

Transcript Prepared by Clerk of the Legislature Transcribers Office

Revenue Committee January 31, 2024

Rough Draft

LINEHAN: Good afternoon. Welcome to the Revenue Committee public hearing. My name is Lou Ann Linehan and I serve as Chair of this committee. I'm from Elkhorn, Nebraska, and represent Legislative District 39. The committee will take up the bills in the order that are posted outside of the hearing. Our hearing today is your part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. If you are unable to attend a public hearing and would like your position stated for the record, you may submit your position and any comments using the Legislature's website by 8 a.m. the day of 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 Nebraska Legislature's website to submit written testimony in lieu of in-person testimony. To better facilitate today's proceedings, I ask that you follow these procedures. Please turn off your cell phones or other electronic devices. The order of testimony is the introducer, proponents, opponents, neutral and closing remark. 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. We need 11 copies for all committee members and staff. If you need additional copies, please ask the page to make copies for you now. When you begin to testify, please state and spell your name, both first and last name, for the record. Please be concise. It is my request that you limit your testimony to 3 minutes and we will use the light system. So when it turns to yellow, you should be-- know that you've got a minute to wrap up. 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 our mic, into the microphone so our transcribers are able to hear your testimony clearly. I'd like to introduce committee staff. To my immediate left is legal counsel, Charles Hamilton. To my left, left at the end of the table is committee clerk, Tomas Weekly. The committee members with us today will introduce themselves beginning at my far right.

KAUTH: Kathleen Kauth, LD 31.

MURMAN: Dave Murman, District 38, from Glenvil. I represent 8 counties in the southern part of the state.

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Rough Draft

VON GILLERN: Brad von Gillern, District 4 in west Omaha.

ALBRECHT: Joni Albrecht, District 17, northeast Nebraska.

DUNGAN: George Dungan, District 26, northeast Lincoln.

MEYER: Fred Meyer, District 41, central Nebraska.

LINEHAN: And could our pages please stand up so everybody can see you? We just have one of you today?

COLLIN BONNIE: Yeah.

LINEHAN: OK. Collin is at UNL and studying criminal justice. Thank you for being here, Collin. Please remember that senators may come and go during our hearing, as they may have bills in other committees to introduce. I know that's where Senator Bostar is right now, introducing another bill. Refrain from applause or further indications of support or opposition. For our audience, the microphones in the room are not for amplification, but for recording purposes only. Lastly, we use electronic devices to distribute information. Therefore, you may see committee members referencing information on their electronic devices. Please be assured that your presence here today and your testimony are important to us and a critical part of our state government. With that, we will open on LB113 [SIC]. Senator Meyer.

MEYER: Good afternoon, Chair Linehan and members of the Revenue Committee. I am Senator Fred Meyer, F-r-e-d M-e-y-e-r. I represent District 41. And today I am introducing LB1113. LB1113 provides a clarification to the Imagine Nebraska Act to address the developing technology of carbon capture and sequestration. There is an amendment that's being passed around that somehow got through without dioxide after the carbon. So we're talking about CO2. The Imagine Nebraska Act currently provides tax incentive to certain kinds of businesses, including those involved in the manufacturing and processing of agricultural products. The act provi-- provides varying levels of incentives based on the delineated levels of investment and/or employment in Nebraska. The act provides a personal property tax exemption for business equipment involved directly in the manufacture or processing of agricultural products in 2 specific situations where the cumulative investment in qualified property is at least \$5 million and at least 30 new jobs or higher at qualified locations, or where the investment is \$50 million and a couple of other different

qualifications come in. LB1113 seeks to clarify the definition of business equipment exempt under the quality jobs and modernization levels include equipment used primarily for the capture and compression of carbon dioxide, more specifically at ethanol plants. The bill address-- the bill addresses a developing trend to capture that CO2 rather than having the CO2 being emitted into the air. Specialized equipment is needed to capture the CO2; and once captured, the CO2 can then be either sold for industrial purposes. And there's a number of those purposes, and more of those are developing. I know it's used in the meatpacking industry, an ingredient in fertilizer, and bottling in carbonated drinks and other things. Or it can be put in a pipeline and transported to a qualified sequestration location. The amount that would be sold versus put in a pipeline, of course, we don't know. But CO2 capture would create a market for local industrial users. LB1113 ensures that the equipment purchased to capture that carbon dioxide would be treated like other personal property and equipment eligible for the exemption. The bill would not affect income tax revenues. It would also not impact sales tax revenues. Rather, it would only affect personal property tax for applicants satisfying the modernization and quality jobs, jobs levels. The bill addresses the reality that our manufacturing processes are evolving. And as evolution occurs, Nebraska's tax code needs to evolve to recognize these changes and ensure our agricultural processing companies remain competitive. And I ask that the Revenue Committee look favorably on LB1113. And I would be happy to answer any questions, although there will be testifiers following me that have much more technical knowledge of how this would work. So the technical questions, I would certainly defer to the follower-- the following testifiers.

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

MEYER: OK. Thank you, Chairman.

LINEHAN: First proponent. You can go ahead.

JESSE SITZ: Thank you. Chairperson Linehan and members of the Revenue Committee, my name is Jesse Sitz, first name J-e-s-s-e, last name S as in Sam-i-t-z. My address is 1700 Farnam Street. Suite 15, Omaha, Nebraska. I'm a tax attorney at Baird Holm law firm. I'm here on behalf of KAAPA Ethanol Holdings, LLC in support of LB1113, which as Senator Meyer stated, relates to the Nebraska ImagiNE Act. KAAPA Ethanol Holdings, LLC is one of the largest producers of ethanol in Nebraska, with over 300 million gallons of capacity and 180 employees.

KAAPA just celebrated its 20th anniversary of operations in 2023, which started, as many of you know, in its Minden facility. We are very appreciative of the efforts of Senator Meyer and his staff in preparing and proposing LB1113. As he mentioned, LB1113 provides a clarification to the Imagine Nebraska Act to address the developing technology of carbon capture and sequestration. Before jumping into the explanation of, of what carbon capture and sequestration entails, though, I'd like to explain the aspect of the Imagine Act affected by this bill to add on to a little bit of what Senator Meyer said. As he mentioned, the Imagine Act provides tax incentives to certain kinds of businesses, including those involved in the processing of corn into ethanol and certain coproducts, such as wet or dry distillers grains and distillers corn oil, among others. The act provides varying levels of incentives based upon delineated levels of investment and/or employment in Nebraska, yet does provide a personal property tax exemption for, quote, business equipment, close quote, involved directly in the manufacture or processing of agricultural products, but only for 2 specific application levels. If you look at the application levels on the last page of the handout that I provided, you can see 11-- LB1113 would apply only to the application levels delineated as quality jobs investment and modernization. Those are sort of similar to the old tiers of the Nebraska Advantage Act. The quality jobs investment and modernization levels provide a combination of significant investment in Nebraska, as well as providing high-paying jobs. LB1113 seeks to clarify that the definition of business equipment that is exempt from personal property tax under those 2 situations would include equipment used primarily for the capture and compression of carbon dioxide and I would note, not for transportation. The bill addresses a developing trend to, in layman's terms, capture carbon dioxide created in industrial processes. And again, rather than having the CO₂ being emitted, emitted into the air. Ethanol plants are good candidates to capture CO₂ because the chemical reactions, the fermentation that occurs during the conversion of corn and ethanol provides one of the purest streams of carbon dioxide.

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

JESSE SITZ: Thank you.

LINEHAN: Next proponent, please.

DAWN CALDWELL: All right. Good afternoon, Senator Linehan and members of the Revenue Committee. I'm Dawn Caldwell, D-a-w-n C-a-l-d-w-e-l-l,

and I'm the executive director of Renewable Fuels Nebraska. RFN is the policy organization for Nebraska's ethanol industry, and we are proud to have 100% of the ethanol production in Nebraska as our membership. I'm here today on behalf of RFN and the Ag Leaders Working Group to offer support for LB1113. For your reference, the Ag Leaders Working Group consists of these organizations: Nebraska Cattlemen, Nebraska Corn Growers Association, Nebraska Farm Bureau, Nebraska Pork Producers Association, Nebraska Sorghum Growers Association, Nebraska Soybean Association, Nebraska State Dairy Association, Nebraska Wheat Growers Association, and Renewable Fuels Nebraska. Just last week, I testified in front of this committee about the tremendously favorable circumstances ahead for adding value to Nebraska agriculture and growing our bioeconomy as we discuss sustainable aviation fuel production and sales. At that time, I mentioned the necessity of carbon capture for that to be a truly viable opportunity. As the ethanol plants across our state have worked with carbon capture companies and created business plans to make their ethanol more valuable by lowering the carbon intensity score, they have run across a distinct challenge. The ImagiNE Nebraska Act has lent to business growth and expansion, which is good for all of us. However, it has been discovered that our Department of Revenue doesn't deem the carbon capture and inques-- and compression equipment, which is a significant business investment and essential to value-added production opportunities moving forward as exempt from certain taxes. The ImagiNE Nebraska Act needs to be amended to recognize the entire production process necessary to achieve a carbon intensity score that makes the ethanol competitive in tomorrow's marketplace. As the carbon capture companies progress toward the construction and operations phases, ethanol plants are working to make sure they will be ready with capture and compression equipment. LB1113 brings alignment of tax regulations for necessary business expenditures. I ask that for Nebraska's farmers and ranchers, Nebraska's ethanol producers, and particularly for Nebraska's small communities who rely on a successful ethanol industry for their vitality that you advance LB1113. Thank you. And I would try to answer questions.

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

DUNGAN: Thank you, Chairman, and thank you for being here. I always appreciate a plug for sustainable aviation fuel as well.

DAWN CALDWELL: I'm here for you.

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Revenue Committee January 31, 2024
Rough Draft

DUNGAN: From both your testimony and also who we just heard previously, it seems like this is intended to be a clarification to ensure that these are covered. Have there been any, I guess, disputes that have already occurred wherein there's been pushback saying these aren't covered? Or is this more of a belt-and-suspenders approach?

DAWN CALDWELL: Correct. Now companies have already been working toward business plans. When they do their financial planning or they're working on their cash flows, they consult with the Department of Revenue to make sure of accuracy working on their cash flows. And this is a clarification that is needed, based on the feedback they received from the Department of Revenue.

DUNGAN: So this has been already said this needs to change.

DAWN CALDWELL: Correct.

DUNGAN: So we want to make sure this is covered.

DAWN CALDWELL: Correct.

DUNGAN: Thank you.

DAWN CALDWELL: Yes.

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

DAWN CALDWELL: Thank you.

LINEHAN: Next proponent.

DON WESELY: Chairwoman Linehan, members of the Revenue Committee, for the record my name is Don Wesely, D-o-n W-e-s-e-l-y. I'm here representing Tallgrass Energy. We are moving forward on a carbon pipeline and progress has been very steady. We're looking forward to that being operational in the near future. But in order for it to be operational, ethanol plants have to have this equipment to capture and, and then be able to transport it through compression into our pipelines. So it's essential to the whole process. And then once it's in the pipeline, it can go to sequestration. But as was mentioned, there are other uses. And I thought Senator Meyer did a nice job of opening and, and listing some of those other options and potential industries that might develop in Nebraska. So for those reasons, Tallgrass Energy supports this legislation.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

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

DON WESELY: Thank you.

LINEHAN: Are there any other proponents? Are there any opponents? Anyone wanting to testify in the neutral position? Senator Meyer. We did have 2 letters, and they were both proponents.

MEYER: Thank you. Thank you for the folks who came in to testify in favor of my bill. And I won't take much time, but I think this is the next logical step of the biofuels industry. I think it ties in with the SAF fuel that Senator Dungan had talked about last week. We all know there's 2 new soybean processing plant-- plants coming online shortly in Nebraska and how this all fits together. I think there-- we never know everything that there is to know about how an industry progresses. But, but this is one step that we need to take to be able to use these tax credits for that compression of CO2.

LINEHAN: Thank you.

MEYER: So thank you.

LINEHAN: Thank you. Are there-- wai-- are there any questions from the committee? Senator Murman.

MURMAN: Yes. I noticed on the fiscal note there's, you know, there will be some loss in property taxes to the local level, you know, to government because of exempting these-- this equipment. But it doesn't-- I don't think it mentions in the fiscal note that if these plants don't keep operating and even increase their production and aren't there for the future, that there would be a tremendous loss of revenue to local [INAUDIBLE].

MEYER: Yeah. I don't even want to think about that road, because I know the millions and millions of dollars it pumps into the rural economy. And, like I said, it's just a necessary thing we need to do to clarify the law so that when these plants do get ready to buy that equipment, that it qualifies under the ImagiNE Nebraska Act.

MURMAN: Thank you. I just wanted to get that in the record. We need to be competitive.

MEYER: OK.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

LINEHAN: Thank you, Senator Murman. It is good to mention the fiscal notes. Are there other questions from the committee? Seeing none, thank you very much.

MEYER: Thank you.

LINEHAN: And OK, so everybody knows, Senator Bostar's across the hall. And when he gets done, I'm supposed to go across the hall. So can we go to Senator Murman's bill?

MURMAN: Yes.

von GILLERN: Senator Murman, welcome.

MURMAN: Good afternoon, Vice Chair von Giller-- Gillern and members of the Revenue Committee. My name is Dave Murman. I represent District 38. Today I'm introducing LB1397, a bill relating to the classification of agricultural and horticultural land for tax purposes. Specifically, this bill adds a provision which says that land use for nonagricultural or horticultural purposes, such as solar or wind farms, are not included in that classification. The logic behind this change is simple. Our agricultural and horticultural property tax rate is for farming purposes. In the case of creating wind and solar energy, this is a commercial venture. This classification is not about punishing any industry, but instead about making sure our classifications make sense to why we have them. The classification of ag land was designed to reflect the true nature of, as the name implies, agriculture. Wind and solar farms, whatever your position is on these, do not fit that nature. This is a bill that has a broad range of support from our agricultural community, including the Nebraska Cattlemen, Corn Growers, Farm Bureau, pork producers, sorghum producers, Soybean Association, Dairy Association, Wheat Growers, and Renewable Fuels Nebraska. With that, I'll close and encourage the Revenue Committee to support the work for a more realistic assessment of ag land and support LB1397. Thank you. I'm happy to take any questions, but there'll be more experts behind me.

von GILLERN: Thank you, Senator Murman. Any questions from the committee members? Seeing none, we'll invite up our first proponent. Anyone who'd like to speak as a proponent for LB1397? Seeing none, any opponents who'd like to speak in opposition to LB1397?

