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**FRIESEN:** OK, everyone, welcome to the Revenue Committee public hearing. My name is Curt Friesen, C-u-r-t F-r-i-e-s-e-n. I'll spell it. I'm used to that. I'm from-- from Henderson representing District 34. And I'll just-- I'm going to be the acting Chair because we have some people in different committees introducing bills, so that's the reason I'm doing this. For the safety of our committee members, staff, pages and the 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 and we ask that you only enter the hearing room when it is necessary for you to attend the bill hearing in progress. The bills will be taken up in the order posted outside the hearing room. The list will be updated after each hearing to identify which bill is currently being heard. The committee will pause between each bill to allow time for the public to move in and out of the hearing room. We request that you-- everyone utilize the identified entrance and exit doors to the hearing room. We request that you wear a face covering while in the hearing room. Testifiers may remove their face covering during testimony to assist committee members and transcribing-- transcribers in clearly hearing and understanding the testimony. Pages will sanitize the front table and chair between testifiers. Public hearings for which attendance reach the seating capacity at or near capacity, the entrance door 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 large attendance, we request only testifiers enter the hearing room. We ask that you please limit or eliminate handouts. The committee will take up the bills in the order posted. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on proposed legislation before us today. To better facilitate today's proceedings, I ask you to abide by the following procedures. Please turn off cell phones. The order of testimony, introducers, proponents, opponents, neutral and closing remarks. If you will be testifying, please complete the green form and hand to the page when you come up to testify. If you have written materials that you would like distributed to the committee, please hand them to the page to

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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 your name for the record. Please be concise. It's my request that you limit your testimony to five minutes. So we'll be using the light system. Green is-- you'll start with five minutes. You'll get four minutes of green, one minute of yellow and when it turns red, I'd ask you please wrap up your testimony. If there are a lot of people wishing to testify, we would switch to the three minute, but I think we're doing-- we'll see how it goes. If your remarks were reflected in previous testimony, if you'd like position to know-- 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 included in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. Introduce the staff and to my immediate left is Mary Jane Egr Edson, and to my furthest left over there is Kay Bergquist, research analyst, and clear on the end is Grant Latimer, the committee clerk. And with that, the committee members can introduce yourselves starting on my right.

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

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

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

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

**FRIESEN:** Our pages are Thomas and Turner, both attend UNL and studied political science. Please remember that senators may come and go during the hearings, have bills to introduce, refrain from applause or other indications of support or opposition. I would also like to remind our committee members to speak directly into the microphone for our audience. The microphones in the room are not for amplification, but for recording purposes only. And we are an electronics equipped committee so as you see people on their computers, they are probably reading a bill or looking at testimony, so. With that, I will turn it over to Senator Briese for the remainder of the--

**BRIESE:** We will open the hearing on LB454, Senator Friesen. Good morning, and welcome.

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**FRIESEN:** Morning, everyone, members of the Revenue Committee, I'm Curt Friesen, C-u-r-t F-r-i-e-s-e-n. I represent District 34. I'm here today to present LB454. For as long as I've been on this committee, I think I've introduced at least one property tax bill so in order to keep that record going, I need to-- really had to step up and do this because we just had to add to the cause. So LB454 creates the School Property Tax Stabilization Act, which is designed to bring aid to unequalized school districts. Under this proposal, a formula is created that would distribute aid to school districts based on the amount of property taxes the school district relies on to fund their school. After state aid is certified to school districts through the TEEOSA formula, the Department of Education using the same data for calculating TEEOSA aid would calculate property taxes required for a school district to fully fund its formula needs after accounting for TEEOSA aid and other receipts. So basically, this formula would be a formula needs minus TEEOSA certified aid minus other actual receipts equals property taxes required. The school districts whose property taxes need to be fully-- need to fully fund the formula, if they exceed 70 percent of the formula needs would be eligible for stabilization aid through the act. For eligible schools the department will calculate the difference between property tax required and 70 percent of formula needs. Stabilization payments would equal 50 percent of the difference calculated. The stabilization aid payments shall be certified by the department and distributed to schools similar to TEEOSA aid. It is the intent of the act would become effective for aid distributed for school years '20, '21, '22. LB454 also reduces the value of agricultural land over a two-year period for school tax purposes from 75 percent of actual value to 55 percent. The assessed value of ag land will be set at 65 percent the first year and 55 percent the second year, again for school taxation purposes only. These adjustments would not be reflected in TEEOSA aid until school years '22-23 and '23-24. The increased aid from lowering of ag land values would flow mostly to schools already equalized, although a few districts would begin to receive equalization aid because of this change. Since the introduction of LB454, I've had conversations with different organizations about some technical issues and unforeseen consequences with this legislation, and I'll be working with these groups to find a solution, after which time I will most likely present an amendment to the committee. I thank you for your consideration and I will go over a few of the handouts that are-- that I put out there today. So if you look at-- there's a-- one with kind of a chart graph

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on it. This one here. You can see when you look at the ag land value and the ag land taxes paid, those are the top two. You didn't get that one? Oh, here it is, another one. But when you get that, I mean the top two-- two lines are the valuations which saw a huge increase over the last 10, 12 years. And so the next green line underneath that is actually the taxes paid. And then you can look down further and see once what residential properties have done and the tax levels that have happened to them over those same 10-year period. And you'll notice there that the nonag land taxes down at the bottom and total taxes levied are all fairly low as compared to what happened to ag land in those periods of time. And so it-- it just shows kind of what happened when we had that huge run up in ag prices when we had back in the day of \$8 corn and the longest run up in ag prices that I've seen in my lifetime of farming. I'll probably never see another time where that can happen, but that's-- that's the spike that we saw in ag land. Now, this same spike is probably what's starting to occur now in residential housing. And when you see that, housing market's getting hot, it's starting to spike also now. And so ag land, I think for now has stabilized and might start going up a little bit again, but I think it's done going down from what I've seen. And so, I think we're going to stabilize that but now we'll see some rise in other property values. The other one I really want you to look at is the effective tax rates that agriculture has to pay based on the taxes that-- compared to other states around us. And that's a study that was-- it was done or a couple of different groups did it, I know Ohio State University did a study. It showed these same results here that-- and I think maybe that's where Jay Rempe got this from, but we have documented the fact that Nebraska has basically the highest among all its neighbors in taxes. So it's a-- there's a couple other things that you can read through that talk about Dave Aiken. He had a report again on school funding and how ag pays a disproportionate share of taxes to fund our school. So, you know, right now we have roughly 160 school districts that really do not receive any equalization aid or very much state aid. Now, they do receive a little bit. All schools receive some. And if you'll look at-- I guess, the TEEOSA formula currently. Now, there's-- there's schools that there's 62 schools that receive less than 1 percent of their formula needs in TEEOSA aid. And then there's another 86 schools will receive between 1 and 10 percent of their formula needs in the TEEOSA aid. In other words, 61 percent of state schools are receiving 10 percent or less of their formula needs in state aid. And we have others, it gets up into that 70 and 80

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percent of their needs are funded through state with-- through TEEOSA. So we're just-- we look at this and if I-- if I look at the state's obligation and we say that the state is-- the Constitution says the state is responsible with free instruction of our children. And in some school districts, it's doing a pretty good job of doing that, but in about 160, 170 schools it is not. And that's my goal, is to somehow start the process to where we can build into the TEEOSA formula that all schools get some state aid. All kids are important in the state, not just the ones in the urban areas that get state aid. And so these numbers, if you use the 70, 50 combination like I have here, if you take and change the first number, the 70 percent, if you would jump that up to 80 percent, you'll just include less schools. And so if you move that number down, it includes more schools. So it's very scalable with the dollars you may have. So you can move that number up and down. It either adds or subtracts schools that would be-- would be affected by this. And the second number you could take and you can either raise or lower that. And what you'll hear later in testimony is that there are some schools who, because we're lowering the value of ag land, actually have to raise their levy to make up that difference. And there are some schools out there and I've got some-- I'll have some more data and it'll probably get handed out here too. But in the end, if you-- if you would change that last number, the 50 and maybe bump it up to 75, it'll change things in the-- in the formula to maybe some of that will be taken away. I don't know. We haven't run those numbers yet, but there is a possibility that that could change that outcome. And so it's a very scalable-- the fiscal note on it was around \$60 million, I believe. And so it is something that is very scalable, we can work with. I think it does start that process of changing kind of how we fund K-12 and saying that all schools will get some aid. So with that, I'd be more than happy to answer questions.

**BRIESE:** Thank you, Senator Friesen. Any questions for the Senator? I did have one. So we're clear here, according to your data, during that 10-year period on the graph, ag land taxes went up over 125 percent, nonag taxes went up maybe 35 percent, something like that.

**FRIESEN:** Yes, I can-- I can give you examples where taxes on ag land went up 180 percent.

**BRIESE:** Sure.

**FRIESEN:** Sometimes they tripled.

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**BRIESE:** You bet. OK, very good. Thank you. Senator Pahls.

**PAHLS:** Thank you. Well then, a question I have if the taxes have gone up, I'm not saying they haven't by any means, where does that excess money go for-- from like you say, in your neck of the woods? Where does that-- those extra dollars, where are they going?

**FRIESEN:** Well, it-- what we were doing back in those past 10 years is all the increase in school funded-- spending was put on the backs of agriculture. Residential housing, if you look at that, was relatively flat, and in some of those small towns, it was actually going down in value. Well, school spending, I mean, constantly goes up. You know, you can say two, two and a half percent. And so that continuous increase all got put on the backs of agriculture. And so if the school was equalized at one point in time, that also went away because the value of ag land shot up so much. And so any school that was being equalized back then lost all their equalization aid. And so all that money needed to come from agriculture, too, because that's where the values were shooting up.

**PAHLS:** Yeah, I understand, and, your point of losing equalization. But the part that I have not yet grasped is if the taxes have gone up so much, are the schools spending accordingly?

**FRIESEN:** No, this was just the-- the schools I don't think have increased their spending any more than any other schools. But you had to make up for your loss in TEEOSA and you had-- you were making up all the increased cost you balanced on agriculture instead of residential. They are actually residential values over that 10-year period in some towns actually went down. So the tax levies also dropped, but the amount collected from ag kept going up. And I always-- I don't-- I don't look at levies. I look at the check I have to write. I mean, that's what I base it on. It's not the levy or the value of the ground that-- I think our ground is valued fairly. I'm not arguing about the valuation. I'm just-- I just saying that, you know, you shouldn't-- no business should have to pay 30 to 50 percent of their basic, you know, profits in taxes. The effective tax rate is 30 to 50 percent some years when-- when we're not making any money. And so that's the unfairness of it. And you need stable funding for school. It can't yo-yo up and down. We need stability and property taxes have always provided that, but it's provided on the backs of agriculture.

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**PAHLS:** And the part that I need to do is to make sure I'm better educated on that factor, because for some reason I just see that taxes are going up and you're being held more responsible as-- as I landowner. I just-- I cannot right now grasp if the schools are not spending significantly, even though they're losing some of the aid, that's-- those are the figures I need to take a look at.

**FRIESEN:** I can-- I can show you a lot of those different schools in my area that you can see their spending levels. And again, spending levels in those small schools sometimes changes dramatically because you might bring in a special needs kid and one kid in one of those schools could jump your budget \$100,000 easily. And so that's why sometimes you'll see big spikes in spending from the school, but you always need to ask why.

**PAHLS:** And I appreciate that. That's a good-- the why. Thank you.

**BRIESE:** Thank you, Senator Pahls. Any other questions? Seeing none, thank you, Senator Friesen. First proponent testifier. Good morning and welcome.

**MERLYN NIELSEN:** Thank you, Chairman. For the record, my name is Merlyn, M-e-r-l-y-n, Nielsen, N-i-e-l-s-e-n. I'm from Seward, Nebraska. Thank you, Senator Friesen, for bringing LB454 to the Legislature this year. I'd like to start by giving a further answer on top of what Senator Friesen did to Senator Pahls about where-- when taxes go up on one group, what happens. Three years ago, I think I've got the dates correct in my mind, my ag land valuation in Seward County where I live, went up 47 percent. I couldn't believe my taxes would go up 47 percent. So I sat down and did some calculations and looked at the relative proportions of my ag land to residential and commercial within that-- my county, my school district. I estimated that my taxes would go up 30 percent on my ag land. To offset that, I estimated for my house that they would go down 12 percent and that's exactly within a half percent how they came out. So what happened that year was ag land taxes went up tremendously, taxes on houses went down, including everyone in town as well as farm houses. OK, there was a shift and who was paying? Does that makes sense better to you now?

**PAHLS:** Yeah, that does.

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**MERLYN NIELSEN:** OK, thank you. I guess I want to start today by quoting the title of a book by Milton and Rose Friedman, the renowned economist, and the title of that book is, The Tyranny of the Status Quo. The Tyranny of the Status Quo. We don't seem to be able to budge in Nebraska very much over this problem of how heavily we tax ag land for schools. And it's, again, it's because, gosh, we just can't change. We did it this way last year. We make a little bitty, bitty Band Aid changes as we go along, but we never really address the real problem. And that's why should one form of wealth and resource, namely ag land, pay so much when there are other forms of wealth and resources that are property but are not defined as property for a property tax that hits you every year, that can force you to lose that property if you don't pay it. Ag land is out of proportion in how it pays for any services that it gets back from government. I don't complain about my NRD property taxes because I get-- I see benefits come back to my house which pays taxes to the NRD as well as to my agriculture land because there are conservation practices that I can get public health through NRD for those practices. So there's a relationship between taxes paid and benefits receive. The same would be true for my county taxes. I need sheriffs help perhaps sometime. I hope I don't. That's different from my house, it's on my ag land. I do need better roads because of the heavy equipment, readily admit that heavy equipment that we have in agriculture production compared to just residential driving back and forth on the roads, so I don't complain about those. It's the school that I cannot see where the ag land has a benefit that's different from just having a house. So why is there this heavy, heavy tax of over \$700 million in the state of Nebraska that we pay on ag land? You heard me comment about similar things yesterday morning when I was here, so I think at this point what I should do is quit even before I hit the yellow light this morning and see if you have any questions. But I'm here to totally support Senator Friesen's bill. The opportunity to see that tax proportion that I pay on my ag land go from 75 to 65 in 2022 and then further to 55 percent on valuation would be very, very helpful and be steps in the right direction because it keeps taking me closer and closer to the desired goal of Fair Nebraska, the organization I represent, which is zero. Thank you.

**LINEHAN:** Thank you, Mr. Nielsen. Are there questions from the committee? [PHONE RINGING] That's very unusual.

**MERLYN NIELSEN:** You needed that, right? [LAUGHTER]



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**LINEHAN:** Seeing no questions from the committee, thank you very much for being here. Appreciate it. Other proponents. Good morning.

**MARK MCHARGUE:** Good morning, Chairman Linehan, and members of the Revenue Committee. I'm Mark McHargue, M-a-r-k M-c-H-a-r-g-u-e. I serve as President of Nebraska Farm Bureau. On behalf of Nebraska Farm Bureau and Nebraska Soybean Growers, Nebraska Cattlemen, Nebraska Corn Growers, Nebraska Soybean Growers, Nebraska Wheat Growers Association, I'm here to testify in support of LB454, the School Property Tax Stabilization Act, which reduces the assessed valuation of ag land for the funding of-- funding purposes and directs more state aid to school districts that receive very little, if any, state aid. In fiscal year 2020-21, 84 of the 244 school districts in our state will receive equalization aid. The other 160, as Senator Friesen mentioned, will not. These numbers alone show the imbalance or inequity in how we fund schools. It strikes me as odd that our schools' state funding formula rely so heavily on equalization aid, but at the same time, two-thirds of the school district get none of it. That doesn't seem very equal to me. The state is shirking its responsibility, I believe, to provide an education for children in those districts that receive only a fraction of their formula needs from the state. The stabilization payments in LB454 begin to assure state aid will make up a greater share of the cost of education in those schools. It's estimated that 178 schools would receive additional aid under LB454. I think that's a good start. We've got a long ways to go, but I think that's a reasonable start. Many landowners have seen property taxes increase by more than 250 percent over the last decade. Again, as Senator Friesen has pointed out, residential and commercial property owners have seen significant increases as well. Not quite that dramatic. The increase aid from LB454 will assess all property owners in the school districts affected. LB454 is a good step forward towards reform and equality-- equity in the way we pay for education. For those reasons, we support this bill on behalf of everyone across the state I'm representing today. I urge this committee to advance this bill out of the committee. I thank you for the opportunity to testify and I would certainly be willing to answer any questions that you might have.

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

**BRIESE:** Thank you, Chairman Linehan. Thank you for being here today with us.

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**MARK MCHARGUE:** Absolutely.

**BRIESE:** I think you were here a couple of weeks ago testifying--

**MARK MCHARGUE:** Yeah.

**BRIESE:** --and at that time you talked about the need for comprehensive tax reform. Does this fit into your concept or your idea of comprehensive tax reform and how so?

