

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee February 10, 2021

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our COVID-19 response protocol

**LINEHAN:** Welcome to the Revenue Committee public hearing. My name is Lou Ann Linehan. I'm from Elkhorn. I represent the 39th Legislative District. I serve as Chair of this committee. For the safety of our committee and 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 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 your 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. Public hearings for which attendance reaches seating capacity or near capacity, the entrance doors will be monitored by a Sergeant-at-Arms who will allow people to enter the hearing room based upon 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 availability, due to the 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 enter the room. We please-- we ask that you please limit or eliminate handouts. The committee will take up the bills in the order posted. Our hearing today is for 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 our proceedings, 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 to distribute to the 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 a page to make copies for you now. When you begin to testify, please state and spell both

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your first and last name for the record. Please be concise. It is my request that you limit your testimony to five minutes and we will use the light system. So you have four minutes on green, one on yellow, and then you need to wrap up. If there are a lot of people, which I don't think we have that this morning, if your remarks were reflected in the previous testimony or if you would like your position to be known but do not wish to testify, please sign the white form on the table outside the room by the entrance. It will be-- it will be included in the official record. Please speak directly into the microphones so our transcribers are able to hear your testimony clearly. I would like to introduce committee staff. To my immediate right is committee counsel Mary Jane Egr Edson. To my immediate left is research analyst Kay Bergquist. At the left, at the end of the table, is committee clerk Grant Latimer. Now I would like committee members to introduce themselves, starting at my far right.

**PAHLS:** Thank you, Senator. Rich Pahls, representing southwest Omaha.

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

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

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

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

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

**LINEHAN:** This morning-- if you guys could stand up, gentlemen. This morning our pages are Thomas and Turner. Both attend UNL and both are studying political science. Please remember that senators may come and go during our hearing as they may have bills to introduce in other committees, which I am going to leave at some point here because I have another bill in another committee. And I think Senator Flood's in the same situation. Refrain-- 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. Lastly, we are an electronics-equipped

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committee. Information is provided electronically as well as in paper form; therefore, you may see committee members reference 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 begin the hearing on LB2, Senator Briese.

**BRIESE:** Thank you and good morning, Chairman Linehan and fellow members of the Revenue Committee. I'm Tom Briese, T-o-m B-r-i-e-s-e, and I'm here to introduce LB2. LB2 is a simple bill. It would simply require a valuation of ag land real estate to be at 30 percent of actual value for repayment of school bonds issued after the effective date of the act. And it's essentially a property tax reform bill. It's designed to encourage accountability at the voting booth and incentivize efficiencies in K-12 education. This bill is about nudging us on the path to structural education funding reform. It arose from a common complaint I heard in the district, from other districts, and across the state, and that complaint is that those in agriculture pay a disproportionate share of K-12 infrastructure cost as opposed to their nonag friends and the-- and then they get outvoted at the voting booth, is the balance of their concern. And agriculture is underrepresented at the voting booth. In one county in my district, Ag comprises 80 percent of the tax base, but only 40 percent of the population live on farms. Another county, ag comprises 74 percent of the tax base and only about 32 percent of the population live on farms. And Senator Friesen, I believe, gave the example last year when we were talking about something similar, I believe he suggested in Hamilton County only about 10 percent of the residents are farmers. But although they may be outnumbered at the voting booth, a typical ag producer pays a much larger share of K-12 infrastructure cost. I handed out a couple of ex-- of exhibits and one exhibit, I provided some examples there. And in that example, a hypothetical farmer pays roughly 25 per-- 20 times-- 27 times, excuse me, what his or her city counterpart pays towards the same bond issue. And you can look at the assumptions I use there, but that-- that's a hypothetical situation, maybe an average-sized farm, maybe an average valuation, maybe an average house, but-- but they're rough numbers. You could plug in any number you want, but I think that's a reasonably representative example. And as I noted, in some of the rural counties where this occurs, farmers and ranchers comprise only a fraction of the population. And from that, you can see the problem there. A situation

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in which a minority of the voters pay a majority of the cost makes it too easy to spend money. This bill is an effort to help correct that. It will inject a little more fairness into the system. It will give everybody a little more skin in the game. Giving everybody a little more skin in the game will help encourage fact-based decisions at the voting booth-- at the voting booth, and it will encourage patrons to pay close attention to bond proposals. It will incentivize all patrons to weigh more carefully the need for new infrastructure. By giving everybody a little more skin in the game, it will incentivize cost savings and efficiencies in public education. And I submit to you, the precedent that this sets is one of fairness, accountability and incentivizing efficiencies. And we need to remember this only applies towards bond issues and going forward. Now-- now some may express the concern about the shifting of the burden to homeowners. Well, first of all, they can vote no. But second of all, the burden has already shifted to ag in the last decade or so. Ag real estate taxes over that time have-- excuse me, have increased over 150 percent. The average residential property tax bill increased about 30 percent. And according to Ernie Goss, and this was perhaps a year ago, he said during the last five years, ag earnings have dropped 45 percent while ag property taxes have increased 34.5 percent. During that same five-year period, household property taxes increased 16 percent while earnings have increased 15 percent. So the shift has already occurred towards ag and this can help correct it. And if you look at the exhibit again, even under this scenario, that typical ag producer after this would go into effect would still pay ten times as much as his typical urban counterpart. But this takes us in the direction of more fairness, more response-- or more equity in how we do things. And I would submit that the burden on homeowners, even after this proposal, would not be burdensome. And so with that, I'd be happy to answer any questions that anybody might have.

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

**FRIESEN:** Thank you, Chairman Linehan. So have you ever looked into what percentage of the ag land in some districts is owned by absentee landlords that-- that don't get an opportunity to vote at all?

**BRIESE:** I have it. We've-- we've tried to inquire about out-of-state landlords, but out of the school district, I don't know what the [INAUDIBLE] would be there.

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**FRIESEN:** OK. Thank you.

**BRIESE:** But out of state, there's a wide range.

**FRIESEN:** Because there-- there's probably quite a bit of land where people, if you're in a border area, I would take it that you don't even have an opportunity to elect that school board.

**BRIESE:** Right. Right. Yes, that's an issue also, you bet.

**FRIESEN:** OK, thank you.

**LINEHAN:** Thank you, Senator Friesen. Are there other questions from the committee? Seeing none, thank you very much.

**BRIESE:** Thank you.

**LINEHAN:** Need our first proponent. Have to clean the table up. Good morning.

**MERLYN NIELSEN:** Good morning. For the record, my name is Merlyn, M-e-r-l-y-n, Nielsen, N-i-e-l-s-e-n, and I'm from Seward, Nebraska, and I also represent a group called Fair Nebraska. We have worked on efforts to try and change the tax policy of the state, especially as it relates to agriculture, but in other areas as well for the last almost three years now. I speak today as a proponent and full supporter of Senator Briese's LB2. I happen to be an agricultural land owner. I think of all the times I've watched new bond issues come along and the way they're advertised and supported and-- and brought to-- to a vote is usually talking about what the new increase in taxes will be for a homeowner, homeowner only. That's the only example that's ever given. This morning, I dug out my Omaha World-Herald records and looked back at when Gretna went through a new bond issue this past year. And it was advertised that if you held a \$200,000 home, you would have an increase in taxes, annual increase in taxes to help pay off that bond of \$145.36 per year. Now, then I started thinking about, well, if you compare a person who has on-- only a home but also has ten times as much, maybe \$2 million in stocks and bonds and other intangibles, and compare that to a person who has a \$200,000 house but also have 2-- \$2 million worth of ag land, you're talking-- in that same district, you're talking about 11:1 difference in terms of amount of taxes paid because that \$2 million would pay-- of ag land would pay \$1,445.36 or whatever that number-- -- 450.36. Then I think

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of the example, as Senator Friesen brought up as well and it fits me also, my family owns bits and pieces, not very large, of property in five different counties, five different school districts. We live in one. We can't vote in four of them for any member of the school board or any bond that might come up, so we're by-- forced to help pay for education in areas that we don't even reside or have any-- we don't get to have any skin in the game for a high charge that could come against us. So I urge you to follow this. I thank Senator Briese for bringing up the example from the Goss study, and I have some idea where that came from. And we-- we just have an unfair way that we tax for education from a property tax standpoint in the state of Nebraska. It's why we need to shift so much more in the general fund, not for bonds, maybe, to the state, but we also need to change how we tax property at the local level and get away from such heavy taxing on ag land, and I would even say commercial property along with that. We ought to be taxing where people live because everybody has similar skin in the game. So that's houses and apartments. And with that, I will conclude and thank you for time today, and I appreciate the chance to come before this body today and meet some new senators, new faces on the-- on the committee. Thank you, Senator Linehan.

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

**FRIESEN:** Thank you, Chairman Linehan. So you talked about in the five different school districts. Could you tell me if those school districts are equalized or nonequalized or is it a mix of both?

**MERLYN NIELSEN:** There is-- I don't believe there is a significant amount of equalization in any of those because they're all very rural school districts and do not have high poverty levels or other categories that add to TEEOSA funding.

**FRIESEN:** Probably high ag land versus valuation of the [INAUDIBLE]

**MERLYN NIELSEN:** Ab-- absolutely every one of them, yeah.

**FRIESEN:** OK.

**MERLYN NIELSEN:** They're sparsely populated from the standpoint of towns.

**FRIESEN:** OK, thank you.

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

**PAHLS:** Thank you, Senator. I have a question, and I see what-- what  
the-- what the issue is here. Are there that many bond issues issued  
to those, the school systems that you know about in your area? I mean,  
are you concerned about the bond issues in the schools? They're  
spending too much, is that-- am I too-- am I get-- getting your point  
right?

**MERLYN NIELSEN:** No, I'm not here commenting on that today. I have  
voted yes for every school bond I've ever seen in my life, but I won't  
next year because all of a sudden the burden is too heavy on me--

**PAHLS:** That I understand. I--

**MERLYN NIELSEN:** --from that. Yeah.

**PAHLS:** I've heard it. But what I'm curious, right now, are a lot of  
schools building for the bond issue? I mean, do you-- the-- I'm just  
trying to figure out, is this a big issue because they're continually  
building or having bonds that are inappropriate?

**MERLYN NIELSEN:** It's hard to say whether they were inappropriate,  
Senator Pahls.

**PAHLS:** Yeah.

**MERLYN NIELSEN:** The largest bonds that we're still paying off right  
now are in my home district where I do get to vote in Seward's public  
schools.

**PAHLS:** Oh, OK.

**MERLYN NIELSEN:** But I-- I think they have been balanced in the way  
we've approached the needs of meeting our education of our young  
people.

**PAHLS:** OK, thank you.

**MERLYN NIELSEN:** But I do believe, and I follow up on, if I might, with  
Senator Briese's concept. If you want good scrutiny of whether a new  
facility or the scope of that facility is appropriate, you've got to

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have similar skin in the game of all those who would be asked to pay  
for it.

**PAHLS:** Yeah, and I agree. I'm not-- not disagreeing with that. I'm  
just wondering, are we building that much in these areas?

**MERLYN NIELSEN:** What-- what I should do is go home and-- because I was  
spending time yesterday morning trying to figure out the new property  
tax-- income tax credit that I would get on my school property taxes  
and trying to figure out the forms and working my way through the--  
the worksheet on the Department of Revenue. But I should have been  
looking up, Senator Pahls, not my general fund payment, but the bond  
payment for each of those five districts.

**PAHLS:** Yeah.

**MERLYN NIELSEN:** And then I could answer your question maybe a little  
[INAUDIBLE]

**PAHLS:** Yeah, and I'm not-- this is not trying to trap you into  
anything. I just want-- I've been told that there's not that much  
building going on, but you're telling me there is a lot going on that  
I'm not aware of, I mean, in these smaller communities,

**MERLYN NIELSEN:** Our junior high at Seward, and again, it's a growing  
community--

**PAHLS:** Yeah.

**MERLYN NIELSEN:** --our junior high at--or middle school-- should-- got  
to get the terms right. You can tell I-- I went to school in the '60s.  
The middle school at Seward is only about six years old now. The K-6  
school, the primary school, would be about 18 years old, and the last  
addition to the high school was about 9, 10 years ago.

**PAHLS:** OK, thank you.

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

**MERLYN NIELSEN:** Thank you.



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**LINEHAN:** No, Mr. Nielsen, I have-- Mr. Nielsen, I have a question. I  
have a question.

**MERLYN NIELSEN:** Oh.

**LINEHAN:** Just--

**MERLYN NIELSEN:** Never walk away from the Chair.

**LINEHAN:** Well, that's helpful. Just to follow up on Senator Pahls's  
question. I think some of the confusion here, you have a lot of  
growing school districts that are located close to another-- 50 miles  
from Omaha or Lincoln, so Syracuse, Beatrice, Waverly, Norris, Seward,  
York, who are in high-levy-- their general fund could be \$0.90 to  
\$1.05. Many of those are a \$1.05, but they still have a lot of ag land  
in them. And you're kind of in that situation, right, where you're--

**MERLYN NIELSEN:** Yes.

**LINEHAN:** --you're in a growing school district. We think of rural  
districts as being like out where they're losing students and they  
don't need to build anything. But we've got some rural districts there  
are not going-- getting smaller. They're getting bigger. Isn't that  
one of the situations with some of the school districts?

**MERLYN NIELSEN:** I-- yeah. Yeah, I think that's a follow-up also, as  
you said, to Senator Pahls's question, I think most of the  
construction areas have been in those growing towns that have been in  
the areas that are still growing. But if you go into the far-- more  
further west and southwest in the state, there haven't been as many  
new schools constructed there.

**LINEHAN:** Gretna would be a school like that, too, right--

**MERLYN NIELSEN:** Oh, Gretna--

**LINEHAN:** --growing fast, a lot of farm lands--

**MERLYN NIELSEN:** --tremendous growth, yes.

**LINEHAN:** Yeah. OK, thank you. Other questions? Thank you very much,  
Mr. Nielsen.

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**ALBRECHT:** I have one. Sorry.

**LINEHAN:** Oh, I'm sorry.

**ALBRECHT:** I just--

**LINEHAN:** Senator Albrecht.

**ALBRECHT:** I just want to make a quick comment and maybe to help Senator Pahls, as well, understand what we do go through in the rural areas. It's not just the schools. You know, we had a-- a-- a jail in one of my counties, actually the one I live in. And every farmer will pay \$2 an acre for the rest of their life on this bond that we had no control over because there were more people. All it took was 300 people out of the county to say yes and we are locked in. And there's-- I mean, it's a difficult situation when we're paying more of the load than those in town and it needs to be leveled out for those reasons. I mean, it's not just schools, you know, so that's just a comment. Thanks.

**LINEHAN:** OK. I think now you can go. Thank you, Mr. Nielsen, for being here. Other proponents?

**DENNIS FUJAN:** Good morning--

**LINEHAN:** Good morning.

**DENNIS FUJAN:** --Chairman Linehan and members of the committee. My name is Dennis Fujan, D-e-n-n-i-s F-u-j-a-n. I'm a farmer from Saunders County, Prague, Nebraska, here on behalf of the Nebraska Soybean Association, the Nebraska Cattlemen, Nebraska Corn Growers, Nebraska Farm Bureau, Nebraska Pork Producers, Nebraska State Dairy Association, and the Nebraska Wheat Growers. Sometimes we're referred to as the ag leaders. I'm here testifying in support of LB2, Senator Briese's bill to reduce the valuation of agricultural property to 30 percent for purposes of funding school construction bond issues. Senator Briese had a similar measure on Select File last year, and we appreciate his renewed efforts to bring some balance to the financial liability these bonds pose to property owners. The Department of Revenue estimates no state fiscal impact from LB2, and the Legislative Fiscal Office agrees. Aside from counties needing to modify their computer software and use a separate book for the new valuations, there should be no significant fiscal impact as-- for counties. LB2

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will likely require budget modifications for school districts as their tax base would be reduced for the payment of principal and interest. Farmers and ranchers make up less than 5 percent of Nebraska's population. In some school districts, agricultural land comprises as much as 70 percent of the property tax base. That means in some school districts, less than 5 percent of the population is paying 70 percent or more of the taxes levied. A bond issue could very easily cost a farmer or rancher tens of thousands of dollars per year, yet those paying the most have the fewest number of votes. When the Legislature talks about reform, we often hear about regressive taxes, mostly when it comes to sales tax. However, we in agriculture and possibly those in business that rely on real property to make their living view property taxes as one of the most egregious and regressive taxes that exist. The taxes that do not in any way-- the taxes assessed do not in any way reflect the ability to pay. Although LB2 may not be considered significant in-- in the much bigger picture of comprehensive tax reform, it is significant to agricultural producers because it helps balance-- and balance the burden when it comes to local voters deciding who gets the bill to pay for capital-- school capital construction projects. Reducing agricultural land values to 30 percent for purposes of funding school boards is not unheard of. Minnesota recently passed similar legislation. Also noteworthy about Minnesota, agricultural land and buildings are not taxed for school funding operations. I believe they passed that bill last year. We very much appreciate Senator Briese for putting this issue before the committee. We also want to assure you that members of our organization value K-12 education. We are simply asking for more balance in how we pay it, pay for it, and accordingly, we encourage you to advance LB2. Thank you for your time, and if there's any questions, I'd be happy to answer them.

**LINEHAN:** Thank you, sir. Are there questions from the committee?  
Senator Flood.

**FLOOD:** Thank you, Chair Linehan. Ag land is currently taxed at what percentage? We-- is it 75 percent? Is that accurate?

**DENNIS FUJAN:** I believe it is 75 percent.

**FLOOD:** So what would-- and I'm not suggesting it's wrong, but where-- the 30 percent number, how do you arrive at that?

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**DENNIS FUJAN:** I-- I really don't have those figures for you. These are the-- the information that was given to me. And I didn't do a lot of research on it, I have to be honest with you. I-- I'm using the figures that were given to me by the group.

**FLOOD:** So the question is, if-- in a bond issue, and this is something for maybe another testifier be-- behind you, I-- I know that it's 75 percent for purposes of the levy, but is it 75 percent for purposes of a bond issue or is it at 100 for bond issues?

**DENNIS FUJAN:** 75.

**FLOOD:** OK. And, you know, the open-- question would be the openness to a different percentage other than 30. You know, I don't--

**DENNIS FUJAN:** Um-hum.

**FLOOD:** I don't-- if-- if the research shows 30, makes sense to-- to equal it out. I mean, I'm just trying to figure out if-- if-- if we already do this on ag land at 75 percent, is 30 the right percentage? Would you be open to other percentages?

**DENNIS FUJAN:** As long as it'd be lower. [LAUGHTER]

**FLOOD:** One hundred and seventeen percent--

**DENNIS FUJAN:** The example--

**FLOOD:** --you wouldn't be for that?

**DENNIS FUJAN:** The example I was given was, for instance, you have a \$100,000 community improvement project, or let's just use \$100,000, and you have 100 people asked to pay for this. So they're-- they're, you know, by normal figuring, you'd figure each person would pay \$1,000. But the system used right now, you have 95 out of those 100 people paying approximately \$315, and then 5 people are going to be paying \$14,000, and that's basically the way the system is right now.

**FLOOD:** What if you have a family that has a commercial business and its-- its plant is \$20 million in value-- in-- in-- I don't know. It's a lot of money, but--

**DENNIS FUJAN:** Um-hum.

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**FLOOD:** --let's say that they-- let's say the family has a-- and it's  
not ag land; it's commercial. Should they get the same 30 percent?

**DENNIS FUJAN:** Well, and I believe-- I believe they're talking-- you  
know, this-- this-- this is just a general example, you know, when--  
when you're talking about the-- the 5 percent being farmers and  
ranchers and-- and the rest of them being homeowners now. And it's  
just-- that's just a simple example. There's a lot of variations  
depending on the type of property.

**FLOOD:** Yeah. Well, I think that you--

**DENNIS FUJAN:** So I understand you're saying, should-- should  
commercial factories and things like that be taxed at a lower rate,  
and I-- I truly believe they should be.

**FLOOD:** Thank you.

**LINEHAN:** Thank you, Senator Flood. Are there other questions from the  
committee? So are you saying-- and wondering why nobody introduced  
this amazing idea and I don't know about it. The reason we can't do  
that is because the constitution has-- we passed a constitutional  
amendment to value farmland differently. To do the same for the con--  
for commercial, which I agree we should look at, we'd have to do a  
constitutional amendment, isn't that right? Because right now we-- we  
can treat farmland different because it's-- we passed a constitutional  
amendment to do so. To do commercial, we'd have to pass the same  
constitutional amendment. I think.

**DENNIS FUJAN:** You know, I-- and I don't know if it's a constitutional  
amendment or some legislative law or exactly how you do it, but it's  
just trying to change the-- the formula used to fund school projects  
or to fund any project, for that matter.

**LINEHAN:** Right.

**DENNIS FUJAN:** But school projects is what this is concerned with.

**LINEHAN:** Right.

**DENNIS FUJAN:** And I guess, you know, I was-- I was thinking about  
this, too, and-- and I believe the gentleman from Fair Nebraska  
mentioned about, you know, we're not taxing retirement packages,

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retirement investments. Now, my farm is my retirement investment. I've used it all my life to pay for my well-being and improve myself and things like that. But when I retire, which I'm doing, that's my retirement that you're taxing and you're allowing this to happen all the time, my-- my 401(k) or my IRA is my land, and we're not taxing anybody else's IRA to do these projects. But now I am getting my IRA taxed.

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

**DENNIS FUJAN:** Thank you very much for your time.

**LINEHAN:** You're welcome. Are there other proponents? Are there any opponents? Oh, wait a minute. Do we have a proponent? OK. Good morning.

**DON CAIN:** Good morning, Senator. Don Cain, D-o-n C-a-i-n, fifth-generation cattle producer, veterinarian, and passionate property tax reformer in the state of Nebraska. I come from Custer County, Broken Bow, and this bill here speaks to a couple of things that I think we don't often recognize. Part of it is, is that when landowners-- first of all, there's been three times in Custer County we've tried to get bonds passed, and we do need some improvement. I've got five stepchildren and three of my own children, and I've got a bachelor's, two minors, a DVM and a master's. We all understand the importance of education. Our children are all well educated, so don't take my position here as an anti-education position. I'm here for equalization on the burden that the agriculture sector is putting on right now for property tax. We're in favor of this. In Custer County, we've had a successful defeat of two bonds, even though as time goes on we all understand we've got to have improvement in our structures. Each time we have to go through those defeats, or if we would lose, it causes disharmony and discord in the community. And that's not good in any community. I don't care whether it's Omaha or Broken Bow, Nebraska. The agricultural community, of course, is looking at it from the fiscal side because they feel like they bear the brunt of the fiscal responsibility on a bond issue. The citizens with the children getting educated feel like they need it, and both sides are right. This bill here does make an attempt to try to reduce the mandated fiscal responsibility of the agricultural society. Our last situation in Broken Bow was the construction of a preschool, and the school

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board did get that through, and they did not have to do a bond issue in front of the people. And my hat's off to them because we believe that education of the preschoolers is important, even though statutorily it's not part of what the school system has to do. But they did it in a way that did not cause "disharm" or disunity within the community, and we moved forward and it's working. I see this bill as a way of allowing growth in the rural areas, tempering the amount of responsibility that the ag side-- the ag sector has to pay on it, and a positive effect in the property tax reform area. Do you have any questions?

**LINEHAN:** Thank you very much for being here. Other questions from the committee? Did you say they built the preschool with-- or developed a preschool without bonding?

**DON CAIN:** Yeah, it was kind of an interesting concept. What they ended up doing was finding outside people to go ahead and build it, and then the school then leases it, OK, which means it doesn't become-- doesn't require a bond and the school is financially responsible for it and it goes in the line item as an expense in the budget. Some people think it was kind of a way around it to get it done. My personal opinion was they got it done, we needed it, and they didn't create a big upheaval in the community and we have the funds to do it. It was, a, you know, fiscally responsible thing to do. But there was a lot of issues over whether the school board needed to be paying for a preschool.

**LINEHAN:** Do you know what your levy is in--

**DON CAIN:** Oh, no, I-- I sure don't.

**LINEHAN:** That's OK.

**DON CAIN:** I know what my taxes are.

**\*ASHLEY KOHLS:** Good morning Senator Linehan and members of the Revenue Committee: My name is Ashley Kohls, and I serve as the Vice President of Government Affairs for Nebraska Cattlemen. I am here today on behalf of the members of the Nebraska Cattlemen in support of LB2. We thank Senator Briese for introducing LB2 and for his continued leadership in addressing the property tax burdens faced by Nebraska's agricultural producers. Nebraska Cattlemen has been before the Revenue Committee many times in the past years with the same message -

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property taxes have a disproportionate impact on Nebraska's agricultural community. LB2 addresses part of that disproportionate impact by reducing the valuation of agricultural property for the purpose of paying school district bond levies. In rural school districts LB2 would more fairly rebalance the school district bond repayment burdens between agricultural property and other property classes. In many rural school districts, agricultural property represents 75% or more of the total assessed property. Owners of agricultural property therefore are responsible for repayment of 75% of bonded indebtedness in such districts. LB2 would rebalance that obligation, making agricultural property responsible for repayment of 30% of such debt. In most rural districts, this ratio is much more representative of the district's electorate and student body. LB2 represents both an important policy change to reduce overall property tax burdens on agricultural producers and an important step toward achieving equity for agricultural producers in terms of the financing of school construction projects. Thank you for listening to my testimony. We ask that you advance this bill for further debate by the entire body.