COLLIN BONNIE: I also need your green sheet there with-- I need your green sheet.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

JAREL VINDUSKA: Yeah, I'd like to hand those to each one of the senators.

von GILLERN: Good afternoon.

JAREL VINDUSKA: Hi. Members of the Revenue Committee, my name is Jarel Vinduska. It's spelled J-a-r-e-l; Vinduska is V-i-n-d-u-s-k-a. My address is 19506 South Highway 31, Gretna, Nebraska. What with-- what I'm having handed out right now is the way the directive is from the Department of Revenue right now. And if you could read through that right quick, what I have highlighted in red, says the real property of a facility, subject to local assessment, the land associated with a facility will continue to be assessed as it was prior to the existence of the facility. If, if the land was classified or was assessed as agricultural land prior to the facility being built, the land will continue to be classified as agricultural and horticultural land. The presence of one or more renewable energy generation facilities or supporting infrastructure is not a factor in the assessment of valuation or taxation of the real property or-- on which the facility is located. I think that it needs to stay that way. Because, if you-- if you read-- if you read the definition of agricultural and horticultural land, it says that if a parcel is predominantly used for agricultural purposes, it gets that classification. Now, the problem with that I see here is, I contacted Senator Murman's office and I said, OK, say, well, first off, it doesn't only include renewable energy stuff. It's any commercial use. So there's multiple other uses that could be classified as commercial to make you lose that designation. For instance, like, say, Calamus Outfitters, if they take people on canoe trips so that's a commercial operation. It'd be a shame to have them lose all of their agricultural and horticultural designation because commercial would make it too expensive to farm. And so this needs to be tightened up a lot if this is going to go through, to really define what you're talking about. I talked to Senator Erdman. I was kind of surprised he's a cosigner of this, because I thought we'd kind of come to the conclusion in the Legislature here that property taxes are the most damaging way to collect money for government. And here we're making a new hit on farmers and ranchers with commercial designation. See, like at our farm in Sarpy County-- Commissioner Albrecht is familiar with this-- see, we got hit really bad with when they excluded land associated with buildings. You know, we get stuck about \$77,000 to \$80,000 for one acre because, because, because of that. And so I'd hate to have the same thing happen to farmers and ranchers in the state with this where we don't clarify it. Like Senator Erdman said that he--

von GILLERN: Can I get you to wrap up your comments, please.

JAREL VINDUSKA: Yeah. He didn't-- he didn't intend for that to be the case, that you would lose the whole farm's designation. But I-- but I told him, I said, you know, intent doesn't mean anything by my opinion. It has to be spelled out in the legislation. Otherwise there will be room for confusion.

von GILLERN: Thank you,

JAREL VINDUSKA: Thank you.

von GILLERN: Thank you for your testimony. Any questions from the committee member?. Seeing none, thank you for your testimony today. Next opponent. Afternoon.

JOHN HANSEN: Mr. Vice Chairman, members of the committee, for the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I'm the president of Nebraska Farmers Union. The handouts that I'm giving you today are the latest effort to be able to sort of capture the economic benefits of renewable energy development. And so when we're talking about renewable energy development, whether it's wind or solar, these are natural occurring, things that, that farmers and ranchers have control of on their property. Whether you're for or against it, it is the, in our view, the right, the private property right of the landowner to be able to develop their, their property in a fashion that is consistent with their economic benefits, and their quality of life and their financial goals as long as it protects the public health and safety. So as we look at the value of wind in Nebraska, we have over \$6 billion worth of new capital investment in rural communities. We have about \$5,000 a megawatt in property tax, additional income, to local property tax using entities. And we have \$5,000 a megawatt, for farmers and ranchers on their land to be able to participate in renewable energy development. So this, this particular bill, in our view, is anti rural development. It's anti private property rights. It is a fix to no known problem. So the-- we need to be clear here when we're talking about wind. When you put a wind turbine up on your home quarter that you're taking out of actual ag production, less than a half an acre, that's-- that actually not in ag production, the rest of your home quarter is still growing whatever it was before and continues to do that. It continues to produce wheat or alfalfa or corn or soybeans or oats or whatever it is you plant there. So it continues to be an agricultural activity. It also, I think, inadvertently, unintentionally opens the door to a different

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

classification relative to a commercial activity. Every-- all of the production that we have that's in excess of our own domestic consumption is a commercial activity. We have a commercial activity called raising corn, soybeans, wheat, hogs, cattle, horses, all of that. Those are all commercial activities. So now we're going to discriminate against one kind of commercial activity versus another. So I think this bill opens up a Pandora's box of legal challenges relative to the Commerce and Uniformity Clause in terms of how we treat agricultural lands, because some agricultural lands obviously get treated differently than others. And with that, I would end my comments and be glad to answer any questions if I could.

von GILLERN: Thank you for your testimony. Any questions from the committee members? I just had one. I think you-- your comment was this is an anti private property rights. And I, I don't see anything in the bill that limits what you can do with the land. Am I reading that incorrectly?

JOHN HANSEN: What it does, Senator, in my opinion is it discriminates by creating a separate class that should not be there.

von GILLERN: OK.

JOHN HANSEN: So it becomes a, a discouragement of you using your private property rights.

von GILLERN: But it doesn't stop you from doing anything.

JOHN HANSEN: It doesn't stop you from doing it, but it doesn't put you on a level playing field with your neighbor, either.

von GILLERN: OK. Wanted to make sure I read that right.

JOHN HANSEN: Yeah. So discriminatory would be more accurate.

von GILLERN: OK. Thank you for your comments today. Appreciate that. Thank you for your testimony.

JOHN HANSEN: OK. Thank you.

von GILLERN: Next opponent testimony. Seeing no other opponents, anyone like to testify in the neutral position? Afternoon.

JON CANNON: Good afternoon, Vice Chairman von Gillern, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n

Transcript Prepared by Clerk of the Legislature Transcribers Office

Revenue Committee January 31, 2024

Rough Draft

C-a-n-n-o-n. I'm the executive director of NACO, which stands for the Nebraska Association of County Officials, here to testify today in a neutral capacity on LB1397. Thank you to Senator Murman for bringing this bill. I think these conversations are vital to have, especially when we're about to embark on a very long and very interesting discussion about taxes, which is my favorite topic and certainly is in my household. I will note that back when we decided that we wanted to provide this, this removal of wind energy from the property tax rolls as personal property back in 2010, there was a pretty intense and long negotiation with the wind ind-- the wind industry-- I wanted to say "windustry"-- that didn't quite work. And, and it was for that reason that we put into statute Nebraska Revised Statutes, Section 77-6203, which provides that if the-- the presence of a-- of a renewable energy facility shall not have any impact on the classification of ground. And so based on that, the Department of Revenue had a-- kind of a longstanding under-- understanding at the time that if something was in ag when you put a wind turbine turbine on it, it was going to remain in ag until such time as that was decommissioned. Then you figure out what's going on with that. So at the very least, the-- if, if this bill were to advance, you would definitely want to-- want to fix that statute because that would certainly be in conflict with, with what this bill would have to say. While you're at it, I think you probably should adjust the rate per megawatt since that was based on what personal property taxes a wind farm would have been paying back in 2010. And certainly the taxes they'd be paying on personal property if it was classified as personal property, would certainly be a lot more now. That probably should be adjusted, but that's, that's just a preference. I did hear some conversation about a directive from the Department of Revenue. They talked about it. You know, certainly a directive can't trump the Constitution. The Constitution's pretty clear that you're supposed to get to market value. It also talks about how we define agricultural land, and that being a separate class for purposes of taxation. A directive isn't going to trump the Constitution by any stretch of the imagination. And the classification that that whole issue shouldn't be used to get a, a favorable valuation. If, if something is, is commercial property and not agricultural-- used for agricultural or horticultural purposes, it should be classified as commercial property. If something is agricultural/horticultural land, it should be classified as agricultural land and therefore it receives the preference. So I think those are some things that are worthy of this committee's time and discussion about what we do with, with these sorts of properties. And with that, I'm happy to take any questions you may have.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

VON GILLERN: Thank you, Mr. Cannon. Any questions from the committee? Senator Dungan.

DUNGAN: Thank you, Vice Chair von Gillern. Thank you for being here, Mr. Cannon. I know you love talking about taxes.

JON CANNON: Do I.

DUNGAN: Quick question or a couple of questions to make sure I fully understand how it currently works. So under 77-1359, it talks about the primary use of the land needing to be for agricultural and horticultural purposes. Is that determined by the literal physical space taken up by the agricultural or horticultural purpose? Is it by income, revenue? How do you determine whether or not land is primarily used for that purpose?

JON CANNON: So the assessor has an ob--the obligation when, when, when you're talking about the appraisal of land and the valuation of land, the assessor first has the job of discovery. You know, what, what land is out there? What property is out there? And when they-- when they go out and discover land, when they-- when they look at it and they figure out what is it being used for? And so the assessor has to look at a parcel of land and they say, is this parcel being used primarily for agricultural or horticultural purposes? And if so, it is agricultural land, period, full stop. That's, that's where we get to the classification. The classification, once that gets determined, that's going to drive a lot of the valuation decisions that we have.

DUNGAN: OK. And then under your reading of what's proposed here in, in the bill, is there-- is there a-- is commercial purposes a term of art? Is there a definition of commercial purposes, or is that subjective based on the person appraising or assessing the land?

JON CANNON: Yeah. Commercial purposes means, you know, to engage in something for, for gain or profit. I believe that there are definitions in the Department of Revenue's regulations. I will note that one of the things that, that they-- that the Department of Revenue has, has determined as far as regulation defining agricultural land is they say that agricultural land is land that's being used for agricultural purposes, designed to yield a profit, you know, or being done for commercial purposes. And so I think when they had that regulation, when they drafted that regulation, they were trying to say, hey, look, just because you're running a couple of goats across the yard doesn't mean your, your, you know, residential address is

agricultural land all of a sudden. And so, you know, that, that question as to whether or not you're using-- you're, you're in the business of agriculture for commercial purposes, I don't think that means that you're using that, that all of a sudden ag land just falls under the classification of commercial land. If it's being used primarily for agricultural/horticultural purposes, it is per se agricultural land.

DUNGAN: And I think that's the question I'm kind of getting to is the potential conflict I see here. And I'm just trying to figure out how it would work if the bulk of the land is being used primarily for agricultural or horticultural purposes and also there's the presence of some wind turbines. And where would you-- does the very-- under this, in your interpretation, does the very presence of one wind turbine completely eradicate the other agricultural and horticultural purposes of the land? Or would there be a balancing test if it's majority being used for agricultural or horticultural? I mean, I'm just trying to figure out, like, do you wipe out the entire classification by virtue of the placement of one thing?

JON CANNON: No, you do not.

DUNGAN: OK.

JON CANNON: And in, you know, the test for the assessor is, is it being used primarily for agricultural or horticultural purposes? And so if it is being used primarily for ag, then it gets the ag preference. And that's how we've done it. That's how we, we like to do it. We don't want to stop doing it that way. And so the question, it gets a little bit more thorny, though, when, when you're looking at like let's say a whole bunch of solar panels that are occupying, let's say, a quarter section of ground. You know, if that is its own distinct parcel and it's only being used for solar or wind and there is no, no farming activity on it, the assessor, I mean, up until now, the assessor says it was ag when it went in. It's, it's remaining as ag now and ag it shall be until such time as we-- as they decommission and we figure out what we're going to do. You know, under this, then the assessor does have to, to look at it and say, well, gosh, is this being used primarily for commercial purpose-- the commercial purpose of renewable energy generation, or is it being used for the, you know, primarily for agricultural purposes? It's a lot cleaner and a lot clearer if we use the status quo ante, which was, you know, how things have been before this bill had come up to us. But again, I go back to the fact that, you know, directives and statutes can't trump the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

Constitution, and we can't use classification as a cudgel to determine that we're going to give someone favorable tax treatment.

DUNGAN: That all makes sense. And I do appreciate you clarifying that for me. Last question I have for you is can you think of or do you have any examples of other commercial purposes that this could potentially impact, or is it primarily going to impact, like, solar farms and wind energy and things like that?

JON CANNON: I was here primarily to talk about solar and wind. I, I, I've not exhausted the limits of my imagination yet, sir, but I'd be happy to talk to you later.

DUNGAN: Well, that was just something that jumped out. And I think the opponent testimony kind of got towards that is this says commercial purposes such as. It's a nonexhaustive list.

JON CANNON: Sure.

DUNGAN: And so I just am genuinely curious as to what other commercial purposes might fall under that category. So I can talk to Senator Murman about it later [INAUDIBLE].

JON CANNON: Sure. And, and to get to that point, I think the concern that someone that's engaged in farming that that might be considered a commercial purpose and therefore all of a sudden they're, they're no longer ag, they're under commercial, I, I think that's probably an unfounded fear. Because if you are-- if you were primarily involved in, in the agricultural or horticultural production of-- production on your-- on your parcel, it is ag, period, full stop. And so we're not-- we're not going to worry about classifying it as commercial. And we're going to, you know, tax you 100% or anything like that.

DUNGAN: OK. Thank you. I appreciate it.

JON CANNON: Yes, sir.

von GILLERN: Any other questions from the committee? Seeing none, thank you, Mr. Cannon.

JON CANNON: Thank you very much.

von GILLERN: Any other neutral testimony today? Seeing none, that will close or excuse me. Seeing none, Senator Murman, we'll invite you back to close. I'll mention, if you did not get a green sheet, I think we

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Revenue Committee January 31, 2024

Rough Draft

have some more in the back of the room on both sides and some more coming. So please remember to fill out a green sheet and hand it to Mr. Weekly when you come up. Thank you, Senator Murman.

MURMAN: Thank you. The bill does create an exception that agricultural land and horticultural land that does not include land use for commercial purposes, that is not agriculture or horticulture land. So if it's used for commercial purpose, it's not. That's what the bill does. And someone, one of the testifiers mentioned that it would be an increase in property taxes. And actually, if you look under the fiscal note from NACO, it said the value of these parcels would be increased by approximately one third for the parcels with wind and solar facilities. Thus, there would be room for reducing levies in the 40 counties with wind or solar facilities. So I think the overall result of the bill would be to reduce property taxes. I'll open for questions.

von GILLERN: Very good. Any questions from the committee members? Seeing none, thank you, Senator Murman. That will close our hearing on LB1397.

MURMAN: Thank you.

von GILLERN: We did have for letters: 1 proponent and 1 opponent. And now we will open on Senator Bostar's LB1049.