**MARK MCHARGUE:** Yeah, so, I mean, you know, if I just described the long and short of it for Nebraska Farm Bureau and really I think for agriculture in general, we believe fundamentally that we should-- we should have some sort of balance in how we receive taxes. So primarily we have sales tax, income tax and property tax. We, in a perfect world, would like that to be balanced. Right now, property tax is around 42, 43 percent of that tax base, of which a lot of it goes to fund schools. So we will kind of keep coming before the committee. A lot of people have asked me as Farm Bureau President, wow, what's enough? You know, when is ag going to quit going before the Revenue Committee and, you know, quit bugging them about property tax? Well, fundamentally, fairly simply, when we-- when we get that balanced out to a degree. Now, after we get it balanced out, as we look forward to longer term, things next year maybe that we're going to look at maybe more comprehensive, if we can get this equalized we're all in on lowering the rate, lowering taxes in Nebraska. I mean, we're not for growing the tax base for the sake of growing the tax base, but we do want any growth in the tax base to go first to balance out the inequities within property tax and then let's tackle the other things, so.

**BRIESE:** Thank you.

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

**MARK MCHARGUE:** You bet.

**LINEHAN:** Appreciate it. Good morning. Go ahead.

**DAVE WELSCH:** All right. Good morning, Senators. My name is Dave Welsch, D-a-v-e W-e-l-s-c-h. I am a farmer and a 22-year member of the Milford School Board currently serving as president. I am here to

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testify in support of parts of LB454. I support the School Property Tax Stabilization Program, which essentially provides 15 percent of basic funding of the schools formula needs. All students in Nebraska should be supported by funding from the state. This program would provide at least 15 percent of those basic needs for every student in Nebraska. This is a good first step. I support the lowering of ag land values within the TEEOSA formula. This should have been done at least 6 to 8 years ago when ag land values doubled from 2010 to 2015. The doubling of ag land values dramatically changed the amount of equalization aid that was going to rural schools. For Milford Public Schools, our total state aid went from 2.5 million in 2010 to just 800,000 in 2018. All of this lost state aid had to be made up for with local property taxes that we could maintain the quality of education that is expected in Nebraska. Lowering ag land values within TEEOSA will restore some of this lost equalization aid and also bring more rural schools back into receiving equalization aid. As Senator Briese mentioned, I am for comprehensive tax reform in our state when it comes to how our schools are funded and to lowering the excessive reliance on property taxes. Unfortunately, this bill doesn't address property tax relief for our urban neighbors. The best way to provide relief for urban equalized schools is to lower the local effort rate within the formula. Lowering the LER from a dollar to 80 cents would be a good target. Now, for the hard part. How do we pay for this? Some would say that we need to control school spending. The fact is that since 2011, schools have had an annual increase in spending of 3 percent, while the state has averaged just 3.17 percent. So it looks like schools in the state are doing an equally good job of controlling spending. For the state to improve from being 49th in the country in providing support for local schools, the state will need to increase revenue from sales and income taxes. Senator Briese has made several attempts to do just that and is again trying to expand our sales tax base by eliminating exemptions. This is a step in the right direction. Past efforts have also been made to close income tax loopholes so that state revenue can be increased. These types of efforts need to continue. Senator Lindstrom's not here, but a couple of weeks ago he mentioned in a hearing that he sat in that chair for five years and has seen little progress in property tax relief. A couple of months ago, I was on a Zoom call with now Speaker Hilgers and Senator Kolterman. They both stated that property taxes need to come down and-- and do so with all the stakeholders that they needed to come to the table. All of the education and ag groups are already at the table

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together. I ask Speaker Hilgers and Senator Kolterman to let me know who the other stakeholders are and help bring them to the table. So Senator Lindstrom and others sitting here, I'll ask you to do the same. Come to the edu-- come to the table with the education and ag groups and bring others with you. It won't be easy, but together I do believe we can solve this problem. Thank you, and I'd be happy to take any questions.

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

**PAHLS:** Thank you, Senator. You intrigued me that right now you have the education group and the agriculture group talking. Are you implying that we're not talking-- the Senators? I'm trying to figure out who this group that you're talking about.

**DAVE WELSCH:** OK. There's one group called the Education Coalition, which is made up of all the teachers group, school board groups, school administrators, and they've been working together for several years. And you've been a Senator quite a while. In the past you probably understand that at times school board groups and super-- administrative groups didn't talk with the teachers groups very much. They're doing an excellent job of that right now. There's another group called Nebraskans United. That's made up of both the education groups and many of the farm groups, the commodity groups, as well as groups like Farm Bureau who was just in this chair and Farmers Union, the Grange and many of the commodity groups. And again, if you know the history of Nebraska, Farm Bureau and Farmers Union, they didn't always sit down at the same table together. And they still disagree on some issues, but they're on the same page when it comes to property tax relief and school funding. And so we've got those people at the table and we've worked with Senator Briese in the past and we very much appreciate that. And we would just like to see that effort continue with some senators that really want to bring about property tax relief and the appropriate level of state funding for our schools. So we're-- anyone is more than welcome to attend our meetings. I would appreciate that.

**PAHLS:** What I'm looking for, I'm looking to be honest with you, a balance. You know, between property tax, income and state is what I'm looking for. And there's got-- with that many people in that group, I would assume a balance could be-- if I go there with just the attitude

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that I'm just going to-- just my sections, then I think that's where the problem is, but we often go there and say, let's take a look at that, how we all are taxed. That's-- that's what I'm personally-- the reason I came back.

**DAVE WELSCH:** I think a lot of people come to the table with specific things in mind. Like recently, we've had quite a few bills come forward that are trying to control school spending. And as I pointed out in my testimony, I do not believe that that is a problem. You know, we're not spending any more than our-- than you 49 Senators are down here over the last 10 years. So if you guys are doing a good job at that rate, we must be doing a good job at that rate. So that's one approach that's been taken. See, I'm trying to put more restrictions on locally elected school boards on how they spend the money that we receive is not the right approach. Others take the approach that, well, we can't shift taxes. God forbid that we shift taxes from one group to another. That's already happened. That's been explained by the couple gentlemen here with the shift in ag land values. In our district, ag land values used to be about 40 percent of our total valuation and residential commercial-- commercial is about 60. These are rough numbers. Now, it's basically flip-flopped. Now ag land is carrying 60 percent of the load. And as was explained, is ag land values went up then more of that total property tax needed to fund our schools was contributed by agriculture and probably flat or even reduced amounts of taxes were assessed on the houses in our district. That's a shift that took place. We're trying to shift it back.

**PAHLS:** Right.

**DAVE WELSCH:** But many in the state say, oh, no, we can't do that, when it's already happened. And so they need to get rid of that thought that we can't shift it backwards because that's exactly what needs to be done.

**PAHLS:** But to be honest with you, taxes on my house, I don't own it. I got out of the housing business, but my taxes did not decrease significantly over the years. I have to be honest with you, they did not.

**DAVE WELSCH:** And where is your house located?

**PAHLS:** In Omaha.

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**DAVE WELSCH:** Exactly. There's no ag land that offset any of those increases.

**PAHLS:** I still-- I still receive that tax increase such as you did.

**DAVE WELSCH:** Right. And that's exactly why we need an approach that this bill doesn't address, which other bills have in the past. An example being lowering the local effort rate for urban equalized schools so that their state aid could increase and therefore they'd be able to lower their property taxes. But it has to be done in conjunction with relief for rural agriculture as well. They can't be done separately.

**PAHLS:** I'm denying that because I came from a small town, I get it.

**DAVE WELSCH:** All right.

**PAHLS:** That's why I'm trying to make sure that it's fair to everyone as much as possible. That's my goal beyond the issues.

**DAVE WELSCH:** Thank you. It's a big challenge.

**PAHLS:** Oh, I get it.

**DAVE WELSCH:** Like some Senators said in the past, if it was easy, we would have done it already. So it might have been Senator Briese, so.

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

**ALBRECHT:** Thank you, Chairman Linehan, and I appreciate you being here. Number one as a farmer, but more importantly, your service for 22 years on a school board means a lot. So you've seen a lot. You've watched this process happen. Revenue Committee is new to me, but my driving force to come sit on this committee was for just what we're talking about here today. You know, I left \$12 million on the table when LB1107 did not include helping our schools with the needs that they have in the smaller communities. So who do you think the bigger elephant in the room is that keeps this from happening?

**DAVE WELSCH:** The Governor.

**ALBRECHT:** Do you really think it's him?

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**DAVE WELSCH:** He's been very opposed to any type of tax shift, even though it's already occurred, as I just explained to Senator Pahls. He's also opposed to any-- especially income tax increases. I would hope that we would be supportive of Senator Briese's broadening the sales tax base.

**ALBRECHT:** Well, I'll tell you, there's a lot of different things that are going to come before us this year. But I disagree with you that it is the Governor because it takes 33 state senators to decide that. But when you have outside forces like superintendents of schools in the larger schools that don't want to share, I mean, we've got to be able to work on that as well. And, you know, everybody's take on this is different, but we can't get it across the finish line without 33 state senators that hear the hearts of all of the children throughout the state of Nebraska that need that aid. We can't help your schools. We can't tell you, you know, how much you should-- shouldn't be spending. But the only way we can get that done is if everybody understands that it's not just their money that we all need to share what we have going on. So, you know, we shouldn't have to point fingers, but I know what kept this from happening in the last few years, and I'm not OK with that. So we do need to work together to figure out what we need to do. And I appreciate you being here with your testimony.

**DAVE WELSCH:** Thank-- thank you, and maybe we can talk later and find out where you feel the hold-up is a little more specifically, and maybe we can work on that. I appreciate that.

**ALBRECHT:** Thank you.

**LINEHAN:** Thank you, Senator Albrecht. Any other questions from the committee? Thank you, Mr. Welsch.

**DAVE WELSCH:** Thank you.

**LINEHAN:** Next proponent. Good morning.

**JON CANNON:** Good morning, Chairman 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. You'll hear me refer to it as NACO, and I'm here to testify today in support of LB454. I'll be honest, I-- originally the NACO board had taken a position in opposition to this. And the reason was

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for a small part that I'll get to in just a moment. As-- as some of you know, on the committee, when NACO is going to be in opposition because of the current protocols we have in place, I've been recording these little videos. I've been sending it to different senators to let you know that we're going to be in opposition to a particular bill. And after I recorded our video last night, the young lady that was shooting it for me said, well, gosh, everything you said sounds like you're really actually supporting it. And I thought about and I visited with some other folks in the office and-- and really we are in support of this. We're in support of the idea. I've had conversations with Senator Friesen before about tax policy, and I have appreciated the thoughtful approach he's taken to these sorts of things. Much like Senator Briese, he's kind of going down the path that we've had recommended in all the studies that we've had done in the past. And-- and so as a result, you're right, we-- we do support this bill. And so traditionally, we don't like those split assessments, which is one of the things that-- that we focus on in this bill. And much like LB2 yesterday, Senator Briese, that was the source of our heartburn yesterday. And while we still do have heartburn about that, I think there are some alternatives that we can probably discuss with Senator Friesen. And also the distinguishing factor between yesterday's bill and today's is the fact that Senator Friesen is going to take the next crucial step, I believe, of having the-- the equalization aid that's going to be sent out to that political subdivision, which is going to be affected the most. And so I do have one other technical issue that I'd love to visit with Senator Friesen on regarding the acceptable range. It seems that every time we talk about adjusting, you know, a land or adjusting the percentage for anyone downwards, when we look at the TERC statutes, we say, well, we need to adjust the acceptable range as well. Frankly, that's just going to flow through, I think. It seems to me that what you will be doing is you'll be applying a factor to whatever you're assessing it at. And therefore once-- once you've shrunk it down and applied that factor, if it was good, if it was within the range for ordinary purposes, it'll be within the range when you get to TERC. So with that, I-- I'd be happy to take any questions. I'd urge you to support this bill. Thank you.

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

**JON CANNON:** Thank you.



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**LINEHAN:** Next proponent. OK, opponents.

**CONNIE KNOCHE:** Good morning, Chairperson Linehan, and members of the Revenue Committee. My name is Connie Knoche. I'm the education policy director at OpenSky Policy Institute, and I'm here today to testify in opposition of LB454 because we-- while we appreciate its attempt to reduce the state's reliance on property taxes, we're concerned that it will create disparate impacts on taxpayers and that losses of ag land valuation will lead to revenue losses for schools. LB454 does create some losers among school districts, primarily among those that don't qualify for property tax stabilization aid and those districts that are high ag land valuation but with less commercial and residential property to rely on for revenue. We estimate that in tax year 2021, 178 school districts would qualify to receive the school property tax stabilization aid based on the 2021 state aid certification data. In the second year, some schools will become equalized, but many others are going to be pushed beyond their levy limits. When adjusted valuation of ag land decreases from 72 percent to 62 percent of actual value in 2022, 17 more school districts will become equalized, which will increase state aid by approximately \$29 million in addition to the stabilization aid estimated in the fiscal note. 166 school districts will qualify to receive stabilization aid, and 49 school districts will have to increase their tax levies to offset the loss in taxable ag land value. Twenty-eight districts and schools, including South Sioux City, Norfolk, would not receive any stabilization aid and would be required to exceed their maximum levies to make them whole. This trend continues for tax year 2023 when adjusted value of ag land decreases from 62 percent to 52 percent of actual value, 28 more schools become equalized and total calculation-- total calculated aid would increase by \$40 million. Again, this is in addition to the cost of stabilization aid. 156 school districts would qualify to receive stabilization aid and 185 school districts will have to increase their tax levy to offset the loss in taxable ag land value. For 80 of the 185 districts, increased state aid and school property tax stable-- stabilization aid will not be enough to offset the loss of 17.6 million in total revenue. Sixty-one of the 80 school districts will be at their maximum levies and thus unable to increase them without a vote of the people. I've handed out a sheet with a couple of examples, and I'm happy to walk through that with you, if you'd like. Overall, we estimate that when fully implemented in '23-24, LB454 would result in 25 percent of the school districts having to look at levy override

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elections, which may or may not be approved by the voters. If unsuccessful, many schools will have to cut needed services. Also, given the current budget projections, the school district property tax stabilization aid in LB454, let alone the increase that would be needed in state aid, is far from assured for school districts. If the state doesn't fund school property tax stabilization aid in 2023, for example, school tax levies across the state would have to increase an average of 6 cents, and at least 63 school districts would be unable to make themselves whole without going to a levy override. As a final observation, this proposal would slightly narrow the disparity of property tax levies among ag land owners in different counties. Since ag land owners that are adjacent to urban areas tend to have higher levies than those in highly rural areas, we believe there is some merit to the idea of reducing ag land value for state aid purposes only. Such a measure would increase the number of schools that qualify for state equalization aid, helping those districts that have fallen out of equalization aid in recent years due to rising ag land valuations. We appreciate Senator Friesen's willingness to work with-- work with us on trying to find a solution to this-- the situation. And thank you for your time and I'd be happy to answer any questions.

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

**PAHLS:** Thanks, Senator. Am I to interpret that eventually this would force spending lid on the schools? Is that what you're telling me?

**CONNIE KNOCHE:** It would force a levy limit on schools. Schools are limited to a \$1.05 maximum levy, and many of the districts that are being impacted negatively are already close to that maximum levy limitation. So when you lower ag land valuation, it pushes them over the maximum levy. Their levies are going to have to increase when valuations go down. And if you're already near the \$1.05 maximum, it would throw them over that.

**PAHLS:** So it is-- some ways a lid.

**CONNIE KNOCHE:** Well, some ways it would, I guess, yeah.

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

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**BRIESE:** Thank you, Chairman, and thank you for your testimony here today. I think I heard two major objections. One is that disparate treatment of various property owners, but I would submit nothing is perfect in tax policy. There is no way to make everything fair and equal. But-- but to your second point, the revenue loss attributable to this and bumping up against a levy limit, would your objections be off the table if there was a way to account for that, for example, levy exclusion to account for the revenue loss attributable to this change in ag land valuation?

**CONNIE KNOCHE:** Sure. Yeah.

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

**LINEHAN:** Thank you. Senator Briese. Other questions from the committee? I don't want to spend a lot of time on this, but I find it odd that you would pick Northwest as one of your examples. You want to walk through that?

**CONNIE KNOCHE:** Well, Grand Island Northwest is a nonequalized school district. They have ag land value in their school district. So as the ag land value decreases, their levies are going to have to be increasing. So they're-- the only way to make themselves whole from one year to the next would be to increase their levy, so I was just showing that as an example of--

**LINEHAN:** Do you know how many students opt into Northwest-- option students, the percentage-- the percentage of option students that attend Northwest?

**CONNIE KNOCHE:** Not off the top of my head. I believe it's fairly high, though. A lot of them come from Grand Island to go there.

**LINEHAN:** 80 percent.

**CONNIE KNOCHE:** OK.

**LINEHAN:** OK, are there other questions? I'm sorry, Senator Briese.

**BRIESE:** I'm not sure. I think you had a follow-up comment.

**CONNIE KNOCHE:** Yeah, you asked if I had any objections and the other objection would be funding source for the--

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**BRIESE:** OK.

