

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 11, 2022

LINEHAN: [RECORDER MALFUNCTION] to the Revenue Committee public hearing. My name is Lou Ann Linehan, and I'm from Elkhorn, Nebraska, and I represent Legislative District 39. I serve as Chair of this committee. The committee will take up bills in the order posted outside the hearing room. The list will be updated after each hearing to identify which bill is currently being heard. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. We do ask that you limit your handouts. This is important to know. If you are unable to attend a public hearing and would like your position stated for the record, you must submit your position and any comments using the Legislature's online database by 12:00 p.m. the day prior to the hearing. Letters emailed to a senator or staff member will not be part of the permanent record. You must use the online database in order to become part of the permanent record. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please turn off your cell phones and other electronic devices. The order of testimony is introducer, proponents, opponents, neutral, and closing remarks. If you will be testifying, please complete the green form and hand it to the committee clerk when you come up to testify. If you have written materials that you would like to distribute to the committee, please hand them to the page to distribute. You will need 11 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 is my request that you limit your testimony to five minutes and so you'll have four on green and please wrap up when it's yellow because then I-- I don't like being rude, but I will be if you're talking on red. I won't be rude, I'll just be-- stop. If there are a lot of people-- well, we can skip over that. If your remarks were reflected in the previous testimony, or if you would like your position to be known but do not wish to testify, please sign the white form at the back of the room and it will be included in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. I'd like to introduce committee staff. To my immediate right is legal counsel, Mary Jane Egr Edson. To my immediate left is research analyst, Kay Bergquist. To the left at the end of the table is committee clerk, Grant Latimer. And now I'd like committee members to introduce themselves, starting with Senator Pahls.

PAHLS: Thank you, Chair. Rich Pahls, District 31, southwest Omaha.

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

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

FLOOD: Mike Flood, District 19, Norfolk, which is all of Madison County and southern Pierce County.

BRIESE: Tom Briese, District 41.

ALBRECHT: Joni Albrecht, District 17: Wayne, Thurston, Dakota, and a portion of Dixon County.

LINEHAN: Today our pages-- ladies, if you would stand up, are Kennedy, who's at UNL studying political science; and Ritsa, who is at UNL studying political science and economics. Please remember that the senators may come and go during our hearing as they may have bills to introduce in other committees. Refrain from applause or other indications of support or opposition. For our audience, the microphones in the room are not for amplification, but for recording purposes only. Lastly, we use electronic devices to distribute information, therefore, you may see committee members referencing information on their electronic devices. Please be assured that your presence here today and your testimony are important to us and it's critical to our state government. And with that, we will open the hearing on LB735. Welcome, Senator Bostar.

BOSTAR: Good afternoon, Chair Linehan and fellow members of the Revenue Committee. I'm Eliot Bostar, that's E-l-i-o-t B-o-s-t-a-r. I represent Legislative District 29, here to present LB735, a bill that increases the interest rate from 9 percent to 14 percent for unpaid balances of refunds or claims that political subdivisions owe to taxpayers. This adjustment to 14 percent matches the rate the taxpayers must pay to political subdivisions when making payments subject to interest. This legislation establishes a consistent rate that all parties are subject to on both sides of the equation. Last legislative session, Senator Halloran brought forward LB189, a bill to increase the rate political subdivisions must pay from zero to 9 percent, as well as mandating that any debts must be paid in full from the political subdivisions' next budget. I applaud Senator Halloran's effort last session. LB735, which is cosponsored by Senators Halloran, Brewer, and Ben Hansen, continues the conversation where LB189 left off. Government should not be held to a lower standard than it holds the taxpayers. We need one consistent interest rate across the board that both political subdivisions and taxpayers must be subject to. It is important that we hold political subdivisions accountable for overpayments owed back to taxpayers. LB735 is a very simple change

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that provides a consistent standard for both political subdivisions and taxpayers for unpaid property tax balances. I would encourage you to support LB735. And with that, I'd be happy to answer any questions.

LINEHAN: Thank you, Senator Bostar. Any questions from the committee? Seeing none, thank you. First proponent. OK. Opponent? 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'm the executive director of the Nebraska Association of County Officials, also known as NACO, here to testify in opposition to LB735. First and foremost, I'd like to thank Senator Bostar, who is my senator, for bringing this, this bill. We're really into the meat of the schedule and we're having conversations about really philosophically what it is here that we're doing as far as tax policy is concerned. And so to the extent that we are able to have these conversations, we certainly appreciate that. I will note that, in essence, what you're asking us to do is, is we would be reaching into the taxpayer's pocket to take out some money and then to transfer it into another taxpayer's pocket. That is, in essence, what we are talking about doing here by, by saying we're going to raise up the rate to 14 percent. Last year when we were talking about LB189, that was something that NACO was obviously opposed to as well. And that bill was without precedent in Nebraska in that we did not have government pay interest on those sorts of claims. Right now the system that we have for property taxes in particular, because that's really the, the statute that this falls under, it encourages people to bring information forward and to the best of their ability. We have passed legislation in the past to have people bring their information forward before tax statements go out. We have a-- an equalization system that we go through. And generally speaking, it works very, very well. I'm sure the members of this committee have heard a lot of people that hear otherwise. But I would contend that you've heard from a lot of-- you have not heard from a lot of people who think that everything is working out to their satisfaction by virtue of the fact that people have to, have to bring that information forward. These are things that take time. And so-- and I understand that time is money, but that is something that we are working on as far as having Board of Equalization hearings, having the assessor go out and collect information to review and ratify the information that's brought forward to them. And our costs go up as well as the taxpayers' do. And so requiring a higher interest payment than government has traditionally ever paid in this state for those sorts of things that we are doing to make the system work as efficiently as possible, it is again was without precedent last year and certainly we're just adding

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to the burden for the remaining taxpayers by increasing interest rate this year. Happy to take any questions you might have.

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

FLOOD: Thank you, Chair Linehan. Mr. Cannon, good to have you here today.

JON CANNON: Thank you, sir.

FLOOD: So you object to the 14 percent interest payment. Is that right?

JON CANNON: Yes, sir.

FLOOD: OK. But yet the current interest rate for counties that owe the taxpayer their money back is what?

JON CANNON: 9 percent.

FLOOD: OK. So would you rather us lower the 14 percent down to 9 percent?

JON CANNON: Well, Senator, that gets into a, a different circumstance. Right now, the system that we have, if someone does not pay their taxes even with interest running, then we put it up for tax sale. And one of the reasons that we have a 14 percent interest rate is to make those tax certificates after a tax sale attractive to investors. And we've, we've had them appear in front of this committee before. You know, these are folks that, that their business is to find the appropriate properties that they might want to bid on and to purchase those certificates at a lower--

FLOOD: So it's--

JON CANNON: --percentage rate.

FLOOD: --it's more financially appealing--

JON CANNON: Yes, sir.

FLOOD: --for people purchasing taxpayers' property that has been taken by the sheriff--

JON CANNON: Yes, sir.

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FLOOD: --following a court proceeding.

JON CANNON: Yes, sir.

FLOOD: OK. So if that's the case, why wouldn't that 14 percent be fair to a taxpayer who was paid more in than a court believes they should? Shouldn't they get treated the same as someone buying property that somebody else that hasn't been paying their taxes? Why does the taxpayer have to take a back seat?

JON CANNON: Well, in the current interest rate that we have, Senator, the taxpayers at 9 percent is, is making out pretty well. That's, that's actually--

FLOOD: Not as well as somebody foreclosing on somebody else's property. Like it would seem to me that there's a strong case for a rate equity.

JON CANNON: I, I understand the particular market that we're working with as far as tax certificates and tax sales. That is something that, for whatever reason, the-- this committee and the Legislature found it was wise policy to make that an attractive interest rate for investors. The interest rate that we're talking about, that's for government doing the work that it does.

FLOOD: But isn't the 14 percent probably a good reminder for government not to take more than you're supposed to?

JON CANNON: I, I would contend, Senator, that government tries hard not to take more than it is supposed to.

FLOOD: But when we incentivize government to act even better, couldn't we expect even better results with a 14 percent interest rate?

JON CANNON: I'm not sure I would characterize it as an incentive, sir.

FLOOD: Thank you.

JON CANNON: Yes, sir.

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

FRIESEN: Thank you, Chairwoman Linehan. So a few years back here, though, we were-- I think we were talking about a case where somebody had filed a-- with TERC probably, their, their property was

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overvalued, it went to TERC. TERC found it was overvalued, lowered it, the assessor turned around the next year again and raised the valuation and it was a constant year after year battle with TERC. Meanwhile, that person has money paid in because he had to pay his taxes, or you charge him 14 percent, and everyone kind of knew where it was going to end up. And you're saying you don't want to take money out of one taxpayer's pocket and put it on another, but it works both ways. You're always doing that if you charge 14 percent you're taking it out of that taxpayer's pocket and putting it in another one. I don't find that argument very good. So should we match the rates or make it so that you don't collect what's not supposed to be collected?

JON CANNON: No, sir. I, I would say that at a 9 percent interest rate that government is certainly incentivized to make sure that it's trying to get things as accurate as possible. And I, and I think government typically does. However, the 14 percent rate that we, that we hit upon, we meaning you, not me. I apologize. But the 14 percent rate that, that was hit upon that was the after result of, of undertaking the study to find out what sort of rate is going to be attractive to those investors. And that's something that government has nothing to do with.

FRIESEN: I understand that because of your interest rates earlier were very cheap and they were below the interest rate that banks were charging at one time so people were using you for a bank.

JON CANNON: Yes, sir.

FRIESEN: So I do think there's some difference to be made up there but-- thank you.

JON CANNON: Yes, sir. Thank you.

LINEHAN: Thank you, Senator Friesen. When was this study that said 14 percent would be the appropriate rate?

JON CANNON: I, I don't, I don't know the answer to that, ma'am, and I'm sorry.

LINEHAN: Could you find out, please?

JON CANNON: I will do my best.

LINEHAN: Because I think if I remember conversations before it was back when interest rates were much, much higher than they are today.

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JON CANNON: That could very well be, ma'am.

LINEHAN: OK. So when did we decide-- I think I know the answer, but when did we decide that counties, cities, the state-- I assume the state pays 9 percent on interest owed?

JON CANNON: That was just last year, ma'am.

LINEHAN: OK. Before that, how much did you pay in interest?

JON CANNON: Zero percent, ma'am.

LINEHAN: So have you any idea of what it has cost the counties to go from zero to 9 percent?

JON CANNON: I don't have the information available yet.

LINEHAN: Can you get it, maybe?

JON CANNON: I, I will see what I can do. Yes, ma'am.

LINEHAN: And I would like to see the timeline, if the timeline's improved considerably since we went to 9 percent.

JON CANNON: Yes, ma'am.

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

JON CANNON: Thank you.

LINEHAN: Other opponents? Are there other opponents? Anyone wanting to testify in the neutral position? Senator Bostar, would you like to close?

BOSTAR: Thank you very much, Chair Linehan, members of the Revenue Committee. There were two things I was going to respond to. One was the idea of taking money from one taxpayer's pocket from the other. Senator Friesen essentially mentioned that that goes both ways. And so I'll, I'll sort of leave it at that. The other thing I want to mention was in response to the idea that counties have to do a lot of work to get their assessments and go through the review process. To be clear, this interest rate would only start to take effect 30 days from the final judgment being concluded. So there isn't-- it's not like the county is trying to go through a process while this interest rate is collecting some kind of financial burden on the county. It's when everything is all said and done, there's no more process left to be

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had, and it is clear that the political subdivision owes the taxpayer money. And at that, 30 days from that point is when the interest rate would start. So with that, I'd be happy to answer any final questions.

LINEHAN: I appreciate that clarification because I don't think that was clear. Do you have-- anybody else have questions? So when you said final, so if it went to TERC and then they decided to even take it to the Supreme Court, it wouldn't happen until the final-- the, the property taxpayer decided we're done here? You can get that.

BOSTAR: So I'm just going to read this line, this is on page 4 of the bill starting at line 12, "beginning thirty days after the date the county assessor certifies the amount of refund based upon the final nonappealable order or other action approving the refund." So that would tell me that there is absolutely no other options left [INAUDIBLE].

LINEHAN: Sounds pretty final. Yes. OK. Any other questions? Thank you very much.

BOSTAR: Thank you.

LINEHAN: Did we have any letters for the record? So with that, we will draw the-- excuse me, the hearing on be LB735 will come to a close and we will open up the hearing on LB850. Again, welcome Senator Bostar.