**LINEHAN:** I know, but it's-- there's a difference. Senator Friesen has explained it to me in detail. Other questions from the committee? Seeing none, thank you very much for being here, appreciate it. Are there other proponents? Are there any opponents?

**JACK MOLES:** Morning, Senator Linehan and members of the Revenue Committee. My name is Jack Moles; that's J-a-c-k M-o-l-e-s. I'm the executive director of the Nebraska Rural Community Schools Association. Today I'm testifying also on behalf of Nebraska Association of School Boards, Schools Taking Action for Nebraska Children's Education, and the Greater Nebraska Schools Association, and on behalf of all of these organizations, do wish-- wish to testify in opposition to LB2. We do understand what's going on with farmer-- or with farmers and ag producers today. We do agree we need to do something different. We don't believe this is the-- the right vehicle for that. Two points I'd like to-- to make. First of all, we believe that the local board of education members and superintendents do share your concern with the impact of property taxes on farmers, but we believe this is too drastic of an impact on the ability of districts to provide for facility projects when they are needed. I did a survey of NRCSA member schools about the makeup of their boards of education, and what I got back was about 60 percent of the board of education



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members are-- are directly involved in agriculture. In a separate survey, NASB kind of did the same thing, but they found 75 percent of the board of education members are linked to the ag-- ag sector. I think our definitions were just a little bit different, but you can see that 60 or 75 percent, a greater majority of the Board of Education members, especially in C- and D-sized schools, are coming from the ag sector, so the very people that are making the decisions on whether to run these bond issues are the ones who are getting hit hardest by the property taxes. And they do weigh those very carefully. The other thing I'd like to point out is very-- already very difficult to pass bond issues in our rural districts. I did a-- I did a review of bond elections in the past 14 years and in Class A- and B-sized districts outside NASA-- NSAA basketball classification in those districts. They passed bond issues on a-- at about a rate of about 80 percent. But when you go to Class C- and D-sized schools, they're unsuccessful at about a 51 percent rate, so over half the time they're not passing them. And one thing I like to point out, of-- of the group, of the C- and D-sized schools, two of those bond issues were like for \$600,000, which that was further back in the 14 years. Today, they wouldn't even run a bond issue on that. But those did pass. If you take those out, you're-- you're actually looking about a 54 percent unsuccessful rating passing bond issues. So like I said, rural districts are already having a hard time passing the bond issues anyway. In closing, we do oppose LB2. We're sympathetic to overreliance on ag land property valuations and the current structure, and we are willing to work with Senator Briese on this. We encourage you not to advance LB2.

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

**FRIESEN:** Thank you, Vice Chair Lindstrom. I just kind of need some clarification. When you say the average of 60 percent of the members of school boards are made up of people from the ag sector, are those ag land owners or-- in rural areas, almost three out of four businesses are related to ag sector of some sort but--

**JACK MOLES:** Yeah, I-- I'm-- what I was saying was directly on the-- on the farm.

**FRIESEN:** Directly on the farm--

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**JACK MOLES:** Yeah, um-hum.

**FRIESEN:** --landowners. OK, that's--

**JACK MOLES:** Not necessarily a landowner-- they could be a re-- you  
know, could be a tenant farmer too.

**FRIESEN:** Sure.

**JACK MOLES:** I-- I think most of them probably would be the landowner  
but--

**FRIESEN:** -- II do know there's a considerable number of-- of farmers  
who do sit on those school boards, but that also tells you that they  
do see the real need sometimes for those bond issues to go forward.  
It's-- they may disagree with the funding, but they are putting the  
kids' education ahead of that.

**JACK MOLES:** Absolutely.

**FRIESEN:** That doesn't mean it's right. Thank you.

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

**ALBRECHT:** Thank you, Vice Chair Lindstrom. And thank you for being  
here and sharing these numbers with us.

**JACK MOLES:** Thank you.

**ALBRECHT:** So if this bill were to go through, do you think that that  
51 percent of the C and D schools would benefit by the change? And I  
only say that because you're talking about these teachers that are  
wives of a farmer or, you know, they're in the operation themselves.  
And, you know, one of-- one of my schools, Wayne, you know, back four  
years ago, I mean, they held back on a bond issue because they knew--  
I mean, there was an upheaval of don't do it, you know. I mean, is it  
a want? Is it a need? Is it something that, you know, they want maybe  
a-- a big area for arts or something like that? Is that, in our ag  
sector of the community, something that is important? But I'm just  
saying, if something like this should change, and then the people, the  
others that don't pay as much, would start to understand that there is  
a big divide and it shouldn't be there. We need these things for our

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children and-- and we've been paying it with-- with no problems. I mean, it's a huge problem. I mean, we'd like to be spending our money somewhere else. But if-- if it's spread out, do you feel that there would be a difference?

**JACK MOLES:** I don't know that.

**ALBRECHT:** Yeah.

**JACK MOLES:** Yeah, I-- I do believe there would be some difference. You might have more opposition to the bond issues.

**ALBRECHT:** But in saying no, we're not fixing anything.

**JACK MOLES:** Right.

**ALBRECHT:** You know, I'm just saying that-- you know, and I remember last year when they passed the big package. It's like, OK, is this it? Are-- you're not going to come back? No, we're going to come back and we're going to come back bold and strong every single year until people figure it out. You know, there's very few people in this country that feed the world, but we can't afford to take care of everything else and still stay afloat, so--

**JACK MOLES:** Right.

**ALBRECHT:** --I'd just like you to consider.

**JACK MOLES:** And like I said, we-- we agree there's an issue.

**ALBRECHT:** But how--

**JACK MOLES:** We're-- we're not saying that at all.

**ALBRECHT:** But how do we fix it?

**JACK MOLES:** Yeah.

**ALBRECHT:** I'd-- I'd like for the schools or somebody else to come back instead of it us-- being on our shoulders to change. What would-- what would the schools and the districts recommend?

**JACK MOLES:** I-- I would tell you the thing we would probably recommend more than anything else right now--

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**ALBRECHT:** Um-hum.

**JACK MOLES:** --is there-- there is a bill in Education that would-- would establish a School Financing Review Commission--

**ALBRECHT:** Um-hum.

**JACK MOLES:** --that could help to study this and-- and maybe come back with better ideas for the Legislature. I-- I'd really encourage you to look at that bill.

**ALBRECHT:** I'd like to learn more about it.

**JACK MOLES:** Yeah.

**ALBRECHT:** Thank you.

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

**FRIESEN:** Thank you, Vice Chair Lindstrom. A couple of things: This sheet that was just handed out says the percent of ag property in a school. There's 65 schools on that front page that have 80 percent or more ag land.

**JACK MOLES:** Um-hum.

**FRIESEN:** So obviously, if you lower the valuation on bonds only, you're not going to push much off on anybody else. They just have to raise their levy to pay for it and it goes back to these same producers in a way.

**JACK MOLES:** Yeah. You're-- you're talking about a set dollar figure to pay that on demand.

**FRIESEN:** So, yeah, I-- there's-- there's no valuation to push it off onto.

**JACK MOLES:** Right.

**FRIESEN:** It is ag land in that district and in the end, they still pay the bill because your levy goes up. Right?

**JACK MOLES:** Right.

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**FRIESEN:** So, I mean, this bill doesn't-- it isn't-- for these high-ag  
land districts, it isn't even that big of an issue; it's probably a  
bigger issue in the \$1.05 schools where there's limited ag land. Would  
that have the greatest impact there? Is that what you think?

**JACK MOLES:** It could, yeah. I'd-- I'd have to study that.

**FRIESEN:** Because there's actually valuation to shove it off onto?

**JACK MOLES:** Right.

**FRIESEN:** And again, a comment following Senator Albrecht's and your  
suggestion to look at the ag finance-- or the finance-- School Finance  
Review Commission, and I will agree with that to some extent, but  
haven't we studied this in the past, over and over and over, and we  
just don't do anything?

**JACK MOLES:** Well, we haven't had this commission. That would-- that  
would-- be their sole purpose, would be to study that.

**FRIESEN:** We have-- you know, how many times have we studied how to  
finance schools? And we've-- we've come up with what we have isn't  
probably right, but we never change anything, so I'm a little leery of  
saying a commission is going to fix this, but--

**JACK MOLES:** They can't fix it. All they can do is give you--

**FRIESEN:** Yeah. All we--

**JACK MOLES:** --all the information.

**FRIESEN:** I've seen numerous recommendations. I've tried numerous  
recommendations. We just can't get anything done. And I-- you know, if  
you could list the schools that have supported anything that we've  
done, I'd-- I'd appreciate a list of those bills that you've come in,  
in testimony for support. They've been few and far between.

**JACK MOLES:** Actually, I believe NRCSA's probably testified in favor  
more often than-- than some others. [LAUGH]

**FRIESEN:** That could be. I'll-- I'll agree with that. Thank you.

**JACK MOLES:** Thank you.

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

**JACK MOLES:** Thank you.

**LINDSTROM:** If I could briefly go back just a quick second, we did have written testimony as a proponent, Ashley Kohls with Nebraska Cattlemen, and that was written testimony dropped off as a proponent. We'll do-- continue on with opponents on LB2. Morning.

**JON CANNON:** Good morning, Senator Lindstrom. Distinguished members of the Revenue Committee, my name is Jon Cannon, J-o--n C-a-n-n-o-n. I'm the executive director of the Nebraska Association of County Officials, otherwise known as NACO, here to testify today in opposition to LB2. First, I-- I just want to say that I appreciate everything that Senator Briese has done this session. His effort toward having significant property tax reform and tax reform in general is-- is something that I-- I frankly admire. And the-- the opposition that we have for this bill is really where the devil's in the details. The broad policy goals that he's going for, where we shift the reli-- the overreliance on the ag sector for property taxes, I think, is something that everyone in the room, whether they're pro or-- or con, recognizes is an issue for our state. However, it's the split assessment which creates a little bit of an issue. The-- I understand the-- the policy reasons for having ag bearing a lower burden, but other policy items probably should be passed at the same time that we're-- we're talking about these sorts of things. As-- as far as a split assessment is concerned, you know, you're asking for the assessor to have essentially two-- two books, two sets of books that they're going to be keeping. That's probably going to lead to an increase in the error rate that you have, likely leads-- reasonably foreseeable that's going to lead to a larger amount of protests that are being filed. But it's also going to be confusing to the taxpayer who-- who receives their property tax statement. It's going to say, well, here's one number for this and one-- another number for that. And-- and I-- I'm certain that they would be happy for the lower number. But they're going to say, why do I have this higher number? And, you know, for that reason, because of the-- the risk of confusion that it creates, we would be opposed to the very narrow goal that this-- that this bill would achieve. But the broader policy goals, we're certainly in favor of-- of having those conversations. Senator Friesen, to go back to what you were talking about, we-- you're right,

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we have studied this to death. NACO, actually, we-- we've looked at the Syracuse study, we've looked at the Tax Modernization Committee study. and there are a lot of things in-- in both of those studies that recommend themselves. And Senator Briese's-- what he's trying to accomplish here really starts us going down that road. But there's always the other part of it. When you have that-- that reduction in-- in the burden on the ag-- the ag sector, when I've got a Garfield County, which is 90 percent of the valuation base is in grass, or I've got Arthur County where, you know, approximately 80 percent of the valuation base is ag, then when we reduce that, if we did that-- you know, if we did it for one and we do it for all, if we reduce the reliance on ag, those counties have nowhere to go and they still have the same obligations that they have to provide roads and services and all the things that-- that you've heard me talk about, frankly, before. I-- I think that when we look at reducing the overreliance on ag in every county, not every county in Nebraska is the same. What we do need to talk about is the other side of the equation, which is, where does the state come in to make up that shortfall, because these are services that the state has said, counties, you're responsible for. OK, that's terrific. We need a reasonable method of paying for it. And so that's-- that's something that we definitely would want to have that conversation about. And so I-- I would welcome any questions you might have. For what it's worth. Terry Keebler, a former NACO president, former Johnson County Board member, current-- currently the Johnson County assessor, will be behind me. If you have a particularly technical questions, he'll certainly be able to answer those probably a lot better than I would, but I'd be happy to take any questions in general.

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

**ALBRECHT:** Thank you, Vice Chair Lindstrom. And thanks for being here.

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

**ALBRECHT:** I figured we'd be able to see your smiling face today. OK, so as the schools kind of did a little analysis, you have 93 counties. Have you ever, you know, taken a survey on how they feel about this situation?

**JON CANNON:** About the overreliance on the ag sector--

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**ALBRECHT:** Uh-huh.

**JON CANNON:** --for where we get our property taxes?

**ALBRECHT:** Um-hum.

**JON CANNON:** You know, it-- it's-- it's interesting that you mention that, ma'am, because as far as a formal survey, no, we haven't done that. But I-- I visit with our county officials all the time. Our-- our board members with the NACO board is made up of, you know, folks from every NACO district that we have across the state, and they-- and-- and most of the folks that we have are involved in the ag industry in one way or the other. I mean, if you're talking about county board members, there's certainly-- you know, we're-- we're-- the pool we're drawing from in 80 counties out of 93 are going to be primarily ag, and they recognize the issue and they also recognize that they have a job they have to do. And to the extent that we say, well, we're going to take away your ability to pay for the things that we're making you do, I mean, it's-- it's almost like saying, hey, I'm going to cut your allowance, but you still have to do the same amount of chores, even though those chores cost you money. And so there's that-- there is that recognition of the necess-- the-- the dynamic tension that exists as far as the broad tax policies that we're trying to achieve. You know, and-- and again, what it comes down to is if the state is interested in reducing the property tax burden, that's terrific; then the state also needs to make up that shortfall.

**ALBRECHT:** So-- so I guess I look at it, too, if we're going to have some study of school finance review, I hope that you're included in it and that you can weigh in on the fact that maybe this TEEOSA formula needs to be switched up just a tad so that if these people do need to get some school bonding taken care of, I mean, if we have to step in, as we normally do, as-- as the big brother, to-- to take care of things where there are shortfalls, somebody has got to figure out how this burden has-- it needs to be spread out, and the only way that we can do that is by reform in a lot of different areas. So I would hope that you'll be at the table with this LR and we'll figure this out because something needs to happen.

**JON CANNON:** Well, I appreciate that. And I-- I hope we are too. Thank you.



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**ALBRECHT:** Thank you.

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

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

**LINDSTROM:** Next opponent. Morning.

**TERRY KEEBLER:** Morning, Senators. My name is Terry Keebler, T-e-r-r-y K-e-e-b-l-e-r. I am the current Johnson County assessor. As Jon said, I spent 12 years as a Johnson County commissioner, served 7 years on NACO board during that time, was NACO president, was voted out of office, spent 3 years on Farm Bureau's state board, and I'm now Johnson County assessor. So I've saw property taxes from many different levels. I also farm on my own, rent farm ground from my family, so while I appreciate what Senator Briese is trying to accomplish, I am here in opposition to this bill because of the split assessment. It sounds simple in concept. Having been assessor for two years and dealt with some of these, I don't feel it's as simple as what it is made out to be. It's not just a software change; it's a calculation change, and we have enough trouble getting dollars equalized, getting land equalized. So I am in opposition. I don't think it's good policy to have split assessments. As Jon had said, as a 12-year board member, we heard a lot of protests on valuation and quite a few of them would come in and protest taxes on valuation. Well, we were there as Board of Equalization, and so we heard those protests and we tried to decide based on was there an issue with equalization, was it valued equally with the other property around it, and was it done correctly? And as an assessor, that's also my charge is to value property equally, to make the burden as fair as can be and to follow the statutes and do it correctly and equally. I also think, based on my time as commissioner, as assessor, sitting through protests, having two valuations is going to be even more confusing. I have a hard enough time explaining those values. I hate to see what the questions would be when they get the first tax bill with two different valuations, two different tax levies. Quite frankly, we get more questions when the tax bills come out in December than we do when valuation notices come out in June. It's not real till they see the tax bill. So as far as how to make the bonding issue easier, my personal favorite is to put income tax surcharge on for school buildings. And I'm sure there's issues with that, too, but it would

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take it away from the county. So with that, I'll close and if there  
are any questions, I'll be happy to answer them.

**LINDSTROM:** Thank you. Any questions? Senator Pahls.

**PAHLS:** Thank you, Vice Chair. I have a question, and it's to my  
ignorance. You are in charge of what county, assessor of--

**TERRY KEEBLER:** Johnson County, Tecumseh.

**PAHLS:** OK, let me ask you this. Is there a way that I could go to your  
website and find everybody's property tax? Is that public knowledge?

**TERRY KEEBLER:** The valuations are, yes. The-- the tax bills are also  
on that website, total taxes. The breakdown is not, but the total is.

**PAHLS:** OK, so-- and so let's say you have a farm there. I could go  
check you out.

**TERRY KEEBLER:** Yes.

**PAHLS:** OK. I mean, I just [INAUDIBLE] I've never done it. I mean, I  
need to but it's-- it'd interesting to pick out some of these counties  
and just see.

**TERRY KEEBLER:** Yes, the valuation and the tax bill is on our website  
through gWorks, so.

**PAHLS:** OK, here's another thing, just made me think about it. You  
know, I think there may be somebody. A number of years ago, the Platte  
Institute had recommended-- this is a little bit different-- had  
recommended we have fewer counties.

**TERRY KEEBLER:** Um-hum.

**PAHLS:** That would help with-- does that appeal to you or is this-- I  
know this is off the top of the--

**TERRY KEEBLER:** it does not. I was actually on NACO Board, I think,  
when that study came out.

**PAHLS:** Yeah, I figured that. [LAUGH]

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**TERRY KEEBLER:** I don't know that there is the big savings in that that they maybe think there is. We've still got the same services to provide.

**PAHLS:** Yeah.

**TERRY KEEBLER:** There's some other bills that would transition some jobs away from the counties and some of those would help and sometimes it depends on the size of the county.

**PAHLS:** Well, like you say, at that time, there probably was a lot of misinformation, just like I'm retired and I get-- my retirement is taxed. You know, I was told that if I'm have a farmland is-- that's his value-- his retirement. Well, my retirement, my annuities get taxed. I'm just saying that the--

**TERRY KEEBLER:** Right.

**PAHLS:** --the word gets out there and you say, oh, gee, you don't have to pay taxes on your retirement or your annuities. Yes, I do. I'm just throwing that in.

**TERRY KEEBLER:** I think the difference, Senator Pahls, is you're not paying for the schools in your retirement.

**PAHLS:** Well--

**TERRY KEEBLER:** Your retirement fund is not being taxed to pay for the school district.

**PAHLS:** Well, my-- I could go in more detail than that. My taxes are going somewhere.

**TERRY KEEBLER:** Right.

**PAHLS:** And it goes to state of Nebraska with-- and, well, I think it filters down, to be honest with you. But anyway, that's-- I just-- thank you.

**LINDSTROM:** Senator Friesen.

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**FRIESEN:** So as the county assessor, do you currently really strongly feel that all your properties are valued within the statutory ranges that they're supposed to be?

**TERRY KEEBLER:** Yes.

**FRIESEN:** Are there some counties that are not?

**TERRY KEEBLER:** I don't know that, Senator Friesen. You know what, in my dealings with other assessors, we're all trying to follow the-- the law. We've got property assessment standing over our shoulder to make sure we're meeting the requirements. I would struggle to find any-- anyone that wasn't following the law and doing the assessments correctly. I'm sure there are mistakes made and I've made mistakes in my two years as assessor, but--

**FRIESEN:** Do you--

**TERRY KEEBLER:** I try not to.

**FRIESEN:** Do you do the assessing on commercial properties or do you hire that done?

**TERRY KEEBLER:** We actually revalued commercial a year ago and I hired an outside firm to come in and do those preassessment. I went through and looked at them before they were put on to make sure I understood how they arrived at the values and to give some local input onto it. But I let them do the study and the cost and depreciation on those.

**FRIESEN:** What's the highest increase in valuation that you've seen in the properties percentagewise?

**TERRY KEEBLER:** Individual or across the board?

**FRIESEN:** Across the board.

**TERRY KEEBLER:** When I was a board member, you know, ag land was going up 10 to 15 percent a year pretty consistently there for a while. I think when we did the commercial reappraisal last year, that number went up. I'm thinking it was about 20 percent. But that also had not changed in six years, actually seven years. It was an extra year in there because the outgoing assessor, knowing she was retiring, didn't do the reappraisal.

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**FRIESEN:** So it seems like I haven't had a hard time at all finding properties that were not appraised at the correct value that they should have been, because if you would say that a property would go up 200 percent in value, would you say something's wrong with the system?

**TERRY KEEBLER:** I would, but part of that is some of those are not looked at. I mean, an individual parcel, if they've done some improvements and have not filled out their--

**FRIESEN:** No, this--

**TERRY KEEBLER:** --improvement statement--

**FRIESEN:** --this just wasn't that case.

**TERRY KEEBLER:** OK.

**FRIESEN:** OK, thank you.

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

**ALBRECHT:** Thank you, Vice Chair Lindstrom. And you have made-- you've-- you've worn many hats, I should say, and I've-- and I've been around you for a while, too, and wore a few of those hats myself. But in Sarpy County, when I was board of equalization chair, we didn't have people coming in, talking about their taxes, about the, my goodness, they're-- they're-- you know, all these schools are being built in Sarpy County, we just cannot handle this. Landowners or homeowners did not come for that reason. They came because their next-door neighbor's house was identical to theirs and they've got their basement finished and we don't. I mean, everybody was telling on each other, but it was never about I'm paying too much in taxes. That was never the issue. But what I have-- take issue with, with the assessors throughout the state, is that we aren't assessing every year. We-- we do it in pockets. The-- and the only reason I think that the big cities have finally come to the table is the fact that, oh, my goodness, mine just went up \$12,000. Well, mine's gone up 235 percent in a ten-year period. I mean, people-- I don't think that-- that-- that get-- I mean, you say that there's-- they say there's going to be confusion and oh, my goodness, we're going to have to explain this to everyone. Well, wake up, folks, because before you push that yes button for that bond issue, you better know how it's going to affect you. So don't just do it because it seems like a good idea and it's

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what everybody else is doing. I feel like, you know, again, we have so much reform to do in this building because we're so antiquated in all the formulas. It's not your fault. It's not the fault of any one particular individual or entity. But we have to come together to figure how this is going to work the best way for all Nebraskans. And, you know, to be able to tell somebody that, you know, we're-- we're shifting the burden, whether it's not-- it's not just going to be on homes. You know, a lot of big businesses, they don't-- they don't pay a lot of the taxes that others do. I mean, there's-- there's so many different areas and different directions that we can go with this, but-- but just recognizing the fact that it's not fair right now. And-- and fair and equal, whether you're talking about leaving your family farm to one kid or six kids or-- or deciding what you're going to do, you know, with-- with the dollars, it's never always fair. But we have to be equal that that you don't have that dissension in communities because we all need schools. We need growth in different areas, hospitals or whatever you want to put in, community center, fire station. I mean, it's all out there, but we have to work together to figure out how to make this happen. So the argument of, gosh, we'll just have to explain more to them? Yeah, we probably will. But if people don't understand what they said yes to and then they get the bill and they say, my goodness? Well, sorry, can't help you, you know, you should have done your research before that. But I just think people need to understand that we have to make it right for-- for everyone. So, sorry, my commentary, not yours, so.

**TERRY KEEBLER:** It's OK.

**ALBRECHT:** You can certainly answer back if you'd like; if not, appreciate you being here.

**TERRY KEEBLER:** Well, and you've been in some of the seats I've been in. In our-- in our small county, we hear, you know, quite a bit of the time, taxes are too high.

**ALBRECHT:** Um-hum.

**TERRY KEEBLER:** We have to stop him right there and say, you're here to talk about your valuation, does it look correct?

**ALBRECHT:** Um-hum.

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**TERRY KEEBLER:** And so it is an issue in-- in the smaller counties.  
Sometimes they don't understand what they're there--

**ALBRECHT:** Um-hum.

**TERRY KEEBLER:** --to protest. You know, some of them do, but we get a  
percentage that don't understand the process.

**ALBRECHT:** Are you getting more people protesting today than ever  
before?

**TERRY KEEBLER:** I don't think so.

**ALBRECHT:** So-- so is it really a problem in your county? Probably not.  
But you get into some of the bigger ones, you know, or-- or you get  
their attention when, oh, my goodness, we haven't assessed you in  
seven years, here it comes, get ready. You know, some people can't  
stay in their homes when they get assessed after 7 or 12 years, so--

**TERRY KEEBLER:** Right, and--

**ALBRECHT:** --makes a big difference.

**TERRY KEEBLER:** --you know, it-- it also depends now-- I mean, even  
though we don't look at the property other than once every six years,  
which is mandated--

**ALBRECHT:** Um-hum, um-hum.

**TERRY KEEBLER:** --if the sales show that, you know, we're out of  
range--

**ALBRECHT:** Um-hum.

**TERRY KEEBLER:** --we have to make some type of adjustment to get back  
in range, whether it's a percentage across the board or go try to do a  
reassessment in between the six-year period, which has been done, and  
if we think that an across-the board percentage is not correct, you  
know, we go look, see what-- how does this affect each of the property  
owners?

**ALBRECHT:** But-- but with-- with what we're talking about today, do you  
really think it's a big stretch to-- to do this?

