LINEHAN: [RECORDER MALFUNCTION] and I represent Legislative District 39. I serve as Chair of this committee. The committee will take up the bills in the order that are posted outside the hearing room. 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 or eliminate-- limit handouts. If you are unable to attend a public hearing and would like your position stated for the record, you may submit, submit your position and any comments using the Legislature's website by 12 p.m. the day prior to the hearing. Letters emailed to a senator or staff members will not be part of the permanent record. If you are unable to attend and testify at a public hearing due to a disability, you may use the Nebraska Legislature's website to submit written testimony in lieu of in-person testimony. To better facilitate today's proceeding, I ask that you follow these procedures. Please turn off your cell phones and other electronic devices. The order of testimony is the introducer, proponents, opponents, neutrals 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. And I'll introduce the page in a second. We need 11 copies for committee, 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 5 minutes. We will use the light system. You will have 4 minutes on green, 1 minute on yellow, and then I will ask you when it turns red to finish. If there are many wishing to test-- [INAUDIBLE]. If your remarks were reflected in previous testimony or if you would like your position to be known, but do not wish to testify, please sign the white form at the back of the room and 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 Lyle Wheeler. To my immediate left is research analyst Charles Hamilton. At my left at the end of the table is committee clerk Tomas Weekly. Now, I would like the committee members with us today to introduce themselves, beginning at my far right.

BOSTAR: Eliot Bostar, District 29.

von GILLERN: Brad von Gillern, District 4.

BRIESE: Good morning. Tom Briese, District 41.

ALBRECHT: Good morning. Joni Albrecht, District 17: Wayne, Thurston, Dakota and a portion of Dixon County in northeast Nebraska.

DUNGAN: Good morning. George Dungan, District 26, northeast Lincoln.

LINEHAN: And this morning, our page is Mataya. Could you please stand up so they can see you? Mataya, who is at UNL studying political science. Please remember that senators may come and go during our hearings as they may have bills to introduce in other committees. Please 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. Lastly, we use electronic devices to distribute information. Therefore, you may see committee members referencing information on their electronic devices. Be assured that your present-- your presence here today and your testimony are important to us and it is a critical part of our state government. So with that, we will open with LB804, Senator von Gillern. Good morning.

von GILLERN: Good morning, Chairwoman Linehan and the committee. My name is Brad von Gillern, Brad von Gillern, I represent District 4, which includes portions of west Omaha and Elkhorn. Today I am introducing LB804 on behalf of Governor Pillen. LB804 is very simple, it accelerates the tax cuts that were put in place last year. Governor Ricketts and conservatives in the previous Legislature established a strong fiscal policy, which is what is allowing this bill to be presented today. Governor Pillen is carrying that mindset forward, and I'm happy to carry this bill on his behalf. The previous Legislature voted to reduce corporate rate to 5.58 on the first $100,000 and 5.84 on all taxable income in excess of $100,000. Again, this bill simply accelerates the implementation of the tax cut. It would cut the top business income tax rate again to 5.84 by taxable years beginning or were deemed to begin on or after January 1, 2000-- 2024. The bill was originally drafted to have the date as January 1, 2023. Obviously we can't implement this for the current fiscal year, so we do have an amendment to fix that detail, and I've got that amendment here. Sorry, I'm about to hand that to the page.

LINEHAN: Mataya, he needs you to hand those out. Thank you.

von GILLERN: This is a proactive way to be attractive to businesses and individuals with our fiscal policy and represents over $86 million in tax relief by the year 2027. Lee Will in the Governor's budget office will be following me and can answer any technical questions that will be-- that will help us walk through those numbers in more detail as it relates to the benefits to our Nebraska economy and business interests, and helps us competing with the rest of the region. I'll be happy to take any questions you may have.

LINEHAN: Thank you very much, Senator von Gillern. Are there any questions from the committee? Senator Dungan.

DUNGAN: Thank you, Chair Linehan. Thank you, Senator von Gillern. I appreciate you bringing this bill, I think it's a very important conversation, obviously, to keep Nebraska competitive. And that's something we all want, is to have a state that's competitive and brings people in. More technical questions I might save for later to spare you--

von GILLERN: Thank you.

DUNGAN: --going through all of that. But obviously you're new to the Legislature--

von GILLERN: Um-hum.

DUNGAN: --as I am. When I was out campaigning and knocking on doors, one of the things that I heard about on a regular basis was property tax.

von GILLERN: Um-hum.

DUNGAN: It's something we all talk about in the Legislature and it's something we addressed yesterday in here.

von GILLERN: Right.

DUNGAN: One thing that I don't recall hearing at all from many constituents was a concern about corporate tax rates. Is that a subject that was brought up on a regular basis during your campaign? Or I guess why is this important to you--

von GILLERN: Yeah.

DUNGAN: --to make sure this acceleration happens now?

von GILLERN: Yeah, it it was not the number one topic on door to door campaigning, but it was certainly important to our business leaders. And as we talk to business leaders, it's important to make again, to make Nebraska attractive as a place to do business and to stay here to do business. And we have, particularly in, in my district in Omaha, those-- many of those businesses have the option to cross the river and do business in Iowa at a discounted rate. We don't obviously, don't want them to do that. We want to, we want to retain them not just for the business aspect of it, but for the employment aspect of it. That's one thing that's commonly overlooked is that oftentimes the things that benefit businesses are looked down upon by, by individuals. But we have to remember those, those businesses employ individuals, and that's what gives them the opportunity to earn a living and to pay those property taxes that they don't like. So it's important that we keep businesses in our state.

DUNGAN: That makes sense. And am I correct that we currently have a corporate tax structure that's a-- based on doing business in the state? It's not based on being domiciled in the state, correct?

von GILLERN: Correct. Yes.

DUNGAN: And so do you have any examples that you know personally of or any research that's shown that we will actually get more businesses to move into the state of Nebraska or be domiciled in Nebraska if we reduce this corporate tax rate at a quicker rate?

von GILLERN: Well, again, the domicile doesn't, doesn't matter, it's where we do business that matters. I think there's probably more empirical evidence of companies leaving than coming. And, and there would be very little evidence of those companies coming because of our tax, I believe because of our tax structure. In fact, many of the big businesses that have come here have been beneficiaries of certain programs that the Legislatures, previous Legislatures have put in place that have benefited them to come here and do business through different incentives that have brought them here.

DUNGAN: Thank you. And then last question on that for now. This is the acceleration of the tax cuts that were already passed.

von GILLERN: Yes.

DUNGAN: Do you know of any businesses that have specifically said they're waiting until we hit that final point until they move here.

I'm trying to figure out what the need is to reduce this down immediately if we're phasing it in slowly. Is there a direct incentive from a particular business who said, we want do business in Nebraska or come to Nebraska until we hit that point?

von GILLERN: Again, it's not-- I, I, I'm not aware of businesses that are waiting for this to be implemented to come here. I am aware of businesses that leave all the time and individuals that leave all the time and take their corporate businesses with them. And as we all know, the work environment is much more mobile than it used to be and so those folks can move to Texas or Florida or wherever and take advantage of no tax environment, South Dakota, other adjacent states. So I think it's more a matter of retention than it is attraction. Once we get, once we get the numbers where we're taking them, then it will turn to an attractive-- an attraction for businesses to come here.

DUNGAN: Thank you.

von GILLERN: Yeah, you're welcome.

LINEHAN: Thank you, Senator Dungan. Other questions from the committee? Seeing none, thank you very much. Proponents. Welcome, Mr. Will.

von GILLERN: Thank you.

LINEHAN: Good morning.

LEE WILL: Good morning. Chairwoman Linehan and members of the Revenue Committee, my name is Lee Will, L-e-e W-i-l-l, and I'm the state budget administrator for the Department of Admin-- Department of Administrative Services Budget Division. I'm appearing today on behalf of Governor Pillen in support of LB804 and want to also express support for all other tax reform bills represented by the Governor's represented in the Governor's budget package. This bill will lower the top business tax rate from 6.5 percent to 5.84 percent. Attracting and retaining businesses in Nebraska is critical to ensure that our hardworking people are connected with great opportunities. This rate, combined with other pending legislation, will ensure parity between our business and individual income tax rates. The totality of the budget package will lower both business and income tax rates to 3.99 percent by tax year '27 to ensure we are competitive with our neighbors. The Governor's aims on individual Social Security and business tax cuts will deliver $1.5 billion by the end of the '25-27 biennium to hardworking Nebraskans. The state simply has overcollected hard-earned tax dollars, and it's time to deliver it back to the people. Provided for in the Governor's recommendation, these tax cuts will be phased in responsibly over time to ensure we meet the cash flow needs of the state while delivering transformative tax reform to the people of Nebraska. Including these tax reforms, the Governor's budget package still allows for $218 million in the variance above the minimum-- minimum reserve for the General Fund. At the same time, the cash reserve fund is estimated at $1.6 billion unobligated. This reserve balance represents over 30 percent compared to General Fund appropriations. This tax cut bill and subsequent reforms are sustainable and must be done now to ensure we can keep our grandparents, parents and kids within this great state. I'd be happy to take any questions.

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

BRIESE: Thank you, Chairman Lin-- Chairwoman Linehan. And thank you for being here, Mr. Will.

LEE WILL: Sure.

BRIESE: The amendment that was passed out that will shave the $60 million off at '23-24 in an updated fiscal note, correct?

LEE WILL: Yes. Correct.

BRIESE: OK.

LEE WILL: Yes.

BRIESE: Very good, thank you. And the fiscal note, those are the extra dollars over and above current law?

LEE WILL: That's correct. Yes.

BRIESE: Perfect. Thank you.

LEE WILL: No problem.

LINEHAN: Thank you, Senator Briese. Are there other questions from committee? Senator Dungan.

DUNGAN: Thank you, Chair Linehan. Thank you for being here today.

LEE WILL: Sure.

DUNGAN: I'm not going to go too deep into detail because I'm sure you understand this better than most people, and I don't want to make you explain everything. What is the-- from a bigger picture, that's 30,000-foot view here. What's the need or the importance of having parity between corporate and personal tax rates? I'm just trying to understand how that lines up and why it's valuable to our state.

LEE WILL: Yeah, one thing is simplicity. I mean, you go out and explain the tax code, you have multiple different tax brackets, tax codes, individuals different than corporate and business. I think that's important. As Senator von Gillern mentioned, it's important that we're competitive to make sure that we have thriving businesses in our communities so people can have great jobs. We have seen that migration in relation to businesses going to other states with lower tax rates. We've seen that nationally. For instance, you know, Tesla moved to Texas, and I believe that was largely because of tax climate. We want to keep those businesses here in Nebraska and we want to try to incentivize others. But, you know, we want to largely keep out the outmigration of our businesses that hire our folks in Nebraska.

DUNGAN: So it's more about trying to-- is it fair to say that you're talking more about retention and recruitment? I mean, obviously they're both important, but your baseline importance here is retention and trying to keep people here rather than recruiting new businesses in?

LEE WILL: Yeah, I think I mean, in comparative to South Dakota, for instance, we just got to be on the playing field right now. They're so advantageous with their tax code, it's really hard to compete. So we just have to remain more competitive. I believe that we can retain folks if we're at least on the field, and we may not be able to bring them from lower-taxed states, but we'll be able to keep them here.

DUNGAN: I know there's also been some estimates, and I'm ballparking here.

LEE WILL: Sure.

DUNGAN: I apologize. But something upwards of over 80 percent of the actual benefit, the dollars from the corporate tax cuts are going to go to folks who live out of state. Given the fact that a lot of those shareholders live out of state and where that single sales factor structure here. And so it sounds like a number of these tax dollars benefitwise are not going to go to actual Nebraskans. Do you think it's more important to recruit or retain the businesses rather than give the money back to actual Nebraskans? Where does that lay in the value [INAUDIBLE]?

LEE WILL: Sure. So, I mean, I think in the Governor's budget package, you, you have to hit a number of those levers. So included in there is individual income tax reductions, Social Security reductions, property tax relief, education reform. So this is one part of the overall package that's inclusive. And as you, as you're aware, we have about 1.8, 1.9 percent unemployment rate. It's important that we get businesses here in Nebraska so we can get people, you know, in jobs.

DUNGAN: Thank you.

LEE WILL: Get trained up.

DUNGAN: Thank you.

LEE WILL: Sure.

LINEHAN: Thank you, Senator Dungagn. Are there other questions from the committee? I just want you, because I get a lot of questions on this and you are the expert.

LEE WILL: Oh, thank you very much.

LINEHAN: So just for the record, if you go back to your-- which paragraph is it? I'm not seeing it right now, but including-- $218 million variance above the minimum reserve for the General Fund.

LEE WILL: Yes.

LINEHAN: OK. So I know what that means after being here for five years. But it is a term that is thrown around that I think is, is not familiar to the public. So when you say $218 million in the variance above the minimum reserve, what is the minimum reserve?

LEE WILL: Thank you, Senator. That is frequently referred to as dollars available for the floor. These are the access dollars that we have in the budget in relation to the appropriations that we have in the state budget. So it's the overage, if you will, in the General Fund.

LINEHAN: Right. It's the overage in the General Fund. But so what that basically means, am I correct? When if these bills are in the budget, when the Governor's budget comes to the floor, depending on what the appropriators do, we will have $218 million to fight over on the floor?

LEE WILL: Correct. And I imagine this is your secondary point, Senator Linehan, in addition, below that line is $1.6 billion in the cash reserve fund, and that is in addition to the $214 million. So if you combine those two, it's like $1.18-- $1.814 billion between both of those.

LINEHAN: $1.84 billion. And then how much is the minimum reserve?

LEE WILL: The minimum reserve that you have to get to is $324.3 million. So in law, there is a 3 percent reserve requirement against your beginning balance in your revenues. That's essentially to mitigate any, you know, recessionary impacts or loss in receipts. So that 3 percent factor is $324.3 (million). And to your point, Senator Lenihan, we have we are reserving $542.7 million in the General Fund, so that $213 is minus that $344. So sorry, it's $542.7 million is how much we are reserving. The 3 percent requirement is $324.3 million. So then you still have $218 million, you know, or so available.

LINEHAN: OK. So the $184 billion and then you add the $324 million for the total amount of money, if you add-- you had the minimum reserve--

LEE WILL: So the minimum reserve is a calculation that you have overage of the 3 percent factor, right?

LINEHAN: Right. Right.

LEE WILL: So if you were just taking that aside, it's the $218 million plus the 1.-- or sorry, 214-- $218 million plus the $1.6 billion. But you also have the 3 percent reserve requirement that's required by law.

LINEHAN: So it's over $2 billion in reserves. That's where I'm trying to go.

LEE WILL: Yes, correct.

LINEHAN: Over $200 billion or--

LEE WILL: $2 billion.

LINEHAN: $2 billion in reserves.

LEE WILL: Yes.

LINEHAN: Which, and you've already account for in the Governor's budget, another billion set aside for the Education Futures Fund.

LEE WILL: Yes. So it's $1 billion in FY '24 and $250 million each year thereafter in the budget package.

LINEHAN: OK. So I'm just trying to make clear here how much money we're talking about because it's hard for people to digest.

LEE WILL: Yes.

LINEHAN: OK.

LEE WILL: And the one thing is I'll also say on revenue in the out years, the Governor's package had 2.5 percent. Annual growth factors for the state is around 4.75 percent, so I think that that was skinnied a bit. I will say inflationary pressures has actually been really good for state receipts. I think we're at a new baseline. Individual income has gone up because of the pandemic. And after the pandemic, sales tax has obviously gone up. Things are more expensive to buy, you have the same percentage against that. So I do believe we're, we're at a new baseline coming out of the pandemic.

LINEHAN: But you-- the Governor's budget is based on 2.5 percent growth?

LEE WILL: 2.5 percent in the out years in the current biennium with the fee-- NIFA board is 0.8 percent.

LINEHAN: OK. All right, any other questions from the committee? Senator Briese.

BRIESE: Thank, thank you, Chair Linehan. Thank you again for your testimony.

LEE WILL: Sure.

BRIESE: You talk about the sustainability of this, and as state budget administrative, you've looked long-term, right?

LEE WILL: Yes.

BRIESE: The sustainability of the entire tax package.

LEE WILL: Yep.

BRIESE: You see in the out years, you're only assume 2.5 percent revenue growth.

LEE WILL: Correct.

BRIESE: Very sustainable. And even beyond that, it looks sustainable and your opinion, correct?

LEE WILL: Yes. Yep. And if you look at '08-09, that was the time where we lost the most revenue on a percentage basis, was around 4.5 percent. If you take those two worst years over the 45-year period and plug them into the status, you're around negative $900 million and we still have a $1.6 billion cash reserve fund balance. So you can bludgeon, you know, two of the worst years in state history and still come out with about $700 million in the cash reserve fund.

BRIESE: Very good. But based on your long-term--

LEE WILL: Yep.

BRIESE: --the entire package was entirely sustainable?

LEE WILL: Absolutely.

BRIESE: Very good. Thank you.

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

LEE WILL: Thank you very much.

LINEHAN: Other proponents? Good morning.

JENNIFER CREAGER: I know you're looking at me strangely.

LINEHAN: I'm not looking strange--

JENNIFER CREAGER: Members of the committee, my name is Jennifer Creager. We are adjusting a little bit here on the fly. So J-e-n-n-i-f-e-r C-r-e-a-g-e-r, senior vice president for public policy at the Greater Omaha Chamber. I'm here today for the Omaha Chamber, the Lincoln Chamber of Commerce, the Nebraska Chamber, the Nebraska

Bankers Association, NFIB, Blueprint Nebraska and the Platte Institute. We're adjusting because procedurally, we just wanted to do this on this bill and the next bill, indicate all our support for these two bills. We have subject matter experts behind me, I promise you, I'm the dumbest person in the room on tax policy. So please save your questions for them. They will-- are prepared to answer it, but we just thought we'd help you get through these first two bills quickly and then move on to the bulk of testimony for LB754.

LINEHAN: And we appreciate that very much so.

JENNIFER CREAGER: Do you want me to come back on LB805?

LINEHAN: Well, well, I need to understand clearly. So you're representing Omaha, Lincoln, Bankers Association, Blueprint, Platte Institute.

JENNIFER CREAGER: NFIB.

LINEHAN: NFIB.

JENNIFER CREAGER: And the Nebraska State Chamber.

LINEHAN: And the Nebraska State Chamber.

JENNIFER CREAGER: On both LB804 and LB805-- LB806. Sorry, LB806. Clearly, I am adjusting on the fly.

LINEHAN: Stop it, you're fine. Any-- do we have any questions? Thank you. Excellent. Oh, wait a minute. I'm sorry.

ALBRECHT: I just want to thank her for combining all of those people. [LAUGHTER]

JENNIFER CREAGER: It's not my first rodeo.

LINEHAN: OK, next proponent. Good morning.

MICHAEL LUCCI: Good morning. Good morning, Chairwoman Linehan, members of the committee. My name is Michael Lucci, I'm a senior tax policy adviser with the Platte Institute, Platte is here to testify in support of LB804. We believe corporate tax reform offers Nebraska one of the best opportunities to incentivize in-state investment per dollar of foregone revenue. This reform would simply accelerate a rate change that's already in law, bringing the rate down to 5.84 this year instead of in 2027. For, for background, the United States had the highest corporate tax rate in the developed world until 2017. In 2017, the Tax Cuts and Jobs Act reduced the rate from 35 to 21 at the federal level, giving us a combined 25.8 percent corporate rate when you add the federal and you add sort of the average state rate. This puts the U.S. closer and more in line with the average in the developed world. So we're below countries like Japan, Korea, Canada and France, but still above countries like China, Netherlands, U.K., Russia and Israel. The 2017 reform incentivized more investment in the United States, it kind of ended this situation where companies would kind of go relocate to Ireland, put their headquarters over there because of tax purposes. And it's also important to compete internally here. Right now, Nebraska's rate is 18th highest tied with New York. This bill would make Nebraska's rate the 29th highest in the country. So better than the average state on corporate taxation. That would be a significant improvement. It would put Nebraska near parity with where Iowa is headed. Iowa is not there yet, but they're headed for 5.5. Then Missouri is at 4.0 percent. Missouri actually has one of the lowest corporate taxes in the country of states that levy a corporate income tax. It's important to remember that a corporation is just a stack of legal documents used to sort of bring together workers, capital managers, etcetera, and that legal entity remits taxes. But the legal entity is only the legal payer of taxes. The tax burden actually falls upon workers, investors, and then various places along the supply chain, like prices that consumers pay or rent that a property owner gets when they rent to the corporation. Only individuals pay taxes, the corporations remit them. So to that point, a 2014 study by the National Bureau of Economic Research, it's called Who Benefits from State Corporate Tax Cuts, looked into who benefits when you cut state-- state corporate income tax rates. And they found that 35 percent of the benefit went to workers, 40 percent went to corporate managers. And I left this out of the testimony. But the rest kind of goes into the supply chain like property owners in that state and other places in the supply chain. Another study by Cal Berkeley economists published in the American Economic Review found that state corporate taxes impact the geographic location of top earners, star scientists and innovative companies. Corporate taxes were found to have a slightly greater impact on mobility than individual income taxes. And still more studies find a relationship between corporate tax rates, jobs growth from location. LB804 would bring the top rate down to 5.84 percent, which would put it very close to the rate on the first $100,000 of income, which is 5.58 percent. It makes sense in particular for the corporate income tax to move towards a flatter structure. A progressive tax structure is, is used to advance an argument of equity of kind of higher earners paying higher rates and lower paying lower rates. However, that argument doesn't apply for corporations because corporations are owned by shareholders and there are low-income shareholders, there are high-income shareholders, there are middle-income shareholders. In other words, hedge funds and pension funds both own Microsoft. So the idea of having higher rates for higher earning incomes, again, the corporation is just the legal entity that remits those taxes. The taxes are actually paid by individual workers, investors and folks along the supply chain. In conclusion, Platte Institute supports LB804, believes accelerating this corporate tax rate reform will help advance Nebraska's economy and workers. And I'm happy to take any questions and be involved in furthering this discussion.

LINEHAN: Thank you very much. Are there any questions for the committee? Senator Dungan.

DUNGAN: Thank you, Chair Linehan. And thank you for being here. You talk a lot in your testimony about where Nebraska ranks in sort of this, the statewide or the countrywide analysis of corporate tax rates. I think the Tax Institute puts Delaware 50th, or the worst when it comes to corporate tax rates, so the least friendly to business. Obviously, we all know that Delaware has a great number of corporations and entities that exist there. So it seems to me the corporate tax rate is not the only thing that companies are looking at when they decide to work with a state. Can you, can you kind of reconcile--

MICHAEL LUCCI: Yes, for sure.

DUNGAN: --Delaware has so many good corporations headquartered there are working there if they have the worst corporate tax rate?

MICHAEL LUCCI: So so my wife has a corporation, she immediately filed in Delaware. It's because of the Chancery Court in Delaware and the long history of essentially legal decisions made vis a vis corporations. Delaware is seen to have the best court for making all sorts of corporate decisions. So whether you're in California, whether you're in Texas, whether you're in Illinois, whether you're in Nebraska, corporations often file a filing in Delaware, in part to have access to what's called the Chancery Court of Delaware, which just has this long history of adjudicating corporate issues that all businesses are attracted to. In terms of where their tax liability is, I mean, Delaware does on the tax side, sort of take advantage of that to levy strong corporate taxes. But they're able to do that because corporations are attracted, amongst other things, to that, to the chancery court in Delaware, which makes very clear-- like it gives them very clear certainty on where they will fall on certain legal questions.

DUNGAN: So generally speaking, businesses or corporations are making decisions about where to operate, where to domicile and where to do business based on more than just corporate tax rates?

MICHAEL LUCCI: Right. But the Delaware, I mean, most of these corporations don't have a headcounts or any real investment in Delaware. They just, they file there. So they-- so they're not going to have all their capital there, their workers there, their sales there. Of course, Nebraska has single sales, which will determine where their tax liability actually is. They just file there. I'm not certain, but I think that Delaware collects taxes, heavy taxes on-- as a franchise tax rather than the corporate income tax itself, because they can only tax income that's kind of associated with the state of Delaware. They can't be taxing income that's being generated elsewhere.

DUNGAN: So could somebody be-- could a corporation be domiciled in California, have their corporation paperwork be filed in Delaware to benefit from that chancery court but still get tax liability in Nebraska because of our single sales factor taxes and have the reduction that we're talking about giving here go to shareholders who live in California with their paperwork filed in Delaware, but they're getting the benefit of our tax reduction in Nebraska?

MICHAEL LUCCI: Sure. So there would be some amount of that for sure. If they had headcount in Nebraska, that would incentive-- I mean, it would incentivize them to add sales in Nebraska. So corporations care about ROI after taxes and all their different costs. So it's not-- many states have single sales factor. They do this to kind of offshore the tax liability to all the other guys. But corporations still make decisions on where they want to pursue sales and marketing based on where they're going to face, you know, higher and lower tax rate. Now, these decisions are all on the margin. So it's, it's not the single thing that determines where you're going to do sales or where you're going to have kind of headquarters or anything like that. You care about, you know, talent and all these other things. But these rates will affect decision making somewhere along the line, whether it's investors wanting to invest here, do sales here, put payroll and headcount here, whatever it is.

DUNGAN: Thank you.

LINEHAN: Thank you, Senator Dungan. Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, sir, for your testimony today. The United States has the highest corporate tax rate in the developed world. That's, that's not something I was aware of, actually. That's, that's actually pretty interesting. So this would put us into sort of, I think, I'm trying to go back to your-- the average of what is internationally recognized for corporate tax rates?

MICHAEL LUCCI: So I should make clear, because I might have misspoken. The U.S. had the highest corporate rate before the 2017 federal reforms. So the federal reform brought that rate down significantly to put us about average. And so actually, in light of the federal rate coming down by quite a bit, the state corporate income tax is now a larger piece of the pie, so to speak. When the federal rate was 35 and let's say Nebraska was at, was at 5. So Nebraska was just one-sixth of a, of a corporation's entire U.S. corporate liability, whereas now the fed is down at 21. And let's just say Nebraska is still at 7, just to make the math kind of easy. Nebraska is now one-fourth of, of that corporation's entire corporate income tax liability. But when I said we had the highest, it was before the 2017 federal tax reform, just to give background. Nebraska competes within the states and it sort of adds on to the average federal plus state corporate rate. But Nebraska does not cause the United States a higher have the highest rate in the developed world.

BOSTAR: Just out of curiosity, how do we compare on individual income taxes?

MICHAEL LUCCI: Nebraska's top rate, it's high. I mean, the average among states, the average top rate has been drifting down to, I think it's around 5.1 percent. That's the average top rate across states. So Nebraska is high and it is progressive. Obviously, the reform we'll talk about later is, is addressing that, bringing it down. But that, you know, Nebraska is high on both corporate and individual rate. I don't know exactly where Nebraska ranks on its top rate. I would guess it's somewhere around 12th highest, but I could follow up with you. That's just kind of a guess on my sense of state tax rates.

BOSTAR: And so and actually, since you just brought up the progressive nature of, well, our current taxation on both sides, the, the point that you're making on progressive rates not being appropriate for corporate taxation because ultimately the individuals that are contributing to that corporation can have any level of ability to pay.

MICHAEL LUCCI: Right.

BOSTAR: So does that then mean that on our individual taxes we should be looking for, I mean, is this an argument for why we should have a fairly robust progressive rate on individual income taxes?

MICHAEL LUCCI: I mean, so there-- the argument on individuals, it's kind of equity versus efficiency, right? So some folks want higher rates on higher incomes, lower rates on lower incomes. I will note that of all the proposals today, Nebraska will have a progressive tax structure no mat-- if you adopt LB754, I think it is. There-- Nebraska will have a progressive tax after that. Nebraska can have a flat tax with a standard deduction and it will be progressive. You'll see that you pay higher, slightly higher rates at higher incomes, lower rates at lower incomes. The United States as a whole has the single most progressive tax system in the developed world. So the federal level, the federal level. So on the background here is we have a highly progressive federal tax system. It's also quite, you know, it redistributes a lot, which makes it actually more progressive when you factor in, you know, the redistribution part of it, too. So states have to compete with each other. And states, if they have a highly progressive rate, they do that in the background of the federal structure is already very progressive, and states are moving very quickly towards lower top personal income tax rates because they know they have to compete. And we'll get into that-- I'll be happy to get into that more when we talk about the individual piece, too.

BOSTAR: Great. Thank you.

LINEHAN: Thank you, Senator Bostar. Are there any other questions from the committee? I had one, if I can remember. When you say the average rate of states, that would include states like California and Connecticut, where the top rate is really, really high. Like, I can't remember what it is in California, but it's--

MICHAEL LUCCI: I think it's 8.84 in Cali-- it's around 8.84 something, something like that. But when I'm, when I'm giving the federal plus state, so federal is 21 and then the average-- weighted average of states is, I think 4.8--

LINEHAN: OK.

MICHAEL LUCCI: --is, is what's reflected there. So you have your, you know, your California 8.84. I think Illinois is 10.5 or 11. South Dakota, I think, doesn't have quarter income tax, so they're zero. So, you know--

LINEHAN: So it--

MICHAEL LUCCI: --it weights all that.

LINEHAN: Yeah. OK, thank you. Any other questions from the committee? Seeing none, thank you very much for being here.

MICHAEL LUCCI: Thank you.

LINEHAN: Appreciate it. Other proponents for LB804? Good morning.

JESSICA SHELBURN: Good morning, Chair Linehan and members of the Revenue Committee. My name is Jessica Shelburn, J-e-s-s-i-c-a S-h-e-l-b-u-r-n, I represent Americans for Prosperity, Nebraska. And I'm going to be very similar to Jen Creager and just say we are here to offer our full support of LB804 And I will be back to do the same on LB805.

LINEHAN: Thank you. Are there any questions? Seeing none, thank you very much.

JESSICA SHELBURN: Thank you.

LINEHAN: Other proponents? Are there any opponents?

REBECCA FIRESTONE: Good morning--

LINEHAN: Good morning.