**CONNIE KNOCHE:** --for the property tax stabilization aid.

**BRIESE:** OK, thank you.

**LINEHAN:** So does that mean-- position is the same unless there's new  
revenue, you're not going to support anything. OpenSky's position is  
you can't fix anything without new revenue sources.

**CONNIE KNOCHE:** Well, the bill, as it's written, doesn't have a source  
of revenue to fund it, so--

**LINEHAN:** Right.

**CONNIE KNOCHE:** --that would be a problem if the state was unable to do  
that because of, you know, the economy not having enough revenues to  
go for all the things that you need, you'd have to make cuts in  
certain areas. And if it's something that has to be appropriated and  
there's no direct funding source, then--

**LINEHAN:** But, I know, but is that what you're saying, that unless  
there's a new revenue source, you're not going to support anything to  
fix school finances?

**CONNIE KNOCHE:** Yes.

**LINEHAN:** Thank you. OK, other questions? Thank you for being here.  
Next proponent. Go ahead.

**JACK MOLES:** Good 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, also referred to as NRCSA. Today, I am testifying also on  
behalf of Schools Taking Action for Nebraska Children's Education,  
also known as STANCE. On behalf of NRCSA and STANCE, I'd like to  
testify in opposition to LB454, and this was a tough decision for us.  
As late as yesterday, we were still trying to figure out which way to  
go on this, because there are obviously pieces of this that are very  
attractive to our schools. There are pieces that are not as  
attractive. And I've gotten that same idea from several of the  
testifiers already. They're-- they can go either way on it, so. But at  
this time we-- we do not believe we could support this-- this bill as

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it is currently written. Some of our major concerns with the bill-- concern over what happens when the state cannot provide the funding for the stabilization funds and there really is no dedicated revenue source provide for the revenue for the stabilization funds. Ag land valuations would be dropped incrementally at a time when they're already going down anyway. And so it looks to us like it would be a double-hit in lost valuations. The fiscal impact of the state would appear to be more than what might be available this year. There are a few bills calling for 3 percent cap on raising property taxes, and if one of those were to pass, coupled with LB454, it could severely limit a district's ability to make ends meet. And projections of-- as Connie just said, projections of a large number of school districts possibly having to go to levy override elections is concerning to us. Without a levy override, many of these districts would have to make cuts in their programs and levy overrides are not a pleasant thing. I've lived through three of them, so. But on the other hand, we do find some very attractive things in LB454. For example, the bill would give-- bring some state funds to many rural districts who do not currently receive equalization aid and more public school students then would be supported by state funding. And that is something that philosophically we believe needs to happen, that every public school student in the state should be worth something in the eyes of the state in the way of state funding. The other thing is the idea of lowering ag land valuations within the TEEOSA formula thus bringing-- possibly bringing more districts into equalization is attractive to us. So in closing, NRCSA and STANCE are opposed to LB454. We certainly do believe that there's an overreliance on ag-- ag land property valuations in the current funding structure and we are very willing to work with Senator Friesen or the Revenue Committee on this issue, and we-- we encourage you not to advance LB454.

**LINEHAN:** Thank you, Mr. Moles. Are there questions from the committee? Senator Albrecht, then Senator Pahls.

**ALBRECHT:** Thank you, Chairman Linehan, and thank you for being here, Mr. Moles.

**JACK MOLES:** Thank you.

**ALBRECHT:** And I appreciate your two pieces that are supportive, but if we do nothing today and we don't get to capitalize on the two things that you say are worth looking at in this, if everything remains the

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same, what do we do with these schools? How do we make them whole? How  
do we allow them to have enough money to grow and to do what they need  
to do?

**JACK MOLES:** It's a tough decision.

**ALBRECHT:** It is, it is, but again, you know, we have our school boards  
that are trying to get this and understand it, but it just still  
appears to me that you have this hovering of-- of the-- the people  
that are getting the most bang for their buck and don't want to share  
it with everybody else. We have got to figure out a way to make these  
formulas work for everyone because the small schools can't continue to  
just take a back seat to what's happening here. So I just feel like  
there are all kinds of different ideas out there, but together we have  
to decide what-- what's going to work for everyone.

**JACK MOLES:** And our membership would be in total agreement with you on  
that statement.

**ALBRECHT:** Thank you. I appreciate you being here, but again, I feel  
like your-- your opposition is all in that same arena that is not  
willing to-- to work with all of this.

**JACK MOLES:** Our opposition isn't, I don't believe, is in that realm. I  
think our opposition is we don't want to see-- we don't want to create  
winners and losers in this.

**ALBRECHT:** But we have already.

**JACK MOLES:** Yes, we have.

**ALBRECHT:** So how do you get away from that and bring people back to  
the table to work together? I mean, we're bleeding out there. I mean,  
it's not just the farmers that are supporting this. It's the schools  
that aren't able to say anything or do anything because the powers to  
be are the ones that are going to make that decision. It has to be our  
decision fully together, working together to move this in the right  
direction.

**JACK MOLES:** And we're willing to be part of that discussion. And-- and  
yesterday, I pointed out that one of the things-- the important things  
I think we need to do, in my opinion, is-- is the school funding  
commission that we talked-- that I talked about yesterday.

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**ALBRECHT:** I mean, have they worked in the past? I mean, things are moving way too slow around this building.

**JACK MOLES:** The last time that commission is-- that type of a commission, as I understand it, wasn't in place. It's back in the '90s.

**ALBRECHT:** And when did TEEOSA funding come into play?

**JACK MOLES:** In the '90s.

**ALBRECHT:** But is it is it working today?

**JACK MOLES:** The formula?

**ALBRECHT:** Yeah.

**JACK MOLES:** We do not believe it is.

**ALBRECHT:** Neither do we. So, thank you.

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

**PAHLS:** Thank you, Chairman. The question I have, Mr. Moles, is, Dave who was up here earlier, who's been on the school board for 22 years, he's a farmer but he's been on school board, I don't know how many years, but he said there's a group of people out there willing to meet. Are you a part of that group?

**JACK MOLES:** Yes, yes. I work very closely with Dave. Yeah, we're a part of that group.

**PAHLS:** OK. You see the potential-- yeah, I'm looking for more than just condemning somebody or saying you, the big guys getting over the little guy, I'm tired of that-- that argument. I'm trying to find the solution. And if I'm going to say big-- the big school districts are having fun with the little school districts, I don't buy that. I think if each one is trying to survive, but is this group effective that you-- that you see with Dave?

**JACK MOLES:** I believe it is. For example, Kyle Fairbairn is behind me. He's going to be testifying on behalf of GNSA and Kyle and I work very

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closely together. We don't always agree on everything, but at least we  
communicate.

**PAHLS:** Right.

**JACK MOLES:** And that's the big thing, is communication.

**PAHLS:** And this didn't surprise me when the question was asked, what  
is one of the problems with this? And I am a supporter of the  
Governor, but you see the Governor as being one of the people who  
should be at this table?

**JACK MOLES:** I would-- I would believe that he would have to be  
represented somehow.

**PAHLS:** Because if there is a few within this group that he is an  
issue, he should be at that table, I would think as-- as several of  
the members of this committee should be. Because we're going to get in  
this battle of the big school, small school, because you'll say  
property tax, well, most of the sales tax, where does it come from?  
Douglas County, Lancaster County. That-- those dollars will need to be  
into this formula. But you see how you can get in that fight. Well,  
now-- now I'm talking about sales tax, not property tax. We've got to  
get off this issue and I still believe it's solvent, I do.

**JACK MOLES:** And again, I would agree with that too. I think it is  
solvable, but I don't know what the answer is.

**PAHLS:** I don't expect you, but a group of people, hopefully, because  
there must be give and take on this issue.

**JACK MOLES:** I think there's going to have to be.

**PAHLS:** Yeah, in order to-- if that's the one reason why the learning  
community came about in the Omaha-- when Omaha tried to take over all  
of the suburban schools. There was-- it was a money issue.

**JACK MOLES:** Right.

**PAHLS:** And it was a result, whether you like the-- how it was  
resolved, it was resolved for a period of time. Thank you.

**JACK MOLES:** Thank you.



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**LINEHAN:** Thank you, Senator Pahls. Are there other questions from the committee? Just so-- some people-- I know you said we have three new members on the Revenue Committee, four actually. You have any guess how many times you and I have met over the last two years on school finance-- any-- remember how many we've had?

**JACK MOLES:** A lot of very enjoyable ones, Senator.

**LINEHAN:** Say it was over a dozen?

**JACK MOLES:** Oh, I would say so.

**LINEHAN:** Closer to maybe three dozen.

**JACK MOLES:** Could be.

**LINEHAN:** We didn't-- not have conversations.

**JACK MOLES:** No, we've had-- you and I have had conversations, yes.

**LINEHAN:** Yes, and I-- with Senator Friesen?

**JACK MOLES:** Yes.

**LINEHAN:** And with Senator Briese?

**JACK MOLES:** Yes.

**LINEHAN:** Senator Lindstrom?

**JACK MOLES:** Not as much with Senator Lindstrom.

**LINEHAN:** Do you think Senator Friesen, Briese, Linehan, understand the school formula?

**JACK MOLES:** I think you have a better understanding than most do.

**LINEHAN:** Thank you.

**JACK MOLES:** I don't know that any of us really understand all of it.

**LINEHAN:** Well, I think we're the ones that have a view of the whole state, probably. I'm struck that you agree with the idea of lowering ag land valuations within the TEEOSA formula. That's possibly bringing

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more districts into equalization is something that we would endorse.  
Did we try to do that last year?

**JACK MOLES:** We tried to do it before, yes.

**LINEHAN:** Yeah. Did we try to do that in LB1106 and LB974?

**JACK MOLES:** Um-hmm.

**LINEHAN:** And we took it from 75 to 55. So you would endorse that  
concept?

**JACK MOLES:** Well depending on what the total bill looked like, the  
concept I like.

**LINEHAN:** Is part of your problem, we don't have any new revenue?

**JACK MOLES:** Yeah. You've asked-- you've asked me that before, yeah.

**LINEHAN:** That is-- that is the pull here.

**JACK MOLES:** Yeah.

**LINEHAN:** And I want to make sure that everybody understands that. And  
even though we said we didn't have enough revenue to do what we wanted  
to do, which was part-- big part, 75 to 55 we found that revenue and  
now we have a property tax income credit.

**JACK MOLES:** Um-hmm.

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

**JACK MOLES:** Thank you.

**LINEHAN:** You can go ahead.

**KYLE FAIRBAIRN:** Chairwoman Linehan, and members of the Revenue  
Committee, my name is Kyle Fairbairn, K-y-l-e F-a-i-r-b-a-i-r-n. I  
represent the Greater Nebraska Schools Association, GNSA, which is the  
represent-- organization that represents 24 of the largest school  
districts in the state, and about 75 percent of all the children in  
the state. First off, I want to thank Senator Friesen. Senator Friesen  
has been great to work with over the last couple of years. He always--  
always will sit down and discuss what he's talking about and where he

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wants to go. And we really appreciate that, Senator, for all your support. We really do. We come in opposition to LB454 today lowering the ag values. Again, some of my districts are very much affected. Others are not affected quite as much. We're very concerned about the cost that was mentioned by Connie, 58 million in the first year, up into 89 million the second year, and then over 100 million the year after that. The other problem we see is that the districts-- some of the districts across the state are going to have to raise their levies to offset the levies that are being reduced. So I don't think that in some cases you're going to see a lot of reduction, even though the property tax-- farm ag values are going down. I believe they'll go right back up as soon as some of the school districts need to-- need to increase their levies. The cost of the program is, again, the main reason that we're opposed to the bill that currently with LB1107 last year, \$350 million has been put to property tax relief. We have the property tax relief funds, another 250 million. We have the gambling money that's going to go to property tax relief. So between the three of those, that \$600 million in property tax relief that hasn't fully been put in place yet. So we'd sure like to see those things get put in place before we change property tax asking again. So with that, I would take any questions.

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

**ALBRECHT:** Thank you, Chairman Linehan, and thank you for being here, Mr. Fairbairn. How many of the 24 school districts are at their levy limit?

**KYLE FAIRBAIRN:** Of the 24, probably 18 or 19 of them. We're at a dollar five.

**ALBRECHT:** And most all of those are not supported by ag, is that true?

**KYLE FAIRBAIRN:** We did-- yes. In-- in majority, yes, Senator. So we'd have-- Kearney is like 27 percent ag value. South Sioux has got some-- some pretty big ag values. Columbus has some ag values, but yes, as a whole, Senator, most of them are rural and commercial-- or residential and commercial.

**ALBRECHT:** Thank you.

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

**SPENCER HEAD:** Hey, good morning, Chairman Linehan, members of the Revenue Committee. My name is Spencer Head, S-p-e-n-c-e-r H-e-a-d. I'm a member of the Omaha Public Schools Board of Education. I'm appearing before you today on behalf of OPS in opposition to LB454. Our opposition to LB454 is more of a philosophical one. We can't support any-- any proposal that could divert funds from school districts that receive equalization aid in the future. As you all know, equalization aid is the-- the way that TEEOSA equalizes districts that-- based on their needs and resources. If your district has higher resources than needs, you don't receive equalization. Conversely, if your needs are higher than the resources, you receive equalization aid. You know it makes sense, but LB454 and the various other bills over the years that seek to add basic funding, foundation aid, stabilization aid or whatever we want to call it, inside or outside TEEOSA are simply efforts in our mind to-- to divert state resources to school districts that, you know, under the formula as it exists today, don't need the resources. You know, to be clear, they may want resources, but the way that-- that we currently operate, they have the local resources to meet their needs and therefore they don't need state resources. So yesterday morning, the body voted on LB288, which was the annual TEEOSA delay certification bill. And I remember there was some lively discussion on it. I believe Senator Wayne and Senator Erdman kind of raised some concerns about why we do this every year. And I think we all understand why that happens every year. Right? TEEOSA is such a significant portion of the state budget that every year you have to pass the-- or you have to get to the budget and realize what the budget is going to be before you can fund TEEOSA, and the knobs are always turned, so to speak, so that TEEOSA can balance the budget. And so our concern with this bill is, I believe the fiscal note was 28 million the first year, the second year it roughly doubles, 27 million in stabilization aid, another 33 million, give or take, can increase TEEOSA costs. And so our concern is that going forward sometime in the near-- near future, the state is going to realize they can't meet these increased obligations and something's going to have to get cut. And we don't want that to be, you know, the districts that receive equalization aid. So with that, I would be happy to take any of your questions.

**LINEHAN:** Thank you very much, Mr. Head. Senator Briese.

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**BRIESE:** Thank you, Chairman Linehan. Thanks for being here today. What percent of the OPS budget is covered by state dollars?

**SPENCER HEAD:** Right now, it's roughly 55 percent state, 45 local. About 10 years ago, back when the common levy and the-- and the learning community was in place, it was the opposite. But it's-- it's flipped to about 55-45 now.

**BRIESE:** OK, thanks.

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

**PAHLS:** Thank you, Senator. You're the big kid on the block. You're the largest school district.

**SPENCER HEAD:** Yeah.

**PAHLS:** I'm from small town, I don't get any money, is that fair?

**SPENCER HEAD:** I think it depends on the eyes that you're looking at through, right? So prior to being on the school district, I spent about five years with Senator Flood's predecessor down here, who I believe there's five school districts in-- in the District 4 which don't receive equalization aid. And so it depends on, you know, if you're looking at it from an equalizer, an unequalized district, it may be completely fair and it may-- you know, you may be coming out on the short end of the stick. And so, I think, and this is speaking on behalf of myself, not the-- not the board, because we haven't taken a formal position on this, but thinking back towards-- I think it was last week, we had the School Finance Review Commission up-- bill up in Education. And we-- we actually testified against that bill, not because we opposed the idea of the-- of the commission, but because we didn't believe the commission makeup was equitable to-- to districts across the state. But something like that where we could all come together, kind of like the state did when TEEOSA was implemented, and take a look from-- from all districts, urban, rural, big, small, equalized and unequalized and figure out a new way to go forward with the formula, we think would be a better approach than kind of these piecemeal bills where at the end of the day as a school district, we're not convinced that the state is going to have the resources and the commitment going forward to continue to fund our needs. And so if we did a-- if we did a greater commission like that and we got the

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buy-in from all parties, including the state, that this is something we're committed to and three years down the road, five years down the road, whatever it is, you know, we're not going to pull the rug out from under you, I think we would feel a lot more comfortable with that.

**PAHLS:** Well, let me ask you this. You talked about this commission, which-- was it-- you voted against that or OPS did?

**SPENCER HEAD:** So it was-- I want to say it was Senator DeBoer's bill last week and we had testified against it just because of the makeup of the commission that she had under the bill. It was a 16-member commission. And I want to say there was two of them that would represent school districts that received equalization aid. The rest wouldn't. And we thought that that wasn't necessarily an equitable makeup given the distribution of students in school districts across the state. And so the concept of the-- of the commission is something that-- that, you know, we're not necessarily opposed to, it's just we want to make sure that everybody has a seat at the table.

