy down 5 cents  
until we start seeing the kind of spending limitations. And you're  
also saying here today that every expenditure from the counties is  
completely legitimate and that there's no waste or any kind of fluff  
in any of the 93 county budgets.

**JON CANNON:** I would, I would submit, Senator, that our county boards  
are wise stewards of the taxpayer dollars. I do not think that they're  
authorizing any sort of-- I don't, I don't believe that there's a  
county board out there that's authorizing waste, fraud, or abuse.

**FLOOD:** So let me ask you a question: what is the common employee  
contribution for group health insurance for an employee of a county?

\*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

**JON CANNON:** I, I don't know the answer to that, sir.

**FLOOD:** Would it likely be 100, 100 percent employer contribution than zero percent?

**JON CANNON:** I would say for the-- for a number of counties, that's going to be correct.

**FLOOD:** Would that be a vast majority of the counties?

**JON CANNON:** I-- probably, but I don't know that.

**FLOOD:** So does somebody in private business-- that the law mandates not more than 50 percent can be the employee-- do you think most employees in the state of Nebraska have 100 percent employer pay group health insurance?

**JON CANNON:** I, I doubt it, sir, but I don't know that.

**FLOOD:** OK, thank you.

**JON CANNON:** Yes, sir.

**LINEHAN:** Thank you, Senator Flood. Other questions? Following on, on that, how many of the counties have fixed retirement benefits?

**JON CANNON:** I don't know the answer to that and I wish I did. I'd-- I feel like--

**LINEHAN:** Well, you can get them for the committee, though, couldn't you?

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

**LINEHAN:** OK.

**FLOOD:** And I'd like the health insurance stuff, Madam Chair.

**LINEHAN:** OK, maybe I'm not understanding something here, but have you-- have I heard the county say they're under some kind of spending lid, any kind of spending lid? The counties under a spending lid at all?

\*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

**JON CANNON:** Well, we have a 2.5 percent limitation on how much our budget can go up from one year to the next. You can have a 1 percent override on a vote of three-quarters of the county board. So in a--

**LINEHAN:** OK, what-- so you have a 2.5 percent lid.

**JON CANNON:** On budgets.

**LINEHAN:** And this is a 3 percent lid on tax taking plus real growth.

**JON CANNON:** It's property tax asking plus real growth.

**LINEHAN:** So how can-- why is that hard? If you're, if you're limited to 2.5 percent growth in your budget, then 3 percent plus real growth ought to be more than enough.

**JON CANNON:** Well, I'll-- just as an example, I, I looked up--

**LINEHAN:** Is it because you have a lot of exclusions in that 2.5 percent?

**JON CANNON:** Well, I'll-- let me give just a brief example. And so when you talk about, you know, what, what's so hard about a 3 percent max? Arthur County, last year, according to the certificate of taxes levied by the Department of Revenue, they levied \$607,000 countywide. That was their-- that was how much they took in the asking. The 3 percent limit on them is going to be \$18,000 from one year to the next. Sure hope they don't need another road that's graveled. Sure hope they don't have a bridge that goes out. I sure hope--

**LINEHAN:** OK, OK.

**JON CANNON:** --that there aren't any expenses they have to take care of.

**LINEHAN:** Do you get money from the Nebraska-- do the counties get money from Nebraska Department of Transportation for roads and bridges?

**JON CANNON:** Do we receive it directly? We have a county bridge match program, which those go toward helping repair the--

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee January 27, 2021

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**LINEHAN:** So could you provide for the committee how much state funding  
you get from the Department of Roads--

**JON CANNON:** How much--

**LINEHAN:** --for bridges?

**JON CANNON:** --counties receive--

**LINEHAN:** Yes.

**JON CANNON:** --from the Department of Transportation?

**LINEHAN:** All 93 counties.

**JON CANNON:** Yes, ma'am. I'm going to have to start writing this down  
here in a moment.

**LINEHAN:** OK, that would be good.

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

**LINEHAN:** I think the clerk is probably going to handle that for you  
too.

**JON CANNON:** Oh, in that case--

**LINEHAN:** Oh, he'll let you write it down, he said. You write it down.

**JON CANNON:** I better write it down.

**LINEHAN:** OK. OK, I think I think that's it. Oh, one more thing. The  
flooding has been brought up several times today--