REBECCA FIRESTONE: --Chairwoman Linehan, members on the revenue committee. I'm also adapting a little bit on the fly here, want to contain the majority of our remarks for when we get to other bills. But I'm Rebecca Firestone, R-e-b-e-c-c-a F-i-r-e-s-t-o-n-e, executive director of OpenSky Policy Institute. And we are testifying here today in opposition to LB804. Generally speaking, we don't see profound evidence that reductions in corporate tax rates are necessarily going to be a sole motivator of economic competition within the state of Nebraska. We see that the preponderance of the evidence suggests that there is a variety of different factors that go into making different states economically competitive. Instead, what I would like to lift up here is where the variety-- or is where actually the affects of this top rate are likely to go. Our modeling analysis suggests that from the LB804 top rate cuts, the predominance of that tax cut will go to the top 1 percent of income earners in the state of Nebraska. So that is people who are making more than $1.6 million and they will see a top rate-- they will see a tax cut of an estimated $436. People in the middle parts of the income distribution in Nebraska see tax cuts of about $10 to $16. I'm happy to get into this in some more just detail as we get into other tax proposals here. So we see that this is a tax cut for the wealthy. Our modeling also suggests that about 83 percent of this tax cut is likely to go to out-of-state corporations as opposed to businesses within Nebraska. And we would like to lift up that we don't see great evidence that looking at rankings of corporate taxes necessarily are drivers of business decisions and note that ConAgra left the state of Nebraska for Illinois when Nebraska at the time ranked 29th and Illinois ranked 36th. So we have some specific examples here in the state of corporations leaving to go to places that actually have less beneficial corporate tax rankings than the state of Nebraska. And with that, I will close my remark-- remarks on this particular bill and happy to have more conversation and answer any questions.

LINEHAN: Thank you. Are there questions from the committee. OK, I have a couple.

REBECCA FIRESTONE: Um-hum.

LINEHAN: Just ConAgra didn't leave, their headquarters left. There's still a lot of kind of ConAgra people in Omaha, Nebraska, and I suppose around the state, right?

REBECCA FIRESTONE: Sure. But this is, when we talk about--

LINEHAN: [INAUDIBLE]

REBECCA FIRESTONE: --where corporations are domiciled.

LINEHAN: Just for the record.

REBECCA FIRESTONE: Um-hum.

LINEHAN: We still have a lot of ConAgra people in Omaha, right? You would agree?

REBECCA FIRESTONE: Yes.

LINEHAN: Thank you.

REBECCA FIRESTONE: Yes, there is. However, they did certainly leave the state.

LINEHAN: The headquarters left the state.

REBECCA FIRESTONE: Um-hum.

LINEHAN: Yes. On, on who gets the tax cuts when it comes to corporate, you don't agree with the testimony, prior testimony, that who actually ends up paying the taxes are the people that are the shareholders?

REBECCA FIRESTONE: We were trying to sort of model who sort of within Nebraska is actually going to see a tax cut. And our modeling looked at specifically sort of for people who are paying taxes in Nebraska that the total--

LINEHAN: Do you know who is shareholders and who is not?

REBECCA FIRESTONE: We are doing this on the basis of who's paying personal income taxes and sort of [INAUDIBLE]--

LINEHAN: But this isn't personal, this is--

REBECCA FIRESTONE: --that tax cut is through like participation and retirement funds so, and this is therefore through through the mechanism of shareholders. But then that flows down to actual looking at, looking at personal income taxes as well.

LINEHAN: So aren't some of the largest pension funds some of the public pension funds and teachers other pension funds? So those won't be high-income people.

REBECCA FIRESTONE: We are looking at where the predominance of the tax cut is, is, is going to be affected in the terms of the income distribution of Nebraskans. And our modeling suggests that that is within Nebraskans who are in the top 1 percent of the income distribution in Nebraska. And that is likely because they are people who have income that is participating in the stock market and are seeing tax cuts that way.

LINEHAN: What about all the people whose pensions and retirements and IRAs are invested in the stock market?

REBECCA FIRESTONE: Proportionately, those people are going to have much less of their income invested there than people in the top 1 percent.

LINEHAN: It's not their income, it's their pensions. I'm talking about their pensions--

REBECCA FIRESTONE: Um-hum.

LINEHAN: --that are invested in the market.

REBECCA FIRESTONE: Um-hum.

LINEHAN: So wouldn't-- if the higher corporate tax would affect those investments. And those investments are shared by a wide variety of low-, middle- and high-income people, right?

REBECCA FIRESTONE: I'm happy to provide you the details of our modeling--

LINEHAN: OK.

REBECCA FIRESTONE: --to show how this actually flows down to personal incomes. But as was discussed, discussed previously, eventually people, individuals are going to pay income taxes and that corporate activity is going to flow down that way. So we can talk more about the modeling.

LINEHAN: OK. Thank you.

REBECCA FIRESTONE: Happy to share that information.

LINEHAN: Thank you. Any other questions from the committee? Thank you very much.

REBECCA FIRESTONE: Thank you.

LINEHAN: Other opponents? Anyone wanting to testify in the neutral position. My goodness, good job with bill drafting. OK, would you like to close?

von GILLERN: Yes, please. Thank you again, Chairwoman Linehan and the committee. Just a couple of questions or issues that were raised that I'd like to address, and I've got-- actually get some personal experience in a handful of these. One of the questions, some great questions, by the way, Senator Dungan. One of the, one of the questions that was asked was about companies that are domiciled in a different place and Delaware came up. So the-- in my previous life, I ran a substantial construction company in Omaha. We were domiciled in Delaware. I never paid a dollar of tax in Delaware. We sent them registration fees, you know, secretary of state filing fees. But all of our corporate taxes were paid in Nebraska. Continuing on that theme, we were, we were in a C-corp, so this would have benefited-- and, by the way, have no interest in that company anymore, so this is purely personal historical testimony. The the C-corp pays the rates that we're talking about adjusting today, but many corporations are S-corps. And that leads back to your question about why align the personal tax rate and the corporate tax rate. The, the corporations again pay the higher rate-- or C-corps pay at a higher rate, S-corps pay at the individual rate, they get a k1 that flows through their personal income taxes. LLCs, LLPs, ESOPs typically are all S-corps, and so that would apply. So aligning those again gives more reasons for more corporations to stay and do business here in Nebraska. There was a question raised about out-of-state shareholders. Again, I'll use-- lean on my personal experience. Regardless of where my company was domiciled, where our headquarters were, if I pounded nails in Iowa, we paid Iowa tax. If we pounded nails in Nebraska, we paid Nebraska tax. So our workers were employed in Nebraska, and so therefore we paid Nebraska corporate taxes. So again, where the, where the company is actually physically doing business is certainly critical. And then lastly, regarding Ms. Firestone's comments about the shareholders, our company at one point had 14 shareholders. They included project superintendents, we had a payroll clerk, our corporate secretary. And so we-- all of that, the, the benefits of that corporate tax rate would have slowed down to each one of those individuals. So it does trickle down and impacts people far greater than simply the top 1 percent as was indicated. So happy to take any further questions.

LINEHAN: Thank you. Are there questions from the committee? Yes. We don't do the lights on the closing.

TOMAS WEEKLY: I didn't think I had it on.

LINEHAN: Yeah, it's on. That's OK. Senator Dungan.

DUNGAN: Thank you, Chair Linehan. I think the yellow light has been stuck or something for a little while.

LINEHAN: Oh, OK. I'm sorry.

DUNGAN: I noticed it earlier too.

LINEHAN: I was like--

DUNGAN: Right. I was concerned maybe I was taking too much time, but--

LINEHAN: We have a special light.

DUNGAN: We have one back here that you people can't see. No, I appreciate those, those answers, Senator von Gillern, that's, that's helpful to sort of understand. We're going to talk a lot more, I think, about corporate tax rates and income tax rates moving forward here. I keep sort of getting ahead of myself and forgetting the bill that we're talking about today right now is accelerating the tax cuts that were already voted on. I wasn't here, obviously, during the last session. I know there was a large debate and a long conversation surrounding that. You also mentioned you brought this bill sort of the-- on behalf of the Governor. And I know there's been other conversations that have happened. What's the reasoning behind the need for this immediate acceleration? I mean, obviously, we have this stair step where this is already going to be put into place by 2027, I think it was. I know we're looking at a number of large tax cuts over the next few years, and I think there's some understandable concern about the hole that that might leave in regards to, you know, revenue loss that we're going to have over the next few years. And I think from the outside looking in, some of the conversations that we saw last year were how we can reduce tax rates but still be responsible stewards of that revenue. Do you know why we need this immediate drop down to that 5.84 percent rate? Or is it just because eventually we're going to get there so we might as well do it now? I'm just trying to figure out the need for the acceleration.

von GILLERN: Yeah, the acceleration is to stop the bleeding of people and corporations leaving the state. I mean, that's, that's probably the quick down-and-dirty answer is there are people leaving all the time. I've got personal friends that, that have left and moved to Florida, to Texas, South Dakota, Oregon-- Oregon, I believe, simply for taxation reasons. And they've taken their businesses with them. It's simply to stop the bleeding. If we wait for another year, another two years, another three years, that's that many more corporations that are going to leave it. It's that many more jobs that are going to be lost. And again, that this is-- it, the conversation here is around corporate income tax rates, of course, that's what we're talking about. But as was mentioned before, never forget that those corporations are made up of people. I mean, a corporation is nothing without the people that work within that corporation. And each one of those individuals pays not only-- they, they will benefit from the corp-- lower corporate tax, but they pay individual tax, they pay property tax, they fund our schools. These are people that either are large manufacturing plants that could pick up and leave Nebraska tomorrow and take lots of good skilled blue collar and good skilled trades jobs with them. And we know that that's happening. And again, you asked a great question earlier, are we going to incent more companies to come here? I would say probably. I don't have any empirical evidence to show how many or what that number might be, but it certainly would be more than if we have a higher rate. But again, I believe this is, this is to stop the bleeding and prevent companies from leaving that are, that are planning to leave.

DUNGAN: I appreciate that. And I think it's helpful to understand that.

von GILLERN: Thank you.

DUNGAN: I know that in my cursory amounts of research, there's some evidence to show millionaire migration, I know, to places like Florida, but obviously they're a lot warmer than we are here in Nebraska. So there's other reasons, I know people are incentivized to move elsewhere, but I do appreciate the answer and the explanation. Thank you.

von GILLERN: Thank you. You bet.

LINEHAN: Thank you, Senator Dungan. Any other questions from the committee? Seeing none, thank you very much.

von GILLERN: Thank you.

LINEHAN: And now-- do we have letters?

TOMAS WEEKLY: Yes.

LINEHAN: He has them. Sorry. Thank you. LB806-- LB806 we had one propo-- oh, excuse me, LB804, we had one proponent, two opponents and one neutral. And with that, will close the hearing on LB804 and open on LB806.

von GILLERN: Very good. Still happy to be here this morning.

LINEHAN: OK.

von GILLERN: Still Brad von Gillern, B-r-a-d v-o-n G-i-l-l-e-r-n, representing District 4, which includes portions of west Omaha and Elkhorn. LB806 is my second bill today submitted on behalf of Governor Pillen. Like LB804, LB806 is very simple. It does the same thing as LB804 but addresses the individual tax rate. Again, we want to continue what Governor Ricketts, now Senator Ricketts and the Legislature started last year with strong fiscal policy and join Governor Palin to continue making Nebraska stronger. LB806 would cut the top individual income tax rate to 5.84 by taxable years beginning or deemed to begin on or after January 1, 2024. Again, like the other bill, we have an amendment which is being passed around to fix the date on the original bill language. We're all feeling the rising costs of goods and services, record high inflation and high gas prices. This bill comes with a rate decrease as well as the accelerated component so Nebraskans can start seeing these savings immediately. With the amended language, this is over $340 million in tax relief by tax year 2020-- 2027. Again, we have others who will follow in support of this bill, but I'll be happy to take any questions you may have.

LINEHAN: Thank you very much. Are there questions for the committee? Seeing none, thank you very much. Proponents. Mr. Will.

LEE WILL: Thanks for having me again. Chairwoman Linehan and members of the Revenue Committee, my name is Lee Will, L-e-e W-i-l-l, and I'm the state budget administrator for the Department Administrative Services Budget Division. I'm appearing today on behalf of Governor Pillen in support of LB806 and again, express full support for all other tax reform bills represented in the Governor's budget package. This bill will lower the top income tax rate from 6.44 percent to 5.84 percent. Getting competitive with our neighbors is a must. Every state surrounding us has a lower income tax rate and we must must compete to attract and retain critical talent in Nebraska. As previously indicated, the Governor's tax reform package will lower both individual income and business tax rates to 3.99 percent by tax year 2027. The Governor's package on individual Social Security and business tax cuts will deliver over $1.5 billion by the end of the '25-27 biennium to hardworking Nebraskans. Provided for in the

Governor's budget recommendation, these tax cuts will be phased in responsibly over time to ensure the cash flow needs of the state while delivering transformative tax reform to the people of Nebraska. I'd be happy to take any questions.

LINEHAN: Thank you, Mr. Will. Are there questions from the committee? Senator Dungan.

DUNGAN: Thank you, Chair Linehan. I apologize, you've probably going to hear me talk a little bit today, I'm sorry about that.

LEE WILL: That's OK.

DUNGAN: Similar to what we talked about before, and obviously I know we're-- at this point, it's going to be difficult to keep all three of these bills separate that we're talking about today. There's the reductions in corporate tax rates and income tax rates that are being proposed along with the accelerations. And I know your testimony on this one and last one kind of bring all of those together. So I apologize if I'm conflating those--

LEE WILL: No problem.

DUNGAN: --but I want to have some bigger conversations about it as well.

LEE WILL: Sure.

DUNGAN: Do you, in your position have, and again, I keep going back to the data because data is important to me. Do you have empirical data that the reduction in the income tax rate that we're discussing here is actually going to influence an influx of individuals into the state?

LEE WILL: Yeah. So what a, an example would be Idaho is an example. We've seen net migration into Idaho, which is a substantially less tax, tax-cumbersome as compared to California. And I don't believe Idaho has the same beaches that California has, Senator, respectfully. If you, if you look at the income tax rates in the surrounding states, the highest rate, Iowa is talking about phasing down their income tax rate to 3.99 percent. Nebraska is currently at 6.84; Colorado is at 4.55; Kansas, 5.7; Missouri, 5.4. Wyoming and South Dakota do not have income tax rates. So in our array of states, our neighbors, we are-- we're not competitive and we need to get competitive.

DUNGAN: And under the proposed tax modifications that we're talking about here, how much would the average Nebraskan receive as a reduction? If we're lucky-- if we're looking at like an average median income, do you know, based on your data, what we're looking at in terms of a reduction for just a person living in LD26 who makes the median income?

LEE WILL: Yeah, I'd have to run that model for you, Senator. But what I can tell you is obviously we've talked about the progressive nature of the taxes. So for '22 tax rates, $0, the $3,400 about paid 2.46 percent of income and then it's $3,400 to, you know, $20,500 pay 3.51. And then this is for individuals. Anyone over $20,500 would receive a tax cut in this package on the current rates. So I'd imagine that's a substantial amount of folks that are receiving over a $20,000 income.

DUNGAN: And what would the percentage--

LEE WILL: [INAUDIBLE] on that.

DUNGAN: And sorry, what would the percentage be on somebody making over $20,000 income?

LEE WILL: It would go down to 3.99 by tax year '27. So those third and fourth brackets would fold into 3.99.

DUNGAN: And we're talking about under the plan being proposed by the Governor.

LEE WILL: Yeah, the totality of the plan, not the phase-in rates. That-- the 5.84 on this bill is just related to the top income tax rate in the current tax year.

DUNGAN: OK.

LEE WILL: Or tax year '24. Excuse me.

DUNGAN: I appreciate that.

LEE WILL: Yep.

DUNGAN: I've just done some quick math and I think like, people-- the median income in Nebraska is something around $33,127, right? And if we're looking at people who are making about $33,000 for income under the proposed plan, at least based on my math, which I'm willing to admit may not be as detailed and nuanced as your math, but we're looking at about a $300 reduction in taxes. And I struggle to believe that somebody is going to move into our state based on $300 of reduction of tax. It's going to cost them more than that to hire the moving van right to get them here. And so the people in my district that I represent tend to not make the higher income brackets. I mean, some of them do, obviously, but a lot of the folks in LD26 are folks making closer to that median income based on the data that I've seen. And so I guess I struggle to see that this is actually going to incentivize folks to move into Nebraska based on the fact that we're talking about a relatively minimal tax cut for the average person. But I'd be happy to talk to you more about that sort of and outside of here--

LEE WILL: Sure.

DUNGAN: --about whether or not that modeling is correct. But I just want to raise that point because I have concerns about whether it's actually going to incentivize an influx of folks into our state.

LEE WILL: Gotcha. And that was a $300 an annual figure or did you run that over the lifetime?

DUNGAN: I think it was an annual figure.

LEE WILL: I--

DUNGAN: I think was $300 annually.

LEE WILL: And I would argue that if you're making $30,000, $300 would, would be a big impact for you.

DUNGAN: OK. I make $12,000 a year.

LEE WILL: I would imagine $300, you know. I mean, I came from Pennsylvania about seven years ago. It is astonishing to me that Pennsylvania, which is a high tax state, is at 3 percent and Nebraska's at 6.84. My wife had me, you know, I moved with her to Nebraska and I was really surprised when I got here that it was one of the highest taxed states in regards to the highest-- or to the top income tax bracket. So, I mean, we have these array of states that are all lower than us and we're surrounded by them. We are seeing people go to these lower tax states. We are seeing that happen in outmigration. So, I mean, if you look at the maps of population growth, a lot of those are “commensary” with, with the lower tax states.

DUNGAN: Yeah. And like I said to Senator von Gillern, obviously, I think it's incredibly important to make sure we recruit people and retain people in Nebraska.

LEE WILL: Sure.

DUNGAN: And I know taxes are component of that. And so I'm trying to figure out sort of whether that's the main incentive or if that's just something that happens, because obviously people don't move in a vacuum.

LEE WILL: Sure.

DUNGAN: But I do appreciate your perspective on that. I'm sure we'll have more questions as the day goes on.

LEE WILL: Absolutely.

DUNGAN: Thank you.

LEE WILL: No problem. Thank you.

LINEHAN: Thank you, Senator Dungan. Are there any other questions? I think Senator Dungan was reflecting-- or referring to the median income per capita. Is it the-- I just Googled it, I'll be honest. The median household income in Nebraska is over $66,000, according to Google.

LEE WILL: It sounds about right.

LINEHAN: That sounds about right, doesn't it?

LEE WILL: Yes.

LINEHAN: So most households would see significant tax cuts--

LEE WILL: Yeah, and--

LINEHAN: --in the package, in the package.

LEE WILL: Yes. But there are different tax rates for, you know, married filers. So, but yes, there, there would be a substantial amount of relief for folks with this.

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

LEE WILL: Thank you.

LINEHAN: Oh, wait a minute. I have one other question.

LEE WILL: Oh, no problem.

LINEHAN: Back to my questions when you were up here the first time. So all these costs for these bills, so the whole package--

LEE WILL: Yeah.

LINEHAN: --is in the Governor's budget.

LEE WILL: Correct.

LINEHAN: And even with the cost of these tax packages--

LEE WILL: Yes.

LINEHAN: --and the billion dollars set aside--

LEE WILL: Yes.

LINEHAN: --for [INAUDIBLE].

LEE WILL: Correct.

LINEHAN: Still, if you add up the rainy day fund, the minimum reserve and the variance for floor is above $2 billion?

LEE WILL: Senator Linehan, I've been here seven years, and it's really hard for me to believe that as well. But looking at-- and you brought up the variance in the minimum reserve between the cash reserve fund and how much we're keeping in the General Fund, it is over $2.1 billion accounting for all these aims on Social Security, education future fund, income and business tax cuts. They're all in the proposal.

LINEHAN: And it's one of the reason I keep asking it, because it is very hard to believe.

LEE WILL: It is very hard to believe, yes.

LINEHAN: Thank you. Any other questions? Thank you very much for being here.

LEE WILL: Thank you.

LINEHAN: Other proponents? Morning.

MICHAEL LUCCI: Good morning again, Chairwoman Linehan and members of the committee. I might not have spelled my name last time, so that's M-i-c-h-a-e-l L-u-c-c-i, Michael Lucci, and I'm a senior tax policy, policy adviser with the Platte Institute. Again, Platte's testifying in support of LB806, which would bring down the top rate to 5.84 percent effective January 1 of this year. Under existing law, it would become 5.84 in 2027. Nebraska's highly progressive individual income tax rates are 2.46, 3.51, 5.01 and 6.64. I have 5.84 there, that's last year's number, along with the standard deduction of $14,700 for a married couple and then a personal, personal exemption credit of 146. So that standard deduction and the exemption credit make the code even more progressive. In recent years, Nebraska has been trimming the top rate to become more competitive with other states, and this would accelerate a decision that was made last year. The timing is, is very good to make these rate changes. As you all know, states around Nebraska, states across the country are moving towards lower, flatter income taxes. In the last two years, over two dozen states have cut their individual income taxes. Five of those states have enacted fully flat income taxes. High progressive taxes have always been less competitive for individuals and businesses. And while there's an argument for fairness and equity with a progressive tax, as I mentioned earlier, the background on this is the United States has the most progressive tax system in the, in the developed world at the federal level. So states are existing within the framework that the federal government has the most progressive tax system in the developed world. Now, there are two very important changes that have occurred basically in the last five years that make individual income tax competitiveness more important. The first is, again, the 2017 Tax Cuts and Jobs Act. And what that did essentially on income tax policy is it broadened the base to lower the rates. So rates came down for individuals at the federal level. And one of the big ways to pay for that was they limited the deduction for state and local taxes paid. So it used to be that we could write off our entire state and local taxes on our federal returns. That's no longer the case because of what's called the SALT cap. You can only write off $10,000 of that. And so what does that effectively do? It increases the felt cost or the real kind of economic cost of state and local taxes that are levied at the state and local level-- at the state and local level. The second big change was, of course, the pandemic. What it did vis-a-vis tax policy was it really untethered a lot of, say, relatively high-income service workers from a physical location. So we've seen people be able to move all around the country. It's not everybody, but it is a slice of people who do pay a lot in taxes, who now can live more or less wherever they want. And so they take taxes into consideration. That's one of the things they look at when they relocate. In the most recent year of IRS data, which is 2019 to 2020, Nebraska lost a half billion dollars of annual AGI to other states, net of inflow from other states. That was nearly 1 percent of Nebraska's total AGI. And only five states lost a greater portion of AGI to other states in that tax year. Nebraska's largest net outflows were to Arizona-- sorry, Florida, Arizona, Texas, Missouri, North Carolina. And in the last two years, this is according to census data. The last two years, I'm sorry, the last one year, two states have accounted for 70 percent of the country's population growth. So Florida and Texas, which make up 15 percent of the country, have actually accounted for 70 percent of the population growth in the most recent year of census data. There are multiple reasons that go into that, but we can't ignore that neither of those states levies an individual income tax. And lastly, even if the changes in this bill are made, I want to point out that Nebraska's income tax would remain progressive. To fill in some of the numbers here, so a family of four making $30,000 will have a 0 percent income tax rate in Nebraska because the standard deduction and then the imputed value of the personal exemption. A family making $60,000 would pay an effective rate of 1.66 percent. Family making $100, family of four making $100 will pay 3.16 percent. That would be their average tax rate. Family making $300,000 would pay 4.95 percent would be their average sort of effective tax rate. So Nebraska's tax code would remain progressive. There would be a substantial portion of people who, who don't have an income tax liability or they get it credited back by their personal exemption credit. So even with accelerating this bill-- or even the bill we'll talk about later, Nebraska will remain a progressive income tax state. And thank you again for the opportunity to speak with you, and I'll take any questions.

LINEHAN: Thank you very much. Are there questions from the committee? So go back to the SALT thing. Have you-- do you have figures that show, because we don't get to deduct that anymore from federal or state, what that does to middle-income earners, if they happen-- because we do have high property taxes here.

MICHAEL LUCCI: So on average, it's basically the top 25 percent of earners pay-- set aside that the federal rates came down. Because of the SALT deduction going away, it's about the top 25 percent of earners pay higher federal income taxes. Setting aside that the federal rates came down, and so how that kind of actually looks as the states with really high taxes, you have people in those states whose tax liability actually went up. Individuals, like higher income individuals, even though their federal rate went down, because they lost the ability. So a Californian can no longer deduct their 13.3 percent of their high income on the federal return. But if you-- if your state and local taxes are $10,000 or lower, you can still deduct that. You still have a $10,000 SALT cap. But if you have some really high income, you're only deducting $10,000 of, of your tax liability on the federal return.

LINEHAN: Or your property taxes.

MICHAEL LUCCI: Right. Your property taxes also.

LINEHAN: Yes. OK. Any other questions from the committee? Seeing none, thank you very much.

JENNIFER CREAGER: Chairman Linehan, members of the committee, my name is Jennifer Creager, J-e-n-n-i-f-e-r C-r-e-a-g-e-r, senior vice president for public policy at the Greater Omaha Chamber. Again, to facilitate moving this hearing along quicker, I am here to be on the record for the following organizations: the Greater Omaha Chamber, the Lincoln Chamber of Commerce, the Nebraska State Chamber, the Nebraska Bankers Association, NFIB and Blueprint, Nebraska. And all of these organizations will have testifiers on the next bill.

LINEHAN: OK. Thank you very much for being here. Any questions for Ms. Creager? None, I see. Thank you much. Next proponent. Good morning.

JESSICA SHELBURN: Good morning again. Jessica Shelburn, J-e-s-s-i-c-a S-h-e-l-b-u-r-n, representing Americans for Prosperity. Again, just wanting to be on the record in support of LB806 and accelerating the work that was done last year by the Legislature.

LINEHAN: Thank you very much. Are there any questions for Ms. Shelburn? Seeing none, thank you much.

JESSICA SHELBURN: Thank you.

LINEHAN: Other proponents? The proponents opponents. Good morning.

REBECCA FIRESTONE: Good morning, members of the Revenue Committee, Chairman Linehan. My name is Rebecca Firestone, R-e-b-e-c-c-a

F-i-r-e-s-t-o-n-e, executive director of OpenSky Policy Institute. We would like to be on the record as opposing LB806 and we'll note that our analysis of the distribution of the effects of this tax, of this specific tax cut, of accelerating last year's tax cut-- tax cuts down to 5.84 percent now. Again, the top distribution of Nebraska's income distribution, the top portion is what receives actually a tax cut predominantly under this particular proposal. So our modeling suggests that the top income earners in the state, people making more than $1.6 million, would receive a tax cut of $9,755 under this proposal, where as people in the third income quintile, which is people starting at about $55,000, would receive a tax cut of about $80 under this particular proposal. So we'll have a little bit more conversation about regressivity, progressivity, I think, under the next bill that we'll talk about in the package. But just want to highlight that this particular proposal itself is predominantly targeted to benefit the wealthiest Nebraskans. Thank you.

LINEHAN: Are there any questions? Seeing none, thank you for being here.

REBECCA FIRESTONE: Thank you.

LINEHAN: Are there any other opponents? Anyone wanting to testify in the neutral position? Senator von Gillern, would you like to close? And when you're coming up, we did have letters for the record. One proponent, three opponents and zero neutral.

von GILLERN: Thank you. Just a quick close and I won't try and rehash all the varied math that we've heard about the potential income of this, though we've heard numbers anywhere from $80 to $300 to potentially $6-- $600 to $1,000 for a median income. Again, I'm not going to rerun the math, but I do know that this committee had a hearing last week on a sales tax exemption that was proposed for diapers and, and the figure that was proposed there that was given at that point was that it would impact households by about $70, and that was seen as a substantial improvement for those households. So I think any improvement we can do for, the for Nebraskans in their income tax scenario would be seen as beneficial and would potentially impact households dramatically.

LINEHAN: Thank you. Are there questions for Mr.-- Senator von Gillern? Sorry. OK, with that, we close the hearing and LB806. And I'm trying to stall because I don't know where my book is to introduce the next bill. Thank you. See, good military. She says a problem, he's going to go fix it. I think Grant can do it. Oh, we got it. OK. I do want to thank my new staff. Can imagine we have all-day hearings and they have-- they're all new and it's a challenge, but they're doing a great job. So good afternoon, Vice Chair von Gillern and members of the Revenue-- oh, it's not afternoon. Good morning, Vice Chair von Gillern and members of the Revenue Committee. I'm Lou Ann Linehan, L-o-u A-n-n L-i-n-e-h-a-n, and I'm from Legislative District 39: Elkhorn and Waterloo in Douglas County. I'm here today to present LB754. LB754 is a very straightforward bill that works to incrementally cut the top individual tier tax rate to 3.99 and cut the business tax rate to 3.99 by tax years beginning on or after January 1, 2027. There were a couple of drafting errors in the bill as introduced, and I brought an amendment, AM162, to fix these errors, which I think you have. The tax climate is critical to all of our constituents. Now more than ever, young people and professionals consider taxes when electing where to call home. Our tax structure plays a critical role in developing our economy, creating jobs and expanding our workforce. Nebraska is currently ranked 29th for personal income tax rates and 32nd for business income tax rates. However, LB754 provides the committee and the Unicameral at a large opportunity to fix these unfortunate rankings. If enacted, LB754 would incrementally decrease both individual and business tax rates with-- with ending with Nebraska being in the top 15 states for lowest personal and business income tax rates. As previously discussed, it is imperative that we take measures to improve our tax climate and create a tax regime that is welcoming to all current and future Nebraskans. LB754 with AM168 [SIC- AM162] is a strong step towards that goal and will be a strong measure towards further strengthening our economy and developing jobs and enhancing our workforce. For all these reasons, I request the committee to approve and advance LB754 with AM162 and provide Nebraskans both present and future with the tax relief that they both need and deserve. Thank you, and I'm happy to answer any questions.

von GILLERN: Thank you, Senator Linehan. Questions from the committee? Senator Dungan.