**PAHLS:** Talk about balance.

**SPENCER HEAD:** Exactly. You know, looking at-- looking at OPS specifically, we're roughly 80 percent poverty. We have a significant ELL special needs population and other students that require special services and so. You know, we're-- we're not really the same as I know you came from Millard or West Side or, you know, any of the other districts, Norfolk, you know, so-- so we want to make sure that, you know, our concerns are definitely heard when the-- when the commission meets, but we would support revisiting the formula potentially.

**PAHLS:** Well, earlier discuss that there's this group that meets, are-- you know, is OPS part of that?

**SPENCER HEAD:** I believe so. I-- I've only been on the board for a little over a month now, a month and a couple of weeks. So I-- I don't know exactly what we've done in the past, but I believe we are.

**PAHLS:** See, the part that I have an issue with, because I understand, because I've been told that it's been tried in the past and this committee to do a broad that it doesn't work, so now we're going to start picking at it. See, I understand the reason why you do that, but

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I-- to me, you need to take a total look at the-- the package, not  
just, I'm going to see what I can get this year and what this-- I'll  
throw all the little things at it, I just think it needs to be.

**SPENCER HEAD:** I would agree. I think that the full-- full package  
approach would be better than passing piecemeal changes here and  
there.

**PAHLS:** Thank you.

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

**BRIESE:** Thank you, Chairman Linehan, and thanks again for being here.  
So, it's fair for me to conclude then that OPS's position would be  
that they are opposed to any state dollars going to unequalized school  
districts. Not-- not a trick question, but--

**SPENCER HEAD:** Yeah.

**BRIESE:** --that's what I concluded from your testimony anyway.

**SPENCER HEAD:** I-- I don't know if we would necessarily say-- say that.  
I think we would like to take a look at the whole picture and maybe we  
can find something that's more equitable to everybody. And right now,  
you know, there are technically state dollars that they go to  
unequalized districts and you're talking about your allocated income  
tax, things like that. You know, granted, you could also argue the  
allocated income taxes just, you know, refunding your local resources  
back to schools--

**BRIESE:** So maybe I should rephrase that. It's fair for me to conclude  
that you're opposed to any-- excuse me, any additional state dollars  
going to unequalized school districts.

**SPENCER HEAD:** Right now, yes.

**BRIESE:** OK.

**SPENCER HEAD:** And the main reason behind that is we're not convinced  
the state is going to, you know, continue--

**LINEHAN:** OK.

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**SPENCER HEAD:** --to be able to take on this obligation.

**LINEHAN:** Yeah, so--

**SPENCER HEAD:** Thank you.

**LINEHAN:** Other questions from the committee? It's a little history lesson here. It's the first time I said this publicly, but I should not have supported delaying TEEOSA yesterday. It was the wrong vote and I won't be supporting it on Select. And frequently and it has come up, I think, this morning but maybe it's in another committee, it's the end of a long marathon here of hearings, but you are aware-- you know that the Governor has every year he's been Governor, has fully funded TEEOSA in his budget?

**SPENCER HEAD:** Yes.

**LINEHAN:** So the changes come in the Legislature, the Appropriations Committee, not the Governor's Office. You are a member of GS-- GNSA, are you not-- Omaha Public Schools?

**SPENCER HEAD:** I believe we are, yes.

**LINEHAN:** So just Omaha Public Schools talking about equitable distribution, how many state senators represent Omaha Public Schools?

**SPENCER HEAD:** Uh, 13, maybe 14.

**LINEHAN:** State senators, just Omaha.

**SPENCER HEAD:** Correct.

**LINEHAN:** And if you take in GNSA total, have you ever sat down and figured out how many state senators represent GNSA schools?

**SPENCER HEAD:** Represent GNSA schools, I would-- I would imagine it's over half, but I don't have an exact number for you.

**LINEHAN:** And then, as you already know, because of your previous job, how many schools does Senator Flood have to represent?

**SPENCER HEAD:** About five.



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**LINEHAN:** And would you guess maybe how many Senator Brieese has to represent?

**SPENCER HEAD:** I don't know, three, four.

**BRIESE:** A few more than that.

**SPENCER HEAD:** Double. [LAUGHTER]

**LINEHAN:** Do you want to take a guess as to Senator Albrecht?

**SPENCER HEAD:** Go with 15. Closer? All right.

**LINEHAN:** Do you think that's equitable?

**SPENCER HEAD:** It depends on-- on your definition of equity. I mean, if we're talking about the number of students--

**LINEHAN:** Equitable representation.

**SPENCER HEAD:** And again, it goes back to the population. I mean, some of the-- some of these districts have fewer than-- than 500 students, whereas OPS has 52,000, so I guess that depends on what's equitable.

**LINEHAN:** Think it is equitable that Westside gets no equalization aid?

**SPENCER HEAD:** You know, according to the formula, they have the-- they have the resources to meet their needs.

**LINEHAN:** OK. All right. Any other questions from the committee? Thank you very much for being here.

**SPENCER HEAD:** Thank you.

**LINEHAN:** Other opponents? Anyone wanting to speak in the neutral position? OK, LB454, we had no one submitted written testimony this morning and there were no letters for the record, Senator Friesen.

**FRIESEN:** Thank you, Chairwoman Linehan. In sitting back there listening, seventh year doing this. We've tried home runs. Senator Brieese has tried home runs. We've tried nibbling, we've tried every which way but loose, and we've been blocked every single time and yet we keep being told that it's the most important thing we have to do in the state. Yes, we've nibbled at it. And if I had my druthers, I'd get

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rid of both of the property tax credit relief funds and figure out how to fund K through 12. But yet we're blocked because OPS refuses to let one single dollar leave the General Fund treasury of Nebraska to go to rural schools because our kids don't matter. They'll be fine out there. I think our kids are getting a really good education out there, but they do not have the near the opportunities that schools provide in Lincoln or Omaha or Northwest, any of those little larger schools. They have tremendous opportunities there. So when I look at, you know, we talk about the AIT funding, yeah, we could-- we can increase that. That was supposed to be funded at 20 percent, but back in the day, they found that didn't work, so now it's down to what, 2 percent. When you talk about the eye of the beholder and we don't want to see tax shifts, well, for my eye looking the other way, it looks like, man, those tax shifts were pretty cool back in the day when it went to somebody else and all the equalization aid went to the large schools and they take it all, billions of some dollars. And we're sitting there just keep increasing the levy, keep taking taxes from our number one industry. You know, if-- if businesses in Omaha paid 30 percent of their effective tax rate in property taxes or taxes to schools, think they'd be OK with that, or would we just give more tax credits and incentive program, make everybody feel good. You know, we've met-- we've had hundreds of meetings. I've met with large schools. I've met with small schools and we do get along. I get along. But we have never, I don't think ever received a suggestion of where we could find a solution to this problem from them. We have thrown-- I have dealt with almost every section of TEEOSA that you can think of. And I know Senator Briese, Senator Linehan, you had a bill that was a huge bill, big home run, didn't go anywhere. We've tried raising revenue in my-- all my years previous, I've always tried raising revenue so I would not take any money from TEEOSA formula. I always held those schools harmless and it still didn't go anywhere. So I sit here and I, you know, no matter what I've done, Grand Island, Northwest, there's nothing we can do to them. They have 80 percent option funding and they understand when I go talk to them, they're in my district. They're not mad at me. They say, look, we'll work it out. We understand, we're different. And there are some schools like that. So it's-- I don't know, it's-- it's getting really frustrating to me that in eight years when I'm done here, I still don't think we'll be anywhere close to working this out. So I think this, again, is a small step. Yes, there's some schools that are adversely affected maybe by this, but I'm-- I'm willing to look for a solution, but I don't know

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if there is one. If we don't lower the value of ag land inside and outside the formula, those schools like York Public Schools, where they're paying 100 bucks an acre, there's no way of getting them money. This is really the only way. They get some more equalization aid, but it won't help those guys that are being taxed way above their capacity on that ground. And so I'm-- I'm willing to look for a solution to that, but I don't know what that possibly could be. It has a very minor fiscal note. And, yes, we could scale it to be even smaller, but then down the road we'd want to ramp it up. But it's a very, what I call a meager fiscal note, but we're just trying to target certain schools. And I'm more than willing, you know, if we want to talk about the large schools, the-- the OPS and everything, I'm more than willing to work with the LER and all those things, but then the revenue just skyrockets. Senator Linehan has worked with that. As soon as you start tweaking that LER even 1 percent, it's a big change in revenue. And we don't know where our revenue picture is for sure right now. But is it a priority of our state? It doesn't look like it to me when we sit here and listen to bills getting tax credits over and over and over, and we give away money in an incentive program trying to attract businesses to the state saying that we're going to grow our economy. And if anybody wants to ever show me somewhere that some city, some state that has grown their economy and to lower taxes, show them to me because I don't think it exists. So I'm-- am I frustrated? Yes. With that, I'll take questions.

**LINEHAN:** Thank you, Senator Friesen. Are there questions from committee? Just-- I'm going to help Mr. Head out here a little bit. Have you been at meetings with GNSA schools? We may have to pull Senator Briese in here, where they have made it abundantly clear that their position is, pretty much mirrors OPS's position that as long as there's money going to the little schools were against it. You've been in several of those meetings, haven't you?

**FRIESEN:** I've been in those meetings where I have been told we will not get one single dollar.

**LINEHAN:** Thank you for being here. Thank you for your bill. We had no letters. So with that, we bring LB454 to a close.

**FRIESEN:** OK, with that, we'll open the hearing on LB466. Welcome, Chairwoman Linehan.

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**LINEHAN:** Thank you. I want to really applaud the Revenue Committee. I know I should do this from up there, but my office, they deserved this 4-day weekend. All our offices do, I know, but not only have they had to do the Revenue Committee this week, but I've had like bills in front of three different committees and I'm basically almost lost now unless they're pointing me in the direction. So I would really want to know how much I appreciate them. Good morning, Vice Chairman Friesen, no, Lindstrom, but he's not here, so it's Friesen, and members of the Revenue Committee. My name is Lou Ann Linehan, L-o-u A-n-n L-i-n-e-h-a-n, and I'm here to introduce LB466. This bill is intended to address a situation that exists in only two counties in Nebraska. Let me start with an example of how this situation works in the other 91 counties. If I buy a house this year in Lancaster County, the property taxes that will be assessed for this year will be estimated using the most recent valuation of the property multiplied by the current tax levy in the county. Those taxes will then be prorated between me and the seller based on the number of days we each owned the house. Makes sense, right? You live in the house, you should pay the taxes. However, in Douglas and Sarpy County, it doesn't work that way. The property taxes of the prior year, which are already in arrears, are treated as if they are in the current year's taxes. So as a buyer, I pay part of last year's taxes, even though I never lived in the house. And then I get to pay the real current year taxes that will be assessed at the end of the year. No attempt is made to estimate the actual current year's taxes. I've handed out an article by a real estate agent entitled, Property Taxes Proration. It is the way it is. Apparently this has always been the practice. Always makes me nervous. I probably shouldn't-- of course as long as anybody can remember, then the practice in Douglas and Sarpy County. I've heard that it works out in the end when you sell your house, but not everyone sells their house and I'm not sure it always works out. There are no statutes or regulations that address this issue. That is why I brought this bill. I think this practice is just wrong and needs to be fixed. The green copy of the bill would require the county assessors to prorate the current year taxes, but since they only do valuations and not actually collect taxes, I brought amendment, AM157, which replaces the assessors with the county treasurers. So did you pass this out too? So I need it to be the county treasurer, so I'll just give you-- I don't think we're going to have a long hearing here --a little background. So when I moved back from Virginia, I bought a house in 2014. I was here for a couple of years and looked all over. Found a house I really

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liked in Elkhorn and I bought it and I went to closing and I didn't have a lawyer. I should have. And I sat down and there was-- I can't remember it's five or six thousand dollars on the closing costs that I didn't know about. And I'm like, wait a minute, what is this? And I'm not going to-- it's common practice. So it doesn't matter what bank or what real estate agent I was using because this is like they all do it. The real estate agent said, oh, that's-- that's the way we do it. And then I go, I don't think that's right. And they go, that's the law. And I go, well, that's not the way it works in other counties. Well, we're different than the other counties. And then the banker is like, don't worry, we'll just add it to your mortgage. So instead of paying five thousand dollars over next-- I'll end up paying ten thousand dollars. And if I'd just known, I could have negotiated, but nobody even brought it up until I got to closing. And you know how when you're at closing-- well, I don't know. When I'm at closing and I've only done this three times in my life and you see the key sitting right there, your brain is not engaged, the money is engaged in the love with the place you're going. So we just-- they need to stop this and they need to do it like everybody else does in the state of Nebraska.

**FRIESEN:** Thank you, Chairwoman Linehan. Senator Albrecht.

**ALBRECHT:** Thank you, Chairman Friesen. How-- how do we know throughout the rest of the state that it doesn't work the same way as Douglas and Sarpy?

**LINEHAN:** Well--

**ALBRECHT:** In Lancaster?

**LINEHAN:** I only have two personal examples in my children who bought houses in Hall County and in Lancaster County. They both laughed at how silly I was. They negotiated property taxes. One is a lawyer, so, but-- and they bought houses in other states. This is like, not normal.

**ALBRECHT:** OK, but-- but so they live-- so in Lancaster County, they negotiated?

**LINEHAN:** Yes, they negotiated. And I-- I don't remember exactly, but they did not pay taxes in arrears. The seller had to pay the taxes.

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Now the bill lays out, if I remember correctly, they can still negotiate. They can still be part, but it needs to be part of a negotiation, not just--

**ALBRECHT:** Uh-huh.

**LINEHAN:** --oh yeah, I forgot to tell you.

**ALBRECHT:** But like you say, I mean, if you live in that house for the rest of your life and never plan to sell, I don't think too many people buy six or seven or eight homes in their lifetime. Maybe they do, but I'm certainly not one of them. So, yeah, that would be--

**LINEHAN:** It's a problem, too, because, well, it's good and bad. It's good, mostly good. But it's a problem because I, in Elkhorn and all of my district, a lot of people move here from other states. So I've gotten-- when I realized I was-- I had really gotten rolled is when a constituent called me complaining about it and I said, oh, yeah, that happened to me. He's like, well, you're stupid. It's like, OK, maybe I am. And then I started digging around and then we had a call with the tax commissioner, the Department of Revenue, and they were like, no, you can't be right. And thankfully, somebody-- they can't do that, they wouldn't be doing that --and somebody from the Governor's Office who had also bought a house in the same area said, oh, no, that is how they do it.

**FRIESEN:** Thank you, Senator Albrecht. Any other questions? Seeing none.

**LINEHAN:** Thank you.

**FRIESEN:** Proponents? Do we have any proponents who wish to testify on LB466? Seeing none. Any opponents wish to testify on LB466? Seeing none, anyone wish to testify in a neutral capacity on LB466?

**JON CANNON:** Good morning, Senator Friesen, 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 in a neutral capacity on LB466. Senator Linehan knows, I sent her a note earlier or late last night that said we were originally planning on coming in in opposition. Again, this is one of those sorts of situations where once you hear how the thing has unfolded, you start saying to yourself,

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well, why-- why are we doing this for two counties that are-- that are out of sorts? And really it's a practice that occurs or exists within the appears, the real-- realtors community. Why are we involving county government? And so to the extent that Senator Linehan has-- her underlying goals appear to be sound. We want to fix something that is unique to Douglas and Sarpy Counties that doesn't exist in the other 91 counties in the state. I certainly understand that. The question is what's the best means of achieving that? And we're not certain that having the assess-- or the assessor or the treasurer's office handling the proration of taxes unless it's already dealt with is really the right answer. But we think that since it's a transaction that occurs between two different people, it's really best to keep that within the buyer and seller. We don't want to inject county government into a personal transaction between, you know, two folks that are-- that are trading property. And so to the extent that we can have a law that regards how proration is supposed to be handled rather than having the-- the assessor of the treasurer's office involved, I think that would be best. Because frankly, the only thing that's going to happen is someone's going to call the treasurer's office and they're going to say, well, you had the closing date is this date. That's day number 181 divided by 365 or 366 if it's leap year, here's your factor. And that's the factor you apply to your property taxes. I-- I-- I think anyone with a calendar or a calculator could probably make that calculation themselves. And that's why we think that it really this is-- this best belongs to, you know, the private transaction that occurs between two individuals and not involving county government. The other thing that we're a little bit-- we would be a little bit concerned about is when you call the treasurer's office or the assessor's office and you said, I'd like to know what the proration is, we're concerned about the liability that might attach to one of those offices when that answer is given. Then oh, by the way, the closing date moves as frequently happens, and then no one bothers to call back to the treasurer's office. That's also a concern of ours is, you know, someone is going to assume, well, the treasurer said this and actually, you know, the facts were a little bit different. I get the underlying position that Senator Linehan is taking now with this bill. That's why we're coming in neutral. We just-- we wonder if there's a better way that doesn't involve county government. We're certainly willing to have that conversation and visit with folks on that. With that, I'm happy to take any questions you have.