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

**LINEHAN:** --and I know it was a horrible disaster. We were here. If we  
weren't here, I'm sure Senator Flood and Senator Pahls, Senator Bostar  
are fully aware of how devastating it was. But I believe FEMA picks up  
75 percent of anything that needed to be replaced, right?

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

\*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

**LINEHAN:** I know there's delays in billing and all that, but 75 percent.

**JON CANNON:** 75 percent of qualified expenses.

**LINEHAN:** And the state picks up 12.5 percent?

**JON CANNON:** Typically and they have in the past.

**LINEHAN:** And then so it's 12.5 percent left to the local county?

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

**LINEHAN:** OK, I think-- didn't we, as a state last year, appropriate several million dollars for counties that were hardest hit by the flooding?

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

**LINEHAN:** OK. It's funny that didn't come up all day, since it was mentioned several times about counties that were devastated.

**JON CANNON:** Sure and out of 93 counties, 85 had a declared emergency and I believe the Appropriations Committee appropriated enough money for-- it, it was either 9 or 12 counties and so--

**LINEHAN:** 12 of the hardest-hit counties.

**JON CANNON:** The hardest hit, yes, that's correct.

**LINEHAN:** OK.

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

**LINEHAN:** Thank you.

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

**LINEHAN:** Is there any questions? Thank you.

**JON CANNON:** Thank you.

**\*JOEY ADLER:** Chairperson Linehan and Members of the Revenue Committee-- My name is Joey Adler, and I am here on behalf of the Holland

\*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

Children's Movement, a nonpartisan, not-for-profit organization that strives to fulfill its vision for Nebraska to become the national beacon in economic security and opportunity for all children and families, in opposition of LB408. LB408 seeks to restrict local control of funding used for schools and other subdivisions. The Holland Children's Movement believes taking control away from local school districts and other subdivisions to make decisions and provide for resources they need, is an irresponsible approach to addressing property tax issues in Nebraska, and one that will only be harmful to our communities and children. According to the Nebraska Voters Outlook, research done by the Holland Children's Institute in 2019, 59% of Nebraskans say the state is currently underfunding education and believe that is why property taxes are so high. While only 35% of people believe Nebraska's education system is adequately funded and property taxes are high because of mismanagement and waste on the local level. That save public policy research showed that 51% of Nebraskans would rather see education adequately funded over a tax cut for property owners and businesses, and only 45% said otherwise. Holland Children's Institutes most recent public policy research shows that a majority of Nebraskans support policies like food assistance for those struggling (79%), continued unemployment aid for those who have lost their job (72%), a temporary eviction moratorium and increased aid for those struggling including landlords (70%), and healthcare for low-income Nebraskans (69%). With 54 percent of Nebraskans saying that they believe that the Legislature is either doing a poor job (19%) or just fair job (35%) in handling the current coronavirus pandemic. We believe LB408 does not address the real problems Nebraska families are facing currently. While property taxes are an important issue, we believe there are better ways to address this concern through fully funding TEEOSA at the levels needed, which will provide more state dollars and restore state aid to local subdivisions struggling to pay for the services they provide. For these reasons, the Holland Children's Movement opposes LB408.