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**TERRY KEEBLER:** I think it's not as easy as it-- as it sounds like in the bill of, you know, we're just going to make another assessment. It-- it is going to be more than just putting a number on there.

**ALBRECHT:** Thank you.

**LINDSTROM:** Thank you. Any other questions? I-- I have a quick question. You mentioned the splitting of assessments and we do that, right, with residential versus ag, 100 percent versus 75 percent. Is your concern more the administrative aspect of it or is it the concept?

**TERRY KEEBLER:** It's the administration. We-- we have different percentages for different groups. We've never split the same group into two different valuations like we're talking about now, where you would have two separate valuations for the same piece of property, one for ag land of 75 percent and another one for ag land at 30 percent, and so it's going to be two separate calculations on the same piece of property.

**LINDSTROM:** Yeah, and so administrative is-- is the-- you're more concerned about that versus maybe the concept. Is that what I'm hearing or--

**TERRY KEEBLER:** Yeah, I mean, I-- I appreciate what Senator Briese's trying to do with lowering the value for-- from ag land to pay for these bonds. But I would not support the concept of doing two valuations on the same piece of property to achieve those purposes.

**\*RON SEDLACEK:** Chair Linehan and members of the Revenue Committee: My name is Ron Sedlacek and testify before the Revenue Committee on behalf of the Nebraska Chamber of Commerce and Industry in opposition to LB2. LB2 proposes to reduce the valuations of agricultural and horticultural land to 30% of its actual value when financing bond issues using property taxes. LB2 also adjusts the acceptable ranges from 24-30% of actual value. Similar to agricultural and horticultural landowners, many commercial property owners have no vote in school district bond elections. Should LB2 be enacted, more of the cost of bond issues would be borne upon residential and commercial real property. The bill offers only a partial solution that does not provide overall property tax relief for all Nebraskans. Rather, the bill shifts property taxes from one class of taxpayers already favored



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with lower property valuations to remaining property taxpayers. The Nebraska Chamber supports initiatives that reduce the tax burden on all Nebraskans, rather than shifting tax liabilities from one class of taxpayers to the detriment of other taxpayers. For these reasons, the Nebraska Chamber opposes LB2 and asks the Revenue Committee to not advance the bill for further consideration.

**\*RICK VEST:** Good afternoon, Senator Linehan and members of the Revenue Committee. My name is Rick Vest, Chair of the Lancaster County Board of County Commissioners, and I am appearing on behalf of the Lancaster County Board of County Commissioners in opposition to LB2. Please accept this written testimony and make it part of the record on the aforementioned bill. The obvious effect of LB2 would be to shift the burden of funding public schools within the County of Lancaster. Agricultural land already is valued at seventy-five percent of actual value for taxation purposes. LB2 further would reduce the valuation of agricultural land for purposes of school district taxes levied to pay principal and interest on bonds to thirty percent of actual value of agricultural land. This reduction in the valuation of agricultural land solely for purposes of school district taxes would increase the burden on other property owners, including residential and commercial property owners. The County Board fears that this redistribution of the public school tax burden will exacerbate the housing shortage in Lancaster County by making it even more difficult for individuals to purchase and rent housing. Similarly, in this time of commercial upheaval, the County Board is concerned that increasing costs to commercial property owners will lead to further increases in unemployment and loss of business development. The County Board asks the Committee carefully to consider these unintended consequences. Additionally, the County Board is concerned that LB2 could set a counterproductive precedent of distinguishing between bonded indebtedness and operational needs for other political subdivisions. If the concepts in LB2 were used to bifurcate the tax burden for other political subdivisions, like Lancaster County, the unintended consequences described above would only be heightened. Thank you for the opportunity to provide this written testimony. We would be happy to answer any questions that you may wish to direct to us.

**\*CONNIE KNOCHE:** Chairperson Linehan and members of the Revenue Committee, my name is Connie Knoche, and I'm the Education Policy Director at OpenSky Policy Institute. We are here today in a neutral capacity because while we appreciate the intent of LB2, we wanted to

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bring to your attention the significant tax shift that would occur in some districts should LB2 become law. LB2 would significantly reduce property taxes paid by farmers and ranchers for school bonds, causing property taxes paid by residential and business owners to increase. The shift from farmers and ranchers near urban areas to business and residential would result in a slight increase to the taxes they pay. However, such tax shifts will be significantly higher in more rural areas where there are not as many businesses and residential property owners to shift to. For example, in Kenesaw, LB2 would result in a massive decrease in taxes paid from ag land, dropping from 65% to 4.98% of ag land valuation, which would then increase the total bond fund levy by \$0.0634. An average homeowner in Adams County would see the property tax on their \$129,499 home increase 84%, going from \$98 per \$100 of assessed valuation to \$180 per \$100 of assessed valuation. I would note that this proposal would narrow the disparity of bond levies among agricultural landowners since agricultural land owners that are adjacent to urban areas tend to have higher levies than those in highly rural areas. However, we believe LB2 perhaps goes too far in shifting tax away from ag land on to residential and business property. You could adjust the bill or look at creating a mechanism by which local school boards could ask their voters to approve a local option income surtax for bonds. We support a LOIS because it expands the local resources available to school districts to support education beyond property taxes and state support. It taps into another revenue stream - the income tax - that can be utilized to support local school districts for bonds. Thank you for your time. I would be happy to answer questions.

**LINDSTROM:** OK, thank you. Any other questions? Seeing none, thank you. Next opponent. We do have written testimony: Rick Vest with the Lancaster County Board of Commissioners and Ron Sedlacek with Nebraska Chamber of Commerce. Both have written testimony in opposition. We will now move to neutral testifiers. Seeing none, we did have one letter of neutral testimony Connie Knoche with OpenSky Policy Institute. And with-- and then we did have, excuse me, letters for the record, zero in-- as a proponent, zero pro-- opponent, and one neutral letters for the record. And with that, we'll have Senator Briese close on LB2.

**BRIESE:** Thank you and good morning again. Great discussion today and I thank all the testifiers for-- for coming on both sides. Good to air it out and hear-- hear both sides on it and flesh it out some, and a

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couple of comments I wanted to make. In urban areas, the impact on homeowners would be negligible. We have extremely low percentage of ag valuations. Impact on homeowners, commercials would be-- would be negligible. And there was talk about those areas that might be 90 percent ag and out-- out there, my thought would be ag is going to be well represented at the voting booth in some of those places. It seems to me that the problem lies in the 40, 50, 60 percent areas. And, you know, my examples are, what, 80 percent and 60 percent? As far as running these numbers, if you want to see how numbers run with other assumptions, my staff can do. It's easy to do. You can do it yourself. But the numbers are fairly easy to run anyway. Again, those are examples. I can tell you how I come up with those, but it doesn't make a whole lot of difference. I think they're fairly typical. Senator Pahls, you asked about, are they still building out there? And I-- I can't really quantify that. But I do know that my phone was ringing off the hook here a year or so ago from people outside of my district who were extremely concerned about a bond issue being floated and their concern from the ag perspective. They already got voted on this thing and here it comes, what do we do about it? Well, I said, well, I've got a bill to hopefully kind of address some of those things. And there is that per-- and as we lose population out in rural Nebraska and merge-- school merger, school consolidation occurs and becomes more imminent, there's a-- that perception out there that communities want to be the last community standing when-- when the decision is made where to locate and merge their consolidated school. And sometimes there's a per-- there is a perception anywhere-- anyway that schools overbuild to be the-- to be the last community standing, and there is that concern out there. And Senator Flood, he asked about 30 percent, where that came from. Ag wanted it at 1 percent, clearly, and is it an effort to kind of find some middle ground, try to accommodate the concerns of the education community? I thought 30 percent is a good place to be. And that's-- that's how we arrive at that number. And-- and the commercial issue was brought up, and Senator Linehan pointed out the constitutional concerns there. There's no exception for commercial in the uniformity clause. And so we-- we have that issue there. And it's typically on-- we're typically only talking about a few cents here. And if that's a problem, well, commercials, you know, you can go out and try to defeat this thing, try to hold the policy makers accountable anyway. But also, unlike Senator Friesen, who can't pass on his additional costs and expenses from his farm operation, most commercials, they-- they can pass that on and work

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their way through, it seems to me. But anyway, those-- those are my thoughts. It's-- it's a-- it would seem to be an ag-friendly proposal. But more importantly, I think it's-- it's good policy to try to match up the burden more in line with the ability to vote on-- on these issues. Anyway, ask for your support. Thank you. I'd ask-- answer any question if anybody has any.

**LINEHAN:** Thank you, Senator Briese. Are there any questions from the committee? Did we read these?

**LINDSTROM:** Yep, we did.

**LINEHAN:** OK, then we bring LB32 to a close-- or LB2.

**BRIESE:** OK, thank-- thank you.

**LINEHAN:** Thank you very much, Senator Briese. And we open the hearing on LB98, Walz.

**WALZ:** Just trading places.

**LINEHAN:** This is boring compared to where you've been.

**WALZ:** [LAUGHTER] Good afternoon, Chairwoman Linehan and my colleagues on the Revenue Committee. My name is Lynne Walz, L-y-n-n-e W-a-l-z, and I proudly represent District 15. I'm here to introduce LB98, a bill I am introducing on behalf of the city of Fremont. Currently there is a special valuation for agriculture and ho-- and horticultural land if the land is outside the corporate boundaries of a sanitary improvement district, a city, or a village. LB98 would change the requirements for counties with a population of less than 100,000. In those counties, the land would qualify for special valuation as long as the land was used for agricultural or horticultural purposes and does not fall within the boundaries of a sanitary improvement district. For counties with a population of 100,000 or more, there would be no changes at the request of Douglas, Lancaster, and Sarpy Counties. Currently, we are not annexing agricultural land in or around the city because it would cause the county to value the land at the highest rate, generally commercial or residential, potentially increasing the landowner's property taxes by more than double the amount. Due to this, there is-- there are donut holes of unannexed land within cities and towns. My hometown of Fremont has several of these small parcels of ag land, which of most

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are surrounded by annexed residential or commercial property and all have the necessary-- and have all the necessary city services within reach. In Fremont, we are growing rapidly. Costco and many other businesses are being built or expanding. New housing developments are going up and many more are needed, as a recent housing study showed that Dodge County will need 5,000 more housing units in the next few years. This is an important piece of legislation that will allow cities to plan ahead for upcoming developments to grow our community and our economy. And it is important for the landowner that is farming the land to be able to pay the rate of special valuations that most farmers pay, rather than the inflated commercial or residential rate. This bill is essential to my community, so it is vital that we get it right. Stakeholders and city officials are still working with the Association of County Officials in order to make sure all issues are ironed out. Because of this, I respectfully request that the committee hold this bill until we can make sure that it meets everyone's needs and that works-- and works as it is intended. I'd be happy to try and answer any questions you may have.

**LINEHAN:** Thank you, Senator Walz. Senator Albrecht.

**ALBRECHT:** Thank you, Chairman Linehan. And thanks for bringing this bill. OK, it goes back to my Sarpy County days when we had the same situation. We were growing, fastest-growing county in the state at the time. We had situations with SIDs where a builder would buy a piece of ground and, you know, develop it, but there were parts of it that they did not develop as long as it stayed in agricultural use, like they planted something on the ground. They were only paying for ag land; they're not paying for it to be quite a development yet as it's growing out. So are you talking about areas that are industrial sites or-- or like, you know, housing areas with some ag land in the middle?

**WALZ:** Yes.

**ALBRECHT:** So like, when I drive to Omaha and I look at Fremont and you've got houses and you've got ag land and you've got a church and-- I mean, there's all kinds of things. So are you trying to prevent that ag owner from having to pay those other taxes?

**WALZ:** Yes.

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**ALBRECHT:** Can't they just do that at a county level and say, hey, as long as you're planted, you're getting charged for ag land, but if you're not, you'd be assessed at the rate of whatever else it is?

**WALZ:** That is a good question and I think I'm going to have somebody else answer that question.

**ALBRECHT:** OK, very good.

**WALZ:** I-- I never--

**ALBRECHT:** Thanks for bringing the bill.

**WALZ:** Yeah.

**ALBRECHT:** I can understand. But when it's just for one area of the state and not-- it wouldn't-- it would only count in Fremont, or are you saying--

**WALZ:** A hundred thousand, a population of less than 100,000.

**ALBRECHT:** OK, so other cities of less than 100,000 could also capitalize on this.

**WALZ:** Yes.

**ALBRECHT:** But I-- I'm going to be interested to hear if it's a big problem or if it's something that can be worked out at the--

**WALZ:** Well, it's a problem in our community.

**ALBRECHT:** It is.

**WALZ:** Yeah.

**ALBRECHT:** They're making them pay, industrial sites, because it's rezoned a particular, like parcel, like it-- it would be industrial instead of farm ground, just because it's within that industrial--

**WALZ:** Right.

**ALBRECHT:** --area that the planning department has said this is what you're going to pay because--

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**WALZ:** Yeah.

**ALBRECHT:** --you live in-- OK, gotcha.

**WALZ:** Yes, and I will let--

**ALBRECHT:** Very good, very good.

**WALZ:** --Lynn answer that question.

**ALBRECHT:** Very good. Thank you.

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

**WALZ:** Thank you.

**LINEHAN:** Are you going to stay to close?

**WALZ:** Um--

**LINEHAN:** I know you've got another committee, gotta go.

**WALZ:** Yeah.

**LINEHAN:** First proponent.

**LYNN REX:** Senator Linehan, members of the committee, my name is Lynn  
Rex, L-y-n-n R-e-x, representing the League of Nebraska  
Municipalities. As Senator Walz indicated, we're having ongoing  
discussions about this. The city administrator contacted me recently  
to let me know that because of that, he would ask that this committee  
hold the bill at this time, as Senator Walz said, while we continue  
talking to counties and others, knowing that some counties deal with  
this differently. In answer to your question, this deals with an area  
that's-- we think is not just unique to Fremont, but it's not  
certainly probably only Fremont. It's in counties with a population  
less than 100,000, so that would be all counties except Douglas,  
Sarpy, and Lancaster. Basically what this deals with is when the city  
of Fremont annexed an area inside the corporate limits, that ag land  
then lost, of course, its designation as ag land and tax-- for taxable  
purposes. So the point is, while it's still going to be used as ag  
land, they want to find some way to make sure that that ag user is

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able to continue using it for ag purposes but not lose the ag taxation component to it. And part of the reason why the city did the annexation was because obviously, when you're doing a city, you have infrastructure. They-- they were having to go around that area. There are donut holes inside the city of Fremont, if you will, in terms of areas that have been annexed. And that's what caused this issue. But I don't think it's just unique to Fremont, so we look forward to having ongoing discussions with the County Officials Association and others to discuss this. With that, I'm happy to answer any questions that you might have.

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

**LYNN REX:** Thank you very much, and thanks to Senator Walz.

**LINEHAN:** But so is-- just-- I have one question. Is it-- is it-- currently, if-- if the city annexes it, it loses its farm-- it--

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

**LINEHAN:** --can't be 75 percent anymore.

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

**LINEHAN:** All right. But if it's right outside the city, it keeps 75 percent, because that's what happens in Omaha.

**LYNN REX:** That's the greenbelt law, yes.

**LINEHAN:** OK. So when you're doing these negotiations, think about how several senators on this would explain it to our cities that they-- or people in our Lancaster, Douglas or Sarpy County, why they are treated differently--

**LYNN REX:** I'm happy to work with you on that.

**LINEHAN:** --I mean, because I think that would come up that that's--

**LYNN REX:** Yes.

**LINEHAN:** --it's-- OK. Other question--



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**LYNN REX:** But in Fremont, as-- as I think in some other cities, too, they have these, literally, donut holes where they can't-- where they're having to put the infrastructure-- sewer or water, whatever-- and going around these donut holes, and so--

**LINEHAN:** But you understand what I'm saying.

**LYNN REX:** Yes.

**LINEHAN:** As soon as we have a bill that treats everybody better, they will think, then they're going to ask why we sit here and let that happen, so.

**LYNN REX:** I understand.

**LINEHAN:** Other questions from the committee? Thank you very much--

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

**LINEHAN:** --for being here. Other proponents? Are there any opponents? Anyone wanting to testify in the neutral position? Hi.

**JON CANNON:** Good morning, Senator Linehan.

**LINEHAN:** Good morning.

**JON CANNON:** Distinguished members of the Revenue Committee, good morning. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of the Nebraska Association of County Officials, which you've probably heard more frequently as NACO, and I'm here to testify today in a neutral position on LB98. First and foremost, thank you to Senator Walz for bringing this up. These are important issues for us to talk about. Frankly, I've-- I've been doing this-- this is my third year lobbying on behalf of-- of NACO. I don't think we've ever really had that-- that discussion about special evaluation and why we use it and how we got there, so my-- my remarks are really going to be based on that. I-- I understand that as a Revenue Committee, you guys probably understand this. I just want to have this included for the record. You know, first and foremost, the reason that we have special valuation, we put it into the constitution, is we understand that there can be influences that will raise the value of agricultural land. And so if you've got that urban influence because you own a farm just outside of Omaha or Lincoln, you're going to say, well, you know,

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gosh, I mean, you know, the only reason that my-- my farm ground is-- is valued as high as it is, is because when the neighbor sold it to a-- you know, to a developer, that value was super high, but that's only because the developer wanted to develop it, and-- and so my value has-- has gone up. But my value as farmland, however, is-- is-- it's going to be valued as less than that. If I were purchasing the same ground in, say, Butler County or Polk County and I'm a Lancaster County farmer, you know, my value would be lower. And so I'd-- I'd like to have that special valuation. That's-- that's why we do that. Now, ordinarily, if you've got ag land within the city limits, you know, at that point we're saying you're not-- you don't have an urban influence, you are urban. And so that's kind of-- you know, full stop, that's why-- why we would end there typically. And what this legislation would do is it would say, even though you're-- you're in the city limits, you can still have special valuation and, oh, by the way, if you're ag land within the city limits, you should get 75 percent of your value, you're just not going to get 75 percent of your special value. And so, you know, ordinarily in-- in Dodge County, the Dodge County assessor would say, OK, what's, you know, what-- what's land selling for-- similar ground selling for in Burke County or, you know, any of the other counties that are-- that are around there. And she would say, OK, we're going to assign that special valuation to all of our ag land; any ag land within the city of Fremont, within the city limits is-- should not receive special valuation; it'll be valued at 75 percent of its actual value. So that's-- I just wanted to make sure that we have that distinction made there for the record. Again, I-- I think these are important conversations to have. I'm happy to-- to discuss tax policy with-- with any and-- and every one of you. And with that, I'd be happy to take any questions you might have. Thank you.

**LINEHAN:** Thank you, Mr. Cannon. Are there questions from the committee? Actually, can I repeat what I think you just said--

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

**LINEHAN:** --and you can tell me if I'm right. So if I own a piece of property and it's in Fremont and it's in-- within the city limits, it's-- what you're ask-- what the proposal is, is to value it at 75 percent of what it's worth if you-- if it goes into development.

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**JON CANNON:** That's-- that's my-- that's-- that's been my interpretation of how special valuation is supposed to work. So once you get in-- within the city-- city limits, you qualify for an ag valuation. You qualify for 75 percent because you're using it as-- as agri-- as for an agricultural purpose. But it's going to be 75 percent of its actual value, its actual market value, not its special value.

**LINEHAN:** OK, but am I right that if you're right next to city limits but you're-- and a developer who's-- everybody knows is a developer owns that farm and someday is going to develop it, it-- is it-- it doesn't lose its 75 percent or its ag value as if it's farming until they actually start to-- start putting in streets.

**JON CANNON:** Yes, ma'am. That's-- that's my interpretation. That's been my understanding for many, many years.

**LINEHAN:** OK, thank you.

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

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

**JON CANNON:** Yep. Yes, ma'am. Thank you.

**LINEHAN:** Next proponent. Oh, no, that was neutral. I'm sorry, going backwards. OK, did we have-- we had no-- no submitted testimony and no written testimony. Senator Walz, do you want to close? Or did she--

\_\_\_\_\_ : She left.

**LINEHAN:** She left. OK. With that, we close the hearing on LB98.

**LINDSTROM:** Letters for the record?

**LINEHAN:** --and the start hearing on-- oh.

**LINDSTROM:** Letters for the record.

**KAY STILWELL BERGQUIST:** Letters for the record.

**LINEHAN:** Letters for the record, thank you, Vice Chair Lindstrom. Letters for the record on LB98: We had one proponent, no opponents,

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and none in neutral. So with that, we start LB189. Senator Halloran,  
good morning.

**HALLORAN:** May I, so you can hear me [INAUDIBLE]

**LINEHAN:** Yes, you may. Go ahead.

**HALLORAN:** Good afternoon, Chairwoman-- Chairwoman Linehan and members of the Revenue Committee. My name is Steve Halloran, S-t-e-v-e H-a-l-l-o-r-a-n, and I represent the Legislative District 33. I'm here today to introduce LB189, which would require property tax refunds owed by a political subdivision to be included in their next budget, be paid in full and at a rate of 9 percent. Nearly four years ago, a company by the name of Mid America Agri Products/Wheatland LLC, otherwise MAAPW, filed a protest of their 2017 valuation by the Perkins County assessor for their ethanol plant in Madrid, Nebraska. Not only did the Tax Equalization Review Commission, TERC, rule in favor of MAAPW's protest; in 2018, TERC found that Perkins County assessment of the ethanol plant was more than double the proper valuation of the ethanol plant. Perkins County then chose to appeal the TERC ruling to the Nebraska Supreme Court, which also ruled in MAAPW's favor almost two years later, in January of 2020. The Nebraska Supreme Court ruled that Perkins County owed nearly \$110,000 in property tax refunds to Mid America Agri Products/Wheatland. Currently state laws allow that a political subdivision owing a property tax refund can declare a hardship, which extends the repayment time to five years after the final order or other action and imposes no interest on payments until after those five years, at which time the interest is minimal. The political subdivisions are not required to provide any evidence or reasoning for declaring hardship. Since three of the political subdivisions in this instance declared hardship, over \$75,000 is still owed to MAAPW. Under LB189, political subdivisions would be required to include the repayment in their next budget, making sure that the repayment happens in a timely manner. Additionally, this would require an interest rate of 9 percent to be paid more currently-- to be paid where currently no interest is assessed. If an individual does not pay their property taxes, they are required to pay an interest rate of 14 percent. This would bring the political subdivisions in line with this requirement. Mid America Agri Products/Wheatland is just one example of a taxpayer owed a refund which is not paid back in a reasonable time frame. It is important that we hold political subdivisions accountable for overpayments due

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to taxpayers. Those who will testify after me will be able to expand more fully on the context and components of LB189. In the meantime, I'll be happy to try to address any questions.

**LINEHAN:** Thank you, Senator Halloran. Are there questions from the committee? Do you know what-- I think I do. But are you aware of what the counties charge when you don't pay your property tax, what interest they charge?

**HALLORAN:** I'm not, but I'm assuming there will be somebody following me that can address that question.

**LINEHAN:** OK. All right. Thank you very much. OK. Proponents, do we have any proponents? Good morning.

**DAVID BRACHT:** Good morning. Just one moment. I didn't realize things had shifted already. They moved much quicker this second bill. So first, good morning, everyone. Thank you, Chairman Linehan, and thank you to the rest of the-- the members of the committee. My name is David Bracht. That spelled D-a-v-i-d; last name spelled B, as in "boy," r-a-c-h-t. I'm an attorney with Kutak Rock in Omaha. I'm here today representing a client of mine for more than 16 years, Mid America Agri Products/Wheatland, and here to testify in support of LB189, which Senator Halloran just introduced. There will be some additional testifiers, including the founder and CEO of Mid America Agri Products/Wheatland, which we often refer to as MAAPW, and also "Fritz" Stehlik, who had represented MAAPW in several matters related to property taxes, and they'll be able to give some details that I'll refer to. But just briefly, to kind of set the stage a little bit, MAAPW is one of the 25 ethanol plants that is located in Nebraska. I'm sure you've all heard this before. You've-- frankly, most of you've heard it from me that ethanol is really one of the success stories from an economic development standpoint in-- in Nebraska. It's our corn, cattle, and ethanol golden triangle and has done great things to support economic development over the last 15 or 20 years all across the state. As I said, Bob Lundeen, who's the founder and CEO of MAAPW, will be coming by to give some details about MAAPW, but in general you should think of it as an employer in Madrid, Nebraska, a small community that's between-- basically between Ogallala and Grant, Nebraska, so in-- in west, just before you get to the Panhandle, close to Colorado. It's been operating since 2006. I've had the chance to work with them since 2005. It's a 50 million-gallon ethanol plant. It

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employs about 30 to 35 employees and pays some of the highest salaries in-- in Perk-- certainly in Madrid and probably in Perkins County as well. Almost all legislation saying this that you already know, but just to frame it, comes from a difference in perspectives. And I'm sure that you will hear both differences in perspectives today. And in fact, I'm quite certain that you'll have a testifier that's going to come up and talk about the way a county and the requirements that it has when it is-- when it owes a refund to a taxpayer, and that in some instances that can cause a hardship on that political subdivision. And-- and certainly I'm sure that's the intent of that-- of the statute when it was initially passed and the way that it operates today. The one thing that I want to make sure that we talk a little bit about is the perspective of the taxpayer. As I said, Mr. Stehlik will be coming up and talking about some of the details that is the basis for MAAPW's interest in LB189. But briefly, when a county when it's been adjudged that a county owes a refund, and oftentimes that's going to be related to a disputed valuation, when they owe a refund to a taxpayer, after there's a final adjudication of that, then the county essentially has the opportunity, or a political subdivision within the county, more accurately, to claim a hardship; that is, that if-- they're making a claim that if they are forced to pay-- repay that refund promptly, that it will interfere with their government activities, with the things that they have to do for that particular subdivision. And in fact, they're not required to pay interest on any of those funds unless it takes more than five years for them to pay off that refund, so there's actually a five-year window there. And I'm not saying that political subdivisions probably don't work on trying to pay back refunds that they have to pay. But, nonetheless, it is still essentially an interest-free loan for up to five years, as set out in the statute. That political hard-- that hardship that that political jurisdiction can claim is in the statute, but there isn't any standard that says, "and this is what it means," other than a general interference. And in fact, there isn't any requirement for evidence. It's only that the jurisdiction says it will be a hardship and, because of that, we can't pay it all right now. And again, we could take up to five years, and if we don't get it done by five years after it's been finally adjudicated, then we'll start paying the judgment rate, which is now between 2 and 3 percent. I'd contrast that with the taxpayer. As we all know, as you've heard, if a property taxpayer doesn't pay their bills, in year one they're starting to pay 14 percent interest; and in fact, after four years, then they're at

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risk of actually having that prop-- those-- that property lost. And so  
LB189 really represents a disparate treatment, and that's what this  
bill is set to change.