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**FRIESEN:** Thank you, Mr. Cannon. Senator Albrecht.

**ALBRECHT:** Thank you, Chairman Friesen, and thanks for being here. So, isn't-- isn't it the title company that would call to get that validation of have they paid their taxes? Are they current? Wouldn't it be, I mean, aren't they the ones that deal with the banks and-- and kind of put it-- put it out there, right?

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

**ALBRECHT:** So you're saying if it's left with the assessor, wouldn't they still be transferring to the treasurer's office to see if they've paid?

**JON CANNON:** Well, and I understand that Senator Linehan has an amendment that would move it over to the treasurer's office.

**ALBRECHT:** But isn't that the way it works now? I mean, wouldn't they have to call the treasurer's office to find out if they've paid up?

**JON CANNON:** And frequently-- and I think in most counties and I believe in Douglas and Sarpy, that information is available online as to whether or not the taxes have been paid or not.

**ALBRECHT:** So even if they call the assessor's office, the assessor would say they've paid up to this point.

**JON CANNON:** If the-- yeah.

**ALBRECHT:** They would-- they would know that anyway.

**JON CANNON:** Sure. And this is-- and again, this is for-- since we pay property taxes in arrears, this would be for the property taxes from the prior year--

**ALBRECHT:** Prior year.

**JON CANNON:** --we're paying in the current year. And so, you know, the question becomes, you know, so if I make a phone call on March 30th and I live in Douglas or Sarpy, first half taxes aren't due yet. And so that call gets made, and say, well, the taxes haven't been paid. However, oh, by the way, on April 1st in the large-- the three largest



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counties in the state, that's when the taxes become delinquent. And so  
that-- that answer can change just based on one day--

**ALBRECHT:** One day.

**JON CANNON:** --and based on when your closing is.

**ALBRECHT:** OK.

**FRIESEN:** Thank you, Senator Albrecht. Any other questions from the  
committee? Seeing none, thank you for your testimony.

**JON CANNON:** Thank you.

**FRIESEN:** Anyone else wish to testify in a neutral capacity? Seeing  
none. Senator Linehan, your close.

**LINEHAN:** I agree with Mr. Cannon. That's not maybe the first time this  
week, but close, so I'll work with him to figure out how to do it. But  
we just need to, because the other thing and I've got a bill to do, I  
don't think it's today, but coming from the Revenue Committee. But I  
think the Democrats in the Senate and President will probably take  
care of it. But, and I know houses now in Elkhorn are too expensive  
and they all got good jobs and whatever, but this is it really a  
double whammy if you come into Elkhorn now and you buy a house and you  
pay last year's taxes, which we have a lot of people in Elkhorn pay  
over \$10,000 a year. So they pay last year's five thousand and then  
they pay this year, so they end up with a 15-- \$16,000 property tax  
bill for the year and they can't even deduct it from their income  
taxes. So it's a whammy in my district and I would think in Sarpy  
County too, so. Thank you.

**FRIESEN:** Thank you, Chairman Linehan. Any questions from the  
committee? Seeing none, we'll close the hearing on LB466. Oh, do we  
have any letters? Nothing.

**FRIESEN:** OK. Welcome to the Revenue Committee public hearing. My name  
is Curt Friesen, from Henderson, representing District 34, and I will  
act as the interim Chair of the meeting as our Chairman introduces the  
bill. For the safety of our committee members, staff, pages, and the  
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

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when it is necessary for you to attend the bill hearing in progress. Bills will be taken up in the order posted outside the hearing room. The list will be updated after each hearing to identify which bill is currently being heard. The committee will pause between each bill to allow time for the public to move in and out of the hearing room. We request that everyone utilize the identified entrance and exit doors to the hearing room. We request that you wear a face covering while in the hearing room. Testifiers may remove their face covering during testimony to assist committee members and transcribers in clearly hearing and understanding the testimony. Pages will sanitize the front table and chair between testifiers. Public hearings for which attendance reaches seating capacity or near capacity, the entrance door 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 a 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. Well, we don't have that today. So we ask that you please limit or eliminate handouts. The committee will take up bills in the order posted. Our hearing today as a public part of the legislative process. This is your opportunity to express your position on proposed legislation before us today. To better facilitate today's proceedings, I ask you abide by the following procedures. Please turn off cell phones. The order of testimony: introducer, proponents, opponents, neutral, and closing remarks. If you will be testifying, please complete the green sheet from-- and hand it in to the page when you come to testify. If you have written materials that you would like distributed to the committee, please hand them to the page to distribute. We need 12 copies for all committee members and staff. If you need additional copies, please ask the page to make copies for you now. When you begin to testify, please state and spell your name for the record. Please be concise. It's my request that you limit your testimony to five minutes if necessary. We will use the light system. Green will give you five minutes of-- four minutes of green, one minute of yellow, and the red, if you wrap up your testimony. If there are a lot of people who wish to testify, we'll use a three-minute testimony limit. If your remark will be reflected in previous testimony or if you'd like your position to be known but do not wish to testify, please sign the white form on the table outside of the room by the entrance and it will be included in the official

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record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. With that, I'll introduce the-- the staff. And to my immediate left here is Mary Jane Egr Edson, and further on is Kay Bergquist. And at the end of the table is Grant Latimer. And with that, we will do the introductions, starting at my right.

**PAHLS:** Rich Pahls, District 31, southwest Omaha.

**FRIESEN:** Tom.

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

**ALBRECHT:** Joni Albrecht, District 17.

**FRIESEN:** OK, our--

**LINEHAN:** Lou Ann Linehan. [LAUGHTER] I'm back.

**FRIESEN:** Our pages this afternoon are Jason at UNL and Reid, UNL ag econ. Please remember senators may come and go during our hearings. They have bills to introduce in other committees. Refrain from applause or other indications of support or opposition. I would like to remind our committee members, speak directly into the microphone for our audience. The microphones are not for amplification but for recording purposes only. And we are an electronic-equipped committee. Information is provided electronically, as well as in paper form. There you may see committee members reference again information on their electronic devices. Be assured that your presence here today and your testimony are important to us. It is critical to our state government. With that, we will open the hearing on LB214. Welcome, Chairwoman Linehan.

**LINEHAN:** Thank you, Senator Friesen. Good afternoon, Senator Friesen and members of the committee. My name is Lou Ann Linehan, spelled L-o-u A-n-n L-i-n-e-h-a-n, and I represent the 39th Legislative District. I introduced LB214 to help clarify the definitions of recreational land, wasteland, and primary use for agriculture and horticultural land for assessment purposes. LB214 defines recreational land to mean land predominantly used or intended to be used for diversion, entertainment, and relaxation. For agriculture or horticultural value-- valuation, primarily used is defined to mean that the-- that the use of the land is mainly for agriculture and

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horticultural purposes. When determining the primary use of small or mixed-use parcels, consideration will be given to whether the parcel is lying in or adjacent to an in-common ownership or management with other land use for agricultural or horticultural purposes. Wasteland is defined to mean land that cannot be used economically and is not suitable for agriculture or horticultural purposes. Senators have been hearing from their constituents that some county assessors are making erroneous judgment calls when making a determination on assessed value of land next to a recreational parcel and on land that should be classified as wasteland. As I mentioned earlier, LB214 has been introduced to assist county assessors and landowners in clarifying the definitions of prop-- definitions of primary use for agricultural and horti-- horticultural value, recreational land value, and wasteland value for assessment purposes. So I-- Senator Bostelman first brought this issue to me because he has a lot of his ag lands next to the Platte River, then it was also brought to my attention that further west, land that was-- happened to be next to the Platte River was getting reassessed. Instead of being farmland, it was called recreational land, which then, of course, is a huge difference in taxes owed because it's no longer farmland. Circulation on it's not 75 percent. So I think we just need to clean it up so it's clear to everybody. It was only two or three counties, I think.

**FRIESEN:** OK, thank you. Other questions from the committee? Seeing none--

**LINEHAN:** Thank you.

**FRIESEN:** --anyone wish to testify in support of LB214?

**JON CANNON:** Good afternoon, Senator Friesen, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I am the executive director of the Nebraska Association of County Officials, which I will refer to also as NACO. Thank you, Senator Linehan, for bringing this legislation. We think that anytime we can have clarity and uniformity in the rules that we have as far as how we're going to assess land, that's going to be-- ultimately be beneficial to any sort of assessment that we're going to make of land. You know, we have a uniformity provision in the constitution of our state. And so to the extent that we're-- we're treating land uniformly from one county to the next, I-- I think that's going to ultimately be for the good. I-- I will note this particular section of statute has

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been amended a few times. We've always been trying to figure out exactly how are we defining the land. Is it-- you know, whether or not it's ag, whether or not it's being used for a different purpose. You know, I'm hopeful that-- that this is the last time we need to amend it. But I just-- I just wanted to bring that to the committee's attention. So I'd be happy to take any questions, and I urge you to forward LB214 onto the floor. Thank you.

**FRIESEN:** Thank you, Mr. Cannon. Any questions from the committee? Seeing none, thank you for your testimony.

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

**FRIESEN:** Anyone else wish to testify in support of LB214? Seeing none, anyone wish to testify in opposition to LB214?

**BRIAN McALLISTER:** My name's Brian McAllister, B-r-i-a-n M-c-A-l-l-i-s-t-e-r, just currently a farmer outside of Lincoln. We have about 160 acres and about 20-plus of that is-- is-- would be considered, in my view, wasteland. What concerns me a little bit is the way we are wording the words. We're trying to clarify what is recreational land. I do nothing with the wasteland. We do have a-- the draws do drain into a farm pond. We do go out and we catch a fish once in awhile. That's about the extent of our recreation. But that's the only thing we do with the wasteland, so it could very easily still be classified as recreation land. That concerns me a little bit. The bigger concern I have is the movement of section (c)-- I guess it'd be (2)(c)-- down to-- I guess they're putting it into (5)(b): whether a parcel of land is primarily used for agricultural or horticultural purposes shall determine without-- without regard to whether some or all of the parcel is platted and subdivided into separate lots, blah, blah, blah. That was put in just a few years ago, but it helped clarify Section 1 and 2 as to the-- what land is to be used to determine what is agricultural and horticultural purposes. The movement of this section down to Section 5 is-- is confusing to me, and I'm sure-- but so we're saying now that it moves down to Section 6. It takes it out of Section 1. Now Section 5 there again is saying that land that-- that we're not-- that we're not-- is to be determined without regard whether the-- some or all of the parcel is platted and subdivided. But yet Section 3, the farm homesite land, the land that is associated, which is basically the same land as what we're talking about up there, that has to be located outside urban areas, outside of

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platted and outside of zoned areas. To me, there's a confusion in what-- what-- what are we trying to actually do? We're trying to actually say with-- with-- with this movement of that-- that section of the-- of the bill. That's pretty much my concern. I don't know what the rationale is for trying to move it or adjust it. Are we trying to take that out of the definition? I'm-- I'm not sure what that is, but there is definitely some confusion on the type of verbiage that has put it in one type of land versus another type of land. That's what I have. I don't know if you have any questions, but--

**FRIESEN:** OK. Thank you, Mr. McAllister. Any questions from the committee? Seeing none, thank you for your testimony.

**BRIAN McALLISTER:** Thank you.

**FRIESEN:** Anyone else wish to testify in opposition? Seeing none, anyone wish to testify in a neutral capacity? Seeing none, Senator Linehan.

**LINEHAN:** I want to thank Mr. Cannon and Mr. McAllister for coming in. I'm, to be-- I-- I'm not sure why they moved that section. That's what Bill Drafting did, so I assume maybe-- that's never good. I'm not a lawyer, but we can ask Bill Drafting why they did that. The point of this was we-- we just-- it was-- there was some confusion. The lag-- the language was vague, leaving a lot of discretion to the assessor as to whether to say this parcel is recreational or is farmland. And what I'm trying to do is exactly what Mr. McAllister brought up, is if they-- they use it to swim-- or swim, fish, whatever, occasionally on their farm, that shouldn't all of a sudden be recreational land. This is-- you know, the main part of where this was happening, again, was where people may hunt. And all of a sudden it's like, well, you're hunting there, then is it farmland or is it recreational hunting land? And those are very different values, so that's what I'm trying to get it clear, that if it's mostly farmland used for farming, it's farmland.

**ALBRECHT:** So--

**FRIESEN:** OK, thank you. Any questions from the committee? Seeing none, we'll close the hearing on LB214. Are there any letters? None.

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**LINEHAN:** OK. Now we'll open the hearing on LB313. Senator Sanders.  
Here she is.

**SANDERS:** Good afternoon, Chairwoman Linehan and committee members. For the record, my name is Rita Sanders, R-i-t-a S-a-n-d-e-r-s, and I represent District 45, which includes much of the Bellevue/Offutt community in eastern Sarpy County. Today, I'm introducing LB313 to minimally change the state's homestead exemption application deadline. LB313 does two things. First, the bill extends the deadline for a homestead exemption late application. Second, it includes the death of a spouse as an acceptable reason to request an extension to file for homestead exemption. I'd like to thank Sarpy County Board of Commissioners for bringing me this bill. Under the current law, a property owner may file a late application for a homestead exemption if a medical condition caused the delay. This flexibility would expand under this bill. Also, the current law does not consider property owners whose spouse passed away, thus causing a late exemption in application. Many times the spouse that passed away may be the member of the family that handles all of the finances. It takes time for a spouse to learn unfamiliar financial processes and grieve a loved one. LB313 extends the current time that a person with a medical condition can file for a late application for their homestead exemption to June 30 of the year the taxes become delinquent. This bill also includes the death of a spouse for a reason to receive an extension on filing for a homestead exemption. LB313 does not expand or change the eligibility for the Homestead Exemption program. It simply allows greater flexibility for late application in the light of life-altering events. Because of this, LB313 does not have a signi-- significant fiscal note. Additionally, I would like to bring to your attention AM202. AM202 is an amendment brought to my attention by the Nebraska Association of County Officials to clarify and streamline the process outlined in LB313. When a resident receives a partial homestead exemption either due to the value of the property or the income level of the resident applying, the amendment clarifies that the resident who receives a partial homestead exemption will pay interest on the percent of that property tax of which they did not receive a homestead exemption. Here today is Sarpy County Commissioner Angi Burmeister, who will share more information about the personal story that led to the introduction of this bill. Throughout the interim, Sarpy County has engaged in multiple conversations with county commissioners, county assessors, and county treasurers to draft this legislation.

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LB313 has been carefully crafted and narrowly tailored to increase flexibility while minimal-- minimally disrupting existing processes for assessors and treasurers in particular. LB313 is supported by Sarpy County, Douglas County, Lancaster County, NACO, and AARP Nebraska. Thank you for your time and attentiveness and I welcome the opportunity to answer any questions that you might have.

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

**ANGI BURMEISTER:** Good afternoon. Thank you, Senator Linehan, members of the committee. Appreciate the opportunity to be here to provide a little more background on LB313 for your consideration. I'm Angi Burmeister. It's A-n-g-i B-u-r-m-e-i-s-t-e-r, and I'm a Sarpy County commissioner. We saw some things come to light during my tenure on the board that made us think that it would be appropriate to bring legislation to allow a little extra time in this very limited circumstances that involve the changes in this bill. And so-- and we'd like to thank Senator Sanders for bringing this bill. In-- in the immediate things that we've had come before us, there-- there have been a lot of appeals, of course, to the-- to the board for additional ex-- extensions of time. And in a lot of cases, it's-- you know, there has to be some deadline and we understand that and we support that in our rulings. But there have been a few cases where we have felt that additional time would be warranted, and one of those cases that came to light in this last year that for us was the tipping point of asking for legislation, was a case that involved one of our residents who is a 80-year-old resident who came to the board. She had filed for a homestead exemption, and she had a disabling skin condition for which she was seeking treatment. And she had had a lot of treatment out of state, and that was the reason that she was not present for the time that she needed to file for this exemption. The treatment that she had was debilitating, and so she had a doctor's note and all of the things that you need in order to qualify for this exemption, but she didn't meet the deadline. And so when she went to the county assessor, the county assessor did deny the exemption initially. She then did file an appeal to the county board and the county board looked at the issues and weighed the legal-- and-- and weighed the legal options available to us, which were limited, quite honestly, and we did rule in her favor based on a very limited legal argument. But the State Department of Revenue overturned it because the statute is very specific as to



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the timing and it does not provide a lot of leeway there for somebody with a-- with a medical condition. And so that meant that, one, this poor resident came to the county board looking for the exemption. She had to-- she came in person. She was 80. She had-- she came during COVID with this condition to argue her case, which, you know, was a little bit difficult for us as board members, that we didn't have any leeway to provide her a little more time. And because her exemption was overturned, she paid a little over \$5,000 in taxes that she for--otherwise would have been exempt from. Under the current law, the due date for filing an application for a late homestead exemption is in April. That's when the first payment is due. And so that-- you have to file by the time that first payment is due. And that's part of the problem that we're trying to overcome here is that having the payment due, having the application due at the same time the payment is due, it's easy for residents to miss that if they're having a-- a condition that's impairing their ability. So this bill just extends it a little further, until June 30 of the year that the taxes are due. So we agree there needs to be a deadline. We're just trying to buy them a little extra time if something specific is going on there that-- that would warrant a little extra time there. And in determining-- originally when we looked at this issue, we were hopeful that we would extend it to December 30, quite honestly. But in talking collaboratively with other groups, other counties, we-- we determined that June 30 was a date that we could do that wouldn't affect other governmental processes, so we chose that date for that reason and in trying to find something collaborative that we could bring to you that would allow that extra time without causing problems for other areas. And then it does add the issue of the-- someone who has a spouse that passes away. And I will tell you in-- in my other job, I'm an attorney and I-- I practice in the area of estate planning and probate. So I also see people who have had a spouse pass away, and it can be really a devastating impact for people. So we are trying to protect that in that-- only that year that they would have had a spouse pass, and it's particularly hard with a spouse passing where that spouse was in charge of the finances. So it adds that limited area that-- that would give them extra time. This doesn't expand anything outside of that. It's very narrow, limited exception. So it shouldn't affect, quite honestly, a lot of people, but it will affect that small number of people greatly. So we appreciate your support and I'm here for any questions.