**\*NOLAN BEYER:** Dear Chairwoman Linehan, and members of the Revenue Committee: My name is Nolan (N-O-L-A-N) Beyer (B-E-Y-E-R). I am the Executive Director of External Affairs testifying on behalf of Millard Public Schools. I am here today in opposition to Legislative Bill 408. LB408 would cap the real property tax revenue of political subdivisions at 3% of the amount raised in the prior fiscal year, absent an election where more than 3% is approved by a majority of

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

legal voters of the subdivision (with some limited exceptions). First and foremost, we oppose LB408 because it limits local control. As political subdivisions, schools have locally elected boards that set taxes on real property within limits already existing in state statutes. If the voters of a school believe their taxes are too high, they currently have the ability to vote on board representatives to support their point of view. Imposing a new and artificial cap of 3% subverts that process by instead requiring additional time consuming and expensive additional elections. We respectfully submit that locally elected boards should be permitted to do what is in the best interests of their school and their taxpayers. Second, LB408 is unnecessary in that there are several caps already in place. Multiple spending caps already exist for Nebraska schools and real property taxes are generally capped at \$1.05 (with some exceptions for items such as bond repayments). Third, this would arguably impose a significant expense on the State of Nebraska to continue to support political subdivisions such as schools. As property tax revenues are artificially limited to 3% and as needs of schools increase, the State may either choose to underfund schools (thereby negatively impacting quality of education for kids) or the state will be forced to find new revenue sources (e.g. increase income taxes or sales taxes). Finally, LB408 addresses a perceived problem that we submit is not accurate. Alleged "overspending of schools" is a concern that is often articulated. However, when you look at the facts, that does not appear to be the case. Most recent calculations of per-student expenses available from the Nebraska Department of Education in 2018-19 was \$13,183.54 based on average daily membership (ADM). Ten years prior (in 2008-09), the statewide cost per student was \$10,023.20. When factoring in the fact that spending increases compound upon themselves, that is an average annual increase of 2.8% per year. For more information on per pupil costs, see the Nebraska Department of Education website at:

[https://l1cdn.education.ne.gov/wp-content/uploads/2019/01/1718AFR\\_StatewidePPC\\_8081t01718.pdf](https://l1cdn.education.ne.gov/wp-content/uploads/2019/01/1718AFR_StatewidePPC_8081t01718.pdf). Thank you for your willingness to listen to our concerns. We'd be happy to assist with any discussions going forward on this issue.

**\*MIKE ROGERS:** Dear Chairwoman Linehan and Members of the Revenue Committee, My name is Mike Rogers and I am an attorney with 19 years of experience in Nebraska serving as bond counsel to numerous political subdivisions throughout the State. Thank you for the



\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

opportunity to submit written testimony in opposition to LB408. My opposition to LB408 is primarily related to the negative impact it will have on municipalities who rely on the ability to issue unlimited tax bonds as a credit enhancement to bonds paid from other sources, and because it would unnecessarily complicate the manner in which municipalities manage their budgets, similar to LR22CA. Many municipalities rely on non-voted general obligation bonds as a form of credit enhancement for their financings which the municipality intends to repay from other sources (like state gas tax dollars, utility revenues, sales tax revenues, etc.), without ever levying property taxes. LB408 would eliminate the value of such a "general obligation backstop" by impairing the value of non-voted bonds, or in some cases making such bonds impermissible. Bondholders would no longer look at the property tax levy ability of such political subdivisions as a significant reduction of credit risk. LB408 would eliminate that tool for Nebraska municipalities. As a result, LB408 would produce increased borrowing costs for many municipalities (including certain Cities, Counties, County Airport Authorities, Natural Resources Districts, School Districts, Sanitary and Improvement Districts, Community College Areas, Public Building Commissions, and others). Notable examples of how such a tax backstop mechanism has been used to benefit municipalities in Nebraska and which would be eliminated by LB408 include:

- Street improvement bonds, which are frequently issued by cities and villages and paid from sales tax revenues, special assessments or state gas tax dollars, not from dedicated bond levies.
- General obligation bonds of cities of the second class and villages for water and sewer projects, whereby debt service is typically paid solely from utility revenues. Smaller utility revenue systems of cities of the second class and villages have limited credit value and as a result, limited ability to borrow based solely on utility revenues like larger cities and other utility systems. Eliminating the ability to use a tax backstop for credit enhancement would likely lead to higher utility costs for smaller communities.
- Bonds and other obligations expected to be paid from third party sources, such as FEMA. Counties impacted by the 2019 floods pursued non-voted bonds using a statute which allows the County to pledge its gas tax dollars for payment of bonds, with a tax levy backstop if the gas tax dollars fall short. Frequently such bonds were expected to be paid from FEMA grants, and some are relying on the ability to refinance with the same credit if the grant funding does not materialize. The mechanism by which cities and counties pledge state gas tax dollars for payment of

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

bonds, which statutorily include a property tax backstop, would be prohibited by operation of LB408. Benefits to cities from growth in sanitary and improvement districts could be jeopardized by limiting the ability of such entities to pursue financings without an election. Currently, Sanitary and Improvement District obligations (warrants and bonds) do not require a vote but are backed by an unlimited property tax levy. Tax-increment financing ("TIF") would be negatively affected by LB408. TIF is not voter-approved, but is an obligation of cities and villages payable from a special fund credited with tax revenues from the incremental increase in taxes on a particular property. LB408 would appear to eliminate the ability of TIF obligations to be paid from anything but the initial increase in valuation attributable to completion of construction. If an assessor values the property at less than an amount needed to repay the TIF obligation in the first year, but in a future year raises the valuation in a corrective way, LB408 would restrict collections for the TIF obligation because it did not receive voter approval. Similar to LR22CA, LB408 will complicate the securities disclosure clients must provide when offering bonds to the public. In our role as bond counsel, we are commonly charged with assisting clients with preparing the securities offering document (called an "Official Statement") used to offer bonds to the public through the municipal bond markets. Official Statements must describe all of the material information related to a municipality so that the market and rating agencies (if applicable) can make an informed decision regarding the financing. A description of how the additional limitation in LB408 would impact a municipality, when combined with existing budget and levy limitations, will not be simple or possible in a concise way. Complicated disclosure regarding legal authority for a municipality to manage its finances, and permanent restrictions, can result in higher borrowing costs for municipalities. Further, such legal restrictions on a municipality's operations would likely not be viewed favorably by rating agencies who evaluate all resources available to a municipality when determining a rating. Placing yet another disparate cap on municipalities to permanently limit the levers that can be pulled in financially difficult situations may not only affect ratings on future bond issues, but could negatively affect ratings on outstanding bonds of a municipality. Please let me know if there are any questions and I will do my best to answer.

**\*JUSTIN BRADY:** Chairman Linehan and members of the Revenue Committee; My Name is Justin Brady, I am testifying as the registered lobbyist

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

for Metropolitan Community College in Opposition to LB408 and would ask that this testimony and Opposition be made part of the committee statement. While not speaking for all political subdivisions, this testimony addresses the perspective of MCC, a political subdivision and community college that serves the residents of Douglas, Dodge, Sarpy, and Washington Counties-four unique geographic areas with unique strengths and needs. The last year has been a trying one for all Nebraskans. Countless systems that worked well before COVID-19 needed to be reinvented to work during a pandemic. Services we counted on to keep us safe, healthy, and connected had to be rethought, reconfigured, and renewed. While challenging, Nebraskans generally brought out their best creative solutions and ingenuity to come up with new ways of doing business and taking care of one another. This constant need for creative problem-solving was certainly the case at Metropolitan Community College. Within 48 hours back in March, we shifted from primarily holding classes on-campus to offering those classes through remote and online educational delivery. We found creative ways to assist our students with online learning, through loaner laptops and hotspots, as well as remote advising and services. When the resulting economic downturn hit, we swiftly provided emergency funding support for struggling students, with assistance from private donations and our federal CARES Act allocation. When the Nebraska Department of Labor needed a temporary location to provide unemployment services, we offered them a building at our Fort Omaha Campus. When Test Nebraska needed accessible public sites for COVID-19 testing, we offered our campuses in North and South Omaha for their use. As you can see, Metropolitan Community College prides itself in responsive service to our four-county service area. Sometimes the required changes are predictable-but oftentimes not. This need for nimble, responsive educational delivery underscores the importance for our locally elected officials to have room to manage the College's budget in response to changing enrollments and workforce conditions. Looking ahead to the time when we get to create our "new normal," we can be fairly certain that our service area will be home to a significantly increased number of unemployed and underemployed individuals. They will be turning to us for short-term and two-year programs to skill-up for the new economy. At the same time, we can expect our local businesses to turn to us for skilled workers who can help them respond to life in the new normal, to fill skill gaps that hinder their growth. During similar times in the past, we experienced double-digit enrollment growth year-over-year. Were we to have to