BOSTAR: First of all, apologies, committee. My hearing in the Government Committee took a little longer than I expected. And Senator Meyer's bill, must have just breezed right through it. Good afternoon, Vice Chair von Gillern, fellow members of the Revenue Committee. For the record, my name is Eliot Bostar. That's E-l-i-o-t B-o-s-t-a-r and I represent Legislative District 29. I'm here today to present LB1049, simple legislation that seeks to address Nebraska's high local taxes imposed on telecommunication services and reduce the resulting negative impact on Nebraska consumers. LB1049 would lower the cap from 6.25% to 4% on occupation taxes imposed by municipalities on wireless services. According to the 2023 Tax Foundation report on excise fees and wireless services released last November, Nebraska has the second highest disparity between wireless tax and fee rates and general sales tax rates in the nation, right behind the state of Illinois. In 2023, our wireless tax and fee rates averaged 12.92%, higher than our average combined state and local sales tax rates. Overall, Nebraska's wireless tax and fee rate was 5th highest nationwide, with overall rates comparable to Illinois, New York, and Washington State.

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Revenue Committee January 31, 2024

Rough Draft

Nebraska's 2023 combined federal, state, and local rate on wireless services was an extraordinary 30.87%. Local governments nationwide impose taxes on wireless services that are not imposed on other products or services. These taxes are antiquated legacy taxes left over from the regulated telephone monopoly era that existed prior to the breakup of AT&T in the 1980s. According to Ulrik Boesen, senior policy analyst on excise taxes at the Tax Foundation, approximately 25 years ago when wireless services began to compete with wireline services, municipalities grew concerned about declining revenues from local taxes on wireline telephone companies and sought to extend taxes to wireless services. Only 14 states currently allow local governments to impose some type of tax on wireless services, in addition to local option sales taxes. These taxes are additive and only further increase the tax burden on wireless services. Local taxes have a significant impact on the overall tax burden on wireless services in several of the states with the highest wireless taxes, including Illinois, Washington, Nebraska, New York, and Maryland, according to the Tax Foundation. LB1049 would provide tax relief in the following Nebraska communities: Bellevue, Gretna, Kearney, Omaha, Lincoln, Beatrice, Bennet, Chadron, Columbus, Crete, Emerson, Fairbury, Grand Island, Hastings, La Vista, Lexington, Nebraska City, Ogallala, Papillion, Plattsmouth, Schuyler, Wahoo, Waterloo, Waverly, Wayne, and York. It's clear that consumers across Nebraska's communities are paying excessively high tax rates on wireless services that have become essential to daily living. A 2.25% reduction in wireless taxes and fees would bring our overall average rate in line with neighboring Plains states: Kansas, Oklahoma and Texas. This legislation would provide needed tax relief for Nebraska consumers. Thank you for your time and attention. Be happy to answer any questions you may have.

von GILLERN: Thank you, Senator Bostar. Questions from the committee members? Seeing none, we will welcome up our first proponent. Good afternoon.

SCOTT MACKEY: Afternoon. Thank you, Mr. Vice Chair, members of the committee. My name is Scott Mackey, S-c-o-t-t M-a-c-k-e-y. I'm with Leonine Public Affairs, Montpelier, Vermont. And I'm here today on behalf of CTIA, which is a trade association for the-- association for the wireless industry, to express our support for this bill. I don't have a whole lot to say. The senator's testimony was so good. I think he probably could take my job. He laid everything out exactly as I was the coast-- coauthor of that study that the Tax Foundation did. I've been doing it for 20 years. And it's not surprising to me that Illinois and New York, states like that, are up at the top. But it is

surprising that year in and year out, Nebraska is one of the higher taxes on wireless service and wireless consumers in the country. Why is that? Primarily because of the local B&O taxes, but also because the state USF is also very high. And the combination of those two things together makes it a very high tax rate. And the detail for those taxes and the rankings is attached to the back pages of the testimony that was just distributed. So why is this a problem? Why this bill? I think clearly the taxes are regressive, especially the way wireless services are sold. Where you have people with 3, 4 or 5 lines for a family, these taxes really add up for families. And they have a disproportionately high tax burden on the folks who can least afford them. Now, 25 years ago when you had the box phones and the only people who could afford wireless service were the, you know, the guys jetting around, riding in the limos, maybe you could justify those type of taxes as a luxury tax. But clearly, wireless service is now a necessity for education, for employment, just for staying connected. So that's a problem. The second issue was one that the senator also mentioned, which is a double taxation. State localities do get the local option tax and they get the B&O tax. So the same services are basically taxed twice by local governments. And it's essentially a tax on a tax. And so it's particularly-- with this bill taking the, the rates down a little bit, locals are still getting a significant amount of money on taxes for these services. The cities might argue that, well, we have B&O taxes on a lot of things. But the reality is that the business and occupation taxes of \$10 a year or \$200 a year or \$2 per employee per year, compared to the, the large amount of money that are raised by these taxes, they just don't compare. So while this legislation would not fully eliminate the discriminatory tax burden the senator laid out in his testimony, they would go a long way toward lowering the burden on those Nebraska customers and residents who are at the very highest level of taxation. And so for that reason, I would ask on behalf of CTIA that you support this legislation. Thank you for your time. Happy to answer any questions.

von GILLERN: Thank you for your testimony. Any questions for the committee members? Yes, Senator Kauth.

KAUTH: Thank you, Vice Chair von Gillern. So what would in real dollars, what would the average person's tax be as we're currently charged versus what it would be if this bill goes into effect?

SCOTT MACKEY: OK, so let's take someone living in one of the municipalities that is at the full 6.25. So it would knock it down by

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Revenue Committee January 31, 2024
Rough Draft

2 and 2 quarter-- and a quarter percent. So if someone is spending, say that's a family with 4 or 5 lines are spending, let's say \$100 on their wireless service, it would reduce their, their taxes by \$2.25 per month. So they're-- right now they're paying about I think it would be about, well, 20% of that would-- they'd be paying \$20 per month, it would knock it down by a couple dollars per month.

KAUTH: OK. OK. Thank you.

SCOTT MACKEY: Thanks.

von GILLERN: Any other questions from the committee? I hate to have you travel all the way from Vermont for one question and three minutes of testimony, but thank you for being here.

SCOTT MACKEY: Well, I appreciate the opportunity. I haven't been back to Lincoln in a long time so it's great to be back. Thank you.

von GILLERN: You live in a beautiful city.

SCOTT MACKEY: Thank you.

von GILLERN: Thanks for being here. Next proponent. Good afternoon.

CHRIS PETERSON: Good afternoon. Vice Chair von Gillern and members of the Revenue Committee, my name is Chris Peterson, C-h-r-i-s P-e-t-e-r-s-o-n, appearing today as a registered lobbyist for T-Mobile in support of LB1049. Thank you to Senator Bostar for introducing this bill that would reduce Nebraska's excessively high taxes on wireless services. Over the past several years, T-Mobile has rapidly expanded its network and retail footprint for both their T-Mobile brand and their prepaid brand, Metro by T-Mobile. This expansion includes an investment of hundreds of millions of dollars in infrastructure, as T-Mobile builds out its own network across Nebraska. T-Mobile agrees with its industry colleagues and CTIA, the wireless industry's trade association, that Nebraska's wireless tax burden is exceedingly high. In fact, it's the 5th highest in the country as you've already heard in this hearing. The 2023 Tax Foundation study tells us Nebraska is 1 of just 14 states where local governments impose some type of tax on wireless services in addition to local option sales taxes. The study also tells us Philadelphia and New York City have lower state and local wireless taxes and fees than Omaha. Wireless service taxes are also regressive. From the Tax Foundation study, I want to quote that economists use the term regressive to describe tax systems that impose higher tax burdens on low-income taxpayers than high-income taxpayers.

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Revenue Committee January 31, 2024
Rough Draft

Measured as a percentage of income, low-income households spend a greater percentage of their budgets on wireless services than high-income households. Therefore, low-income households also spend a greater percentage of their budgets on wireless service taxes. Wireless service taxes are regressive, end quote. Furthermore, at a time when wireless carriers are expanding and improving their networks, many states are looking at ways to encourage rapid investment. High taxes are a deterrent to investment, a disincentive to growth, and lessens competition. Curtailing these excessive taxes would provide business certainty and reduce the wireless tax burden on Nebraskans. Thank you for your consideration of LB1049. T-Mobile looks forward to working with the Revenue Committee and Senator Bostar to advance the legislation.

von GILLERN: Thank you for your testimony. Any questions from the committee members? Thank you, Mr. Peterson. Appreciate it.

CHRIS PETERSON: Thank you.

von GILLERN: Any other proponent testimony?

NICOLE FOX: Good afternoon.

von GILLERN: Good afternoon.

NICOLE FOX: Nicole Fox, N-i-c-o-l-e F-o-x, representing the Platte Institute. I'm going to try to not be repetitive, because a lot of the points in my testimony have already been said. But I do want to go on record to say that for several years we have-- Nebraska has ranked in the top 5 as far as their burdensomeness and levels of tax rates on wireless services. And that is total in terms of the variety of fees that we impose, but also then the, the additional occupational tax. As it's been said, this is a very regressive tax. It imposes, you know, disproportionate burden on those who are younger and those that come from lower income households. We strongly support this bill. In the past, we-- I think this is probably the 4th time I've testified on a bill that has aimed to try and lessen the wireless tax burden on-- in our state. First time in front of Revenue, though. So this is-- and this is a policy proposal that's pretty much straight out of the Platte Institute's legislative guide. In the past, there have been proposals basically asking that if a municipality wants to impose an, a new occupational tax or an increased occuta-- occupational tax, that they take that to a vote of the people. And that is just something that we-- I wanted to put out there because these types of bills have

been heavily opposed, as you can imagine, by local governments in our state. So with that, at a time when Nebraskans desire tax relief, we feel that LB1049 proposes a reduction in local tax burdens to wireless consumers. And with that, I'm happy to take any questions.

von GILLERN: Thank you. Any questions from the committee members? Seeing none, thank you, Ms. Fox. Any other proponent testimony? Seeing none, any opponent testimony? Good afternoon.

LASH CHAFFIN: Thank you. Good afternoon. My name is Lash, L-a-s-h, Chaffin, C-h-a-f-f-i-n. I'm a staff member representing the League of Nebraska Municipalities in opposition to LB1049. First, the occupation tax on telecommunications as, as was described earlier, is, is a legacy-- it's a form of a legacy tax that goes back decades. And, and it often it was-- it was a replacement for old landline taxes that existed for decades. So these are revenues that have been embedded in municipal budgets literally for decades. You know, elected officials have come and gone many times. So if-- so if this revenue goes away, something has to give. Some other tax will have to replace this revenue. And maybe, maybe this is an issue that should have been dealt with 25 years ago. But we're left with a system now where these revenues are being used for EMS, police and fire, parks, fixing potholes. I mean, you name-- you name the municipal service, this revenue is going to some municipal service. And I know several municipalities have sent letters on this issue. I would encourage you to read those letters, because this is-- these-- this, this is important money. And this is-- this-- and if this money goes away, sales tax, property tax, something else has to go up to replace this, this revenue. And I'm gonna leave you with a couple thoughts. I mean, I think for this committee in particular, as, as Ms. Fox indicated, this concept has been in several committees over the last few years. And I think this is the first time it's been in the Revenue Committee. So I know Senator Albrecht's heard it in Transportation and others have heard it in other, other committees. You know, this committee will easily understand the relationship between all of the revenue sources that go into local governments. And the timing, I think, to piecemeal revenue and spending controls is not very good, particularly when so many of you have an interest in looking at comprehensive spending and taxation issues with, with local governments. The timing to piecemeal it just seems[INAUDIBLE]. Also really, if, if the service has become so important, really what the industry probably needs is vigorous and comprehensive rate control. Probably, probably there needs to be some rate regulation of the industry that would include taxes, fees and all other items. So, again, the industry, as indicated

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Revenue Committee January 31, 2024
Rough Draft

earlier by the proponents, the industry has changed and it might be in a position where that the, the rate control is, is probably the better method of looking at the cost of cell phone costs at this time. I would certainly answer any questions.

von GILLERN: Thank you for your testimony. Any questions from committee members? Seeing none, thank you for being here today. Any other opponent testimony? Seeing none, anyone who would like to testify in the neutral position? Seeing none, Senator Bostar, would you like to close?

BOSTAR: I would.

von GILLERN: By the way, we have no letters on the record--

BOSTAR: All right.

von GILLERN: --on LB1049 so.

BOSTAR: You referenced a letter. No letters.

von GILLERN: Don't have them. Could you double-check, please? Thank you.

TOMAS WEEKLY: I'll double-check. I didn't have any, but maybe that's an error.

von GILLERN: Oh. Thank you. Well, go ahead while he's checking.

BOSTAR: Well, thank you, Vice Chairman von Gillern and members of the Revenue Committee. I appreciate everyone coming to testify on this today. While during the opposition it sounded like maybe the recommendation was to socialize telecom, I actually don't think that's a good idea. But I want to-- I just want to go through a couple of things. We heard from several testifiers that it's a regressive tax. It absolutely is. This tax hits lower income individuals within our communities more than it hits those with higher levels of means. And we've done a lot of work in this committee over the last few years on, on something in particular that I-- that I-- that I've really appreciated and that is limiting or eliminating taxes on necessities. And even as we explore the tax landscape for our work this year, in this session, in our working groups, in our conversations, we've held true to that about we want to make sure we're not imposing our tax burdens on things that are necessities for people. It's unfair and it's unjust. That's what this is. Right? Can you-- can you really get

around in society without telephone service? No, of course not. So what we're talking about is not just a tax on a necessity, not just a regressive tax on a necessity, but a regressive tax on a necessity that is astronomically high. Anyway, people talked about how this bill's been kicked around for a while. This lowers it 2.5%. We should do more than that, but that's what we're talking about now. I think it's past time to get this done. And with your help, colleagues, I think we can. With that, I'd be happy to answer any final questions.

von GILLERN: Any questions from the committee members? Seeing none, thank you, Senator Bostar.

BOSTAR: Thank you.

von GILLERN: That closes our hearing on LB1049. We are shuffling the deck on bills with Senator Linehan being-- testifying in another room. And we're-- we'll go to my bill, LB1241, and I'll hand off to Senator Albrecht.