DUNGAN: Thank you, Vice Chair von Gillern. And thank you, Chair Linehan. I appreciate you running all of this and letting me talk so much today. I know, I know I have a lot of questions. One of the things that I think is concerning about this proposal or one of the things that's popped into my mind is the overall revenue loss that we're looking at. I know some projections have said that when this is fully realized by 2027, we're looking at upwards of almost $1 billion in lost revenue. Taking that in conjunction with a lot of the other things we've talked about here today and other parts of the Governor's plan that I know are being proposed, most notably, I think the increase in things like state aid to schools, are you concerned that the loss in revenue is going to have a long-standing impact on the commitment that we've made to give state aid to schools? Or what's, what's the interplay between those two going to be moving forward?

LINEHAN: I'm not the least bit concerned. And that is why when Mr. Will was up here, I asked him several times how the budget worked. With, with the billion dollars going to the Education Future Fund and with all the tax cuts proposed in the Governor's budget and these packages, we're still going to have over $2 billion between the rainy day fund, the minimum reserve and what's on the-- left for the floor. So when I got here, we were told continually that if we had $800 million in the rainy day fund, we were in "Happy City". So now we have 2.5 times that, so we clearly are collecting too much in taxes from the people in Nebraska.

DUNGAN: And I know we just got done hearing testimony on the other bills that are about the acceleration of the tax cuts from, from last year. I know some projections as well. And again, my math is probably quick here, and I apologize, but some projections say that between this proposal and the acceleration of the tax cuts, we're looking at upwards of $2.3 billion or something in that ballpark come 2027. I was unclear from the testimony earlier, and maybe he can clarify again, is the rainy day fund and what we're going to have left over taking into consideration both this proposed tax cut, in addition to the acceleration of the tax cuts?

LINEHAN: Yes, it does.

DUNGAN: OK, I just wasn't clear. I appreciate it.

LINEHAN: That's-- I know. And it's hard to imagine, I get that. That's why I keep repeating this.

DUNGAN: Right.

LINEHAN: Yes. All the tax cuts, the trust fund and we're still going to have $2 billion.

DUNGAN: Thank you.

LINEHAN: And $800 million was the goal.

DUNGAN: Thank you.

LINEHAN: Um-hum.

von GILLERN: Any other questions from the committee? Thank you, Senator Linehan. We'll welcome any proponents for LB754. Welcome, Governor Pillen.

JIM PILLEN: Good morning. Hope everybody is doing good this morning. Good morning, everyone, Vice Chair von Gillern and members of the Revenue Committee. My name is Jim Pillen, J-i-m P as in Paul-i-l-l-e-n. I have the incredible privilege of serving as the 41st Governor of Nebraska. It's never going to be normal to say that, by the way. I'd like to start out by thanking Senator Linehan to partner with me in bringing LB754 forward on my behalf. I would also like to thank everybody around this desk that's worked years in helping Nebraska's tax code become more competitive. And lastly, thank everybody for your incredible work. And the moments, the moments when you get a little tired in long hearings, just think back of what an incredible privilege it is for all of us to serve as public servants for Nebraska. That gets-- and hopefully, that will get a little more gas in our tank. I think, I think maybe what's most important to say is we're, we're not done. We're, we're just getting started. We need to make Nebraska more competitive. LB754, I believe, is a key part in this effort. It would drop Nebraska's individual income tax to 3.99 percent. It would drop our business income tax to 3.99 percent. Both of these rates would take place in 2027, and that's just a click around the corner. I think it's really important to be clear that this bill would not touch the bottom brackets. This, this is not a flat tax. No one under this legislation will be taxed more. No one. I don't think we can say this enough. We are Nebraska. We have to get competitive with our tax code. Even after our most recent tax cuts, other states's tax rates remain much lower and more competitive. Like Nebraska, all of our neighbors have lots of money. And they're going to even do more. The timing is extraordinarily critical. You all probably know this, but maybe for the record, there are states with no income tax: Alaska, Florida, New Hampshire, Nevada, Tennessee, Texas. And then, of course, with along with our neighboring states of Montana and South Dakota, who take no tax from income from their, from their residents. And we've seen other states starting to take action. Our neighboring state, Iowa, has lowered their rate to 3.99, and that takes effect in 2026. I think we all agree, we can't be beat by Iowa. Not a chance. Mississippi Governor Reeves has called for complete elimination, that's going on today. Governor Reeves has called for a complete elimination of income tax in Mississippi. Montana Governor Gianforte is working to cut income tax. Governor Burgan in North Dakota is doing work. He-- his plan is to have the lowest flat tax rate in the United States. Governor Sanders in Arkansas is also calling to eliminate the state's income tax. I could go on, but I think you get the picture in regard to what's going on in the landscape of other states. From my seat, I just believe there's no reason in Nebraska that we can't compete with the other states, just no reason. If this rate was in place today, this would get us to increase from where we are to number of 15. Not in the top 10, but number of 15. I think that's a number that's really, really critical to stop the outmigration of our kids and our grandparents. Really, really important. I would ask the committee to support this legislation out of committee. I'm willing to continue to meet with anyone on this issue anytime, anywhere, anyplace. From my seat, this is not a hope or a dream. This is a dire need from Nebraska and the people in Nebraska. So thank you, and I'd be happy to answer any questions.

von GILLERN: Thank you, Governor Pillen. Questions from the committee? Seeing none, thank you for your testimony.

JIM PILLEN: Thank you. Thank you for having me this morning.

von GILLERN: Other proponents for LB754?

MARK McHARGUE: Well, good morning. My name is Mark McHargue, M-a-r-k M-c-H-a-r-g-u-e, I serve as president of Nebraska Farm Bureau and I am here today testifying on behalf of Nebraska Farm Bureau and the Dairy Association in support of LB754. And I also want to start out by thanking this committee for just your incredible work over the years in tackling our, our tax conversations in Nebraska. You know, from my seat as president of the Farm Bureau and the largest business sector in Nebraska, we certainly appreciated-- appreciate it. And those effects are being felt all around our state. You know, it's an exciting time, quite frankly, in Nebraska. You know, some of us are maybe tax geeks a little bit, and I may fall into that category. But the fact that we can be sitting here in Nebraska talking about substantial, substantial tax cuts and tax reform in Nebraska is, is really exciting. And I think we can't take that for granted. And contrary to popular belief, Nebraska farmers and ranchers actually do pay income tax, substantial income tax. I know for me sometimes it's difficult to write that check, but when I'm writing an income tax check, the bottom line is that I've made money that year. And I don't mind writing that check. I don't want to write it any bigger than you do, right? I don't think, I don't think that's the case for anybody. And the fact that we are here testifying in support of the income tax bill, it does fall within our policy. So our policy in Nebraska Farm Bureau supports effort to reform Nebraska's tax system in a way that provides tax relief and enhances Nebraska economic competitiveness. And so bottom line, when we, when we look at Nebraska, and it doesn't matter if you're looking at rural Nebraska, urban Nebraska, when we pay taxes, that's less money that we have to spend. And it doesn't matter if you're going to downtown in Omaha or Lincoln to spend the money on groceries, or if I'm going in to buy a part in rural Nebraska in Central City. I have to pay for that with funds that is available after taxes. So by us lowering our effective tax rate, our tax rate on income, we're for that. Now, some people would probably ask, you know, Farm Bureau hasn't traditionally been here really ringing the bell substantially on, on income tax reduction. And I just want the record to know that we do constantly have that conversation. But the reason that we're not here every time is because property taxes is still our number one tax burden. And so in this testimony today, and I just want to couch a little bit where farm bureau is at holistically when we have a tax conversation, it's been mentioned several times this morning about the significant tax packages that are beginning to work their way through the process. We are for the entire set of packages that are going through both in education reform, money into the property tax credit fund. We're going to talk about taking community colleges, offer tax rolls. We're also here talking about income tax as well. So when we collectively put those together, we believe ultimately, if they can move together, it'll be a great advantage for not only the farmers and ranchers in Nebraska, but for everybody in Nebraska. But I do want to say upfront, as we have these conversations, the reason that we're passionately going to be involved in all the aspects, is because ultimately, as we put this package together, if we have a dollar relief in income tax, we want to ensure that we have a dollar relief in property tax. So it doesn't matter if we're talking on education reform or income tax or the other packages, we will be working hard to help shepherd a package through that helps our tax system be more balanced. And in our view, being more balanced would be an equal amount to income tax reduction as well as property tax reduction. So that's my main message today. Again, thank you for all that you do for this committee. You've got a pretty, pretty high calling this year, but it's exciting to be part of this conversation. And we'd be happy to answer any questions that you might have.

von GILLERN: Thank you, Mr. McHargue. Questions from the committee? Senator Briese.

BRIESE: Thank you, Vice Chair. And thank you for being here, Mr. McHargue. So it's fair for me to conclude that the support of the Farm Bureau and other farm organizations of the package is conditional upon your 50/50 description of property versus income tax relief?

MARK McHARGUE: Yeah, I think that would be very fair. That has been equitable in the last couple of years in these discussions. And I think as we move the ball forward, we feel like it's, it's equally equitable this year.

BRIESE: Very good. Thank you.

von GILLERN: Any other questions from the committee? Thanks for being here, Mr. McHargue. Other proponents?

MICHAEL LUCCI: Good morning again, Vice Chair von Gillern and members of the committee. My name is Michael Lucci, M-i-c-h-a-e-l L-u-c-c-i, and I'm here to speak on behalf of Platte Institute, where I'm a senior tax policy adviser. Platte's testifying in support of LB754, which would reduce the top rate for individual income to 3.99 percent and would give Nebraska a flat 3.99 corporate income tax rate. Going into 2023, Nebraska is below average on its overall competitiveness on both individual and corporate income taxes, ranking right around 30 on both of those. That's based on factors that include the structure, but also the rate imposed on individual and corporate income tax. As reflected in our early testimony, Nebraska has been trimming, trimming its top rates for individual and corporate income tax in the last couple of years. This makes sense. It's responsive to revenue surpluses and trends that are going across the country. I would also note that it particularly makes sense to lower the income taxes amidst inflation because this incentivizes investment and savings over consumption, and it also just directly returns money to the people in Nebraska who are paying the income taxes. So it's, it's giving them back their money and it gives it back in such a way that incentivizes savings and investment because they're facing a lower rate on individual and corporate taxes when they think about, you know, the returns going forward. As we noted earlier, five states have moved to a flat tax on the individual side, and two dozen states have cut their rates on the individual side. High progressive rates are uncompetitive for individuals and businesses. And as I said, there have been two recent changes. The cap on state and local taxes on the federal return has made it more important to be competitive on your state income tax and the increased mobility of workers after the pandemic has made it more important to be competitive on state and local taxes. Now, while this bill would make Nebraska highly competitive for income-- individual income taxes, it would still leave Nebraska with a progressive tax structure. And, and I do recommend checking my math on this for effective tax rates because I was putting it together. A family of four making $30,000 would have an effective rate of 0; making $60,000, effective rate of $1.59; family making $100,000, 2.55; and a family making $300,000 would face an effective tax rate of 3.51 percent. So even if-- the proposal is not a flat tax, but even if the proposal were a flat tax, it would still be effectively slightly progressive because of the standard deduction and because of the personal exemption credit. On the corporate side, Nebraska would actually become more competitive on corporate relative to the individual income tax under this proposal. So Nebraska would have a 3.99 flat rate. That would be just below Missouri and Oklahoma, who are 4.0 each. It actually would leave Nebraska with the second lowest corporate income tax of states that levy it. North Carolina is 2.5. I will note that there are six states without a corporate income tax for various reasons, and North Carolina's 2.5 is going to phase out over the next couple of years. So they will be at zero, at which point Nebraska would actually have the lowest rate of states that levy a corporate tax, assuming, you know, no one else changes, which might-- other states might lower their rates in the meantime. Workers, managers and shareholders bear the burden of corporate taxation. So not only would this make Nebraska more competitive, it would be returning money to investors in the state. It would be returning money to workers in the state through higher wages. It's worth noting that there was, over a decade ago, Kansas attempted tax reforms that didn't go right. But since then, dozens of states have done so by making sure that the tax changes balanced within revenue and spending projections. So as long as that is the case, then this reform would make Nebraska, Nebraska highly competitive on corporate taxes. It would be one of the top states on corporate taxes, and it would be also very competitive on individual income taxes. And we support accelerating tax reform, bringing down these rates for Nebraskans and having some of the lowest rates in the region. And on the lower average rates within the country would really help Nebraska take advantage of this time of increased mobility and increased flows of capital that are looking for good places to invest. With that, I'm happy to take any questions.

von GILLERN: Thank you, Mr. Lucci. Any questions from the committee? Senator Dungan.

DUNGAN: Thank you, Vice Chair von Gillern. Thank you again, I know you've had a long day of testifying here, and I appreciate that. There's been a lot of discussions here today about competitiveness and I think trying to ensure that Nebraska's tax structure incentivizes both retention and recruitment. That's one of the things I think we talked about with Senator von Gillern's bills, as well as this one. I'd asked you previously before about any data or statistics showing that people move based on those things. And one of the things that I find striking and just doing, again, very short research is that as of right now, two-thirds of people, over two-thirds of people, so 69 percent of folks live in the same state that they were born in, right? So we know that the vast majority of people remain where they're born, right? Beyond that, there are certain studies that show that 1.5 to 2 percent of people in the entire United States move across state lines each year. So already we're looking at a very small swath of people that move from state to state. Of that 1.5 to 2 percent of people, the vast majority of those, I don't have the actual percentage, but the vast majority of those cite new jobs or family as the reason that they're moving. And very few of them check the other box when asked. And the other usually would be taxes. And so if so much of our intention here is predicated on the idea of making us competitive, I guess I'd be curious to know what actual data or statistics we have.

MICHAEL LUCCI: Yeah.

DUNGAN: That you may have, which we can talk about later, we can get it later-- that show that people actually move for these reasons. Because it's one of those things where I think it makes sense in our mind, oh, if it's more competitive, people are going to go there. But the numbers that I'm looking at, that I've found, don't support that. Right? I think that, again, as I said earlier, people don't move in a vacuum, right? It's not just based on tax. Obviously, it might be something that people take into consideration. But to me, it doesn't seem like a driving factor. And to completely overhaul our entire tax structure based on the notion that we're incentivizing people to come here and stay here, which is a fantastic notion. I want more people to come to Nebraska. It seems like there's not actually a causal relationship between those things, but maybe merely a corollary. Do you have any information or data that you know of right now that indicates people move based on tax rates as a primary incentive?

MICHAEL LUCCI: So I'll, I'll share studies that I cited earlier. There are studies related to movement specifically because of taxes, but I think that you actually made them-- what's actually a more important point, people move for jobs. And jobs are developed in more competitive states. And so it is the case that when corporate-- corporations move, Tesla moves to Texas, this gets the headlines. But most job growth is from existing corporations and small businesses, etcetera, within a state. And so that tax reform is going to get at not just those folks who you want to come in and those folks who might otherwise leave, but those businesses and families, etcetera, who are thinking about-- aren't necessarily thinking about leaving or staying, but they will have more incentive and more money to invest in the context of tax reform. So it is, it's certainly the case that there's a portion of society that's moving for tax purposes as one of the big reasons that they move, particularly after the pandemic, particularly with the cap on state and local taxes paid. But I think the more important factor is the less-seen factor, which is people do move towards jobs and jobs grow. And you can see this in the data on the recovery from the pandemic, jobs are growing in the states much more rapidly that have more competitive tax codes, regulatory codes, etcetera, etcetera, etcetera. So while the headline rates matter for a certain class of people, I don't know what percent it is, but a certain class of people who are mobile. The more important factor is overall competitiveness, which draws people and they don't, they don't know that they're moving because of that state's competitiveness. They just know they're moving because the jobs are there and they don't know what all goes into the creating of the jobs there. But taxes are a part of that.

DUNGAN: Thank you. No, that helps. I appreciate it.

von GILLERN: Any other questions from the committee? Mr. Lucci, thank you for being here.

MICHAEL LUCCI: Thank you.

von GILLERN: Any other proponents?

JIM GREISCH: Good morning, Vice Chairman von Gillern and members of Revenue Committee. Thank you for having me this morning. My name is Jim Greisch, J-i-m G-r-e-i-s-c-h, I'm here today representing the Greater Omaha Chamber of Commerce, the Nebraska State Chamber of Commerce and Blueprint Nebraska in support of LB754, which would lower Nebraska's top corporate and individual income tax rate to 3.99

percent. I want to thank Senator Linehan for advancing the Governor's bill, for making this one of his priorities. Longtime members of the committee will know I've appeared many times before this committee in my capacity as chairman of Blueprint's tax modernization committee and on behalf of several of the chambers to talk about the need for tax modernization in Nebraska. As all of you know, the goal of Blueprint has been to transform Nebraska's tax policy in a way that enhances Nebraska's competitiveness and makes us a more attractive place for all Nebraskans today, tomorrow and into the future. It should be noted that we have long advanced a concept that the tax policy we adopt should be transparent, should be fair, and it should be equitable. And I'm going to add one, it should be competitive. You've made much progress in this respect over the past year. Enactment of last year's individual and corporate rate reductions, along with the phasing out of our taxation on Social Security, is certainly the definition of progress. We agree, however, with the Governor that we're not there yet. The rate proposed in LB754 is a great target, and I kind of feel like we should play Etta James here and say "At Last" we're talking about getting a rate that is down in the competitive arrangement. At Blueprint and the chambers across the state, we have been consistent that a 3.99 rate for both individual and corporate taxation is going to be good for business and should be achieved as quickly as feasible. Many have said that our current policy puts us in the company of some good states. I would ask what company are we talking about? We would not want to be and should not be compared to states where people are fleeing the state for burdensome taxation, that are not attracting business or workforce, and are not competitive and constantly come from behind. Simply said, the lower the rate, the better. The 3.99 puts us in good company, ratewise makes us more competitive with our neighbors, and increases our competitiveness with those states with whom we compete for economic development. There have been several questions this morning regarding why people move, and I would add one element to the conversation regarding why people move. Our last speaker, Michael Lucci properly mentioned that people follow jobs. The jobs are often shepherded by site selectors who routinely make choices for their clients based upon the tax burden that their-- the employees whom they ultimately represent in the search will bear. Recent studies put Nebraska at an incredibly uncompetitive 38th. One being good, 38-- 50 being bad. We're 38th in terms of total tax burden. That includes sales tax, property tax and income tax. That's staggeringly uncompetitive. If site selectors are using that type of data to drive their clients to relocate, the jobs will follow them elsewhere, not to Nebraska. As you know, Iowa will soon reach 3.99 and that's going to be tempting. We'll have a lot of border bleed at 3.99 compared to our current rates. And our neighbors in South Dakota, Wyoming, Wyoming and Colorado have beaten Iowa to the punch and they are already seeing benefits from that. It's nothing personal here, it's just the bottom line. Businesses respond to opportunities to improve their profitability. It's also a workforce issue. Let's be honest. We have a people problem in Nebraska. We simply do not have enough here to fill the available jobs we have or those we'd like to create in the future. We must get better at this. We've heard from our members at the Chamber many times that this needs to be solved, 3.99 could be an answer. This also addresses other matters. The Legislature continues to look for ways to encourage entrepreneurship, innovation and investment in Nebraska. The proposal before you is the best thing you can do for entrepreneurs. The Foundation for Economic Education reports that high income tax rates are enormously detrimental to startups and other entrepreneurial issues because they depress investment and discourage productivity. This is clearly ind-- illustrated by the disturbing small number of patents which originate out of Nebraska. This is not a new issue, we've been doing-- dealing with this for quite some time. And we talk a lot about the discussions of other ways to solve the rate problem at the bottom. And I would offer to you that you have other levers to pull. We have an earned income tax credit that works. It puts money back into the system, it's a very efficient and effective way to keep the system working and for the lower income levels. Further, we can change the standard deduction and use it differently to reduce the amount of tax burden on the lower in-- lowest income earners in Nebraska. Legislation is pending that would talk about the earned income tax credit. It's a policy that we think works. It's good for the system. Plainly, though, the legislation before you can do a lot of things in ways that we have yet to be able to address because of the rate issue. We, we want to encourage entrepreneurship. We want to encourage workforce attraction. We want to encourage investment and innovation and we want high-quality job creation. It would help Nebraskans build personal wealth, it would increase savings. It would be good for all Nebraskans. For those reasons, we support LB754. We urge you to do the same. I thank you for the opportunity to be with you and stand ready to answer any questions.

von GILLERN: Thank you, Mr. Greisch. Questions from the committee? I have one. I think we've, we've had a lot of math and done on the fly, admittedly. There's been a few Googles, Google searches done. I think you're the first testifier that's used the word fair. Is there something just inherently wrong with the state collecting more money than it needs, in your opinion?

JIM GREISCH: Absolutely. You know, the, the state should should extract the fair wage for the system-- for the functions of government constitutionally mandated, but no more. The constitutionally mandated functions of government should demand a fair wage from those who deliver it in a way that is appropriate for the, for the, for the citizens of the jurisdictions across the state. The fairness part has to do with collecting more than is needed. And as we-- as many testifiers have noted, the wealth redistribution is a part of the reason that that is done. There are better ways to redistribute wealth. And, you know, we think that that needs to be evaluated as a part of the overall function of government and the efficiency of government. But it also has to do with the modernization of our tax policy. Let's be honest, it was 1957 when this was first, first hatched, '67 when it was adopted. We're well past the useful life of that policy. And we think it's time for us to-- for the Legislature to work to update that.

von GILLERN: Thank you, Mr. Greisch. Thanks for your testimony today. Any other proponents?

BRIAN KLINTWORTH: Good morning. Thank you--

von GILLERN: Good morning.

BRIAN KLINTWORTH: --Vice Chairman von Gillern and members of the Revenue Committee. My name is Brian Klintworth, B-r-i-a-n K-l-i-n-t-w-o-r-t-h, and I'm here today representing the Lincoln Chamber of Commerce. In my role, I'm a partner in a CPA firm based here in eastern Nebraska. And so I see a lot of things with, you know, taxes and talk of taxes and what clients are feeling here in Nebraska, both in the business and individual climate. And I think that, you know, over the last couple of years, we've seen a lot of really good progress that the state of Nebraska has made. You know, things like the property tax incentive credits, some changes to how military retirement, Social Security and other things are being taxed have made a big difference for a lot of our taxpayers. And we see, and the Chamber believes as well, that a bill like this will help continue some of those changes and help make things again, as we've talked about a more competitive environment for our businesses and for our individuals. You know, when we talk about all these other states around us going to lower rates and looking at those lower rates, the competitiveness becomes, I think, a much more important discussion. You know, I see a lot of times when I'm working with clients, whether that's individual looking on where they're going to live or businesses looking at new investments, you know, tax rates are really starting to make a big difference. And when we saw the federal tax cuts that happened back in 2017, the state piece became a lot more of a variable in that. And then you throw on that the pandemic as well, where it's changed that mobility that employees have and the ability to, you know, attract people from different places. It's really caused businesses to think differently about not only where do they want to do business, but where do they want to hire employees. And so it seems that having, you know, some real movement towards lower tax rates, again, to make us competitive and even give us some competitive advantages make a lot of sense. You know, I think we've got a strong economy here in Nebraska, as we've seen, you know, through years, through the pandemic and other years as well. And knowing that we've got, you know, as, as was discussed with the budget, a lot of money in play here. You know, we're sitting in a good fiscal position. And so it makes sense for us to see that it may-- to look at, OK, how do we return some of that to the taxpayers in Nebraska? How do we make sure that we are being fairly taxed in what we do? And just overall, again, it just seems like these bills, the more that we can accelerate to keep us competitive. And to speak to other points earlier on your retention versus recruitment, I-- retention is one of the really important things. You know, we talk about a lot and there's a lot of studies of students that, you know, trying to keep them at schools in Nebraska, but then trying to keep them in Nebraska as well. And knowing that they have the ability to work remote differently and do different things, there's a lot of opportunities for them. And, and our taxes are going to be the main decision for somebody in where they move? Probably not. You know, I'm an accountant. That's all I do. That would never be the main factor in my decision. But it's a very important one and it's part of the whole bigger package that can help make Nebraska great. With that, I welcome any questions that the committee has.

von GILLERN: Thank you, Mr. Klintworth. Any questions from the committee? Senator Dungan.

DUNGAN: Thank you, Chair von Gillern. And thank you for being here. I appreciate all your work with the Lincoln Chamber, I appreciate all the work the Lincoln Chamber has done. I'm a big fan of our chamber, and I think we've seen a lot of exponential growth in Lincoln through a lot of the businesses we've seen. A lot of that I think can be attributed to a lot of the hard work of our business community in Lincoln and the Chamber in particular. Personally, just having lived in Lincoln for a very long time, being born and raised here, I see Lincoln growing. I see more businesses coming here. I see more major things happening in Lincoln, whether it's the development of Pinnacle Bank Arena or the development of other structures that we're seeing. I mean, we're, we're increasing our high school size, we're having more families move here. It doesn't seem to me as though we're losing a lot of people right now. Now, obviously, there's always the discussion about students and UNL students coming and going and are they staying here? But from your business perspective, working with the Chamber, can you give us some examples of what we've missed out on or businesses that have left Lincoln because of specifically the tax structure in maybe the last 5 to 10 years?

BRIAN KLINTWORTH: You know, I think from that point of view, when we talk about, you know, the retention, that's probably more on a statewide piece. You know, as you said, Lincoln and, and Omaha as well have really had some great growth opportunities. Where I think we're starting to see issues is that, you know, there's limits to how much of that growth is going to happen or we're seeing, you know, growth from other parts of the state in here. But I think, you know, you take a city like Lincoln, you look at how much we've grown over the last, you know, I mean, 5, 10 years, certainly going back longer as well. Where I think we're missing out on any of those opportunities to continue to grow and to continue to bring in new businesses and different things like that. And, you know, as Jim Greisch had talked about as well with the startup community, you know, I've worked with some startups and we've seen startups here in the Lincoln community. And they've done some good things, but they are talking about the challenges that they face from a workforce piece and some of that. So I think that as we see it, it's giving us the opportunity, I think we've built a really great infrastructure in Lincoln with the businesses that we have. But I think we've got a lot more capacity to grow that, and a bill like this would help us to grow.

DUNGAN: Thank you. And again, I appreciate your work.

von GILLERN: Any other questions? Mr. Klintworth, thank you for your testimony. Other proponents? Good morning.

BOB HALLSTROM: Good morning, Vice Chair von Gillern, members of the Revenue Committee, my name is Bob Hallstrom, H-a-l-l-s-t-r-o-m. I appear before you today as registered lobbyist for both the Nebraska

Bankers Association and the National Federation of Independent Business in support of LB754. I've also signed in on LB804 and LB806 on behalf of both of those clients in a support capacity. I would like to first thank Governor Pillen and Senator Linehan for introducing and promoting legislation that will provide tax relief for Nebraska taxpayers. It goes without saying that the provisions of LB754 provide significant tax relief for Nebraska taxpayers. The action is also significant in that it would serve to provide the same maximum income tax rate for individuals and corporations, thereby creating parity between taxpayers regardless of the legal form in which they choose to operate. I would echo the comments regarding the need for a competitive tax system and structure. Our current tax system creates an obstacle both with respect to the individual and the corporate income tax rates in bringing people to Nebraska, new residents, talent, jobs and entrepreneurs to our state. I would just like to touch briefly on the issue of parity and the importance of parity. A good percentage of small businesses are formed as passthrough entities such as Subchapter S corporations, partnerships and limited liability companies. Those entities do not pay corporate income tax. Rather, they passthrough their income and it's paid by individual shareholders, partners or members of those entities at the individual income tax rates. So obviously, the disparity between the current top individual income tax rate and the maximum corporate income tax rate provides a disincentive for those businesses who prefer to operate as what's called a traditional C corporation, reducing the top corporate income tax rate and maximum individual income tax rate to 3.99 percent by tax year 2027 will create parity between businesses regardless of the legal form under which they choose to operate and constitutes good policy. The governor has proposed an austere budget. Nebraska's fiscal position affords them the opportunity to provide these tax reductions, and we believe they should do so. Before I submit questions, if any, Senator Dungan, I don't think anybody has, has directly addressed the question that you asked earlier about the California corporation that forms in Delaware for those reasons. Is headquartered in California and has sales in Nebraska. We probably should confirm with a tax expert, but what I would suggest to you, the, the answer to that is that the corporation, if they're a C corporation, will file a Nebraska tax return with regard to their Nebraska source income. And as a C corporation will pay taxes in Neb-- directly to Nebraska. If they happen to be a passthrough entity, they will similarly be required to file a tax return in Nebraska. That income will passthrough to those shareholders. And on that return, they either have to pay withholding against the potential tax liability for those shareholders or the shareholders file what I believe is called a Form 12N which they agree that they will file a tax return and pay any tax that's due. Be happy to address any questions.

von GILLERN: Thank you, Mr. Hallstrom. Any questions from the committee? Seeing none, thanks for your testimony today.

BOB HALLSTROM: Thank you, Senators.

von GILLERN: Any other proponents? Hello again.

JESSICA SHELBURN: Good morning again. My name is Jessica Shelburn, J-e-s-s-i-c-a S-h-e-l-b-u-r-n, representing Americans for Prosperity. Again, I'm going to try to keep my testimony brief. I remember having conversations with members of this committee over the last few years encouraging a flat tax of 4 percent and thinking that we were years away from even having those discussions. So we are thrilled to be here to be supporting a movement to go to a top bracket of 3.99. It does make us more competitive. That is what we need. There's been a lot of talk about people moving here, people leaving. As a parent of a young adult. I can tell you that they are talking about the tax rates, especially individuals who, who have that flexibility to pick up and leave. They can follow jobs to states that A, have better climates and have lower taxes. And they will jump on those opportunities regardless of if their family is here or not. So everything that we can do to make our state more competitive to keep them here is, is great in my opinion. And this is steps moving us closer to that point. And, you know, we have a strong economy. This is the time that we can do it. If we're going to make changes, the time is now. We have the ability to do it without putting our state at risk financially. And so with that, I would just encourage you to support LB754 and the work of Senator Linehan, Senator von Gillen-- Gillern and Governor Pillen.

von GILLERN: Thank you, Ms. Shelburn. Any questions from the committee. Seeing none, thanks for your testimony.

JESSICA SHELBURN: Thank you.

von GILLERN: Any other proponents today? Seeing none, any opponents?