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

manage this uncertainty with LB408 or LR22CA in place, it is tough to judge what unintended consequences would happen to MCC and its service to our four-county area. If approved, LB408 would significantly limit locally elected community college boards' ability to respond to local needs within their service area-the very purpose for which community colleges were established. While such legislation may appear simple and straightforward from a distance, the uncertain consequences would serve only to hinder MCC from responding adequately to local student and workforce needs-which, in turn, would limit economic growth and statewide well-being. While MCC remains committed to holding property taxes in proper balance, as we have done for many years, we strongly encourage you to find other, more proactive ways to reduce local property taxes across the state. If you have any questions, please do not hesitate to reach out to myself or Randy Schmailzl at Metropolitan Community College. We respectfully ask for this committee to IPP LB408. Thank you.

**\*TIM GAY:** Dear Chairperson Linehan and Members of the Revenue Committee, On behalf of Commissioner Don Kelly, Chair of the Sarpy Board of Commissioners, and the entire Sarpy County Board, I submit the following letter as testimony in opposition to LB408 (Briese) and ask that this position and testimony be recorded and reflected on the committee statement for the bill. As noted in our testimony from this morning's hearing on LR22CA, we appreciate Senator Briese's focus on property tax relief; however, the Board cannot and does not support the method used to achieve such relief. As previously discussed, Sarpy County is the state's fastest growing county and the site of some of the largest and most exciting economic development projects in the State of Nebraska. With these new developments comes increased need for infrastructure and services. Sarpy County cannot build and fund a new \$80M jail, \$15M mental health facility, roads and a wastewater system necessary to accommodate the growth without using the additional tax dollars that revenue growth and property re-evaluation generate. LB408 severely limits Sarpy County's ability to respond to the needs and challenges of the people in the county without cutting services. It may also jeopardize projects such as the new county jail and mental health facility. The impact of unfunded-underfunded mandates on counties like Sarpy County on top of the limits proposed in LR22CA are magnified and unsustainable for the county's budget, placing boards like ours in the untenable position of eliminating services, employees, or both. Again, we certainly understand the

\*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

intent of LB408 and appreciate Senator Briese's ongoing commitment to the property tax payer. However, we cannot support the manner in which LB408 achieves property tax relief. For these reasons, we respectfully ask the Revenue Committee to indefinitely postpone LB408.

**\*JENNI BENSON:** Good afternoon, Senator Linehan, and members of the Revenue Committee. For the record, I am Jenni Benson, President of the Nebraska State Education Association. NSEA opposes LB408. This legislation limits the annual increase in property tax revenue by a political subdivision to three percent unless the political subdivision receives a majority vote from the public allowing the political subdivision to exceed the limitation. This limit does not apply to bonds. LB408 does not address property valuations or swings in other sources of funding which could create revenue flow or other unforeseen financial issues for Nebraska school districts. For instance, a school district may lose a large portion of State Aid due to valuation increases but would not be allowed to recoup that revenue loss without a majority vote of school district voters. Our election process is simply not nimble enough to handle such contingencies, and school districts caught in such instances would be forced to make dramatic cuts to teaching and learning. We cannot hamper the education of our children in such an unpredictable and cavalier manner. Currently, there exist statutory limitations on the ability of public schools to spend and raise revenue. The existing levy rate lid and the budget cap limitations work exceedingly well to ensure that local public school spending remains flexible within limitations. Even so, these restrictions create many challenges for school districts as they work to meet state and federal mandates, often unfunded, within the classroom and learning environment. Adding yet another unreasonable limit on the ability of our school districts to meet the educational needs of their children is shortsighted. Doing so runs the risk of creating a "perfect storm" of multiple caps and lids, with varying levels of negative consequences for school districts across Nebraska. The NSEA, on behalf of our 28,000 members across the state, asks you to indefinitely postpone this bill. Thank you.