ALBRECHT: Thank you. OK. We'll now open on LB1241, Senator von Gillern.

von GILLERN: Thank you, Senator Albrecht and fellow members of the Revenue Committee. I'm here to share today on LB1241. The intention of LB1241 is to eliminate the windfall gain that happens when property tax valuations rise. The local taxing authorities allow their levy rates to remain the same. This results in an unintended boost to the tax taking by these local authorities and has led to budgets that outpaced inflation in recent years. I want to start by giving a property tax 101 explanation, and please forgive me if you are familiar with this, but not everyone listening to the hearing today is. First, property taxes are levied-- property taxes are 100% levied at the local level. The state does not levy these taxes. They don't collect them nor remit them. Second, property taxes are generally calculated by taking your, for most of us, most cases, taking your home value, dividing it by 100 and then multiplying that number by the tax levy or by the levy rate of each taxing authority. Third, if the valuation goes up and the levy stays the same, then the check you write gets bigger. And that's-- if there's a point I want to make, that's it. The-- if the levy rate doesn't change and your valuation goes up, you write a bigger check this year than you did last year. With the passage of LV-- LB1241, an increase in your home's valuation would require a corresponding decrease in the levy rate to zero out any increase in tax dollars paid. That said, it's been brought to my

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Revenue Committee January 31, 2024

Rough Draft

attention that there are some unintended consequences of LB1241 the way that it's currently written. First, there's a negative impact to equalized school districts through the TEEOSA formula. I've met with several school district representatives and also with representatives of the Nebraska Association of School Boards, to better understand the challenge that this presents. And I've committed to them to make every attempt to work through any of these challenges to ensure that schools do not go backwards in their state funding. Second, friends from the Nebraska Association of County Officials have asked whether this bill creates the opportunity for any override or if it is intended to lock in a budget number forever, not allowing for any growth. I responded to them similarly, stating that the growth needs to be allowed in some fashion and that growth must be accommodated in some way. Again, I commit to work with these folks to make the bill do what it is intended to do. Thirdly, I've spoken with the representative of the community colleges, and we need to ensure that the language in LB1241 works with the new funding mechanisms that the Legislature passed last year. Something I've learned is the first draft of the bill isn't always a perfect draft, and we're going to work through all that. I've had considerable feedback on the bill, and I want to stress that the intention is not to put school districts, counties or community colleges in a bad place. We need to account for growth and ensure that there are no unintended outcomes. I have some handouts that I'd like to review with the committee briefly. The first is a bar graph that illustrates the actual amount of property taxes collected from 2013 to 2023. For those of you who don't have this bar graph, that varies from 2014, \$3.565 billion to 2023, \$5.307 billion of 49% increase. The second page has some of my chicken scratch on it, and please forgive me for that. It's a calculation of what those same 2013 dollars would look like if simply inflated at the actual inflation rates. What you'll see at the prop-- in the center of this is the calculation that is done by Federal Reserve Bank calculator; shows that that \$3.565 billion in 2014 is roughly equal to \$4.588 billion today. That's 28.6% inflation value. If you look at the top of the sheet in my notes there, it says property taxes levied again, 2014, 3.565; 2023, 5.307, a 49% increase. Taxes levied over the inflation growth over that period of time, the difference is 20%. At the bottom of the sheet, further chicken scratch at the bottom-- hopefully you're following all this-- \$5.307 billion were collected in 2023. Based on the inflation adjusted number, that should have been 4.588, saying that \$719 million were taxed beyond the inflation rate. It's a huge delta. It's just phenomenal that the spending and the tax taking has so far exceeded inflation. I mentioned earlier that I want to make sure that there are

no unintended outcomes from the passing of 12-- from LB1214. But I want to make sure that I clarify the intended outcome is that local taxing authorities will have to take conscious public actions to increase their tax asking and increase their budgets. There will be no more pretending that taxes didn't go up when every taxpayer's writing a bigger check than they did last year. Thank you for your consideration. I'd be happy to answer any questions.

ALBRECHT: Thank you, Senator von Gillern. Do you have any questions? Senator Meyer.

MEYER: Thank you, Senator Albrecht. So, Senator von Gillern, would you consider this a tax shift?

von GILLERN: No. No. I don't see this as a tax shift at all. What this would do is-- what this is intended to do is to control spending by making the spending of the local taxing authorities more visible to the taxpayer, rather than the windfall gain that comes from the increased valuations in the taxing authorities. We all have our own personal stories we can tell on this. And I'm looking around the room and I'm getting grins from people. Everybody knows a story where they-- where they said, hey, you guys said you were cutting our property taxes. And even my local taxing authority said, hey, we cut your taxes. But what they did was they may have cut the, the levy by a 10th of a percent. But, but valuations went up 10, 15, 20 and I heard some horror stories in Lincoln about valuations going up 30%. Well, you don't-- I heard somebody say-- I can't take credit for this-- I heard somebody say, you don't write a levy figure in that little box on your check. You write a dollar figure in it. And if the dollar figure is bigger this year than last year, there should be a reason why that is.

MEYER: So I guess I look at-- as I look at this bar graph, it kind of looks like a shift towards more reliance on property taxes to fund those local services. So that's just my take on that.

von GILLERN: OK, you meant-- are you-- OK. Now I understand. I'm sorry. I thought you meant was LB1214 intended to shift property taxes?

MEYER: No.

von GILLERN: I see what you're saying.

MEYER: It's happened already.

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Revenue Committee January 31, 2024
Rough Draft

VON GILLERN: Yeah. Property taxes have increased. What, what I believe that graph says is the property taxes have increased far beyond what inflation said that they should have. I don't really have a commentary today as to why that is.

ALBRECHT: Any other questions? Senator Kauth.

KAUTH: Thank you, Senator Abrecht. Senator von Gillern, could you explain AM2135 to us?

VON GILLERN: AM2135 fixes the math that we did not have correct in the original bill. The original bill simply stated that if the percentage-- if the aggregate appraisal value has gone up 20%, that levies would be cut 20%. That math doesn't work. It becomes a self-perpetuating reduction in the budgets and that was not the intention. The intention was that what you-- what your budget was last year is a starting point for this year, and that the levy should be proportionately offset to do that. And we believe we got the language correct in the AM so thank you. That's a great question. I meant to point that out and I didn't.

ALBRECHT: Thank you. Any other questions of the committee? Seeing none.

VON GILLERN: Great. Thank you.

ALBRECHT: OK. Now we'll look for the first proponent for LB1241.

DOUG KAGAN: Good afternoon. Doug Kagan, D-o-u-g K-a-g-a-n, Omaha, speaking for Nebraska Taxpayers for Freedom. Every year as we witness sticker shock from seeing our higher property valuations and subsequent higher property taxes, we hear the same refrains from our local property taxing authorities. We did not raise your property tax levy. Don't blame us. Yet to the discerning taxpayer, it is easy to calculate how local taxing authorities raise generous amounts of additional revenue dollars from the higher valuations without having to raise the property tax levy. LB1241 would short circuit this windfall and force local subdivisions to live within their means without gouging the taxpayer. It would offer incentive for budget streamlining. We already have heard Chicken Little elected officials warning of cataclysmic cuts to services from LB1241. We remind them that taxpayers cut our budgets to pay our local taxes. If elected officials balk, they could request an escape clause amendment that requires voter approval for property tax collections to rise by more

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Revenue Committee January 31, 2024
Rough Draft

than a given percentage every year. Unless a state constitutional change is forthcoming, Nebraska property valuations and taxes will remain intertwined. This legislation absolutely must be included in the Governor's property tax relief plan. Other states, like Texas, with its revenue neutral law, are far ahead of Nebraska in putting the brakes on skyrocketing property taxes with tack-- tax lids, limits, exemptions, etcetera. And attached on the second page, you can see examples. LB1241 will keep Nebraska residents here instead of Nebraska losing its tax revenue to states that tax less. Thank you.

ALBRECHT: Thank you, Mr. Kagan. Do we have any questions of the committee? Seeing none, thanks for being here.

DOUG KAGAN: OK.

ALBRECHT: Next proponent.

LIZ ABEL: Good afternoon, committee members. My name is Liz Abel, L-i-z A-b-e-l, from Omaha, Nebraska. My husband and I are both professionals, and we have recently relocated back to Nebraska from Texas to be closer to family. We worked hard for many years to afford a spacious, comfortable home back in our native state. However, it appears to us that we are only renting our home from local governments because the property taxes on our home have skyrocketed since we moved back, up to 37 or 38% this past year. Until our state valuation system is decoupled from our property tax system, this twin taxing arrangement will continue to confiscate a larger amount of our hard-earned income, making Nebraska a less desirable state in which to live, work, and retire. I continue to hear legislators and others lament that they keep losing Nebraskans to other states. It isn't only the young professionals that are leaving the state. It is also those close of us-- close to retirement age that spend a lot of money in the state. I continually ask my husband, are you sure you want to live here? Because I'm not. The weather is not a draw, and the enormous taxes are a complete detriment for people wanting to call this place home. The Nebraska media has publicized the statewide outcry against skyrocketing property taxes. We don't need any more Band-aid solutions like tax credits. We need and deserve comprehensive property tax relief. I believe that LB1241 would slow down our already current unbearable property taxes. Thank you.

ALBRECHT: Thank you, Ms. Abel, for your testimony. Any questions of the committee? Seeing none, thank you. Next proponent. Good afternoon.

ALAN SEYBERT: Good afternoon. Alan Seybert, A-l-a-n S-e-y-b-e-r-t. I support LB1241. There are 2 problems with the valuation process used to assess all single-family residences that if addressed would mitigate some of the opposition to this bill. Sales data and assessment histories for single-family residences on the Douglas County Assessor's website show assessment-to-sale ratios and valuation histories that illustrate the problems. Several Nebraska statutes say that property valuations are required to be fair and equitable or uniform and proportionate. Other Nebraska statutes say that if the same process is applied to all properties, then valuations meet those requirements. The same process has been and is being applied to all properties so how did we get here? Section 77-5023 sets the acceptable range of valuations for real property at 92 to 100% of actual value. Section 77-112 defines actual value as the most probable price expressed in terms of money that a property will bring if exposed for sale in the open market or in an arm's length transaction between a buyer-- willing buyer and a willing seller. First problem, assessment values after a sale. Exhibit A summarizes data from the Douglas County Assessor's website. It's for several properties in the same neighborhood in northwest Omaha for the 2 years after their sale. Notice there are several assessed sale ratios outside the acceptable range. If all assessments after a sale were set so all ratios are in the acceptable range of 92 to 100%, more tax revenue would be collected every year. Second problem, annual assessment values. Section 77-112 also says actual value can be determined using 3 approaches when using a mass appraisal technique. Those 3 approaches are cost, income, and sales. Douglas County sets valuations using a mass appraisal technique, so by statute can and does use the cost approach to value individual family residences. In the cost approach, adjustment factors are applied in a construction cost model to arrive at an approximate market value. Market areas like neighborhoods, subdivisions, or school districts are analyzed to determine whether the need for valuation change is indicated. If the need for a valuation change is not indicated, the previous assessed value was reused. This explains why some property owners get extreme increases while others get no increases. Refer to the handout labeled, labeled "property record file." This is a public record available to anyone requesting it from the Douglas County Assessor's Office. It is not available directly from the assessor's website. This one is our record, my record for the 2023 tax year and is representative of many other single properties-- similar properties in Douglas County. On page 10 of 10 is our valuation history that shows--

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Revenue Committee January 31, 2024
Rough Draft

ALBRECHT: OK, Mr. Seybert, I'm going to have to ask you to wrap up.

ALAN SEYBERT: Just 2 sentences.

ALBRECHT: All right.

ALAN SEYBERT: --show no change from 2019 to 2020. Many other property owners would say that is not fair and equitable, but that is not my point. If instead of hitting some properties with large increases some years, you hit all properties every year with the same reasonable increase like 3 or 5%, you could generate the same overall level of tax revenue every year.

ALBRECHT: Very good. Thank you.

ALAN SEYBERT: Be open for questions.

ALBRECHT: Thank you for your testimony. Anyone have any questions from the committee? Thank you for your information. Next proponent.

WILLIAM BANWELL: Good afternoon, committee. I wanted to introduce myself. So the name, first name is William, W-i-l-l-i-a-m, last name Banwell, that's B-a-n-w-e-l-l. I'm a resident of Lancaster County. I moved back to Nebraska in 2019 after military service. I'd been living about the past 20 years in Missouri. I'm not going to mention what my property taxes were in Missouri. I don't know if the committee would believe it if I said what they were. I'll just say they were much lower than they are in Lancaster County. Now I'll make this very brief. The comments from Ms. Abel and, and Mr. Kagan really covered down well on this bill. I'm a proponent of this bill and ask it's considered. And I'll go back to what Senator Van-- von Gillern said early on about that the check that we write gets bigger, and I'll give two quick examples. I've got 2 properties here in Lancaster County. So in the course of 1 year or, pardon me, in the course of 4 years, the house that we've got on approximately Bradfield Drive and South Street area went up \$50,000 as far as valuation. I live in the Eastridge neighborhood here in Lancaster County, moved into a home there in 2019. In 2019, it was valued at 174K. In 2021, it went up almost \$50,000 in value to \$223,200. And in just 1 year from 220-- 2022 to 2023, it has gone from 223K approximately over \$100,000 to \$330,900. And it's already on a preliminary rise right now. I would ask for what is mentioned on the senator's sheet about an increase in property valuations being offset by a reduction in levy. And I think that'd be very helpful. And that concludes my testimony.

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Revenue Committee January 31, 2024
Rough Draft

ALBRECHT: Thank you very much. Appreciate it. Any questions from the committee? Seeing none, thank you.

WILLIAM BANWELL: Thank you.

ALBRECHT: Next proponent.

NICOLE FOX: Good afternoon. Nicole Fox, N-i-c-o-l-e F-o-x, representing the Platte Institute. The Platte Institute strongly supports Senator von Gillern's LB1241, which would require that property tax rates automatically fall to offset a rise in total taxable property valuation. This is a policy solution that is straight from our November 2023 tax policy brief. This simple yet powerful change would create greater taxpayer transparency and accountability. It would also curtail unlegislated tax increases that occur when tax revenues rise just because property values rise. LB1241 creates a new limit on property, property tax levy rates. After years of soaring tax valuations across Nebraska, taxpayers deserve protection against unlegislated tax increases. Transparency is one of the principles of a sound tax code. Yet under Nebraska's current tax system, property taxes can soar even without local lawmakers raising the tax rate. This occurs when property valuations increase and the tax rate stays the same. For example, consider one home that is worth \$250,000, where the owner pays an effective tax rate of 1.5%. The homeowner pays \$3,750 in property taxes. If the same home rises to 300,000 in value and the tax rate stays the same, the taxpayer will pay \$4,500 in property taxes. That is a steep 20% tax increase even though local officials did not raise the tax rate. Taxes went up without legislative action. This scenario has played out across Nebraska. Property valuations soared during the recovery from the coronavirus pandemic, and property taxes have soared with valuations. Lawmakers should protect property owners against these tax increases. The best way to protect property owners is to ensure their tax rates go down when their property valuations go up. And how much should the tax rate go down after valuations rise? The tax rate should fall such that the local political subdivision collects the same amount of property taxes as it collected before the valuation increase. In effect, this reform caps total property tax collections from one year to the next. Capping tax collections is more effective than capping tax rates or capping valuations. As we know, capping the tax rate still allows meaningful tax increases when valuations increase. Furthermore, capping valuation increase shifts the tax burden from long-term property owners to new property owners, creating a home lock-in effect as seen in California. The best way to protect taxpayers is to cap total property tax collections from one

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

year to the next, which is what this bill would effectively do. Thank you for the opportunity to testify today, and I'm happy to answer any questions.