**LINEHAN:** Thank you, Mr. Bracht. Are there questions from the  
committee? Seeing none, thank you very much. Next proponent. And we  
have to-- I'm sorry, we're a little short here on help. Well, we have  
two pages. Good morning.

**FREDERICK STEHLIK:** Good morning, Chairman and members of the  
committee. My name is Frederick Stehlik, F-r-e-d-e-r-i-c-k  
S-t-e-h-l-i-k. I'm an attorney in Omaha, Nebraska, with the law firm  
of Gross and Welch. We have represented Mid America on various tax  
appeals. And what I want to explain to the committee here a little bit  
is what, you know, what actually happens when you have to go through  
this-- this procedure. As everybody knows, if you get your-- if you  
want to object to your real property taxes, you can file a protest.  
You go to the board of equalization. If that doesn't get you where you  
want to be, then you have to go to the TERC, which is Tax Equalization  
and Review Committee. And while that process works when you get there,  
TERC is really backed up. And for instance, in this case, we were  
talking about the 2017 property-- property taxes. By the time we got  
through TERC, it was two years down the road and then the county  
appealed that because we were successful in getting it reduced by  
almost-- well, more than half. It was an overassessment. And then  
they-- when they appeal it, it goes to either the Court of Appeals or  
the Nebraska Supreme Court. In this case, the Nebraska Supreme Court  
decided they wanted to hear the case, so they took it from the Court  
of Appeals and it went directly to the Supreme Court. The Supreme  
Court upheld TERC's ruling. And at that point, they issue what's  
called a mandate. And from that time on, then that five-year statute  
starts on the repayment. We're already three years past the original  
assessment. So MAAP has paid that, those taxes; they're already three  
years out and now we have the-- the various political subdivisions  
have up to five years after that to repay. And again, as Mr. Bracht  
said, all they have to do is say it's a hardship, and what really  
happens is if they don't pay it back, at-- at the end of that  
five-year period, it draws interest at the judgment rate, but there is  
still no way for the taxpayer to force payment-- repayment of those  
taxes. Now, if you're talking \$400 or \$500, it's not-- you know, it  
may be a lot to one person, but we're talking over \$100,000 here, and  
at this point there's \$75,000 yet to be paid. Plus, we've had to

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appeal both '19 and '20 and we'll have to appeal '21 because Perkins County has again gone right back up to almost their original assessment, despite what TERC and the Supreme Court said was-- was the actual valuation. So we're-- and we haven't got a hearing yet on those years, so we're another year-- few years out before we're going to get that resolved. All the while, taxpayer has to pay this money and, again, we're talking \$100,000 or more. And if they don't pay it, it's 14 percent and there's no way to force repayment back. And again, if you get a judgment in a-- in a normal case, you can go and collect it. There's various means to collect it, but you cannot in any way, shape, or form force the county, or in this case the various political subdivisions if they've declared a hardship, to repay it. You can't say, OK, I'm going to take it off my next year's taxes or part of it or it's spread out over four or five years. You-- you just-- you're absolutely helpless in what you-- what you're able to do if the political subdivision says it's a hardship. And it's true; it may be a hardship, but there's got to be some way for the taxpayer to get some kind of relief, and 2.6 percent interest, if and when that's paid, isn't very much of a-- of a relief. And again, when you have no ability in any way, shape, or form to force that repayment, it amounts to basically an interest-free loan for as long as that political subdivision wants to declare a hardship. Any--

**LINEHAN:** Thank you.

**FREDERICK STEHLIK:** Any questions?

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

**ALBRECHT:** I guess I have a--

**LINEHAN:** OK.

**ALBRECHT:** --question. Thank you.

**LINEHAN:** Senator Albrecht.

**ALBRECHT:** Thank you, Chairman Linehan. And thank you for being here to explain this. So you're saying that first year that they overtaxed them. Did they do it again the second year?

**FREDERICK STEHLIK:** Well, they-- in this case, Perkins County has come back and despite TERC ruling what the valuation is and the U.S.-- or



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Nebraska Supreme Court saying that's the right valuation, they have  
up-- they went right back almost to the same valuation they had  
before.

**ALBRECHT:** So-- so not--

**FREDERICK STEHLIK:** There-- there's nothing we can do about it.

**ALBRECHT:** So there's-- not only they're staying at that level for  
the-- for this business, but they're-- the business is also incurring  
plenty of other fees from your company or--

**FREDERICK STEHLIK:** That's correct.

**ALBRECHT:** --whoever is representing them. OK. It'll be interesting to  
me to find out how many of these are actually out there, because we  
might have a bigger problem. If-- if they're allowed to continue while  
they're in TERC, to continue to raise their taxes, that's not--

**FREDERICK STEHLIK:** And even after TERC, there's no rule that says they  
can't go back and raise it up. And I think Mr. Lundeen will tell you,  
you know, why-- you know, why the issue was that they were so high in  
the first place on their valuation. But, no, there's nothing to stop  
the county from going back up the next year and saying, well, OK,  
well, you can take us to task. In fact, the attorney for the county,  
when we argued in front of the Supreme Court, said we'll be back next  
year, which is not something that I thought I'd--

**ALBRECHT:** Well--

**FREDERICK STEHLIK:** --ever hear in my life when I'm arguing in front of  
the Supreme Court.

**ALBRECHT:** And that seems like another problem, because they obviously  
don't have anything to fall back on to--

**FREDERICK STEHLIK:** No.

**ALBRECHT:** --help the consumer recoup the-- the [INAUDIBLE] so.

**FREDERICK STEHLIK:** No. And there's no-- attorney's fees aren't  
something that get-- that gets paid in this judgment. It's just a  
matter of whether or not-- and I can understand. When the bill was

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originally written, I don't think anybody thought, well, somebody's going to have to pay \$100,000 back or \$110,000. That probably wasn't on anybody's mind. But it-- it's happened in some of these smaller counties. Where this-- the ethanol company or maybe another manufacturing plant is the largest taxpayer, it happens.

**ALBRECHT:** Um-hum, thank you.

**LINEHAN:** Thank you, Senator Albrecht. Are there other questions? Just procedurally here, and if you don't know, maybe somebody behind you, but the first step is you go to your county board, right?

**FREDERICK STEHLIK:** Correct.

**LINEHAN:** So it's not just the assessor here. The county board agreed that that was the right valuation. That's why they had to end up going to TERC.

**FREDERICK STEHLIK:** TERC, yes.

**LINEHAN:** And then TERC disagreed with the county board and that's when it went to Supreme Court.

**FREDERICK STEHLIK:** And that's when they-- that's when the county appealed it, yes.

**LINEHAN:** And then you're saying that they kept the valuation basically where it was, so they're really not talking about being out \$100,000. They're talking about being out \$100,000 for '19, '20, and '21 too.

**FREDERICK STEHLIK:** We're-- I'm talking about almost \$100,000 for '18, '19, and '20, so there's three years back behind this now again. They didn't--

**LINEHAN:** They still haven't gotten the first \$100,000.

**FREDERICK STEHLIK:** Yeah, after the ruling the first time. First time it was roughly \$14 million reduced to \$7 million, then the county came back and put it back up at \$12-- almost \$13 million, so we--

**LINEHAN:** So you're really talk--

**FREDERICK STEHLIK:** --we appealed those.

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**LINEHAN:** So you're really talking about \$500,000 here.

**FREDERICK STEHLIK:** Pretty close by the time you got-- it all gets  
done. It's a significant amount of money.

**LINEHAN:** OK, thank you very much. Yes, Senator Albrecht.

**ALBRECHT:** Thank you. Just for clarification, so when the county  
decides to sue, all the taxpayers get to pay that bill, as well,  
because they're going to take that-- take you to task and you'll be in  
court for some time.

**FREDERICK STEHLIK:** Yeah.

**ALBRECHT:** So this just kind of escalates itself, and I appreciate you  
being here to bring this up. Thanks.

**FREDERICK STEHLIK:** It does. And again, we think TERC does a very good  
job with their-- I-- I know they're--

**ALBRECHT:** It's the hardest job in the state, I'm going to tell you.

**FREDERICK STEHLIK:** I know they are absolutely buried, but by the time  
they get to that, it's at least two years and sometimes three. And  
then again, you add another year on top of that if the county wants to  
appeal, so, it-- it is a-- and then-- then-- only then does that  
five-year time start running.

**ALBRECHT:** Gotcha.

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

**FREDERICK STEHLIK:** Thank you for your time.

**LINEHAN:** You bet. Next proponent. Thank you. Good morning.

**ROBERT LUNDEEN:** Good morning, Chairman-- -woman Linehan and the  
Revenue-- members of the Revenue Committee. I'm-- my name is Robert  
Lundeen and I live in North Platte, Nebraska. I'm CEO of Mid America  
Bio Energy and CEO of Mid America Agri Products/Wheatland. And--

**LINEHAN:** You have to spell your name, first and last name, spell.

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**ROBERT LUNDEEN:** Oh.

**LINEHAN:** That's OK.

**ROBERT LUNDEEN:** R-o-b-e-r-t L-u-n-d-e-e-n.

**LINEHAN:** Thank you, sir.

**ROBERT LUNDEEN:** And we own and operate the plant at Madrid. We built two plants. Built one in Cambridge; we built one in Madrid, Nebraska, identical. And we've-- the plant that we have in Cambridge, we don't own it, but we have a board member that's on that plant. He's on our board and that's where this all started. The plant at Cambridge, being identical, built just outside of the town, had the appraisal at 50 percent of what ours was. And so they asked why and we went to the board several times, the county board I'm talking about, and displayed the-- the numbers from the other plant compared to what we're paying in Madrid. And it just-- for a while they argued that we didn't know the valuation of Cambridge. And-- and I said, yes, I do, because I built both of them, I wrote the check for every dollar for the cost of both of them, so they're basically identical without the-- the format. And so we seemed to get a-- we were trying to be respectful, knowing that Perkins County depended on our plant. We're a very good neighbor. We donate to all the charities and we support that county. But the-- the fact that we're being charged almost twice what an identical plant is 80 miles away is-- is a problem. What's really a problem is it seems like they're going-- the county is going to continue to keep utilizing this float, you might say, of \$100,000. They have no intentions, I think, of adjusting that. We pay our taxes right on time and every year we're paying, in our mind, over \$100,000 more than what we should be. And we've talked to them about maybe just coming down a little bit each year, so it's not such a shock to the different people that are depending on this revenue. And they seem to be unwilling to do that, too, so we-- the board has directed me and-- to-- to take action, whatever it takes. And so we went through-- first we went through the Supreme Court. We've kind of exhausted all of our means. And so now we're here in front of you trying to plead for fairness, and that's all we're asking. And we're a viable part of that community. You know, we make 50 million gallons of ethanol a year. We-- we buy 16 million bushels of corn. We're a supporter of the-- the-- the corn market in that area. We're a major purchaser and we help-- have definitely increased the value of the basis of the corn.

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We produce about 10 million pounds of corn oil and 350,000 tons of distillers grain, which is fed to the feeders within the 25, 30 mile area of it. In addition to that, we produce ethyl alcohol, which we're starting to market that for hand sanitizers and that sort of thing. So we are just asking that-- for this committee to take LB189 and present it to the legislative body and hopefully this will benefit all of Nebraska because if it's happening to us in Madrid or Grant, it's happening to other people. It's just that our number is large enough that we went to the extra cost and expense of taking it to this elevation, but we think it certainly is beneficial for the state that the county has indebtedness to the various individual taxpayers.

**LINEHAN:** Thank you. Thank you very much for being here. Are there questions from the committee? How many people-- do you know population of Perkins County?

**ROBERT LUNDEEN:** Perkins County, the-- the town's only 200 people. Perkins County, I'm just going to guess, is probably 5,000.

**LINEHAN:** OK. OK, thank you very much for being here. I appreciate it. We appreciate it. Next proponent.

**DON CAIN:** Good morning, Chairwoman.

**LINEHAN:** Good morning.

**DON CAIN:** Good morning, Senators. Dr. Don Cain, D-o-n C-a-i-n, Broken Bow, Nebraska, and I'm here to represent the Independent Cattlemen of Nebraska and me personally and to tell you why I'm here personally. You just got done hearing a story of inequity on property tax refunds. There's a lot of inequities that we struggle with in this state on property tax and we're looking for anything that can promote property tax reform and help property taxpayer rights. I'm a little guy. I raise cows. I take care of cows. I'm not a CEO of anything. My ranch in Custer County had an increase in valuation in 2012 by 250 percent in one year. They've continued to raise that each year to now we're ten years past that. It's valuation has raised over 400 percent. I have two Nebraska Supreme Court decisions in my favor where the second one, the Nebraska Supreme Court actually took the move to set the valuation of my property for 2012 and they agreed with ours. We applied for our first refund in 2012, ten years ago, and I got a partial payment. And I was told by the treasurer that, well, you know,

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we may have to co-- consider this a hardship to go ahead and pay you back. That partial payment was only \$18,000 in total, and I got \$12,000 and I still haven't got the rest of that first-year partial payment. And I can appreciate the testifiers that were in front of me because my estimated property tax refund from Custer County is over \$325,000. And I am concerned as we move forward that they're going to utilize that hardship clause to hurt me financially and equitably even more, because I've been warned about it already. Now we have a third Supreme Court case that's been decided because we chose to seek a declaratory judgment and force the Tax Equalization Review Commission to implement the true value that the-- you know, Nebraska Supreme Court set and the Supreme Court denied that declaratory judge-- judgment motion. And the reason they denied it is because they didn't think it was proper. They thought a mandamus was more proper. So we've done what the Supreme Court has asked us to do. Now we've had to request a mandamus and it's so idiotic, the runaround that we've had to go through this, and it's so inequitable to see another regulatory agency thumb their nose at the Nebraska Supreme Court and have the Nebraska Supreme Court say, I think this is just cause for a mandamus, so you probably ought to ask for that. And that's just for 2012, Senators. I'd be more than happy to discuss the details of the case, but it's such a ludicrous situation in Custer County on that property and it's a problem all over the state. I'm just here as a little guy. I don't own an ethanol plant. I don't generate millions of ethan-- gallons of-- of-- of product. I'm a cow man. I got cows on there that run up and down this and eat grass, and we sell calves in a market that's, in my opinion, so controlled by the packers that we're just struggling. So we're here as the Independent Cattlemen of Nebraska, and me personally, to beg this committee to advance this bill, to show us some kind of property tax reform that can benefit not only the big guy, but the little guy, too, and-- and help us out. Thank you.

**LINEHAN:** Thank you very much. Are there questions from the committee? Does the Cattlemen have a list of people that this has happened to?

**DON CAIN:** Very good question, and thank you. I get phone calls all the time from individuals that are going through the same problem because of this. You win at TERC or you win at Equalization, and they raise your taxes right back to where it was again. And people get so-- so defeated on this, Senator. I-- I-- I couldn't come up with a list of all the people, but there's a list out there.

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**LINEHAN:** OK, well, it-- I think it would be helpful to the committee  
if the Cattlemen could put together a list of-- so we could see how  
widespread this is. Obviously it's--

**DON CAIN:** I'll go back to the Independent Cattlemen and see what I can  
get done on that.

**LINEHAN:** OK. Thank you.

**DON CAIN:** Thank you.

**LINEHAN:** Thanks. Other questions from the committee? OK, thank you  
very much for being here, appreciate it very much. Next proponent. Are  
there any other proponents? Are there opponents?

**JON CANNON:** Good morning.

**LINEHAN:** Good morning.

**JON CANNON:** Chairwoman Linehan, distinguished members of the Revenue  
Committee, my name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive  
director of the Nebraska Association of County Officials, otherwise  
known as NACO, here to testify today in opposition to LB189. Thank you  
to Senator Halloran for bringing this bill before you. These  
discussions of tax policy, every aspect of it are important things for  
this Revenue Committee to have. You're, after all, the ones that set  
policy for the state. And I'd like to draw your attention to that this  
Revenue Committee has already determined how this problem should be  
solved. We've had the hardship statute on the books for a number of  
years. It wasn't the counties that asked for it. It was the smaller  
political subdivisions because in those instances where you have a  
large taxpayer that does receive a refund after some sort of judicial  
action or some sort of final order, that's going to be something that  
is necessarily going to be disruptive to their budget. I'm not here to  
make a brief for the village of Madrid or the ESU, the-- you know,  
the-- the rural fire district or whomever. But what I can say is that  
when the final order did come out, the county was one of the three  
political subdivisions where it was one of the political subdivisions  
that did not declare hardship and, in fact, has paid off that  
judgment-- their portion of the judgment in full. I do want to draw  
your attention to one thing, though, and that is the village of  
Madrid, they had a total taxes levied in 2020 of \$79,427-- \$79,427.51.

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Their portion of the judgment is just over \$26,000. That's one third of their total levy. Their levy rate in 2020 was 32.8 cents, and so what you're looking at realistically is they're going to add 10 cents to everybody. So the reason we have hardships, I-- I get it. If I'm-- if I'm a small taxpayer, if I'm any taxpayer, I-- I want to get my-- my judgment and my refund paid back as quickly as possible. Totally understand that. And this is not a-- a statute which goes against any particular taxpayer. It is for the benefit of all the taxpayers because, again, the way the statute is-- this bill is structured, if that happens, you're going to see those jumps for those small political subdivisions. But I'm not here to make the brief for them. But you're going to see the jump in those levees for the small political subdivisions that those taxpayers are going to bear. My understanding is the county, school, the village of Madrid, and the hospital have all paid in full. Your ESU, the NRDs-- or the NRD that's-- that's out there and some of the other smaller political subdivisions are the ones that-- that still have judgment outstanding. Now I-- I have a certain amount of familiarity with the case of Wheatland. I-- I refer to them as Wheatland Industries. I-- I apologize, gentlemen. And what happened is you've got an assessor that goes out and makes an assessment of an ethanol plant, which admittedly is a fairly complex organization-- or organization to try and value. What Wheatland Industry did-- Industries did, as is their right, is they hired a very smart appraiser from the city of Chicago named Joe Kevonico [PHONETIC]. He came out and he did an appraisal. He talked about functional obsolescence because they're using this different thing that you're no longer putting your ethanol plants. And he made that argument front of TERC. They agreed with him. The county appealed. They made that argument in front of the Supreme Court. Supreme Court agreed with them and that's where we're at. Now I've-- I've seen this-- this play out before. And Mr. Kavatico [PHONETIC] is a very, very good appraiser. He's-- he's an expert at what he does, and that's why he's hired for these sorts of things. The Department of Revenue has the ability to do appraisals themselves for counties of large, complex properties. That's a statute that we have on the books. And similar thing happened in Furnas County where there is an ethanol plant, and the same appraiser was brought out, went all the way up to TERC, got a judgment, came back, they had to make a payment, and the next year the Department of Revenue made the as-- they hired-- they had their own appraiser go out and make the appraisal. And same thing happened: The appraiser came out, had his judgment; it was about half



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of what-- of what the value was. But when everything was all said and done, that value was not upheld, the-- not the value by the county, not the value by the appraiser. It was actually somewhere in the middle. And so what you've got is you've got Perkins County, which does not have nearly the resources, a population of less than 3,000 people, does not have nearly the resources that Furnas County did, not-- probably hasn't reached out to the Department of Revenue. I'm not quite sure on that one. But they've got an appraisal that they did that they believe in. They took it all the way up to the-- to the Supreme Court because they felt in it-- felt that strongly about it. But they don't have the resources, and so what is the best option for them? Is it to say, you know what, we'll acc-- we'll accept it laying down that, you know, whatever value we put on there is going to be 50 percent, or do they-- do they fight for the value that they believe in? Again, I'm not here to make the brief for the smaller political subdivisions, but the reason we have hardships in statute is because those smaller political subdivisions are going to shift that to every other taxpayer. With that, I'm out of time. I'm happy to take your questions.

**LINEHAN:** Thank you. Senator Flood.

**FLOOD:** Thank you for your testimony today. I think I start, in principle, it's not your money. If-- if the court says it wasn't appropriate, the way that it was-- you know, or-- or the tribunal says that this is not your money, how can you-- I mean, I have a problem with the hardship concept because, you know, the-- the-- the court or another branch of government is saying you've taken something that isn't yours. So how do you reconcile that hardship?

**JON CANNON:** That's an excellent question, Senator. I-- I-- I probably can't reconcile that. We said we have to have ways of dealing with these situations as they come up, and that's what we put in place. And so from the county's perspective, they follow the laws, as we've written it. But oh, by the way, from Perkins County's perspective, they actually paid that back as quickly as they could.

**FLOOD:** Right. But, you-- you know, like every day, Nebraskans are getting judgments against them. And as a matter of principle, we don't invalidate those judgments. I mean, obviously, one's a political subdivision and one's an individual, but I think it-- I can-- can you

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see my concern about it devaluing the rule of law? I mean, have we  
devalued the rule of law with a hardship?

**JON CANNON:** No, I don't believe we have, Senator. I-- I-- but I do  
think it's a recognition of the very unique ways that we have of-- of  
funding all these political subdivisions that we have across the  
state. They're funded through-- primarily through tax dollars and  
they're not building-- typically building up a reserve where they can  
say, well, we'll just-- we'll just dip into that to pay off a  
judgment. Sometimes they do; sometimes they do have a reserve, but not  
all of them. And because of that unique way that we've structured  
county government or-- or political subdivisions, I'm not sure what  
other way there is. I mean, you-- you could-- I guess you could bond  
to pay off a judgment or I'm-- I'm not even sure.

**FLOOD:** Well, there's no hardship for Gage County with a \$28 million  
judgment against them.

**JON CANNON:** That's true.

**FLOOD:** And they-- they did what they had to do as a county to address  
it.

**JON CANNON:** And-- and those people in Gage County are paying for it.

**FLOOD:** I have a business in Gage County. I'm paying for it too.

**JON CANNON:** Go ahead, Senator.

**FLOOD:** But I-- but I-- but I think in-- in-- in this case, there was--  
the taxpayer did nothing. The government took money that wasn't-- that  
didn't belong to them, you know. I mean, if you look at the-- the  
facts, I-- I have a hard time with hardship, but thank you.

**JON CANNON:** Yes, sir.

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

**BRIESE:** Thank you, Chairman Linehan. Thank for your testimony here  
today. The statute requires certification of serious interference with  
governmental function, right?

**JON CANNON:** Yes, sir.

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**BRIESE:** Simply having to raise your levy, is that a serious  
interference with governmental function?

**JON CANNON:** Well, and again, I'm-- I'm not making the brief for any of  
the other all--

**BRIESE:** Sure.

**JON CANNON:** --political-- smaller political subdivisions. I can tell  
you the county paid their-- their portion of the judgment back in  
fall.

**BRIESE:** Sure. But you gave the example of the community may-- may be  
having to raise their levy several cents. That doesn't seem to me like  
a serious interference of governmental function. But going back to  
Senator Flood's concerns and the concerns we've heard here all  
morning, I think a lot of us are troubled by what we've heard. And  
it's easy to come in and simply object to a proposal to rectify that.  
But do you have any suggestions that you could live with? How do we  
handle this? We-- we can't let this happen.

**JON CANNON:** Sure. There are-- I'd-- I'd have to think about that,  
honestly, Senator. I didn't-- I wasn't expecting that question. I  
should have. I apologize. There are-- there are things we can do that  
are-- that are different. I mean, we can-- I-- I suppose that we  
could-- we could bond for those sorts of-- of things, I-- I guess. I'm  
not-- I'm not sure how wild I am about that idea and I'm probably  
going to be chastised when I get back to the office, but I think there  
are other things that we can do that don't necessarily say, you know,  
well, OK, everyone else in the village of Madrid, oh, by the way,  
you're-- you know, you're going to pay for-- for this judgment that--  
that you've received against you. I-- but I-- I don't know what that  
is. I-- I'd like to export further and I'm certainly willing to have  
that conversation.

**BRIESE:** OK. Thank you.

**JON CANNON:** Yes, sir. Thank you.

**LINEHAN:** Thank you, Senator Briese. Questions from anyone else on the  
committee? Did you say, Mr. Cannon, that the Department of Revenue can  
overrule the Supreme Court?