BOSTAR: Thank you, and good afternoon again, Chair Linehan and fellow members of the Revenue Committee. I'm Eliot Bostar, that's E-l-i-o-t B-o-s-t-a-r, represent Legislative District 29, here to present LB850, a bill that harmonizes statute to treat mobile homes, cabin trailers, manufactured homes, and similar property assessed and taxed as improvements to leased land consistent with other kinds of real property for purposes of, of extinguishment of taxes after 15 years. I bring this legislation forward on behalf of the Nebraska Association of County Officials. Mobile homes are defined as real property, but currently are treated differently than other types of real property for extinguishment of taxes. LB850 would, would remove these distinctions and allow taxes, special assessments, interest penalties and costs regarding mobile homes to be extinguished after 15 years, consistent with other types of real property. The distinctions were created in 2000, when procedures to collect delinquent taxes on mobile homes were shifted to distress warrants. Prior to this time, mobile home taxes were collected through the real estate process of tax sales certificates. Treating mobile homes differently places an undue burden on county treasurers and their staff as they attempt to maintain the

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tax rolls. In many circumstances, these mobile homes and their owners have relocated and cannot be found for the purposes of collection. Current statute places responsibility on the county staff to attempt to locate delinquent mobile homeowners, unnecessarily sending them on frivolous searches that only increase cost to taxpayers. To harmonize the 15-year extinguishment, the bill strikes a reference in 77-1739, Section 1 of the bill that provides for the cancelation of personal property taxes and taxes on mobile homes that are delinquent for more than ten years. The broad authority to, to extinguish taxes is found in Article VII [SIC], Section 4 of the Nebraska Constitution, which states that the Legislature can release or discharge taxes remaining delinquent and unpaid for 15 years or longer. LB850 is a simple piece of legislation brought forward to harmonize the treatment of real property across our revenue statutes and relieve an unnecessary burden on county staff. I will also note that with this alleviation of this burden and expenses of the counties, it will be easier for them to pay their debts to taxpayers. So with that, I would encourage you to support LB850, and I'm happy to answer any questions you might have. Although, I will note that there are people that will follow me that will have more technical expertise about the processes that we're talking about within the county and why this would really, I guess, help them.

LINEHAN: Thank you. I'm sorry. Thank you, Senator Bostar. Are there questions? Senator Flood.

FLOOD: Senator Bostar, is this an issue in the 29th Legislative District?

BOSTAR: Well, as I'm sure you know, the 29th Legislative District, as all legislative districts is either partially or wholly contained within a county. So yes.

FLOOD: OK. Have you consulted with your constituent, Mr. Cannon, about this?

BOSTAR: I have.

FLOOD: Is he in favor of this?

BOSTAR: I suppose you're going to find out soon enough, Senator.

FLOOD: Service to your constituents.

BOSTAR: That's correct.

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FLOOD: Thank you, Senator Bostar.

LINEHAN: Are there other questions from the committee? Seeing none, thank you. Proponents?

JON CANNON: Good afternoon,--

LINEHAN: Good afternoon.

JON CANNON: --Chairwoman Linehan, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of the Nebraska Association of County Officials, also known as NACO, here to testify in support of LB850. Again, we'd like to thank Senator Bostar for bringing this bill on our behalf. I would love to tell the committee that this is going to fix every taxpayer complaint we've ever had about property taxes, but that is simply not so. This is one of those bills that really nibbles around the edges, yet harmonizes some provisions of statutes where we treat certain classes of property just a little bit different than, than we're treating the rest of the class. And so I'm, I'm not sure I could really put it any better than Senator Bostar had. I actually brought the deputy director of, of NACO with me in case there were some very technical questions. But she, she tells me that he's explained it even better than she could, and she's the former deputy county treasurer in Lancaster County. Senator Bostar said that what this does is it permits-- currently, 77-1862 permits real estate taxes to be extinguished after 15 years, except for real estate taxes on mobile homes. Currently, 77-1739 lumps real estate taxes on mobile homes in with personal property taxes and cancelation upon payment of the principal. I will say that in the Constitution of the state of Nebraska that in Article VIII, we have a, I believe it's Section 4, we have a provision that says that real estate taxes are not to be canceled or extinguished after-- unless after 15 years. When originally many, many years ago, mobile homes were considered personal property because you can move them, they can go down the highway and, and they, they look a lot like personal property. However, we know that people use them as homes, that they attach it to a piece of real property. And as a result, there was a decision made back in 2000 that we would classify them as real property. And there are a number of different things that, that we did to accommodate the fact that we had a number of distress warrants that were out for mobile homes. And one of the things that we did is we said in order for the collection of, of these taxes, we're going to treat them as if they were personal property just because of the fact they're so highly mobile, mobile. When I first started working at the Department of Revenue many, many

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years ago, there was a question that came up, came up about, about mobile homes and one of the people that I consider my mentor said, Cannon, stay the heck away from these as best you can, because once you get into the question as to whether or not mobile homes should be real or personal, it gets very, very icky very quickly. That's a technical term from, from Revenue. Essentially, what we're trying to do is we're trying to eliminate the uncanny valley where we have this particular class of property that we have determined is real property. We're not supposed to-- we're not-- we shouldn't be treating it like personal property, and that's what we're trying to do here. I'd be happy to take any questions you might have.

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

PAHLS: Thank you. I know in the city of Omaha, there's a group of trailers and a developer came in. These trailers have been there for a number of years and they could not be moved. Is there a time period that a trailer cannot be moved because they already have been, you know, sitting down there for 10 or 15 years?

JON CANNON: If--

PAHLS: They could not move them.

JON CANNON: --if they couldn't be moved as part of a tax consequence, Senator, or for some other reason, I'm, I'm not, I'm not sure. You know, the, the tax consequence for mobile homes, mobile homes and cabin trailers, and the like, is one of those very peculiar situations where you've got a number of people that are in a mobile home lot and they're supposed to essentially register with whoever is running the lot. And then-- and there's a whole process that, that unfolds. And frankly, record keeping is, is difficult to do. And so if it's, if it's because of the tax consequence, I could see it being as part of that, Senator, but I'm, I'm not sure that that's necessarily the case.

PAHLS: Yeah, they just had to leave them. They had to be-- they lost them because they couldn't move them.

JON CANNON: Yeah.

PAHLS: Thank you.

JON CANNON: Yes, sir.

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

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

LINEHAN: Are there other proponents? Are there any opponents? Anyone wanting to testify in the neutral position? Senator Bostar, would you like to close?

BOSTAR: Thank you, Chair Linehan and members of Revenue Committee. I believe in my opening, I said Article VII. It is incorrect, Article VIII is what I meant to say. With that, thank you again. Happy to answer any final questions.

LINEHAN: As you know, we've been here all week, and maybe I'm just being slow on the uptick. So it means if a trailer sits there or doesn't sit there and the taxes are delinquent for 15 years and nobody decided to buy the certificate, we just forget it and move on. I don't quite understand what happened.

BOSTAR: Yes, I think essentially because the trailer is in most case is gone, it's been moved to another state. No one can find it. So yes, after 15 years, they just sort of write-off the loss.

LINEHAN: Write-off the loss. That's what I was looking for. OK. All right. Any other questions? Thank you very much.

BOSTAR: Thank you.

LINEHAN: Oh, wait a minute. No record-- no letters, either. OK. With that, we bring the hearing of LB850 to a close, and we'll open the hearing on LB873. So where did, where did he go? So we can stand at ease for a couple of minutes here while we find our senator.

[EASE]

BRIESE: Tell him, tell him we IPPd it.

LINEHAN: Yeah, I think we have to have the hearing first.

_____: [INAUDIBLE]

LINEHAN: It's fine. Good afternoon.

FRIESEN: Thank you, Chairwoman Linehan. The other hearing ran a little bit longer than I thought and I apologize for--

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LINEHAN: That's fine. It's fine.

FRIESEN: --holding you up and slowing down this process because we don't want to mess with Friday. Chairman Linehan, my name is Curt Friesen. I represent District 34 in the Nebraska Legislature. I'm here today to present LB873. LB873 eliminates the levy authority for community colleges. However, it does not touch their levy authority for their building fund. Over the last ten years, when valuations, particularly ag land valuations skyrocketed, the tax collections for community colleges also went through the roof. While tax collections over the past ten years by most political subdivisions ranged from 33 to 54 percent increase, community college collections over that same period was 77 percent. The numbers show that we need to explore how community colleges are funded and perhaps meaningful property tax relief can be achieved by funding them differently. And it's not my goal to cut funding to community colleges. That's-- I am a community college graduate. I do love the community colleges and I think, you know, more kids need to go to them, but I think the time of funding them with property taxes is gone. And as the state focuses more and more on workforce development and things like that, if we truly believe in that, we would fund that with General Fund dollars and make sure that these community colleges are well funded in order to provide the industry with the workers they need because this is the front line of, of most kids'-- where they get their chance at an education to, to go on to the workforce to some very well-paid jobs. So I mean, I, in no way, intend to hurt community colleges and I will find a way to, to draft an amendment so that we can work out the timing of the property tax collections and when the state would take over. And we'll at least get that first maybe biennial budget process put in place in statutes so that there's not that feeling that I'm just trying to take the money away from them. I want them to be held whole as they transition, but at some point, they would come before the Appropriations Committee for their appropriations. With that, I would be glad to ask-- answer any questions you might have.

LINEHAN: Thank you, Senator Friesen. Are there questions from the committee? So I'm looking at the fiscal note, so-- theirs-- Nebraska community colleges' fiscal note says that it would be a loss of a little-- well, \$202.5 million in '22-23 and then \$208 million, because they must be increasing it by some percentage, in '23-24, so-- and you and I have had this discussion. You think that the funding-- that funding should come from the state, not from property taxpayer.

FRIESEN: That's what I feel. I mean, as we look at our-- at the whole broad picture of education today, I mean, I think at some point, we

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have to look at what the universities and what the state colleges and community college and what high schools are doing and try to make sure that there isn't overlap there. And I think there, there is some of that and I think by doing the state funding of it, we can make sure that those good programs that are out there-- and maybe there are a need for duplication or whatever, I-- it's just something I think at first that we could just work through the funding portion of it, but as we get better at it, I think we figure out who's doing a better job of teaching these certain courses maybe. Who knows? I don't know where it will lead to, but in the end, in the end, I feel really strongly that it's time to fund them in a different way just because of you might have kids coming from Omaha to Grand Island for a certain program. You have kids from Grand Island going to Metro. You can have this combination and so property taxes and funding these is not really a fair and probably way of, of running these programs.

LINEHAN: OK, thank you. And you leave a building fund levy of how much?

FRIESEN: I leave the-- I think it's 2 cents, but I, I--

LINEHAN: And then you would still-- they would still have their own elected board?

FRIESEN: Yes, I would leave their boards in place. And so-- one of-- I remember somebody asked me how we would do this and I said, well, you could either as a group of community colleges come together and get one person to come in front of Appropriations and ask for an appropriation-- like the state colleges, I think, do that-- or you could individually come with your board of directors or somebody and get your, your appropriations. I don't-- there's different ways of handling it, but I think there is a process we could design that would, that would work.

LINEHAN: Do you know if other state-- because community colleges are all over the nation. Do other states fund them with property taxes?

FRIESEN: I have no idea. I did not research that.

LINEHAN: OK. All right, well, maybe somebody behind you will know. Oh, I'm sorry. Senator--

BRIESE: Thank you. Quick question, the 77 percent there, that was over ten years?

FRIESEN: Yes.

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BRIESE: OK.

FRIESEN: I believe so.

BRIESE: OK, very good. Thanks.

LINEHAN: Thank you very much. Are there proponents? Good afternoon.

DICK PIERCE: Good afternoon, Chairman Linehan, members of the Revenue Committee. My name is Dick Pierce, D-i-c-k P-i-e-r-c-e. I'm the outgoing chairman of the Nebraska Cattlemen taxation committee and recently ended a 16-year tenure on the Buffalo County Board of Supervisors. I'm here today representing members of the Agricultural Leaders Working Group consisting of Nebraska Cattlemen, Nebraska Corn Growers, Nebraska Farm Bureau, Nebraska Pork Producers, Nebraska Soybean Growers, and the Nebraska State Dairy Association, testifying in support of LB873 to eliminate the general fund levy authority of community colleges. Nebraska's community college system was created to offer quality career and technical education at an affordable price. We, as a group, do not disagree with this premise. We're here today because over the past ten years, taxes collected by community colleges have increased by close to 80 percent. Specifically on my ag land, the number increased approximately 75 to 77 percent in that timeframe. While community college might be an affordable option for those enrolled, they are becoming far less reasonable for the property taxpayers footing the bill. Those advocating for property tax relief continue to hear property taxes are a local issue. While we agree with that, we believe that there's much that can be done at a state level. When agricultural landowners fight such increases locally, we often do so alone. Nebraska's Coordinating Commission for Postsecondary Education acknowledges that the Nebraska property taxpayers continue to contribute the majority of educational revenues to Nebraska's public postsecondary institutions. Property owners, especially ag property owners, have been put in an impossible situation and have to continue advocating for property tax relief and reform. We support eliminating the general levy fund-- or general fund levy authority of community colleges, as proposed in LB873. This bill preserves the ability for community colleges to levy not more than 2 cents per \$100 of taxable value for the purpose of capital improvements and bond retirement. As I stated earlier, each of our organizations value community colleges and understand such educational opportunities are vitally important to Nebraskans. Community colleges play an important role in preparing Nebraskans for jobs both inside and outside of agriculture, but it's time to act and do something about the rate at which property taxes are growing to support education at all levels.

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I'd like to thank Senator Friesen for offering solutions and ask that the committee support LB873, as well as other efforts to provide meaningful property tax relief and ultimately reform. Thank you and I'll happily, or maybe not so happily, answer questions.