ALBRECHT: Thank you for your testimony. Do we have any questions of the committee? Thank you, Ms. Fox. Any other proponents?

JIM NIPPER: I gave my copies of the-- my testimony to that young man over there, so I handed them out already. I don't know, but. Hello. My name is Jim Nipper, J-i-m N-i-p-p-e-r. I live in Lincoln, and I'm testifying in support of the levy limit suggested for LB1241. Many people in my community, one of which I think you just heard, have been shocked by the dramatic increase in their property valuations over the last year. My own property has had a valuation increase as of 2023 of about 25% since just 2020. That's quite an increase for only 3 years. I'm not saying these increases don't represent the general trend in property values. We've seen houses in our neighborhood bring prices that indicate an increase in valuation, but we shouldn't allow such increases to create automatic windfalls for taxing entities within government. Taxation in any form should never have the net effect of creating windfalls or surpluses for government. That defies the correct intent of taxation, which should be to address specific needs. Some considerations: reports from news outlets like CNN Business, Bankrate and Forbes have warned of housing-- a housing bubble over the last year nationwide, i.e. valuations that are unrealistically high. Another consideration, there's also record household consumer debt in the U.S. right now, over \$17 trillion. This means that many property owners are on shaky ground and don't need an added tax burden that contributes to their anxieties. Also we need to be concerned about folks of modest means who live in the homes that they've owned for decades, and those homes have had unexpected large jumps in valuation. Nobody should ever be taxed out of the home that they own. And that's, I think, a risk with some of these folks. Limitations on tax-- taxation resulting from property valuation increases should be a priority for the Unicameral. Please proceed with this agenda and help the people of Nebraska. Thank you.

ALBRECHT: Thank you, Mr. Nipper. Would you like to take it back?

LINEHAN: Where-- are we on proponents?

ALBRECHT: We are on proponents.

Transcript Prepared by Clerk of the Legislature Transcribers Office

Revenue Committee January 31, 2024

Rough Draft

LINEHAN: Do we have any questions from the committee? Seems not. Thank you very much. Next proponent. Are there any other proponents? Good afternoon.

MARK MCHARGUE: Good afternoon, Chairman Linehan and Revenue Committee. I'm Mark McHargue. I'm president of Nebraska Farm Bureau. I'm also here representing the Ag Leaders that have been mentioned several times already today. I appreciate the opportunity to visit with you in front of the Revenue Committee. Unfortunately, you'll probably get to see me a few more times over the next couple of days as we're working on something that's very important for agriculture and that's property tax. Today, I'm here supporting of Senator von Gillern's LB1241 bill. And as we've had conversations, quite frankly, over the last year about where we're at in property taxes, the conversation has come back many times that even though we've done significant work last year, and I appreciate all the work that was done by this committee, the nagging question just keeps coming up, but I don't feel it. Valuations have continued to go up. And so when they actually write that check, it's just-- it's just-- it's just not there. And so I think as we've had this discussion, we felt like at some point there does have to be something that's fairly radical that's done. And I would say Senator von Gillern's bill gets into that category. So the concept of actually if valuations go up, we actually force the levies to go down to keep this, keep this even. And we know that there's significant issues with that when you get into municipalities and how do we do some of the-- some of that type of funding. But at the end of the day, we have to slow this train down. And I would say not just slow the train down, we need to reverse how much we are actually spending on-- or collecting in property taxes. I also have the opportunity to be in the construction sector and build primarily workforce development housing. And so we've been building houses for about 7 years. And what we can build a house for, yYou know, several years ago has gone up substantially. But part of that home ownership has just been the increase in both the value of that home, which is great. We should not shy away from the fact that our values of our real estate is going up. That's a good thing. We should not be terrified about the property tax bill that comes along with it. And in my opinion, as we look at the housing side of the sector, the need for that, we have to look at how property tax actually plays into hurting us as we start thinking about building our population base, our labor scenario, it all plays together. One of the biggest costs of homeownership is property tax. And that, that just shouldn't, shouldn't be the case. I think we could do something about that. I think this would be a great move, Senator's

proposal of this bill. And I think it's a good step forward, recognizing that there's a number of other conversations that we're going to, to have around this. Be happy to entertain any questions.

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

MURMAN: Yes. Thank you for testifying. I know you talked quite a bit about residential housing and-- but, but you do represent agriculture. And I don't think any of the testifiers today have, I don't think, even mentioned agriculture or at least very little. Could you tell us a little bit about what the increase in property taxes did for agriculture, especially in the last 10 years, but over time?

MARK MCHARGUE: Yes, Senator, I appreciate that question. And bringing it back to the group that I represent. And it's not a mystery that agriculture has been leading the fight on reduction of property taxes for nearly 20 years, because I think our sector early on had the most rapid increase in property taxes that, that we've seen, up to 200%. And so we've been working on this hard. Now, the interesting thing is now, others in our community are feeling that same effect. And so we have more voices in the conversation. But I appreciate the question, because when I look back, when I look at my-- I, I have over the last several years on my spreadsheet, on my farm, my individual costs. And property tax is just a line item cost in production. That has gone up substantially. And when I look at the percentage of property taxes I'm paying relative to my other expenses, it's a really significant cost. And one of the things that's, that's hard for me is that agriculture we're in a competitive business. I'm competing with farmers in South Dakota and Iowa and Kansas, and their property taxes are lower. So when I look at growing agriculture in Nebraska and we can absolutely do that, but we need a competitive playing field. And that's the reason, as president of Nebraska Farm Bureau, I'm going to be here the next several days talking about the need to reduce property taxes, because it's just a significant problem we have in Nebraska.

MURMAN: Thank you. I, I like you, appreciate that we have a lot more voices complaining about property taxes now than we did, like, 10 years ago. But, also I'd like to ask you, farmers also are competing with farmers all over the, the, the nationwide, too, not just neighboring states. They're very important also, but our property taxes are too high compared to neighboring states. And of course, it's an expense that we have to pay to compete worldwide also. Thank you.

LINEHAN: Thank you, Senator Murman. Are there questions from the rest-- anyone else on the committee? Seeing none, thank you very much. Next proponent. Are there any? Thank you.

BRUCE BOHRER: Yeah. And good afternoon, Chair Linehan and members of the Revenue Committee. I'm Bruce Bohrer. For the record, that's spelled B-r-u-c-e B-o-h-r-e-r, representing the Lincoln Chamber of Commerce here in strong support of Senator von Gillern's LB1241. This is something I guess we would refer to as levy rebalancing or maybe zero-based budgeting. I was part of some of the conversations that Senator von Gillern referenced earlier. By the way, I thought this bill was going to be up a little bit later so I ran over here as soon as I saw you reshuffled it. I did hear the comment that Senator von Gillern made about unintended increase in property tax asking. I like that phrase. We hear it more often as just a windfall. And we see this effort as part of truth in taxation effort that we started not long ago. We agree with the prior comments about how some have resorted to, I guess what I would call a spin cycle, on these valuations, rate discussions. There's a lot of finger pointing. Some want to blame the assessor. Some want to blame, you know, the body that sets the rate. And, and we kind of think that's whose responsibility is it really, whoever sets the rate. I think another point and we participated in the rate or, excuse me, the truth in taxation hearing, last year. There's a lot of people talking about this issue there. They talk about the property tax increase, but they also talk about this idea of manipulating kind of the, the information that they're getting. As, as amazing it is-- as it is for all the people around here and probably everyone behind me understanding that simple equation of rate times valuation equals the tax, and it's really that, that tax, the product of that simple equation that you're worried about. A lot of people in the public can be manipulated by that. They, they can hear, oh, we lowered your, your, rate or we didn't increase your rate any more, even though the valuation went up so tremendously. And they're going to get a higher bill. But a lot of people in the general public really don't quite get that and get fooled by that. That shouldn't happen. I think that's already a comment people have made already. This is tough sometimes because we see ourselves as a collaborative organization. We work with our local governments to provide good government service and reflect what our community wants. So this is kind of sometimes a tough conversation, but it is a conversation we think is very needed along the lines of the truth in taxation, which is all really meant to, I believe, get people more engaged, get people to those budget hearings, get people to address their elected officials at the local level, be a

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Revenue Committee January 31, 2024
Rough Draft

part of the process of determining what their budgets will be. So with that, I'll conclude my remarks and would be happy to answer any questions you might have.

LINEHAN: Thank you, Mr. Bohrer. Are there questions from-- yes, Senator Dungan.

DUNGAN: Thank you, Chair Linehan, and thank you for being here. You and I talk a lot about Lincoln issues, and I appreciate the Chamber obviously being a part of this conversation. I think it's something that matters a lot to all of our constituents and property tax is something we hear about frequently.

BRUCE BOHRER: Yeah.

DUNGAN: I also know that what we're talking about here today is a small part of a longer conversation that we're going to be having--

BRUCE BOHRER: Agree.

DUNGAN: --over the next maybe--

BRUCE BOHRER: Yeah.

DUNGAN: --week or so with all these bills. I guess one question I have for you, because you do work so closely with local political subdivisions, Lincoln and Lancaster County, and I think that you are-- we generally are all good partners together with the Chamber.

BRUCE BOHRER: Appreciate it.

DUNGAN: Is there a concern that implementing a hard cap like this, based on the valuations increasing and based on the total amount that you can collect, is there a concern that this is going to prohibit local political subdivisions from keeping up with growth, keeping up without-- keeping up with inflation, keeping up with the economy in general? I understand--

BRUCE BOHRER: Well--

DUNGAN: --real quick, I understand that as valuations increase, sometimes it can be really problematic. Right? But generally speaking, it seems to me that the increase in valuations can, from time to time, reflect just the overall inflation of the economy, growth in the economy. And if we allow that to continue to increase, but then say

political subdivisions cannot collect additional money, is there a fear that that's going to prohibit them from keeping up with economic inflation and growth overall?

BRUCE BOHRER: I think the adjustment of allowable growth does address some of the concerns that you have there, but I think it's a valid question. I believe that local elected official would still have the capacity or local citizens in a larger election would still have some local control. So I think those address some of your concerns, but I appreciate your question and your concerns in this regard. I-- we, we do strongly believe in local control. And I do still think that there's the flexibility, again, through either a vote of the elected officials or elected body or bringing the general public more broadly involved.

DUNGAN: Yeah. And I would agree. I think local control is generally very important in these circumstances. And when we start to implement sort of one-size-fits-all solutions, I think it can be problematic when growth is increasing for different areas at different rates. But I appreciate your, again, willingness to keep working on this because it's an important problem. Thank you.

BRUCE BOHRER: Thank you.

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

BOB HALLSTROM: Good afternoon, Chair Linehan, members of the committee. My name is Bob Hallstrom, H-a-l-l-s-t-r-o-m. I appear before you today on behalf of both the National Federation of Independent Business and Nebraska Bankers Association in support of LB1241. We think LB1241 addresses a notion of fundamental fairness. The property tax take should not be increased solely based on valuation increases. We hear most frequently from our members that elected officials tell them we didn't raise your taxes. The, the levy limit stayed-- or the levy stayed the same or perhaps even was lowered incrementally. But nonetheless, as Senator von Gillern pointed out, you're paying a bigger share of the property tax, and you're writing out a larger check. Obviously, the Governor has a broad plan for property tax relief. There's elements both on the revenue side and the spending or taxation side. And you'll hear a lot more about that obviously within the next couple of days. We do want to indicate our appreciation for what the Legislature has attempted to do in terms of

providing property tax relief. Significant funds have been devoted to that. And by the way, a problem not of your making, but what we're looking at is probably what we hear is the, the significant funds that have been devoted have either maintained the status quo effectively or perhaps only slowed the rate of increase in property taxes. And so that-- with that, we will work with the Legislature as best we can to try and find solutions to the issue. But we think this is a critical element of addressing the problem. Be happy to address any questions from the committee.

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

MURMAN: Yes. Thank you for testifying. There's a big difference between raising a levy and raising valuation, of course, and our valuations going up. One thing that really bothered me last fall or late last summer, I guess it was, the media often would read, for instance, newspaper, local unit of government raised, kept rates the same or raised rates by only 2 or 3%. The levies went up, you know, anywhere from, pick a number, 10 to 40%. Do you think this bill will do anything to maybe address those kinds of, I would call false headlines because most people just read the headlines. They don't, you know.

BOB HALLSTROM: Yeah. And, Senator, I, you know, whether the headlines remain the same, I think the bottom line is what this bill does is go right to the heart of that problem. If you have those 20 or 40% increases in valuation, this bill says that you have to have a commensurate reduction in the levies. And I think, Senator Dungan, in response to your question, I think where, where Senator von Gillern was suggesting in his opening remarks is that he's had communications from some of the political subdivisions, and there are issues like growth and so forth that might have to be worked into this. But I think the underlying notion of saying that if your valuations go up, let's address it on the levy side, at least initially, and then we can work from there to make sure that there's fairness and flexibility.

MURMAN: Thank you.

BOB HALLSTROM: Thank you.

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

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Revenue Committee January 31, 2024
Rough Draft

BOB HALLSTROM: Thank you, Senator.

LINEHAN: Are there any other proponents? Any opponents? Good afternoon.