REBECCA FIRESTONE: Good morning, Vice Chair von Gillern, members of the Revenue Committee. Rebecca Firestone, R-e-b-e-c-c-a F-i-r-e-s-t-o-n-e with OpenSky Policy Institute testifying today against LB754. We have provided some handouts to all of you that shows our modeling on this package of bills. And I'll start by first by saying we sort of really truly commend the Governor for the thoughtful set of proposals for-- and for all of you to be sort of thinking about how exactly we handle this almost unprecedented fiscal environment that we are currently in, noting that many other states are also currently in unprecedented fiscal environments. So first, while we understand the effort to accelerate last year's tax cuts, especially in the context of our current fiscal position, we continue to have concerns about the state's long-term ability to fund these proposals under different economic conditions, especially as the federal pandemic relief that has been flowing through our economy comes to an end. We appreciate that we currently have a very robust cash reserve, but the purpose of the cash reserve, our rainy day fund, is not to backfill the state budget on a regular basis, but rather to help lessen the harmful effects of potential service cuts during economic downturns. I'm going to skip ahead in my testimony to the next paragraph just to help you along here. So cuts to both the corporate and personal income taxes predominantly benefit high-income Nebraskans, as I hinted at on the other bills. Our modeling indicates that 70 percent of the benefits of dropping the corporate rate immediately would go to the wealthiest 20 percent, and particularly those too in the top 1 percent of the income distribution. Speeding up the existing cuts for taking the top rate down even further further will largely benefit the wealthy, and these proposals are poorly targeted to reach Nebraskans who are not wealthy. Because black, indigenous and Nebraskans of color are disproportionately represented at the lower ends of the income distribution due to past policy choices, making it harder for them to build wealth than white families, they are also least likely to benefit from these proposals. This proposal would further separate taxpay-- taxpayer rates from their ability to pay, making the tax code overall regressive. We oppose increasing the tax code's regressivity and would encourage retaining the current progressive structure that we have within our income rates, since it is really the predominant tool that we have within our tax code to think about progressivity and targeting tax rates based on ability to pay. If the intention of these policy proposals is to return some of Nebraska's current budget surplus to Nebraska taxpayers. There are other mechanisms available to you on the Revenue Committee that could be better targeted to taxpayers in need of financial relief now without tying the hands of future Legislatures. For example, other states have used tax rebates within the current fiscal climate that we have and targeted tax credits such as a [INAUDIBLE] tax credit to refer to return funds to taxpayers. Proponents have pointed to Iowa's recently approved flat tax proposal that brings the rate down to 3.98 percent by 2028. That proposal is estimated to cost the state of Iowa $2 billion annually, once fully phased in, which is about 25 percent of their current budget. Income tax cuts, however, are unlikely to pay for themselves through economic growth. And indeed, the Nebraska Department of Revenue, for instance, within its 2018 tax burden study, has found that $100 million worth of income tax cuts would not pay through themselves-- pay for themselves through increased economic activity. This economic activity isn't likely to happen by drawing more taxpayers to the state, since there is a variety of evidence that's been discussed that suggests that relocation decisions are multifactorial and not predominantly based on taxes alone, but often based on people moving for better housing opportunities, to be closer to family or for work. There's also evidence that suggests that millionaires are actually less likely to move than those with lower incomes. Put differently, lower taxes are not a magic bullet for a thriving Nebraska economy, particularly when they're only focused on top rate cuts. We therefore oppose these bills, and happy to take any questions. Thank you.

von GILLERN: Thank you, Ms. Firestone. Questions from the committee? Senator Dungan.

DUNGAN: Thank you, Chair von Gillern. And thank you for being here. You were here earlier, I assume, for the previous testimony. You've been here all day.

REBECCA FIRESTONE: Yes. Yes.

DUNGAN: You probably heard my question, I think, to Chair Linehan and also to the Governor's budget folk regarding sort of this concern that I have that I think others constituents have reached out to me about regarding the potential interplay between a reduction in revenue and an increase in potential state aid to schools or other programs. It sounds like, based on some of the questioning we had earlier, that we, at least according to some projections, have sufficient money sitting in the rainy day fund and projected out over the next few years to do both. I genuinely am curious. Does your modeling show the same? What does that look like? Do you have questions about that? I'm just trying to figure out if there actually is going to be a concern moving forward. Because I do want to make Nebraska as competitive as possible, and I think taxes do play a part of that. But I also want to make sure that we're not shortchanging schools or other things in the future. So do you share the belief that we will be fine moving forward financially, or do you think this is going to potentially cause some shortfall moving forward?

REBECCA FIRESTONE: So first of all, I would also share with you and with many of the folks who have testified already, as well as the Revenue Committee, we-- OpenSky also supports efforts to make sure that Nebraska has a thriving economy that is supportive of the people who are living here now and provide shared prosperity and reasons to move to the state of Nebraska. Within that context, frankly, we are still modeling all of the interplays of the different proposals that have been put together, both the spending proposals, as well as the revenue reductions and what the effects are on property taxes and on-- and on-- and on education finance. We are concerned about ensuring that we maintain a very robust cash reserve. And indeed there was conversation during the last legislative session when the tax cuts were passed about the importance of being able to maintain that cash reserve in the event of unexpected economic conditions to make sure that there is a buffer in place. So that is OpenSky's, I think, first concern. And beyond that, I'll have to say that we are continuing to model the interplay of all of these factors, and we think that it's valuable for us and for those of you in the Legislature to take some time, understand how the different proposals are also-- are all interacting with each other and try to sort of project out over a few years, test it out under different economic scenarios in order to make sure that we do have a sustainable revenue system going forward.

DUNGAN: Thank you.

von GILLERN: Thank you. Any other questions from the committee? Ms. Firestone, I had just a couple of quick questions. You mentioned that this would predominantly benefit the wealthiest in taxpayers. Does it not still benefit those below that top 20 percent?

REBECCA FIRESTONE: Our modeling suggests that when you take the top rate down, which is targeted to people who are making that higher level of income, predominantly most of the tax cut goes to people who are in the wealthiest portions of the income distribution. So that is--

von GILLERN: That's what I asked you.

REBECCA FIRESTONE: So there is, I think what I want to be very clear about here with the Revenue Committee is that if you're looking at the size of the cuts, the largest proportion of the cut is for people who are wealthiest because of how income works. There is some degree of tax cut for people who are in the middle portions of the income distribution. But overall, predominantly the largest cuts, this is, this is the math of our income distribution are going to people who are wealthiest.

von GILLERN: Thank you. And I know you possess a lot of data, so maybe you can help me understand this also.

REBECCA FIRESTONE: Sure.

von GILLERN: Can you, can you tell me what percentage of the total tax revenue is paid by that top 20 percent?

REBECCA FIRESTONE: I don't have that number on me--

von GILLERN: OK.

REBECCA FIRESTONE: --right now.

von GILLERN: OK.

REBECCA FIRESTONE: I'm happy to get that number for you.

von GILLERN: Would it be fair to say it's the majority of the tax revenue in the state?

REBECCA FIRESTONE: No, I don't-- I would not want to say that on the record right now.

von GILLERN: OK.

REBECCA FIRESTONE: Because if you actually look overall at sort of effective tax burden, we do see, I think, proportionately people at the higher ends of the income distribution pay proportionately less in income taxes. So I would just want to be able to confirm--

von GILLERN: OK.

REBECCA FIRESTONE: --those specific numbers for you.

von GILLERN: And again, that's not the question I asked.

REBECCA FIRESTONE: Yes.

von GILLERN: I asked about the total tax revenue, and if you could do some work on that and provide it to the committee, I'd sure appreciate it.

REBECCA FIRESTONE: I'm happy to provide that to you, Senator.

von GILLERN: Thank you. Thanks for your testimony.

REBECCA FIRESTONE: Thank you.

von GILLERN: Any other questions for Ms. Firestone? Thank you.

REBECCA FIRESTONE: Thank you.

von GILLERN: Any other opponents? Any neutral testifying today? OK, Senator Linehan, would you like to close? And as, as the senator approaches, we've received one opponent letter, seven opponent letters and one neutral letter for the record. Senator Linehan.

LINEHAN: I'll be quick. I'll try to be quick. Again, I have a copy of OpenSky's testimony here. And the second paragraph. We currently have a very robust cash reserve, but the proposed cash reserve, our rainy day fund, is not to backfill the state budget on a regular basis. We are not using the rainy day fund to pay for these tax cuts. All the tax cuts, the billion dollars for Education Future Fund is already in the Governor's budget, which leaves $1.6 billion in the rainy day fund. And yes, I was here when we were very, very concerned about the rainy day fund. And Chairman Stinner, who was very conservative when it came to being in good financial position, always said that if we had $800 million, we were fine. And we now have twice that in the rainy day fund. And yes, Senator von Gillern, the top 20 percent pays the lion's share of the taxes. We can go to the department. I've got these in my office.

von GILLERN: Thank you.

LINEHAN: It's broken down by every income level on the Department of Revenue's website. Fifth paragraph, the top 20 percent of Nebraskans are those making over $138,000. I raised four kids and we probably made over $138,000 most of the time. And you have kids in school and kids in college, and you're trying to make in me-- $138,000 is not wealthy. You still have kids borrowing money to go to school. It is not wealthy. And then the rest of this paragraph, which is just-- I don't-- I know that because black and Nebraskans of color are disproportionately res-- represented at the lower ends of the income distribution distribution due to past policy choices, but not tax choices. I mean, I, I understand and I have great empathy and there's many things our country needs to address. But taxes, we have a, we have a system that taxes more as you make more. But in Nebraska, we have a system that is, yes, chasing people out of the state. I have, I bet, since we've gotten here-- what have we've been here, two weeks now, two and a half weeks? I bet I get 5 to 6 letters a day from my district that say they are going to move. And those are only the constituents that know to talk to their state senator. Between our property taxes, which in my district are very high, I think the top 2.45 is our levy rate, and our income taxes, people aren't going to stay here. So this package, which is-- it also takes care of education. The Governor very wisely has put aside a billion plus $250 million for the next, I don't know, three or four years. It seems like a lot. It's over $2 billion in total, for the Education Future Fund. So we have money to take care if we have a downturn. We have a lot of money. And as Mr. Will said, we could withstand two years of the worst downturn in the last 45 years with the cash we have available. We can afford the tax cuts. Thank you.

von GILLERN: Thank you, Senator Linehan. Any questions from the committee? Seeing none, this will close our hearing on LB754.

LINEHAN: I want to thank the Farm Bureau for being here. It's for reasons that Senator Briese and the testifier and I understand, it's very helpful.

von GILLERN: Very good.

LINEHAN: Thank you.

von GILLERN: Now we'll close testimony on LB754.

SHANE RHIAN: [RECORDER MALFUNCTION] This is very simple. TEEOSA already consumes a-- a significant portion of the state budget. Because of that, the Legislature has historically manipulated TEEOSA whenever it needed to help balance its budget, which creates further uncertainty and risk for schools. By way of example, prior to the adoption of-- in 2016 of LB1067, which repealed the common levy, the Omaha Public Schools budget was funded 45 percent by state aid and 55 percent by property tax. Those numbers are now reversed. Passage of LB750 would have significant long-term implications for the Omaha Public Schools and our fellow school districts across the state because of the volatility of state aid. We appreciate the committee's time and efforts and would respectfully urge you to oppose LB750. Thank you.

LINEHAN: Thank you. I'm-- how do you say your last name?

SHANE RHIAN: Ryan [PHONETIC].

LINEHAN: Ryan. OK. Thank you, Mr. Rhian. Are there questions from the committee? I'm not going to-- so you're saying now that your property taxes are only 45 percent of your budget?

SHANE RHIAN: They are less than half of our budget, correct. We are--

LINEHAN: Well, if it's reversed--

SHANE RHIAN: --very reliant on state aid.

LINEHAN: Very reliant on state aid. And you're also aware of the whole package the Governor has introduced, the whole thing?

SHANE RHIAN: We have modeled all 11 bills in the school finance reform package and the tax relief package, yes.

LINEHAN: So you're just going to be against all of them?

SHANE RHIAN: The impact they have could be very significant for Omaha Public Schools in the future if there was a significant decline in general fund receipts, causing the need to reduce the state budget.

LINEHAN: You are aware that the Governor has set aside $1 billion for the Future Education Fund?

SHANE RHIAN: I am aware--

LINEHAN: And--

SHANE RHIAN: --that is part of the package.

LINEHAN: --budgeted $250 million per year for the next several years--

SHANE RHIAN: I'm--

LINEHAN: --to that fund?

SHANE RHIAN: I am aware of the intent language--

LINEHAN: And you're--

SHANE RHIAN: --in the LB.

LINEHAN: And you're aware that we have over $2 billion in funds left. Even when we do the tax-- the whole package, we still have $1.6 billion in the Rainy Day Fund and $200-and-some million in the reserve and yet money left over.

SHANE RHIAN: I'm aware that the state coffers have sufficient resources for the short term. Our concern is sustainability in the long term, with significant reductions in future state revenues from income tax and the future obligations to school districts that are being proposed.

LINEHAN: How much money will we have to set aside in savings before you would be comfortable to let some other school districts share in state aid?

SHANE RHIAN: I would be better able to answer that question when we knew the amount of property tax relief to ag land that's being proposed.

LINEHAN: OK. Any other questions? Senator Briese.

BRIESE: Yes, thank you, Chair Linehan. And you say you modeled all these bills, correct?

SHANE RHIAN: Um-hum.

BRIESE: Did you model a bill of changing the valuation of ag land to an income-based approach?

SHANE RHIAN: We modeled a 50 to 75 percent reduction in ag land values from current, yes, to see what impact that would have. And it is enormous. It could bring anywhere from 70 to 124 school districts into equalization, increasing the amount of state General Fund revenues needed for that.

BRIESE: Has anyone proposed lowering the valuation of buying land to that extent in a bill this year?

SHANE RHIAN: We don't know what the valuations will be, but based on remarks made that-- about surrounding states with Iowa and South

Dakota, Iowa currently has a market valuation-- or excuse me, a production valuation to market valuation of about 25 percent.

BRIESE: OK. But did you look at the-- I think it's LB820, the other proposal on ag land valuation?

SHANE RHIAN: We've reviewed that as well as the fiscal note that has been released. And like the Legislative Fiscal Office and Nebraska Department of Education, we're unable to, to determine the amount of property tax relief that would actually provide. But based on the stated goals, we modeled a range of 50 to 75 percent reduction in ag land values for taxation purposes.

BRIESE: But you were unable to model that and couldn't really reach any conclusions on that so we're kind of speculating here on any sort of reduction in ag land taxes.

SHANE RHIAN: Based on public statements, we made some assumptions and our modeling is all modeling is.

BRIESE: OK. Thank you.

LINEHAN: Thank you, Senator Briese. Is there any-- are there, excuse me, any other questions from the committee? Senator Murman.

MURMAN: Thank you, Chair Linehan. So without any really true indication that ag land values will be changed with this bill, you're opposed to it just because of the framework of the bill?

SHANE RHIAN: We are opposed on the potential implications of significant ag land valuation reductions and the effect that would have on school funding across the state.

MURMAN: Thank you. And then the amount of money that's set aside in the education fund--

SHANE RHIAN: Um-hum.

MURMAN: --that will be fully funded through 2030. Do you feel that's not far enough out?

SHANE RHIAN: So there is certainly intent language in the legislation to fund $250 [SIC] annually. Future legislator-- Legislatures could be unable to meet that obligation and have to make reductions in it and that's very concerning.

MURMAN: One more question from me.

LINEHAN: Sure.

MURMAN: This question may have been asked already, but are you opposed to all of the Governor's proposed tax bills then or just this one?

SHANE RHIAN: We are very--

MURMAN: Or I guess you're neutral, actually, with this one.

SHANE RHIAN: So we are opposed to LB750 and the ag land valuations. We have taken positions on some of the property-- or excuse me, some of the tax relief bills. We have not taken a position on the income tax relief bills at this point in time. We are monitoring them, but it is very concerning the amount of proposed reductions to state revenues and the future impact that could have on state funding for school districts.

MURMAN: Thank you.

LINEHAN: This question might-- any other questions? I'm sorry. Thank you, Senator Murman. This question might seem kind of out of field, but when the county or the city, when they take property tax valuations down or use TIF, do you go to the city council and testify against those bills?

SHANE RHIAN: Typically, we have not gone and testified related to TIF projects, knowing that there will be future benefits to the school district.

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

SHANE RHIAN: Thank you.

LINEHAN: Was that neutral?

SHANE RHIAN: That was--

LINEHAN: Opposition.

SHANE RHIAN: --opposition.

LINEHAN: Do we have other opposition?

REBECCA FIRESTONE: Good afternoon, Chairman Linehan and members of the Revenue Committee. Sorry, I was moving a little slowly earlier today. My name is Rebecca Firestone, R-e-b-e-c-c-a F-i-r-e-s-t-o-n-e,with OpenSky Policy Institute. We are testifying today in opposition to LB750 for a couple of reasons. First, we just wanted to lift up that changing methods of valuing agricultural land in Nebraska would be a significant reform to our tax code and to local political subdivisions that rely on property taxes. Previous, previous efforts in the Legislature to change those methods of valuating agricultural land have had to grapple with provisions in the Nebraska Constitution related to uniformity and proportionality and how that relates to different classes of agricultural land in a fair manner that reflects the diversity of agricultural land in our state. Second, a recent review-- so therefore, there has been challenges in the past. A recent review of use value assessment practices across states found that moving from a market value to use value methods creates a tax preference for certain types of property, property owners, generally large land holders, and therefore shifts responsibility of funding local governments onto other types of property owners. Often this is a reflection of the concentration of agricultural holders amongst increasingly smaller number of owners. At OpenSky, we truly appreciate the challenge that ag landowners have faced in recent years with substantial increases in valuation and how that's translated into higher property taxes. And we also see that ensuring the highest and best use of land in many parts of our state is to retain it as agricultural land to ensure a thriving Nebraska economy. We would therefore encourage the Revenue Committee to work with a range of stakeholders to thoughtfully and thoroughly consider the implications of any shift in the methods to value agricultural land to ensure that this shift does not provide disproportionate tax preference to certain classes of land ownership. And to ensure the stability of revenue flows to local political subdivisions who rely on those property taxes to provide essential services to all Nebraskans. We therefore oppose LB750. I'm happy to answer any questions.

LINEHAN: Thank you. Are there any questions from the committee? You understand in the constitution, we can value farmland different than commercial and residential.

REBECCA FIRESTONE: Yes.

LINEHAN: OK.

REBECCA FIRESTONE: Yes, but there are also different classes of agricultural land. And I understand that there's been challenges--

LINEHAN: But they're--

REBECCA FIRESTONE: --in the past with managing that--

LINEHAN: I'm sure there's challenges, but they--

REBECCA FIRESTONE: --with capitalization rates.

LINEHAN: Constitutionally, we can value them differently. You understand that?

REBECCA FIRESTONE: I-- yes. The language is about real property.

LINEHAN: OK. Thank you.

REBECCA FIRESTONE: Yes.

LINEHAN: Senator Briese, did you have a question?

BRIESE: Yes, just briefly.

REBECCA FIRESTONE: Um-hum.

BRIESE: Thank you. And you're really only speculating as to the potential impact of any such proposal on values of ag land, correct?

REBECCA FIRESTONE: Well, we certainly can't model this bill.

BRIESE: Correct.

REBECCA FIRESTONE: We'll look forward to talking tomorrow about LB850 [SIC]. There's a lot in that bill that is challenging to model at this point in time.

BRIESE: Yeah, is it possible that what we're going to talk about tomorrow is actually going to increase values for some ag producers?

REBECCA FIRESTONE: I look forward to talking about that tomorrow.

BRIESE: OK. Very good. Thank you.

REBECCA FIRESTONE: Yep.

LINEHAN: Thank you, Senator Briese. Any other questions? Thank you very much.

REBECCA FIRESTONE: Thank you.

LINEHAN: Are there any other opponents? Anyone wanting to testify in the neutral position? Senator Albrecht.

ALBRECHT: Because it is a shell bill and we will be visiting with it-- about it tomorrow-- and it will be LB820, not LB850. So LB820 tomorrow and we'll have a spirited debate about it at that time. Thank you.

LINEHAN: Thank you. Any questions for Senator Albrecht? Seeing none, thank you very much. And I'll do letters. Any letters?

TOMAS WEEKLY: Not on that one.

LINEHAN: OK. With that, we'll close the hearing on LB750 and open the hearing on LB783. Senator Murman.

MURMAN: Good afternoon, Chairwoman Linehan and members of Revenue Committee. My name is Dave Murman and I'm here today to introduce LB783 on behalf of Governor Jim Pillen. I want to begin by expressing how important community colleges are to Nebraska. Whether it's Central Community College and McCook Community College, which serve my district, or Metro Community College in Omaha, Nebraska community colleges are providing an affordable, accessible education for thousands of Nebraskans. For the last four years, I have served on the Education Committee here in the Legislature. I am fortunate to serve on the panel as the current Chairman. This experience has made it clear community colleges will play a critical role in solving the workforce development crisis at hand in Nebraska and across the nation. LB783 fulfills a promise many of us have made to our constituents. Of course, that promise is that we would deliver property tax relief for our constituents. I think many Nebraskans would be shocked to learn that community college boards have property tax levying authority. Currently, they are capped at $11.25 per $100 of valuation. I have provided each of you with a handout. These tables provide a comprehensive history of Nebraska's political subdivision valuations and the taxes levied from 2012 through 2022. I want you to look at the taxes levied category. Community colleges far and away suppress-- surpass the amount levied by every other political subdivision at over 5.25 percent in this time frame. LB783 provides a solution: fund the community colleges through the state and relieve property tax owners. Eliminating the tax authority of these boards will quickly provide dollar-for-dollar tax-- property tax relief for Nebraskans. To compensate for these changes, in 2027, the property taxes levy-- levied by community college areas for the tax year 2025 will be increased by 3.5 percent. Beginning in 2028, the amount distributed will increase by 3.5 percent every year thereafter. This is a critical move for our state. I represent a largely rural district that has been hammered by property taxes for the better part of 15 years. This is another great step in fixing Nebraska's tax chaos and I look forward to answering any questions.

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

JIM PILLEN: Good afternoon. Well, good afternoon, Chairperson Linehan, Revenue Committee. Thanks for the opportunity to visit. My name is Jim Pillen, J-i-m P-i-l-l-e-n, and I have the incredible privilege to sit before you as your Governor to testify. I'm here today to testify in support of LB783. Want to certainly thank Senator Murman for partnering with me and bringing this bill on my behalf. There's a couple of things that I think are really important to emphasize before we talk about it and that is simply how incredibly important our community colleges are to the state of Nebraska. I personally have an extraordinary passion for bringing the team up. And when we think about half of our kids in the state of Nebraska in the 21st century that are not getting any further skillset development beyond high school-- I believe that the change of this bill will be a game-changer in strengthening, strengthening our community colleges so our kids are lifted up, filling the workforce needs and filling the trades careers. The community colleges are just simply a game-changer for the-- to create a vibrant middle class in Nebraska. This funding change, I, I, I recognize that it creates anxiety. Change is hard. But this funding change, there's just not a shadow of a doubt in my mind that it will enhance, it will enhance the impact that our community colleges will make for our workforce and for our kids and lifting them up across our entire state. The second this funding does is continues to address the extraordinary inequity in our property tax codes. So, you know, we all agree that our property taxes are so out of whack. We don't even need to own property because it affects every Nebraskan today because of it. This-- from my view, this bill gives the responsibility to the states, creating the opportunity to appropriately invest and strengthen our community colleges and fund them fully to make them all stronger and provide property tax relief at the same time. We have to reduce our reliance on property taxes and at the same time, better support and embrace the opportunities to provide students through their local community colleges. The community colleges most often are better suited to advancing kids' education by giving them skillset development through trades. It should be the responsibility of the state to provide the funding required for those needs, not property taxes, so all of our community colleges can be stronger together. As Governor, I am fully committed to meeting our workforce needs, making sure we have a strong, vibrant middle class in every community across our state. I know that the people in this room share that this bill meets that goal of workforce investment and making sure we have a strong middle class across our community-- communities while at the same time, providing the structural tax reform that our state so desperately needs. My team and I are committed to working on this proposal with all members in this room. I'd be happy to take-- I appreciate the chance to be here and I'd be happy to take any questions.

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

JIM PILLEN: Thank you.

LINEHAN: Appreciate it.

JIM PILLEN: Thank you. Have a great afternoon.

LINEHAN: Thank you. OK, proponents. Do we have proponents? Good afternoon.

MICHAEL LUCCI: Good afternoon. Thank you again, Chair Linehan and members of the committee. My name is Michael Lucci, M-i-c-h-a-e-l L-u-c-c-i, and I'm here on behalf of the Platte Institute. Platte Institute supports LB783, which would repeal the community college property tax and replace it with state funding. This reform would do three things that we think are very important. One, it would provide new, it would provide new funding for community colleges, (2) directly reduce property taxes by 5 to 6 percent statewide, depending on which district it is, and (3) simplify Nebraska's property tax system by eliminating some administrative components that go along with local administration and with the credit that is currently provided to offset community college property taxes. Property taxes have been central to Nebraska's tax discussion. New rankings that will be coming out from the Tax Foundation show that Nebraska remains seventh highest for property taxes, about 1.63 percent of homeowner values statewide. I will note that when I'd run this-- if you did a repeal-- say you did a repeal today. Nebraska would be about nine or tenth-highest property tax just off of that change of repealing a community college property tax. Previous polling from Platte Institute found that 77 percent of Nebraskans were concerned about their ability to afford property taxes. Nebraskans pay roughly $5 billion property taxes, three in income, and about three in sales taxes. And then around 700 in corporate income taxes, although the corporate tax can be much more volatile than the other taxes. So it's by far the largest tax. In Nebraska, it's, it's almost as large as income and sales combined. This bill is unique in that it's the opportunity to completely eliminate one of the piece of-- pieces of the property tax. If you look at the other components of the property tax, it, it, it's-- you can't really repeal the other ones. So K-12 is 60 percent of the property tax burden and that's about $3 billion. The state doesn't have the resources to replace $3 billion annually for K-12. And if you look at the cities and counties, which also levy a significant portion of the property tax, in that case, the property tax really abides by the benefit principle. It's, it's local taxation for local services. And so that is kind of a different issue compared to education, which is a little bit more of a statewide endeavor in the states invested in education, whether it's K-12 or it's higher education. So this would cut property taxes by about 5 to 6 percent across the state. The average is around 5.5 percent, but it would be a little bit more, a little bit less, depending on where you are. No other component of the Nebraska property tax system could really be eliminated in the same way. State funds can be used to reduce the burden of K-12 property taxes and that has been proposed in this Legislature. But again, it's just not a total-- you couldn't do a full elimination on that. Education as a statewide endeavor is an endeavor in which the state invests on behalf of the common state good, but also, to some extent, the local communities' good. And right now, the fiscal projections on this bill show that the credits, the value of the credits that were already created to offset these property taxes would be about $200 million a year once this bill would be fully implemented against a property tax of just over $300 million a year. So the credit is already going to be about two-thirds of the value of this. So the way we look at this is the state has the opportunity to kind of eliminate the middleman, the middleman being the property tax that's levied for community colleges. I will note, as, as noted in our study, we've received a lot of questions about certainty for the community colleges. And that's, of course, important for colleges, for businesses. Everybody wants certainty. There is a provision in our study that is potentially worth consideration of, of creating a safe harbor. So if a decade down the road, you know, the state lapses on this, that there would be a safety valve for the community colleges if they were worried about, you know, the state lapses on funding, which under this bill is guaranteed. But if the state lapses on funding, community college would have an ability to finance itself going forward, even if the state lapsed on funding. With that, I'm happy to take any questions or further discuss this topic.

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

BOSTAR: Thank you, Chair Linehan. Thank you, sir, for all of your insightful testimony today. So I'm interested in, in the concepts of creating a statutory environment where funding can be insured, which is what you were sort of talking about toward the end of your, your testimony. But in, in addition to that-- and this is something that came up when we were reviewing the property tax. lid bill on, on school funding. This percent, you know, guaranteed increase in expenditure every year, is there a concern that if we see a increase in inflation in the future, you know, year-over-year high inflation, that that could put constraints? You know, even if, even if we fulfill the promise of this legislation, is there a scenario in which we are effectively reducing the funding of our community college system because of external economic factors?

MICHAEL LUCCI: So I think that that's definitely something to consider. I would also point out it does count both way-- it does cut both ways. So right now, we, of course, have 40-year record inflation. The bill goes up 3.5 percent per year, if I recall correctly, and 3.5 percent is higher than inflation was for about 30 years until, say, 2021. So I admit that it's hard to predict what inflation will look like in 2027-2028. I think that the Legislature would likely stand ready to make adjustments or maybe consider adjustments on if inflation looks very different, you know, five, six, seven years down the road. But the issue would cut both ways. If inflation is, say, 2 percent, which was normal from about 1995 through 2020, then, then this would be, you know, going beyond inflation. If inflation is 7 percent, then that's, that's, that's a different thing. So we, we do-- we all kind of want to figure out is this 7, 8, 9 percent inflation that we've had for the last year and a half, two years. Is this going to be normal or are we going to go back to normal? Of course, the Federal Reserve is doing everything they can to get us back to that 2 percent. But I think that it, it, it's a good thing to consider once this would phase in in 2027.

BOSTAR: Well, and, and I agree that it was brought up before on previous legislation that it looks like we are recovering from our high inflationary period, which is-- which I think we're all thankful for. And I also agree that probably a future Legislature would understand the needs at a time if inflation were to go up and try to make corrective action. However, I try to see the-- what happens if they don't, right? I mean, that's always the question we have to ask. And so if we're going to create this change in how we operate, I'd probably be interested in, in accounting for future political inaction because thankfully we aren't like D.C. But if we ever become like D.C., getting anything done would become impossible. So is there a thought-- again, to your point, you're right that if we were to look backwards over the last 20, 30 years, this would be-- it could be seen as generous. But since the future is unknown, why not implement a system that would be based around an inflationary rate?