**\*JACK MOLES:** Members of the Revenue Committee: My name is Jack Moles. I am the Executive Director of the Nebraska Rural Community Schools Association, also known as NRCSA. NRCSA is made up of 213 member institutions: 197 rural public schools, 13 Educational Service Unites, and the three State Colleges. Our rural public school members have a combined student population of almost 83,000 students. On behalf of

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

NRCSA, I testify in opposition to LB408. NRCSA understands that Senator Briese has a desire to slow the growth of property taxes, but we believe the effects of this bill will be detrimental to Nebraska's public school districts. Equalized districts would be adversely affected when their valuations would increase. With increased valuations, a district's formula resources would increase, which would then cause equalization aid to drop. The locally elected Board of Education may not be able to make up for that loss in equalization aid because of a 3% property tax cap, which could cause the district to have to make late cuts in the budgeting process. NRCSA does have districts that are equalized and thus could be adversely affected in this way. As ag-land valuations skyrocketed, the number of non-equalized districts grew from 48 in 2008-09 to a high of 178 in 2017-18. Currently, 160 out of 244 school districts do not receive equalization aid. Most of these non-equalized districts are rural districts. Thus most of them are members of NRC SA. In 2008-09, Class C and D (NSAA basketball classifications) sized schools received almost \$163,000,000 in equalization aid. Today, those schools receive a little over \$68,000,000 in equalization aid. Most of those districts, however, have long lost that equalization aid. Thus, they have been forced by the State of Nebraska's school funding system to become so overly reliant on property taxes. It is the belief of NRCSA that if state funding were to be made available to non-equalized districts that property taxes would be lowered. Placing a 3% cap on property taxes without providing alternative state funding would severely limit the ability of a district to react to needed changes. For example, if a family with high need special education student moved into a district, especially a smaller district, it could devastate the budget without the ability to react in the district's only way of reacting: through property taxes. Another concern is that the Special Building Fund would almost assuredly become extinct in many districts. Many smaller districts have been able to use the special building fund to address high cost issues such as roof projects or HVAC projects. Locally elected Boards of Education would likely not have the ability to generate funds into the Special Building Fund as the ability to access property taxes would dictate that those funds would need to be dedicated to the General Fund. Thus, needed facility issues would be pushed further out. The above reasons are only a sampling of the concerns that NRCSA has with LB408. The bill will not be beneficial to Nebraska Schools and I urge you to not advance it. Thank you for your consideration.