JON CANNON: Good afternoon. Chair Linehan, welcome back. Distinguished members of the Revenue Committee, my name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of NACO, which stands for the Nebraska Association of County Officials, here to testify today in respectful opposition to LB1241. Certainly appreciate the conversation I've had with Senator von Gillern in the last couple of days. He's always made himself available and is always willing to listen to what NACO has to say and I certainly appreciate that. I do want to talk about, first, the bill as written. It actually lowers the amount of property tax dollars asked for. And I'll just go through a very simple example. If you had a-- if your entire universe of value was \$100,000 and you had a 30 cent rate in the current year, that yields \$3,000 of tax. Under the bill as written, if the value goes up 10%, goes up to \$110,000, the bill as written says you have to take a 10% reduction in the rate. That would lower you to 0.27, and that would yield \$2,970. So it doesn't do what, what Senator von Gillern was, was intending to do. But he fixes that in the amendment, which we certainly appreciate. And I do appreciate what he said about the fact that we don't want to freeze budgets. We don't want to freeze property tax requests. We want there to be-- and I think I wrote this down-- there has to be-- they have to take a conscious public action in increasing the levy. And we certainly can appreciate that. Senator Linehan, you had LB103. I think that was, what, your first year in the Legislature, if I recall correctly. And, and I understand the, the issues that you have with this implementation. And certainly we want to work with Senator von Gillern as far as finding the appropriate mechanism to make sure that that public conscious action has taken place and, and what that mechanism looks like. We're, we're certainly happy to talk about that. There was someone that brought up earlier what the acceptable range is. And I don't-- I don't know if we want to get into discussion as to how stats are used by the, the Tax Equalization and Review Commission to determine whether or not values are in line. If someone wants to ask me a question, I'm happy to have that conversation. I'm not sure that really intrudes upon this whole issue. Someone earlier also had mentioned that we should-- maybe we should do like Prop 13 in California and go with just an acquisition value. I think that's the first time anyone has ever suggested that Nebraska should be more like California. And, and I would say that I, I think you can draw a straight line from the passage of Prop 13 in California in 1978 to

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

the, the increasing budget issues that that state has currently. I don't think we want to emulate that. I will note that the Property Assessment Division publishes a history of valuation and taxes. And over the last ten years, they will show that county valuations and where the valuation for the entire state, all 93 of us, those valuations had gone up 5.6% year over year. And counties' tax askings have gone up 4.336%. And so counties, we are-- we are increasing our tax asking for sure. That's really related to your point, Senator Dungan, more to costs. But we are not taking full advantage of those valuation windfalls. And I see that I'm out of time. I'm happy to take any questions you may have.

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

MURMAN: Just a quick question. Would you agree that California has more of a spending problem than a taxing problem?

JON CANNON: I would agree that California has a whole bunch of problems and I was born there.

MURMAN: Good. Thank you.

JON CANNON: Yes, sir.

LINEHAN: Why isn't LB103 working?

JON CANNON: Well, ma'am, as-- and, and I think that, that as implemented, it was very easy for political subdivisions to say we're having our budget hearing, we're convening our budget here, we're adjourning our budget hearing, and we're going to go right into the property tax hearing. I think there's a-- there's a fix for that that we could do to make it more meaningful.

LINEHAN: Could you bring me one press release, just one, in the last 5 years where county had that hearing and they did a press release on it?

JON CANNON: I doubt I could, ma'am.

LINEHAN: Because they don't want anybody to know they don't, do they?

JON CANNON: I don't want to speculate [INAUDIBLE].

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Revenue Committee January 31, 2024

Rough Draft

LINEHAN: Well, they didn't-- in 5 years, 93 counties, nobody put out a press release.

JON CANNON: I won't dispute that, ma'am.

LINEHAN: So it's not very transparent, is it?

JON CANNON: I think there are fixes that we can make to make it more transparent, yes, ma'am.

LINEHAN: Thank you.

JON CANNON: Yes, ma'am.

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

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

KYLE FAIRBAIRN: Senator Linehan, members of the Revenue Committee, my name is Kyle Fairbairn, K-y-l-e F-a-i-r-b-a-i-r-n. I represent the Greater Nebraska Schools Association, GNSA. My organization is comprised of 25 of the largest school districts in the state. The districts represent 70% of all the children in the state and 80%-- 88% of all the minority children in the state. I come to you today in opposition of LB1214 [SIC]. This bill would freeze tax asking at the dollar amount of the year that this legislation would pass. The, the bill looks like a bill to stop growth of property taxes to support public education in the state and replace it with state funding. The change in this funding, though, would not change the amount of state aid going to schools. It does not touch the TEEOSA formula which has an LER that will use the taxing authority within a district, and it will not increase state aid. It will only freeze property taxes. A growing district like Elkhorn Public Schools would fall so far behind in funding in the first year because they're growing, they could not grow their property tax rate, and they receive no more state aid because of their property tax growth. As, as most of you know, in the education world, our formula says needs by the state, resources taken away, you get state aid. If your resources go up, as in property taxes, you get less state aid. OK? [INAUDIBLE] Senator von Gillern talked about how it would affect equalized school districts. I'm here to say that in most cases the rural school districts would be the most hurt by this legislation. Their LER, if you have a low property tax rate now, say 50 cents or 60 cents, you're getting all the money you can from property tax-- from your property tax base. If you freeze that property tax base, those schools are not going to qualify for

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

state aid for a number of years because they're not going to be able to get over the dollar LER limit. So that's going to freeze them. There's no budget growth. There's no property tax growth. There's no state aid coming. They would freeze. They would have no growth whatsoever in the rural parts of the state. And the Legislature has made it clear you want teacher, teacher salaries increased. Teacher salaries make up 50% of a school district's budget. If you have 50% of your budget, you can't, can't move because you have no increased revenue. That's what this bill would be. Be happy to answer any questions.

LINEHAN: Thank you. Are there questions to the committee? I have some.

KYLE FAIRBAIRN: Senator Linehan, I was hoping you would.

LINEHAN: Yes. Did you just say 50% of the schools' budgets are teacher salary?

KYLE FAIRBAIRN: Yes, ma'am. And I did a study of all the GNSA schools, and it came out to 50.4%.

LINEHAN: That's -- thank you-- interesting. When you say 70% of all the children in the state of Nebraska, is that homeschoolers, private schools, all the public schools? What's that 70%?

KYLE FAIRBAIRN: That's all the kids in the public schools in the state of Nebraska.

LINEHAN: So you ignore the 15% that aren't in public schools.

KYLE FAIRBAIRN: I'm not ignoring them. I make the statement that it's public schools.

LINEHAN: OK. The LER, how many times in the last 20 years has the Legislature moved the LER now?

KYLE FAIRBAIRN: Quite a few.

LINEHAN: So we're quite capable of that, right?

KYLE FAIRBAIRN: Yes. But there is no there is no legislation in this bill to do that.

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Revenue Committee January 31, 2024
Rough Draft

LINEHAN: We don't need that. We have the right to do that every year. We've had this argument since I've been here. The LER can by the Legislature be [INAUDIBLE] every year.

KYLE FAIRBAIRN: Yes. But there is no-- there is no bill to do that this year.

LINEHAN: We can do it every year. It's the law now. Right?

KYLE FAIRBAIRN: OK.

LINEHAN: Well, you've argued several times that we do it all the time. Right?

KYLE FAIRBAIRN: You have done it, yes, in the past, yes.

LINEHAN: And we didn't have legislation every year to do that.

KYLE FAIRBAIRN: I believe there was. Yes.

LINEHAN: OK. I will-- I hope everybody that's here stays. I know I'm late at the hearings, my last hearings, but I will have some charts when I'm introducing my bill that will compare how property taxes have gone up and how much they've gone up. So, I don't have any other-- yes, Senator Meyer.

MEYER: Thank you, Chair. I, I guess I've been involved in school policy for quite a number of years, and I was always kind of under the impression that the teachers' salaries part of a school district was, you know, 70, 75%. So you're saying 50%. So does that mean administrative costs are extremely high or?

KYLE FAIRBAIRN: No. So, so how we broke it out, teachers was about 50; support staff, librarians, coaches, anything to do with the education--

MEYER: How about administrative staff?

KYLE FAIRBAIRN: --is another 20%. Administrative staff came out about 7.5%.

MEYER: Thank you.

KYLE FAIRBAIRN: Total overall, Senator Meyer, is about, in my study, was 80.6%. And I had some schools as high as 89% in salaries.

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Revenue Committee January 31, 2024
Rough Draft

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

KYLE FAIRBAIRN: Thank you.

DAVID KLUG: Thank you, ma'am-- Madam Chair, members of the Revenue Committee, for the opportunity to share our views on LB1241. My name is David Klug, D-a-v-i-d K-l-u-g. I'm the Vice Chair of the Sarpy County Board of Commissioners, here representing Sarpy County-- Sarpy County, testifying in opposition of LB1241 as written because it would stifle our ability to keep up with growth in our county. LB1241 would keep county property tax revenues flat, regardless of inflation, increases in CPI, or growth within the county, which would have a tremendously negative impact on the county's ability to provide necessary services for Nebraskans like public safety and roads. As the county has grown, so has our infrastructure and operational needs, including over \$70 million in a new correctional facility; hiring of 35 correctional officers to staff that facility, including an innovative mental health component in the new correctional facility to provide better services to our constituents and get people to help that they need when they need it. From an infrastructure standpoint, we've been expanding and modernizing our county road network with \$238 million dedicated budget on roads from 2017 to 2025. We've also constructed a road and sewer network that supports the Google and Facebook infrastructures and campuses. Sarpy County is the fastest growing county in the state of Nebraska, which is why I have such a concern around this. With that growth comes opportunities as well as challenges. With this first kind of collaboration, the county and 5 of the cities within the county have worked together to effectively open up 60,000 acres within the county to, to be developed over the next several years, effectively opening up the southern half of Sarpy County. This plan and project will generate \$15.7 billion in economic development for the state over the next 30 years and is the best, best long-term plan that we have for our constituents. If Sarpy County property taxes are kept-- capped by LB1241, the county will not have the necessary resources to build the infrastructure to complete this project. Add that to the growing list of unfunded mandates from the state that currently amount to \$15.6 million annually, and the county will be forced to make financial decisions that will determinedly or negatively impact the public safety, sewers and roads. With no ability to hire new deputies or simply cover the increased costs of salaries and insurance premiums, the county will be unable to fund deputies, road crews, and other workers to provide necessary services to Nebraskans. The Sarpy County Board is dedicated to being fiscally

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Revenue Committee January 31, 2024
Rough Draft

responsible with our constituents' money. We lowered the tax levy in 2022 to the lowest it has been since 1985. We believe the solution to maintain-- is to maintain local control, eliminate the unfunded mandates put upon us by the state, and allow the county's property tax request to stay on pace with development. Thank you so much for your time, and I'd be happy to answer any questions you may have.

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

KAUTH: I have one, Chair Linehan. Thank you. So you're saying that the, the county, if this happens, will have to cut police, cut-- there's nothing else that you can cut or there's nothing else where you could trim up. And I'd like to ask, are the county commissioners paid?

DAVID KLUG: The county commissioners are paid. And I guess compared to the other counties in the state, it varies wildly, wildly, how much they're paid. Sarpy County, we are about, I believe, \$32,000 a year right now.

KAUTH: And how many are you?

DAVID KLUG: There are 5 of us.

KAUTH: OK. So I guess I find the the threat of if this happens where you don't get any additional money--

DAVID KLUG: Um-hum.

KAUTH: --you'll have to start cutting services--

DAVID KLUG: Well--

KAUTH: --to be a little bit bold.

DAVID KLUG: And that's fair. But when we look at it, so as of right now, annually, just to keep pace with increased salary and insurance costs, the county-- it's costing the county over \$2.8 million. That's just to maintain status quo. That's no additional projects, nothing. That is just to maintain current staff levels. About \$1.1 million of that, I believe, is purely for first responders to maintain their COLA and steps. So when you start to look at that, just to maintain staffing levels that we have today, we would either have to raise the tax levy or, I mean, ultimately, if the levy is going to stay or our

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

income is going to stay exactly the same, we'd have to stop projects and we'd have to start cutting staff.

KAUTH: Do you, looking at your benefits packages for all of your employees--

DAVID KLUG: Um-hum.

KAUTH: --do you pay 100%? Do they pay part of it? I mean, are there, there--

DAVID KLUG: We, we-- I can't give you the exact numbers. I'm not going to sit here and try to give you exact numbers. I know that we work with NACO very closely and try to get the best option possible for our employees, as well as for the taxpayers.

KAUTH: So do-- but does, does the county pay 100%?

DAVID KLUG: We do not pay 100. I do not believe that we pay 100 percent. I'm not going to sit here and say-- I can get you that information though if you'd like.

KAUTH: I'd like that. Thank you.

LINEHAN: Thank you, Senator Kauth. Senator Albrecht.

ALBRECHT: Thank you, Chair Linehan. And thank you for being here. You're a commissioner now?

DAVID KLUG: Yes, ma'am.

ALBRECHT: Great. Congratulations. So what's the growth in Sarpy County being the fastest growing county in the state?

DAVID KLUG: So the, the current projections, I believe by the year 2035 we'll be about double the size of what we are right now. So we're about 160 right now. We're, we're supposed to be well over 300,000 within the next 20 years.

ALBRECHT: OK. And, how much did you say the unfunded mandates from the state?

DAVID KLUG: \$15.6 million.

ALBRECHT: \$15.6 million. Can you think of some that probably don't need to be there?

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Revenue Committee January 31, 2024
Rough Draft

DAVID KLUG: I have an entire list I'd be more than happy to provide for the-- for the subcommittee.

ALBRECHT: That would be nice. We'd like to see that.

DAVID KLUG: OK.

ALBRECHT: Thank you. And kind of piggybacking off of Senator Kauth's question, so when you have your benefit package, so even as a commissioner, obviously you get your benefits as the employees do. But do you pay 100%, a deductible? Is it--

DAVID KLUG: I do not use the county insurance, so I'm not going to be able-- I can't answer that question. I'm sorry.

ALBRECHT: OK. So I'd like to maybe get some information on that from you as well.

DAVID KLUG: Absolutely.

ALBRECHT: And. You know, being the fastest growing county in the state is important. But the valuations that you have on some of the folks that pay those taxes, if you live on 192nd and 370 and you pay \$12,000 to \$20,000 per home--

DAVID KLUG: Um-hum.

ALBRECHT: --I just really can't imagine that there aren't ways to take a look at the growth that you have of the incomes that you have coming off of the valuations of a lot of those new homes.

DAVID KLUG: Sure. And that's an absolutely fair statement. What I will say and getting back to Senator Kauth's question as well, as far as what are we doing internally? Our CFO is looking at departments and requests. And just this last fiscal year, if departments continue to ask for money but don't spend it, we're starting to pull that back in. So the example this, this last year, about \$2 million was found. And that's something to where we can move that around and ultimately, as we move forward, lower the levy in conjunction with that. And I will say-- sorry. Go ahead.

KAUTH: I was going to ask so your point--

ALBRECHT: Sorry, got to ask--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

LINEHAN: Where-- I don't think she's done.