LINEHAN: Hopefully happily. Are there questions from the committee? There was some discrepancies between the community colleges, like some of them raised them faster than others, I think.

DICK PIERCE: Right.

LINEHAN: Right, right.

DICK PIERCE: Right.

LINEHAN: OK. I don't see any questions, so thank you very much for being here.

DICK PIERCE: Thank you.

LINEHAN: Are there other proponents? OK, opponents. Good afternoon.

COURTNEY WITTSTRUCK: Good afternoon, Chairperson Linehan and the rest of the members of the Revenue Committee. My name is Courtney Wittstruck, C-o-u-r-t-n-e-y W-i-t-t-s-t-r-u-c-k. I'm the executive director of the Nebraska Community College Association and I appreciate Senator Friesen's support and I appreciate the support of the previous speaker. But right now as it sits, I can only address the bill as it's written and as it's written, it doesn't include any alternate funding source. So from my perspective, I can't really address something that's-- that could potentially happen out in the future. So I've only been in my position since January, but for the previous almost 20 years, I worked in manufacturing. Most recently, I was the plant manager of the Continental Tire and Rubber Factory in Lincoln. I also worked at Eaton Corporation in Kearney in addition to Mercedes-Benz in South Carolina and German automotive supplier Robert Bosch Corporation in South Carolina and in Germany. So I have to admit that it's a little ironic to me that even before I've been on the job for two months, that I find myself here testifying to prevent the closure of Nebraska's community colleges by respectfully opposing LB873. So as you're all aware and as we all heard, LB873 would remove the authority of the community colleges and their locally elected boards of governors to levy property taxes. And again, while there may be options out in the future that are proposed, they're not proposed-- they're not included in this bill. Community colleges-- I know that property taxes can be a burden and I pay them myself, but community

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colleges, the reality is they only account for about 5 percent of Nebraska's property tax, 5 percent. While at the same time, property taxes account for about 50, 50 percent of community colleges' revenue, or about \$200 million that speaker mentioned earlier. And like I said before, LB873 includes no alternate revenue sources to fill that gap. It simply removes 50 percent of our funding without providing anything to replace it. As a later speaker will testify, a 50 percent reduction in funding will result in a loss of accreditation and the certain closure of Nebraska's community colleges. And this is closure of the very institutions that provide the skilled workforce that our state desperately needs. So just like equipment and buildings, community colleges are an investment and not just for the students, but for all Nebraskans. Our colleges generate the trained workers in high-demand, high-paying fields that are essential to our state's economy. And don't forget these workers, they will go on to pay property taxes themselves, thereby multiplying the initial investment. In fact, for every \$1 that's invested in community colleges, the return on investment to Nebraska taxpayers is \$2.20. And as I said earlier, I come from the business world, so return on investment is something that I understand and had to watch daily. And let me tell you, an ROI of over 100 percent is a pretty incredible investment. But financials aside, community college graduates and trainees improve the quality of life for all Nebraskans by providing services vital to our state, like repairing our farm equipment and vehicles, administering essential healthcare services, transporting our products, constructing our buildings, etcetera. While I served as legal counsel for Mercedes-Benz, I was on the team tasked with determining where in the United States to build a new van plant and there was a lot on the line for this project. The initial phase alone consisted of the investment of more than \$500 million and the creation of more than 1,300 new jobs. So naturally, there was a lot of competition for various city-- from various cities around the country. And I can tell you two of the main considerations that tipped the scales in favor of South Carolina were the pipeline of skilled labor and the ongoing long-term commitment from an investment in community colleges. As we all know, Nebraska is facing a crippling labor gap that has been highlighted and exacerbated by the pandemic. Of all training and higher education institutions in Nebraska, our community colleges are best positioned to address this gap by increasing the pipeline of skilled labor and providing the capacity to upskill and reskill workers in Nebraska. Accordingly, I respectfully ask this committee to oppose LB873. Thank you and I'll be happy to take any questions.

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

BRIESE: Thank you, Chairwoman Linehan. Thank you for your testimony here today.

COURTNEY WITTSTRUCK: I'm going to move this because I'm short and it's blocking me, sorry.

BRIESE: I can move this way, but.

COURTNEY WITTSTRUCK: I feel like I need a booster in this chair.

BRIESE: Do I see on here that we have 115,000 students, roughly--

COURTNEY WITTSTRUCK: So if you look--

BRIESE: --give or take?

COURTNEY WITTSTRUCK: Are you looking at the total enrollment or--

BRIESE: Yes.

COURTNEY WITTSTRUCK: --the number of degrees conferred?

BRIESE: Well, here, I'll just say--

COURTNEY WITTSTRUCK: Right here, enroll a large number of students?

BRIESE: Yeah, yeah, yeah.

COURTNEY WITTSTRUCK: Yeah. So that includes both credit and for credit or-- for-credit in non-credit students, so community members as well as for-credit degree programs.

BRIESE: OK, how does our tuition compare to community colleges in other states?

COURTNEY WITTSTRUCK: That I don't know. I could-- I think our-- it's lower? OK, well, my, my-- the next-- or two testifiers from now can attest to that, but I will say it's about \$100 across the community colleges, colleges per credit hour.

BRIESE: OK, OK and I-- do I take it you don't trust the state here to fill in the gap if we would do something like Senator Friesen is--

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COURTNEY WITTSTRUCK: It's not about whether I do or don't trust the state. I'm, I'm from here, so obviously-- and I, I left for 20 years and I'm back, so obviously I'm demonstrating my trust by returning. But I will say that I can only speak to this bill and it's not included in this bill that the state will take over the funding. And so looking at this bill on its face, it doesn't include any way to address that gap.

BRIESE: Yes, but you have a relief-- the system would have a relief valve in tuition, wouldn't they?

COURTNEY WITTSTRUCK: So that's a--

BRIESE: If the state doesn't pick it up--

COURTNEY WITTSTRUCK: That's a really, really good question.

BRIESE: --you've got a way out.

COURTNEY WITTSTRUCK: So you were just asking me about the cost of our tuition. So right now I mentioned it's about \$100 per credit hour across the community colleges. If we were to pick up this gap with tuition, it would increase the tuition anywhere from \$300 to \$400 per credit hour. And if you compare that to, for instance, UNL-- like, I just looked on their website yesterday. Their in-state tuition per credit hour, I think, is like \$259.

BRIESE: OK.

COURTNEY WITTSTRUCK: So we would be priced over UNL and we would be priced to the point where it would exclude many of our current students and that would obviously have a disparate effect on some of the folks that are, are, for instance, minorities, folks that are in lower socioeconomic classes--

BRIESE: Sure.

COURTNEY WITTSTRUCK: --because they're-- they make up a lot of our student body and they simply wouldn't be able to attend probably any postsecondary education.

BRIESE: You would exceed UNL's tuition by an amount, but it doesn't seem like a huge amount. But that's assuming the state doesn't-- didn't come in and pick this up, but--

COURTNEY WITTSTRUCK: Well--

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BRIESE: --anyway.

COURTNEY WITTSTRUCK: --400-- you know--

BRIESE: Yeah.

COURTNEY WITTSTRUCK: --\$253 compared to--

BRIESE: I'm not [INAUDIBLE] to that at all.

COURTNEY WITTSTRUCK: --\$400--

BRIESE: Yeah, I'm, I'm just suggesting--

COURTNEY WITTSTRUCK: --times how many credits.

BRIESE: --there is a relief valve out there and I would hope that the state would come in and fill this. Yeah, anyway, thank you for your time.

COURTNEY WITTSTRUCK: I would hope, I would hope too, but again--

BRIESE: Sure.

COURTNEY WITTSTRUCK: --it's not in the bill, so.

BRIESE: You got it.

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

COURTNEY WITTSTRUCK: Thank you for your time, everyone.

LINEHAN: Next opponent.

ASHLEE BRIDGER: Hello.

LINEHAN: Hi.

ASHLEE BRIDGER: So my name is Ashlee Bridger, A-s-h-l-e-e B-r-i-d-g-e-r. I am both a current student and a pres-- and the president of student senate at Southeast Community College on the Lincoln Campus. When I graduated high school in 2009, the only option for furthering my education was at Southeast Community College. Even that educational route meant that I had to work full time, but what community college did allow me was the opportunity to complete my degree quickly and enter the workforce. I now work for a private

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sector and I am proud to say that I am also a homeowner, so I see this from both perspectives. I needed the funding from the state, allowing me to afford tuition and to go back to school. As a homeowner, I of course, understand the need and desire to keep property taxes low and I appreciate that. But what I do know is if-- is I would not be a property owner had I not been able to afford school and step in the career that I enjoy. To get employees into the workforce quickly, community college is the best route and as a homeowner, I would be happy to pay it forward in order to allow another student the same opportunity I had. Because many community college students are low-income, minority, and first-generation students, raising tuition rates to make up for the loss of state funding could eliminate the possibility of affordable tuition. Community colleges are a path to the critical workers in our community like healthcare, including the ENTs, the firefighters, and those who protect our safety; manufacturing, producing the goods we buy and the-- or the goods we sell and the-- buy the cars that we buy. Our agriculture students are literally feeding our families. Transportation and truck drivers are easing the burden of supply chain issues. The list could go on and on. What I do know is that removing the funding and, and the control from those we elect are going to feel the effects throughout our community. I do appreciate you for taking the time to listen to what I have to say and I really do believe community colleges are offering opportunities to so much of the workforce across the state. And I ask that you seriously consider continuing the funding for this important work. It benefits us all.

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

ASHLEE BRIDGER: Thank you.

LINEHAN: Appreciate it very much.

ASHLEE BRIDGER: Have a great day.

LINEHAN: Afternoon.

LEAH BARRETT: Good afternoon, Chair Linehan and members of the Revenue Committee. My name is Leah Barrett, L-e-a-h B-a-r-r-e-t-t, and I'm the president of Northeast Community College. Because you so graciously are going to give us five minutes, I'm going to go a little off script of my written testimony. I listened to the floor debate on the way to Lincoln this morning. The commitment by the members of this committee to provide tax relief is very much appreciated by the Nebraskans. One

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of my first meetings as a new president was with Senator Flood. At the time, he was just merely a passionate business owner. He was not in his seat as senator, but we talked at length about many topics and one of them was about property taxes. I shared with him my 30 years of experience in higher education where I worked in environments where my entire budget was based on student fees. So for those of you that have had children in college, you know that's the tax that happens in addition to your tuition. And so that was the work that I had to do and I was held accountable, when I worked at Boise State, to about 25,000 students and making sure that how we use the money, we were transparent, we were good stewards, and we were always reasonable. Because that part, the work that I did and the departments that I managed, were something that was very special. And I believe the state of Nebraska, through its statutory responsibility it gave to the community colleges, believes that the community colleges are something special. The statutory responsibility is clearly stated in Nebraska Revised Statute 85-962. Community colleges are to be "student-centered, open-access institutions" targeting those who have been underserved in other educational settings with our first educational priority as applied technology and occupational education. The proposed changes to the community college levy would clearly negatively impact those individuals who we are statutorily bound to serve. And in respect to Senator Friesen's comments in his opening remarks, my testimony is also written in a way that, that gave us no alternative besides something in our board's authority, which would be to raise tuition to, to replace the funding, the approximately \$200 million that we would lose in our budget. The series of events that would follow this action would be swift and cause irreparable harm to the state of Nebraska. First, each community college would be sanctioned by our national accrediting body because we would be unable to demonstrate financial strength and stability. We must report our scores on four critical ratios, when combined, determine what's called our composite financial index. Our CFI is monitored by our accrediting organization. When our CFI is impacted in a dramatic, negative way such as removal of approximately half of our operating revenue, our institution will be placed on probation by our creditor. We would need to make drastic and immediate cuts in staffing and programs to create some level of financial stability. Enrollment would decline because we would need to reduce class sizes and program offerings to stay within budget. Second, the only alternative under our board's authority is to replace the funds with increases in tuition. And as our executive director stated earlier, right now, average tuition is about \$100. We would need to raise that to \$300 to \$400. So just specifically, a year's tuition at a community college would be about \$10,500, which

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would-- compares to UNL's current annual tuition of \$9,782. Community college will become out of reach for many of our students. Enrollment will continue to decline and the college will become financially instable [SIC]. This financial instability will cause us to lose our accreditation, which means our students will not have access to federal financial aid, one of the primary benefits of accreditation. The loss of accreditation, the financial instability will force our boards to make the decision to close Nebraska community colleges. I am leaving you with Northeast's most recent graduate report so you can see firsthand the impact we make on our local economy where nearly nine out of our ten graduates stay, live, work, and thrive in Nebraska. These results are similar to community colleges. I happen to be the daughter of a preacher and a teacher from the great state of Wyoming. Being a good steward of the land and the dollars is how we create a better world and a better Nebraska. In closing, I speak for my board as we recognize our role in limiting property growth--property tax growth. We ask for your continued support of the steady funding stream that is currently a part of the community college system. Thank you and I stand for questions.

LINEHAN: Thank you. Are there questions from the committee? So President Barrett, isn't some of your funding-- I shouldn't say it that way because I know you're all different and you're all independent in some way. Does-- do you receive any funding from private sources?