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

**JON CANNON:** Good afternoon, Chairwoman Linehan, distinguished members  
of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I  
am the executive director of the Nebraska Association of County  
Officials, which I will also refer to as NACO, here to testify in  
support of LB313. Thank you to Senator Sanders for bringing this  
legislation. When I talked to assessors, they say that the only time  
that people are ever happy to come into the assessor's office is when  
they are applying for the homestead exemption. And I've-- I've been  
hearing that for probably a dozen years, if-- if not more. Homestead  
exemptions are good tax policy. This is targeted property tax relief  
that we're trying to get to our more vulnerable homeowners that we  
have that are-- that would ordinarily otherwise be property taxpayers.  
Typically, you've-- you've had me before you before, and I've  
ordinarily expressed that NACO is allergic to extending the deadlines  
for this particular program for a number of different reasons, which I  
won't go into now. But we have decided as a state, and-- and this  
Legislature has decided, that it is good policy for us to have an  
extended deadline for those persons that have medical emergencies. And  
frankly, this sort of situation is the ultimate medical emergency  
and-- and for everything that Senator Sanders and Ms. Burmeister had--  
had described, when you've got a grieving spouse that ordinarily had  
not been responsible for the finances or for filing the homestead  
exemption in the past, the last thing on their mind is, you know, what  
should I-- you know, I should be making sure that I get this  
application form into the county assessor on time. I-- I do want to  
bring up an issue with the dates. Ms. Burmeister described it fairly  
accurately. Typically, for most people, the trigger that there's  
something I should have done is going to be when they receive their  
tax statement at the end of the year. And ordinarily, for the medical  
exemption, we say, well, you've got until the first delinq-- the--  
the-- the first half delinquency date is due. And so, you know,  
ordinarily our assessor has said, well, you know, we would like to  
have that kind of synchronize if we can, and-- and the reason isn't so  
much for the county. I mean, if-- if there's one more date in there,  
that's-- that's not that big a deal. The-- the issue actually is with  
this particular class of-- of applicants. The part-- pardon me. The  
particular population that we're trying to serve here, generally  
speaking, the longer we let that period go from when they should have

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applied to when we let them apply, it's-- it's generally going to be more apt to be forgotten. And so, you know, we ordinarily say that if the trigger date is when they receive the tax statement, it's not a bad idea to have something a little bit closer to that that, oh, by the way, you've got four months to get your exemption application in. Again, this is not really a problem for the counties. This is our shared experience among 93 counties. Having observed this before, saying we would prefer that shorter window, in actuality, we think it benefits the taxpayer a little bit more. But again, the underlying reasons for this legislation are 100 percent bulletproof. We think that there-- this is good public policy. We would urge you to advance LB313. We just ask that you have a conversation as to whether or not that-- that date issue is something that-- that you want to take up. 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? Seeing none, thank you very much for being here.

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

**LINEHAN:** There other proponents? Hi.

**JULIA PLUCKER:** Good afternoon--

**LINEHAN:** Good afternoon.

**JULIA PLUCKER:** --Chairwoman Linehan and Revenue Committee members. My name is Julia Plucker, J-u-l-i-a P-l-u-c-k-e-r. I am appearing today as a registered lobbyist on behalf of the Douglas County Board of Commissioners in support of LB313. I'd like to thank Senator Sanders for introducing this legislation. And additionally, the county wishes to thank this committee and the Legislature for your commitment to funding homestead exemptions. The county board encounters many situations involving residents discussed in this bill. We believe it's narrowly crafted, so it will not dramatically change the number of homestead exemption filings, but it does provide a failsafe for those who unfortunately have a death of a spouse or a serious medical condition which impedes the homestead exemption application process. For the committee's background, Douglas County processes approximately 13,000 homestead exemption applications a year. With that volume, they see late filings in about 65 cases, and they anticipate with-- that

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with the change in this bill, they would see just a handful more. I know that's not a scientific data number, but a handful more. And with that, we appreciate the committee's consideration.

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

**\*JINA RAGLAND:** Chair Linehan and members of the Revenue Committee: My name is Jina Ragland, testifying in support of LB313 on behalf of AARP Nebraska. LB313 makes some minor changes to the extension of the homestead exemption application deadline. Specifically, it adds the death of a spouse in the year for which the homestead exemption is requested as a reason that a property owner may file a late application and extends the late application deadline to June 30 of the year in which the real estate taxes levied on the property for the current year become delinquent. AARP is the largest nonprofit, nonpartisan organization representing the interests of Americans age 50 and older and their families. Key components of AARP's advocacy agenda include helping to ensure that Nebraskans and all Americans alike are financially secure and can age in their own homes and communities, among family and friends. AARP strongly believes that all individuals have the right to be self-reliant and live with dignity. This is especially true throughout one's retirement years. As the largest item in most American household budgets, housing costs directly impact financial security. AARP research tells us that 86% of people 65 and older want to remain in their own homes and communities as they age. Yet older adults living on a fixed income are especially vulnerable to the rising cost of housing. Our research also shows that almost 20 million households with adults age 50 and over spend more than 30 percent of their income on housing and are therefore considered housing cost-burdened. But regardless of age, ability or background, the devastating effects of housing insecurity and the resulting displacement, loss of independence or homelessness cannot be emphasized enough. It is not surprising then that many of our members tell us that property taxes are the single most burdensome tax. And we believe this is particularly the case for those who are living on a low to moderate fixed income. The property tax affects older people directly as homeowners. The Nebraska homestead exemption program provides the opportunity for Nebraskans whom are unable to pay their taxes due to limited income, disabilities, or medical expenses to remain in their homes, aging in place at the lowest level of care. Psychologically, losing a long-term spouse can often cause symptoms of

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depression, anxiety, and even feelings of guilt. Physical illness may also occur as the body becomes more vulnerable to emotional and environmental stressors. Spousal loss is often one of the most stressful of all of life's events, especially for older adults. The stress can be even more debilitating for a spouse that may not have been the primary accountant or taken the lead in financial responsibilities. The complexities of taking on that new role and sorting through the next steps in their life while dealing with their own grief can be confusing and difficult to understand. LB313 would provide those in these life altering and debilitating situations that previously had filed and been approved for the homestead exemption additional time to keep their exemption while still allowing them to remain in their home. Thank you for Senator Sanders for introducing the legislation and to the eight senators whom have co-signed onto the bill. We appreciate the opportunity to comment and would ask you to advance LB313 to general file.

**LINEHAN:** Are there any other proponents? Are there any opponents? Is there anyone wanting to testify in the neutral position? We did have a written testimony dropped off this morning from Jina Ragland with AARP, and there was one letter for the record, no opponents and no neutral. So thank you.

**SANDERS:** Thank you. Once again, I'd like to thank the committee for their time and attentiveness. I see LB313 as a way to help keep seniors in their homes after a serious health issue or a death of a spouse. It provides greater flexibility, yet does not expand or alter qualifications of a homestead exemption. Finally, if you have any questions, I'd like to be able to take those if you have any.

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

**SANDERS:** Thank you.

**LINEHAN:** Have a good weekend. And that brings hearing LB313 to a close. And next, we will go to LB412? That's the way we're doing it?

\_\_\_\_\_ : I guess.

**LINEHAN:** Whose is it?

\_\_\_\_\_ : [INAUDIBLE]

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**GRANT LATIMER:** He's closing right now.

**LINEHAN:** Erdman is? Oh, so we'll-- he'll come last. Are we chasing  
Cavanaugh down? Is that what we're doing?

**GRANT LATIMER:** We've tried to call her, yes.

\_\_\_\_\_ : [INAUDIBLE]

**LINEHAN:** Does anybody-- do you have her cell phone? I don't think I  
have.

**FLOOD:** Machaela?

**LINEHAN:** Yeah. Do you have it? I--

**FLOOD:** Are you waiting for Erdman too?

**BOSTAR:** Are you calling Mike?

**KAY BERGQUIST:** He was just finishing up in Natural Resources.

**LINEHAN:** Yeah, are you--

**FLOOD:** You can call her.

**BOSTAR:** OK.

**LINEHAN:** Because Erdman is still there from this morning. So like  
you're feeling bad for ourselves?

**FLOOD:** I'm-- I'm responsible then.

**LINEHAN:** I've gotta--

**FLOOD:** Well, he's responsible for whatever--

**LINEHAN:** I would like to thank that last hearing. That was a really  
nice-- yeah, we like it, we like it, we like it, goodbye. No, we have  
no questions. We like it too.

**BOSTAR:** Hey, Machaela? Your bill is up in Revenue. OK. All right,  
thanks. All right. Her--one of her staff members is on the way to  
introduce it because she's up in Rev-- in Judiciary.

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**LINEHAN:** OK. OK, well, it is what it is.

**M. CAVANAUGH:** I have to be two places at once.

**LINEHAN:** It's fine.

**M. CAVANAUGH:** Sorry.

**LINEHAN:** We're a little messed up. I mean, we're kind of going  
backwards a little bit.

**M. CAVANAUGH:** I won't be staying for closing because I have to go to  
another hearing, so I apologize. Good afternoon, Chairwoman Linehan  
and members of the Revenue Committee. I am Machaela Cavanaugh,  
M-a-c-h-a-e-l-a C-a-v-a-n-a-u-g-h, and I represent District 6,  
west-central Omaha, Douglas County. I am here today to introduce  
LB412. Catch my breath-- sorry.

**LINEHAN:** It's OK. Take your time.

**M. CAVANAUGH:** I'll talk real slowly now. This may be a familiar piece  
of legislation to several of you on the committee. Senator Wayne  
brought-- has brought similar legislation in two previous biennium,  
most recently LB493 in 2019. LB412 seeks to correct a particular--  
peculiarity of our property tax system that impacts a selection of  
public housing authority properties, or PHAs. Public housing authority  
developments, just like public schools and public libraries, do not  
pay property taxes. They are political subdivisions and are  
statutorily exempt; at least that is the idea in theory. Over the last  
several decades, federal funding to local public housing authorities  
to develop new units or rehabilitate existing-- existing ones has all  
but evaporated. Furthermore, the state of Nebraska and our local  
governments do not provide PHAs any funding, and the housing  
authorities have no taxing authority of their own. As a result, PHAs  
increasingly rely on public-private partnership programs to finance  
the rehab and construction of affordable housing units. Most often the  
Low-Income Housing Tax Credit, or LIHTC-- LIHTC-- I apologize. The  
requirement of the LIHTC is that the private investors become majority  
property owners on paper for the first 15 years, yet the housing  
authority retains all operation, management and maintenance  
responsibilities throughout the life of the project, including those  
first 15 years. County assessors have interpreted this ownership

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structure to mean that for the first 15 years the PHA must pay property taxes on the 99.9 percent owned on paper by private investors. Unfortunately, that tax payment does not come out of the investors' pocket; it is paid by the little revenue that the property generates. In other words, the rents paid by the housing authority tenants pay the property taxes. This bill would correct that, ensuring all public housing authority developments are treated equally, regardless of what mechanisms were used to finance their development. Imagine if we treated schools and libraries this way. If we forced Omaha or public school-- or Elkhorn Public Schools to pay property taxes on a new elementary school because they used bonds to finance its construction. That would make no sense. It would only take funding away from their ability to support the students. The same is true for housing authorities and their tenants. The PHAs are our housing's-- our housing last resort. They shelter the lowest-income and most vulnerable citizens in every community across Nebraska. There are plenty of wonderful private and not-for-profit affordable housing providers, but PHAs are the only public entity devoted to housing the most needy neighbors. We should do everything we can to support them and we should-- we should begin by making this minor change. This change will not only help the PHAs save money on their existing properties, money that they can then apply toward property maintenance or community development programs like youth sports for PHA residents' children. It would also make it more feasible for PHAs to devel-- to develop new LIHTC properties in the future. I'll do my best to answer your questions; however, there is a testifier following me with more knowledge of low-income housing development world. I'm sure they can answer more specific questions, but I hope that you will advance this bill to General File.

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

**M. CAVANAUGH:** OK. Thank you very much.

**LINEHAN:** Proponents, please.

**DAVID LEVY:** Good afternoon, Chairwoman Linehan, members of the committee. David Levy, D-a-v-d-i-d L-e-v-y. I know many of you through my day job as a lawyer and lobbyist with the Baird Holm law firm. I also have the honor of serving as chairman of the board of commissioners of the Omaha Housing Authority, and I appear before you



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in that capacity today in favor of LB412. OHA's job, put simply, is to provide housing for the 30,000 or 35,000 poorest and most vulnerable residents of the community. The Omaha Housing Authority is a political subdivision of the state of Nebraska. State law exempts the property of political subdivisions automatically from property tax, yet through a quirk in state law, as Senator Cavanaugh described, housing developments that are public housing, that are used for those poorest and most vulnerable people in the community, if financed a certain way through a public-private partnership, which I think is generally a good way to finance things, end up paying property taxes. So in 2020, the Omaha Housing Authority, because of this quirk of state law that LB412 would resolve, paid about \$58,650 in property taxes. Now that may sound like a relatively small amount, but for the Omaha Housing Authority, every dollar counts. And as Senator-- Senator Cavanaugh alluded to, those are dollars that we could be using for youth sports programs, job training programs, computer literacy programs, all of those kinds of things. This is a political subdivision housing the poorest people in the community and yet paying property taxes. A couple of examples that I'd like to give you and then I'll stop and happy to answer any questions that you might have. Ernie Chambers Court is a 70-unit apartment development in north Omaha on 16th Street. We had a fire there about a year ago, which didn't help matters. Somebody's kid was playing with matches, unfortunate situation, but a 70-unit apartment development, in 2020, notwithstanding the fire, lost approximately \$300,000. We operated that at about a \$300,000 loss. The rents we can charge those tenants are-- are capped by law. Some of those tenants pay just a few hundred dollars in rent. So we lost \$300,000 on that property and yet we paid \$28,217 in property taxes. It just doesn't make any sense. And I know this is the last place to come and talk about paying less property taxes, but these dollars aren't going to make or break the state budget; they're not going to make or break property tax relief in the state of Nebraska. But they're very important to the Omaha Housing Authority. Another one in north Omaha, affordable homes, 56-unit development, we lost about 7-- we operated at a \$7,500 loss, but we paid \$18,192 in property taxes. Statewide, there are other housing authorities that have this similar situation. If this committee were to advance this bill and the Legislature were to pass this bill, the loss of property tax revenue to the counties, not to the state, of course, would be about \$100,000 per year. That-- that's what we're talking about, but that's a lot of money for public housing agencies,

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housing authorities around the state, which, again, are political subdivisions and just trying to use public-private partnerships to finance low-income housing for the poorest and most vulnerable people in the community. The federal government is not sending us checks to build more public housing anymore. These kind of creative financing mechanisms, these public-private partnerships are what we have to work with, but we get penalized for-- for using them because of this quirk in state law that LB412 would resolve. So I was a little less brief there than I maybe promised. I apologize. I'm happy to answer any questions, and I hope you will advance this bill.

**LINEHAN:** Thank you, Mr. Levy. Are there questions from the committee? Can you explain? I-- I know we use public-private partnership a lot, but how does this work exactly?