MICHAEL LUCCI: Yeah, so you could consider CPI. Candidly, I just hadn't thought about that myself. I don't think there's anything wrong with thinking about CPI as an adjuster. You know, states do that with their tax brackets. They use CPI for various financial issues. I don't see anything wrong with CPI. One other side to consider is when inflation is high, keeping taxes low can be beneficial. You know, when all these other costs are going up, if taxes can stay under control. And that spoke to some of the issues we were talking about earlier today. You know, one of the things you can do for folks who have inflation that's essentially coming out of D.C. is to provide them with some sort of financial relief at the state and local level. But to your point, there's nothing wrong with considering CPI in doing this adjustment or, you know, or you could consider a 3.5 percent and kind of see how this plays out because it's still a couple of years out until the full replacement would occur.

BOSTAR: All right. Yeah, thank you very much.

LINEHAN: Thank you, Senator Bostar. Are there other questions from the committee? Senator von Gillern.

von GILLERN: Thank you, Mr. Lucci. Barring this legislation passing, if we were in a dramatic inflation-- inflationary period-- you know, take a gross number like I lived through in the '70s, you know, 10, 12, 13 percent-- my understanding is that there's already-- and this is not my expertise so this is truly a question. The-- my understanding is that there is not an unlimited amount of increase that could be levied by the community colleges anyway. Is there not a cap?

MICHAEL LUCCI: They have a--

von GILLERN: --that's on this?

MICHAEL LUCCI: --maximum rate that was spoken to earlier. I think it might be 11.5 cents per 100.

von GILLERN: OK.

MICHAEL LUCCI: Because they have a maximum rate. Most of them are below that. I looked at every county. I think they tend to be around 10 cents, but I think that, that they might-- they're between 7 cents and 10 cents generally. Maybe there's one that's, like, 6 cents. So they're below their maximum rate, rate now. There's a little bit of space there, but they're-- some who are close to that maximum rate.

von GILLERN: OK. Thank you.

LINEHAN: Thank you, Senator von Gillern. Senator Bostar.

BOSTAR: Thank you. Chair Linehan. So just to-- just so I understand conceptually, because Senator von Gillern brings up an interesting point about whether or not there are constraints that already exist in a high-inflation environment. But just to sort of play this out, so in a high-inflation environment with the essentially reduction in value of money--

MICHAEL LUCCI: Um-hum.

BOSTAR: --would we then see a corresponding increase in valuations associated with property value?

MICHAEL LUCCI: That's what we have seen this go-around. Depending on where you are in the country, some of that is turning, right? Some of that's turning back a little bit towards normal. But there was a bit of a structural jump in, in property valuations and we've not gone back to baseline on that. Inflation, yes, inflation will drive up the price of hard assets, whether that might be commodities-- you know, real estate will often benefit from inflation. So, yes, they're all,

all sorts of better assets to hold during inflationary times than deflationary or less inflationary times.

BOSTAR: So while community colleges live within a, a levy cap, so to speak, high inflation doesn't necessarily create a potential defunding mechanism if in fact the valuations that derive their tax takings at the moment continue to go up with inflation.

MICHAEL LUCCI: I think that your point-- if, if I understand right, I think your point is correct that you're basically going to be levying, say, $0.10 of a higher value property. And I'm not someone who's, you know, in support of totally abolishing property taxes. I will say that property taxes are essentially levied on unrealized capital gains in a sense, in a sense. Like, I wouldn't take that argument all the way. But so if you-- if your home goes from $200,000 to $300,000 and your taxes are going up with that $300,000 valuation, you're being taxed on an increased valuation that you have not liquidated--

BOSTAR: Right.

MICHAEL LUCCI: --if that makes sense. And again, I'm not saying that means get rid of property taxes or anything like this, but the person's ability to pay doesn't necessarily go up with that home valuation. Maybe it does.

BOSTAR: Absolute-- but point taken. Yes, I agree with you. Anyway, well, thank you very much.

LINEHAN: Thank you, Senator Bostar. Are there other questions from the committee? I just want to clarify, so you don't really have a cap on property taxes as long as the levy-- the levy can be capped, but the valuations aren't capped so there's real no-- there's not a cap.

MICHAEL LUCCI: Right, there's not a hard cap. I think there's an interesting point there because--

LINEHAN: I think it's a soft cap.

MICHAEL LUCCI: --there's the, the truth in taxation for transparency on these taxes. But the hearings for those truth in taxation hearings, it's only in one location across, like, a 20-county community college area. So the community college property tax does not sort of allow itself to be as easily transparent and, and solicit the feedback of the constituents as easily because it's, it's one hearing within a

20-county area versus, you know, my county property tax, it's just we're going to hold that hearing within my county.

LINEHAN: That's a very good point. Thank you. Then just one last question. I'm very curious about this 1.63 percent of home value is the average in Nebraska. I don't-- I would-- not right now, but if you would please provide for the committee where that number comes from? Because Lincoln-- or Douglas, Sarpy, Lancaster County, they're all over $2--

MICHAEL LUCCI: Um-hum.

LINEHAN: --I would have to guess.

MICHAEL LUCCI: I can share that with you. It's just a division problem of property tax collections. And then there's a pool from the Census Bureau, I believe, of total homeowner value within the state. It's, it's pulling that.

LINEHAN: Just so we can see how it gets there--

MICHAEL LUCCI: Yeah.

LINEHAN: --because I don't, I don't think that's probably correct.

MICHAEL LUCCI: OK.

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

MICHAEL LUCCI: Thank you.

LINEHAN: Next proponent. Good afternoon.

JOHN ROSS: Good afternoon, Chairwoman Linehan and fellow senators of the committee. Senator Murman, thank you for introducing LB783. For many years, I have talked to many senators about doing this. I am not against community colleges. They are needed and do great things. I am against using property tax to fund them. Since they were started in the '70s, a lot has changed, including the community colleges. Community colleges have grown and changed a lot. They have sports programs, international students, off-site campuses to name a few changes. They are competing with our university and state colleges and universities and colleges all over the world. Our universities and state colleges do not get property taxes. Community colleges had a windfall when valuations skyrocketed. They left the mill levy the same in many instances. It is time to level the playing field. For years, our leaders-- you-- have been talking about lowering property taxes. There has been progress. Thank you. But more is needed. The property taxes I pay to Northeast Community College is almost 10 percent of my property tax bill. I live in Cuming County and ag land is valued higher than most of the land in the rest of the Northeast Community College district. So we are paying an unfair share. A few years ago, I looked up what can-- Cuming County taxpayers pay to Northeast Community College and the number of K-12 seniors from Cuming County that year. It was almost $10,000 per student graduating from Cuming County. That would be a great scholarship to all of them. All of them did not go to Northeast Community College. It is time to take property taxes away from our community colleges. It will lower property taxes and be permanent and tinker proof, unlike state aid to K-12 schools. Property tax, predominantly ag land, has been carrying the load of funding education for too long. Thank you.

LINEHAN: Thank you very much. Are there questions from the committee? There aren't any. Thank you very much for being here.

JOHN ROSS: Thank you.

_______________: Name.

LINEHAN: Oh, I'm sorry. You didn't give me your name. I know I should know--

JOHN ROSS: Oh, I did not.

LINEHAN: --just for the record. That's great. Thank you.

JOHN ROSS: John, J-o-h-n, Ross, R-o-s-s.

LINEHAN: Thank you, John. Other proponents. Good afternoon.

MARK McHARGUE: Good afternoon, Chairman, Revenue Committee. Appreciate again all your work you do, stick around these afternoons when I get to go do some other things, hopefully at some point. My name is Mark McHargue. I serve as president of Nebraska Farm Bureau. I'm here on behalf of Nebraska Farm Bureau and the Nebraska State Dairy Association testifying in support of Senator Murman's LB783, which eliminates the ability to levy property taxes for community colleges. One of the things I get to do as Farm Bureau president is travel the state, all corners of the state. And I've had the privilege to visit a lot of our really great community colleges. The work that they do in our state, especially within the ag sector, certainly is, is without a doubt needed. There's been such significant investment put into our community colleges that have really, I think, moved the dial in ag education and really the base that supports Nebraska and for who we are. Having said that and also having family members that have benefited greatly from the community colleges, not here testifying from Farm Bureau that there is not merit for community colleges by any means. The conversation today is really about how do we fund the education of our community colleges. We all understand-- it's been said many times that property tax is high. I think most of you as senators have, have heard that as you've knocked doors all the way across the state. And so as we think about how do we tackle, tackle this issue, I think we have to look at what property tax actually pays for. So when you get your, your sheet that has all the levies on it, I mean, you just start going down through, it just seems like that list certainly never shrinks and it just keeps, it keeps adding up. And it's not that we don't have to find a way to pay for all these things. I mean, they're services that Nebraska needs and I get that. But within agriculture, within property tax, when we look at our peers around-- or states around us, we have to figure out a way to start reducing the amount that property tax pays for. And if you do that, you have to figure out a different funding then. I mean, it's fairly simple. The fact that we have managed our budget well in Nebraska, we certainly have surplus right now, I think it's the appropriate time to have the conversation on how do we fund our great community colleges. And I think the fact that we have the ability to do that, I think the fact that we've looked at our budget out through almost 2030 and it looks like we're going to have the funds necessary to fund this system, I think now's the time to do it. I think, I think we get after it. It's one of those things that we could, we could actually check off that list of levies. And I think there's a number of things that we have to work out. I mean, how do we continue to have local control? How do we continue to have the colleges in the areas that we need it, all those types of things. I think we can have good discussions on those. But as far as just initial large-scale conversation, I think this is a great starting point to reduce our property taxes and actually shift that onto the state. Broaden the base. Everybody in the state benefits from our community colleges. It's not just agriculture, it's not just our businesses, it's the grocery stores and our convenience stores across the state that benefit from the education that's there. And let's, let's share that opportunity to help our, our students through having the state pay for that. I'd be happy to answer any questions.

LINEHAN: Thank you very much, Mr. McHargue. Are there any questions for the committee? Seeing none, thank you very much. Next proponent. Good afternoon.

JACY SCHAFER: Good afternoon, Chair Linehan and members of the Revenue Committee. My name is Jacy Schafer, J-a-c-y S-c-h-a-f-e-r. I'm the vice president of government affairs for Nebraska Cattlemen and I appear before you today to testify on behalf of Nebraska Cattlemen and Nebraska Corn Growers Association in support of LB783. Nebraska's community college system was created to offer a quality career and technical education at an affordable price. We do not disagree with this premises. We are here today because over the past ten years, taxes collected by community colleges have increased by 80 percent. While community colleges 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, we believe there is much that can be done at a state level. As an example of the inequity of funding the Nebraska community college system, Cherry County, in which 80 percent of the property tax valuation is ag land, provides about $1.8 million in property tax funding to Mid Plains Community College and Western Nebraska Community College. There is very little of the funding for Mid Plains that comes back to the local campus in Cherry County, and none of the funding from Western Nebraska Community College comes back to that county. Cherry County has approximately 60 graduates per year. The taxpayers of that county could fund $30,000 scholarships per student to the college of their choice for the money that is leaving their county each year, Nebraska's Coordinating Commission for Postsecondary Education acknowledges that taxpayers continue to contribute the majority of educational revenues to Nebraska's public postsecondary institutions. Specifically regarding community colleges, there are other funding sources like sales tax specifically that are more appropriate means of funding their needs. Property owners, especially agriculture property owners, have been put in a difficult situation due to the movement of community colleges from state funding to local property taxes. And we believe this change was inappropriate at the time and the numbers show that it just continues to be inequitable. Just as we supported expanding the property tax credit to community colleges to assist with the financial burden placed on ag producers, we support eliminating the levy authority of community colleges, as proposed in LB783. This bill continues to crack the glass ceiling towards achieving property tax reform. As I stated earlier, 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. I'd like to thank Governor Pillen and Senator Murman for offering solutions and ask the committee to support LB783, as well as other efforts to provide meaning property tax relief and ultimately reform. Thank you and I'd be happy to answer any questions you have.

LINEHAN: Thank you very much. Are there any questions from the committee? Do you want to speak to the chart you handed out?

JACY SCHAFER: So I just included this chart. If you flip to the 80 percent by community college, the increase, you can see on how much each county is paying into the different colleges around the state in the college taxes levied portion.

LINEHAN: OK. All right. Any questions from the committee? Seeing none, thank you very much for being here.

JACY SCHAFER: Thank you.

LINEHAN: Next proponent. Good afternoon.

JESSICA SHELBURN: Good afternoon. It feels a little bit more natural saying good afternoon than good morning. My name is Jessica Shelburn, J-e-s-s-i-c-a S-h-e-l-b-u-r-n. I'm the state director of Americans for Prosperity Nebraska. I'd first like to commend the work of the committee, Governor Pillen, and everyone who's been working on trying to lower our tax burden as a state. You know, we've been in here several times talking about property taxes. We've seen several different proposals. One thing that will actually help alleviate our property tax issue is removing entities that have property taxing authority. In the state of Nebraska, we have 30-some entities that can levy property taxes. It is really hard to control property taxes or keep them low when you have that many entities that have the ability to levy a property tax. We are in a position with what is being proposed by Senator Murman and Governor Pillen right now to remove one of our top four property taxing authorities from that ability. That is an immediate savings to property taxpayers throughout the state of Nebraska. I understand that there is concern by our community colleges. They like having that control, that taxing authority. But we have to look at the state as a whole and what is best for the state.

This is part of a package. They have laid out a system where the community colleges will continue to get funding. They're not going to be in dire straits and they can thrive. They can continue providing services necessary to their communities, but we can also be alleviating some of the burden facing our taxpayers. And I know the question was asked by Senator Dungan, I think, this morning about people leaving our state. There are a couple of members on this committee who probably remember a few years ago when AFP Nebraska brought in an individual who had actually sold their family farm and moved to Missouri because they can no longer afford the property taxes just north of Lincoln. Those are individuals-- it is happening all the time. The property tax burden is so significant on these folks, they're giving up their family history and they're moving to other states because they can start farming there at a lower rate and they can make money. So it is something that we need to address. With that, I will answer any questions.

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

BOSTAR: Thank you, Chair Linehan. Thank you, ma'am. Just out of curiosity, how-- what's the landscape look like, if you know, across the country on the funding of community colleges?

JESSICA SHELBURN: I could not answer that, but I can get back to you.

BOSTAR: OK. Yeah, I was just--

JESSICA SHELBURN: I don't know the landscape on how that's handled in a lot of different states.

BOSTAR: No problem. Thank you.

JESSICA SHELBURN: Yeah.

LINEHAN: Thank you, Senator Bostar. Senator Dungan.

DUNGAN: Thank you, Chair Linehan. And thank you again for being here. I know you've probably had a long day of testimony as well. Just a quick question for you. First of all, I am generally encouraged by more state funding for schools. I think one thing we all agree on here is the importance of community colleges. That's something that everyone has spoken to. And I applaud the Governor for highlighting the importance of that because folks in my district have talked a lot about how much community colleges in Lincoln benefit them and provide that real-world, hands-on training. So we're all in agreement there. One of the things that we've talked about is the increase that will happen going forward. So I think starting in 2027, it sounds like there's a 3.5 percent increase annually of funding towards the community colleges. I'm looking here at the form that Senator Murman handed out with the historical increases in taxes levied by community colleges from 2012 through 2022. And I just-- looking at this again for the first time, so I apologize if I'm reading it incorrectly. But it appears that 6 out of those 12 times, so 50 percent of those years, the increase-- the percentage change in the levy was above the 3.5 percent. It looks like they're ranging anywhere from 3.75 to 12.82 back in 2012, which seems like a significant jump. Based on sort of that variance in the year to year with regard to the increase in the levy, do you know where we get the 3.5 percent and do we think that's going to be sufficient in years where there's going to be more need than that? Kind of bouncing off of Senator Bob Star's question earlier. Just curious where we land-- how we landed on 3.5.

JESSICA SHELBURN: So I have not seen that chart so I am just speaking off of what you just shared. You know, I think the one thing that you have taken-- yes, there was a huge fluctuation in a lot of those years, but that's also going to be just because of fluctuation in valuations and what was able to be collected. If you, if you're questioning whether or not that 3.5 percent is going to be a doable increase year over year, I think that that is a great starting point. And if you talk to-- and I don't know. I have not been in meetings with the community colleges so I cannot tell you what their average growth in budget is. But when you're talking about-- you know, we spent some time this morning talking about inflation and different things. A 3.5 percent increase in your yearly spending is fairly significant in a lot of situations and it is a situation where they are then able to plan for that, you know? And I'm sure community colleges do a lot of forward thinking, you know, planning ahead. What programs are we going to need, what resources do we need to plan for? You know, this is a time when you embrace that planning process and you, you know this is what we have to work with. So how are we going to do that and still create value at the level that we want?

DUNGAN: Is that 3.5 then just what was determined was sort of an average or was it just decided that that would be a decent amount based on the projections? I'm just trying to figure out how we landed on that number?

JESSICA SHELBURN: I'm not sure how we land on that number. That would be a great question for Senator Murman, maybe it is closing.

DUNGAN: Thank you. Thank you.

LINEHAN: Thank you, Senator Dungan. Senator Kauth.

KAUTH: Thank you, Senator Linehan. Hi, Ms. Shelburn. Of the 30 taxing entities, where do community colleges, colleges rank as far as how much is taxed? Are they kind of at the top, the middle, the bottom?

JESSICA SHELBURN: Yes, they, they are in the top four--

KAUTH: Top four.

JESSICA SHELBURN: --because they are, they're required to participate in truth in taxation.

KAUTH: OK.

JESSICA SHELBURN: And so that's the schools, cities, counties, community colleges. And those are the four, yeah, because cities and counties are suffering, so yeah.

KAUTH: So this would be a significant--

JESSICA SHELBURN: Yeah

KAUTH: --you, you said in the impact.

JESSICA SHELBURN: Yes, it would.

KAUTH: OK. Thank you.

JESSICA SHELBURN: Um-hum.

LINEHAN: Thank you, Senator Kauth. Are there other questions from the committee? I just want to clarify something, 30 entities, but that's 30 different-- there's 240--

JESSICA SHELBURN: Right.

LINEHAN: --schools in--

JESSICA SHELBURN: Right.

LINEHAN: --93 counties and so--

JESSICA SHELBURN: But, like, political subdivisions--

LINEHAN: Right.

JESSICA SHELBURN: --types.

LINEHAN: --types of--

JESSICA SHELBURN: Right.

LINEHAN: Right. Because there are-- I don't know how many taxing entities there are, but--

JESSICA SHELBURN: We don't want to know that number probably.

LINEHAN: All right. All right, any other questions? Thank you very much for being here.

JESSICA SHELBURN: Thank you.

LINEHAN: Other proponents? Any other proponents? OK, opponents. Good afternoon.

RANDY SCHMAILZL: Good afternoon. Good afternoon, Chair Linehan and Revenue Committee. My name's Randy Schmailzl, R-a-n-d-y S-c-h-m-a-i-l-z-l, president of Metropolitan Community College in Omaha, Nebraska. We serve Douglas, Dodge, Sarpy and Washington Counties. We're home to 42 percent of the state's population in those four counties. And I'm here today in opposition to the proposed loss of property taxing authority for community colleges. It's important to note that losing the authority takes away the when, how and if, if we would ever use that authority. Because if you have the authority, it doesn't necessarily mean you should use the authority. There has to be guidelines. Currently, 11.25 cents. There's a couple of lids involved in our revenue and that. But what I gave you tonight in your hand-- today in your handouts is four little handouts and then my testimony in writing, if I don't get it through at all today. You're going to hear after me today several other people that's going to paint a picture of how community colleges build our workforce, local control and state funds, and how property taxes fit into this. There's a reason that the Legislature set community colleges up the way they did 50 years ago. Many would think things that were set up 50 years ago may need to change. Community colleges have changed dramatically over those 50 years. Our funding mechanism has stayed fairly static in that 20 percent of the budget that we have should come from tuition, 40 percent from property taxes and 40 percent from state aid. That's the ideal mix. We'll talk more about that in a minute. The first handout is the LB344 back from May of '75. And I highlighted a few important phrases on what makes the community college special. Second handout I gave you was the legislative intent translated into, you know, what a community college is all about: accessibility and affordability for all. We're open admissions. Metro Community College is home to-- 70 percent of our 21,000 students go part time, 50 percent are minority, and 95 percent of our students come from our four counties that we serve. We do not have athletics. We do not have dormitories. We're a no-frills operation that's all about the workforce and education. The original intent of community colleges was first that the structure would be affordable tuition, like I told you, along with the 20/40 split. If you look at the-- one of the handouts I gave you, it's a pie graph. Current Metro budget, 20 percent is tuition. We have lived and breathed and died with 20 percent of our budget being from our students. It's a good, good number. Forty percent property tax. We're up to 51 percent property tax right now. And the only reason our property tax is up is that the state only pays 24 percent of their share. So the money has to come from somewhere. Over the years, you know, when the money has been available, the state's done a good job of supporting the community colleges. And when the money's not available, there's been a shortfall. And that's one of our concerns with losing the available of the-- availability of property tax is as long as we have dollars coming from the state, that'll be really good. Property tax will be down. The tax credit system that we set up last year that we supported was ideal. It let us keep our property tax levy and it gave back to all of our constituents in the state money. If that is not going to happen-- and during the economic ups and downs that we have, our enrollment at Metro goes up substantially when the economy goes in the tank. That's because people are looking for jobs or trying to find a way out. And when the economy is good, we don't have as high of enrollment. So we can't afford to be losing a lot of state funding when we need to educate people that are unemployed during that time of downturn. So the ability, the-- what we're requesting is to consider and have a consideration of why do you need to keep your property taxing authority? And I think that goes back to my original statement, how, why, and if. Because there's, there's nothing that says you have to use your property taxing authority if the state is fulfilling its obligation. This went on a couple of years ago, 20 years ago, where the state bought down Metro's property tax down to 1 or 2 cents. It lasted two years. It went away. I can tell you it took seven years for this college to recuperate, to get back to a degree where we were actually satisfying our community needs. And I handed that out there. So with that, I'm going to end and I'll take any questions. And we have a number of people behind me. Thank you.

LINEHAN: Thank you very much. Yes, Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, sir, for your testimony. So the, the primary concern is that the state won't hold up its end of the financial bargain, so to speak. Is that an appropriate understanding?

RANDY SCHMAILZL: Yes.

BOSTAR: So it was brought up by the gentleman, I believe, from the Platte Institute--

RANDY SCHMAILZL: Yeah.

BOSTAR: --if there was a mechanism that said, OK, if the state doesn't do what it's promising to do--

RANDY SCHMAILZL: Or can't, yeah.

BOSTAR: Either way--

RANDY SCHMAILZL: Yeah.

BOSTAR: --that there is a, there is a relief valve that allows the community colleges to exist within the framework that this legislation provides. How does that change the way you feel about this?

RANDY SCHMAILZL: The proposal that we support right now is the continuation of property taxing authority if the state would not hold up its end of the deal. Because we're not going to be able to all of a sudden have a cut in January, like has happened before, and not have a fallback position, especially if our workforce is in, is in need. So the simplest is to allow the property taxing authority when we need it and to continue to support the buydown-- I don't have a better word-- the buydown of the property tax. So I don't have a perfect example for you today because I'm just here to make sure that we voice our opinion about doing away with the property taxing authority as an unintended consequence.

BOSTAR: OK. Well, thank you, sir.

RANDY SCHMAILZL: Yeah.

LINEHAN: Thank you, Senator Bostar. Are there other questions from the committee? I have one. It's on the chart, the last chart 4 and lessons from the past. So you were, you were at, at '98-99, you were at 6.63 cents. Is this-- this is your-- but this is what your levy was.

RANDY SCHMAILZL: Yeah, this is-- the levy back in 90-- I blew that up so we could see it and I'll read it. The '98-99, Senator, was 6.3 cents at that point and then the state bought it down and I believe they bought it down with Department of Motor Vehicle money, OK? Not quite sure where that came from and so they bought it down to 2.5 cents.

LINEHAN: OK.

RANDY SCHMAILZL: And then the next year, they bought it down to 1.72 cents. And then you see it went up to 5.1 cents because that's because they stopped buying it down.

LINEHAN: Well, it was also 9/11, right? We had a financial crisis then because 9/11 would have happened.

RANDY SCHMAILZL: Well, this is 2000 and 2001.

LINEHAN: Yeah.

RANDY SCHMAILZL: Yeah.

LINEHAN: OK. So I think I see what happened there, but I can see your concern.

RANDY SCHMAILZL: Yeah, that's the concern.

LINEHAN: Did--

RANDY SCHMAILZL: And it was a great idea when it happened, you know?

LINEHAN: Right.

RANDY SCHMAILZL: But bad idea when we had to go levy more property tax.

LINEHAN: OK. Later, when the-- I can't quite remember.

RANDY SCHMAILZL: Johanns was Governor then.

LINEHAN: OK. Obviously, I knew that. I just think-- did they-- I know there was a financial dip, big one--

RANDY SCHMAILZL: Yeah.

LINEHAN: --right then. OK. So any other questions? Yes, Kauth--

RANDY SCHMAILZL: Thank you, Chairman.

LINEHAN: I mean Senator Kauth, sorry.

KAUTH: What is the cost to a student for tuition?

RANDY SCHMAILZL: Say that again.

KAUTH: The cost to a student for tuition. You said that the students are paying about 21 percent.

RANDY SCHMAILZL: Yeah.

KAUTH: What amount is that number?

RANDY SCHMAILZL: We're at $68 a credit hour. And so it's $3,500 for tuition and fees for one year. And for a two-year degree, it's $7,000.

KAUTH: And they pay all of that?

RANDY SCHMAILZL: They pay all of that.

KAUTH: OK. And so then what are the costs that you're paying beyond that number?

RANDY SCHMAILZL: Well, we average about #4,000-- $4,900 per student. Is that what you're asking?

KAUTH: Yeah, yeah.

RANDY SCHMAILZL: And--

KAUTH: How much-- if they're paying 20 percent of their tuition--

RANDY SCHMAILZL: That's for cost.

KAUTH: OK.

RANDY SCHMAILZL: That-- the tuition at $64 times-- let's see, 96 to a-- so about 40-- 45, 45 credit hours times 64 is how you get to that--

KAUTH: OK.

RANDY SCHMAILZL: --$3,000.

KAUTH: OK.

RANDY SCHMAILZL: So that's the cost. I mean, that's, that's what it costs to go to Metro. They're paying for that all-- or they get a scholarship.

KAUTH: That's what the students are paying.

RANDY SCHMAILZL: Student pays.

KAUTH: Right. OK, so--

RANDY SCHMAILZL: That is--

KAUTH: --so that's 20 percent.

RANDY SCHMAILZL: Of their tuition.

KAUTH: So that in the-- you're going to make me do math.

RANDY SCHMAILZL: Their tuition constitutes 20 percent of our budget.

KAUTH: So, so then $14,000 approximately per student is what the colleges are paying for them to--

RANDY SCHMAILZL: No.

KAUTH: OK. Walk me through this. If they're paying $3,500 a year for tuition.

RANDY SCHMAILZL: Right.

KAUTH: And that is 20 percent of what it costs.

RANDY SCHMAILZL: No, that's, that's 100 percent.

KAUTH: That's 100 percent.

RANDY SCHMAILZL: Yep.

KAUTH: Got it.

RANDY SCHMAILZL: I was trying to make sure I give you the right information.

KAUTH: OK. I got it.

LINEHAN: I think--

KAUTH: I'm trying to figure out how much-- when you say that the students are only paying 20 percent of the actual cost--

RANDY SCHMAILZL: Well, their tuition is-- makes up 20 percent of our budget.

KAUTH: OK. So 80 percent of your budget is not tuition, not student oriented.

RANDY SCHMAILZL: And it should be divided up 40 cent with state aid-- 40 percent state aid and 40 percent property tax. And right now, we're at 51 percent property tax and 24 percent state aid. Plus there's another 5 percent in our budget that we've gotten from donors and, and grants to survive, so.

KAUTH: But so, so 80 percent of what it costs for a student is, is not tuition.

RANDY SCHMAILZL: Right.

KAUTH: OK.

RANDY SCHMAILZL: Thank you.

KAUTH: Thank you.

LINEHAN: Thank you, Senator Kauth. Any other questions from the committee? Senator Bostar.

BOSTAR: Thank you, Chair Linehan. So just to follow up on that, so just-- if you didn't have revenue coming in from any other sources and it was simply supplied through tuition, a simple way of figuring out what that would be would just be multiplying the tuition number by five.

RANDY SCHMAILZL: Um-hum.

BOSTAR: Thank you.

RANDY SCHMAILZL: It would go up.

BOSTAR: Sounds like it.

RANDY SCHMAILZL: It would go up. I'm glad you didn't ask me how much.

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

RANDY SCHMAILZL: Thank you.

LINEHAN: Next opponent. Good afternoon.

NICOLE SEDLACEK: Good afternoon, Chair Linehan and members of the Revenue Committee. My name is Nicole Sedlacek. That's N-i-c-o-l-e S-e-d-l-a-c-e-k. I'm here to voice opposition on LB783. I'm here on behalf of the Nebraska Economic Developers Association and I also represent District 2 on the Northeast Community College Board of Governors and serve on the Nebraska Community College Association Board as well. The Norfolk Area Chamber of Commerce has also voted. Their board has voted to oppose LB783. While I am appreciative of the efforts being made to address, address tax issues in Nebraska, eliminating local control and replacing that funding entirely from the state does worry me when it has been a challenge for state aid to come in at that 40 percent intention that we just heard Randy talk about that was adopted by the Legislature in '97. In today's environment, for a skilled, trained workforce, we need programs that can respond at the speed of business and industry. Community colleges in Nebraska are not only up to that challenge, but they have demonstrated time and time again that is where they excel to help industry train current and future workers. For example, where I live in Holt County, we have seen this kind of responsiveness in a number of industries in recent years. When ethanol was an emerging industry in Holt County over 15 years ago, Northeast was at the table helping leaders with programming to help train the workers for that plant. When wind energy careers were something hard to imagine ever being available in Holt County, Northeast was developing a program that would not only attract Holt County high school graduates, but would produce the future employees for one of Holt County's biggest projects from an economic impact standpoint, Grand Prairie Wind. In the Keya Paha, Brown and Rock County areas, Northeast administration and board members have listened and responded to the needs of taxpayers. Increased dual enrollment with high school students and programming to help the vitality of those north-central Nebraska communities is currently happening. The KBR leadership program is entering its sixth year. It helps to provide rural leaders with the knowledge and confidence to support their rural communities. Access to continuing education in higher education is critical to support rural vitality and growth. The community colleges in Nebraska are committed to this work. Locally governed and funded community colleges are an asset to Nebraska. While some states are seeing declining enrollment with their community college institutions, Nebraska as a whole is experiencing something totally different. And why is that? I'd say it's because of the three-legged stool that we have with the, the property tax, state aid and tuition. But community colleges, their administration and their elected leaders are responding to the needs of local communities and service areas and delivering what is needed most in those communities: access to career and technical education. Our learners at community colleges are, are more than just high school students. We've heard a lot of numbers about the graduating class in communities this morning-- this afternoon. But our learners are more than your traditional-age college students. Some of them are place bound and our leaders-- our learners are-- they can't leave their job or their communities to be able to access higher education, but they do need additional training. Our community colleges are in remote communities like Valentine, Hartington, McCook, Broken Bow, Bassett, Alliance, O'Neill and more. They're providing access to continuing education for the Nebraska Rural Electric Association, specialized training for our ag cooperatives, machine shops and manufacturers. Access to career and technical information-- education is critical to rural Nebraska. Community colleges are critical to rural Nebraska. Locally governed and locally funded community colleges leads to responsive institutions supporting our communities. Thank you for listening and thank you for your leadership to help tackle some of our state's biggest challenges.