LEAH BARRETT: Yes, but that does not go to our operating budget. Our foundations have endowments that we are able to use for one-time expenses and scholarships.

LINEHAN: I was thinking more of a manufacturer or some private business wanting to improve the ability to get people trained.

LEAH BARRETT: Oftentimes, when we do non-- we would call it noncredit training programs-- yes, businesses and industry are paying for us to do that with a fee for those classes.

LINEHAN: So could you provide the committee what that looks like when you-- and not just Northeast, but--

LEAH BARRETT: Um-hum.

LINEHAN: --just kind of what that looks like?

LEAH BARRETT: I think it depends on the situation and the type of programming that's being asked. If we are asked to work with Tyson,

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for example-- so I'll speak to Northeast. When we work with them to upskill some of their workers so they have opportunities to move from the meat-cutting area into maybe helping on the manufacturing line and, and fixing equipment, then they will pay us per individual for that training. And we, in essence, negotiate that training because it depends on the number of, of hours that we'll be spending with those individuals. If it's an evening class, if it's a weekend class, if it's in the middle of the day, if they can enroll in something that is a for-credit option, we also can look at that also.

LINEHAN: And then does the employer pay the tuition too?

LEAH BARRETT: Um-hum, um-hum. Yep.

LINEHAN: OK. Thank you very much. I don't see any other questions. Thank you for being here.

LEAH BARRETT: Thank you.

LINEHAN: Appreciate it. Next opponent.

DIANE KELLER: Good afternoon.

LINEHAN: Good afternoon.

DIANE KELLER: Senator Linehan and members of the Revenue Committee, my name is Diane Keller, D-i-a-n-e K-e-l-l-e-r. I'm a current member and a past president of the Nebraska Community College Association and I'm also a current member and past president of Central Community College Board of Governors. And I'm testifying in opposition to LB873 and I'll address this from a variety of viewpoints; first, as an employer. I am currently the CEO of Memorial Community Health in Aurora, Nebraska. We offer residents of central Nebraska a diverse, modern healthcare system with three family medicine clinics, a critical access hospital, outpatient and specialty diagnostic services, independent and assisted living, and a nursing home, so we're quite diverse. I regularly hire nurses, therapists, other health technicians, and other business staff who directly benefit from a community college education. Removing local control and authority of local community colleges to assess the levy within the current levy limits would create a greater uncertainty of program offerings, workforce availability, and an increase in the likelihood of more of our youth and adults leaving our central Nebraska area. With the current serious shortage of healthcare workers that started even before the pandemic, but has gotten dramatically worse since the pandemic, and the stress that we have been under for the last two years, now is not the time to put a dependable funding

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source for training of our future healthcare workers in jeopardy. Our ability-- off script a little-- in a community college setting-- and because of my passion for healthcare-- and it'll be 50 years that I have been at my current employer. I started as a new graduate registered nurse and have been there ever since until I advanced. But we-- I know that the community college system is the one that quickly adapts and moves as regulations and things change. Depending on state appropriations, going back to the next budget cycle would not have responded to my need to have a certified pharmacy techs, would not have-- you know, to the need of the current welders and all of the kinds of things that are happening in the state of Nebraska. We tend to respond extremely quickly and because we can be flexible in our budgets with our dependable funding sources. So second opinion versus an employer, as an elected board member, you know, I've been on our local board for a long time as well. And I believe that we have very conservatively managed our budgets while also recruiting and retaining employees and students to live, work, and pay taxes in central Nebraska. I've served on a number of committees to help balance the funding formulas between metro and the rural parts of the state. I was on a committee with Senator Flood a number of years ago when we were trying to hammer out that funding formula that we could be fair to both Omaha and to the more rural, especially western Nebraska, that did not have the ability to levy property taxes to the extent that we can in the very rich farm community, which I happen to live in. And that's a difficult choice and at that time, Central Community College took a huge hit in their state aid funding because of that agreement in that funding formula. I was asked why I would support something like that. My opinion was that I needed to be responsible to every student in the state of Nebraska and not just the students. When I'm on a state board, I also have to represent every student within the state and not just my local community college. So we did have-- one of the years-- and I think Senator Flood has pointed that out in the past-- that Central did have a very large increase in their property tax amounts that we collected. Some of it was valuations, some of it was probably levy, but it was just to make up for the loss in state aid that we had in order to support the students in the remainder of the state that didn't have that opportunity. I believe that we have been very responsible for over 50 years of fluctuating land prices, employment demands, and even political changes and priorities of governors and state legislatures. I happen to represent the voters of six counties: Adams, Clay, Hamilton, Merrick, Nuckolls, and Webster of the 25 counties of CCC. And I believe we are very much responsible for the educational needs of our state and our local communities.

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LINEHAN: I'm going to need to have you-- maybe somebody will have a question. You're on your red light.

DIANE KELLER: Oh, I am?

LINEHAN: Yep.

DIANE KELLER: I'm sorry. I didn't see that.

LINEHAN: That's OK.

DIANE KELLER: I got off-- too off script. I-- can I make one comment, please?

LINEHAN: If somebody has a question.

DIANE KELLER: OK.

LINEHAN: OK. Does anybody have a question? Senator Briese.

BRIESE: Can you give one last comment?

DIANE KELLER: I would, I would also like to address the fact that I am-- my husband and I have farmed for over 50 years as well and so we are a local land property tax owner [SIC], live in Clay County. I've worked forever in Aurora and I believe my tax dollars support a very valuable opportunity in Nebraska and I would hate to see that put in jeopardy.

BRIESE: Thank you.

LINEHAN: Thank you, Senator Briese. Any other questions from the committee? OK, I'm glad--

DIANE KELLER: Sorry, I wasn't--

LINEHAN: --you're here--

DIANE KELLER: --looking at the lights.

LINEHAN: -- and I love experience and you've been-- how long have you been on the community college board?

DIANE KELLER: Over 20 years.

LINEHAN: So what did you lose in state aid and what year? It doesn't have to be exact. It's not a test.

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DIANE KELLER: Oh, it was probably about ten years ago.

LINEHAN: OK.

DIANE KELLER: And, and some of the presidents in the room, if you would like to--Matt Gotschall, who's president of Central, would probably have more specific information.

LINEHAN: OK.

DIANE KELLER: I, I know that was a very stressful-- we actually--

LINEHAN: Was it in 2009? Is that what you're talking about?

DIANE KELLER: That could be.

LINEHAN: OK.

DIANE KELLER: I should have looked at that and I, I didn't have that in script--

LINEHAN: And they change-- the state changed the formula?

DIANE KELLER: Yes, we rebalance the state aid formula for all of the colleges across. So at that meeting with Senator Flood, there were representatives from all of the community colleges. They were having trouble trying to come up to agreement and he was trying to get everybody together and say, we, we can't leave this weekend until this is done. And so we, we came up with something and Central was a very significant loser in that formula, but I believed the people in western-- those students deserved as much access to a community college education and a good education as what they did in Central.

LINEHAN: So what is your levy now for your community college?

DIANE KELLER: I don't know the answer to that. It's under the limit.

LINEHAN: All right, thank you very much--

DIANE KELLER: Um-hum.

LINEHAN: --for being here, appreciate it.

DIANE KELLER: Next time, I'll watch the lights.

LINEHAN: OK.

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DIANE KELLER: Thank you.

LINEHAN: Thank you.

NEAL STENBERG: Good afternoon.

LINEHAN: Good afternoon.

NEAL STENBERG: My name is Neal Stenberg. That's N-e-a-l S-t-e-n-b-e-r-g. I'm the chair of the board of governors of Southeast Community College. I'm-- was elected at large to represent the 15-county community college area. I'm going to try to shorten up my remarks because a lot has already been said and it is after all Friday, so I'm going to try to keep it as brief as I can. I think if we just touch on the things that I think are undisputed, I think it, it will be helpful. It's undisputed that if LB873 passes, the community colleges will lose approximately 50 percent of their general fund revenue. It's undisputed that under-- as-- LB873, as it is currently written, that will not be replaced. I think it's undisputed that the community colleges perform a vital role-- several vital roles in this state by providing workers to, to industry that are vitally needed and that absent-- without-- in the absence of community colleges, those-- there would be a tremendous labor shortage and there already is. We're working to address it, but it would be exacerbated immeasurably. I mean, if you think there's a nursing shortage now, where do you think we'll be if the community colleges shut down, as they would be under LB873 as it is currently written. Community colleges are vital to economic development. I think we all agree that that's, that that's undisputed as well. Under 8-- LB873 as currently written, that engine of economic development will go away, but it goes beyond that. It's not only an issue of economic development, it's an issue of retaining the businesses we already have. We supply workers to, to many, many different kinds of entry-- industries. And if we can't meet that, if we can't continue to do that, it's not a question of who else is coming in, it's a question of who's going out. Who's going to leave because we can, we can no longer provide the workers that they need? And I, I also-- I think it is also undisputed that the community colleges serve a segment of students that is not served by other educational institutions, those who are low-income students, minority students, refugees, and others, the people who need it most and, and no, they can't afford to pay \$300, \$400. So I mean, you can't say, well, let's just replace it with tuition. That's not going to work. So I think if you look at, at what's undisputed under this bill as it's currently written, it would be a mistake to adopt it and it would be harmful to our, our state. I want to just talk a little bit.

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I mean, sometimes I, I think that, well, maybe you all wonder who, who are these people that serve on community college boards? Who are these people anyway? Well, I expect we're a lot like you. You get paid next to nothing. We get paid nothing. We get paid exactly nothing. You come from a variety of educational and, and walks of life. So do we. Most of you are fiscal conservatives, can confess if you don't fit in that category, but that's what we are. We're-- we want, we want to be prudent with, with the funds that are entrusted to us. We try to meet the needs of our constituents as efficiently and economically as possible. That's what, that's what you do. That's what we do also. We want to continue to serve the educational needs of the people of the state of Nebraska and I hope that you will let us do that by voting in opposition to LB873. I'd be happy to take any questions if you have them.

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

NEAL STENBERG: All right, thank you very much.

LINEHAN: Good afternoon.

JOHN HANSEN: Madam Chairman, members of the Revenue Committee, good afternoon. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I am the president of Nebraska Farmers Union and on this particular issue, there are certain things that Farmers Union, as a general farm organization that's been around for 109 years, take a lot of pride and credit in and the-- their role in helping work with former Senator Wayne Ziebarth from Wilcox to-- who sponsored the original bill to create the community college system, is one of those things that we take pride in. And so I want to just revisit some of the thinking about-- in my visits with Wayne, who was a good Farmers Union member, but also a really savvy politician and community leader and said, you know, when you were doing this, why did you set it up the way that you did? And so based on those conversations and my understanding of our history-- and I've only been doing this for 32 years, so it's fairly limited. I don't go back 109 years, but he said that there was an honest recognition that there was just an awful lot of needs that were in rural communities that were simply being unmet and that we needed an educational driver to be able to more clearly identify those things that rural communities needed in order to be able to keep our kids in rural communities and that there was just-- a lot of our kids were leaving. There was a recognition that there was a crisis and that we had to be proactive. We had to do something to deal with that. And they wanted, they wanted the control that went with

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the, the cost of picking up the freight. And so even though he said the property tax issue was controversial from the beginning, the reason that we were willing to do it is because they wanted the control over what the programs were, what the priorities were, what the needs of the community were, and they were afraid-- and I think rightly so-- that if you exchanged the, the property tax base for state funds that the control would follow the funds in the pocketbook and that eventually, we'd get a top-down system that would, that would not be as responsive to the needs of local communities. And that, that was-- the juice was well worth the squeeze. Of course, the cost was a lot less then, so our-- as I contemplated how I'd testify on Senator Friesen's bill-- and of course, I hate to always oppose Senator Friesen bill-- is that I could be neutral-opposed or just opposed. And based on our policy and discussion with our policy chair, they said based on our policy, you really have to be opposed when there is no other replacement revenue. And without that replacement revenue mechanism in place and some assurance-- and I don't know how you get an assurance that you give up the funding and still maintain that control over the long term-- we can't support this bill absent a, a replacement funding mechanism. Our experience with the community college system as a friend to that system has been to be aware of, of the fact that there are folks who do not have kids who do have land, who do not appreciate the fact that they're picking up the tab for the community college. And be, be frugal, but I would also say that the, the land grant college system that we have has struggled at times to be responsive to the needs of agriculture and that that was also a part of the thinking. And our experience with the community colleges has been nothing but positive and my experience with my hometown community college in Norfolk has been nothing but positive. I have, I have two nephews, a niece, and three brothers that all graduated from Northeast Community College and all of them have done well because of it. All have stayed in rural communities and my brother was the president of the student body. And when we've gone to our community college partners and asked them to help us deal with a particular need that agriculture has, they-- their ears have been open, they have been flexible, they've been willing to work with us, and we would hate to jeopardize workforce development at a time when we really are already struggling with workforce development in our state, especially rural communities. And with that, I'd be glad to end my testimony on a Friday afternoon, answer any questions if you have any

LINEHAN: Thank you. Are there any questions from the committee? So I'm reading the pamphlet that the executive director handed out. On the back, it says-- and not-- and you'll notice because you've been

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around-- or maybe not. Let me ask. In 1971, the Legislature created Nebraska Community College System by compiling-- combining all junior colleges, state vocational technical colleges, and area technical schools. Do you remember this?