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**JON CANNON:** No, ma'am. There's a-- there's a statute that's in place that says that for hard-to-assess properties, for complex industrial properties, the Department of Revenue can-- they can be asked by a county to do the appraisal--

**LINEHAN:** Right.

**JON CANNON:** --for those hard-to-assess properties. And so, no, no, no, they wouldn't be overruling the Supreme Court. But what they would be doing, and the example I was using was in Furnas County several years ago, the--

**LINEHAN:** But not in Perkins County--

**JON CANNON:** Not in Perkins County.

**LINEHAN:** --the one we're talking about this morning. So if the Supreme Court decides the valuation, the-- you're not-- the Department of Revenue cannot go out because that's a whole other problem. They can't go out and overrule the Supreme Court, right?

**JON CANNON:** Well, ma'am, the-- the valuation of property is done on an annual basis as of January 1.

**LINEHAN:** I-- I'm aware of that.

**JON CANNON:** Sure. And-- and so, therefore, in-- let's say in year one, county X has a valuation they put on an ethanol plant, and it goes all the way up to the Supreme Court and it goes through TERC, goes all the way up to the Supreme Court, Supreme Court says, we're going to have that value at three-quarters of whatever it is. And the county says, wow, that-- we don't want that to happen again. And so what they would do is-- what they could do is they could ask the Department of Revenue, would you mind doing the appraisal for us? This is-- valuing an ethanol plant isn't something that our-- our assessor is, you know, usually accustomed to doing on a daily basis. And so the Department of Revenue would have their appraiser go out, do the appraisal, and then you would see where-- so that second year, for year two, you would have a different appraisal.

**LINEHAN:** So if the Department of Revenue appraises, it-- can it still go to TERC?

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**JON CANNON:** Absolutely, I mean, because the Department of Revenue  
would do the appraisal, the county would assign the-- that value--

**LINEHAN:** So it's still the county doing it.

**JON CANNON:** --go through the county board, go to TERC.

**LINEHAN:** They're just using Department of Revenue.

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

**LINEHAN:** OK. Any other questions from the committee? Yes, Senator  
Albrecht.

**ALBRECHT:** Thank you, Chairman Linehan. And a question: Does the  
Revenue Department charge these smaller counties for the assistance?

**JON CANNON:** I'm not sure if they do. I-- I believe there was a nominal  
charge to Furnas County several years ago.

**ALBRECHT:** What do-- what do you suppose a county would pay an  
out-of-state appraiser to come in an appraise?

**JON CANNON:** And out-of-state appraiser?

**ALBRECHT:** Yeah.

**JON CANNON:** A lot more.

**ALBRECHT:** OK, so with that said, and we have other ethanol plants in  
the state of Nebraska. I mean, I just don't quite understand what  
their reason would be to do that. You know, especially if-- if you go  
to your NACO conventions and you let them know some of the best  
practices, why would they do that? If they don't have enough money in  
the first place to be spending money on outside appraisers, and if the  
Revenue Department allows them to use their services because of cost,  
why would they do something like that--

**JON CANNON:** But--

**ALBRECHT:** --is the question.

**JON CANNON:** I-- U don't know.

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**ALBRECHT:** And, you know, I-- I will say, I think TERC is truly the-- the hardest position to hold in the state of Nebraska. But if we don't start setting parameters and it's that easy just to forgive, you know, this-- these amounts of money and because of hardships, I-- I don't-- I don't buy that because to-- to go out and charge somebody more than you should if they win in court and you still can't get it back to them, you know, I-- I'd be interested to know how widespread this is. And I'm quite certain in your position you'd probably be able to know.

**JON CANNON:** Sure. And-- and, ma'am, I'll-- I'll-- let-- let's look at this from the other side of things. Several years ago, there was litigation in-- not with an ethanol plant, but there were-- well, actually, it-- it was an ethanol plant. There was litigation in Platte County where there was an exemption form that was missed. And the ethanol plant there said, you know, well, we shouldn't have to lose our exemption just by virtue of the fact we missed the filing date, went all way up to the Supreme Court. Supreme Court said, no, actually, you do lose your exemption. The entire time that that was-- that that case was pending, that school district, the Lakeview school district in Platte County was saying, well, not say-- we're not-- we're not sure what we're supposed to do with this tax money. I mean, should we-- should we just hold onto it, are we allowed to spend it? And so the other side of this is, you know, that there-- there is a-- a-- there is a decision-making process that-- that you go through where you're like, well, we've-- we've raised the necessary funds, what are we supposed to do with this, you know, knowing that there's the possibility that this might be-- get turned back around on us? You know, and-- and the answer to that is-- was-- for me at the time was, I don't know. I mean, you just have to make-- use your best judgment. So it-- it-- it really cuts both ways.

**LINEHAN:** OK, thank you, Senator Albrecht. Other questions? Seeing none, thank you for being here.

**JON CANNON:** Yep. Thank you, ma'am.

**LINEHAN:** Other opponents?

**LYNN REX:** Senator Linehan, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We're here respectfully opposing LB189. I understand the-- the legitimate concerns that are brought forward by this bill,

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but I think that Jon Cannon's testimony underscored what this could mean to a village the size of Madrid, population about 200, depending upon which-- which venue you look at, 230 to 260 individuals. So for them, that constituted one third of their budget, which is why they declared a hardship. That being said, I understand there's a legitimate concern. I think there's important information that before this committee would even consider this bill, to know how many refunds are pending, how big of an issue is this, are there certain thresholds that would be required? As Jon Cannon indicated, if you're the village of Madrid, your choice would then be likely to issue a bond for that amount of money. It seems pretty pricey to do that. Certainly, as you already know, there's a lid on restricted funds in fif-- let's see, 15-219. So you have to look-- 319, rather-- so you have to look at those issues. But-- but basically paying a judgment other than CIR is outside of the lid on restricted funds, so their issue then becomes a levy issue. He said they-- they were at about 32 cents, so they have some capacity there to do it. But again, then you have to fall within all those exceptions of what those might be to exceed the levy, whether it's a vote of the people, whether you're going to issue a bond or something of that nature. So there's really a reason and a legitimate reason for the hardship language, and I'm sure that's why it was put in there historically, I can't say that I have personal knowledge of the history of it, but that would make sense to me. So we hope that you keep the hardship language because I think that is critically important. With that, I'd be happy to answer any questions that you might have.

**LINEHAN:** Thank you. Senator Briese, then Senator Flood.

**BRIESE:** Thank you, Chairman Linehan, and thanks for your testimony. Do you object to the imposition of a 9 percent interest charge on these unpaid balances?

**LYNN REX:** Well, I mean, at this point, I'd want to see what those-- what-- how-- what that computes to be in terms of, I mean, 9 percent, I understand what the taxpayer himself or herself is looking at 14-some percent. I mean, it's a different situation. By the same token, you're looking at, in a hardship situation, that's just exacerbating the hardship, if you will.

**BRIESE:** But it could also be an incentive to get this thing paid back is true.

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**LYNN REX:** I understand the issue about the incentive, Senator, but I think the incentive is always going to be there. I mean, you want to get it off your books. And when the State Auditor comes knocking on your door and wants to know why it's still there, you have to answer that. So I just think that if there's capacity, they would have paid it, just like the county did in this case.

**BRIESE:** OK. Well, thank you.

**LYNN REX:** Thank you.

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

**FLOOD:** Thank you, Chair Linehan. Ms. Rex, I was going to ask you, what-- and you touched on this, what tools would Mad-- the city of Madrid have? If it's-- if it's at 32 cents, they can go to 45 cents?

**LYNN REX:** Forty-five cents plus five with an interlocal--

**FLOOD:** And--

**LYNN REX:** --per \$100 of valuation.

**FLOOD:** Now, OK, so the interlocal would-- probably wouldn't apply here because it--

**LYNN REX:** No, no.

**FLOOD:** OK. So they'd have to go to 45 cents. But then what do they have the authority to do bondingwise to-- to pay the judgment outside of the 45 cents?

**LYNN REX:** Well, part of it on the bond-- you mean other than bonding?

**FLOOD:** No, so bond--

**LYNN REX:** Oh, with bonding?

**FLOOD:** Explain bonding for me.

**LYNN REX:** The-- that answer would come down to whether or not-- depending upon what their ratio of current bonded indebtedness might be, you know, whether or not you're going to get a Baird Holm or Gilmore Bell that will sign off on that as bond counsel. Some-- some



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of our smaller municipalities have got higher bonds-- bonded  
indebtedness than do others. So I guess the answer is-- it's not a  
great answer--

**FLOOD:** If we--

**LYNN REX:** --but the answer is it depends.

**FLOOD:** If we did this, could we give you a little bit more flexibility  
in paying a taxpayer back?

**LYNN REX:** I think that would be a very helpful-- I think that would be  
necessary.

**FLOOD:** What would you recommend?

**LYNN REX:** And I think the need to have it-- I can-- let me put some  
thought into that and get back to you and this committee. But I think  
this bill, in my view and certainly on behalf of the League of  
Nebraska Municipalities, is not ready to advance at this point. I  
think there's more information that you need to know. Frankly, I think  
there's more information we need to know. I can certainly understand  
why those that are proposing this bill have come forward.

**FLOOD:** Well, and I-- I think that if our goal is to make the taxpayer  
whole following a judgment, what tools do we have to give the  
political subdivisions to be able to make the taxpayer whole and get  
this off the books and do it the right way? So if you had some-- if  
there-- if they-- assuming that they have a local effort that goes  
into it, you-- you can't have a--

**LYNN REX:** Right.

**FLOOD:** --20-cent levy and not want to increase it, you know, a penny  
to pay it off. But I-- I would be interested in some changes to make  
it easier for them to pay off, pay just back the taxpayer, not to get  
in more debt generally, but to pay back a taxpayer, so.

**LYNN REX:** Right. And again, too, as you well know, the-- the bonded  
indebtedness, you have price-- pricing that goes with that too.

**FLOOD:** Sure.

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**LYNN REX:** So there are other options to-- to consider. I just think  
there's more information that's needed.

**LINEHAN:** Thank you, Senator Flood. Other questions from the committee?  
I have one. I'm hearing the village-- name of the village. Is it  
Madrid?

**LYNN REX:** Madrid. Yes.

**LINEHAN:** How did they survive before they had the ethanol plant?

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

**LINEHAN:** How did they survive before they had the ethanol plant, if  
it's a third of their budget?

**LYNN REX:** You know, I'm sorry. I don't know. Well, let-- let me  
rephrase this. The refund constituted a third of their budget, is what  
I understand from Jon Cannon. And frankly, I appreciate his testimony  
and the information he provided to me before this hearing about the  
implications of this bill as it applies to not just the little village  
of Madrid but some of the other smaller entities, Senator. So my  
understanding is the one third of their budget was basically based on  
the refund amount. And obviously, that tells you, too, as you are  
pointing out--

**LINEHAN:** Well, it basically it tells me--

**LYNN REX:** --that it had a great impact.

**LINEHAN:** --they had no budget before they had the ethanol plant.

**LYNN REX:** Exactly. I understand that.

**LINEHAN:** OK.

**LYNN REX:** And the-- the short answer is I don't know.

**LINEHAN:** OK. Any other questions? As far as making this better, I  
think it would be in all our interest if your ideas came back to us  
quickly.

**LYNN REX:** We're happy to work with NACO and this committee and trying  
to come to that, and Senator Halloran, and trying to come to some

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resolution on this. But again, we really appreciate you keeping the  
hardship issues, trying to pro-- provide more tools for us to figure  
out how to do this, especially for the smallest entities in the state.

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

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

**LINEHAN:** Uh-huh. Other opponents. Other opponents? Is there any--  
anyone wishing to testify in the neutral position? Senator-- while  
Senator Halloran comes forward, we had no written testimony submitted  
and we had no letters for the record.

**HALLORAN:** Well, thank you to the committee members. There have been a  
lot of good testifiers. I think there doesn't need to be an interim  
study on this. This-- this, to me, isn't rocket science. I think  
Senator Flood nailed it. It's not their money. And I am-- I am very  
glad to see the League of Municipalities worried about a village of  
Madrid. OK, it's a village. It's unfortunate that they have low  
valuation in the community. But frankly, having a bill like LB189 in  
place may cause a little bit of incentive for those that create the  
valuations to be a little more cautious about it so they don't find  
themselves in this situation. I know that's not always possible to be  
so accurate that this doesn't happen to them. But really, ultimately,  
this is a question about equity and fairness to the taxpayer. If-- if  
there is not enough incentive upon counties to properly value  
property, it's-- it's an interest-free loan for them if they're off.  
Right? That's great. I wish I had that opportunity in the business  
world, but I don't. But we need to be fair to the taxpayers, at least  
equitably fair to them so that it works both ways. If they're being  
charged interest on-- on nonpayment of property taxes, then they  
should-- you know, they should have to be-- be able to be charged for  
overlevying and overvaluing property. With that, I'll close. I know  
your time is valuable. I would love to answer any more questions, but  
I think you all know, understand the bill, so please advance it.

**LINEHAN:** Let me ask, are there any questions for Senator Halloran?  
Seeing none, thank you very much.

**HALLORAN:** Thanks.

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**LINEHAN:** Appreciate it. With that, we open on LB644, Senator Ben Hansen, adopt the Property Tax Request Act. Good morning, Senator Hansen.

**B. HANSEN:** Morning, sort of afternoon almost.

**LINEHAN:** Yeah.

**B. HANSEN:** I'll try to be as brief as I can because I hate to be that guy right before lunch. And I feel remiss. I don't know if anybody remembers the last time I int-- I introduced this bill. I got a text right from my wife that said my daughter went potty on the toilet for the first time, so--

**LINEHAN:** [LAUGH] I do remember that.

**B. HANSEN:** --I thought would update everybody here to know that she's fully potty trained now and things are going good, so we're all excited about it-- just sticks in my head every time I come here now, so. All right. Good morning. Chairwoman Linehan and members of the Revenue Committee. My name is Ben Hansen; it's B-e-n H-a-n-s-e-n, and I represent District 16, which includes Washington, Burt, and Cuming Counties. LB644 is called the Property Tax Request Act, or better known as the Truth in Taxation initiative. A little bit of history of Truth in Taxation: It was originally enacted in Utah in 1985 at the request of a variety of individuals and organizations to help with tax transparency. At the behest of taxpayer unrest, the Utah Taxpayer Association and the Tax Commissioner, along with the Association of Counties, came up with a solution. They were the first state to enact truth in taxation. The law requires a notification process for taxpayers of certain local political subdivisions' intent to raise their property taxes. And for clarification, according to this bill, a political subdivi-- political subdivision means any county, city, school, district, learning community, SID, NRD, ESU or community college. I've clarified that the bill. In essence, this is an informed consent bill, informed consent, and then it provides an avenue for the taxpayer to get something tangible and readable that lets them know that their property taxes are going up, how much, which subdivision is doing it, and here-- and here's where you can go to voice your concern. There are two ways in this bill that allow for that information to reach the taxpayer. One is that the county must post a meeting on their website. Second, a postcard will be sent to the

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taxpayer, which I've provided a sample of. That's what Utah hands out to their taxpayers, which we're going to model the-- the postcard after that-- that we did in the bill. So I just wanted to give you some kind of visual. This will be sent to the taxpayer affected by the tax increase with easy-to-read information about what their taxes were the previous year and what they-- what they will be raised to if the proposed budget passes. I have handed out an example, like I mentioned before. When we brought this bill before-- when we brought this bill forward last year, or it might have been two years ago, I heard the concerns from NACO and the munic-- municipalities about the timeline of events in the budgetary process and when this hearing will take place. One of the concerns was that there wasn't enough time to accomplish the hearing and notification process in such a short window. We have resolved this concern in two ways. We allowed for an extra week to fit the hearing into the calendar and we eliminated the need for a notification in a newspaper. We had that last time; we took that out, which was costly and took time to accomplish, plus not many people read newspapers as much as they did previously. There was also some concern, if I remember right, from NACO about the redundancy of this hearing, and that is something I am more than willing to work with NACO and the muni-- the municipalities about, making sure that we have an effective and efficient process to notify and have a good hearing, one that everyone can go to, one that they can expect. Now, while truth in taxation does not directly lower property taxes, it does, in my opinion, make elected officials and the public more accountable, the elected officials in that they now have to think harder about raising taxes due to the fact that-- that when they do, every constituent in that community will get direct and blunt notification of their decision and they have to answer to them in a special hearing, at a special time, in a special place, with recorded votes-- I was on the city council and always remember somebody saying it's much harder on a local level to make laws when you know that law is going to affect that person sitting next to you in church; it's a little different on the state level-- and the public, because now they have much less of an excuse for not being able to exercise their right and voice their opinions and concerns to-- to their elected official, to hopefully change their mind about raising their taxes. All too often, political subdivisions hold public hearings on their budgets with little to no attendance because those hearings were publicized minimally and almost treated like some clandestine gathering. Well, it's time to shed some light on exactly how our property taxes go up

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every year and expand transparency between our political subdivisions and the taxpayer, which I'm hoping to accomplish with this bill. And finally, before Utah passed its Truth in Taxation bill back in 1985, they were ranked 24th in the nation for lowest property taxes; now they're 14th. Now I'm not saying this bill will solve all of our problems, but I'm hoping we can keep our fellow taxpayer informed. And with information comes power, and power in the right hands of citizens leads to change. And with that, I'm glad to take any questions the best I can.

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

**B. HANSEN:** Yep. Thank you.

**LINEHAN:** Are there proponents? Good morning.

**JESSICA SHELBURN:** Good morning. For the record, my name is Jessica Shelburn, J-e-s-s-i-c-a S-h-e-l-b-u-r-n. I'm here representing Americans for Prosperity, Nebraska. We strive to create an economy that works for all, empowering people to earn success and realize their potential. Unfortunately, due to the excessive taxation at every level of government in Nebraska, it's more difficult for individuals to get ahead. One such example of high taxation is in the area of property taxes, which we're all aware of. According to the American Legislative Exchange Council's "Rich States, Poor States" publication, Nebraska is one of the worst states for property taxes, ranking in the bottom 10 at 41. While some states charge more in property taxes and do not levy personal-- a personal income tax or sales tax, Nebraska as a whole has high rates in all of those taxes. The excessively high number of local entities with the power to levy a property tax, such as school boards, community colleges, sanitary improvement districts, natural resource districts, etcetera, are all a driving force in our high property taxes. High taxes drive high government spending, especially without necessary transparency and accountability measures needed for residents to be informed and engage in state and local taxation. LB644 takes steps to move towards Utah's-- the Utah-style Truth in Taxation, which has benefited Utah residents by keeping their property taxes in check. Utah was the first state in the nation to enact Truth in Taxation in 1985, and it has been a success in terms of government transparency and accountability for its residents. It has also proven successful in keeping property taxes from the as--

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astronomical growth that has been seen in most states across the United States and in Nebraska. In LB644, the identified public-- political subdivisions with any county wishing to keep increased property tax revenues would have to have a joint public hearing where individuals could come and have their concerns heard by their neighbors, who are serving on these boards, and they can look those individuals in the eye before they've set their budget, before they're planning on that increased revenue. It is time for political subdivisions to be truly transparent in the collecting and spending of taxpayer dollars. This committee has the opportunity to empower taxpayers to have an active role and to have a say in how their tax dollars are being-- being spent and enact real tax reform that will position Nebraska for an improved economy in the years to come. And I-- I know that you're going to hear a lot about unfunded mandates in this. And just, for example, living in Lancaster County, the county, second largest county in the state, sent out a postcard that was probably at least a half a sheet, if not larger, just to tell us that we could go online and view our new valuations. So if they're capable of doing that, I would think they could change and modify that postcard to meet the standards that are set forth in LB644. With that, I cut it short this time.

**LINEHAN:** Thank you, Ms. Shelburn. Are there questions from the committee? I think maybe they have to do that by law. I'm guessing.

**JESSICA SHELburn:** OK.

**LINEHAN:** Senator Briese.

**BRIESE:** Thank you, Chair Linehan. Thanks for your testimony here today. I think recently we passed something somewhat similar to this-- I think Senator Linehan's-- and what are the key differences between what we're proposing here and what we're already doing? What are the main takeaways?

**JESSICA SHELburn:** Well, I think we--

**BRIESE:** I heard you say a postcard, and what else?

**JESSICA SHELburn:** I think we learned-- and I-- I think that this would strengthen LB103, which Senator Linehan passed, I believe, in 2019. But this would require a joint public hearing. So let's say within the

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county, your school district, your NRD, they all wanted to keep the increased revenue from the higher valuations that came in. They would then give the information to the county. The county would send out the postcard saying these are the political subdivisions that are wanting to keep that increased revenue; this is the date and time of a hearing--

**BRIESE:** OK.

**JESSICA SHELBURN:** --that would be a joint hearing. Those political subdivisions would then have the opportunity to give a brief presentation as to why they believe that increased revenue is needed to be kept, and then individuals would have the right to speak. And it's not at your usual school board meeting or your usual county meeting. It is a special meeting just for this.

**BRIESE:** OK, very good. Thank you.

**LINEHAN:** Thank you, Senator Briese. Other questions? Senator Pahls.

**PAHLS:** Thank you, Senator. So we'd have a meeting. There could be five or six groups speaking to the increase. Well, why don't we just-- let's get modern. Let's start Zooming, have people open it up. You wouldn't even need the postcards if you let people come in by technology.

**JESSICA SHELBURN:** Well, and I-- I don't want to speak for Senator Hansen, but I would assume that he would be more than agreeable to look at-- at allowing those-- those opportunities for virtual.

**PAHLS:** Well, I think, to me, if we want to become more transparent, then that's-- we need to do that for all of our meetings. To me, it makes-- every city council meeting, I think they do the-- get-- started, established that in Omaha.

**JESSICA SHELBURN:** right,

**PAHLS:** But in Norfolk, have it out there so people could be at home, sitting there, drinking their coffee and then ask questions, and it's doable. They--



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**JESSICA SHELURN:** Yeah, es-- if we've learned anything from COVID,  
it's that we can all be a little bit more involved and engaged thanks  
to technology.

**PAHLS:** I just think that allows people not to have to come anywhere,  
here. They wouldn't have to come, just have to talk to us over-- just  
where would they go to come in here and talk to us and make it even  
more transparent. You see what I mean? I think we have to think  
larger.

**JESSICA SHELURN:** Fair statement.

**PAHLS:** Thank you.

**LINEHAN:** Thank you, Senator Pahls. Are there other questions from the  
committee? So this would be-- another thing this would do, I think,  
instead of hearing from five, six different that my tax is-- is only  
going up this much, I would know when I go to this meeting altogether  
how much my taxes are going up, so the--

**JESSICA SHELURN:** Um-hum, yes.

**LINEHAN:** --in total, which people don't get now until they get their  
tax bill. Right?

**JESSICA SHELURN:** Right.

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

**JESSICA SHELURN:** Thank you.

**LINEHAN:** Are there other proponents?

**SARAH CURRY:** Members of the Revenue Committee, 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. We are here in support of LB644. This bill is an extension  
of LB103, which this body unanimously enacted in 2019. In short, it  
puts teeth in Nebraska's current property tax hearing requirements by  
adopting a more complete truth in taxation law. The current law  
requires that these hearings be posted in a newspaper for the  
dispersal of this information. However, most Nebraskans are not aware  
of the 2019 law and the hearings that it requires. We recently

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conducted a poll of all Nebraskans. This was done in late January of this year. The question was, are you aware that Nebraska law requires local governments to hold a public hearing before property taxes can be increased due to rising property valuations? Forty-four percent said yes; 39 percent, no; 18 percent said they were unsure. After the 2019 law, we know that some political subdivisions initially thought they did not have to hold this hearing. We were able to follow up with a few of the larger cities to confirm that they did eventually hold these hearings, but there is no mechanism to check if all the taxing political subdivisions are complying with that law. That is why LB644 is needed, so taxpayers can hold their local taxing subdivisions accountable. In this same poll we asked Nebraskans, would you support or oppose requiring local governments to inform taxpayers by mail about their opportunity to participate in a public hearing before property taxes can be increased due to rising property valuations? The responses: 52 percent said strongly support; 25 percent said somewhat support; 6 percent said somewhat oppose; 4 percent said strongly oppose; and 13 percent said unsure. The responses show 77 percent in public support, compared with only 10 percent in opposition. LB644 takes the Legislature's previous transparency and accountability measures in LB103 and provides taxpayers with a stronger voice in how local property tax askings are set by providing the date, time and location of a public meeting where proposed property tax increases will be heard. It allows a more concerned-- it allows more concerned Nebraskans to be included in the process of local control. Utah is the model for taxpayer-friendly truth in taxation, yet numerous other states have also implemented this version of the law, including Illinois, Minnesota, Texas and Arizona, and we would like Nebraska to join this list. Senator Briese, to answer your question, I've included a very simplistic flowchart on the-- in the testimony-- it's on the back page-- and it shows what LB103 did and what the change that-- well, what a truth in taxation-- LB644, what it would do. So most of it stays exactly the same, except, like I said, LB103 says the hearings need to be listed in a newspaper and that under a truth-in-taxation law, they-- taxpayers must receive direct notification of this either by mail or electronically. And then, Senator Pahls, to your statement earlier, I cannot remember the bill number, but I'm sure Ms. Rex, who's coming behind me, will know this. There is a bill that we support, along with the league, to say that local board meetings should be held electronically to allow for more civil engagement in the democratic process. And as far as I know,

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it's-- it doesn't have a whole lot of opposition, so I think that would move through and that would definitely help with this bill as well. And then at the end of the testimony, I've included the link to our legislative guide where we talk about truth in taxation specifically. And then there were two articles in the Omaha World-Herald. One was a news article; the other one was an op-ed by their editorial staff in response to LB103 that Senator Linehan sponsored in 2019, if you needed a more like historical understanding of what we did first. And thank you and I'm happy to take any questions.