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

**\*JOHN SKRETTA:** Chair Linehan and Members of the Revenue Committee: Schools Taking Action for Nebraska Children's Education (STANCE) is comprised of 19 mid-sized school districts, free of lobbyists, that represents over 25,000 school children. STANCE is unique in the fact we have districts representing the entire state from Chadron to Blair, levies that range from \$1.05 to \$0.60, and enrollments ranging from 863 to 3,928. We are representative of Nebraska education, and we don't take that lightly in our positions with the legislature. We submit this testimony in opposition of LB408 proposed by Senator Briese that caps school taxing authority at a 3% increase because it would limit a school's ability to generate the revenue needed for their individual situation. We want to begin by acknowledging the revenue committee's continued efforts towards creating a bill that would provide property tax relief for our patrons. Schools have been forced into an overreliance on property taxes as state aid has been cut time and time again from the current TEEOSA model. LB408 attempts to address this issue, however, the mechanism suggested eliminates a district's ability to raise the necessary revenue to provide the education expected from our patrons. This bill is only about school spending, while it is well documented that the over-reliance issues are due to funding. While STANCE fully recognizes the property tax issues facing our state, and want to be at the table trying to find a way to reduce our over-reliance on property taxes, we are opposed to LB408 for the following reasons: • Schools currently have levy lids and spending caps that work. School districts have been under assault from several elected officials that say local property taxes are only high because of school district spending. Over the last few years, our taxpayers have educated themselves on the actual numbers available instead of just believing the political rhetoric. STANCE data would show our 19 school districts have increased spending by just 2.60% over the last nine (9) years. The legislature should be proud that the levy limits and spending lids already in place have kept our school spending .84% lower than our state government who has averaged a 3.44% increase during a similar time period. • Local control has always been valued as the best way to govern in Nebraska. Board of Education members are tuned into the needs of their local school district and the communities in which they live. Each school has a reason and a story for lower, or higher property tax increases as it pertains to their school district. And each of those times, there were locally elected school board members that understood the reason for their decision whether it be reduced funding from the state, student growth,

\*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

added programming to fit community need, improved instructional resources, change in demographics, unfunded mandates from the state/federal government, or reduction in class sizes. We need to recognize that our locally elected board members also value keeping the property tax-asking as low as possible, and demonstrated that time and time again over the last decade. We do not want to sacrifice the quality of the education to our students, and reduce the ability for our Board of Education to make decisions at the local level. We need the ability to react to local situations at each school district to ensure the quality of education meets the needs and expectations of our community members. • Focusing on school spending alone doesn't recognize the real issue. Schools are more than willing to roll up our sleeves and be a part of the solution to the state's overreliance on property tax taxes, but solely focusing on spending isn't telling the entire story. Many members of the body including several on this revenue committee have expressed concern about the way that schools are being funded from the state level. This bill only addresses school spending, but fails to recognize that property taxes are high because the state has continually decreased the funding to school districts. Schools are fresh off the decade in which state equalization funding decreased to zero in over 170 schools. From the STANCE perspective, over the last nine years, the 19 schools have had total receipt increases over 3.0% just 61 times of the 171 possibilities (35.6%). But during the same stretch they have had total receipts that were less (negative) than the previous year 52 times (30.4%). We can't say there is a spending problem when it is convenient, but not recognize there are almost an equal number of years the total receipts are negative to the previous year. Digging further into this situation, we want to note that state aid has been decreased 71 times during the same timeframe (41.5%). The decreases in state aid forced the local property taxpayers to take on more than their fair share to keep operating their school districts, and almost all of it was in reaction to a decrease in total funding. We have a funding issue, not a spending issue. STANCE prides themselves on being a part of solutions, not just standing in opposition. And since we are in opposition to this bill, we wanted to offer a solution. STANCE believes a better way to address the issue of property taxes would be to start with a fully comprehensive study of the school funding model. This study may provide some insights on ways that we can work together to address these issues in a holistic fashion, instead of just focusing on one side of the ledger. In conclusion, STANCE is in opposition of LB408



\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

but appreciates the revenue committee for their continued efforts in understanding the problems in regards to property taxes and school funding in our state.