JOHN HANSEN: I don't remember that, but I've seen that.

LINEHAN: OK, so--

JOHN HANSEN: Yeah.

LINEHAN: --this is the question I'll have for somebody if they could get this, were those schools that were-- we switched to a community college system. How are those schools funded, where they were funded with property taxes or were they funded with state dollars? And then I also think reading the dates here, if this happened in 1971, that would have been shortly after the state did away with collecting state property taxes. So there was probably some desire. I'm assuming the general funds were pretty tight then since we'd just gone to income tax and sales taxes. And one of the reasons community colleges were put on property taxes is because the state didn't have property taxes anymore.

JOHN HANSEN: Yeah, I, I don't know the-- I don't remember the particulars of that. That was, that was--

LINEHAN: They didn't get it done until 19--

JOHN HANSEN: --a bit before my time.

LINEHAN: They didn't get it done until 1974, so I think maybe it would be helpful if we understood how they-- because it-- we don't pay any other colleges with property taxes. University doesn't collect property taxes. State colleges don't, but this is the only secondary education that collects property taxes and the rest of them seem to do fine. OK. Are there any other questions? Thank you very much for being here.

JOHN HANSEN: You bet and good luck.

LINEHAN: Thanks. Other opponents?

BRYAN SECK: Good afternoon. My name is Bryan Seck, B-r-y-a-n S-e-c-k. I serve as the chief talent management strategist, which is a long title, for Kawasaki Motors Manufacturing here in Lincoln and I am testifying in opposition. So at Kawasaki, we employ 2,500 people here

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in Lincoln and the surest way to grow in our company is to go to Southeast. That's the best way. So, for example, the maintenance tech program, electromechanical, out of Milford is an awesome program. We go there and we buy pizza and we do whatever it takes to recruit those graduates, but also when we have people in our assembly area, our production area who show a lot of potential, we send them to Milford because we want to upskill our population. We send them to SCC because it's the best education for the skills that we need. We also hire welders out of SCC, HVAC, people who have car repair experience and education are great for us too. So I hope what you're hearing from us at Kawasaki is that we don't want anything done that could hamper the growth of SCC because we need to grow. Kawasaki is just now embarking on a \$200 million expansion of our facility here in Lincoln. My job, in a situation of 1.1 percent unemployment, is to hire 500 more people over the next 18 months, so please pity me as we move forward. But we're doing pretty well. I think we're a, we're a flagship employer in our community. So as I think about Kawasaki in the future, I think about the transition of our vehicles to different fuels. I think about different technologies. I think about all the things that we're going to need to be successful and the community colleges need to be there and be bigger. There-- what, we're something like 70,000 people short on skilled trades statewide. I can't hire enough welders and maintenance folks. It's just a crazy situation to be in where we need that many people. When I think about finding the workforce that we need, this is the surest way, especially when we're thinking about people who are low income. So the second hat that I'm wearing is prior to Kawasaki, I was the homeless outreach coordinator for Lincoln Public Schools, working with the 500 students who become homeless every year here in Lincoln who go to LPS. And I also served as the director of workforce development for the Lincoln Partnership for Economic Development in my past life. And what I saw there is that everybody who became-- I shouldn't say that-- 90 percent of the families who I worked with who became homeless became homeless while working. My mission really became moving people from part-time jobs to full-time careers. One of the very best ways to move from part-time jobs to full-time careers is to get them into SCC, get them into a career. Whether it's manufacturing, which I hope it is, wearing my current Kawasaki hat, but also if it's nursing or anything else. So I spent a lot of my time going to SCC, taking parents there, helping them enroll in classes, 19-year-olds, newly emancipated, all of the things. So whether I'm wearing a human services hat or an employment hat, I would really think that this bill puts community colleges in danger without having a place to replace this income. And there's no way that our families could afford \$300 to \$400 a credit hour. So from

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Kawasaki's perspective, we really want community colleges to grow as we grow to help us have the skilled workforce that we need. And I'd be happy to take any questions.

LINEHAN: Thank you very much. Are there questions from the committee? You just want to make sure they stay open. You don't have-- do you have a very, very strong opinion about how we pay for it?

BRYAN SECK: It's an interesting question to think about. Do you answer that as a Kawasaki employee or as a personal--

LINEHAN: Right.

BRYAN SECK: --person-- as a resident? From a Kawasaki perspective, we care about Southeast Community College being an affordable choice for our workers and for people who are interested in getting into manufacturing.

LINEHAN: That's an excellent answer.

BRYAN SECK: Thank you.

LINEHAN: OK, any other questions? Thank you for being here.

BRYAN SECK: Of course. Thank you for your time.

LINEHAN: Next opponent. You can go next, the advantage of setting up front. He comes a lot, he knows that advantage.

CRAIG BECK: Yes, I've learned that.

LINEHAN: Good afternoon.

CRAIG BECK: Good afternoon, Chairperson Linehan and members of the Revenue Committee. My name is Craig Beck. That's C-r-a-i-g B-e-c-k and I'm the senior fiscal analyst at OpenSky Policy Institute. We're here in opposition to LB873 for many of the same reasons previous opponents have specified. According to the fiscal note, as Senator Linehan mentioned earlier, this would cost community colleges over \$200 million per year. We understand Senator Friesen's intent is for the state to replace this revenue, but without a mechanism written into this bill, as well as a dedicated source of new revenue to support that cost, we cannot support the bill as written right now. Thank you for your time. I'm happy to answer any questions.

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LINEHAN: Thank you. Are there any questions from the committee? I have one. Mr. Beck, how much revenue will we have to have over and above the forecast and in the Rainy Day Fund before OpenSky would think we don't have to raise more revenue to do a program?

CRAIG BECK: So let me make sure I understand your question. Over and above the 3 percent reserve and what else?

LINEHAN: Oh, it's way above 3 percent. It's almost 20 percent.

CRAIG BECK: Well, that-- I mean, you look at the General Fund financial status and we're at \$105 million for the current biennium.

LINEHAN: Over and above our budget--

CRAIG BECK: Correct.

LINEHAN: --plus \$849 million in the Rainy Day Fund.

CRAIG BECK: Yeah, it's actually more than that, I think, which, which we're really happy to see because we think the Rainy Day Fund is an incredibly important tool for the Legislature. You know, Senator, our opposition to this bill, I think, really stems from the lack of--

LINEHAN: That's not my question. My question is how much money do we have to have in the Rainy Day Fund over and above budget before OpenSky doesn't believe we have to raise revenue to do anything?

CRAIG BECK: You know, Senator, I--

LINEHAN: If you're not prepared to answer, that's fine.

CRAIG BECK: I can get you an answer. I--

LINEHAN: That would be great. I love an answer.

CRAIG BECK: I would be happy to get you an answer--

LINEHAN: OK.

CRAIG BECK: --to that question, Senator.

LINEHAN: All right. Thank you very much.

CRAIG BECK: Thank you.

LINEHAN: Next opponent. Good afternoon.

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MATT GOTSCHALL: Good afternoon. My name is Matt Gotschall, M-a-t-t G-o-t-s-c-h-a-l-l, and I'm the college president at Central Community College. I was just coming up. I didn't have anything written, but wanted to just answer some of the questions that, that you had posed earlier. One of the questions you asked, Senator Linehan, is what our current levy is. Our current levy is 9.18 mills. That does include the two set capital that remains in the, in the budget that--

LINEHAN: It does or--

MATT GOTSCHALL: --in the bill. It does remain in the bill that, that Senator Friesen has so about 7.18 that goes to operating. I would mention, though, that I have the figures for the last five years. I wanted to point out that during that five-year period in that 25-counties area, our valuation actually decreased three of those five years, even with land prices going up. But as we looked at the whole amount of the 25 counties, the valuations actually decreased three of those five years and we, our board, also chose to decrease that levy in four of those five years. The only year that there was an increase in our levy was due to an unfortunate cut in state aid and so that shifted some more back to, to the local property taxes in order to keep maintaining the programs and the, and the offerings that we had. So our levy limit is a little over 11, about 11.75, and our board is currently at 9.18, so well within that limit. The last five years, average tax growth, excluding state aid, is a minus 1.83 percent for Central. So again, we've really been working to try to be conservative on our, on our growth and spending there. Senator Briese, you had also, I think, had asked one of the, the individuals about, you know, do we not-- do we maybe not trust the state? Absolutely. We trust the state. I mean, we are, we are partners and we know that you're outstanding supporters of community college. However, even if you wanted to support us, we know that there's also times when you can't support us to that level. You do have obligations of the K-12, to the state colleges, to the universities and so even if you would like to, to support us at that level, we realize that there may be-- just be years that you wouldn't be able to do that. And so that's where with, with, with the three revenue sources that we have between tuition, state aid, and local has actually worked well in order to be able to provide some consistent programming year in and year out as we have student start programs and continue. Were there other questions I didn't catch for you? Yeah, Senator Bostar.

LINEHAN: Senator Bostar.

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BOSTAR: Thank you, Chair Linehan. Thank you, sir, for your testimony. How would you characterize these-- the elasticity of enrollments? How price sensitive are your students to their willingness and ability to attend the community college?

MATT GOTSCHALL: Well, we really do work a lot with, with low/moderate-income students. Obviously, all students are welcome, but it really does make an impact. I mean, we, we utilize scholarships, Pell Grants, but that's one of the reasons why we do strive to keep the tuition rates low. I remember back in the day, you're talking about the, about the 1970s when some of this started, I know there was, there was the goal at that time that local property taxes-- what I've been told-- local property taxes would be 40 percent, state revenue would be 40 percent, and tuition would be 20 percent. Unfortunately, that's just gotten out of whack over the years. Currently for Central, we're over 60 percent with, with property taxes, about 20 percent with state aid, and then our students are at a little-- about 20 percent as well, as well, some other revenue-- slight revenue sources. So again, it is, it is, you know, purposely trying to keep it low because of the, the demographic of students we serve.

BOSTAR: How many students are enrolled?

MATT GOTSCHALL: Central Community College will work with about 18,000 individuals in a year, actually a pretty high market penetration rate when you think of in national circles. In some counties, over 20 percent of a-- individual will take a credit or noncredit class or workshop with us in any one, one year.

BOSTAR: 1,800?

MATT GOTSCHALL: 18,000.

BOSTAR: 18,000, sorry.

MATT GOTSCHALL: Yes--

BOSTAR: Yes.

MATT GOTSCHALL: --in our, in our--

BOSTAR: What's your-- what's the community college's capacity?

MATT GOTSCHALL: Well, we could do more. Unfortunately, we have businesses-- again, they, they need more nurses. They need more

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welders. They need more people in advanced manufacturing. And so again, we have ramped up some of those, those programs with additional equipment and capacity, but we can take more. The good news is that we're seeing, in some cases-- some of our areas, though, are at capacity, especially in our skilled and technical trade areas, and so that's why we've also appreciated another bill that's going through the Legislature now to help us increase our facilities' equipment.

BOSTAR: Thank you.

LINEHAN: Thank you, Senator Bostar. Is there a short explanation of the state aid formula? So it's based-- is it based on your-- you get less aid, you get more property taxes?

MATT GOTSCHALL: Less state aid generally means you have to rely on local property taxes more--

LINEHAN: But is the--

MATT GOTSCHALL: --so.

LINEHAN: There is a form-- is there a formula?

MATT GOTSCHALL: Yes, yes, there is a formula. There is a base aid component. That's the one that, that Diane Keller mentioned that was renegotiated about 2007, 2009.

LINEHAN: OK.

MATT GOTSCHALL: At that time, Central, we lost about \$4 million--

LINEHAN: OK.

MATT GOTSCHALL: --in the base aid from about \$11 million to \$7 million. We still have not got recouped that amount, even with additional state aid and as it goes through the formula.

LINEHAN: You have not recouped that amount from the state?

MATT GOTSCHALL: Correct.

LINEHAN: Right.

MATT GOTSCHALL: Correct. So, so that-- so we have a base aid, then we get a certain percentage based on our enrollments-- it's called full-time equivalence-- another amount based on what's called reimbursable educational units. And then there's also then another

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amount that was for special initiatives. Most recently, then, we've also received some funding for dual credit and early college students.

LINEHAN: From the state?

MATT GOTSCHALL: From the state, correct, yes. So in total, it's about \$100 million is what the state is supporting community colleges right now. And so if you were to pick up the other, it would be an additional 200 or so.

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

MATT GOTSCHALL: Thank you.

LINEHAN: Other opponents? Any one wanting to testify in a neutral position? Senator Friesen, would you like to close?