**LINEHAN:** Thank you. Senator Pahls.

**PAHLS:** Thank you, Chairman. I have a question. You just threw that out, the-- there is a bill right now being considered?

**SARAH CURRY:** I-- it's LB15-something, I think.

**PAHLS:** OK.

**SARAH CURRY:** I was trying to go through my notes and I couldn't find it.

**PAHLS:** And that is to provide what? What's-- what's the basis of that?

**SARAH CURRY:** It's to allow the electronic mode of-- of meetings--

**PAHLS:** For--

**SARAH CURRY:** --for local governments.

**PAHLS:** OK. Would you also recommend that for the Legislature here? Would that be a good thing for us?

**SARAH CURRY:** I mean, I know a lot of people watch the NET.

**PAHLS:** I know, but we can't respond.

**SARAH CURRY:** Right. And actually, it's interesting, Laura Ebke, our senior fellow, she's been actually testifying in the Wyoming Legislature on a lot of occupational licensing, and they're doing all of their stuff in YouTube videos. So here, like, if I miss the NET stream, I can't watch it later, where because theirs is on a YouTube

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channel, they-- people can go back and watch and they can post  
comments and interact with their lawmakers. I do think that's better,  
especially in today's age, like I can't listen to your afternoon  
hearing because I'm going to be driving home.

**PAHLS:** Right. OK, so I-- I-- what I'm trying to do, encourage that we  
ought to be looking at that ourselves. I mean, I-- I cannot--

**SARAH CURRY:** That's not a bad idea.

**PAHLS:** Well, why-- why have people from way out, you know, 100 miles  
from here? They can just pull it up and talk to us, ask questions.

**SARAH CURRY:** And-- and I know-- I know that New Hampshire's doing it  
remote because they actually had to pass a law that said cats can't be  
in their Zooms. But then I know Wyoming is doing theirs on YouTube,  
and I'm sure there's a lot of other states. So now we have precedent  
and we have experience., so I think that's a really good thing to--

**PAHLS:** Good.

**SARAH CURRY:** --look at, yeah, especially with this at the local level  
to get more people involved.

**PAHLS:** Thank you.

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

**SARAH CURRY:** Thanks.

**\*BOB HALLSTROM:** Chairman Linehan, members of the Revenue Committee, my  
name is Robert J. Hallstrom and I submit this testimony as registered  
lobbyist for the National Federation of Independent Business (NFIB)  
and the Nebraska Bankers Association (NBA) in support of LB644. LB644  
would establish public notification and hearing requirements whenever  
a request is made to raise the property tax over the previous year.  
LB644, in adopting the Property Tax Request Act will increase  
transparency for political subdivisions seeking to raise their  
property tax levies. One of the major impediments to citizen  
involvement in local government is the timing of meetings and the lack  
of awareness of specific items to be addressed by the governing body.  
LB644 requires evening meetings for property tax increase requests and

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requires special notice of such meetings to be giving to taxpayers. Requiring a postcard to be mailed to all constituents with respect to the political subdivisions request for higher levy rates than the previous year's request will enhance awareness and increase the likelihood that constituents will participate and provide input at public forums in which property tax increases are being considered. Shedding the "light of day" on these proceedings in which increases in the property tax burden are to be considered is a positive action. For these reasons, we would respectfully request that the committee advance LB644 to the floor of the Legislature for further consideration.

**\*RON SEDLACEK:** Dear Chair Linehan and Members of the Revenue Committee, my name is Ron Sedlacek, registered lobbyist for the Nebraska Chamber. I'm here today in support of LB644, a bill that would establish a truth in taxation law. LB644 requires political subdivisions to notify taxpayers by mail about public hearings and board votes on local property tax increases. In Nebraska, we must continue to fund necessary government services. But we also must be accountable for growing our economy and workforce productivity at a rate as high or higher than the state and local combined spending growth. States and localities that fund higher levels of government service with higher taxes are no longer as competitive. They are paying for it with greater outmigration of people and wealth, creating a downward fiscal spiral. Under LB644, political subdivisions must explain how much a property taxpayer's bill would rise if the proposed tax increase were approved. They also must hold a hearing on these tax increases after 6 p.m. to allow citizens to better participate in the process. Reduced spending, more efficient management by local governments and a growth-based tax code are the most effective ways to provide Nebraskans relief from local property taxes. LB644 ensures Nebraskans can be better informed and engaged when it comes to controlling local property taxes. This type of citizen oversight and engagement is preferred to provide the necessary guardrails and provide property tax relief and limits on property tax burdens on Nebraskans.

**LINEHAN:** Other proponents? I'm sorry, are there other proponents? Are there opp-- are there any opponents? I'm sorry, opponents?

**LYNN REX:** Senator Linehan, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska

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Municipalities. And I regret that Senator Pahls is leaving here for a moment. I wanted to address his issue about the Zoom calls while you're waiting to have this letter handed out to you from the city of Stroms-- Stromsburg, Nebraska. We look forward to the day-- and I know Senator Friesen's worked hard on this, many others have as well, to have broadband across the state, so, in fact, we can do the types of Zoom calls and other things universally across the state of Nebraska. Right now, we're in a position where not everyone can. We're very grateful that-- for the Governor's executive orders that did allow for municipalities and other political subdivisions to have virtual meetings pursuant to his executive order. With that being said, not everyone can do it because they don't have broadband. In the last two days, Senator Friesen has listened to a lot of testimony on that. With that, we are here today respectfully opposing this measure. I think that LB103 passed in 2019. Senator Linehan, your bill went a long way to assist with transparency across the state, try to find more opportunities and more opportunities for taxpayers to be informed. That being said, this bill has a number of issues. It just simply is not workable in our view, and we say that with great respect. I would just like to walk through for you, and I have the bill marked up and happy to answer any questions you have, for example, and I'm looking at this, this letter from the city of Stromsburg. First and foremost, as we talked earlier, even last year, and appreciate Senator Hansen indicating he'd be willing to work with us on duplication here, looks like there are two different hearings that would be required. And I think, too, the timeframe is really important when you look at the-- when these hearings would occur. They get certified; the county certifies to all political subdivisions August 20. They have from August 20 to September 20 to make all these things and all these pieces work. That is problematic. Turning this page over, the second reason, in the event of how you would go about doing this, you have a filing deadline of September 20 under 13-508; Chapter 13, article 5, is the Nebraska Budget Act. And how do you file the proof of publication when the postcards are used to notify the hearing? And not to take a negative view of our Postal Service, but I'm just suggesting to you that relying on certain things to happen at certain times through a postcard may not be all that workable. But that being said, there are other complications with this bill as well. The third reason, and this is just one of many of the correspondence-- many correspondence that we've received at the league office on this related issue, might have been by phone calls in addition to Nancy's

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here, Nancy Bryan, the city clerk/treasurer of Stromsburg. Third, she notes that in Polk County, there are 29 political subdivisions. How do you get the-- all the governing bodies of 29 political subdivisions together at one time for this hearing within a timeframe where they have to look-- basically, they can't finalize what they're going to do until they get the certified numbers on August 20. And I know the counties are pressured-- they're not just dallying. They're pressured to get everything done by the 20th because of the hearings they have to have, the taxpayer requests, and all that sort of thing. So you have to deal with that issue, and I think that is further complicated when you look at her fourth reason, which is the regional groups, NRDs, ESUs, other groups like that. So they're in multi-- multiple counties. So which-- which place do you select for them to have that one joint meeting? And then certainly in the world of COVID, we're having problems right now, and I-- and we're very optimistic that this is going to be ending soon, COVID, hopefully, within a year or so, I'm hoping, where we can have in-person meetings. But to that end, right now we have political bodies that cannot even find a place to have a meeting where they can socially distance themselves, which is why the virtual meetings have been so incredibly helpful for those that could do it. And again, we totally look forward to the day, as I told Senator Flood, who's the introducer of LB83, the Open Meetings Act bill to enable virtual meetings and broadband across the state. The fourth reason I've already talked about, which is the regional groups. The fifth reason is basically, how do you get folks to really participate? You know, I don't know how you get individuals to really care about this in terms of-- and they should care. We all should care. But I'm just suggesting to you that my history with the league over the many decades comes down to this, that I care about it if it impacts me personally, I care about it if I turn on the faucet and the water doesn't come out, I care about it if I turn on the light switch and there's no light. And unfortunately, what happens for most taxpayers is they don't care about it, perhaps, until they get that property tax statement and-- but by that time, I mean, there have been noti-- notifications. There are publication requirements, numerous publication requirements. And I encourage you, again, if you have trouble sleeping tonight, open up 13, article 5, and read the Nebraska Budget Act. It is full of all kinds of notifications and requirements, and I think Senator Linehan's bill did-- went a long way to assisting that with the passage of LB103. With that, I'm happy to answer any questions you may have.

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

**LYNN REX:** Thank you very much for your time.

**LINEHAN:** Uh-huh.

**LYNN REX:** We're happy to work with the committee always--

**LINEHAN:** Thank you.

**LYNN REX:** --and Senator Hansen. Thank you.

**LINEHAN:** Are there other opponents? Wait, you guys can't leave.  
[LAUGH] I know we're all hungry, but the rules are the rules.

**BOSTAR:** I'm just trying to outlast Senator Briese.

**BRIESE:** That's right.

**LINEHAN:** You can outlast him.

**BRIESE:** You're younger than I am. I think you'll win.

**JON CANNON:** Good afternoon, distinguished members of what's left of  
the Revenue Committee, my name is Jon Cannon, J-o-n C-a-n--  
C-a-n-n-o-n. I'm the executive director of the Nebraska Association of  
County Officials-- you may have heard me-- me refer to it sometimes as  
NACO-- here in respectful opposition to LB644. First and foremost,  
Senator Hansen has always been great about working with us and  
addressing our concerns. And we are very, very willing to work with  
him toward what I think is the broad policy goal of increased public  
participation in this-- this whole process. I'll-- I will-- I agree  
wholeheartedly it is extremely discouraging when we have-- you know,  
everyone says, well, I don't want my property taxes. And I-- I talked  
to someone. I say, well, did you attend the budget hearing? Well,  
when-- when is that? Well, it's in-- you know, usually in August or  
September and-- and they-- it's-- it's like you just-- you've informed  
them of something that, you know, the sun comes up in the east or  
something like that. I mean, it-- it comes as such a shock that it's  
always one of those things that just boggles my mind. What-- what--  
as-- as Lynn Rex had-- had testified earlier, our problem really is  
with the implementation of this bill. The-- we're already providing



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notice. We-- we think that the newspapers is probably the most efficient way of getting information out to the public in general, you know, and certainly the increased cost of sending out a postcard is-- is, you know, something that it's going to add to property taxes. And if people say, well, we don't like property taxes so let's add some more expenses, I'm not quite sure that that necessarily lines up the way we want. The enhanced notice is going to be redundant to the presentation that we have. And-- and Senator Hansen had said he's willing to work with us on that part. So I-- I-- I-- again, we're-- we're willing to have that conversation. The joint public hearing, as Lynn had mentioned, you know, the difficulty in getting everybody together at the same time, same place, you got a greater cost, you have to have a larger facility, you have to have your social distancing, you know, and, oh-- oh, by the way, after 6:00 p.m., we really-- I-- I don't think people want to be there until midnight if they can help it. So you've really get that compressed time frame to get all this information out; oh, by the way, that information is the same information you had on your postcard. You know, everything that we do is subject to the Open Meetings Act., and so when you've got all these different political subdivisions having this powwow together to have-- you know, have a discussion about property tax requests increasing, you know, the questions then become, OK, how are we going to handle this under the Open Meetings Act? So I-- I think that's a valid concern I-- I'd like to visit about as well. But again, the broad policy goals of increasing public participation in-- in our budgeting process completely, 100 percent for it, we think it's a great idea. How we get there, we'd really like to have-- keep having that conversation. And with that, it's nearly-- it-- it's past lunchtime, so I'll be happy to take any questions you might have.

**LINEHAN:** Thank you, Mr. Cannon. Are there questions? Is it time-- and this is sad. Newspaper circulation has dropped dramatically. I mean, many homes don't get a newspaper. So is it time we move away from newspapers and go to a postcard so people are actually getting it? I mean, it's only get-- people-- I don't know what the circulation is on newspapers, but it's dropped dramatically.

**JON CANNON:** Yeah, that--

**LINEHAN:** So what if we change out paying for newspaper ads to pay for postcards?

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**JON CANNON:** You know, it's-- I-- I think there's a very fine balance that we-- that we have to look at here. So on the one hand, we can say we'll just put it on the website and that's really cost efficient, not a problem, and everyone can go to-- go to the website and they can-- they can check out and see whether or not there's anything going on in county government today. Oh, by the way, the problem that you run into with that is that you get-- you have information that's lost in a sea of other information. You know, I'm-- I'm not going to think to myself, hey, it's August 20, I should probably go check the county website and find out when that joint public hearing is going to be. You know, with-- with newspapers-- with-- with postcards, you-- that's a very, very targeted response that's going to go to every single person. They're going to have a red postcard that shows up in their-- in their mailbox, and it's going to be expensive. And so you-- I-- I think what you want to do is--

**LINEHAN:** But we don't know if it's going to be more expensive than if all of them had to pay for newspaper ads by a certain-- I mean, it's a half-page ad they have to pay for, right?

**JON CANNON:** Yeah, approximately. But again, I-- I think, as-- as Lynn Rex had--

**LINEHAN:** I think it might be worth looking at what the cost of the newspaper is versus what the cost of the postcard would be.

**JON CANNON:** Sure. And whatever is-- I-- I think what we want to look for is what's most efficient, and again, the Internet's probably to be the most efficient of all.

**LINEHAN:** Do you think that it-- there is value in the taxpayer understanding-- I can't remember what Ms. Rex said. Polk County's got 29 public subdivisions that have taxing authority. Do you think it might be advantageous for the taxpayer to realize what they're all doing at the same time so they could see the totality of how their tax bill is changing instead of hearing we're only going up \$25 on your house, we're only going up 15 bucks on your barn, the totality, the \$300 or \$400 or \$500 that they get hit with when they get their tax bill.

**JON CANNON:** Sure. Ma'am, I-- I would agree that, to the extent that we can increase public engagement, I am all for it.

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**LINEHAN:** OK.

**JON CANNON:** But I-- we can't hold a gun to people's heads and drag them out of their houses to-- to get them to the joint public hearing.

**LINEHAN:** OK, thank you.

**JON CANNON:** Yeah.

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

**JON CANNON:** Thank you. Thank you, ma'am.

**LINEHAN:** Other opponents?

**COLBY COASH:** Good afternoon, Chairwoman Linehan, members of Revenue Committee. My name is Colby Coash. I represent the Nebraska Association of School Boards. My testimony today also reflects that of NRCSA, NCSA, and the Greater Nebra-- and GNSA, the Greater Nebraska School Association. So in the interest of time, I won't be repetitive of anything that Ms. Rex or Mr. Cannon talked about, but I wanted to point out another provision that this body did last year. Previous testifiers have talked about LB103, but last session this body also passed LB148 that came out of the Government Committee down the hall, and that may have been what you were referring to, Senator Briese. And I want to walk through a couple of the provisions in that that are already in place because as a political subdivision, school districts, as an example, are already conducting its budget and tax-asking functions in open session. And as a result of last year's LB148 through the Government Committee, there are now additional requirements which have made this process even more transparent and encouraging of public engagement. So budget meetings are now separately noticed and inclusive of many of the provisions in LB644. These meetings are conducted separate from regular meetings and to give the budget and tax-asking process its due attention. A presentation of the budget, as well as mandating the public's opportunity to speak, is now required in law. In addition, copies of the budget must be made available to members at this meeting, which cannot be limited by time. These budget statements that are not part of that process include a lot of the information that is proposed here in LB644. The public is well noticed with regard to school district budgets to include the revenue and expenses, and I would encourage the

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committee to examine the provisions of the Nebraska Budget Act in Statutes 13-501 through 513. A lot of those statutes were just amended last session. So in closing, we-- we believe another hearing, this time jointly with other political subdivisions, as well as the cost of those postcards, is costly and impractical. Many of the larger districts have proper-- or their districts encompass more than one county. And so you may be finding some of those larger geographic school districts doing this in multiple-- multiple counties, and it may just be unworkable. To your point, Senator Linehan, about the newspaper, which is the manner prescribed in law as to how these notices are made available to the public so that they can engage in this process, we would agree with you that subscription rates are down. But I encourage you to have this conversation with the Press Association or the--Media Nebraska, who is very adamant about this process. And I think you would find willing partners in the political subdivisions to expand that conversation about how we can utilize other types of media other than the newspaper to make sure citizens are informed about these processes and encourage their participation. So I'll leave it at that.

**LINEHAN:** Thank you for being here. Are there questions from the committee? They still have the meeting; it's on the same day, at least that's what I've noticed.

**COLBY COASH:** They can.

**LINEHAN:** They can. They do.

**COLBY COASH:** They can and they typically do.

**LINEHAN:** If you had an example of somebody who didn't do it on the same day, I'd like to see that example.

**COLBY COASH:** I don't know if I would have one, because I believe that they will usually do the budget hearing and then open that hearing, go through that budget process, and then go into their regular business meeting after that.

**LINEHAN:** Right, on the same day usually.

**COLBY COASH:** Typically on the same day, obviously different-- different times. But they are noticed separately so you can go--

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**LINEHAN:** Well, I've got notices in my office where their notice is in the same paper on the same day on the same page.

**COLBY COASH:** Um-hum, yep, and that-- that saves the taxpayers money.

**LINEHAN:** It-- i's the-- it's the letter of the law, but yes.

**COLBY COASH:** Understood.

**LINEHAN:** Other questions? All right. Thanks for being here.

**COLBY COASH:** Thank you.

**\*MATT SCHAEFER:** Chairman Linehan and members of the committee my name is Matt Schaefer and I am testifying today on behalf of Eastern Nebraska Development Council (ENDC) in opposition of LB644. ENDC is a group of homebuilders, engineers, accountants, and financial and legal advisors who develop, build, and manage sanitary and improvement districts (SIDs) in Nebraska. Sanitary and Improvement Districts are political subdivisions that are already subject to significant and transparent procedural and public input and notice requirements regarding the property taxes it levies. Because of the rapidly growing nature of the typical SID and how the improvements are financed in an SID, it is likely that an SID would frequently trigger the additional requirements of LB644, especially early on in its life. The vast majority of SIDs in Nebraska are located in Douglas and Sarpy Counties. Holding a joint public hearing would be almost impossible to do in Douglas and Sarpy Counties as there are approximately 200 SIDs in Douglas County and 150 in Sarpy County. SIDs operate independently of each other and the budget and levy established by each such SID has no impact on any other political subdivision's budgetary needs nor would a member of the public not residing or owning property in the SID have any interest in the SID levy's and thus would find the vast majority of the required public hearing irrelevant.

**\*GREG ADAMS:** Senator Linehan and members of the Revenue Committee, my name is Greg Adams, executive director of the Nebraska Community College Association. I am expressing the opposition of the five colleges that make up the Association to LB644. LB103, introduced and passed during the 2019 session, added a public hearing requirement, separate from the regular budget hearing of the political subdivision if the subdivision was requesting to raise its property tax request

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over that of the prior year. As required by statute, all our community colleges have added the new and separate hearing for their property tax request. LB644 amends the public hearing process which is required for a property tax request that exceeds the request of the prior year. LB644 would require that the public hearing be a "joint public hearing" in the county. The hearing would be conducted along with any other political subdivision making an increase request within that county. The Nebraska Community College Association's opposition to LB644 is primarily one of geography. All our colleges have large geographic service areas including multiple counties. For example, Mid Plains Community College is made up of eighteen (18) counties. The service area spans from McCook to Valentine. Central Community College spans twenty-five (25) counties. Under the proposed language of LB644, the leadership of Mid Plains would need to potentially participate in eighteen joint public hearings if they were requesting an increase in their property tax asking. Central Community College would need to participate in twenty-five joint public hearings. Our community colleges conduct the required special hearing and the required separate budget hearing and comply with all other statutory requirements for noticing and conducting the hearings. LB644 simply creates an extraordinary hearing requirement that for community colleges, given the size of their service areas, is difficult to comply with. Thank you for considering the position of the Nebraska Community College Association.

**\*RICK VEST:** Good afternoon, Senator Linehan and members of the Revenue Committee. My name is Rick Vest, Chair of the Lancaster County Board of County Commissioners, and I am appearing on behalf of the Lancaster County Board of County Commissioners in opposition to LB644. Please accept this written testimony and make it part of the record on the aforementioned bill. Lancaster County complies with current law regarding its budget-setting procedure. Current law already provides for public notice and for public hearings throughout the budget process. In addition, Lancaster County conducts multiple public meetings regarding each department's budget. In 2020 alone, Lancaster County conducted seven budget-related meetings, including a mid-year budget review of the prior year's budget. Lancaster County also provides all of its budget materials to the public via the Financial Transparency Portal on our website: <https://lancaster.opengov.com>. Our website also provides a direct phone number to our Budget and Fiscal Officer, who is available to answer any questions about the

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budget or the Financial Transparency Portal. The Lancaster County Board prides itself on transparency and public engagement throughout the budget process. The Lancaster County Board believes that LB644 creates unnecessary procedural requirements without any appreciable substantive improvements to the budget process. To begin with, LB644 requires a joint public hearing of all political subdivisions seeking to set its property tax request in excess of the prior year's request. Putting aside the potential logistical challenges of conducting a joint public meeting of dozens of political subdivisions that starts and 6 p.m. and also complies with the Open Meetings Act, any political subdivisions that would be required to participate in such a joint public hearing already are required to conduct a special public hearing pursuant to Section 77-1601.02(3). These special hearings allow any and all interested parties to participate based on their local interests. It is not clear that requiring an additional joint public hearing will increase the opportunities for meaningful public participation about a particular political subdivision's levy or budget. Additionally, LB644 comes with a price tag even if it may not increase public participation. Each political subdivision will incur staffing costs for what could be an hours-long meeting of political subdivisions. It also should be apparent that merely gathering all of the governing bodies of the affected political subdivisions under one roof likely will require paying for commercial conference space. Moreover, to comply with LB644's postcard notification requirement, the political subdivisions in Lancaster County would incur at least \$24,483.20 in costs to mail 5.5" by 8.5" postcards, with a presort discount, based on our most recent set of postcard mailings to property taxpayers. Because Lancaster County already provides multiple opportunities for public participation in the budget process, we believe these funds would be better utilized providing essential governmental services. For the foregoing reasons, the Lancaster County Board of County Commissioners asks that the Committee not advance LB644 as this statutory change is unnecessary to improve public participation in Lancaster County's budget process. Thank you for the opportunity to provide this written testimony. We would be happy to answer any questions that you may wish to direct to us.

**\*CONNIE KNOCHE:** Good morning, Chairperson Linehan and members of the Revenue Committee. My name is Connie Knoche and I'm the education policy director at OpenSky Policy Institute. We're here today in neutral capacity because while we support measures that increase

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transparency and accountability for tax-levying entities like schools as an element of good governance, we question whether the cost of that transparency is too steep in this case. We believe LB644 may impose additional costs and administrative burdens on schools and other political subdivisions that outweigh its benefits. The difference between current law and LB644 is the requirement of a joint public meeting of all political subdivisions in the county requesting an increase in property tax from the prior year and the mailing of a postcard to all affected property taxpayers. We understand the importance of transparency in the process of increasing property taxes. However, we think the additional costs of mailing postcards and the requirement of a joint public meeting may confuse taxpayers rather than add clarity. State Statute 77-1601.02 was amended in 2019 by LB103 to address transparency and accountability in the procedure for setting a political subdivision's property tax request and we believe those measures are sufficient for the time being. We firmly believe that a well-informed public contributes to well-informed policies, but we would encourage the committee to weigh the benefit of changing the procedures for setting a political subdivision's property tax request on an annual basis versus the costs associated with LB644.

**LINEHAN:** Are there other opponents? Are there anyone wanting to speak in a neutral position? OK, Senator Hansen, we did have written testimony. We are on this field, right? Ron Sedlacek from the Nebraska Chamber of Commerce, proponent; Bob Hallstrom, Nebraska Bankers Association, National Federation of Independent Businesses, proponent. Opponents: Greg Adams, Nebraska Community College Association; Rick Vest, Lancaster County Board of Commissioners; Matt Schaefer, Eastern Nebraska Development Council. Neutral: Connie Knoche, OpenSky.

**B. HANSEN:** All right. Just want to thank all the testifiers. I think they kind of give a good, rounded opinion about kind of how we can best approach this. I do also want to thank all the people who came and helped with this and supported this, you know, with-- with ALEC and Tax Foundation. Both wrote letters of support for this as well.