**DAVID LEVY:** Sure. So-- and this goes a little bit to what we talked about, I think it was last Thursday maybe, was the historic tax credits as well. So Low-Income Housing Tax Credits are credits against federal income tax that are earned by building housing that is rent restricted to people who make 60 percent or less of area median income. The only way that a political subdivision without income tax liability like the Omaha Housing Authority can make use of those tax credits is to partner with a private entity that has that tax liability, and the way that partnership works is that that private entity with that tax liability on paper is a 99.9 percent owner of that project. The housing authority is a 0.1 percent owner of that property, but the housing authority has all of the responsibility to operate and maintain that property, all of the expense associated with that, including paying the property taxes. So that's the public-private partnership we-- the housing authority creates those tax credits by building and operating this very low-income housing. The private money comes in to buy those tax credits. It's part of-- it's the way you finance these things. It's part of the-- of financing a real estate project. Those tax credits are something that you can monetize; otherwise, the housing authority doesn't have the money to build these projects in the first place.

**LINEHAN:** When you say monetize, can you explain what that means?

**DAVID LEVY:** You-- you get paid for them essentially. And-- and I-- I don't mean to be flip or vague. Under federal law, tax credits technically are not transferable. I can't sell them to you like I

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could sell you this book. But you-- you monetize them through what's called syndication, which is where you create a partnership where the-- the taxpayer is the owner of the property and so that, as the owner of the property, they receive those federal-- those tax credits and those income tax benefits from the property. But again, the housing authority is the one operating it and paying all the operating expenses.

**LINEHAN:** So is the tax credit 100 percent against their federal tax liability?

**DAVID LEVY:** No, the tax credit is 9 percent-- the tax credit is-- is not created or counted-- calculated by their tax liability. It's created by the money that the housing authority spends to build the project. So if you build a project that costs a million-- you have a million dollars of qualified expenses, the tax credits that it generates are equal to \$90,000 per year for ten years, so they're-- they're equal to 9 percent each year of the cost of the project.

**LINEHAN:** So if I--- if I had one of these and I owed \$20,000 in federal taxes, I could just use that to pay my federal taxes? I could wipe out my own federal tax liability?

**DAVID LEVY:** You-- in your example, Senator, you could use that to reduce your \$20,000 of tax liability to \$11,000. You have \$9,000 of certificates that you would provide with your tax return, essentially.

**LINEHAN:** If I owned the whole project.

**DAVID LEVY:** Right.

**LINEHAN:** Right. OK. Does the state of Nebraska do a tax credit on this, too, or is it just federal?

**DAVID LEVY:** The state does have an affordable housing tax credit as well, yes.

**LINEHAN:** What is the state's affordable housing credit?

**DAVID LEVY:** The state's affordable housing tax credit essentially mimics the federal program, so it's-- it's very similar.

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

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**BRIESE:** Thank you, Chairman Linehan. Thanks for your testimony. But you can assure us today that this tax relief we're talking about would directly benefit the residents of these?

**DAVID LEVY:** Ab-- absolutely. I mean, these-- these property taxes come straight out of the Omaha Housing Authority's budget or the Bellevue Housing Authority's budget or Grant Island Housing Authority. If we didn't have to spend them on property taxes, we'd spend them on youth sports or computer literacy, which I would argue, Senator, over decades reduces the tax burden because we've got kids who are busy and learning and have other opportunities and--

**BRIESE:** It's not going to allow you to sell the credits cheaper or something like that, indirectly benefit third parties?

**DAVID LEVY:** No, it-- it's direct money that-- that we otherwise spend. And, you know, in the case of Ernie Chambers Court, that's almost \$30,000; in total, it's almost \$60,000. That's real money for us to-- to spend on our residents.

**BRIESE:** OK, thank you.

**DAVID LEVY:** Yep. Thank you.

**LINEHAN:** Other questions? Isn't it kind of odd if they have to own the property 99 percent? Isn't that in your lease agreement who pays the property taxes?

**DAVID LEVY:** It's in the partnership agreement. So you enter into a partnership agreement with them to create this syndication structure. And that partnership agreement says that-- that we as the housing authority get the-- the benefit of operating the project, which we want, but part of that benefit is all of the expenses of operating it, including the property taxes.

**LINEHAN:** But it does work out in your lease, like when you have property and you lease it to somebody, you work out who pays the property taxes.

**DAVID LEVY:** Sure, yeah, and in all of these partnership agreements, the-- it's the operator of the project who pays the property taxes.

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**LINEHAN:** OK. Other questions? Seeing none, thank you very much for  
being here, Mr. Levy.

**DAVID LEVY:** OK, thank you all.

**LINEHAN:** Other proponents? Are there any other proponents? Are there  
any opponents? Anyone want to speak in the neutral position? OK. And  
she left. So we had no written testimony submitted and we had only one  
letter, proponent. So with that, we'll close LB412. And, Senator  
Erdman, you're out of the Natural Resource wasteland, so we will go  
back to the beginning, LB222.

**ERDMAN:** Thank you, Senator Linehan. I appreciate you waiting. I didn't  
intend for that to go that long. I'm sorry--

**LINEHAN:** That's OK. We didn't really wait. We just--

**ERDMAN:** --sorry about that.

**LINEHAN:** That's fine.

**ERDMAN:** My wife is, too, because we'd have headed home. My name is  
Steve Erdman, S-t-e-v-e E-r-d-m-a-n. I represent District 47, ten  
counties in the Panhandle. I bring you today a very simple bill that I  
think will be very evident that it needs to happen and-- and it's a  
situation where Game and Parks has been allowed to not pay in lieu of  
taxes on property acquired prior to January 1, 1977. They have acq--  
they have required-- inquired [SIC] several parcels since 1977 they  
pay taxes on, and a year ago they purchased 1,500 acres near Fort  
Robinson next to what they call the Peterson Wildlife Management Area.  
Now the Peterson Wildlife Management Area was purchased before 1977  
and, therefore, pays no in lieu of taxes. The new property that they  
purchased near there, 1,500-and-some acres, is going to pay in lieu of  
taxes. And what they do is they pay taxes at the same rate of the-- of  
the purpose of the land when it was purchased. And so consequently,  
they have taken some of this land and changed it from agricultural to  
recreational, and some of these parcels need to be revalued as  
everyone else pays taxes based on the highest and best use. And so  
that's what this bill does. It changes the way that they classify  
their land for taxation or in lieu of taxes, and it changes that they  
would pay taxes on all the property they own. What happens when  
agencies such as Game and Parks purchase land and they don't pay

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property tax? Everybody else pays more. And that's exactly what happens in-- in September-- or maybe it was October. I'm not sure of the exact date. But I attended a Game and Parks Board meeting in Ogallala, Nebraska. Game and Parks purchased 60-plus acres near Kearney. That's adjacent to one of their recreational sites. And when they purchased that 60-some acres, that land there will have no taxes collected and no taxes paid in lieu of. So those people in Buffalo County will pay more taxes because Game and Parks doesn't pay any. And I understand public access is important to lands in Nebraska. I-- I understand that. But by the same token, I don't think it should be up to specific landowners to pay more because somebody pays less. I'll bring your attention to the most important part of the bill is the fiscal note that was submitted. And if you'll turn to that page, I'll-- I'll just run through that very quickly, because I think it's pretty self-evident what we're doing here and why we're trying to do it. And so if you look down that list, it lists those counties that currently have land that would be taxed that they're not paying in lieu of taxes now. And so it-- there's quite a few that-- I think there's 53 counties, or whatever it is, that currently have land held by Game and Parks they don't pay any tax on. And you'll see at the bottom, it says that the amount is \$571,000. But if you look over in the fiscal note on the second or third page, you will see "222 in lieu of tax payments" at the top. You will see Game Parks' estimate that they pay \$611,375. So the difference on that \$2,483,000, that is what they're estimating would be the taxes that they would owe if this bill passes. And I could not reconcile the \$611,000 to the \$2.4 million. And so I called the person who did the fiscal note and there's a \$700,000 value increase that they think will happen when they change to the highest and best use because they bought that land as agricultural land and it'll still be classified as agricultural land. And so what we're asking is for them to pay their fair share, for those people who enjoy the outdoors and those recreational areas and hunt on those lands if they have, is to pay in lieu of taxes, to hold those taxpayers in those communities harmless and to pay the taxes like everybody else should pay. So I think it's very straightforward, an opportunity for us to be responsible with those properties that they own. And I will tell you this. If I have anything to do about it, as long as I serve in this Legislature, they won't buy another acre of land as long as they live. Because they do such a poor job of managing the land they currently have, they should not be in charge of any other land, and I don't care if somebody gave it to them. But that's

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my opinion, and so I'll close with that. I'll stop with that and ask  
if there's any questions, but it's a pretty straightforward bill, and  
I appreciate your-- your time.

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

**ALBRECHT:** Thank you, Chairman Linehan. And my concern is, if-- if we  
ask them to charge, would they pass it onto all of us that do use  
those-- their properties to enjoy recreation? What they up--

**ERDMAN:** Yeah.

**ALBRECHT:** --the fee for everyone else?

**ERDMAN:** I'm sure they will. You're paying it now.

**ALBRECHT:** So-- well-- but that's what I'm saying. I mean, you're kind  
of in a Catch-22 there because if they're going to pass it on to the  
consumer that uses it, then--

**ERDMAN:** What better way to pay for it, to the consumer that uses it,  
rather than the taxpayer that doesn't?

**ALBRECHT:** Well, but at the same time, aren't they a governmental--  
they're-- what are they considered, a governmental agency or--

**ERDMAN:** Say that again?

**ALBRECHT:** Are they a governmental agency, Parks and Rec [SIC]?

**ERDMAN:** They're an agency of the state. They-- they-- their budget's  
about \$110 million a year, and they get about 10, 11, 12 percent from  
the General Fund and the rest is all cash funds that they generate  
from fees and-- and-- and permits.

**ALBRECHT:** From all of us. Um-hum. OK.

**ERDMAN:** Correct.

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

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**FRIESEN:** Thank you, Chairwoman Linehan. So these in lieu of taxes that they are paying, do they increase each year or two as taxes go up?

**ERDMAN:** Yes.

**FRIESEN:** They're not set at one--

**ERDMAN:** Right, correct.

**FRIESEN:** OK.

**ERDMAN:** They pay-- they pay the same as if they were paying taxes except the use of the property, if they change the use of it to recreational, it's always classified as agricultural if that's what it started at. What I'm asking is, whatever use that you use it for, same as you, yourself, if you had bought land that was agriculture and you used it for some other purpose, it would be reclassified for that use, the highest and best use. So that's what I'm asking in the--

**FRIESEN:** So a lot of this land will be reclassified--

**ERDMAN:** Yeah.

**FRIESEN:** --if you--

**ERDMAN:** Correct.

**FRIESEN:** OK.

**ERDMAN:** And that's where they got that \$700,000 increase and that's how they got-- see, they pay about \$1,034,000, I think, today in lieu of property tax. So if you added the \$611,000 to it, then that never got to the \$2.4 million. I couldn't figure out why. Well, there was another \$700,000 that they're estimating would go up in value because the highest and best use is not agriculture.

**FRIESEN:** OK, thank you.

**LINEHAN:** Yes, Senator Flood. Thank you, Senator--

**FLOOD:** Thank you, Chair Linehan. Senator Erdman, would you be-- you know, obviously, most of the land that we're talking about here would be recreational land, I would assume, wild-- wildlife management areas.



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**ERDMAN:** Wildlife management would be a correct number-- correct  
description.

**FLOOD:** If-- if this agency were headquartered, say, in Cheyenne  
County, should we make an exception for commercial property in the  
event that they end up in a large building off of I-80 in Sidney,  
Nebraska?

**ERDMAN:** They would be a government agency. I don't believe they would  
pay taxes.

**FLOOD:** Right. So-- so we could classify that commercial property  
wouldn't.

**ERDMAN:** Right.

**FLOOD:** I just want to make sure that--

**ERDMAN:** Right.

**FLOOD:** --in the event that happens, that we don't complicate that  
matter.

**ERDMAN:** Right. Thank you.

**LINEHAN:** Thank you, Senator Flood. Are there other questions from the  
committee? OK, I'm not figuring this out. So I get the whole-- if  
they-- best use, it goes to recreational versus farmland, right? So  
that's-- it goes up from 75 percent to 100 percent. And I know it  
doesn't really because it's 72 [INAUDIBLE] blah, blah, blah.

**ERDMAN:** Correct.

**LINEHAN:** How do you get from 511-- even if you take it up 25 percent,  
it's nowhere near \$2 million.

**ERDMAN:** They currently-- Senator Linehan, they currently pay  
\$1,034,000 in in lieu of taxes now.

**LINEHAN:** OK.

**ERDMAN:** And then you add-- if-- if-- if that fiscal note was correct  
at \$571,000-- I think that's what it said-- that it would-- that would  
be the two together that they would pay. But in their-- in their own

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fiscal note they said it was going to be \$611,000. So you add the \$1,034,000 plus the \$611,000, that would be what they would pay if we left at the same, if we didn't change the-- the use of the land.

**LINEHAN:** OK.

**ERDMAN:** But changing the use of the land, they estimate, is going to change it \$700,000. You know, you need to also understand the same people that wrote that fiscal note wrote the one for my bill across the street. And that bill, the fiscal note was \$117 million. Even though I had put in an appropriations bill that it'll be \$10 million out of a cash fund, they conclude it's going to be \$117 million. So that's the same people that wrote that, so take it with a grain of salt whether that's true or not.

**LINEHAN:** OK. That's helpful. Any other questions? Thank you very much.

**ERDMAN:** Thank you.

**LINEHAN:** Are there proponents? This is very odd, you know. All day long you've been doing this.

**JON CANNON:** I may-- I may have learned my lesson from yesterday.

**LINEHAN:** OK, welcome.

**JON CANNON:** Thank you, Senator 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. I will refer to that as NACO. I would like to thank Senator Erdman. I know that he's thought long and hard about the property tax issues in our state, and I've mentioned that before. In particular, when I was a much younger person, an attorney at the Department of Revenue, one of the first times I met Senator Erdman, he was Commissioner Erdman out in Morrill County, and we were having a conversation about property tax, of-- of course. And he pulled me aside and said, you know, Jon, I-- I just have a question about Game and Parks and payment in lieu of taxes. And I had not yet learned that part and I said, what-- what are you talking about? He said, well, you're the attorney for the department, you should know. And so that tells me that-- I don't know if you remember that, Senator, or not, but that tells me he's been thinking about this issue for a long, long time. And I-- I-- I certainly respect his efforts in this-- in this arena. So we have

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payments in lieu of taxes. We have them because when you remove land from the tax rolls, that's necessarily going to shift over to the other people in the county. And so what we do is we say, you know, for those-- for those special sorts of purposes, we're going to have a payment in lieu of tax. That way, that shift isn't going to be as bad or exacerbated. And what we decided way back when, as we said, when Game and Parks was going to acquire this, we're going to have it at its then use value. And that's kind of something a little bit unique, a little bit different from how we typically would handle a payment in lieu of tax. You know, this is one of those "sauce for the goose is sauce for the gander" things. If-- if I take something out of agricultural production and I, say, develop it into, you know, an apartment dwelling, I think the assessor is probably going to reclassify that as-- as commercial property. And this is the exact same thing. If-- if Game and Parks takes land out of production and they're going to move it over into recreational use, it just makes sense that instead of payment in lieu of tax based on its-- its original use, that we just have it on its current use. And in the assessment world, we refer to highest and best use, and so, you know, if I've got-- for instance, if I had commercial land in-- in Sidney and I just said, I'm just going to let it sit, not going-- not going to do anything with it, but we know the highest and best use is as a Walgreens, then the assessor is going to tax that-- or value it as if it were a Walgreens. And so what Senator Erdman is-- does is right in line with every other thing that we do when it comes to property assessment and valuation. If we don't do this, the current system has it so that the assessor is going to be keeping track of two classifications of land for each of those parcels that Game and Parks owns. I will note the fiscal note is direct property tax relief, and-- and I'll note that in, you know, Madison County it's \$5,994, in Boone County it's \$374, and while that might not sound like-- and-- and, oh, also, in Wayne County it's \$651, and while that might not sound like much, I would say that no single drop believes it is the cause of the flood. And with that, I'd be happy to take any questions, but I would urge you to advance LB222. Thank you very much.

**LINEHAN:** Thank you very much. Are there questions from the committee? Do you know how much land is under Game and Parks? I mean, I know that I love Fort Atkinson and all they've done up there. It's beautiful. But how much total acres do they have?

**JON CANNON:** I-- I don't know that, ma'am. I'm sorry.

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**LINEHAN:** OK. OK. All right. Any other questions? Thank you very much  
for being here, Mr. Cannon.