FRIESEN: Thank you, Chairwoman Linehan and members of the Revenue Committee. This is going to sound kind of awkward, but, you know, I agree with most of the opposition testimony. It's interesting how people come out to protect their territory when you take their money away. And they tell you what a good job they're doing and I think they are. Like I said earlier, I am a community college graduate and I would not have done well at the university, so I think more and more kids should attend community colleges. I didn't indicate at all that I wanted to cut anybody's funding, but the bill, as written-- they did testify exactly as it was written. I have no problem with that, but I am willing to work with them now to find out how we can get the timing of it, of how we would transition them off of property taxes and work them into our state budget because I do think it's in the state's best interest down the road to make sure that community colleges are properly funded. And on the floor, we've all talked so much about workforce development. We're putting tremendous resources into that and there's no better way of doing it really than still to be put into a community college. And as I look at their success rate on their little brochure there, I would say maybe we should take \$300 million from the university and give it to the community colleges because it seems like their success rate at 98 percent employed or in school is a lot better than the 70 percent graduation rate at the university. Maybe somebody would do a better job. I toured Metro Community College and I was extremely impressed with their model of what they were doing and how they worked with businesses in their community and I think that's where Kawasaki can make a-- take a look at that because I think the business community in Omaha is far more invested in the community

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colleges and getting the proper training and programs implemented than probably anywhere. I was really impressed with their system, I'll have to say. What I've been told sometimes is people out west in the Sandhills-- the one comment that was numerous times is if I didn't have to pay my tuition to community colleges, we would have enough money in the Sandhills to get every one of our kids a full-ride scholarship to Harvard. I get their point. They're, they're very land-- widespread, a lot of territory, and they don't have any kids. I feel for them. I think that this would change that and it would still-- as a state, we could say how important it is to fund workforce development.

LINEHAN: Thank you, Senator--

FRIESEN: With that, I'd be glad to answer any questions.

LINEHAN: Thank you, Senator Friesen. Are there any questions from the committee? Would you get-- can you-- somebody look into the aid, how the formula works, who gets what?

FRIESEN: We'll-- I will do that.

LINEHAN: Because it sounds like it might be something like TEEOSA, but I don't-- hopefully it's not as complicated.

FRIESEN: That I'm not sure--

LINEHAN: Well, it's not even that complicated.

FRIESEN: --about.

LINEHAN: We-- you-- we both understand that, so. Yeah, let's figure out what-- how that works.

FRIESEN: OK and I would, I would be glad to work with Ms. Wittstruck to come up with how we might make this look. Even though she may not be in agreement with what I'm trying to do, I think there is a path here where working together, we can come up with a solution.

LINEHAN: Thank you. Thank you, Senator Friesen. So now we move to open on LB949, which is also Senator Friesen. Oh, I'm sorry, wait a minute. On LB873, we had-- is this right?

KAY BERGQUIST: Yes.

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LINEHAN: We had one proponent, nine opponents, and zero neutral, so all right you already have that. OK. All right. Good afternoon, Senator Friesen.

FRIESEN: Good afternoon, Chairman Linehan and members of the Revenue Committee. My name is Curt Friesen, C-u-r-t F-r-i-e-s-e-n, represent the 34th Legislative District, and here today to present LB949. LB949 amends Section 77-17001 [SIC--77-1701] to require that every tax statement issued by a county shall include notice that a special assessment may be due and that the property owner should contact the assessor's office to verify if they do or do not have a special assessment due. Special assessments are issued by local governments for a variety of reasons, including municipal street maintenance, county drainage districts, or sanitary improvement districts. Special assessments are treated as liens on the property and are collected by the county treasurer and remitted to the subdivision issuing the assessment. I brought this bill on behalf of the League of Municipalities and a representative of the League are here today to answer technical questions about the bill, and I thank you for your consideration of LB949.

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

BOSTAR: Thank you, Chair Linehan. Senator Friesen, why not Douglas County?

FRIESEN: I have no idea. They can answer that question.

BOSTAR: OK, thank you.

LINEHAN: Proponents? Do we have proponents? Hi.

CHRISTY ABRAHAM: Hello, Senator Linehan and members of the Revenue Committee. My name is Christy Abraham, C-h-r-i-s-t-y A-b-r-a-h-a-m, here representing the League of Nebraska Municipalities. We first, of course, want to thank Senator Friesen for introducing this bill. This bill has been on the League wish list for quite a while, and we are grateful for Senator Friesen for introducing it. And we work with NACO to come up with language that they are not going to oppose. The collection of special assessments for municipalities can often be challenging and expensive. We are given the authority to collect them, but it often requires a civil court action and that can be expensive for some municipalities. We feel that putting a special assessment, that note on your property tax statement with-- I think a lot of

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people give a lot of weight, they take a lot of time to read their property tax statement, will hopefully encourage people to check with their county and pay the special assessments that are due. And Senator Bostar, I wanted to mention the reason that Douglas County is not included is they are incredibly special. About 28 years ago, Senator Carol Pirsch had a bill that said that if you live in a county where a metropolitan class is located, the statement of taxes include special assessments for cutting weeds, removing litter, and demolishing buildings. So they for many years have already had on their property tax statement what special assessments are due. What we're trying to do is just put a note on the other 92 counties' property tax statement saying, hey, please check with your county and see if you have some that are due. And I'm happy to answer any other questions you might have.

LINEHAN: Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you for that answer.

CHRISTY ABRAHAM: Sure.

BOSTAR: That's fascinating. I have a few questions.

CHRISTY ABRAHAM: OK.

BOSTAR: Why did this previous legislation do this for just Douglas County?

CHRISTY ABRAHAM: That's a great question and, Senator Bostar, I want you to know I did read the transcript from 1979 and what Senator Pirsch said was they do want to, to-- hopes that the city would be able to collect more special assessments. But at the time, apparently Douglas County was sending out two notices: one for property taxes and one for special assessments. And so Senator Pirsch at the time thought this was sort of like a, a tax-saving measure that Douglas County would only have to send out one mailing. So those were the impetus to get this bill.

BOSTAR: Because it was only Douglas County who was sending this out?

CHRISTY ABRAHAM: I knew you were going to follow up with that question, and I apologize, I don't know if it was only Douglas County. But for reasons of the bill, only Douglas County was included.

BOSTAR: So what happens if I don't pay my special assessment?

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CHRISTY ABRAHAM: Great question. There are various mechanisms, and forgive me, I'm going to talk mostly of municipalities because that's what I am most aware of. Municipalities are allowed under statute to try to collect their own. And that often comes with they're going to send you some notices saying, Hi, your special assessments are due, please pay them. If that doesn't work, they can go through the foreclosure process to try to collect those.

BOSTAR: So if these political subdivisions are sending me notices telling me to-- that, that I owe whatever it may be, what, what additional function is this legislation going to serve?

CHRISTY ABRAHAM: No, I appreciate that question. I think what we're hoping for in this bill is that when people get their property tax statement, that is a statement that a lot of folks take very seriously and pay a lot of attention to. And so we're hoping that if it says on that notice, it's just another way for people to, to know that they may have special assessments and to follow up on that.

BOSTAR: Shouldn't we just put on the, the property tax statement, whether or not they do owe anything?

CHRISTY ABRAHAM: [INAUDIBLE]

BOSTAR: Instead of, instead of sort of a nebulous, hey, you may owe more money somewhere.

CHRISTY ABRAHAM: Senator Bostar, you're asking excellent questions.

BOSTAR: Thank you.

CHRISTY ABRAHAM: You're welcome. And that's not just a delaying tactic, that's sincerely, sincerely said. But that concern is multifold. And one of them is Jon Cannon from NACO will come up and maybe discuss with you concerns. The problem with special assessments is they come due at different times and they're for different things. So, for example, with municipalities, say, you haven't mowed your lawn for six weeks and the city has to come in and cut down weeds for you, and then they're going to put a special assessment on your property, saying, hey, we mowed your lawn, we need special-- you know that money back. They don't follow the same schedule as property taxes, they come due at different times. And so I think there was concern with the counties that they weren't sure exactly what would be do at the time they're sending out the property tax statement, and that was going to be a lot to ask for counties to sort of know what that is and get that on the property tax statement.

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BOSTAR: Just two more.

CHRISTY ABRAHAM: OK.

BOSTAR: Are special assessments subject to the 14 percent interest rate if they are past due?

CHRISTY ABRAHAM: It is my understanding that they are. I will get that verified for you, Senator Bostar, but that is my understanding.

BOSTAR: Last question. If this note goes out on all-- well, OK, second to last question.

CHRISTY ABRAHAM: OK.

BOSTAR: Sorry.

CHRISTY ABRAHAM: No, no, that's fine.

BOSTAR: What percent of property taxpayers-- what percent of statements are actually going to owe some kind of special assessment? Approximately.

CHRISTY ABRAHAM: You know, Senator Bostar, I apologize. I don't know the answer to that. I can maybe try to figure that out. From municipalities, like I said, there's, there's different kinds of special assessments. You with your delinquent lawn mowing is one. But like if there's a sidewalk assessment, you know, and they're assessing your property because they built a new sidewalk or a new street, you know, those are a little bit different, so I can try to find that out for you. Senator, I just apologize, there's, there's so many different kinds, it, it may be a challenge to find that information.

BOSTAR: I mean, would you-- if you were just guessing, and understand that it would be a guess, a majority of all property owners have a special assessment?

CHRISTY ABRAHAM: I would guess, no.

BOSTAR: Less than a quarter?

CHRISTY ABRAHAM: I-- well, OK, somewhere around there.

BOSTAR: Fair enough.

CHRISTY ABRAHAM: And I will-- I, I, I-- honestly, Senator, I will try to find out what I can for you.

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BOSTAR: Yeah, absolutely. But I ask because my last question, truly, is, is there a concern that when these go out, if it does its job because you want people to call in--

CHRISTY ABRAHAM: Um-hum.

BOSTAR: --that you're going to get a flood of requests that are unnecessary to determine whether or not there's a special assessment when for most people, this isn't a valuable activity?

CHRISTY ABRAHAM: Sure. I, I appreciate that. I'm-- it-- two things. I'm hoping that-- yes, I mean, I guess I am hoping that a lot of people call the county to find out if they, if they do owe. Now whether the counties agree with that assessment or not, I don't know. But yes, I, I hope that people do find out. And I guess I'm hoping that people should-- and again, I'm only talking about municipalities, not NRDs, not other folks, but cities have probably already sent them a notice saying you owe the special assessment. Maybe if they read it on their property tax statement, it will trigger them and say, oh, that's right, I did get that notice several months ago, I do need to call the county and, and figure out what I owe.

BOSTAR: Thank you very much.

CHRISTY ABRAHAM: Oh, thank you.

LINEHAN: Thank you, Senator Bostar. Are there any other questions? Thank you for being here. Appreciate it.

CHRISTY ABRAHAM: Thanks so much. Good to see you.

LINEHAN: Other proponents, right? Proponents? OK. Opponents? Neutral? Good afternoon.

JON CANNON: Good afternoon, Chairwoman Linehan, members of the Revenue Committee. Thank you for allowing me to be here. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of the Nebraska Association of County Officials, otherwise known as NACO, here to testify in a neutral position on LB949. I'd like to thank Senator Friesen for bringing this bill. Over the years, we've had lots of thoughtful conversations about the nature of tax policy, and he certainly drew us in as far as this conversation was concerned. And we certainly appreciate that, and I would also like to thank the League. They involved us from the start. It's something that we've been having a conversation with on an ongoing basis for a number of years. And what Ms. Abraham testified to is essentially correct. The NACO has

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always fairly jealously guarded the no pun intended real estate that we have on the tax statement. It's a limited amount of space that we have. We don't want them to be two pages, you know, three pages, multiple, multiple pages. You know, special assessments are not always tied or they're, they're not tied at all to property values. And that's one of the reasons that we always considered that, that might be a little bit confusing to taxpayers. We don't-- we, we certainly don't, to your point, Senator Bostar, we don't want to give our citizens, particularly our homestead recipients heart attacks when they see this thing as as special assessments may apply, please contact the county. That said, this is something that we would be able to put on the, on, on one of the sides of the property tax statement. We're not going to put it in bright red letters or anything like that. We're not going to have [INAUDIBLE] or warning, warning bells going off. This is something that we can do. It's, you know, very short verbiage. We think we can add it to the property tax statement without it causing too much angst. And like you, Senator Bostar, you know, we would always be concerned about a flood of calls coming into the county treasurer's office or the county assessor's office. But I'm, I am hopeful that, as Ms. Abraham testified, that a person would say, oh, yeah, I, I do have that special assessment I got a notice for several months ago, and everything she testified to obviously is also correct. The timing is certainly different. And also the cities, their, their parcel numbers don't necessarily match our parcel numbers. And so having them tell us exactly what it was-- what, what the assessment would be would be problematic. Because again, not tied to value, not in the same schedule, not in the-- not necessarily the same parcel number. And so that's, that's why we, we would not want to go as far as having the exact figure on there. But again, as a preliminary matter, we are willing to put this on the statement. So that's all I've got, and I'd be happy to take any questions you might have.

LINEHAN: Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, Mr. Cannon. OK. Just trying to understand. So the county officials don't know exactly what the assessment is?

JON CANNON: No, sir, we do not.

BOSTAR: So when they're being asked to call the county because they might have this special assessment, the county is going to say they don't know?

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JON CANNON: We would-- if, if they had a special assessment, if someone called in and said, I, I got a thing about my, my weeds having been mowed, we would say you need to contact the city.

BOSTAR: What if they said I got my property tax statement and it said I should call the county because it sounds like that's what it will say?