DAVID KLUG: Sorry.

ALBRECHT: So getting that information to us would be good.

DAVID KLUG: Sure.

ALBRECHT: What you're all going to hear a lot of is tightening our belts.

DAVID KLUG: Absolutely.

ALBRECHT: Everybody's. Because what you do at the county level affects all of your constituents and they're watching. And that's why I spent the whole summer on a property tax committee with the Governor and we're going to figure this out.

DAVID KLUG: And I think we're definitely open for, for, for different solutions to this. And I don't think anybody would, would disagree that, that we need to figure something out.

ALBRECHT: Thank you. I appreciate--

DAVID KLUG: This bill--

ALBRECHT: --you being here to represent.

DAVID KLUG: Yes.

ALBRECHT: Thank you.

LINEHAN: Senator Kauth. Thank you, Senator Albrecht. I'm sorry. Senator Kauth.

KAUTH: My question was, you said you have 2-- you found \$2 million that you were able to bring back in.

DAVID KLUG: Yes.

KAUTH: Are you returning that to the taxpayers?

DAVID KLUG: So as of right now, this-- for this fiscal year, we maintain our tax levy and I want to explain why. Because did we want to reduce it? Yes. We're running into a situation with Douglas County and their juvenile justice center. They were effectively kicking us

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

out of it. They're saying we're changing the way we're doing things. We're going to kick you out. We were immediately looking at plans to building a new juvenile justice center in Sarpy County. The cost of that for construction was estimated at least \$8 million, plus about three quarters of a million dollars a year for operations. So we did not. We were trying to find a solution for that and figured we better have that money in the bank if we need it, because Douglas County is keeping us very-- [RECORDER MALFUNCTION] got a move on this. I've been working with Douglas County Commissioners for the last several months, negotiating new contracts to figure out how we can house our children at the juvenile justice center in Douglas County, saving taxpayers. And ultimately, we would then absolutely, in my mind, work to give that money back to the taxpayers and lower the tax levy.

KAUTH: Thank you.

LINEHAN: Thank you, Senator Kauth. Can I just ask something quick here, and then we'll come back to you.

MURMAN: No. Go ahead.

LINEHAN: Douglas County now has 2 juvenile justice centers, does it not?

DAVID KLUG: That is correct.

LINEHAN: And they're kicking you out?

DAVID KLUG: That is also correct. Well, we, we, we had a negotiation with them late December to extend the contract 6 months, so into June. And now we're working with them to have a long, ideally 10- to 15-year agreement because they do have the space. They've determined that they're going to have to run both of them in perpetuity.

LINEHAN: I think all of us in the legislature would be very interested in how those negotiations go, and feel free to call us.

DAVID KLUG: Absolutely, I will.

LINEHAN: Senator Murman.

MURMAN: Yes, you did mention that your levy is the lowest I think it's been since 1975.

DAVID KLUG: '85, yes.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

MURMAN: OK, 1985. And your-- of course, your valuations and your growth has increased tremendous-- tremendously since then.

DAVID KLUG: Absolutely.

MURMAN: I'm just wondering how much your tax asking-- total tax asking has changed since then, since you mentioned part of the formula.

DAVID KLUG: I, I can't provide a graph from '85 to current. My apologies. The tax asking for 2024 fiscal year is just over \$70 million, or about 27% of our total budget. If you'd like me to get some, some historic information to you, I'd be more than happy to provide that as well.

MURMAN: That'd be helpful. Thanks.

DAVID KLUG: Sure.

LINEHAN: Thank you, Senator Murman. Can you just say that, what you just said again, please?

DAVID KLUG: So our, our full-- our total tax levy for the 2024 budget is just over \$70 million, which accounts for--

LINEHAN: That's your tax taking, not your levy.

DAVID KLUG: That's our tax take, yes.

LINEHAN: OK.

DAVID KLUG: Correct.

LINEHAN: OK. And then go on. I'm sorry.

DAVID KLUG: That, that accounts for about 27% of our total budget.

LINEHAN: Where does the rest of your budget come from? Because we've heard all summer that the county only has property taxes.

DAVID KLUG: The rest we have cash on hand. We've had-- there was obviously some AROA funding in there. There's also [INAUDIBLE] to pay for roads projects.

LINEHAN: And the roads-- Thank you for sharing that because I have a note here. You get money from the state, don't you, for the roads?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

DAVID KLUG: Absolutely we do.

LINEHAN: And part of the gas tax goes to Sarpy County.

DAVID KLUG: Correct.

LINEHAN: How much of that-- how much of that is your budget?

DAVID KLUG: I can't give you--

LINEHAN: It's OK.

DAVID KLUG: --an exact number. Out of-- out of the-- yeah, I'd have to get that for you. Out of-- out of the, I believe, like the \$238 million that has been dedicated for roads, if we figure roughly 20% has been the cost of the county, that's just shy of \$50 million.

LINEHAN: You're doing a great job but--

DAVID KLUG: Thank you.

LINEHAN: And I think, you know, we all get trained in certain ways when we're in certain offices. You said you lowered your levy in 2022, which thank you very much. But did your tax taking go down?

DAVID KLUG: It did not. No.

LINEHAN: And that's-- it's-- it confuses people.

DAVID KLUG: Absolutely.

LINEHAN: When taxing entities. OK. Anyway--

DAVID KLUG: You know, I-- I'm all for transparency in this. The, the postcard bill I think is very effective. I think it was-- it was great. I went down and listened to our constituents last year for that testimony. And I can certainly empathize with their points of view.

LINEHAN: Thank you for being here. Are there other questions? Senator Dungan and then Senator Albrecht.

DUNGAN: Thank you, Chair Linehan. And thank you for being here. I know we're peppering you with a lot of questions.

DAVID KLUG: It's all right.

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Revenue Committee January 31, 2024

Rough Draft

DUNGAN: So fair to say as you continue to grow-- you said you're at about 160,000 now, and you expect to be at about 300,000-ish by about 2035.

DAVID KLUG: Correct. Maybe a little bit-- maybe closer to 2040. But yeah, double.

DUNGAN: pretty large expansion.

DAVID KLUG: Absolutely.

DUNGAN: One of the things that we hear often about in this committee, and, frankly, we hear about it in the Legislature in general, is the difficulty that we, we have to both attract and retain first responders.

DAVID KLUG: Um-hum.

DUNGAN: Is that an issue that your county's continued to have as well in terms of staffing with police, sheriffs, firefighters, paramedics, things like that?

DAVID KLUG: Absolutely. We've seen just issues in the-- in the working world in general. It's been hard to get employees. We've seen Douglas County has raised the salaries of their sheriffs and deputies. And, and we've had to reflect that in our budgets as well. We compete with the market, not, you know, not, not a court determining what is fair pay and what isn't. And so with the fact that other local jurisdictions are increasing their, their salaries for first responders, we're responding accordingly. We don't want to train somebody up for 6 months to a year and then lose them to another, another entity.

DUNGAN: Well, I know here in Lancaster County we've, you know, tried to pay more for those kind of things as well, have robust packages of benefits to make sure we can retain those individuals for a long time. And I know statewide they've also created certain incentive packages to increase, for example, the correctional officers at DCS and things like that.

DAVID KLUG: Um-hum.

DUNGAN: Is it fair to say that part of what the concern is that you've raised today-- I just want to make sure I'm understanding this--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

DAVID KLUG: Sure.

DUNGAN: --is ensuring that you have enough money to continue to fully fund and support those kind of first responders as you grow to that ultimate growth you're talking about by 2035?

DAVID KLUG: 100%. I mean, we need to maintain them for the-- for the new correctional facility that we have, as well as the, the sheriff's department out on the street. As the county grows, as we're doubling in size, as we're taking and growing into south Sar-- Sarpy County, we're going to have to have patrol units and sheriffs out in those areas to ensure safety for the community.

DUNGAN: Thank you

DAVID KLUG: 100%. Thank you.

LINEHAN: Thank you, Senator Dungan. Senator Albrecht.

ALBRECHT: I found it on my device.

LINEHAN: Any other questions for the committee? So I heard this this week, and I can't remember-- I think it might have been in the media-- that once the state raised wages at the penitentiary, who were paying less than the counties, now the counties are raising wages to match the penitentiary. It's going to be-- maybe we should all get in a room and talk. I'm not joking.

DAVID KLUG: It's, it's--

LINEHAN: I mean, that's--

DAVID KLUG: It has been a struggle and just negotiations and working with all the collective bargaining units. It has been a struggle for us to stay ahead of the game to make sure that we are keeping our best employees. And we've been successful so far, but we're certainly worried of losing our ability to do that.

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

DAVID KLUG: Thank you.

LINEHAN: Next opponent.

COLBY COASH: Good afternoon. Senator Linehan, members of the Revenue Committee, I'm Colby Coash, C-o-l-b-y C-o-a-s-h. I represent the

Nebraska Association of School Boards. And while we're here in opposition today, I-- really what I wanted to get on record was my appreciation to Senator von Gillern. As he mentioned in his opening, we did have some meetings earlier this week to talk about the unintended consequences that we, we saw in this bill that he mentioned in his opening. So we certainly understand his attent-- his intent in this legislation. We just wanted to bring that-- bring that to your attention. He did talk about that. That idea that this bill could just freeze growth in perpetuity, is a concern to us. And then for those of you that-- 5, I believe, that are on our, our Education Committee as well, you understand that valuations directly impacts the TEEOSA formula. And that was one of the things that we had a great meeting with Senator von Gillern about was how this bill might impact TEEOSA. Because it's here in Revenue, but it also impacts, school funding. So, you know, I understand the confusion that was brought up in a, a couple of testifiers. Because if, if a property taxpayer pays more this year than they did last year, that-- and then the political subdivision doesn't move their levy, that can be confusing. But the other side of that-- to that story is, and I think Kyle mentioned this a little bit in his testimony, is that when valuations go up, particularly for equalized districts, state aid goes down. And so while I might pay more in my property taxes, the state then is paying less in the form of equalization aid to the school districts where I pay more. So it's really the, the intersection between those two systems that we want to make sure is clarified and work with-- and we pledge to work with Senator von Gillern on those things to make sure that those aren't unintended consequences that make their way all the way through.

LINEHAN: Thank you.

COLBY COASH: Thank you.

LINEHAN: Are there questions from the committee? Mr. Coash, do you remember 4 or 5 years ago when the Legislature's Revenue Committee and Education Committee said that this was going to happen and we should get ahead of it with TEEOSA?

COLBY COASH: That was about the time when I started this position. And those-- I think that even predates years before that, where kind of the, the, the roadmap kind of was put out and said that this was--

LINEHAN: That we were going to have a problem.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

COLBY COASH: --this was headed this way.

LINEHAN: And that we should address TEEOSA and get ahead of this problem.

COLBY COASH: Yeah.

LINEHAN: But do you remember how much-- how many people would agree, I mean, in schools that we had a problem, we need to get ahead of it?

COLBY COASH: There's a variety of different opinions on that for sure.

LINEHAN: All right. Any other questions from the committee? Senator Murman.

MURMAN: Would you agree that this increase in valuations was a problem in rural schools a long time ago before we're talking about it now, actually, in the urban schools?

COLBY COASH: Sure. I mean, it's just a different problem than the urban schools have. Right? In, in the rural schools where the levies are low, right, when the valuations go up, I mean, they'd have to go up under the current system, you know, so much before state aid would kick in. Now the Legislature addressed state aid to unequalized schools in the last year. But it just affects them differently than it does equalized.

MURMAN: Yes. I was just trying to refer to the increase in valuations that took place years ago and the corresponding loss of state aid--

COLBY COASH: Yeah.

MURMAN: --when that happened.

COLBY COASH: So, I mean, that trajectory put the state off the hook, right? I mean, from a state's perspective, when those valuations went up, that was just less money that the state had to put in. And so that-- that's the intersection that we're concerned about with this particular bill and hoping that it can be connected to what, what happens in your other committee.

MURMAN: Hence the property tax problem. Thank you.

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

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

ALBRECHT: Thank you, Chair Linehan. Thanks for being here. I should have probably asked Kyle Fairbairn this question as well. It's not really a question, but do you ever wonder why the Governor put away \$1 billion for the schools and \$350 million and \$1,500 a kid last year? I mean, has that made the schools kind of wonder that we might be going down a different pathway?

COLBY COASH: Well, I don't think it's a question of wondering. I think schools have realized that there is a different path and--

ALBRECHT: So we're trying to help with that pathway.

COLBY COASH: Yeah, I know. Yes, I understand that.

ALBRECHT: So it wasn't a question, just an observation to be made. Thank you.

LINEHAN: Thank you, Senator Albrecht. So I think you were here when I asked Mr. Cannon about how many counties have put out press releases about the LB103 meeting from 5 years ago, about 5, maybe 6 years ago, where they have to have a meeting and they have-- because the levy does automatically drop now. Right?

COLBY COASH: Through LB103?

LINEHAN: Right.

COLBY COASH: Correct.

LINEHAN: And then the school boards have to vote to increase it back up. Right?

COLBY COASH: That's correct.

LINEHAN: So out of the 244 school districts, have any of them ever put out a press release that they did-- had that vote?

COLBY COASH: Not a press release, no.

LINEHAN: Have you ever seen it in the paper?

COLBY COASH: I have not.

LINEHAN: So we have a bit of a transparency problem.

COLBY COASH: Maybe it's a PR problem.

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

COLBY COASH: Thank you.

LIZ STANDISH: Good afternoon. My name is Liz Standish, spelled L-i-z S-t-a-n-d-i-s-h. I'm the associate superintendent for business affairs at Lincoln Public Schools, and I'm here today and testify in opposition to LB1241. I am passing out written testimony that was based on the review with the amendment. Was very appreciative to hear that Senator von Gillern had conversations with schools and has since become aware of the equalization impact this bill could have, most importantly, the local effort rate. For example, last year, Lincoln Public Schools lost \$10 million in equalization aid, and next year we will lose \$30 million in equalization aid. If our property taxes were frozen flat in that climate, we would have a major, major problem on our hands. So we have to shift back to property taxes under that circumstance, because that's how the formula in this state works. That is the key point I wanted to make on this bill. I know we probably have a lot to talk about later on Senator Linehan's bill, but that is the key point for this bill.

LINEHAN: Are there questions? Are there questions from the committee? I always think of you, Ms. Standish, as probably one of the smartest, if not the smartest person in the state on school funding.

LIZ STANDISH: Thank you.