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

BRIESE: Thank you, Chair Linehan, and thank you for your testimony here today. I heard a previous testifier say that his community college, I believe Metro, doesn't have any sports programs. Does Northeast have sports programs?

NICOLE SEDLACEK: Northeast does have sport programs, yes.

BRIESE: Are they self-supporting?

NICOLE SEDLACEK: That will need to be an administration question--

BRIESE: OK.

NICOLE SEDLACEK: --that I'll--

BRIESE: OK. Perfect. Perfect. And you say you're from Holt County, correct?

NICOLE SEDLACEK: Yes.

BRIESE: Any estimate as to the number of students from Holt County that go on and attend Northeast Community College annually?

NICOLE SEDLACEK: So we do have really high representation. I don't have the current numbers right in front of me, but I know in some years, Holt County has been the second county in Nebraska to send the most high school graduates or have the most graduates graduate from, from Northeast. So we always have a really strong representation and we're seeing that trend really upward as career and technical careers are, are where students are, are heading towards.

BRIESE: We got-- I see from this data handed out by Cattlemen, I think Holt County contributes $2.9-plus million to the operations of Northeast. That's why I was just curious how many students take advantage of that $2.9 million from Holt County. Anyway, thank, thank you.

NICOLE SEDLACEK: Yeah, thank you.

LINEHAN: Thank you, Senator Briese. Are there other questions from the committee? I have one. Unless I'm confused, your boards are still, they're still in charge, right? It's just where the money comes from. Because you said locally governed-- we did--

NICOLE SEDLACEK: Right.

LINEHAN: We're not doing away with the college board. They'll still get elected. They'll still run the school.

NICOLE SEDLACEK: They become more like advisory boards when they're not answering directly to the taxpayers of those--

LINEHAN: Well--

NICOLE SEDLACEK: --governed areas.

LINEHAN: --they're going to answer the taxpayers because we're all answering to taxpayers. It's just a matter of where the tax money comes from.

NICOLE SEDLACEK: I would say that it's, it's a lot easier to reach out to a board of governor and express your concern over your Northeast line item on your tax bill than trying to figure out who do I talk to in state government because of these, these taxes.

LINEHAN: I got a pretty good feeling they all know how to get a hold of their state senator.

NICOLE SEDLACEK: I would agree with that, yes, yes.

LINEHAN: All right. Thank you. Are there any other questions? Seeing none, thank you much.

NICOLE SEDLACEK: Thank you.

LINEHAN: Good afternoon.

NEAL STENBERG: Good afternoon, Chairman, members of the committee. My name is Neal Stenberg, N-e-a-l S-t-e-n-b-e-r-g. I am the chair of the Board of Governors of Southeast Community College. I'm here today to testify in opposition to LB783. I have-- as a member of the board of governors, I have a different point of view about the consequences of the adoption of LB783. And I want to, I want to tell you my perspective on, on what I think this bill will-- how it will affect us. First, the bill will cause SCC to default on about $50 million in financing used to pay for recent capital improvements and make it impossible, as a practical matter, to finance any additional capital improvements in the future. That's because this bill replaces general fund revenue. It does not replace capital improvement fund revenue, nor would it permit us really to-- if we were to issue bonds to have a mechanism to pay those bonds off. So it brings-- it would bring our capital improvement to an end. Two, the bill would put at risk SCC's ability to provide high-quality, affordable education to thousands of Nebraska students, many of whom lack the economic wherewithal to otherwise participate in postsecondary education. I'd be happy to share my thoughts on why that's true if you have questions. Three, LB783 will severely hinder the ability of the community colleges to produce the trained workforce, which is absolutely essential for economic development. I want to talk a little bit about how we have used our capital improvement fund in the last few years because it's been used in a very careful way. It's been used in conversations with business and industry, with students to ascertain how we can responsibly best spend our money. And that's resulted in, for example, the completion of an 82,000-square-foot health science facility, which was, was built specifically to address shortages in the health sciences and specifically a shortage of nurses. We could not have built that facility without the taxing authority we currently use and we use responsibly and effectively. We're poised to do new, new projects. And I'm not going to go through all of them, but one of them would be a 94,000-square-foot construction technology center on the Milford campus. Why do we want to do that? Because the folks in the industry are begging us to do it. They say they need it. They say we-- they don't have enough workers. But if we don't have that levy authority, we can't build it. And I think sometimes perhaps Nebraska's community colleges are somewhat at fault for failing to sufficiently emphasize these very basic truths. Community colleges play an indispensable and irreplaceable role in economic development in the state of Nebraska. Our four-year institutions are first rate, but don't look to them for your construction workers, your welders, your electricians or other tradesmen that are so desperately needed by local industry. You won't find them there. Take away our taxing authority and I fear you won't find them anywhere in sufficient numbers. I want to talk a little bit about local control. We've used our, our taxing authority, I believe, in the past for the best interests of our communities, for our students, for business and industries. Local needs are best assessed and provided for at the local level. And I want to talk about that in terms of the-- this 3.5 increase in, in funding. Our needs do not, do not increase in lockstep. They don't go up 3.5 percent per year. The needs of each of the community colleges do not go up equally every year. And you say to yourself, so how can we deal with this? How can we know that the amount of money that is, is allocated to community colleges is the right amount? And the answer to that is pretty easy. You rely on both local boards to determine needs. We're like you. Those of us who serve on boards, we want to do what's best for taxpayers and everybody else. But that's how you deal with that. Don't use an arbitrary number. Now, we talk about, about the threat and I said the risk that's posed particularly to our low-income students. If you tell me that you are going to continue to fund community colleges at the rate of $300 million-plus and increase that on an annual basis, I do not doubt your word, but the Legislatures that come after you are not bound by that. There will be no shortage of financial crises to deal with in the future. And future Legislatures are going to look to how do they solve those problems--

LINEHAN: All right.

NEAL STENBERG: --over a period-- I'm sorry. I'm sorry.

LINEHAN: That's OK. You're fine.

NEAL STENBERG: I beg your pardon?

LINEHAN: No, you're fine. Questions from the committee? Senator Briese.

BRIESE: Yeah. Thank you, Chair Linehan. Thank you for your testimony here today. You spoke of your potential inability to meet your obligations under the capital improvement projects.

NEAL STENBERG: Yes.

BRIESE: And we understand that you're not-- we're not talking about taking away taxing authority till year 2026, correct?

NEAL STENBERG: I do understand that.

BRIESE: And then from that point on, we're talking about maintaining your-- essentially your level of taxing authority, but through the state with a 3 percent-- 3.5 percent increase every year. I don't understand why that's going to impair your ability to meet existing obligations.

NEAL STENBERG: Because the way I read and others read LB783, it provides for the replacement of--

BRIESE: Yes.

NEAL STENBERG: --general fund revenue. It does not provide for the replacement of capital improvement fund revenue. And the Attorney General has opined that we cannot use general fund revenue for capital improvements. So as it's written now, it would put us in default. And yeah, at the year you say, but it would put us in default. That's, that's our understanding of the bill.

BRIESE: Sure. And I was looking for this information, but I was looking for information on the state's appropriation to community colleges and historically, what that increase is. Do you know offhand?

NEAL STENBERG: Increase in what, sir?

BRIESE: In state appropriations to community college-- state aid to community colleges.

NEAL STENBERG: I don't have that number. I'm sorry.

BRIESE: OK. But the state's still going to be backfilling your needs with that state aid, correct? We're going to have this one fund that's going to increase 3.5 percent per year, but you're also going to have state aid that hopefully will backfill in the event of concerns or downturns or the inability of the 3.5 percent to meet your needs.

NEAL STENBERG: Well, like I say, I certainly trust the members here.

BRIESE: Sure.

NEAL STENBERG: But I do know that as we get into the future and as we get, you know, years out, that there will be other demands. And, and do I, I have concerns about the willingness of future Legislatures to meet our needs? I have those concerns.

BRIESE: So just like the university system, you're going to have to depend on the state to help backfill those state aid needs anyway. This will be locked in the 3.5 percent. Anyway, thank you.

NEAL STENBERG: Well, I hope so. I hope so.

LINEHAN: Thank you, Senator Briese. Are there other questions? Senator Kauth.

KAUTH: Thank you, Senator Linehan. You had mentioned that industry was begging you for workers and you have an IT project.

NEAL STENBERG: I'm sorry.

KAUTH: You had mentioned that the industries are begging for workers and you're trying to help fill those needs. And you mentioned an IT project or a technology center. Are you doing any public-private partnerships with those industries to help fund those kind of, of innovations?

NEAL STENBERG: Yes, we are. And we're, we are engaged right now in a, in a capital campaign and we've had-- been having pretty good success with that. In the IT center, we have gotten major pledges for that. I think-- and probably coming close to maybe about $20 million or so. We're still working on that. And I mean, that's something else we, we try to do and for the benefit of everyone, including taxpayers, to, to, to get that debt that-- those individual contributions. So the answer to your question is, yes, we do.

KAUTH: Thank you.

LINEHAN: Thank you, Senator Kauth. Are there other questions? Senator Albrecht.

ALBRECHT: Thank you, Chair Linehan. Thanks for being here.

NEAL STENBERG: You're welcome. Nice to be here.

ALBRECHT: This is educational for me. I've not had numbers thrown at me like this, but the lessons from the past that Metro Community College talked about, you know, I think when, when we ever do any kind of a tax reform, everybody wants to protect their areas. And I, I get that. But it appears that even though, you know, they went down to 2.3 and they got money from the DMV to do that and then in 2000-2001, they went up 1.72. So it sounds like we're always there to help out. And I understand your fear of what's going to happen in the future, whoever's sitting in these chairs. But what-- I guess I have a question. How much are you bonded out with your projects that you have now, even though you do have a public-private program at your, at your college?

NEAL STENBERG: All right. We, we're not using currently bonds to finance our project.

ALBRECHT: So--

NEAL STENBERG: We're using something that's essentially like bonds. And, and what we use-- and there's a, there's a gentleman here to testify this better than I can, but they're called certificates of participation.

ALBRECHT: OK.

NEAL STENBERG: And we sell those and, and we promise to pay those using only-- or substant-- I-- for the most part, only our capital improvement fund levy, not our, not our general fund levy. And right now, I believe we have financed about $50 million in projects that way. And it's, it's been a very-- it's been a big help for us. We've done, we've done a diesel center in, in Milford. We've done the, the health sciences building. We're looking at a welding center. And again, the welding center's intended to meet the needs-- local needs and that's because people have asked us to do it. But we'll need to be able to raise that revenue--

ALBRECHT: Right.

NEAL STENBERG: --through the use of our capital improvement fund levy and we won't have that.

ALBRECHT: Um-hum . And do you look at that levy to be able to pay these off, like, every year? Like, if it's $50 million and you have other projects coming-- like, help me understand how, how you-- do you actually have a fund that's--

NEAL STENBERG: We do, we do. And, and we use the capital improvement fund in two ways. And one, we call-- for smaller projects, we call it as a-- it's a go as, go as you-- pay as you go.

ALBRECHT: OK.

NEAL STENBERG: So we,we bank that money and we're able to do smaller projects with what we have banked. Larger projects are financed through the sale of these certificates of participation and so we do use the money in those two ways.

ALBRECHT: Um-hum. Well, I think-- you know, sitting here for a very short time. This is only my third year, but I too, as a taxpayer, try to understand what is going on. I can bring up my Northeast Community College because I'm very familiar with what they do. And you're doing the same thing. You know, you've got Milford and you've got some of the other colleges that you're helping with the workforce development in our state, and that's really important. So I'm just hopeful that this full tax package, people can help themselves understand how we're going to, to make it work for everyone. You know, I just-- there are people in the city. There are people in the country. Everybody has their own view of how all of this is going to shake out. But I would just-- I look at it, sitting on this side of the fence, as something that is good for everybody. So we'll just have to figure out what it takes to, to get everybody to that point. Because when you look at the total tax package and what it's doing for everyone throughout our state, I think it's a win-win for a lot of us, but I appreciate your testimony. Thanks.

NEAL STENBERG: I appreciate all that you do for all of us.

LINEHAN: No, you got another--

NEAL STENBERG: Oh.

LINEHAN: --question. Thank you, Senator Albrecht. Senator Briese.

NEAL STENBERG: Made a getaway here, but.

LINEHAN: Sorry.

BRIESE: Thank you again. The capital improvement fund levy that-- is that the 1 cent levy?

NEAL STENBERG: It's a 2 cent levy, 2 cent maximum levy.

BRIESE: OK. And that's pursuant to 85-1517 likely?

NEAL STENBERG: I don't have the book in front of me, but I think that's correct, yes.

BRIESE: OK, I think it is. But anyway, Section 8 here, we are replacing the dollars levied pursuant to 85-1517. So I don't think that's going to be an issue, but you'll have to look at it more.

NEAL STENBERG: I'll look at it again. But that's, that's contrary to a reading of it, but--

BRIESE: OK.

NEAL STENBERG: --we'll, we'll, we'll look at it more closely.

LINEHAN: Thanks, Senator Briese.

NEAL STENBERG: All right, thank you very much. Yes.

LINEHAN: Is the capital improvement fund levy inside your levy limit?

NEAL STENBERG: Yes. I mean, the capital improvement fund levy is its own separate levy limit.

LINEHAN: So you don't have bonding outside your general fund levy.

NEAL STENBERG: Everything we have used for capital improvements is paid for through the capital improvement fund levy. We, we're prohibited from using general fund money for that.

LINEHAN: OK. Well, I'm, I'm not--

NEAL STENBERG: Have I answered your question?

LINEHAN: Well, it's-- I'm not asking the right question. It's not that you're not answering. I, I don't know how to ask it because there--

NEAL STENBERG: We have, we have two separate levy limits. General fund levy limit is 9 and-- 9.25 cents. Our capital-- separate capital improvement fund levy is 2 cents. Right now at SCC, we're levying a total of 9.37 cents.

LINEHAN: I'm trying to figure out if that equates to the building fund, but we'll figure that out. Thank you very much.

NEAL STENBERG: All right, thank you very much. Appreciate it.

LINEHAN: Other opponents? Good afternoon.

ZACHARY WEST: Good afternoon. My name is Zachary West, Z-a-c-h-a-r-y W-e-s-t, and I am the executive director of the Ravenna Economic Development Corporation in Ravenna, which is in the northern Buffalo County in Senator Briese district. I was already in Lincoln today for the Nebraska Economic Developers Association's legislative day and I thought I would give testimony while I was here. On my drive in, I was initially in the neutral capacity, but upon learning that the Nebraska Economic Developers Association's position was opposition, I am now in opposition of LB780-- excuse me, LB783, as this will have a direct potential negative impact on the residents of Ravenna. I'm going to focus on the proposed elimination of the levy authority of community college areas and the estimated impact on residents of my community and the potential economic impact this has on my community and why I am concerned about the proposed replacement. I'm going to use currently available data on the Buffalo County GIS system, acknowledging that the elimination of the levy authority doesn't take effect until fiscal year '26-27 so the data will be different by then. The 2022 tax levy rate in Ravenna for community college areas is currently a hair above 9 cents per $100 of taxable properties. That means for a Ravenna property valued at around $75,000, a community college area currently has the levy authority for about $67.50 in taxes a year on that property. Several of the properties that I looked up were valued around the $75,000. If we were to use this as a base and apply it for all approximately 635 residential properties in Ravenna, there would be approximately $42,862.50 back in residents' pockets. This would be a substantial amount of money that could potentially be used locally instead of going to taxes and this could benefit both residents and businesses to see this amount potentially infused into the local economy. For properties valued higher, such as a property at $185,000, this would eliminate $167 in one year of property taxes. When you think about property tax relief, this looks like quite a good deal in that respect. This brings me to why I am in opposition and not fully supportive. In the text of LB783 on page 2-- excuse me, on page 20, it tells us that the funds will come from the Department of Revenue to support community college areas. My concern is this: will a potential increase in taxes required elsewhere to fulfill this deficit eliminate the property tax relief? On page 20, it also tells us that the amount distributed by the Department of Revenue will be increased 3.5 percent each fiscal year from the previous fiscal year. Will this affect what the state needs to collect down the road in order to maintain this provision for community college areas? When you eliminate a tax but continue the program, additional tax revenue must come from somewhere. Overall, I like the property tax relief idea, as this would infuse a fair amount of money into residents' pockets in my community and thus our economy. But I am ultimately concerned about the impact this may have on other taxes and down-the-line funding that may ultimately wipe out this relief. I will say that I do not have the calculations to be able to make a judgment on that, but I would like to thank you for your time.

LINEHAN: Thank you. Are there questions from the committee? You talked about residents. Did you do any agricultural properties?

ZACHARY WEST: I did look at one for a 42-acre property. The valuation was approximately $50,000. And so the amount of the levy, which was also around 9 cents per $100, you would be looking somewhere around the $60 range for your--

LINEHAN: How about the sections?

ZACHARY WEST: I did not look at any sections.

LINEHAN: How about a half section of farmland?

ZACHARY WEST: I did not look at any half sections. I mostly looked within the community boundaries.

LINEHAN: OK. What did you say you were that you changed your mind?

ZACHARY WEST: So I was at the Nebraska Economic Developers Association's legislative day and the Nebraska Economic Developers Association opposes LB783. I was initially neutral because of my concern with where the potential of where the funding might come down the line, but because of my association of which I am a member opposes, I decided to switch to opposition today.

LINEHAN: OK. Any other questions from the committee? Seeing none, thank you very much.

ZACHARY WEST: Thank you.

LINEHAN: Good afternoon.

ARLYN UHRMACHER: Hi. Thank you for writing this opportunity for us to speak today. My name is Arlyn Uhrmacher, A-r-l-y-n U-h-r-m-a-c-h-e-r, and I'm the vice chair of the Board of Governors for Southeast Community College. And I'm here today to speak in opposition to LB783 because of loss of local control and flexibility that boards have in meeting the community-- their community needs. I represent a 15-county area in southeast Nebraska. Southeast Community College has more than 60 technical and career programs on three campuses and six satellite centers. SCC alone produces more than 7,000 career and technical graduates every five years, with nearly 90 percent of our graduates staying in Nebraska. Our community colleges represent the primary source for the state's skilled workforce and our graduates are employed by many local companies. As a retired vocational educator and a farm manager, I can tell you that these technical programs are vital to ensuring that we all have a higher quality of life. I grew up on a farm in Adams County. My family owns ranch and farmland in Custer County. I'm actively involved in the management decisions related to that farm. I pay property taxes on-- in all of these counties where I own land or property. As part of maintaining these properties and farming operations, I have firsthand experience in using skilled workers from Nebraska community colleges. I pay community college taxes on nine different properties. Although this accounted for only about 5 percent of my total tax amount, I know personally that I'm getting an excellent return on my investment. If not for community colleges in Nebraska, I would be paying much more to maintain my properties and to operate my farm. It's vital for our state that we continue to increase the pipeline of students pursuing a technical credential. As an SCC board, we do this by using our local taxing authority to help keep tuition at a level that's affordable to our students. LB783 will likely require Nebraska community colleges to increase their tuition rates substantially as the state struggles to meet the $300 million fiscal note associated with LB783. High tuition rates will drive students away and heighten the ongoing skilled workforce crisis in Nebraska. Technical programs are very expensive to operate. If LB783 were to become law, boards would have no choice but to increase tuition fees or close expensive technical programs and/or satellite locations. We currently have a funding model that is flexible and that works. Over the past three years, individual programs at Milford have increased between 15 and 65 percent. Boards need the flexibility to be able to respond to enrollment and program changes. LB783 will end that. As a state, we should be celebrating community colleges' successes, not looking at defunding them. If the Legislature's goal of LB783 is to reduce property taxes, a better plan would be to increase our state aid to whatever amount you're talking about increasing it to because that would directly lower the property taxes and achieve that goal. But it would still allow the boards the flexibility they need to meet employer and community demands. I encourage you to keep community colleges strong and to keep them under the local control of their local elected boards. Thank you for supporting the Nebraska community colleges.

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

KAUTH: Thank you. So when you talk about local control, do you agree that property taxes are too high in your area?

ARLYN UHRMACHER: Well, no one likes to pay taxes. So, I mean, yeah, property taxes are, are higher than maybe I would like them to be, but I also want the services that I get with property taxes so I'm willing to pay them.

KAUTH: OK. Are you doing anything from-- the, the board of governors, what are you guys doing to lower those property taxes or to do anything for property tax relief in your area?

ARLYN UHRMACHER: Well, one of the things that we've done is not increase our levy for the past four years. Now, property values have increased so that does mean that we do get additional money. But we've, we've tried to stay into between a 3 and a 4 percent increase in our total, in our total budget each year. But the flexibility we need is when we have these enrollment spikes or when we have needs that the community-- that employers in the community want, we need to be able to meet those. And if we don't, if we don't have the authority to do that, it will be difficult.

LINEHAN: Thank you, Senator Kauth. Are there other questions from the committee? Ope, ope.

ARLYN UHRMACHER: Yep.

LINEHAN: I just-- we're not trying to do away with community colleges. The Governor was very clear that he's very supportive of community colleges, right? Didn't he say that?

ARLYN UHRMACHER: So, so why are we dismantling the whole thing? If the Governor--

LINEHAN: We're not--

ARLYN UHRMACHER: No. Ma'am--

LINEHAN: --the whole thing.

ARLYN UHRMACHER: If the Governor wants to support community colleges, then increase state aid. Don't take away our taxing authority. We need that to use in the cases of where Eliot was talking about related to an emergency kind of situation. Why take away the taxing authority? If you're going to put enough money in there from state aid to fund us, we won't need to use our taxing authority unless there's a specific situation that comes up, i.e. the building projects that all of us have going on that are tied to, that are tied to that, to that capital improvement fund. Which is not included in what the Governor's going to-- is going to pay for. See, we have two funds--

LINEHAN: Yeah, I knew that.

ARLYN UHRMACHER: --we can't use it. We can't use our capital improvement-- or we can't use our general fund money to-- for any building funds or capital improvements. So the only, the only source we have to leverage against the bonds and all those things that were talked about before is the money that we have from that, from that 2 cent levy that we can, that we can levy related to that for capital improvement. So that does any kind of repair work, any kind of capital improvement work, any new buildings or anything that we need based on program needs or community needs.

LINEHAN: So if we could address that issue, your capital improvement issue, then you don't have a problem if we're picking up the general levy, replacing it with state funds? It's just the capital improvement part that you're worried about.

ARLYN UHRMACHER: Yeah. And so, you know-- and I think you can do that without changing anything other than changing the amount of money that the state puts into our-- into community college funding.

LINEHAN: Well, I think this bill puts a lot more.

ARLYN UHRMACHER: Yeah, but it takes away our taxing authority.

LINEHAN: Right, but it-- I know. They're two different things though. It does put a lot more money into state support for community colleges.

ARLYN UHRMACHER: Right.

LINEHAN: Right. Okay. All right. Thank you very much for being here.

ARLYN UHRMACHER: But it reduces our flexibility and it takes away our local control.

LINEHAN: Except you still have your boards. Thank you.

ARLYN UHRMACHER: I don't know what they will do.

LINEHAN: Thank you. Next opponent.

FRED UHE: Senator Linehan, members of the committee, my name is Fred Uhe. That's F-r-e-d U-h-e. I appear before you in opposition today as the chairman of the Board of Governors of Metro Community College. I'm going to deviate from my prepared remarks because I think you've got hit with a lot of stats. But I think a couple of key things on either allowing the property tax credits passed last year, to increase the funding on that to really put money back into the property taxpayers. I know we discussed with Senator Friesen last year on changes to the community college formula. Basically, we were told that no one wanted to reopen that formula. That goes back to the 40/40/20 split where it's now about 24 percent state aid for Metro College. So if you would either fund that program or we would cut our taxes, that I can guarantee you. My board is fully supportive of that. Or again, by allowing more dollars to go back into the pockets of the taxpayers. But, you know, Metro has been very successful with a lot of our partnerships. And I think that's where one of our concerns is by not having a guaranteed source of funding. You know, prior to my service on the board, there was approximately, I think, $130 million of construction on the Ford Omaha campus, a lot-- most of that funded by private dollars. And these are firms in the metro area that are willing to invest in Metro because they trust us. They know we're going to do the right thing and help create a very productive workforce. I would think, without any guarantee of future funding for us to be able to run these programs or even provide the equipment, the partners are going to be a little bit leery of partnering with us. You know, one, I would invite all of you guys to arrange tours, whether it be the Fort Omaha campus. I'm very proud of the auto tech center in our South Omaha campus with electric vehicles coming. And I never realized you could weld plastic, but you can. I mean, so all state of the art, a lot of that funded by manufacturers and the car dealers. So I mean, you know, those partnerships would be kind of brought into question if we didn't have some ability to be able to control us holding our end of the deal. At Metro, we approach it with, like, we're all about all, you know? We take every student. You apply to Metro, you come in, that runs from GED students to professionals coming back for continuing ed. I had the opportunity to speak at our GED graduation last fall. One of our faculty members brought up, brought up a young lady that wanted to meet me. Young lady was working fast food for $11 an hour. She came back and got her GED and her CDL and is-- now is a truck driver for $80,000 a year. And her story was, I want you guys to know you made a difference in my life. And that's kind of our role. I mean, that's what we are pushing. We have a reentry program that deals with people coming out of corrections, whether the state prison or jails or out of rehab centers. Approximately-- the job center there, I think 2,800 people contacted us, 96 percent are now employed. And again, those would make an impact on people's lives. These are people who are not reentering the criminal justice system and, you know, just the ability to do things turn their lives around. You know, recently there was a media thing about shortage of teachers in the state of Nebraska. Career education was one of the things. You know, we provide a lot of interaction with our K-12 school districts on career academies. I know my first Metro graduation that I attended coming back on the board-- I had served back in '05 and '06 and then rejoined the board in 2019. The young lady actually got her associate's degree from Metro College. A week later, got her high school diploma from Millard South. She began as a psychology major at Creighton University that fall as a junior and probably would not-- you think of the savings to her family, the fact that, you know, it's shortening her education time period and again, helping put people in the workforce. So, you know, I think those are our main issues that-- you know, there are vehicles with the tax credit. We're fully committed. Our marketing people get tired of me saying it that, you know, we want to make sure people know how to apply for that tax credit on every credit material that Metro offers because we are, we're all taxpayers ourselves. We understand taxes are high in Nebraska, But when you think of the workforce that we're developing and our partnerships with a lot of the technical and trade folks, we are part of the solution. And appreciate the work that you guys all do. I know it's not easy. I remember-- one of the first elections I remember is, like, the governor's race in '66 and the whole changes in tax structure. So it's quite a few years ago, I guess, I've been looking at this and-- but I think one fear, too, of the community colleges-- and you think of aid to cities, aid to schools or aid to counties. The jail reimbursement program for counties. You know, these are all programs that were started and then were decided to be defunded. So, you know, it's, it's-- again, you know, we appreciate the intent, appreciate the Governor's kind words for community colleges, but without any guaranteed sustainable funding in the future, it really ties our hands. So with that, I will close and be willing to take any questions.

LINEHAN: Are there any questions from the committee? I do appreciate you been here-- being here. I have visited the reentry program, the culinary arts building. I do believe I was at the car mechanics thing in south Omaha. You said you were worried about public and private partnerships if the state was funding it. The university, specifically University Nebraska Medical Center, is completely-- they don't get property taxes, but they-- I don't think they have any problem having private-public partnerships arranged, do they?

FRED UHE: Well, I, I think they probably go up and down. Actually, the Med Center is looking at partnering with us on some stuff. I know Dr. Gold mentioned once that--

LINEHAN: But they have a lot of private partners.

FRED UHE: Yeah and--

LINEHAN: They built a whole hospital.

FRED UHE: --you know, but when they have a thousand researchers coming in-- he's going to need 4,000 med techs. I think he's looking at us to help provide those.

LINEHAN: And we want you to help provide them.

FRED UHE: We intend to if we're able.

LINEHAN: We just pay for it versus the property taxpayers.

FRED UHE: Yeah. You know, and again, I appreciate the discussion. I mean, tax policy is never easy, as you guys all know. You know, it just a little bit-- change is fearful. So, I mean, there-- I think there's some fear on--

LINEHAN: Change is always scary.

FRED UHE: You guys can do this. I mean--

LINEHAN: If.

FRED UHE: --you know, you want to put ten years of our funding in the bank and let us draw the interest, draw it down as we need it, we might consider that.

LINEHAN: Don't be making offers you can't take. We have a lot of money.

FRED UHE: Well, that's what I hear. We're not really asking for too much. I know there's a lot of asks this year, so.

LINEHAN: Any other questions from the committee? Thank you very much.

FRED UHE: OK. Thank you.