**LINEHAN:** And I've got-- I'm sorry-- letters. We had one proponent, three opponents, and one neutral, so.

**B. HANSEN:** Yeah, and glad to see OpenSky came out neutral, too, and the Platte Institute and AFP coming out. A lot of constituents also got wind of this and they also shared their excitement for something



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like this. So I just want to answer a couple of quick questions. Before I do, I don't want to say I think it's unfortunate, but I think it's almost necessary now, more than ever, that we do notify people specifically about something like this. In a world full of distractions where there's Netflix or, you know, social media and other kinds of stuff, we sometimes lose sight of things like this if they're just in a newspaper, in the back of a newspaper somewhere. And so giving them truly informed consent in their mailbox in-- with a pink postcard, you know, I mean, I think that puts it right in front of their face. And Ms. Rex mentioned this before, too, which is, how do you get people to care? You show them how much money we're taking from them. That's exactly what this postcard does: Here's what you paid before; here's what you're paying now. And I think when you people in their wallets, their pocketbooks, that's when they really kind of-- their ears perk up. I think that's what we're trying to accomplish with this. I think Senator Pahls mentioned a couple things about a Zoom meeting. I think a Zoom meeting is a good idea. I'm not opposed to that. I-- I-- when it comes to State Legislature, I'm curious to see. I hate-- I don't want to be in Judiciary if that's ever the case because I don't know how we're going to lay that stuff out. But I think the postcard is what gets the person engaged to attend the Zoom meeting, so I think you have to have the postcard with the Zoom meeting if you're going to do something like that. The postcard is what-- is what gets people's attention to create change. Right? We always talk about state government trying to get involved in property taxes or our counties and everything else, but it's really, truly up to the people to kind of make this change. And that's what we're trying to do with this. Mr. Cannon also talked about newspapers is probably the best road-- avenue, and right now I don't think it is. I don't think people read newspapers as much as they did. And typically, if they are in the newspaper, they are in-- typically in the public notice section in the back where, you know, where nobody really even reads it anyway. Also, a couple of things Ms. Rex mentioned, she talked about the-- the 20th deadline, that that would give enough time, that they had to get their adopted budget filed by the 20th. In the bill, we moved that down to the 27th, so that actually gives them a whole extra week. And so that's something that she didn't mention is that we actually give them an extra week that's in the bill and we're not doing a newspaper, which typically is what they talked about, what took most of the time. The postcard shouldn't take too much time to have it preprinted, ready to go-- boom. It takes

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about a day or two to get in their mailbox. And let's talk about multiple subdi-- their concern about multiple subdivisions being included in this-- this joint hearing, we listed off in the bill-- and that's what I mentioned in my opening hearing, that we listed off very specific subdivisions that were included in this bill and that are part-- they're going to have to be part of this joint hearing, not all of them, and so that should limit the amount of subdivisions, just the particular ones that really do affect our property tax. And also Mr. Coash talked about, and I think Mr. Cannon also mentioned this, about postcards that can be a costly burden and they're costly to the-- the county. But in the postcard we actually talk about-- or in the bill we talk about the postcard is actually a shared cost between all political subdivisions, whoever attend that. So if you have one political subdivision that's going to raise your taxes, they bear the cost of; if it's six, they'll bear the cost. So that kind of evens out, so not one person is paying for all of the cost of the postcards. That's shared evenly among all political subdivisions. So I hope that answered some of their questions that they came with. And I-- and again, I do appreciate them. I'm definitely willing to work with them to make this as effective as we can. But I think the time is now. I think this is a good time to get in. We have worked it over. We went through the rough draft before. You know, I mean, it is ready for prime time and I'm really hoping to get it out this year, if I can, to get on the floor for this year, if not early next year. So I-- I would appreciate your guys' just looking at this, not glancing over it, and having some strong consideration about getting it on the floor this year. I think the people are ready for it. So with that, I'll take any questions as best I can, unless you want to go eat.

**LINEHAN:** Thank you, Senator Hansen. Very good. Any questions, gentlemen? I think not. Did I read the letters? I did. OK, we're done with--

**B. HANSEN:** Good. Thank you, appreciate it.

**LINEHAN:** --closing the hearing on LB644. See you in less than an hour.

[BREAK]

**LINEHAN:** My name is Lou Ann Linehan. I'm from Elkhorn. I represent the 39th District. I serve as Chair of this committee. For the safety of our committee members, staff, public, pages, we ask those attending

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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 in the hearing process. This-- these bills-- 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 your 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. Pages will sanitize the front table and chair between testifiers. Public hearings for which attendance reaches capacity-- seating capacity or near capacity, the entrance doors will be monitored by the Sergeant of Arms, who will allow people to enter the hearing room based upon 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 availability due to HVAC project of an overflow hearing room for hearings which attract several test-- testifiers and observers. For the hearings with a large attendance, we request only testifiers to enter the room. We ask that you please limit or eliminate handouts. The committee will take up the bill-- 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 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 to the page when you go up to testify. If you have written materials that you would like to distribute to the committee, please hand them to the page to distribute. 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. When you begin to testify, please state and spell both your first and last name. Please be concise. It is my request that you limit your testimony to five minutes and we will use the light system so you will have four minutes on green and when yellow comes on, that means you need to start wrapping up and red, you need to stop. If there are a

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lot of people wishing to testify we will use the--we're not going to do that today. I think we-- were fine. If your remarks reflect-- 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 on the table outside the room by the entrance and it will be included in the official record. Please speak clearly into the microphone so our transcribers are able to hear your testimony clearly. I would like to introduce committee staff. To my immediate right is counsel, Mary Jane Egr Edson. To my immediate left is research analyst, Kay Bergquist. To the left at the end of the table is committee clerk, Grant Latimer. Now, I would like members of the committee to introduce themselves, starting with Senator Pahls.

**PAHLS:** Thank you, Chairman. Rich Pahls, southwest Omaha.

**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 Stanton County.

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

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

**LINEHAN:** This afternoon, our pages are-- stand up, guys, Jason and Reid. Jason is at UNL. He's a political science and history major. Reid is also at UNL and he's an economics major. Please remember that senators may come and go during our hearing as they have bills to introduce in other committees. Please 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 reference information on their electronic devices. Be sure that your presence here today and your testimony are important to us and critical to state government. So with that, we will open on LB63. Welcome, Senator Lindstrom.

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**LINDSTROM:** Good afternoon, Chairwoman Linehan, and members of the Revenue Committee. My name is Brett Lindstrom, B-r-e-t-t L-i-n-d-s-t-r-o-m, representing District 18 in northwest Omaha here to introduce LB63, maybe my favorite bill that I've ever introduced, a bill to change certain deadlines relating to property tax exemptions. LB63 was brought to me by the Nebraska Association of County Assessors to change their deadline of a tax exemption status on real or property or tangible personal property. The bill would push the deadline for any county assessors that receive such applications and will need to submit their recommendations to the County Board of Equalization on or before March 1 instead of February 1. And with that, thank you. And I'll be happy to take any questions.

**LINEHAN:** Thank you, Senator Lindstrom. Are there any questions from the committee? Seeing none, thank you.

**LINDSTROM:** Thank you.

**LINEHAN:** Are there proponents? Hello, Mr. Cannon.

**JON CANNON:** Chairwoman Linehan, good afternoon. Distinguished members of the Revenue Committee.

**LINEHAN:** Is this proponent?

**JON CANNON:** Yes, ma'am. [LAUGHTER] You know, I knew I put on my black suit this morning for a reason.

**LINEHAN:** OK, go ahead, I'm sorry.

**JON CANNON:** My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of the Nebraska Association of County Officials, which I will refer to as NACO. And we're here to testify in support of LB63. We'd like to thank Senator Lindström for bringing this bill on behalf of our county assessors. This is a good government bill. Just a little bit of background. A few years ago, the Revenue Committee had advanced the bill and became law where there's a certain level of oversight that's granted to the Department of Revenue as far as reviewing any exemptions that come through. And that-- that was a good government bill, and certainly we would have supported that back then, I think. But what-- and what this does is it creates just a little bit more-- because of that extra level of oversight there is just a little bit more work that county assessors will probably sometimes do.

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Sometimes the Department of Revenue will ask questions of the county assessors. You know, did you check this? Did you check that? Other times the assessor will want to do that of their own volition. And so by doing this, by extending the deadline for the county assessor to make their recommendation to the county board from February 1 to March 1, it just gives them the extra time to do the homework that they need to do to get that done. It doesn't affect any of the taxpayers' rights. In fact, it just makes this a little bit more of-- a little bit tighter of a process for everybody. And so, I would certainly urge you to advance LB63 and I'd be happy to take any questions you might have.

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

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

**LINEHAN:** Other proponents. Are there any other proponents?

**TERRY KEEBLER:** Senator Linehan, and Revenue Committee-- I'll take this off so you can hear me. My name is Terry Keebler, T-e-r-r-y K-e-e-b-l-e-r. I'm the Johnson County assessor. I'm also the assessor representative on NACO Board and the assessors group did bring this, and thank Senator Lindström for bringing this. I've been assessor two years. Last year was the first one with the 451 exemptions for the four year, and as those came in and we recommended our approval or disapproval, we did have questions from property assessment and didn't really have time to fully explore what those were before they were due to the county board. And so this would just give us an extra month to do the background work so that we can recommend approval or disapproval with more information. And just as a little more, the county board has until June 30 to act on these, so it's not creating any tight deadlines for them. So with that, thank you and I'd take any questions.

**LINEHAN:** Thank you very much, Mr. Keebler?

**TERRY KEEBLER:** Yes.

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

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**FRIESEN:** Thank you, Chairman Linehan. So when an entity fills out this application for a tax exemption, do you require them to answer all the questions on the form before you approve it?

**TERRY KEEBLER:** We do not.

**FRIESEN:** Why not?

**TERRY KEEBLER:** Well, and before I'm pretty sure I know where you're coming from, Senator Friesen, because they're not all required and I know you've got a bill to require more. And that's probably good, the question becomes of where they come up with those figures and, you know.

**FRIESEN:** You know, I think with all your experience, you'll find a way to give them an answer to that.

**TERRY KEEBLER:** We probably will.

**FRIESEN:** Thank you.

**LINEHAN:** Thank you, Senator Friesen. Are there questions from the committee? OK, I just have one. Do cemeteries have to ask for this every year?

**TERRY KEEBLER:** No, they do not.

**LINEHAN:** OK.

**TERRY KEEBLER:** Once they're approved, they're-- unless they've changed something and this is every four years, they have to fill out the full exemption form. And then in-between, the other groups need to fill out just a reaffirmation that doesn't need to go to the Board of Equalization.

**LINEHAN:** OK. All right. Thank you very much. Other questions? Thank you for being here, sir. Other proponents. Any opponents? Anyone wanting to speak in the neutral position? Senator Lindstrom, would-- do we have letters, I'm sorry.

**LINDSTROM:** I'm just gonna waive. I'll waive.

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**LINEHAN:** He's waiving. So do we have letters? None and then we have this. I'm sorry. We have no-- no testimony was dropped off this morning and we have no letters. OK, now we'll open the hearing on LB79. Hello, Senator Briese.

**BRIESE:** Thank you, and good afternoon, Chairman Linehan, and members of the Revenue Committee. I'm Tom Briese, T-o-m B-r-i-e-s-e, and I'm here to introduce LB79. LB79 will grow the Property Tax Credit Fund to provide additional property tax relief to Nebraska taxpayers. Last year, last year's LB1107, which was passed by this body, created refundable income tax credit based on a percentage of local school district property taxes paid by taxpayers. There is a formula by which it grows, but the total amount dedicated to that fund is required to be 375 million by year 2024. Beginning in year 2025 under the terms of LB1107, this amount is to grow by what is termed the allowable growth percentage, which is defined as the increase in the taxable valuation of all real property in the state, but then capped at 5 percent annual growth. LB1107 also established a minimum amount in the Property Tax Credit Fund of 275 million. Any additional amounts directed to the fund by law are in addition to that 275. In particular, this would include gambling revenue. The gambling revenues is subject to estimates, but likely in the 40 to 60 million dollar a year range. The gambling revenue may or may not grow, but the 275 million is stagnant and that creates a problem. When it's stagnant, its impact is going to diminish over time as property tax askings grow. So, for example, the average-- the benefit to the average taxpayer from the Property Tax Credit Fund right now, I currently-- I believe, is about 6.9 percent of property taxes paid on average. If property taxes increase, property tax askings increase 4 percent a year going forward, that stagnant number of 275 as a percentage of relief would go from 6.9 to 6.6 to 6.35 to 6.1 and be under 6 percent at 5.86 percent in five years. And there-- there, I think creates the need for this bill. And so I submit it's appropriate to grow the Property Tax Credit Fund minimum by the same formula by which the refundable income tax credit grows. And again, that's what this bill does. It grows at 275 million minimum by the same rate of which the refundable income tax credit-- credit grows. And that's a formula based on the increase in valuations across the state. I've always maintained the Property Tax Credit Fund is a fair, simple, effective means of property tax relief. And, you know, some will quibble with that characterization, but it really is straight up property tax relief and anything we can do to avoid



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eroding its impact, we should do. And I'd ask for your support on  
this.

**LINDSTROM:** Thank you, Senator Briese. Are there any questions from  
the--? Senator Friend-- Senator Friend. [LAUGH] Senator Flood.

**FLOOD:** I'm only asking because I wasn't here last year on LB1107 and I  
see there's a discussion about the cash reserve. I could probably do  
this just sitting next to you, but just briefly, help me understand  
how the cash reserve enters into the LB1107 equation.

**BRIESE:** OK. LB1107 provided that the initial amount in the property  
tax, excuse me, under the refundable credit-- refundable income tax  
credit portion of it would start out at 125 million. But then that,  
according to the terms of LB1107 is to grow if our revenue exceeds--  
revenue growth exceeds 3.5 percent and the cash reserve is under 500  
million, one-half of that excess over 3.5 percent is-- is to be  
dedicated to the refundable income tax credit. If our rainy day fund  
is over 500 million, then the entire amount of that excess over three  
hundred-- over 3.5 percent growth goes into the-- into the refundable  
income tax credit. So, again, it hinges on the level in the-- in the  
rainy day fund. Below 500 million, half of that increase, over 3.5  
percent goes towards it. If it's over 500 million, the entire amount  
in excess of 3.5 percent goes into it.

**FLOOD:** Thank you.

**LINDSTROM:** Thank you, Senator Flood. That's much better than I was  
able to explain. Are there other questions from the committee? Have  
you-- and this isn't in your bill, but I'm going to bring it up so  
it's in the record and maybe nobody introduced a bill to do it so I  
can't do anything about it, but it would be part of the record. Have  
you looked at the disparity in the way people-- different counties  
report this property tax credit refund, like some put it, make it very  
clear that it's a refund from the state on the property and then some  
of kind of don't see it.

**BRIESE:** No, no, I haven't done that. And, you know, there was a lot of  
people who just aren't really that aware of it. I think people are  
more and more aware of it because of the headlines it's garnered here  
in this body, perhaps. But most people don't know a whole lot about  
it.

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**LINDSTROM:** Right. And some of the tax statements you get, it's not  
abundantly clear.

**BRIESE:** Yeah.

**LINDSTROM:** OK.

**BRIESE:** And I-- again, I still maintain it's straight up property tax  
relief. But then again, we can quibble about how it's allocated and  
how it works, and, but--

**LINDSTROM:** We have.

**BRIESE:** --it's still-- it's still in place. It's a good formula. I  
like it, but anyway.

**LINDSTROM:** We know. OK. Are there questions from the committee? Thank  
you very much.

**BRIESE:** Sure.

**\*BOB HALLSTROM:** Chairman Linehan, members of the Revenue Committee, my  
name is Robert J. Hallstrom and I submit this testimony as registered  
lobbyist for the National Federation of Independent Business (NFIB)  
and the Nebraska Bankers Association (NBA) in support of LB79. LB79  
would increase the Property Tax Credit Fund by the allowable growth  
rate of the income tax credit established under LB1107 during the 2020  
legislative session. NFIB and its small business owner members  
initially supported creation of the Property Tax Credit Fund and have  
supported increases in the amount of relief provided in subsequent  
years. Tying the level of the Property Tax Credit Fund to the  
allowable growth percentage provides a system for reasonable and  
prudent growth in the Property Tax Credit Fund in future years. The  
fiscal note issued in connection with LB79 reflects modest, yet  
continuing growth in the funds to be provided to taxpayers in the form  
of property tax relief.

**\*ASHLEY KOHLS:** Good afternoon Senator Linehan and members of the  
Revenue Committee: My name is Ashley Kohls, and I serve as the Vice  
President of Government Affairs for Nebraska Cattlemen. I am here  
today on behalf of the members of the Nebraska Cattlemen in support of  
LB79. We thank Senator Briese for introducing LB79 and for his  
continued leadership in addressing the property tax burdens faced by

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Nebraska's agricultural producers. Nebraska Cattlemen has been before the Revenue Committee many times in the past years with the same message - property taxes have a disproportionate impact on Nebraska's agricultural community. For many years, Nebraska's Property Tax Credit Act has provided important property tax relief for Nebraska's agricultural producers. LB79 provides a simple but important clarification to the Nebraska Property Tax Incentive Act, passed last year as LB1107. LB79 clarifies that the amount of relief granted under the Property Tax Credit Act will grow after 2024 at the same allowable growth percentage as the refundable income tax credit created under LB1107. We believe that this clarification is consistent with the intent of LB1107 and the compromise that was struck during its passage. Thank you for listening to my testimony. We ask that you advance this bill for further debate by the entire body.

**\*MICK MINES:** Good afternoon, Chairman Linehan and members of the Revenue Committee. My name is Mick Mines, spelled M-I-C-K M-I-N-E-S. I am the lobbyist for the Nebraska Corn Growers Association and am here today additionally on behalf of the Nebraska Cattlemen, Nebraska Farm Bureau, Nebraska Pork Producers Association, Nebraska Soybean Association, Nebraska State Dairy Association and the Nebraska Wheat Growers Association. Collectively we support LB79 and thank Senator Briese for introducing the bill. In the previous Legislative session, our associations supported LB1107 as a mechanism to provide some additional relief for the continually increasing burden of property taxes on our farmers and ranchers, along with commercial and residential owners. LB1107 accomplished this by creating the property tax credit fund and then providing an income tax credit on the K-12 educational portion of an individual's property tax bill. However, if the floor amount in the fund is not allowed to keep parity with growth, then the burden of property taxes increases and Nebraska continues to fall further behind. LB79 clarifies this ability for the fund to increase with the rise in real property value. This allowable growth rate is equal to percentage growth in the total assessed value of real property in the previous year. LB79 does cap the growth at 5 percent. We collectively urge the committee to support LB79 and forward to the full Legislature for passage.

**LINDSTROM:** Are there proponents? Are there any proponents? OK, are we-- any opponents? Go ahead.

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**RENEE FRY:** Thank you. Good afternoon, Chairman-- Chairwoman, excuse me, 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. So we appreciate that the bill attempts to reduce property taxes, but we are in opposition. Senator Briese actually-- the reason I came here in person was because I thought it was important for the new members of the committee to understand LB1107 and the obligations that we have there in addition to the property tax credit program. And since Senator Briese went through that and took a lot of my testimony, I'm just going to cut down and just kind of sum up. If you use-- so right now we have this \$375 million obligation by FY 25 in LB1107 and then we're going to have 275 million in the property tax credit program. As Senator Briese indicated, a floor is set for both of those credits. So that 375 is floor, we can't go below. Property tax credit program set at 275, we can't go below that either. So using a growth rate of 3.9 percent, which is the property valuation growth rate that we've averaged for the last 10 years, subject to that 5 percent cap, the property tax credit program and the LB1107 refundable income tax credit will combine to make up about-- between 12.5 and 13 percent of state spending by-- FY30. So we do have a lot of concern that there's so much uncertainty between now and FY 25 and what our revenues will look like and the affordability of the LB1107 credit that we would urge you to think about not advancing this bill, waiting until we get closer to that date to determine whether we have enough money and that-- that this sort of commitment would be sustainable in an ongoing way. Because, again, this increase to the property tax credit program would become the base, and so we are concerned about the ongoing sustainability. And with that, I'd be happy to answer any questions.

**LINDSTROM:** Thank you, Ms. Fry. Are there questions from the committee? You said it would be how-- what percentage in 2030?

**RENEE FRY:** It would be 12.5 to 13 percent.

**LINDSTROM:** How much did you grow the state revenues to get to the 12.5?

**RENEE FRY:** So grew it by the same amount that we're-- we're looking at now for-- the range is based on tax rate review or--

**LINDSTROM:** No, what's the percentage you used to increase revenues?

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**RENEE FRY:** So I don't know the numbers. Our fiscal analysts use the tax rate review committee percent growth. I don't remember what that was. And then the Governor's growth, which was one and a half percent.

**LINDSTROM:** OK. All right. Thank you. Other questions? Thank you very much for being here.

**RENEE FRY:** Thank you.

**LINDSTROM:** Other opponents? Anyone wanting to speak in the neutral position?

**JON CANNON:** Chairwoman Linehan, distinguished members of the Revenue Committee, my name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of the Nebraska Association of County Officials, also known as NACO, here to testify in a neutral position on LB79. And again, as I mentioned earlier this morning, I certainly appreciate Senator Briese's efforts when it comes to the property tax situation in our state. He's always has studious approach to it and I-- and NACO certainly appreciates it and we've-- we've always been willing to work with him and want to have those conversations with him. And really, our testimony is going to be more along the lines of neutral-plus, because when you look at the sorts of studies that we've had done in the past, the Syracuse study, the Tax Modernization Review Committee study, those sorts of things have talked about here are the things that the state needs to do. And one of them is to provide a certain amount of direct aid to county governments, to the taxpayers. However, you want to slice that. And so because it follows those recommendations, we certainly are in favor of that. We-- there are questions that we just don't know the answer to. I think Ms.Fry is right. I think the world of, kind of covered that in her testimony. And so because of the fact that there is those questions that are unanswered from a state perspective, we figured coming in neutral is probably the appropriate way, but I do want to express that it's-- it's really a very positive, neutral testimony. So we're happy to work on these issues with-- with anyone on the committee, certainly Senator Briese as well, and OpenSky or any other-- any other commerce. But with that, I'd be happy to take any questions you might have.

**LINDSTROM:** Are there questions from the committee? I am dumbfounded that you're not-- you're not a proponent.

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**JON CANNON:** So ma'am, the NACO Board takes positions on bills and when we had the discussion about this, because of the fact that there were some questions that-- that they had that I frankly, I and the two attorneys that we have over at NACO weren't able to answer, they-- they came in with the neutral position, but they said, well, we think it sounds good, but we're just not sure.

**LINDSTROM:** OK. All right. Any other questions? Thank you for being here.

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

**LINDSTROM:** Anyone else want to speak in the neutral position? Senator Briese, would you like to close?

**BRIESE:** I will waive unless there's questions.

**LINDSTROM:** Yeah, I'm going see if we have a question here. I have a question before you close, let me-- we have proponents written testimony turned in this morning, Ashley Kohls, the Nebraska Cattlemen, Mick Mines, Nebraska Corn Growers Association, Bob Hallstrom, the Nebraska Bankers and Federation of Independent Businesses, so we have all the ag and bankers on the same side.

**BRIESE:** I didn't really have anything. Just want to thank everybody for coming today.

**LINDSTROM:** If we kick this out of committee and it goes to the floor, there's no fiscal note on the floor, right?

**BRIESE:** Right.

**LINDSTROM:** I mean, it doesn't affect any fiscal picture until '24-25.

**BRIESE:** It won't be until 2025, I believe.

**LINDSTROM:** So we have to worry about who's got what money this biennium.

**BRIESE:** True.

**LINDSTROM:** OK. Are there other questions from the committee? Thank you very much.

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**BRIESE:** Thank you.