**\*JOHN NEAL:** Chairperson Linehan and Members of the Revenue Committee, The Lincoln Public School District submits this letter in opposition to LB 408. We request that this letter be made part of the public record. The bill limits the property tax request by a political subdivision in any fiscal year to no more than three percent greater than the previous year. This limitation may be exceeded with approval from the majority of voters and does not apply to approved bonded indebtedness. Finally, the limitation does not apply to property tax revenue requested on any real growth value. Based on definitions in the legislative bill, the exclusion for real growth value would not offset the reduction in state aid school districts experience when a school district's valuation increases. Often school district value increases due to price increases in the property market. The definition of real growth value in LB408 does not appear to include valuation growth driven by market conditions. When a school district experiences increases in valuation, state aid falls. The state aid formula presumes that school districts access the valuation growth. Placing an overlay limitation on top of the system to finance schools in Nebraska in this manner will result in a significant structural gap in funding to educate children across the state. School districts currently develop budgets with levy lids and spending limitations. Local constituents elect a Board of Education to develop a budget within the parameters with a focus on public transparency. Communities seek high-quality education with investments in technology, security, and programming to promote student success. A statewide cap on property tax request would create significant revenue shortfalls for schools resulting in increased class size, elimination of programs, and erosion of the quality of education. Nebraska is proud to have high-quality public schools.

**LINEHAN:** Any other opponents? Anyone wanting to testify-- I can't believe you could be in Nebraska and be neutral.

**GRANT LATIMER:** Written testimony.

**LINEHAN:** Pardon?

**GRANT LATIMER:** Written testimony.

\*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

**LINEHAN:** Oh, written-- where is it? Oh, right here. OK, we have no written testimony in support or proponents. We have opponents: Joey Adler, Holland Children's Movement; Nolan-- and these are letters for the record, not submitted testimony right?

**GRANT LATIMER:** They're submitted.

**LINEHAN:** OK, so they came in this morning and left this testimony, OK. Joey Adler, Holland Children's Movement; Nolan Beyer, Millard Public Schools; Mike Rogers, Gilmore and Bell, P.C.; Justin Brady, Metropolitan Community College; Tim Gay, Sarpy County; Jenni Benson, NSEA; Jack Moles, NRCSA; John Skretta, STANCE; and John Neal, Lincoln Public Schools. And no one submitted testimony in the neutral position. And then do we have letters for the record? I'll just read how many-- that's how we're going to do it? We had 0 letters for the record, right?

**GRANT LATIMER:** Six of them.

**LINEHAN:** Six of them? Oh, yes, it looks a lot like a zero when I have my thumb-- we had 0 proponents, 6 opponents, and 0 neutral. Senator Briese, would you like to close?

**BRIESE:** Seems like a good day to waive closing, but I think I will close just briefly. Covered a lot of ground today and, you know, we-- I sure appreciate the testimony of everyone on both sides. And Senator Pahls, you mentioned this a couple of times. I think Senator Lindstrom also talked about the end game. What is the end game? And it really depends on who you ask. And personally, you know, I've looked for home runs since I've been here, but the political realities are such that oftentimes you have to settle for incremental progress. And this is one of those incremental steps that we can take. Senator Linehan, you asked someone earlier, could this pass? I'm thinking you put something like your CA or LB408 in front of the voters whose income is rising at 1.9 percent per year and for a-- to impose a limit on property tax askings of 3 percent a year, they're going to say heck yes. And there is really two ways to look at this proposal. Is this a de facto limit on spending or is this a first step in reducing our unreasonable, unsustainable overreliance on property taxes to fund local government and eventually, eventually replace those taxes with other forms of revenue? As I said earlier, I think this proposal eventually will facilitate more aid to the locals. You know, we're not going to leave

\*Indicates written testimony submitted prior to the public hearing per  
our COVID-19 response protocol

the locals hanging high and dry. I don't believe that. And in the case of, of the equalized school districts worried about inflationary pressures eroding-- inflationary pressures on their tax base eroding their equalization aid, you know, we can tweak the LER and take care of that problem with a, a stroke of the pen. As far as other folks, you know, are there other sources of revenue, sales tax, income tax that ultimately someday can replace property taxes? Those would be discussions for down the road, but I think we need to move this proposal forward. Nebraskans will appreciate it. And if problems arise, I think we'll take care of those problems. Thank you.

**LINEHAN:** Thank you, Senator Briese. Are there any questions for Senator Briese? OK, with that, we've brought a close on LB408. Thank you all very much for all your attention and hard work today.