DIANE KELLER: It's hard to be short. My name is Diane Keller, D-i-a-n-e K-e-l-l-e-r, and I'm a current member of the Nebraska Community College Association Board of Directors and the Central Community College Board of Governors and I am testifying in opposition to LB783. I'm presenting my concerns in a variety of viewpoints, first of all, as an employer. I recently retired as the CEO of Memorial Community Health in Aurora, Nebraska. We're a rather diverse organization with our hospital physician clinics, nursing home, assisted living, a wide variety. So obviously, throughout my 50 years of service to MCH, I've hired many physicians and nurses and techs and business office people and everything that have really benefited directly from the community college education. By removing local control and local authority from our community college boards-- and, and I, I really strongly believe that we can say that the state's providing the money and we'll still have our local boards, but without the spending authority and your-- every program change-- when we try to gear up a pharmacy tech program to be able to look at where our current budget is. Every time you have to go back to states for program changing for bounds, you know, you're really eliminating a lot of local authority. It provides much greater uncertainty for program offerings, workforce availability, increases in likelihood of more of our youth and adults leaving our central Nebraska area. The need for healthcare workers is just critical. It's absolutely critical. Second, as an elected board member, I faithfully serve not only my local board, but a statewide NCCA Board, as previously said. And we've been very conservative in managing our budgets while recruiting, retaining employees and students that live, work and pay taxes in central Nebraska. I've served on committees helping to balance the needs of Metro Omaha and Lincoln to the rural needs of central Nebraska and western. And, you know, been part of some really significant challenges in the past over my many years on the college board. A statewide system that has worked well for over 50 years of fluctuating land prices, employment demands, political changes, priorities of governors and State Legislatures, why are we looking at trying to change something that has worked well for 50 years with different landscapes and has been proven to provide the workforce that we really need in our local areas? And community college graduates, the continuing education to gear up that, that dietary aid worker who wants to become a nurse, that we can look-- those people live in our area, they stay in our area. I'm elected every four years. And as-- you know, you guys go through elections and stuff too. I don't get a lot of calls or complaints about the property tax. Very little. I represent six counties of Adams, Clay, Hamilton, Merrick, Nuckolls and Webster in the 25 counties that are served by Central Community College. I trust my fellow board members and administrators to prepare and implement programs that really work well for a wide variety. And it's not just the high school senior graduates. It's elementary kids. It's seniors like me who go back and take a class wanting to learn how to speak Spanish. You know, we can't just look at the cost of-- by the number of high school students in a particular county. Third, as a property taxpayer, my husband and I have key-- have been the owners and operators of "lag ands" for decades. My grandparents, his grandparents, my parents, his parents were third, fourth-generation farmers in our area in Clay County. So I have firsthand understanding of the impacts of raising agricultural values and the wild fluctuations the farm price impacts. But as a taxpayer, I appreciate the accountability that we get from seeing the exact dollar amount of my personal property to-- on my property taxes that shows up on my tax statement that goes to Central Community College. And I can see how it supports the young people and the adults and the businesses and the economic development in my community. When that goes to income tax support, there is not that same accountability. I can't see that on my tax statement. I don't-- as a taxpayer, I don't have that same accountability to my students as well as I know that I am supporting the kids and the education and the adults and the business and industry in all of the communities of our area. So I proudly support our property tax funds. If you have specific questions-- certainly there's a lot of things that I can't answer that the presidents and different people in the room can. But I, I do appreciate your trust in us that we seek to make the state of Nebraska an outstanding location for our current and future employers. Taxpayers and residents who live here, by following the elected community college board's taxing authority to continue to serve the state of Nebraska in the same way we have for the last 50 years. It has worked for 50 years. We have accountability. It's my next-door neighbors that are getting those same tax statements that I'm getting as a tax owner. And, and I want to support the education of the community college. And just because it's easy, doesn't make it right. And the other comment that I would make is that, you know, there is that old statement of follow the money. And where the money goes is where the authority goes. And you say we still have local boards and local authority, but I have real concerns over the future if all of the money is coming from the state. The authority to spend those money is also going to be coming from the state with less control over local colleges. Thank you.

LINEHAN: Thank you. Any questions from the committee? Senator Briese.

BRIESE: Thank you, Chair Linehan. Thank you for your testimony here today. And I, too, appreciate what community colleges do and I think everybody in the room really does.

DIANE KELLER: That's been very obvious.

BRIESE: Sure. But, but philosophically, is there a reason that the university system should be funded one way and community colleges should be funded a different way? We're talking about higher education with both of them. What is the philosophical difference for needing property tax funding here, but the university gets along fine without property taxes.

DIANE KELLER: My personal difference is just the whole philosophy behind community colleges. The community colleges, they're-- serve a very different clientele than the university system does. The university system is there to provide a bachelor's degree education. People from all over the state, from out of state-- you know, we talk about out of state and all kinds of other things going on. You know, that's their philosophy. The community colleges are there to give that local person who can't go to Lincoln that entry point to get that skills. Not just the high school seniors, though, that are looking for an associate degree or a welding degree or a nursing degree or pharm tech certification. But all of the firefighters that need the continuing education. Those are very, very local programs that the community colleges, the paramedics, the EMTs, the-- you know, you name it-- when we have the economic development people or the chamber of commerce come to us and say, I've got a proposal from a new business coming into my community and we need to get this proposal. But they have these very specific education needs and usually it's skilled workforce training that the community colleges provide that the university system doesn't necessarily guild-- geared to provide. So by having our own local authority and local control, we're able to gear up to respond to those chamber of commerces and the economic development, which is why the economic development is, is opposing this, is because it is so local to try to really build and create that skilled, talented workforce. So we say that the philosophy of the community college system is much different than the university and the state college system. So therefore, I believe very strongly that the financing should be different as well.

BRIESE: OK. Thank you.

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

DIANE KELLER: Thank you.

LINEHAN: Can I just ask how many more people are here to testify? OK. Don't feel the need to use all five minutes, especially if-- what's been said, like, you know, many times before. Thank you.

CAROLINE VELDER: Hello. My name is Caroline Velder, C-a-r-o-l-i-n-e V-e-l-d-e-r. I am the secretary for the SCC-Milford Campus Student

Senate. I'm here to speak in opposition of the LB783 bill. I would like to start by saying that by passing this bill, you're not helping any of the local colleges or communities built around local community colleges. You're helping other-- every other community or technical, technical college in the country, not any in Nebraska. I am a born-and-raised Nebraskan and when I was touring colleges to see where I would attend, 50 percent of the colleges I toured were out of state. I had many factors I was personally considering when deciding which college I would go to. But as with many other students, when considering where to go for college, cost was a big player. By pushing this bill, you are making the schools in Nebraska less attractive than the out-of-state schools, as there are many states that don't charge and will be cheaper. But it won't only be smaller colleges that you will be harming. By discouraging or making it impossible for some students to attend these colleges, you'll be harming the workforce at-large by reducing the number of properly trained professionals. As a land surveying student, I will speak to what I know. If we take the land surveying industry as an example, this industry is currently experiencing a severe lack of surveyors, especially licensed land surveyors, as the average age of a licensed land surveyor in Nebraska is 65. SCC has the best program to efficiently produce more surveyors to fill the need of the workforce than a four-year institution. Having a lack of surveyors impacts many other industries, such as building construction, real estate, agriculture and the legal profession, to name a few. Other programs offered at SCC also do their best to efficiently produce good professionals to fill the needs of various industries. By passing, this bill, you will be hindering their ability to solve the need for more skilled people in these trades, thereby hurting the workforce at-large in the state of Nebraska. I would like to reiterate that I am in opposition of the LB783 bill, as I can only see it harming the economy and workforce of this state. Thank you for your time.

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

JOHN HANSEN: Good afternoon, 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. We're the second-oldest, second-largest general farm organization in the state, and we're also the organization that worked with former State Senator Wayne Ziebarth from Wilcox, who brought the original bill creating the community college system. So we have a lot of ownership and we have a lot of track record with community colleges. We also have a very robust discussion about how they should be funded at our state convention, and that was reflected at our board meeting last Monday. So I'm sticking with the policy that our members created, which is why I'm in the opposition position this afternoon. But here's a few things that I would pass along that I think maybe would be of-- of interest to the committee, is that I've-- this is my 34th rodeo coming up before the Revenue Committee. I've been doing this for a while, and I just want to tell you that I have been in the room when-- when there was crying and there was cussing and there was tough decisions made and there were promises made, and the promises, unfortunately, over time were not kept. And so when it comes to funding local governments and-- and municipalities and others, we made all kinds of promises that we just simply didn't keep. So for us to be more comfortable with this idea, we want to see more state funding. We would like to keep the taxing authority in place as a backup so that we have some sort of a mechanism so that if the state does what the state has done before, which is-- and, you know, it's not a reflection on you, it's a reflection on your replacements-- new people, term limits, new ideas, you know, we-- the way that we fund education in our state, we've sort of lost the relationship between why it is that certain things pay for certain things and why it is that because you own land, you should pay for education at the rate that we pay for in the state is completely out of whack. We get that. We agree with that. But we also want to make sure that the community colleges continue to have the authority and the autonomy that they need in order to do that which is different and is needed. And it is a struggle to do that. And it is an even bigger struggle to do that with the University of Nebraska, notwithstanding the fact that it's a land grant college. It was a knockdown, drag-out fight to keep the university from getting rid of the Tractor Test Lab. It was a knockdown, drag-out fight to keep the university from getting rid of the College-- Technical Agricultural College at Curtis. It's-- it's an ongoing losing battle to keep them funding the Extension service that rural Nebraska depends on. And so the track record with the accountability to ag with the university is not the best track record in the world. And so as we look at what will happen, unfortunately, it is that community colleges will be put into a contest with the University of Nebraska. And I have the utmost respect for the University of Nebraska's lobbyists to be able to do an excellent job of continuing to get the money that they need to operate the University of Nebraska. And that's not taking anything away from them. I just know that that's a competition that our community colleges aren't as likely to do as well. And then within the community college funding itself, and I don't mean this in a mean way, but there's just a lot-- a lot more state senators that represent Omaha community college interests than represent Norfolk's or Scottsbluff's. And so within that competitive pool, yeah, I see long-term problems. I see long-term loss of control. And so we want property tax relief. We want to see more funding of community colleges, but we still want to make sure that we're able to have community colleges do what they were originally set up to do, because that is a critical need for rural Nebraska and, I think, all Nebraskans. And with that, I'd end my testimony and answer any questions.

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

JOHN HANSEN: Thank you very much. Good afternoon.

JARED JACKSON: Good afternoon. My name is Jared Jackson, J-a-r-e-d J-a-c-k-s-o-n. I am student vice president of Milford campus. I am a second semester here at the SCC, Milford, Nebraska. I am out of state. Fun fact: I'm from Illinois. So with that being said, tuition, with all that, it's been a little bit more pricey for me and I live in the dorms that they have on Milford campus, as well, which also add more funding to my bill. SCC has been very supportive for my program. My particular program is energy generation operation. It has been very helpful because not a lot of them throughout the nation, so while I was looking out for this particular program, I had managed to stumble upon SCC because: (1) one thing students look for is affordable; and (2) is how much time, because as young people we are-- we're kind of hasty and want to get things done and efficient and get out. So time and money is usually the two things that's on our minds. So with that being said, SCC was an excellent choice for me to choose from due afford-- affordability. And that has a two-year program, so I could be in and out, so I could be efficiently going into the program that I can go into because what I learn from our program is we are lacking the ability of nuclear energy, water treatment, wind power. So we need those operators as myself that will become one. We need those [INAUDIBLE] to be affordable, to be scattered across the country. Now, I came with my brother, as well, tagging along with me. So now we are going to also figure out how to-- if we're going to figure out, like maybe stay for Nebraska for a few years, help support with the energy nuclear Cooper program building, and then also may go out to-- back our hometown to-- for ComEd, go for power energy to help, you know, build our electrical grid much better, efficiently and more better, keep the lights on, keep it going. And if you increase-- if-- I'm opposed against LB783. And if you go through with this, it will also restrict, for me, out-of-state students to come in, because then that's where most some people come from to come here, because you have your in-state students that has less affordable tuition, but still affects them, but it will affect out-of-states more because then word gets around that SCC is very popular for energy programs. And other than that, I think that is all that have to say.

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

JARED JACKSON: Thank you for your time.

LINEHAN: You bet.

CULLEN WOOD: Hello, everyone. First off, I'd like to thank you for your guys' time showing up here today, and everyone else as well. My name is Cullen Wood, C-u-l-l-e-n Wood, W-o-o-d, and I am in opposition of LB783. First off, I am also an out-of-state student. I am from Iowa, rural-- rural raised, rural grown, local farm community, and I am in the John Deere ag tech program at SCC in Milford. The reason why I am against this is because our current tuition for out-of-state students is $138 per credit hour, which might seem like a lot, might not seem like much to others. But I am currently paying for all of my college without parent-- parental aid, and many other fellow students are as well. Without the taxing authority of SCC to its local levels, you'd be losing a lot of interest in out-of-state people to potentially be wanting to join Nebraska or stay in this local area for the future, and that could be a detriment to the future. The John Deere program is a very, very, very expensive program with half-a-million to the new combines, harvesters that John Deere is coming out with; they're pushing over a million dollars apiece, and SCC is responsible for helping fund towards those with the local Deere dealers in the area. So that is a big part of our knowledge. If we don't have those types of machines, high tech and machines, we're not going to be able to help local farmers out here in the future. And without the local farmers having the equipment running to the tip-top ability mechanically and, most importantly, technology-wise, with today's high-end equipment, then we wouldn't be able to actually grow and support our local communities food-wise, and the world. A lot of the resources around me choose SCC because of the price and the quality of education that we receive. We have amazing instructors in our program and all around SCC facilities. And without the ability to tax and levy, we would not be able to increase our staff members, increase the amount of machinery that we get at the junior program, the facilities we get. We'd be at a stand by and limit the abilities that we would have going into the future. Other than my testimony, I am in opposition against it, and I'm willing to answer any questions that I can.

LINEHAN: Thank you very much for being here. Senator Briese.

BRIESE: Thank you, Chairman Linehan. Thank you for your testimony here today, and thank you for coming across the border and going to school here in Nebraska.

CULLEN WOOD: Absolutely.

BRIESE: Were there similar programs offered in your home state?

CULLEN WOOD: Absolutely. There are a lot of general diesel tech programs or technological programs related to that with computers and everything like that. But I chose SCC primarily because of the quality that I get there. I've had a lot of coworkers that are either in Iowa or friends that are in Nebraska that have went to SCC primarily because of the quality and the affordability of it.

BRIESE: And speaking of affordability, how does the affordability here at SCC compare to schools that you could have attended in Iowa?

CULLEN WOOD: There are other ones. Iowa Western Community College is a little bit more expensive than SCC from what I remember when I was applying.

BRIESE: OK.

CULLEN WOOD: There's one in Des Moines Area Community College. It was pretty similar, but I'd rather get the quality and spend relatively the same amount that I get here in Nebraska locally here.

BRIESE: OK, thank-- thank you for your testimony.

CULLEN WOOD: Yeah.

LINEHAN: Thank you, Senator Briese. Senator von Gillern.

von GILLERN: Mr. Wood, thank you for being here today. You and the other students are certainly well spoken. We're glad that you're here taking advantage of these programs. I'm curious. We're-- what we're talking about in this bill is changing the form of the funding, just the-- just where the dollars come from, how they arrive at the college. I'm curious what the college has told you about the impact on your program, the potential impact on tuition, because it sounds like you feel like the program, your tuition rates, that the colleges is-- is com-- is at risk. I'm curious what you have been told about this.

CULLEN WOOD: So I've been told that our tuition rates are going to raise because of we will not be able to get the ability of the full amounts of dollars that we would be getting from the levy and other areas that are able to be taxed from; that it won't be fully guaranteed, as it states on the fact sheet; that none of this is guaranteed with these funds. And like previous opposers have said that we're always going to be growing, there's always going to be need to improve, get better-- better technology, more staff members, more great teachers that we get from other schools, four-year schools, and this is going to limit our ability to actually promote and increase for the future coming.

von GILLERN: OK, great. Thank you. Again, thanks for being here.

CULLEN WOOD: Absolutely. Thank you, guys.

LINEHAN: Thank you, Senator von Gillern. Thank you.

JOSE SOTO: Afternoon. I'm Jose Soto, J-o-s-e S-o-t-o, and I serve as vice president of access, equity and diversity at Southeast Community College, and I've held this position for the last 31 years. Yesterday was my 31-year anniversary at the college, and I take this opportunity to register my opposition to LB783. And I think you'll hear refrains of, you know, the themes that you've already heard and kind of the concerns about what the-- what an im-- you know, potential impact could be. And so for context, I'm a community advocate in addition to my role at Southeast Community College dealing with the diverse populations, and I really advocate for the rights of low-income members of our community, people of color, first-generation students in other underserved and underrepresented populations, and that's relevant because community colleges in Nebraska enroll and serve a higher percentage of these minority students than other Nebraska public higher education sectors. And, you know, it-- it-- it's important to also, you know, look at what has been the Legislature's intention over the years about, you know, the dynamic, the relationship between, you know, the state, the Legislature, the administration, and I would respectfully quote Nebraska Revised Statute Section 85-962 that states, and I quote: It is the intent of the legislator-- the Legislature that community colleges be a student-centered, open-access institution to promote the success of a diverse student population, particularly those who have been traditionally underserved in other education settings. I truly believe that LB738 belies and undermines that legislative intent and commitment. A primary strategy for ensuring that we are accessible to these potential students is to keep our tuition rates affordable. We are able to maintain affordable tuition because we have some flexibility in levying local taxes. LB738 removes that authority and I think, if one extends that, when you remove authority, you start also removing responsibility. And someone already mentioned, she who controls the purse strings con-- controls the institution, and that is of concern. And I have linked that funding model to a need to increase tuition. Do we know that that will happen? No. Is it likely? I would say yes. As the state struggles to find $300 million-plus annually to supplant local tax funds every year, we have no choice but to kind of balance things out and the-- what we're left to control is tuition. We don't control state aid. We control tuition and if we have no tax levy authority-- and increase in tuition really affects disproportionately students of color, first-generation, those students who a couple of dollars a week means a lot. Raise the tuition a bit, and that may keep them from coming to our doors. The state of Nebraska clear recognizes that ensuring all populations have equal and equitable access to higher education is a challenge that must be addressed. In 2022, the Nebraska Coordinating Commission for Postsecondary Education approved a new goal to ensure 70 percent of Nebraska's age 20 to 25 will have a degree, certificate, diploma or other postsecondary, industry-recognized credential by 2030. And I see the light is on--

LINEHAN: Yes.

JOSE SOTO: --if I could continue, I'll-- I'll make it brief. Thank you so much.

LINEHAN: Thank you. I can't. I'm sorry.

JOSE SOTO: Appreciate the courtesy.

LINEHAN: It's not fair to the others that I've cut off, so.

JOSE SOTO: Appreciate the courtesy. Thank you. Currently--

LINEHAN: No, I'm saying no. No, your time's up.

JOSE SOTO: Oh.

LINEHAN: I warned you all. [LAUGH] I was [INAUDIBLE]

JOSE SOTO: I wasn't here for the warning, and I apologize.

LINEHAN: Well--

JOSE SOTO: Could-- could-- could I just summarize? Please, would you provide me that courtesy?

LINEHAN: I have been very courteous, sir. It's not fair to the other people I cut off. I can't-- I can't-- if I make exceptions, I have to make exceptions for everybody.

JOSE SOTO: Well, I thank you so much. I would entertain any question, and I would welcome one to be able to provide you my summary. [LAUGHTER] I mean, we are set up-- this Legislature is set up--

LINEHAN: Sir--

JOSE SOTO: --to--

LINEHAN: Sir--

JOSE SOTO: --include--

LINEHAN: We have the rules. We read them before every hearing.

JOSE SOTO: I know-- I know the rules.

LINEHAN: OK. Thank you very much. Are there any questions from the committee? Yes, Senator Bostar.

BOSTAR: Thank you, Chair Linehan.

JOSE SOTO: Senator, thank you so much.

BOSTAR: If you could make it brief, that would be really appreciated.

JOSE SOTO: Is there anything specific that you would like me to address?

BOSTAR: I'm curious to know what you wanted to summarize at the end of your testimony.

JOSE SOTO: Well, equity and equality of opportunity do not happen without intentionality. We must be purposeful in protecting something that we consider to be very important, which is open access to all students and to serve all populations. I'm a taxpayer. I want my tax dollars to be used to keep tuition costs low enough to keep the doors open to higher education for everyone. This bill closes those doors. Lastly, a harsh reality is that intentionality is also required to sustain the inequities and inequalities that have created these populations that we're concerned about. It's systemic, and I'm concerned about that. This fact is reflected in the reality that Nebraska routinely has among the highest educational attainment gaps in the nation among minorities. LB730-- LB783 will perpetuate that shameful but remediable gap. I respectfully would encourage you to move away from this funding proposal. I think it does not-- it is not good for everybody. Some populations are more negatively impacted than others.

BOSTAR: Thank you, sir.

JOSE SOTO: And after 31 years, I've-- I've seen it work both ways.

BOSTAR: Thank you, sir.

JOSE SOTO: Sir, I thank you so much for the courtesy.

BOSTAR: Thank you. Thank you, Chair.

LINEHAN: Thank you, Senator Bostar.

ALBRECHT: Senator-- Chairman, can I ask a question?

LINEHAN: Oh? Oh, Senator Albrecht has a question.

ALBRECHT: Sorry. I just would like--

LINEHAN: Sorry. I didn't look.

ALBRECHT: --to visit with you just a minute. You know, I--

JOSE SOTO: An instant replay or--

ALBRECHT: It is an instant replay. Tell me which school you're with again, which co-- community college?

JOSE SOTO: Southeast Community College.

ALBRECHT: OK. So let me ask you, did you get-- receive any funds from the state during the COVID or the-- the funding that the federal gov--

government gave to our state to help some students out that you wanted to continue to keep on campus? Did you get--

JOSE SOTO: I think that was a process that all community colleges benefited from. I do not know the details of that.

ALBRECHT: Right. I just know from Northeast that they did an amazing job with their students to try to keep them on campus and be able to afford to stay in school during a lot of that. So I feel like, you know, I feel like the state sometimes is the big brother, and we do try to make sure that if we're low on teachers, if we're low on nurses or-- or-- or technicians or whatever, we do, try to figure out what we can do--

JOSE SOTO: I-- I understand that, and let me tell you as a tax--

ALBRECHT: --to help them along. So I kind of see the money does go kind in and out of a lot of coffers.

JOSE SOTO: As a tax-- as a taxpayer, I can tell you that some of the conversations that I've heard here from the opponents of this sound like the schoolyard bully.

ALBRECHT: No.

JOSE SOTO: We don't have any place else to cut, but community colleges are right there, low-hanging fruit, weak because they're-- don't have the resources for lobbyists, etcetera.

ALBRECHT: No, that's not--

JOSE SOTO: And it sounds like, you know, you got big brother beating up a little brother.

ALBRECHT: No, that's not it.

LINEHAN: Thank you, Senator Albrecht.

JOSE SOTO: No, I-- I'm sharing--

LINEHAN: I have a question.

JOSE SOTO: I'm sharing with you--

LINEHAN: I have a question. Did you just--

JOSE SOTO: --my opinion and perspective.

LINEHAN: Did you just say that community colleges don't have lobbyists?

JOSE SOTO: No, I didn't say that. I-- in comparison to--

LINEHAN: You said you didn't have the money for lobbyists.

JOSE SOTO: No, for the-- as the university.

LINEHAN: OK. Thank you very much.

JOSE SOTO: You're very welcome and I thank you. Appreciate your time.

LINEHAN: Uh-huh. Good afternoon.

WILLIE BARNEY: Good afternoon. Thank you for this opportunity. Willie Barney, W-i-l-l-i-e B-a-r-n-e-y. It's good to be back here-- here. I appreciate the work that you're doing around this. Obviously, education is extremely important to us. Over the last 15 years, I've had the opportunity in Omaha to work with over 8,000 people, over 500 organizations. Consistently, education and employment come back as two of the highest priorities. We've had the opportunity to work extremely close with the community college there, MCC. We've conducted over 7,000 of our young people there with career exploration, getting hands-on experience with robotics and IT and culinary and health and criminal justice. What I would share, there's been a lot of testimony today, but one of the things that I wanted to share with you is I think about this as from a business standpoint. One of the things that's most critical in the business environment is that you need to have multiple streams of income. The more I listen to the conversation today, it appears that the state, with this bill you're looking to support, enhance and invest in education, it reduces that third leg of opportunity for community colleges to be able to support their students and su-- support innovation. One of the things that I love about the community college, and I think we probably as a state should examine it even closer, it's actually been one of the most innovative institutions in the state. The return on investment has been extremely strong, and what we consistently hear is that we need to keep our young people here. We need to make sure that our workforce is strong. It's really the community colleges, especially as I look at the work that's going on at MCC and the work and partnerships that we have. That's where the return on investment is happening. So they have been able to innovate, but primarily because they do have three legs to be able to generate additional income to support those programs and be innovative. I would also share with you that we have some momentum building. What I mean by that is when we started, we had a 32 percent poverty rate in our community. With the collective work of MCC and many others, Heartland Workforce Solutions and the partnerships, we've been able to reduce that poverty rate down to 24 percent; still much too high, but we've made some progress there. The unemployment rate around MCC at one point was 15 percent; collectively, working with MCC, with their skilling-up program, workforce programs, we've been able to reduce that from 15 percent down to 9 percent-- still too high, but that collective work, innovation, and what I say is responsibility or the ability to respond to the needs of the community, that is what has made MCC an incredible partner. So I just wanted to stand in support of MCC. I oppose this primarily because it limits the ability of these community colleges to have that third leg to support when the need is there. When the need is there, they can respond, they can innovate, and they can support these communities that are surrounding other campuses. I'm open to any questions that you have.

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

WILLIE BARNEY: Thank you.

LINEHAN: Appreciate it. Good afternoon.

JOEL MICHAELIS: Good afternoon, Madam Chair. Good afternoon. My name is Joel Michaelis, J-o-e-l M-i-c-h-a-e-l-i-s. I am the vice president of instruction at Southeast Community College, and I'm here today to voice my opposition to LB783. I come today with a little bit of a-- you're going to hear from college presidents; you-- and you've heard from board members; you've heard from our students. I'm here today as the-- the person who's kind of-- I make the sausage. All those educational programs that I've heard everybody talk about, how they value it and we value the training and all the education and-- and all of that stuff, that's-- I-- as the chief academic officer of the college, me and my fellow chief academic officers across the state, we're the ones who are responsible for that. We're the ones who are responsible for the faculty. We're the ones who are responsible for the quality of the training and the programs, whether we come up with new ones, whether we close. Some of them that are not doing well, that's-- that's on us. I've heard some stuff today about, well, you know, I-- I'm sure they look out into the future-- yeah, a lot. We're looking into the future well beyond 2030, by the way. But, yes, we are looking very much into the future about what we need. We talk about this all the time. We're not just trying to meet the needs of students today. We're trying to-- we're not just trying to fill jobs that are needed today. Quite frankly, we're trying to prepare students for jobs that don't exist. I've been doing this, been in community colleges since 1993, and I can tell you right now, we are training people for jobs that when I started in 1993 did not exist. And so with that in mind, my unique perspective is that I've only been here three years. I came here from Kentucky. Kentucky has a statewide system. Kentucky has no local property tax. I was in the exact-same role that I'm in here. I was in there and I can tell you that I did not have the flexibility to do the things that I needed to do for my local community because of where the money came from, period. So I'm hearing a lot of stuff about, yeah, you're not going to be heard, it's going to be the same amount of money. What I'm-- the general sense that I'm getting from this is, as long as the money is the same, it doesn't matter where it comes from. And my response to that would be, well, I've lived in both worlds and I would say, yeah, it does matter where it comes from; in my experience, it matters where it comes from. Since I've been here, every once in awhile, I'll complain to-- I'll complain to my boss about frustrations that I have and he'll say, hey, now tell me again about the things you've been able to do. So we've added over 30 credentials and programs. We've-- we've started new programs. When somebody comes to me about, hey, we need new truck drivers, you know what? I can hire new faculty. I can triple the-- the number of truck drivers that I'm graduating every year. I can do all of this because we have the ability to do it. Now do I get carte blanche? Absolutely not. But in part of the bu-- budgeting process, we express our need, we talk about what the benefit of that is, I talk to my president about it, we talk about it as an administrative board, and then we take that forward to our board of-- our board of governors and they get to make a decision on the budget, that local control. But they get to make the decision on that budget, and that includes that levy authority and it includes their ability to decide, hey, is this something that we need or not? And sometimes the answer is no, and that's OK. And then we work within our means and we do what we can. My experience is that-- am I saying community colleges won't provide education? No, we will. Will we be to be [SIC] as adaptable and nimble as we currently are? I don't think so. And with that, I'll take any questions you have.

LINEHAN: Thank you very much. Are there any questions from the committee? You've started 30 new programs in the last three years?

JOEL MICHAELIS: Thirty new programs and credentials, yes, so that means-- so like new programs, like we started occupational therapy, we started a new concrete technician as part of our construction program, but we also added certificates and things like that that make it easier for students to exit early and go out into the workforce.

LINEHAN: Did you do away with any programs?

JOEL MICHAELIS: I'm sorry?

LINEHAN: Did any programs go away?

JOEL MICHAELIS: Did any programs go away? We've had a couple go away. One of them was our Chrysler program. It went away because of new enroll-- I mean low enrollment. And so we look at that and-- and-- and need. We look at those things. We've had a couple of others that were, I believe, shelved right before-- right before I got here.

LINEHAN: OK. Thank you very much. Any other questions? Seeing none, thank you much.

CINDY DUNCAN: Good afternoon.

LINEHAN: Good afternoon.