**LINDSTROM:** That will close the hearing on LB79.

**BRIESE:** Thank you.

**LINDSTROM:** And we'll go to LB165. Senator Erdman, well, there you are.

**ERDMAN:** Good afternoon. My name is Steve Erdman, S-t-e-v-e E-r-d-m-a-n. I represent District 47, which is 10 counties in the Panhandle. I bring you today LB167 [SIC LB165] basically as a cleanup bill for the destroyed property bill that we had in '19. Let me help review or refresh maybe Senator Pahls and Senator Flood, history on how this bill became law. I see Senator Flood had to step out, but in 2019, I introduced a bill to allow those who had property damage exceeding 20 percent of their value in a current tax year to be-- have their valuation adjusted to that amount. And unbeknownst to me, I had no idea that the flood was going to happen on March 19. After the flood happened, this bill became very popular. And I want to commend Chairperson Linehan. She allowed me to attach my destroyed property bill to the Revenue Committee bill to bring it to the floor and I appreciate that. The bill passed with 44-45 votes and went through some examination by one certain senator that asked the Attorney General for an opinion whether it was constitutional and the opinion was it was. So we adopted what we called then the destroyed property bill. And as I review what we did there, we probably were amiss in calling it destroyed property. Would have been better off to call it damaged property and so that's what we're trying to do today. So the bill amends the concept of being destroyed and changing the word to damaged. And as you look in the bill, it does a couple of things. One, it eliminates the need to have a calamity for them to be eligible for a reduction in valuation. It also changes where the documents are filed. The old version said it should be filed with the clerk and the assessor. When we do an evaluation change at the county level, it's always filed with the clerk. And so we've taken out, they have to file with the assessor, so it's just a clerk only. We have changed a few other things in the provisions in the bill to make sure that people who have flooded land and people who have buildings that burned down, if it's no cause of their own, are covered. I want to go over a little bit about why we need to make these changes. And it's peculiar to me, being an elected official county commissioner exactly, that the elected officials are not concerned about those who pay the taxes. And

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I wouldn't be here today talking about a change in this if those who are elected felt like I did, and that is that the taxpayer should be number one and we should take their plight into consideration. And so that-- about 17 years ago when I was a county commissioner, we had a lady's house burn down on January 2nd and she had to pay the property tax for the whole year because that property was there on January 1st. And I thought if I ever had a chance to fix that, I sure would. And so that's what the destroyed property two years ago was supposed to do. So fast forward, what has happened over time is, there are several counties, Lancaster County in particular, and Cherry County, are probably the most "greivous" ones that have decided to not honor the request of the taxpayer to adjust valuation because of things beyond their control that happened to their properties, flooding and a fire. And we have other counties like Knox County as well. A gentleman's house burned down and they did not consider that to be eligible for a reduction in valuation because it wasn't a calamity. And so we removed that-- that requirement that it has to be a calamity. It wasn't that way, but that's the way interpreted it. But there is no penalty for the county-- local county-elected people if they don't adhere to the statute. And so the only provision that you have is to vote them out of office. And so if you're hearing this today and listening to this testimony, you'll need to know that in Lancaster County, in Cherry County, you need to watch who's coming up for reelection because those people do not have your best interests at heart. And so when we look at the fact that we had a building burn down here in Lincoln because of the riots, the peaceful protesters, that out-- that building that burned was not eligible, according to the Lancaster County assessor and the officials there, because it was a-- it was not a calamity. It was started by peaceful protesters and so therefore it didn't qualify under the valuation change. In Cherry County, they had 82-- 82 residents, 82 landowners file in-- in '19 for damaged property because of flooding on their ranches-- 82. They disallowed all 82 of them, every one. They said the bill was unconstitutional because the land wasn't destroyed, it was still there, it just was covered in water. So we've changed that to make sure that these people are going to be eligible for valuation change when their land is flooded. So in Cherry County, what they will tell you is, those county commissioners will say, we took care of all those people in 2020 because we reduced the valuation by \$15 million. That is not a true statement. What they did, they failed to implement the change that we put in on the way they value ag land in '19-- in '19, and it caused their valuation on ag



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land to go up \$15 million. When was brought to the attention of the county commissioners that they raised their value 15 million inappropriately, they did an over undervaluation, they changed it back 15 million and they tried to claim that they took care of all those people, those 82 landowners who filed a property-- a destroyed property claim the year before that we took care of those. They took care of none of them, because the next year when they went in to file for a damaged property, only two of the 82 tried to refile, and the county assessor said, we are not accepting that application. So none of those people that had damaged property in '19, seen any relief at all. Had it not been for those two counties who may not be here today. So what this bill does is bring it to the attention of this committee that we want to make adjustments so that this doesn't happen to those people again. So it changes the name from destroyed to damaged. And it also strikes where the-- where the claim has to be filed. And it also changes the wording from destroyed to damaged so that when the land is flooded, they're actually eligible for compensation. And so you will hear today from county officials who will talk about this is going to be a problem for us. And it always is a problem for those who collect and spend the taxes. But you don't see a lot of people filling the room who have to pay the taxes and so I'm here representing those people. And it's time that we make a decision what's best for the taxpayer and not what's for the tax spender. Now, they will tell you today that the valuation of their-- of the county is set, you know, because it's after the 1st of January, but what they won't tell you is that taxes are paid in arrears. And so if you have a destroyed property or damaged property in 2021, that valuation is not set until September. And that will give the county time, the next budget cycle in September to adjust for the valuation they lost from whatever fire or damage there was. And so we're going to hear from county officials that are going to tell you this is regressive, this is hard on the county, and it's time for the county to live under the same obligations as school live under the same obligations that you and I live under when we have less money, we spend less money. This is not a burden for them. We pay it year-- taxes a year in arrears and so it'll be an opportunity for them to adjust their value and they'll know what the budget is. So it's not adjusting their budget from last year, it's going to be the next one coming up. And so it's a very straightforward bill. I would believe that this bill is a candidate for the consent calendar, as simple and straightforward as it is. So I'll-- I'll stop with that and if you have any questions, I'll try to answer them.

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**LINDSTROM:** Thank you, Senator Erdman. Are there questions from the  
committee? Seeing none, thank you very much.

**ERDMAN:** Thank you so much.

**LINDSTROM:** Are there proponents? Good afternoon.

**SHANNON DOERING:** Good afternoon, Chairwoman Linehan, members of the  
committee. My name is Shannon Doering, S-h-a-n-n-o-n D-o-e-r-i-n-g,  
and I'm vice president and general counsel for Universal Surety  
Company. To follow up Senator Erdman's comments, as I read LB165, it's  
really a clean up bill. And the cleanup is really in language that is  
being contorted by county officials. First of all, in regard to where  
the document is filed, I can personally tell you under the old  
language, it said it should be filed with the assessor or the clerk. I  
hand delivered the document down to the Lancaster County clerk  
because, as Senator Erdman said, that's where the documents for  
valuation changes are usually filed. And Lancaster County, our clerk  
had no clue what I was even asking for, never seen the form before,  
sent me to the assessor. When I went to the assessor's office, the  
assessor knew what I was doing, but told me I needed to file in the  
clerk's office. I told both of them that the statute, which I had in  
hand, said I could file it in either place and to be safe. I filed it  
in both, then asked for a file-stamped copy that neither would give to  
me so I had to write down the name of the individual that I had filed  
the document with in case there was a jurisdictional challenge to this  
later. Hoping there wouldn't be given the circumstances of of our  
clients, of us, our situation, protest got filed, went before the  
county board, read through the statute, again, the definition of  
calamity, which at the time said a fire, which was the one we were  
obviously there under, or calamity was a disastrous event, including  
but not limited to a fire, an earthquake, a flood, a tornado or other  
natural event which significantly affect the assessed value of the  
property. So I was there, what I thought would be a relatively  
straightforward discussion. And there was a carve out, as you know, in  
the bill, that this bill-- statute does not apply to damage to  
property that was caused by the owner. So as I read the statute as a  
whole, property that is damaged, unless it's intentional damage done  
on our behalf of the owner is covered under the the bill. The relief  
was then mandatory. The structure of the bill said the assessor shall  
take the report, file the report with the county board, the board  
shall adjust the assessment and it shifted the burden that is usual in

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tax protesters on the taxpayer to the county, that if the county felt that the taxpayer had misrepresented the facts, had misrepresented something in the application, the county then could pro-- or excuse me, appeal from the Board of Education-- or Board of Education -- Board of Equalization, excuse me, adjustment of the the assessed value, take it to TERC, and all of the standard burdens and procedures were applied. Got to the Lancaster Board of Equalization. The county attorney took the position that the word natural, although the Legislature had put it in the catchall provision that again was at the end of the including but not limited to language, should go all the way back in front of calamity or disastrous event. And it has been construed to be any natural, disastrous event and convinced the Lancaster County Board of Equalization, who then ruled 5-0 that the protest wasn't about-- wasn't a situation where the adjustment should result in the evaluation being reduced. We then, of course, appealed to the full county board, explaining to them, look, the way the statute is worded, it says you shall adjust the valuation unless you think what we're saying in the application isn't true. In which case, of course, in Lancaster County, that could turn around in their chairs and see that it was and they voted 5-0 again to not adjust the valuation. So I tell you that as a matter of context, only to say that in the several years of practicing law, frankly, I went in there thinking the statute was pretty straightforward, thinking there really was no dispute that could come from this after I heard it the first time. Still tried to understand how the Board of Equalization could contort the statute like it did. As I sit here today, I still don't understand and would tell you, having experienced this process firsthand, that the changes that are necessary, that Senator Erdman said to tell the county officials this isn't a situation where you have discretion, we're saying the process is different and we're asking that you follow it. And I think the language that's being proposed in LB165 does exactly that.

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

**SHANNON DOERING:** Thank you.

**\*KORBY GILBERTSON:** Chairwoman Linehan and members of the Revenue Committee, my name is Korby Gilbertson and I am testifying today on behalf of the Nebraska Realtors Association in support of LB165. Since 1917, the Nebraska Realtors Association has prided itself as being the

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voice of Real Estate in Nebraska. The Nebraska Realtors Association has nearly 5000 members that take pride in the communities in which they live, work, and serve. Among their primary goals is to protect property rights and to support legislation that facilitates home ownership. LB165 provides real property owners with logical relief after that property suffers significant damage. Under current law, only destroyed property may be reassessed. By allowing property owners to ask for reassessment after their property has been significantly damaged, you will provide property owners, many who have survived substantial natural disasters, with meaningful relief. A reassessment for significantly damaged property is a commonsense tool that should be adopted. We hope that the Committee will support this legislation and see fit to move it to the full Legislature for further debate.

**LINDSTROM:** Are there other proponents? Are there opponents? Go ahead.

**JON CANNON:** Good afternoon, Chairwoman Linehan, members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of Nebraska Association of County Officials here to testify today in opposition to LB165. I appreciate the fact that Senator Erdman and I can have very full and frank conversations about these sorts of issues. And I know that his commitment to the taxpayer is-- is-- I'm not going to question it ever. You'll never hear me question that. And I will note that when the floods happened two years ago, unfortunately, that on LB512, which I think was your shell bill, Senator Linehan, if I recall correctly-- no, probably not, OK. But when LB512 was-- was used as the shell bill to move Senator Erdman's bill out onto the floor, we worked with Senator Erdman to make sure that language was as tight as it needed to be in order to address these sorts of situations. And again, we can parse the statute all day. It does say fire, flood, earthquake and other natural disaster. Typically, you would read those-- those terms together, in my opinion, but that'll-- that'll be enough of me lawyering for today. The problem that we had originally, when we originally opposed this bill two years ago is that we have a uniform assessment date for all property in the state. And so I know that my property is going to be assessed, its market value as of January 1, and that's how it is. And so if I have it-- if I incurred damage on January 2nd, the folks in Hallam several years ago, they did that. And the answer was, we're not going to do anything for them because it's going to be made up by January 1st of the next year if they haven't rebuilt. Oh, by the way, I have an asset that it's worth something to me and so the market value of my property

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may be a \$100,000, maybe diminished by \$75,000 but I've got \$75,000 note coming to me because I'm going to be made whole. Now in those situations where someone is not going to be whole, I'm not quite sure how you handle that. But the other thing I want to address, however, is we've been told that the focus is in the wrong place. It's not on the taxpayer. And what I want to tell the committee is, NACO was that taxpayer. All right. We've referred to the riots from last year. So on that sad day at 2:45 in the morning on May 31st, I got a call in the middle of the night, I-- you know, I looked at it, it said WH Response Center and I said, the only WH I know is the White House. And so I figured it was some sort of scam or something like that. And so I turned off my phone and went back to sleep. My wife said, are you sure? There are a lot of protests downtown. I woke up, bolted out of bed and looked at my voicemail and said, what do you know? Someone's broken into our building. Came down-- you know, apparently what had happened was somebody pulled the fire alarm, so I got the call. Came downtown. I got another call as I was pulling into the NACO parking lot saying, you know, the police would really rather you not be there. I said, well, I'm here already. So I went in the back-- back building and what I found there was heartbreaking. It's absolutely devastating. And so I left the building-- I heard the door. Someone was rattling the door and I said, well, you know, gosh, if that's the police, I probably shouldn't be here. And if it's not the police, I definitely shouldn't be here. So I got the heck out of Dodge and I went home, came back the next day and NACO had to rebuild. Now, what I will tell you is that in all of that, the fire department contacted-- the fire alarm was pulled, fire department was contacted, we were contacted. The police were on the scene to prevent anything from really escalating out of hand. And those are people that are paid for through property tax dollars. Now, I didn't-- I didn't make the connection. I didn't say, oh, gosh, we're-- we're not going to protest our value because we want those property tax dollars going toward-- toward those services. But that is the practical effect of what happened. We went through it. We didn't once think, oh, we should have a reduction in our property value because we said, look, we're going to be made whole. We're going to, you know, we're going to work to get the NACO building back to where it's supposed to be, and we did. And-- and, oh, by the way, I can tell you that we were out \$339, you know, out of pocket costs for us to rebuild our building. So we were made whole throughout all of it. We did not once think that we needed to reduce our property tax obligation. And so, you know, we prefer that the

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structures that we have in here, we require that the Governor has to declare an emergency and we think that's-- that's probably appropriate, or a public health inspector has to say that the property is uninhabitable or unlivable. Those are the appropriate triggers that we should have in place. And these should be for natural disasters. The flood was a natural disaster. Tornadoes. You know, the natural-- fires that occur naturally from a lightning strike or something. Those are the things that we contemplated two years ago when we passed that bill. I think that was appropriate then. I-- I'm still not a huge fan of a non-uniform way of having our assessment date. What I can tell you is that given the law that we have, I think it was interpreted correctly by the Lancaster County Board. I would urge you to-- to not advance this bill, and I'd be happy to take any questions you might have.

**LINDSTROM:** OK, thank you. Yes, I figured. Senator Briese and then Senator Albrecht.

**BRIESE:** Thank you, Senator Linehan. Thanks for being here. Senator Erdman spoke about or referenced 72 landowners in Cherry County that couldn't collect or couldn't get any relief under the old language. What happened there?

**JON CANNON:** Sir, I'm not sure about that. I first heard about it this morning actually when Senator Erdman I were visiting about that.

**BRIESE:** OK. Thought you might know. Thank you.

**JON CANNON:** Yes, sir.

**LINDSTROM:** Thank you, Senator Briese. Senator Albrecht.

**ALBRECHT:** Thank you, Chairman Linehan, and while I understand what happened at your building that night, but if the previous testifier was talking about the insurance company that-- was there a damage like 10 million?

**JON CANNON:** I don't know the damage that they suffered.

**ALBRECHT:** You don't really know.

**JON CANNON:** Ours was a quarter million dollars of damage, roughly.

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**ALBRECHT:** Ten million, sort of-- if you took care of yours, it would be a little bit more difficult if he was at 10 million. I don't know if that's true or not, but I thought that that was what I had read about. That would probably keep that building from being inhabited with employees, right?

**JON CANNON:** I'm certain it would.

**ALBRECHT:** So with them going to ask the county, based on the amount of damage that was done and how long it would take to get them back up and going, you don't think that they would have been part of what was asked in Senator Erdman's bill?

**JON CANNON:** Well, and again, I go back to when we passed this-- when we-- we-- like I'm part of the we. I apologize.

**LINDSTROM:** You aren't.

**JON CANNON:** When the Legislature passed the bill a couple of years ago, we were focused almost exclusively on natural disasters. I mean, I-- I don't believe that anyone in any of the testimony that we heard said anything about-- anything that was not a natural disaster. We were talking about tornadoes and floods and fires and naturally occurring fires. You know, lightning strike hits your house or something like that. I don't believe that we were-- we ever talked about the sort of thing like a riot happening in downtown Lincoln. The one thing I can say by the way, I mentioned earlier that we were out of pocket \$339. Oh, by the way, the-- the judicial process, you know, another thing that we pay for through our property taxes, we were able-- they were able to find eight of the 40 or so people that were-- that came into our building that night. And of those eight, they made-- some of them have made restitution to us. And so as far as our out of pocket expenses, there is a process that was in place to help make us whole throughout all of that.

**ALBRECHT:** But I would have to question if there's something at \$10 million mark and if somebody has lost their home in a fire and couldn't live in it and it was going to take over a year to get it built, that's what this bill, in my eyes, was supposed to do. And I did get some phone calls from the Cherry County area, you know, I mean, that was in the flooding and things like that. So, you know, every bill that we write doesn't mean that it's all ironed out, but in

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good conscience, they have to be looking at how can they help that taxpayer that isn't able to inhabit a particular house or business when it's destroyed.

**JON CANNON:** Yeah, and-- and so when I got to the NACO building, I didn't know that we were going to be back, I mean, by this year. I wasn't sure. I knew the damage was-- it was-- it was superficially that extensive. And, you know, and so my-- my concern wasn't necessarily, well, we're not going to be able to use the building. I mean, we-- we took the steps that we need to take in order to be able to have our staff productive and up and running and serving the counties and the things that were supposed to be doing. But, you know, we weren't-- we weren't concerned so much about the property tax aspect of it because we were concerned about getting our business back in shape. And-- and so for-- we were in the exact same situation as a person that does not have their house. But what I was referring to earlier, ma'am, is we had an asset. And so on June 1st, the day that I-- I'm sorry, May 31st, the day that I rolled in and that we were trying to start cleaning up the damage from the riots, we had a building that had been damaged. And so, you know, whatever the value of that building is, less whatever that damage was. However, we also had an obligation from our insurer to make us whole. And so if I were to sell that asset on that day, I would be getting the market value for that assuming that that note-- you know, that that obligation to have the building restored to where it was-- was-- was in place. So we were out nothing. We had-- we had damage, to be sure, and it affected our productivity and that's something that-- that we dealt with. But our asset was whole in one way or the other, whether it was the asset itself or combination of the asset and the obligation to make it whole.

**ALBRECHT:** Thank you.

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

**LINDSTROM:** Thank you, Senator Albrecht. Are there other questions? OK, I'm just-- to say that we didn't talk about a house burning, that's-- that was the whole introduction when Senator Erdman brought this to us, was what he did today. He's county commissioner, one of his constituent's house burnt down and they couldn't do anything about it. So to say that we didn't talk about that when this bill was-- not



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supported by you, but passed by this committee on to the floor, it  
flies in the face of the record.

**JON CANNON:** Well, that's my mistake, ma'am. I apologize.

**LINDSTROM:** He talked about on-- in the committee and on the floor.  
Somehow I think it's a little troubling that you're comparing your  
situation, which is an association, right?

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

**LINDSTROM:** And I assume all the counties pay dues to belong to your  
association.

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

**LINDSTROM:** And those county-- those dues come from taxpayer dollars.

**JON CANNON:** Yes, they do.

**LINDSTROM:** So your situation where the taxpayer can always pick up the  
tab?

**JON CANNON:** Oh, I don't-- I don't think that's the case, ma'am.

**LINDSTROM:** Well, who else picks up your tab?

**JON CANNON:** Well, there-- we have different revenue streams besides  
just our our membership dues.

**LINDSTROM:** OK, well, that would be interesting to know about. OK. I  
don't have anything else. Anybody else? Thank you.

**JON CANNON:** Thank you, ma'am.

**\*RICK VEST:** Good afternoon, Senator Linehan and members of the Revenue  
Committee. My name is Rick Vest, Chair of the Lancaster County Board  
of County Commissioners, and I am appearing on behalf of the Lancaster  
County Board of County Commissioners in opposition to LB165. Please  
accept this written testimony and make it part of the record on the  
aforementioned bill. The provisions of Section 77-1309 et seq. were  
adopted in 2019 as part of LB512 in response to historic flooding  
throughout the State of Nebraska. This background is reflected in  
LB512' s Statement of Intent: "Provides relief to property taxpayers

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for damage or destruction due to a natural disaster..." Although adopted in response to flooding, Lancaster County suffered a tornadic event that year, and the Lancaster County Board of Equalization was able to provide relief to an affected taxpayer. LB165 represents a dramatic expansion of and departure from the provisions enacted by LB512. Instead of providing relief to taxpayers whose property was destroyed by due to a natural disaster, LB165 would reduce property values due to damage to property arising from any cause. Departing from the intent of providing relief in cases of natural disaster and expanding that relief to any cause threatens to undermine the principals of equalization and fairness that are required for a functioning property tax system. LB165 is antithetical to equalization. The basic tenet of property tax administration is equalization. Equalization requires that property be valued uniformly and proportionately, and this is the duty of the Lancaster County Board of Equalization. See Neb. Rev. Stat. § 77-1501. Uniform and proportionate equalization requires that valuation occurs at the same time, and therefore be statute "All real property in this state subject to taxation shall be assessed as of January 1 at 12:01 a.m., and such assessment shall be used as a basis of taxation until the next assessment." Neb. Rev. Stat. § 77-1301(1). LB512 introduced an exception to the time element by providing for revaluation of destroyed property. See Id. LB165 further undermines the concept of equalization by expanding the exception to include damage arising from any cause. This expanded exception compromises the ability of the Lancaster County Board of Equalization to equalize all value in Lancaster County uniformly and proportionately as of January 1 at 12:01 a.m. LB165 also is fundamentally unfair. A simple example will make this clear. Imagine that Lancaster County suffers a catastrophic event. A huge amount of properties are damaged. Many of those properties suffer damage that exceeds twenty percent of their assessed valuation. Many other properties are damaged, but their damage is less than twenty percent of their assessed valuation. The plain effect of the provisions of LB165 is to shift the overall tax burden to property tax owners whose properties are damaged in a way that does not qualify for relief. It also should be apparent that the unfairness arises out of the loss of equalization described above, and therefore merely lowering or increasing the percentage thresholds within LB165 will not remedy the fairness issue. Finally, LB165 has the potential to place the Lancaster County Assessor in an impossible logistical situation. LB165 creates a new requirement that the Lancaster County Assessor

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inspect and review all "damaged" property filings and submit a comprehensive report to the Lancaster County Board of Equalization by July 20. With a July 15 deadline for filing requests for valuation adjustments, this could leave as few as five days to compile the comprehensive report. Moreover, going back to our example above, if a significant damage-causing incident should impact a large number of properties late in the first half of the year, it would be difficult, if not impossible, to adequately complete the required inspections and reports by July 20. At a minimum, taxpayers would be better served by a requirement that inspections and reports be completed within a maximum number of days after a request for relief is received. Thank you for the opportunity to provide this written testimony. We would be happy to answer any questions that you may wish to direct to us.

**LINDSTROM:** Other opponents? Anyone wanting to speak in the neutral position? OK, letters for the record. Senator Erdman, you want to close? Written testimony that was dropped off this morning. Proponents, Korby Gilbertson, Nebraska Realtors Association. Opponents, Rick Vest, Lancaster County Board of Commissioners. Letters for the record, we had one proponent, no opponent, and no neutral. Thank you.

**ERDMAN:** Thank you. I appreciate your attendance, your attention to this. Mr. Cannon is a reasonable guy. I've known Mr. Cannon a long time. He and I have frank discussions about things. He couldn't be more wrong in his life than he was today. So let me share this story with you. When I live 400 miles from here and I have a blizzard, I assume everybody in the state has a blizzard. It's not true. So, Mr. Cannon says we have insurance to cover the damages, so it's not a big deal. So what you didn't ask the gentleman who testified for the bill is, can they use their building today? Ask Mr. Uhlir, his house burned down May 31st, is he living in his house today? No, he's not. So did they have an opportunity to enjoy his house because he's living there? No, he doesn't. Those people in Cherry County that had their land flooded, did they have insurance? No. Did they get any help? No, they didn't. And Senator Linehan, you're on the right track. NACO is funded by taxes. All right. And they have other revenue streams and those are funded by taxes. So for them to come and say that we need to not pass this bill or adjust this bill because it's going to have an adverse effect, because those people affected have-- have insurance, right? Their focus is wrong. Their focus has always been wrong. That's why your taxes are so high. We need to focus on those people who suffer

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the calamity that happens to them. Their house burns down, they have a flood, they have a tornado, and we heard that the sky was going to fall in '19 when the flood came because they were going to have all these catastrophic reductions in value and these counties were all going to go broke because we had a-- you know, a catastrophe. Didn't happen. Didn't happen. That's what I'm here to say today, is that we need to stick up and stand up and protect the taxpayer. And this is a small way we can help those people that are in a difficult position get through what they're suffering through. And so I appreciate the opportunity to be here. I am so glad we're done early, and I look forward to seeing you again tomorrow. I'll answer any questions you may have

**LINDSTROM:** Thank you, Senator Erdman. Are there questions? Senator Friesen.

**FRIESEN:** Thank you, Chairman Linehan. I mean, I understand everything else you said except when I get to the flooded property, because there's a lot of times properties flood in the spring. And those types of properties, though, are usually valued less because they flood every year. Are we covering some of those where somebody is going to go in and protest that value just because it flooded in the spring?

**ERDMAN:** I haven't-- I haven't seen those. Senator, the deal in Cherry County was year after year. It was several years continuous. The water was just coming up out of the ground. When I was county commissioner, if we had a situation like that and we had several lakes that were growing in size because of the groundwater, we made an adjustment and adjusted those back to wasteland. But you need to understand, when I was a county commissioner, we did things a bit different than most counties. We were interested in protecting the taxpayer. And so we instructed our assessor to do those things that made sense. And that's not always the case. Consequently, you see what happened in Cherry County.

**FRIESEN:** Well, that's why I was concerned a little bit. If you get into some other areas, though, where you have continual flooding or regular flooding, if somebody already-- their lowered value, protested again yet. That's the only part I have a question about, because otherwise I-- I did feel very strongly that a single house burns, we're talking about giving them relief, but. OK, thank you.

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**ERDMAN:** Thank you.

**LINDSTROM:** Thank you, Senator Friesen. Other questions from the  
committee? Seeing none.

**ERDMAN:** Thank you for your time.

**LINDSTROM:** Thank you very much.

**ERDMAN:** Appreciate it.

**ERDMAN:** Makes up for this morning.