JON CANNON: We would have to have some level of coordination with the cities.

BOSTAR: Is that being prepared? Is there a plan for that?

JON CANNON: We have not yet gone down that road.

BOSTAR: OK.

JON CANNON: Step one, I believe, was, was having this legislation introduced.

BOSTAR: Got it. OK. So apparently, Douglas County, from my understanding, just from this hearing, is that they are able to put the specific information on their-- and this again, my understanding-- the property tax statement. Why can't others?

JON CANNON: So in Douglas County, you have the only county in the state which has a city of the metropolitan class. The level of coordination between Douglas County and the city of Omaha is because of the, the unique nature of, of the city of Omaha is something that, that readily lends itself to that, that sort of joint operation, really. My expectation, and, and this is without having any specific knowledge, my expectation is that they have worked out having the unique parcel ID match up to what the county has, that they have a way of feeding this into each other's systems. Right now, as it stands, when we, when we prepare the property tax statement, the counties are receiving information from all the political subdivisions. They're taking that, that information from the political subdivisions. They're doing the necessary calculations and they create a tax statement. What this would involve would be receiving information from, from other political subdivisions, namely the cities or villages or, or, or-- yeah, cities and villages, and then either communicating back toward the city to get that information, to harvest that information, or having a secondary batch of information that rolls out right around the time the tax statements are, are printed. It's something we would, we'd have to work out, frankly. But you know, this has been in place in, in Omaha since, I believe, the '70s. And my guess is that they

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worked it out. With smaller counties where you've got, you know, instead of having, you know, Douglas County with, with one large client, when you've got a whole bunch of other counties that have several cities and villages, it's-- you're going to be subject to the whims of, of a village clerk that, you know, may or may not get that to you in time.

BOSTAR: I mean, do you feel like-- and I ask because of where my district constituents are located. It sounds like Lancaster County would also be suitable. If Douglas County can do this, Lancaster County is not inherently that different in its arrangement between its primary city and the county. Would you agree that they would be able to handle this?

JON CANNON: I would not want to speak for Lancaster County. I will note that the population of Lancaster County today is probably roughly similar to what Omaha was back in, in the '70s when this was first adopted. But beyond that, I, I really would be speculating.

BOSTAR: Do you see any-- so when this statement goes on the property tax statement, when the, when this clause was in the property tax statement, it's either going to be prominent and effective, thereby engendering a significant volume of phone calls to the county or it won't and what are we doing? It, it, it seems like related to your statements about it's not going to be in bright red letters, don't worry, it's not going to be that significant. Will it matter?

JON CANNON: I think for the kinds of people that we would, we would want to be getting the message to. The folks that are going to diligently read their tax statement, my expectation--

BOSTAR: These are the same people who may have gotten a notice that they owe money and haven't paid it. This is the target audience. Simultaneously is the target audience that you feel is diligently reading their statements?

JON CANNON: Well, I, I guess that's the triumph of optimism over experience, sir.

BOSTAR: Understood. Thank you very much.

JON CANNON: Yes, sir.

LINEHAN: Thank you, Senator Bostar. OK, first of all, Douglas County is not one city. It has Valley and Bennington and in 1979 would have had Elkhorn.

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JON CANNON: Yes, ma'am.

LINEHAN: So they've evidently figured out how to work it out and I love Douglas County, but I don't think we're that much more special than others. You said something, the parcel numbers don't match between the city and county.

JON CANNON: Not necessarily. If-- the city could have a completely different numbering system for the parcels within the city, whereas the, the county is, is going to have-- I mean, they're set up the way the assessor has set up that system.

LINEHAN: I find that very hard to believe. I'm not saying it's not true, but it makes no sense. Every-- my understanding is every parcel in the state, every piece of land in the state has a parcel number. It's how we do our notorious LB1107 property tax credit refund.

JON CANNON: I just--

LINEHAN: So, so--

JON CANNON: I just want to mention I--

LINEHAN: --the city's got a different one?

JON CANNON: Depending on what the function is. They, they could in, in fact have-- when it, when it comes to what they report for property taxes that's going to feed into the assessor's system and it's going to be based on our system of numbering. But if they have a different system for determining, you know, who's-- who, who had their weeds sprayed or who had--

LINEHAN: It'd still be the same parcel. I mean, you don't have different parcel numbers for pieces of property, or maybe we do. I don't know. OK, Senator Friesen is going to answer this question. That's good. OK. And I, I'm not going to repeat all of Senator Bostar's questions because he's done an excellent job. But you also mentioned the elderly. I mean, I would think special assessments-- OK, we talked about weeds, but it's also streets, right, we're going to-- Rockbrook in Omaha.

JON CANNON: Yes, ma'am.

LINEHAN: We're going to redo your streets and you're going to pay 50 percent of it over 20 years and it's going to be-- isn't that on a property tax statement?

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JON CANNON: I, I, I would need to get back to you on that one, ma'am.

LINEHAN: So in Lincoln, if they're-- I missed, I was out of town for six months or in a nursing home for six months, I come home, I've got a new street, who's, who's going to tell me that I got a new assessment because-- OK, I know, it's Friday. OK. Any other questions? Thank you very much for being here.

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

LINEHAN: Other neutral testimony? Senator Friesen, could you close, please? We do have letters: one proponent, zero opponents, and zero neutral.

FRIESEN: Thank you, Chairwoman Linehan. I, I might be able to answer the question. When I was with the city of Henderson, when we assessed something like weeds or a yard cleanup, it's by property address. And so I don't know that the city clerk has parcel numbers, that I'm not sure of, they use physical addresses. And so--

LINEHAN: Yeah, but you just have to type that in and pops up on my computer.

FRIESEN: But they'd have to look it up because they don't send things out by parcel number ever. It's always my physical address. I'm-- and that's small town.

LINEHAN: Maybe they don't know.

FRIESEN: You know, bigger towns might have switched to a different system, but right now I think everything they did was always by street address.

LINEHAN: Address. OK.

FRIESEN: And so we did-- and again, there's sidewalk assessments and they're all due on different times sometimes, but you could have a property owner who lives out of state. The person who lives there probably would get the notice. I, I'm-- those are kinds of things I don't know, but I do know that after a while, if that bill is not paid, it can be levied as property taxes and subject to--

LINEHAN: 14 percent interest.

FRIESEN: --foreclosure.

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LINEHAN: But I don't know how it works in Henderson. But in Omaha you go, you type in your address and voila, you have your personal number. It's like-- it's already all done.

FRIESEN: And if you went to the county assessor's website in Hamilton County or York County, you could find that same thing, but the city of Henderson and all their billing and everything they do is, I think, based on the physical address.

LINEHAN: OK. Any other questions? Yes, Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, Senator Friesen. So if considering that-- I mean, as you back up, these systems don't necessarily match, there isn't inherently a plan for what to do when someone calls the county. Do you feel like some of that work should happen and be figured out before we put into statute some of these provisions?

FRIESEN: Well, to me, I guess when I first saw this, it seemed like a very simple solution. Now, if you want to get complicated, you would introduce legislation next year that would make them match all the dates of property tax collections and, and all those requirements. And once those were all matched up across the state, you would have it printed out on your statement.

BOSTAR: Thank you.

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

FRIESEN: It is no question.

LINEHAN: And with that, we will draw-- we will close hearing on LB949 and we will open the hearing on LB1030.

FRIESEN: Thank you, Chairwoman Linehan, members of the Revenue Committee. My name's Curt Friesen, C-u-r-t F-r-i-e-s-e-n. I represent the 34th Legislative District and I'm here today to present LB1030. LB1030 exempts all tangible personal property from property taxes. This is a bill that I brought a few years ago as an option to have on the table in our general discussion of tax policy. This bill would provide tax relief for not just ag producers, but for all business owners who own personal property, whether it be urban or rural Nebraska. I feel it's important to make sure we again have all options on the table as we move forward and make tough decisions about tax policy. The one thing about this is that I personally feel that when we have businesses that want to add equipment, add jobs, so they go

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out and buy a \$500,000 piece of equipment in their manufacturing facility, now you have to track it for seven to ten years and your depreciation, you have to turn that schedule in to the, to the tax assess-- accountant. And so it's just a-- it's kind of, to me, a record keeping nightmare and disincentivizes companies from buying new equipment. We just turn around and they're investing and trying to upgrade their business and we tax them because of it. And so this would get rid of that personal property tax. And right now, I believe, you know, at one time when I introduced this bill was probably 50/50 ag, commercial. Now it's probably 65, 70 percent commercial, 35 percent ag. Somebody might have some better numbers on that. But it all this depends on the ag economy and how much equipment is purchased as to that ratio. But it does help out businesses, I guess, from that aspect. Small businesses, restaurants, they all have to depreciate some of that property. With that, I'd be glad to answer any questions.

LINEHAN: Thank you, Senator Friesen. Are there questions from the committee? Didn't we-- we had an exemption for the first something and then we did away with it to pay for something else, right?

FRIESEN: Yes, Senator Gloor, back when he was-- I think it was Senator Gloor introduced like a \$10,000 value of property to be exempted. So your first \$10,000 of property would be exempt, each item because they're individual items. So if you had cheaper equipment, I mean, it could--

LINEHAN: So is this a property tax that we don't collect? Is this, is this, is-- if you qualify for Imagine Nebraska, is some of this forgiven?

FRIESEN: I would assume that some of this is refundable or claimable on your credits.

LINEHAN: OK. OK. Thank you, Senator Friesen. Proponents? Good afternoon.

STEVE EBKE: Good afternoon, Chairman-- Chairwoman Linehan and members of the Revenue Committee. My name is Steve Ebke and that's spelled S-t-e-v-e E-b-k-e. I operate my family's farm located near Daykin. I serve on the Nebraska Corn Growers Association board of directors and testify today on behalf of the Ag Leaders Working Group, and we support LB1030. Again, to repeat, the Ag Leaders Working Group consists of Nebraska Cattlemen, Nebraska Corn Growers, Nebraska Farm Bureau, Nebraska Pork Producers, Nebraska Soybean Association, Nebraska State Dairy Association, and the Nebraska Wheat Growers

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Association. Our association sincerely appreciate your efforts to achieve property tax reform that we believe must change how we fund education. We gratefully acknowledge the property tax relief you provided to real property taxpayers. However, we must point out that no relief accrues to personal property taxpayers. Our support of LB1030 stems from the fundamental unfairness of assessing personal property taxes on tangible business assets. Some individuals and businesses utilize machinery and equipment to create products that generate revenue resulting in taxable income. Other individuals and companies use knowledge to generate revenue and taxable income. All these entities pay income taxes on their income. However, only those entities that require machinery and equipment are taxed on, on the items that they use to generate that income. In our view, this is a tax on business inputs. The farms and ranches we represent are further disadvantaged because we sell a fungible commodity into a market set by supply and demand. We must accept the price offered by the market rather than developing a selling price to recoup the taxes paid on personal property. The impact of LB1030 on education funding should-- or will be handled through the TEEOSA formula. Our members acknowledge that LB1030 would likely result in a shift of taxation to real property. However, the services and benefits provided by cities, municipalities, counties, and other political subdivisions typically accrue to residents and real property owners. Nebraska's education funding continues to rely on the excessive use of property taxes. LB1030 is a direct property tax reduction for Nebraska's farms, ranches, and businesses, and we encourage the committee to either advance LB1030 or incorporate it within a more extensive property tax reform and education funding package. We certainly appreciate your consideration.

LINEHAN: Thank you very much. Are there questions from the committee? I appreciate you being here. It, it is-- I'm just asking for information [INAUDIBLE]. So this is deductible on your income taxes, though, right?

STEVE EBKE: Yes.

LINEHAN: OK. OK. And then you depreciate it over a certain number of years and then you don't have to pay personal property tax on it anymore. Is there a schedule?

STEVE EBKE: That's, that's correct.

LINEHAN: OK. OK. All right. Thank you for being here. Appreciate it very much.

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STEVE EBKE: Thank you.

LINEHAN: Other proponents?

BUD SYNHORST: Good afternoon, Chairwoman Linehan and members of the Revenue Committee, thank you for allowing me to be here today. My name is Bud Synhorst, B-u-d S-y-n-h-o-r-s-t, president and CEO of the Lincoln Independent Business Association, representing 1,000 members from Lincoln and Lancaster County area. I'm here on behalf of LIBA to provide our support of LB1030. As this body is well aware, the current property tax situation across our state is unacceptable. In addition, the pandemic added more strain on businesses across Nebraska and impacted the lives of business, business owners in a major way. While the revenues may have-- in many cases were reduced, their tax responsibilities climbed. As businesses attempt to navigate the current uncertainty, it is important that governing bodies do everything they can to ease the tax burden. Individuals have not been able to keep up with the extreme growth of property taxes, and this issue is compounded when the-- with the recent high inflation factored in. Personal property taxes have significant costs for businesses. Along with the obvious financial cost to the taxpayers, the cost related to time and effort required to actively identify all required property that is included and complete the appropriate returns. Even with the mitigating effect of Nebraska's tax credits, the burden is still too high. The personal property tax decreases investments that grow businesses, raise employee wages, and aid our communities. Throughout the Midwest, several states have taken action to move away from collection of tangible personal property tax, including Michigan, Indiana, Iowa, South Dakota, North Dakota, and Minnesota, all including-- exempt all or nearly all personal property tax. LIBA has long been a supporter of eliminating this personal property tax on Nebraska businesses. While the Legislature has made productive efforts, elimination must be the end goal. Our, our organization has asked the-- Nebraska legislators over the years to look for ways to phase out this tax and direct-- that directly impacts our state's existing and new businesses, and to LB1030 would address these concerns. Phasing out this cost for Nebraskans will have substantial economic impact on our state. The relief this legislation provides and the resulting growth will be far more reaching and impactful than other tax credits. For these reasons, LIBA supports advancing LB1030 out of committee and onto General File. And I would like to thank Senator Friesen for bringing the bill-- this bill forward and the committee for allowing me to be here today and I would answer any questions you may have.