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

**LINEHAN:** Next proponent. Thank you. Welcome. Thank you for being here.

**JOHN ROSS:** Thank you. Senator Linehan and members of the Revenue  
Committee, good afternoon. My name is John, J-o-h-n, Ross, R-o-s-s. I  
am testifying in support of LB222. Senator Erdman, thank you for  
introducing this bill. I am a landowner, retired farmer, Cuming County  
supervisor for 12 years, a hunter education instructor since 1987, and  
a hunter, angler, and trapper for most of my life. Wildlife management  
areas are a great thing for all people. They are paid for and managed  
entirely by money from hunters, anglers and trappers, by permits and  
habitat stamps, along with money from excise taxes on hunting and  
fishing equipment. These areas help all wildlife, not just big game  
animals. Access to them is free for everyone, but everyone is not  
helping with the cost of buying and maintaining them. I have a problem  
with that. People that use these areas need safe bridges and passable  
roads to access these areas. They will expect help from fire and  
rescue departments if they get sick, become-- suffer an injury, or  
maybe get lost while using these areas. When there is a wildfire, Game  
and Parks will expect fire departments to protect the property. There  
are rules and regulations posted at the areas. Without good schools,  
people may not be able to read and understand the rules. When I teach  
hunter safe education, it helps a lot if the students can read and  
comprehend the student manual. Counties, fire and rescue departments,  
and schools cannot provide services without money. Not paying taxes  
increases the burden on local people when I think most of the people  
using these areas are probably not local. And that's all right. If you  
are a person that uses these areas for hiking, bird watching, nature  
study, and primitive camping and do not have a permit to hunt, fish,  
or trap, you are getting to use these areas for free. As I stated  
before, I have a problem with that. With no entry permit or user fee,  
I don't see how Game and Parks would have any idea who and how many  
people are actually using these areas. I think this would be good  
information to have when deciding if more land should be bought. To  
provide money to help offset paying in lieu of taxes, I suggest a  
two-tier entry or user fee. Example: \$5 a year if you have a permit to  
hunt, trap, fish, or a habitat stamp, \$25 a year if you do not have a  
permit to hunt, fish, trap or a habitat stamp. Everyone needs to help

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pay for these wonderful areas that help all wildlife in our state.  
Thank you--

**LINEHAN:** Thank you, Mr.--

**JOHN ROSS:** --for listening to my testimony.

**LINEHAN:** Thank you, Mr. Ross. Are there questions from the committee?  
Seeing none, thank you very much for being here, appreciate it. Next  
proponent. Do we have opponents?

**TIMOTHY McCOY:** Good afternoon, Chairman-- Chairwoman Linehan, members  
of the committee. My name is Timothy McCoy, T-i-m-o-t-h-y M-c-C-o-y.  
I'm the deputy director of the Nebraska Game and Parks Commission in  
our office at 2200 North 33rd Street in Lincoln. I'm here testifying  
today in opposition to LB222, representing the Nebraska Game and Parks  
Commission. We have a mission for the stewardship of the state's fish,  
wildlife, and outdoor recreational resources. An important part of  
that mission that is expected from our customers is sustaining  
adequate levels of fish, wildlife, and park resources to provide  
access to enjoy their favorite activities. I'm going to be brief. I  
think you've had a busy day. I think everyone's ready to get out of  
here. I'm going to give you a little history on why-- how we got to  
where we are. Sometimes I think that's valuable. Sometimes it's-- it's  
not important. But prior to 1976, there were no statutes regarding any  
in lieu of tax payments by the Nebraska Game and Parks Commission. The  
land that was owned by the agency, none of it was covered by in lieu  
of taxes. The in lieu of tax section was originally created in 1976 by  
the bill that created the habitat stamp-- or at the same time. It was  
part of a deal relative to the habitat stamp. The hunter and sportsmen  
support for habitat stamps, part of that money was really targeted  
towards increasing those lands for public access. And so that-- so  
that's-- that's how that started. I believe at the time when that--  
those-- the original amount, the-- actually, they fixed-- they  
originally set them as a fixed rate, which was the amount the taxes  
were when the land was sold to the state. And that was changed in 1997  
when the change was made relative to the current language now that--  
that talks about keeping it at the-- at the state it was in, which I  
believe-- when it was purchased. And I understand it is complex, but--  
but we do-- you know, the-- I think Senator Erdman did a nice job of  
covering the fiscal note issue with the range-- with the range in  
prices. The first-- the-- you know, the-- the bottom-line number that

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we looked at and that you will see in the legislative analyst's fiscal note is really for if those-- those-- if those lands that we-- that we owned before 1976, which is about 40,000 acres in 45 counties, if those lands were-- were-- were assessed, essentially, we'd paying an in lieu of tax, but we get an assessment rate if-- if that assessment rate was similar to what the current rates are on the other lands. The higher rate is obviously un-- you know, because the assessment of-- I'm not sure if all counties have a recreational land value, but I know several that have created that and that is taxed at a higher rate. That's how we come to the larger amount of-- of increase in the in lieu of tax payments. With that, I would offer myself up for any questions.

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

**FRIESEN:** Thank you, Chair Linehan. It's been a while since I've bought a hunt and fish license, but if I hunt on my own ground, do I-- I have to buy a permit, correct?

**TIMOTHY McCOY:** If you are hunting small game on your bi-- on-- on your own ground or fishing on your own ground, I don't believe you do. I-- you do for big game permits like deer, turkey.

**FRIESEN:** OK. If I did a big game permit, do I have to buy a-- a habitat stamp?

**TIMOTHY McCOY:** Habitat stamp, yep.

**FRIESEN:** For hunting on my own ground?

**TIMOTHY McCOY:** If you're hunting on your own ground, you can buy a big game permit without buying the habitat stamp.

**FRIESEN:** OK.

**TIMOTHY McCOY:** Yeah.

**FRIESEN:** OK. Thank you.

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

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**FLOOD:** Thank you, Chair Linehan. Mr. McCoy, if this bill were passed and you were-- your agency was required to pay property taxes, how would you do that? What would-- what would-- what would the-- how would the commission fund that?

**TIMOTHY McCOY:** We would-- we would-- we would fund it through-- through the-- the same sources that-- that we use to do our-- our habitat and wildlife management, which would be our habitat stamp funds, the game funds, which are from permits and fees, and then we-- we would-- on some properties, if they were purchased using wildlife and sport fish restoration funds, which are the federal aid excise taxes that we get from hunting equipment and fishing equipment, we would then be able to pay to get reimbursed up to 75 percent on some of those, so we would get some of that money back.

**FLOOD:** Do you have enough money in the fund to be able to pay for this?

**TIMOTHY McCOY:** Depending on how everything is going by year, potentially, but it will have an-- it will-- it will have an impact. It will have another impact in our budget in terms of our-- our-- our fish and wildlife budget. Those same funds are used for law enforcement and a host of all of the other activities of the agency relative to hunting and fishing.

**FLOOD:** Does the commission have the ability to set the fees that pay for this, or is that something you have to come to the Legislature for?

**TIMOTHY McCOY:** Commission has the ability to raise some fees; however, the Legislature is required to set the caps. We've ran into that previously. We-- actually, we had a senator who thought they should just index them to the CPI, and there has to be a-- there has to be at least a cap set by the Legislature we can work up to. And we have other statutes that limit how much we can do. We can raise a fee by up to 6 percent per year. You can carry three years if you've not done it in three years, although we're always leery about making big increases in fees.

**FLOOD:** Last question: To our testifier from Cuming County's point, if-- I-- I believe you have a-- you have a-- an area in Madison County that's near Battle Creek. I can't remember the name of it now. But if

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I wanted to go use that, you don't have to have any kind of permit, I mean, other than the hunting permit, to go there, but anybody can go to that-- that recreation area.

**TIMOTHY McCOY:** Yes. Wildlife management areas and their history of the state of Nebraska have always been free for all to use. They are not-- we don't man them with people at gates trying to count people or-- or collect permit dollars, which-- which actually is simpler on a very distributed landscape. But, no, you don't-- there's not a requirement. There have been other states that have been considering trying to figure out ways to do that, and it could be something we would look at in the future.

**FLOOD:** Thank you.

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

**BRIESE:** Thank you, Chairman Linehan. Thank you for your testimony here today. Just a second ago, you mentioned federal reimbursement perhaps would be available on some of this. Any estimate as to how much federal reimbursement you'd be talking about?

**TIMOTHY McCOY:** I-- I could give you-- well, if we were-- on the current property taxes we pay right now, if-- if all of them were eligible, and I don't think we actually can-- can do that on all of them. There may be some lands that we can't. It's 75 percent on the eligible expenditure. We can get up to a-- up to 75 percent back through the wildlife and sport fish [INAUDIBLE]

**BRIESE:** And you're suggesting that almost all of the current ones are eligible?

**TIMOTHY McCOY:** That is my recollection. I cannot pull that number off my head immediately.

**BRIESE:** So this 38-- 38,000 acres we're talking about here, would most of that be eligible for that?

**TIMOTHY McCOY:** That's-- that's the question, because the-- the-- the information that I know is all based on the stuff that's been purchased since 1977.



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**BRIESE:** Sure, but we could conceivably-- or you could conceivably get reimbursed by the feds for close to 75 percent what we're talking about here?

**TIMOTHY McCOY:** Well, we could re-- we could recover some of that money, although we spend-- on other activities in the agency, research management, we-- we-- we already spend all of those federal dollars that we get. And they also change through time, which-- so-- so the amount that we have available to spend can-- can vary.

**BRIESE:** But the federal reimbursement, that's based on your outlay-- outlays for--

**TIMOTHY McCOY:** Yeah, it's--

**BRIESE:** --in this case, more taxes.

**TIMOTHY McCOY:** In this-- in this-- yeah, in this--

**BRIESE:** OK.

**TIMOTHY McCOY:** --for eligible activities and--

**BRIESE:** OK.

**TIMOTHY McCOY:** --and payment in lieu of taxes, if they're required by the state, are ineligible. Thank you.

**BRIESE:** Any idea how many acres of WMA property you have total?

**TIMOTHY McCOY:** Yeah, we-- we have-- right now, I believe we have about 100 and-- somebody moved my numbers, sorry-- about 115,000 acres, if I remember right. That could be a little low right now.

**BRIESE:** OK. And that's all--

**TIMOTHY McCOY:** I thought I had that number, but--

**BRIESE:** And that's all free public access property?

**TIMOTHY McCOY:** All-- it's all free public access, open to anybody for hunting, fishing, hiking, bird watching. We get people that use them to access rivers and float.

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

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

**FLOOD:** Oh, I do. I have one. Sorry.

**LINEHAN:** OK. That's fine. Senator Flood.

**FLOOD:** Mr. McCoy, while you're here, I am getting contacted by people in my district about their ability to float down the river and there's an issue with the Department of Transportation. Do you know what I'm talking about, the kayakers? Is that--

**TIMOTHY McCOY:** I-- I--

**FLOOD:** That is not part of any wildlife management area, but there is a renewed sense in-- in floating down the river. And I wanted to ask you about it because I understand that-- that the Department of Transportation changes access points from time to time and it seems timely. I don't know. I mean, it may not be exactly germane, but while you're here.

**TIMOTHY McCOY:** I'm not aware of that specific issue. I'm aware of others that have come up in Department of Transportation, I believe, because of some of their federal highway funds have-- as they have been reworking bridges, because there's really not a good way to make a fully accessible access at a bridge, and they're worried about other control of their right-of-way have been eliminating some of those traditional spots, and it has a lot of-- a lot of floaters pretty stirred up.

**FLOOD:** OK. Well, we could talk about it later. Thank you.

**TIMOTHY McCOY:** Yeah. Well, we're trying to figure out ways to help, if there's some ways we can step in to help work with other landowners to get access in some of those cases.

**LINEHAN:** Thank you, Senator Flood. Other questions? So I'm just-- so you manage Mahoney State Park, Game and Parks?

**TIMOTHY McCOY:** Yes, yes.

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**LINEHAN:** And you manage Twin Rivers.

**TIMOTHY McCOY:** Yep.

**LINEHAN:** Fort Atkinson?

**TIMOTHY McCOY:** Yep.

**LINEHAN:** So when I go to Mahoney, I have to pay a fee to get in.

**TIMOTHY McCOY:** Correct. There's an entry fee at state parks.

**LINEHAN:** OK, and that-- so what's the difference, like if I have to pay--

**TIMOTHY McCOY:** Wild-- wildlife management areas are pretty much primarily managed as habitat for conserving wildlife and places for people to recreate outdoors. We don't have-- we have minimal, if any, development on most of our WMAs other than parking lots on the-- on the boundaries. So they are-- they are really more of a self-serve opportunity to go out and-- and be outside in-- in natural conditions. Maybe there's opportunities to hunt or fish there, or hike or birdwatch.

**LINEHAN:** OK, so they don't have the cabooses like at Twin Rivers. They don't have [INAUDIBLE]

**TIMOTHY McCOY:** Not a lot of in-- not infrastructure.

**LINEHAN:** OK. OK. It struck me as odd on the-- and maybe this-- I'm just-- unexpected, just something to look at. On-- on the fiscal note, it said that Douglas County was only losing \$10,937, which it's-- Twin Rivers is quite-- isn't Twin Rivers pretty big? I mean--

**TIMOTHY McCOY:** Well, those are what-- those are parks areas.

**LINEHAN:** Oh.

**TIMOTHY McCOY:** This-- this level-- this-- this section of statute has always only been defined to wildlife management areas. There's--

**LINEHAN:** OK, so then I'm also shocked. Lancaster County, \$116,000, do they have a big wildlife management area in Lancaster County?

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**TIMOTHY McCOY:** There are several little wildlife-- smaller-- I'd say smaller wildlife management areas around Lancaster County. The bigger properties that are out there are actually lands that we manage, that we don't own, that are owned by the U.S. Army Corps of Engineers. The-- they're around the reservoir areas.

**LINEHAN:** OK, could you check-- is there a way for you to check that number if there's-- with the fiscal note, or did you put this fiscal note together, the-- like amount per county?

**TIMOTHY McCOY:** I did-- I did not run down the-- the fiscal note per county. Our budget-- our budget and fiscal team and-- and the person that works in our-- on realty issues and pays property taxes pulled our stuff together. We had a similar-- I believe we may have had a similar table, but I doubt-- I don't have that with me.

**LINEHAN:** OK. All right.

**TIMOTHY McCOY:** They would.

**LINEHAN:** All right. Thank you very much. Any other questions? Thank you very much for being here, Mr. McCoy.

**TIMOTHY McCOY:** Thank you.

**LINEHAN:** Are there other opponents?

**\*KATIE ZULKOSKI:** Chairwoman Linehan and members of the Revenue Committee: My name is Katie Zulkoski and I am testifying on behalf of Ducks Unlimited. Please include this letter in opposition to LB222 as a part of the official hearing record for LB222. Ducks Unlimited opposes Legislative Bill 222 because of its harmful impacts on public land in the State of Nebraska. Passage of this legislation would impose higher in-lieu-of-taxes payments on the Nebraska Game and Parks Commission on all land ever acquired and at the highest and best use of land. We feel this dramatic increase in required payments is unfair and will take valuable dollars away from conservation projects and Nebraska Game and Parks management across the state. Ducks Unlimited does much of our conservation work in Nebraska in partnership with Nebraska Game and Parks Commission. While we are concerned that the increase in required payments under this bill would redirect dollars from the important conservation work that we are doing with Game and Parks, we are writing today chiefly out of concern for public access

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to public lands and the negative impacts to Nebraska Game and Parks' abilities to manage their current lands. As we work to interest the next generation of Nebraskans in all types of outdoor activities, we need to be sure there is space for Nebraskans to hunt, fish, hike, and explore. And as a state, Nebraska has got work to do. All of the wildlife management areas, National forests and grasslands, refuges, and other public areas open to public hunting in Nebraska total less than approximately 2 percent of Nebraska's land base, 48th in the nation. In addition to providing users a place to recreate, these lands also provide economic benefit to our state to the tune of \$1.89 billion and 16,750 jobs annually. Any new law hamstringing Game and Parks' limited resources and redirecting conservation dollars to instead be used for higher payment-in-lieu-of-taxes will stop our state from growing public access for Nebraskans to our state's diverse lands. Thank you for your consideration of our opposition.

**LINEHAN:** Is there anyone wanting to testify in the neutral position? Is there anyone wanting-- oh, no, we have letters. We had no written testimony submitted--

**GRANT LATIMER:** Yeah, we did. We had one.

**LINEHAN:** --this morning. And letters--

**KAY BERGQUIST:** One, one, one.

**GRANT LATIMER:** We had one written submission.

**LINEHAN:** Oh, we did? I'm sorry. We had one opponent, Katie Zulkoski with Ducks Unlimited, and none-- that was the only one. And then about letters for the record, we had one proponent and three opponents.

**ERDMAN:** Thank you.

**LINEHAN:** You're welcome.

**ERDMAN:** I'll make it quick. Senator Flood asked the question, does it cost me to go to those recreation areas? No, it doesn't. So, Senator Flood, the little grandma that lives in town pays the property tax on those properties so you can do that, so that's the answer there. I want to thank Mr. Cannon and Mr. Ross for coming in to testify. This must not be too big a bill on Game and Parks' priority list because Scott Smathers didn't follow me around to come in and testify over

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here and they only sent one person. So either I'm wearing them down or they don't think there's much chance of this passing. But I would appreciate it if you would pass it, move it out to the floor, and let's-- let's make a difference in people's property tax. Thank you.

**LINEHAN:** Thank you very much, Senator Erdman. With that, we close the hearing on LB222 and we close-- doesn't feel early. [LAUGH] But it's not 5:00.