CINDY DUNCAN: Good afternoon, Committee. My name is Cindy Duncan, C-i-n-d-y D-u-n-c-a-n. I am here as a board of governor. I'm the vice chair of Mid Plains Community College and have been for over eight years. I'm also here as a manager of Becton Dickinson of Broken Bow. So community colleges, we've all heard the theme here. We all support them. We all think that they do wonderful things, and I would agree that they all do great things for the good life here in Nebraska. They are a point of access for higher education, training, retraining and job skills for many residents. We all know that. Community colleges are a local, permanent and indispensable sector of higher education and very important to the business of Becton Dickinson, as well as our communities and community colleges. As a Fortune 200 company with over 3,000 employees right here in Nebraska in our four plants, we are actively recruiting at this point over 150 open positions, and most of those are technical in nature. Local and affordable education, like those in our partnerships with community colleges across the state, have helped us to serve our workforce shortages. A few of those examples are a partnership between the state of Nebraska and Central Community College to-- to implement a very needed, specific need for training and educating current BD associates for advancement in manufacturing design technology, which gains associates the needed knowledge for our high-speed manufacturing sites while maintaining their work environment. The technical and medical and mechanical advancement courses through Mid Plains Community College has helped to further current BD associates and future BD associates, to equip them with the needed technical needs that we have for our high-speed manufacturing equipment, English-as-a-second-language classes to support our talent pipeline locally. There's an example of Lane West [PHONETIC], who is a graduate of Anselmo-Merna. He was awarded the Nebraska technical scholarship, where he focused on machine and automation technology and then joined the BD team as a tool and die maker in Broken Bow. The last example I'll present is Robert Staab, who is an engineer for Broken Bow, and he is in his second-term session teaching middle and high school students at Mid Plains Community College at our Broken Bow campus. He is teaching them about robotics and workplace machinery. This opportunity, I think, inspires our future electrical/technical folks and engineers and-- and to pursue those careers that we all know are part of the need that we have at BD. And it also creates that technical space that is hard to find for us. It also gives us an opportunity at BD to identify that talent that we are constantly searching for. As the manager at BD in Broken Bow, I see the profound positive effects that local community colleges have on our community and the business success. I'm deeply concerned that this bill, which would draw funding from the state instead of locally, and the loss of local control possibly puts the rural areas and stories like Lane's at risk and maybe at a disadvantage. From a trade perspective, I'm greatly concerned that LB783 will have long-term irreversible damage to technical education that is already a demand we currently cannot serve. Thank you for listening. And I do hear the partnership that everybody on this side and this side is trying to promote, so I do appreciate that. Thank you.

LINEHAN: Thank you very much. Are there questions from the committee? So how many people does B&D employee from the community college?

CINDY DUNCAN: From the community college? I can get that number for you, but it's a fair amount.

LINEHAN: Well, 10, 20, 100, 200?

CINDY DUNCAN: I can get that number for you.

LINEHAN: You don't have any idea whether it's ten or--

CINDY DUNCAN: From how many we get from the community college?

LINEHAN: Uh-huh.

CINDY DUNCAN: It would be a big number, I would assume.

LINEHAN: OK, I'd really appreciate having--

CINDY DUNCAN: Yep, that would be fine.

LINEHAN: --that number. And then you have operations in Broken Bow?

CINDY DUNCAN: We do.

LINEHAN: How many people do you employ there?

CINDY DUNCAN: 750.

LINEHAN: And how long has that plant been there?

CINDY DUNCAN: Sixty years.

LINEHAN: OK. Thank you very much.

CINDY DUNCAN: Thank you. Any other questions?

LINEHAN: Any other questions? No. Hello.

BRANDON GUNTHER: Hi. Good afternoon. My name is Brandon Gunther, B-r-a-n-d-o-n G-u-n-t-h-e-r. I am a new member of the Southeast Community College Board of Governors. In fact, I just took office 16 days ago, a little over two weeks. I ran for this elected position on the SCC Board because of my interest in helping SCC continue its outstanding partnerships with local industry. The SCC Board's control over its taxing authority allows SCC to meet the rapidly changing needs for its industry partners. LB783 would remove this local control and the ability for the Nebraska community colleges to be quickly responsive to the needs of local employers. For the last nine years I've been the director of Risk Management for Gana Trucking and Excavating. I'm also the current chair of the professional truck-driving workforce leadership team at SCC. This group is made up of industry members and we meet regularly to discuss the local needs of the trucking industry so that SCC can continue to improve its curriculum. In late 2021, a federal rule was announced that would require all new truck drivers in this country to have specific training, which includes classroom work and training with a certified instructor. In practice, this rule amounted to requiring all the drivers in this country to go to truck driving school before they could test out for their driver's license. The effective date of this rule was February 2022. With just a few months' notice, the Nebraska community colleges were able to respond to this dramatic change and meet the needs of local employers. To put this scenario into context, during the fall of 2019, SCC's truck-driving school had 13 students, which at the time was a pretty average class size. In the fall of 2022, that same class at SCC had 68 students. The college had to hire new faculty and greatly expand to support the truck-driving program. SCC was able to respond to truck-driving industry needs because of its local control. And I would like to add, they did all this in a matter of months without raising the cost to the students and without diminishing the quality of the program. Nebraska community colleges allow us to continue to expand our industry to meet the growing need for professional truck drivers. Under LB783, SCC simply would not have had the flexibility to invest in a new facility and faculty to meet our needs in a timely fashion. I am also concerned that LB783 would put funding decisions at the state level rather than keeping it local with the communities that they serve. This bill would make it difficult to meet the needs of our rural communities. A community college is an investment by the community, and that control should be left within that community. Nobody wants to see higher taxes, but these investments in our local communities cannot be neglected. To me, this is not strictly about tax implications. It is more about local communities losing control over their community college that serves them, that they have invested in for so long. Further, SCC has made a commitment to keep our rural communities healthy and prosperous. It speaks to this commitment that SCC has recently added six learning centers throughout its area, away from some of the bigger population centers, to meet the needs of its rural communities. This would not have had been possible without local taxing authority to ensure everyone within the college's service area has access to SCC's program and facilities. Thank you and I would be happy to entertain any questions.

LINEHAN: Thank you very much. Could you spell your last name again?

BRANDON GUNTHER: Oh, I'm sorry. G-u-n-t-h-e-r.

LINEHAN: G-u-n--

BRANDON GUNTHER: --t-h-e-r.

LINEHAN: Gunther. Senator Briese.

BRIESE: Thank you, Chair Linehan, and thanks for your testimony here today. Does SCC have athletic programs for their--

BRANDON GUNTHER: Yes.

BRIESE: Are they self-supporting?

BRANDON GUNTHER: That I do not know. I'm certain we can get that answer for you.

BRIESE: OK. You don't know what percent of your-- of the budget they entail, then, I assume?

BRANDON GUNTHER: The athletic programs, no, I do not.

BRIESE: OK. Thank you.

LINEHAN: Other questions from the committee? Senator von Gillern.

von GILLERN: Mr. Gunther, thanks for being here. I hate to pick on the new guy and ask you--

BRANDON GUNTHER: Bring it on.

von GILLERN: --specific questions. The-- the trucking program that you said that you implemented pretty quickly sounded like a pretty nimble move, fantastic, and certainly a huge need and-- and that-- that's great that you can meet that. Certainly that didn't happen because you had local taxing authority and you were able to levy additional taxes and get additional revenue to respond to that immediately. Was that-- did you have funds, retained funds to do that? And if you don't know, then that's fine, too, but--

BRANDON GUNTHER: I don't know all the funding behind it--

von GILLERN: OK.

BRANDON GUNTHER: --because I-- I obviously wasn't on the board at that time.

von GILLERN: OK.

BRANDON GUNTHER: It was an existing program. SCC has always had a truck-driving program.

von GILLERN: Sure.

BRANDON GUNTHER: It just had to expand--

von GILLERN: OK.

BRANDON GUNTHER: --quickly.

von GILLERN: And I hate to keep drawing everybody's attention back to the topic here, and the topic is where does the money come from and what difference would be made from the funding mechanism that exists today to the new funding mechanism should-- should this bill pass, and-- and I would-- I would speculate that-- that the nimble nature that-- that the college reacted with had nothing to do with the funding mechanism.

BRANDON GUNTHER: Well, I mean, I can't guess on how it would have turned out had the state been in charge of funding at the time. What I can tell you is the way it played out was seamless.

von GILLERN: OK. Well, thank you.

BRANDON GUNTHER: In the midst of COVID and a logistics chain crisis, then we get hit with that rule, and it was--

von GILLERN: Yep.

BRANDON GUNTHER: --it was seamless.

von GILLERN: OK. Thank you. Thanks for being here.

BRANDON GUNTHER: Thank you.

LINEHAN: So when an industry like the trucking industry, which is huge in Nebraska, I understand that, or manufacturing industry, when they come to the community college and they have these issues of urgency, do they help pay for it?

BRANDON GUNTHER: Do-- does the industry?

LINEHAN: Yeah.

BRANDON GUNTHER: In cert-- I mean, I'm only speaking for myself as a representative of Gana, but, yeah, we-- we have footed tuition for a number of students who went through there.

LINEHAN: The tuition you--

BRANDON GUNTHER: The tuition.

LINEHAN: --their cost, but not the community's cost or the state's cost, just the tuition.

BRANDON GUNTHER: I don't know what donations may have been made to the truck-driving school.

LINEHAN: I think it would be helpful for me to understanding all this because I understand it's important to industry. But if we're going to be public, private, state or community, and we're providing industry with training, especially on a short-term, quick turnaround, it would seem that there would be some-- some cost to the industry would be fair.

BRANDON GUNTHER: Certainly, and I know SCC-- and, OK, again, speaking just for the company I work for.

LINEHAN: Well, you don't have to say anything you don't-- well, just-- you could get examples-- that would be great-- to us.

BRANDON GUNTHER: Well, I mean, SCC has a campaign, obviously, a capital campaign going right now to try to involve industry.

LINEHAN: That's not-- I'm not talking about capital campaign. I'm talking about just what you're talking about. Sixty-eight students all of a sudden need training. They need it right now. So it would seem the industry would be more than willing to help pay for that, and not just the tuition, which I think we heard is only 20 percent of the cost. So that's what I'm asking. If they're in this quick turnaround, got to have them right now, and tuition, I understand paying that, but that's only 20 percent of the cost. So do they-- do they-- and not just the the industry--

BRANDON GUNTHER: Sure.

LINEHAN: --all industries, so it's like it's come up again and again. Do they help pay for those costs?

BRANDON GUNTHER: I don't know what has been done in the past. I know various trucking companies, speaking specifically to that division-- that's obviously my wheelhouse--

LINEHAN: Yes.

BRANDON GUNTHER: --there have been donations of trucks and things like that--

LINEHAN: Oh.

BRANDON GUNTHER: --from private industry to [INAUDIBLE]

LINEHAN: I think it would be helpful for the committee to see that. Any other questions? Thank you very much for being here.

BRANDON GUNTHER: Thank you.

LINEHAN: Hi.

JULIE ROBINSON: Hello, Chair Linehan and the Revenue Committee. So much of what I wanted to say you've already heard, so I'm going to go back and forth between these two sheets because I crossed off a lot of things. My name is Julie Robinson, J-u-l-i-e R-o-b-i-n-s-o-n. I'm here as an owner and representative of Norfolk Iron and Metal, one of the largest family-owned companies in northeast Nebraska, but I also currently serve as the chair of the Northeast Board of Governors. Ninety percent of the Northeast graduates stay in Nebraska, and I think that that's a critical thing. When a rural community college has to get in line for appropriated funds with other agencies or even with urban community colleges, those rural communities are going to lose. There's a reason that economic development agencies and chambers of commerce all over the state, including, as of this afternoon, the Nebraska State Chamber of Commerce, are in opposition to this bill. When-- this is kind of going off task, but you just asked about how industry supports the college. Several years ago, we were in a position that we had to have truck drivers. We-- we truly could not get our steel delivered. We went to Northeast Community College and said, what can you do to help us, we will do whatever we can to help you, and within a couple of months' time, we had purchased a simulator and placed it at the college. We had gotten in line to help them hire another instructor. We absolutely were a partner in that, and we never could have done that as quickly with the bureaucracy that might have come with the university system. We certainly want to work hand-in-hand as partners with the community college, and so does our community. As property owners in Nebraska, our family shares the concern of rising property taxes, but I think the facts about those taxes are really important. The Platte Institute said Nebraska had the seventh-highest property taxes. This 5 percent change would move us to the ninth highest. It doesn't even get us out of the top ten. There's currently a property tax rebate program already in place. This provides the mechanism for returning unneeded property taxes to taxpayers without jeopardizing the long-term sustainability of our community college system. Why wouldn't we just continue to use this adjustable method to provide tax relief as funds are available? The mechanism to achieve what LB783 accomplishes, while ensuring local control already stay-- or local control stays intact, is really already in place. Why can't we just continue to do it that way? And with that, I will end my remarks. You've heard the rest.

LINEHAN: Any questions from the committee? First, I want to thank you for being so patient, waiting till almost the end, all the way from Norfolk. I appreciate that very much. Did you see the chambers are against this bill?

JULIE ROBINSON: Our local chamber is and-- and as of this afternoon, the Nebraska State Chamber of Commerce voted to oppose it, like as of 2:30 this afternoon.

LINEHAN: OK, well, that's very interesting because the current situation is we're not-- we're not replacing-- we're not-- how do I want to say this? Property taxes get paid by the property owner, but the money that's coming into the credits is not from property taxes. We don't collect property taxes at the state level. So any money that goes into the credits is coming from sales and income taxes. So I'm surprised the chamber--

JULIE ROBINSON: I think, at least from a Norfolk Chamber perspective, we're really concerned--

LINEHAN: I understand Norfolk.

JULIE ROBINSON: --about what kind of-- what kind of effect this could have on our industry in hiring and those kind of things.

LINEHAN: And Norfolk's a very special place because they've got a lot of-- much to do with Robinson, so thank you very much for being here.

JULIE ROBINSON: Absolutely.

LINEHAN: Appreciate it.

von GILLERN: Thank you.

LINEHAN: Any other questions? Thank you very much.

JOEY ADLER RUANE: Good evening, Chair Linehan and members of the Revenue Committee. My name is Joey Adler Ruane, J-o-e-y A-d-l-e-r R-u-a-n-e, and I am the policy director at the OpenSky Policy Institute. I'm here today in opposition to LB783 because of the impact this revenue loss would have at community colleges if the state is not able to keep them whole in the longer term. According to the fiscal note from LB783, the Nebraska Community College Association estimates that the community colleges across the state would have lost $300 million. While we understand that the intent is for the state to replace this revenue, without a mechanism written into the bill, as well as a dedicated source of new revenue to support the costs, we cannot support the bill as currently written. Thank you for your time. Short and sweet. Happy to answer any questions.

LINEHAN: Thank you very much. And also thank you for waiting so long, since you've been here all day. Any questions from the committee? Seeing none, thank you.

JOEY ADLER RUANE: Thank you.

LINEHAN: Any other opponents?

SCOTT KEENE: Good afternoon.

LINEHAN: Good afternoon.

SCOTT KEENE: Thank you for your service. Chairperson Linehan and committee members, my name is Scott Keene, S-c-o-t-t K-e-e-n-e. I'm managing director of public finance for Piper Sandler and Company here in Lincoln. I have more than 30 years of experience in public finance in Nebraska and have served as an investment bank for a number of comm-- Nebraska community college financings over the last several years. I'm testifying in opposition to LB783 because of the negative impacts that it will have on the ability for Nebraska community colleges to pursue capital construction projects to meet the needs of employers and communities. As you heard earlier, by removing both the General Fund and capital taxing authority of community colleges, LB783 could prevent community colleges from meeting their obligations associated with the pledged revenues to retire their outstanding bonded indebtedness. The bill removes the ability to fund capital improvements and bond sinking funds without any replacement source of revenues. This would result in an impairment of contracts for any college having outstanding bonds or lease obligations that pledge the capital levy authority. And this is most important. Any community colleges that have pledged only their capital levy to secure financing would see that debt immediately go into default and result in investor lawsuits against not only the community college but the state of Nebraska as well. Community colleges would also experience a de--degradation of their credit quality, even for financings where the capital levy is not pledged. Community colleges would lose the advantage of having flexibility within their revenue streams, going from three sources of revenue to two. The loss of any one revenue stream would be seen as a credit negative, resulting in higher and potentially prohibitive borrowing costs. Nebraska community colleges have had only their capital taxing authority to renovate existing academic buildings and to construct new ones. I can tell you that the community colleges have engaged in very efficient, cost-effective financings over the past several years. These financings have allowed the community colleges to keep inflation costs down by expediting projects that would-- would have otherwise taken much longer and relied on pay-as-you-go financing. The impact of LB783 will extend far beyond community colleges. I also work with other political subdivisions, including school districts, cities, counties and others. I can tell you that LB783 puts all of these entities at risk of impairing their credit ratings. Rating agencies will take into consideration the loss of taxing authority for one of the state's politi-- public entities as it evaluates the credit-worthiness of others. I encourage the Nebraska Legislature to oppose LB783 and to support the Nebraska community colleges. And with that, I'm happy to answer any questions that you might have.

LINEHAN: Thank you very much. Are there any-- I have one thing to-- that I have messed up here. I have been informed by the Governor's Office that there is an amendment to fix the problem with the capital.

SCOTT KEENE: OK.

LINEHAN: So that is a drafting error, so that will be fixed. With that said, are there other questions? Can you give us examples in other states where taxing authority got taken away from one-- one entity so, therefore, the bond ratings for every other entity in the state dropped?

SCOTT KEENE: I-- I don't have evidence of that from other states. I just know that in conversations with the rating agencies, they drill down very carefully into the amount of state aid the political subdivisions receive and watch very closely legislative actions with an eye towards determining the flexibility, trying to determine how much flexibility does that political subdivision have to react to any loss of state aid dollars, for example, so it's--

LINEHAN: But just get us-- just get a couple examples where that's happened.

SCOTT KEENE: Oh, I'm sorry. Almost every financing that I do, we discuss with the rating agencies what this--

LINEHAN: No, no. That's not what I'm saying.

SCOTT KEENE: Yeah.

LINEHAN: That's a danger, you say.

SCOTT KEENE: Yes.

LINEHAN: So if it's a danger, it must have happened at some point. So what I'm asking is get us a couple examples--

SCOTT KEENE: Sure.

LINEHAN: --where that happened.

SCOTT KEENE: I-- I will-- I will try to do that.

LINEHAN: Thank you very much. Are there any other questions? Thank you very much for being here.

SCOTT KEENE: Thank you.

LINEHAN: Hi.

CARINA McCORMICK: Hi. My name is Carina McCormick, C-a-r-i-n-a M-c-C-o-r-m-i-c-k. My salutation, please use "Doctor." I am here today in my personal capacity to talk about my personal experiences with Southeast Community College. It so happens that my personal experiences so far-- what, what-- I don't even know if I said the right thing or not, I'm sorry-- Southeast Community College is as a member of the Board of Governors, newly elected. As you see, we didn't coordinate this. They don't know what I'm going to say, but I just wanted to really-- "gush" is probably the best word-- about how wonderful my experiences so far have been with Southeast Community College and how much respect I've gained for everything they do and how seriously they take their roles-- or their responsibility to the students, to the citizens of the state, and to the fin-- fiduciary responsibility that they've been given. I was only sworn in a couple of weeks ago, but even before that, we had a really long orientation where we went over all of the levy authority and talked through the-- the math so that once we got-- from the moment we were in that position, we understood that task. And I know that people that can be opposed to taxes think that all of the people that are asking for taxes are just taking as much as they can. But I-- I want to point out, we're not taking all we can. We very thoughtfully go through and see what it is we actually need and not ask for any more and make sure that we appropriately utilize everything we get. We also make sure that we apply for federal grants and apply for the federal-- apply the federal grants, everything that those are eligible to be applied for. Dr. Illich took me on a tour of the new facility, which I'd encourage all of you to do, the one on 88th and O, and he pointed out to me how they were able to use the federal funds in every way that they possibly could, even changing additional plans that they had in order to reduce how much of that property tax money that would be-- be used. And, you know, I was actually in the Health and Human Services hearing this morning for a totally different bill, and they talked about all this like workforce shortage stuff. And I really want to emphasize that this community colleges, including but not limited to Southeast Community College, really serve the state much-- in my opinion, much more than something like the R1 universities, like that-- this is-- this is what the state runs on, is the education that's provided by the student, that's acquired by the students at the community colleges. And as things change, we need to be able to continue to be dynamic in how we respond to the needs of the state and the needs of the students in the state, especially with emerging technologies. The levy, actually, as it's set up, it could allow us to ask for less than this bill would get. And I assure you, if we figured out a way to need less, we would-- we only ask for what we need. That's the opinion that I-- that's what I've sensed from my time on the board so far, so.

LINEHAN: Thank you. Are there questions from the committee? The building at 88th and O, is that the-- I can't remember what the name-- what building was it that you toured at 88th and O?

CARINA McCORMICK: I don't know the name, but it's going to be the main one now. So there's a health sciences building that's already been completed, but it's very expansive. It includes lots of-- it sort of adds on to the old ones. I'm not sure if it has a name yet, the main one.

LINEHAN: OK. All right. Thank you. Any other questions? Thank you for being here. Appreciate it.

CARINA McCORMICK: Thank you.

RYAN PURDY: Good afternoon.

LINEHAN: Good afternoon.

RYAN PURDY: Maybe evening? Not quite. Good afternoon, Senator Linehan and members of the Revenue Committee. My name is Ryan Purdy, R-y-a-n, Purdy, P-u-r-d-y. I'm the president of Mid Plains Community College, serving the 18-county service area of southwest and west-central Nebraska, including Senator Murman's McCook Community College. I have been at Mid Plains Committee College for 21 years, with the last 11 as the president. The first ten, I served as the Mid Plains business officer. The handouts that you are receiving are a fact sheet of the community colleges, all six of us, a property tax history, and a letter from the Greater Omaha Chamber. I have seen several changes to the community college funding over the past 21 years. When I started in 2002, the state funded us so that 80 percent of our base year revenue was funded from property tax and state aid. The formula required each college to levy the lower of 6 cents or 40 percent of the base year revenue for general operations, and the state would cover the difference. The base year was increased each year by 2 percent plus student enrollment growth. That formula was in place for at least five years. It was actually overfunded, as others have mentioned, in '99, 2000 and 2001, by almost $30 million, which drove those levies about half. It wasn't long and the state was unable to meet the funding formula obligation, in 2003 passed LB540 to allow each community college to levy amount needed to make up the state's shortfall. That ranged from $12.8 million in 2003-2004 to $20.8 million in '05-06. In '07, LB342 created a new formula with similar features as before, but with a few more variables to calculate: a statewide local effort rate that was adjusted by a fixed amount and a growth factor. Each community college was able to levy within a range of 20 percent at the local effort rate to serve their service area needs. In 2010, LB1072, which was a collaborative effort of the Nebraska Legislature and the community colleges, determined that the 2010-11 state aid by college, removed the local effort rate and replaced it with a 10.25 cent cap for general operations and a 1 cent cap for capital expenditures and 75 hundredths of one penny for the two colleges located on former military bases for hazardous material abatement and ADA. In 2012, LB946, passed unanimously by the Legislature, created the current funding distribution formula and adjusted the tax levy for the capital improvement from 1 cent to 2 cents due to the need to invest in replacement and updated facilities. The overall tax levy limitations remain unchanged. State aid at that-- since that time has increased by 2.15 percent. For the rural community colleges at Mid Plains, Western, Northeast, and Central, their service areas, there are not a lot of options for higher education. We offer the only open-access educational opportunities to those areas at rates that are reasonable to our constituents. Without some sustained revenue streams, tuition rates would increase to unaffordable rates for our constituents and the levels of service that we offer across the state may be in jeopardy. Learning sites in Valentine, Sidney, Alliance. Broken Bow, Imperial Ogallala, West Point, South Sioux City, Lexington, Holdrege, to name a few, may have to be eliminated if a fixed revenue stream has to be diverted to the main campuses where most of our population exists if the state can't keep up, which would make our-- more services more inaccessible to those remote areas we serve. More than 80 percent of our students come from our service area. They don't want to leave. We don't want them to leave because we know the probability of them returning is low. An investment in the community colleges' continued local control is needed to give rural Nebraska the same opportunities for rural edu-- or for higher education as the most populated areas of Lincoln and Omaha. This legislation, LB783, proposes to remove the taxing authority and to propose 3.5 year-over-year increase beginning in 2027 based on the 2025 property tax request, which does create concerns based on some of the history that I-- that I mentioned earlier. The-- only twice in the past 15 years has our appropriation exceeded 3.5 percent, which the legislation says that we would-- we would be looking at. It's remained unchanged or been reduced five times in those 15 years and has been less than 2.5 percent four other times. In all the previous formulas, we've had that flexibility to make changes to the local tax levy to meet the needs of our area and based on what the state was funding. Each of us are different; our sizes, locations and the populations we serve are different. Nebraska Statute 85-1501 states: The Legislature hereby declares that for community college to be truly responsible to the people it serves, primary control of such colleges shall be placed in citizens within the local area so serves subject coordinating-- coordination by the Coordinating Commission for Post-Secondary

Education. It's the intent and purpose of Sections 15 [INAUDIBLE] to create locally governed and locally supported community college areas with major educational emphasis on occupational education. Each committee college area is intended to be independent, local, unique, and a vital segment of postsecondary education, separate from the both established elementary and secondary school systems and from other institutions of postsecondary education. It is not to be converted to a four-year baccalaureate degree-granting institution. I encourage the Nebraska Legislature to con-- continue to support the community college mission to meet the needs of our local business and industry. Let us work to keep our residents in our service areas. Let us continue to adjust to meet the needs of our local businesses industry with the ability to pivot and help new and developing industries be successful. If you desire to invest in youth, meet workforce demands, and grow rural Nebraska, you'll need us to be flexible, responsible and have that local input. And with that, I'll try to answer your questions. And I beat the red light.

LINEHAN: Thank you very much. Are there any questions from the committee? Who-- is this yours? You put this together?

RYAN PURDY: That's the-- all six of us, so the six community colleges together put that together.

LINEHAN: So have you got a copy with you?

RYAN PURDY: I do have a copy, yeah.

LINEHAN: In the gray down here, and it's hard for me to read so maybe I'm misreading it--

RYAN PURDY: OK.

LINEHAN: --53,815 credit students Nebraska community college enrolled, 53,815 credit students in the 2019-2020 school year. There--

RYAN PURDY: That-- that'd be correct.

LINEHAN: There's not 53,000 juniors and seniors in Nebraska.

RYAN PURDY: That would be-- that's not dual credit. The center one is not dual credit. That is total credit students across all ages, juniors-- could be juniors, seniors, could be anything through however age-- that-- that's-- the center 50--

LINEHAN: That's not-- that's not high school kids.

RYAN PURDY: The 53,815 is not dual credit. That is the total.

LINEHAN: Well, it's confusing because right here it says "Dual Credit Enrollment."

RYAN PURDY: Yeah, I-- I-- I see that and thank you. But, yeah, no, the-- the-- those three bars in-- in the gray, those are not in relation to dual credit. I can see why you would be confused by that.

LINEHAN: OK.

RYAN PURDY: Sorry.

LINEHAN: I mean, I'd be thrilled but--

RYAN PURDY: Oh, I would be too.

LINEHAN: If we had that many seniors, I'd be happy. I'd be happy if they were all--

RYAN PURDY: Yep.

LINEHAN: --in dual credit, but we don't.

RYAN PURDY: Correct.

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

RYAN PURDY: Yep.

LINEHAN: Oh, I'm sorry. [LAUGHTER] Just-- I'm old, guys, so when you make charts, make them easy to read. It's very helpful. OK. Anyone wanting to testify in the neutral position? Senator Murman, would you like to close?

MURMAN: Yeah, if I can still stand up, that long sit.

LINEHAN: Let me-- before you go, let me tell you where we are on letters for the record.

MURMAN: You're good.

LINEHAN: We had one pro-- is this right? We had 3 proponents, 20 opponents, and 2 neutrals. Thank you very much.

___________________: We also had the ADA compliance [INAUDIBLE]

LINEHAN: Oh, yes. We have the ADA compliance, which was handed out. We have two people who sent that in. It's the first time they've used it, and each of you have a copy of those, and I would request that you read them because they could be here because of this bill [INAUDIBLE]. OK.

MURMAN: OK. Well, I appreciate the-- all the testifiers we had today. Of course, we had a lot of students, board members, administrators, and-- and, you know, they-- they have a big stake in community colleges and appreciate their very thoughtful testimony. They emphasized the importance of community colleges. We also had, of course, some business owners and managers. And-- and again, I-- I really appreciate that they did stress the importance of local community colleges and what they do for our-- improve our workforce development in the state and very much appreciate it. Of course, the intent of this bill is not at all to limit the funds that go to community colleges at all. There's a 3.5 percent increase built into it, and that is greater than the inflation, I think, in the last 30 years, but there's a reason it's greater than that. You know, they-- they are expanding their programs, and so that-- that's kind of built in there, I think. And as Senator Linehan mentioned, we are working with the Governor on an amendment for the building fund, so that will be taken care of. By the way, the importance of being local, I happen to only live six miles from Central Community College, and actually my wife worked out there for the administration, I think, [INAUDIBLE] before we had kids, so it was decades ago. That's located in the old Navy ammunition depot. And of course I've got many friends and relatives that work out there, so-- so I don't want to do anything to risk the funding of community colleges. But it's very important also that we make our tax system more fair to the taxpayer in the state, and it's been talked about many times how property taxes are way out of whack in the state. So I looked at it as a way to reduce property taxes and at the same time keep the-- the colleges fully funded. And it was mentioned, you know, the university is funded by the state and, of course, UNO, UNK have all been well funded, so the intent is that the community college also will be well funded into the future. I'm not sure if there's maybe some more possibility with the Property Tax Credit Fund. I don't want to, you know, the-- muddy up the waters any, but that would be a way of maybe keeping the local control and still funding it from the state. So with that, I guess I'll take any questions.

LINEHAN: Thank you, Senator Murman. Are there any questions from the committee?

MURMAN: I guess I could mention also, there is somewhat of a cap on their tax asking; there's a cap on the levy. I know that's only half the equation, but there is a cap that way, so.

LINEHAN: But not on the valuation increase.

MURMAN: No, no.

LINEHAN: So it's not really-- yeah.

MURMAN: And that's-- that's-- those have been increasing, of course.

LINEHAN: Yes. OK. Any other comments? Thank you all for being here. Appreciate it very much. Drive safely home.