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LINEHAN: Thank you very much. Are there questions?

BUD SYNHORST: Thank you very much.

LINEHAN: Thank you very much. Are there other proponents? Are their opponents?

JON CANNON: Good afternoon,--

LINEHAN: Good afternoon.

JON CANNON: --Chairwoman Linehan, members of the only committee with whom I would want to spend my Friday afternoon. 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've heard us referred to as NACO, here to testify in opposition to LB1030. Again, want to thank Senator Friesen for bringing this bill up. This is a great time for us to get to the meat of the schedule where we can talk, really have those philosophical discussions about what all these things mean, what all, all the different constituent parts of our property tax system do. As you know, NACO is typically protective of the tax base. In theory, the broader the, the broader the base, the lower the rate is for everybody. I'm having passed out to you a spreadsheet which will indicate what exactly will happen if we undertake the elimination of personal property across the state. And you will see that there's going to be a shift and not necessarily a shift that's going to benefit ag, in fact, despite the testimony previously. I'll very quickly go through what I've got here. I took the categories in the 2020 values from the Department of Revenue's website. They've got a lot of fantastic information there for you, so railroads, public service entities, commercial and industrial equipment, etcetera, plus the 2020 values. That comes from their current year value in taxes spreadsheet on the PAD website, cells B43 through 50 and C43 through 50, if you'd like to look that up, the total is a summation--

LINEHAN: Mr. Cannon.

JON CANNON: Yes, ma'am.

LINEHAN: I know you're limited, but go a little slower because--

JON CANNON: Yes, ma'am.

LINEHAN: OK.

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JON CANNON: So the total would be the sum of, of that 2020 value column. The property tax levy is what I took from cell D20 on that same spreadsheet from the Department of Revenue that I had referenced. I take the rate by dividing the, the total levy, by the total value. And then you got another couple of things on there that I have for the personal property value of public service entities and the personal property value of railroads across the state, and that's as certified by the Department of Revenue on, on their certified distributions. So I take that rate, I apply it to each of those values for the column that says 2020 county tax. And that's what I come-- how I come up with the taxes that are levied against each of those sectors in the 2020 tax year. So what I do then with the next couple of columns where I have an adjusted value and an adjusted tax is-- for the railroads, I deduct the personal property value as certified by the Department of Revenue from their total value. I come up with an adjusted value. I do the same with public service entities. I zero out commercial and industrial equipment and agricultural machinery and equipment, and then everything else I, I assume is going to remain the same. I, I assume that I'm going to have the same levy. I take that levy. I divide it by the adjusted total value, and I come up with a new rate. As, as the property tax base shrinks, the rate's going to go up. I take that rate and I multiply it against the sector value for each of those, those rows, and I come up with an adjusted tax. And then the last column, I show you what the difference is. And so what you illustrate, you see that the railroads are certainly going to get a reduction, public service entities will certainly get a reduction. For commercial and industrial equipment, for just their equipment, they get a reduction as well as agricultural machinery and equipment. However, because that rate has gone up, you will see that what-- the effects of the shift, this shifts over to ag outbulding and farm site land, agricultural land, commercial and industrial and mineral land, and residential. So for what it's worth, this packet that I've given you, I have the first sheet is, is for the state as a whole. I have selected the counties of Boone, Buffalo, Clay, Dakota, Douglas, Greeley, Hall, Hamilton, Howard, Johnson, Lancaster, Madison, Merrick, Nance, Pierce, Sherman, Thurston, Valley, Wayne, and Wheeler. Not coincidentally, counties that members of the Revenue Committee are either from or representing or, or have an interest in. The other thing I would like to note, and this is not included in this packet, it's in the larger spreadsheet that I, that I have, which has all the values, happy to share it with the committee if, if you so desire. And three counties in Nebraska, in Deuel and Kimball in particular, their rate, their levy rate would go up past 50 cents and Deuel would go to 52.82 cents, and Kimball would go to 51.56 cents. And as you know, we

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have a 50 cent levy lid. I will also note that in Gage County, their rate would go up to 42.6 cents. Currently, they're at 38.97 because, as we all know from the Beatrice Six, they have to be at the 50 cent max. But they've also got rural fire departments and, and other political subdivisions that are part of that 50 cent rate that have them at a county rate of 38.97. And so that would hinder their ability to pay off that judgment. Like I said, I'd be happy to, to send the actual spreadsheet with all of its formulas to any member of the committee that's interested in it, and I would be happy to take any questions that you might have.

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

JON CANNON: Thank you very much.

LINEHAN: Are there other opponents?

CRAIG BECK: Good afternoon, Chairwoman Linehan, members of the Revenue Committee. My name is Craig Beck, that's C-r-a-i-g B-e-c-k, and I'm the senior fiscal analyst at OpenSky Policy Institute. We're here to testify in opposition to LB1030 because it would create a tax shift and likely result in increased real property taxes or revenue losses for local subdivisions. LB1030 would reduce the property tax base across the state by about \$14 billion, resulting in \$236 million less property tax revenue across all political subdivisions according to the fiscal note. The result of, of this shift would be increased levies on real property if room exists under a local subdivision's levy lid or reduced revenue, likely resulting in cuts to services. It would also trigger an estimated \$65 million increase in state aid to schools according to our modeling, although schools would nonetheless experience an overall shortfall of about \$75 million had this been in place for fiscal year '23. I'd note here that there's some ambiguity in how the bill will be interpreted. It might be that personal property would still be considered a resource in the formula, and state aid would not increase even though districts could no longer tax personal property. However, even if the additional state aid is funded, it would not be triggered until the second year after valuations were decreased and it would only benefit schools that receive equalization aid. All other local entities could not be made whole without raising their tax levies. If LB1030 had been in place and the state chose not to fund the \$65 million increase triggered in TEEOSA, taxpayers across the state would have seen their levies increase an average of 9.1 cents. If it did fund that increase, levies would still have gone up by 6.6 cents on average. As a result of those

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concerns, we oppose LB1030. I would like to take a minute just to follow up really quickly on our exchange last time. After I sat down, I, I had a chance to gather my thoughts. So, Senator Linehan, I'm going to take another stab at your question and hopefully get you a better answer this time. So yes, we recognize that the cash reserve is at a high level. We're happy to see that. Our position on the cash reserve, though, is that we don't believe that those funds should be utilized for anything, for any ongoing purposes. Those are one-time funds. As you know, it's reserved for a reason. Secondly, talking about just the general fiscal position of the state currently, you know, some people, some economists think we're in a fiscal bubble. So because of that, I mean, you have to look at the, the remarkable circumstances that we've had over the last couple of years. That's what we're looking at with all the aid that's flowing into the state, the one-time dollars that, you know, came in very fast and furiously and really propped us up. We're, we're, we're concerned that, that those are propping up our revenues. And if we make decisions based on that revenue right now that it could have bad impacts in the future. Obviously, we're going to have to wait and see what the forecasting board says at the end of this month. I'm sure you'll be watching that like we will. But that \$105 million that's currently shown on the, the General Fund financial status, we've heard there could be potentially up to \$70 million more out of that for increasing provider rates, I think, so that would only leave \$30 million barring--

LINEHAN: That's OK.

CRAIG BECK: --some increase. OK.

LINEHAN: Thank you for your response.

CRAIG BECK: Yes.

LINEHAN: I appreciate that.

CRAIG BECK: Thank you and I'm happy to answer questions.

LINEHAN: Are there any other questions from the committee? Seeing none, thank you.

CRAIG BECK: Thank you.

JOHN HANSEN: Madam Chairman, members of the committee, for the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I'm the president of Nebraska Farmers Union appearing before you this afternoon as also their president and lobbyist. I will just say that I

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think that the intent of this bill is very good. I think I understand the, the impetus for it. But I'll tell the committee the same thing that I told the committee the last time I can remember testifying on this issue is that we're talking about two different sets of pockets on the same pair of pants. And so if you take money out of one and you put it in the other, you haven't really gained anything. And so the money that comes out of the pockets of the folks who pay the personal property taxes in the case of ag go right back to the other pocket, which is the pocket that represents real property. And that in addition to picking up that cost, that the real property owners also pick up the cost of the personal property that came from other sources. And so that's what I think I understood Jon Cannon from NACO's data to show. And the other thing that I've learned the hard way more than once is that it's especially when you get to the point of doing tax policy that it is always advisable to get the numbers first. And then based on the numbers, you can develop a philosophy that's consistent with the numbers. And if you do it the other way around, more times than not, you're going to end up being disappointed with the results. And so when I look at the, the actual dollars and cents of this proposal, it becomes a philosophical question within ag over who should pay more taxes. Should it be the folks who own the land who are in a lot of cases, landlords who are retired farmers who are then going-- if they have higher bills to pay, are then going to need to raise cash rent to their renters or eat it, one of, one of the two, or should folks that are actively farming and own more of the personal property pay a bigger share? And arguably, hopefully, they're in business, they're actively producing and that they're hopefully since they own the personal property, that they're in a better position to be able to pay the personal property tax, which does gratefully go down as depreciation goes down. And I would just tell you that this is the lowest depreciation sheet that I have ever sent to the county as I've completed my taxes this year. And with that, I'd ask-- end my testimony and answer any questions on a late Friday afternoon.

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

JOHN HANSEN: Thank you very much.

LINEHAN: Are there other opponents? Does anyone want to testify in the neutral position? Senator Friesen, would you like to close? This is good. It's not even 4:00 yet.

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FRIESEN: We will make this very quick. Again, I knew there would be a shift. I'm OK with that. It's a shift to different people. But when the business community can no longer say that I'm only interested in reducing ag property taxes, I get a gold star by my name. Now I-- I mean, it is-- to me, it's an incentive for businesses to buy equipment, add jobs, grow their business. It's not so much about maybe who should be paying it, because if a business is trying to grow and add employees, grow their business, we shouldn't be penalizing them for doing that.

LINEHAN: I actually have some questions.

FRIESEN: Sure.

LINEHAN: First of all, I need to say that we have three proponents and two opponents and no-- for the letters, for the record. And so I'm just playing with math here. So what's not in the fiscal note, I think, and I know, I think Mr. Ebke was frustrated with me, but you deduct these from your income taxes, right? If you pay this personal property tax, it's a deduction--

FRIESEN: Yes.

LINEHAN: --and it's, it's a-- how do I want to say this-- it's not actually, it's like a 100 percent deduction because it's a business cost.

FRIESEN: It's a business expense.

LINEHAN: So I wonder if the fiscal note even took that into consideration because I'm assuming that--

FRIESEN: You will pay more income taxes because of this than if you have no deduction. But it's shifting on-- some of it's shifting on whether--

LINEHAN: Right, but I'm, I'm just questioning if it's fiscal note here. Stay with me a second.

FRIESEN: Oh, yeah.

LINEHAN: So if you have \$236 million paid in property, personal property taxes, what percentage-- I think this is something we should ask Department of Revenue-- what percentage of that is deducted from your income taxes? Because that means we're not collecting at state

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level. Because if it's deducted as a business, you don't pay income taxes on it, right?

FRIESEN: True.

LINEHAN: So-- and then in addition, what percentage if you're a new company moving to Nebraska, you're building a new-- aren't, aren't these taxes-- what would be the word-- forgiven, abated under Imagine Nebraska?

FRIESEN: I'm, I'm going to step out on a limb here, but I-- property taxes can't generally be abated. Now they can-- I think we can use tax credits to buy them back because there is provisions in the Advantage Act, I think, of doing some real property. I'm thinking personal property, but I don't know that we can abate.

LINEHAN: We need to figure it out because when we were in here on Imagine, one of the hearings on Imagine, I said something-- somebody said property taxes, and I said I thought we'd got rid of that. And then somebody said something about personal property. So I think just--

FRIESEN: We'll, we'll check, we'll check into that.

LINEHAN: Yeah.

FRIESEN: One thing to note, I guess, is with the, the huge investment we're making in fiber also, that is being taxed also. So I mean--

LINEHAN: It's personal property?

FRIESEN: We're, we're raising the cost of putting in fiber to those companies that are putting in all that fiber.

LINEHAN: It-- it's taxed as personal property?

FRIESEN: I believe that there's a lot of personal property tax being paid by those.

LINEHAN: OK. All right. Thank you. Any other questions? Thank you to my two committee members, three, that are still here. Thank you. And with that, we bring LB1030 to a close.