LINEHAN: So you will remember 4 or 5 years ago when we had a conversation about what's going to happen when valuations go up and we're going to have a problem in my office. You were there. Patty Pansing Brooks was there. So this is not a big surprise we're going to have a problem with LER, is it?

LIZ STANDISH: Well--

LINEHAN: We've known it was coming for, like, almost since I've been in the Legislature.

LIZ STANDISH: A couple thoughts on that. I think the package that was advanced last year, the school finance package of 2023 that was a compilation of three bills. So one of those bills was LB583, which increased special education funding reimbursement and established foundation aid. As an equalized school district, we worked with that concept. So that was progress and change. Along with that came Senator Briese's bill, which was described and is a soft cap preserving local

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

control, which we'll get to later in your bill. That was part of that conversation. And then, as Senator Albrecht referenced, there was also the Education Trust Fund. I also want to recognize that in your time in the Legislature when we've worked together, which has not been in unison, and I understand that, I looked back as we were sitting there and it looks like it's back to '17-18, '18-19 was the last time the local effort was changed. So often when you were speaking of more state funding, in your tenure, you did not go back and change the local effort rate. It is in statute, so it does require a bill to change it, just as a point of reference. So I do recognize that we've had those conversations together. I believe those conversations led to the school finance reform package that was introduced last year, which has not been fully implemented. And I will explain that more in my testimony on your bill.

LINEHAN: So, OK, just just a heads up because I won't be up here. But there was also, and you were one of the ones that understood this, on the 80% special ed funding, GNSA, GNSA schools, for the most part, were already getting 80%--

LIZ STANDISH: We--

LINEHAN: --because it goes in their needs. You will fill me in. I know you.

LIZ STANDISH: OK.

LINEHAN: OK. We can have this discussion off the mic.

LIZ STANDISH: We can.

LINEHAN: OK. All right. Thank you.

LIZ STANDISH: Yep.

LINEHAN: Any other questions from the committee?

LIZ STANDISH: I would like to make note that when valuations did go up substantially in Lancaster County last year, our school district did drop the levy 14 cents. And so the average home actually went up 5%. That was keeping in context a \$10 million drop, drop in state aid and a \$30 million expected drop in state aid. So we worked on the package with the Governor, and we worked through that plan as we feel it was envisioned.

LINEHAN: But did your tax taking go down? Your levy dropped.

LIZ STANDISH: Our tax taking couldn't go down. Our state aid dropped \$10 million, so we had to replace that. We do need growth, and we can get in a debate about how much growth we need. And we had to prepare for the \$30 million cliff.

LINEHAN: OK. Any other questions? Thank you very much. Other opponents. Good afternoon.

DEAN EDSON: Good afternoon. Senator Linehan and members of the Revenue Committee, my name's Dean Edson. That's spelled D-e-a-n E-d-s-o-n. I'm the executive director for the Nebraska Association districts-- of Resources Districts presenting testimony in opposition to LB1241 as originally written. I want to state upfront that we're not opposed to property tax reforms. We're very concerned about the heavy reliance on property taxes to fund schools and other political subdivisions. At our conference last week, I think we had-- we discussed a lot of these bills. I had our districts develop policy statement, which I incorporated into this testimony, and that is we will work with the Legislature and Governor Pilleen on reasonable property tax reform measures. We will support reforms that reduce property tax reliance and provide adequate funding for both rural and urban areas. We oppose restrictions on local budgets that harm the ability of local government to implement programs and projects to meet federal and state mandated programs; make local annual adjustments to meet the needs of local citizens; adequately fund both rural and urban needs, and provide local funding for efficient natural resources programs to protect water quality, quantity, soil property, and the economy. The provisions as written originally in LB1241, they forced property taxes to go down, but it doesn't take into consideration of what needs to be funded. As long as valuations go up, taxes will continue to go down. I want to point out a few items here that have forced the districts to increase their property taxes. And back in-- I'm just going to summarize some of this, but they're bullet pointed for you-- 2001, they repealed the fertilizer tax that went to the NRDs for water quality programs, took away \$2.5 million. At the time, the state senator said, well, you're within your budget limitations. We'll dump it back on your property taxes. So it forced property tax increase on us. They limited the fund to \$1.1 million and require a 160% match and that's in statute. 2004, passed fully appropriated-- see my light's on here-- that required by the state for all the NRDs in fully appropriated basin and flat; reduced 18,400 acre-feet of water that cost the NRD taxpayers \$57 million. LB993, 25 million-- we had to--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

you passed a law. We have to provide up to 25 million gallons annually for municipalities for growth. I see I'm out of time already but.

LINEHAN: Thank you. We'll see if anybody has any questions. Would you finish the next two bullets just so it's on the record? The next two bullets here, you were--

DEAN EDSON: Yeah. The 2011, our state aid was taken away. That was \$1.4 million. And then in '18, we had 3 cents of our levy authority taken away in 2018 to fund projects out in those fully and overappropriated areas and the Legislature forced to fit underneath the existing 5.5 cent levy authority. So we had to make some cuts with some other programs to slide the state mandated funds or programs in underneath those levies. I want to point out that with all of this, we worked closely with the ag community for this water management. And so we're looking at some stuff into the future with full-value ag. And we've already been approached to help the ag industry and the producers meet some goals for full-value ag. That's going to require some additional dollars from us or could. But it also, we could maybe minimize it and just use a few of our local NRD dollars and then leverage it to get some federal funding. So there's some things going on in the future, and I just wanted to lay those out for you so.

LINEHAN: Thank you, Mr. Edson. Are there any questions from the committee? Was the 2018 because of 2017 we were in trouble and didn't have any money? Is that what happened? Or was this something--

DEAN EDSON: In 2018, no, it was a sunset provision and we-- in that and we tried to get the bill through. Senator Friesen worked with us on that. And we came a few votes short of the 33 necessary.

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

DEAN EDSON: OK, thank you.

LINEHAN: How many more testifiers do we have? OK. Move up to the front, guys, if you're going to testify.

CHIP KAY: That motion tells me I need to be quick. So, Chairperson--

LINEHAN: You've got 3 minutes.

CHIP KAY: Good afternoon. Thank you to the committee for testifying. My name is Chip Kay, C-h-i-p K-a-y. I'm representing Columbus Public

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Revenue Committee January 31, 2024

Rough Draft

Schools, the Nebraska Council of School Administrators, and Stance. I'm the director of finance and human resources for Columbus Public Schools. I appear before you opposed to LB1241. The concept of net zero continues to be an inconceivable approach here in the Legislature. Basically this bill, as it was written, is a 0% cap on property taxes. In my handout, I provided a chart showing our potential situation heading into the '24-25 school year. And under LB1241, we would be unable to increase our tax asking for any reason, as the bill and AM2135 require political subdivision to reduce its levy. Said tax asking dollars does not increase year to year. So you can see in that chart that I show our loss in state aid, a projected wage benefits to get back to even we would tax back up to the cap LB243 would still require cuts. If LB241-- LB1241 would pass, we would eliminate the green arrow in that chart. In reviewing this scenario, what other solutions would the committee offer? I know there's been talk about windfall in our district. Our taxes usually offset increases in raises. And in my later testimony, I've got more information on that in LB1361. I have heard comments about budget items, personnel costs. I haven't had the opportunity or any state senators ask to sit down and talk about real cost as related to our district. I want to share that our district cost per student is the 12th lowest in Nebraska. Under this scenario in front of you, our district would be tasked with cutting a substantial amount from its budget just 2 years after maneuvering a \$3.8 million reduction in state aid. Next question, are we losing students? The answer is no. Our state aid is reduced due to valuation increases, which I think several other people have spoke on today. But as our record valuations in Platte County went up, our state aid went down. As a result, our tax asking still didn't-- did not pace with those reductions. We actually taxed back less than we lost over that 4-year span. So what I would like to say is this bill will force us to, for districts that don't receive additional aid to freeze wages, benefits for employees or reduce staff, LB243 is already in place. We believe that's a mechanism that works. Also with my remaining time, I'd like to say that Senator Linehan and I are in absolute agreement. Dr. Liz Standish is the smartest person about Nebraska school finance. I'd be happy to take questions.

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

CHIP KAY: Thank you.

COURTNEY WITTSTRUCK: Hi there. Good afternoon, Chairperson Linehan and distinguished members of the Revenue Committee. My name is Courtney Wittstruck, C-o-u-r-t-n-e-y W-i-t-t-s-t-r-u-c-k. I'm the executive director of the Nebraska Community College Association and a registered lobbyist. I'm testifying today in opposition to LB1241 on behalf of all 6 community colleges in Nebraska. Senator von Gillern has been very accessible, as well as his staff, and open to working with us. But as the bill is currently written, we must respectfully oppose. Last session, the community colleges collaborated with the Governor's Office and the Legislature to craft a transformational new funding model for community colleges in Nebraska. As you all know, the new funding model was included in LB243, which was signed into law. Although community colleges are still considered political subdivisions, after last session they are funded in a completely different manner than every other political subdivision in the state. With that in mind, the community colleges again respectfully cannot support this bill as it's currently written because it conflicts with existing statutes, especially those related to community college funding. So on page 7, beginning on line 26 of AM2135, this bill establishes a levy cap, as we all have heard, for political subdivisions. And that conflicts with the new community college funding model contained in statutes 85-1517, 85-1543 and 85-2238, which are also referenced earlier in the bill. Although the lion's share of community college funding has been moved off of property taxes, the colleges still retain a right to levy up to 2 cents for capital. And should the state not meet its funding obligation set forth in the aforementioned statutes, the colleges retain the right to levy the amount of the difference, but no more. So, for example, and I'm making this up because I don't do math well, but if in 2025 the state fully funds community colleges according to the aforementioned statutes, their noncapital property tax levy would be zero. So then in 2026 and again, I'm making this up in case anyone is watching, if the state underfunds the community colleges by \$1 million, the colleges could levy up to \$1 million to make up that difference, but again, no more. LB1241 would limit the colleges' levy authority in 2026 and would therefore conflict with the existing statutes, which is why we must oppose it. We would be happy to continue working with Senator von Gillern and his office to rectify this conflict. Thank you for your time, and I'll be happy to answer any questions that you may have.

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

COURTNEY WITTSTRUCK: Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

LINEHAN: Good afternoon.

CONNIE KNOCHE: Good afternoon, Senator Linehan and members of the Revenue Committee. My name is Connie Knoche, C-o-n-n-i-e K-n-o-c-h-e-y, and I am the education policy director at OpenSky Policy Institute. The levy limit proposed in LB1241 would restrict a district's property tax asking for the current year to what it was for the prior year without regard to the needs of the school district. And we appreciate working with Senator von Gillern to talk about what these concerns are and that an amendment has been made, but we haven't had a chance to look at that yet. With ongoing workforce challenges, capping schools' ability to increase their spending over time will curb their ability to recruit and retain staff. Many states in recent decades have enacted laws that limit the collection of property taxes. And according to an article published by the Tax Policy Center, state funding limitations inhibit public school funding and educational equity. For example, Colorado passed the TABOR law, the taxpayers bill of rights, and that requires voter approval for tax hikes and it caps the annual valuation or the annual tax revenue growth. Voters can override this limit, but it's harder to win voter approval in communities where there's larger funding disparities. So even with districts with the same property tax rates, districts in rural and high poverty areas often are unable to raise as much revenue as urban or wealthier communities are. As a general matter, we appreciate the attention of the Governor and the Legislature to property taxes in Nebraska. However, we oppose the tax shift being assembled through the-- this bill and others. Specifically, we oppose any additional limitation or cap on how local political subdivisions can raise or spend money, as many are already in place. A lot of political subdivisions have levy limits, spending limits, and now school districts have revenue limits also. These caps make it harder for local public subdivisions to budget year over year, and they remove local control. School boards and county commissions, city councils are accountable to the voters, and their constituencies know their needs better than the, the Legislature. While we appreciate the effort to address Nebraska's reliance on property taxes to fund local subdivisions, we oppose doing so by a shift on the sales tax. The sales tax and not the property tax is the most regressive tax in the state. And this would shift, disproportionately impact low-paid Nebraskans, especially those who don't own property while benefiting large landowners, many of whom are out of state. That's all I have.

LINEHAN: OK. [INAUDIBLE] Are there any questions from the committee? Are you familiar-- you're familiar with this, right?

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Revenue Committee January 31, 2024
Rough Draft

CONNIE KNOCHE: Yes.

LINEHAN: So I'm just going to read a couple lines from here. Likewise, this is OpenSky's, right?

CONNIE KNOCHE: Yes.

LINEHAN: Middle-- likewise, low- and middle-income families typically devote larger shares of income to housing than higher income families. Nebraska's tax law includes measures like the homestead exemption, which we all know. Still, the lowest income families in Nebraska pay the higher percentage of their yearly income in property taxes than those of higher incomes. And in a paragraph before it says regressive taxes such as sales and property taxes, are the primary cause of lower and middle income families paying a greater share of their income in taxes.

CONNIE KNOCHE: Both taxes are regressive. The sales tax is more regressive on lower income people.

LINEHAN: That I have just-- I would like to see the math of that. I can't understand the math because we do not tax groceries, right?

CONNIE KNOCHE: Right.

LINEHAN: We don't tax-- we do tax gasoline, but there's no sales tax on it. We don't tax car repairs. We don't tax housing. So if you're low income, how much money do you have left after you pay all those bills?

CONNIE KNOCHE: Well, they have to buy clothing. They have to buy a vehicle to get from one place to the next. It takes more. They have fewer resources.

LINEHAN: But how much more money would they possibly have? Groceries. Your housing.

CONNIE KNOCHE: I can just--

LINEHAN: I need to see the math.

CONNIE KNOCHE: Yes, we can do that for you.

LINEHAN: Thank you-- of real, like, people.

CONNIE KNOCHE: OK.

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Revenue Committee January 31, 2024
Rough Draft

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

JIM LANG: Good afternoon, members of the Revenue Committee. My name is Jim Lange. I'm an attorney, 8526 F Street in Omaha, Nebraska. I represent Gretna, Bennington, Waterloo, and Elkhorn fire districts and sanitary improvement districts. I'm here to oppose LB1241 in its present form. Taking the fire districts, the 4 fire districts I represent provide fire and rescue services to more than 70,000 residents right outside of the outskirts of the city of Omaha and in the Sarpy County area. This bill would adversely affect these fire districts. An example is Gretna Fire. Ten years ago, Gretna Fire, we had 750 calls. Now we're up to 1,554 calls for 2023. We are in the process of going to-- from a all volunteer to a paid personnel. So capping our receipts, property tax receipts at this level would be-- would adversely affect a fire district that's in a growth area. Bennington Fire is in the same situation. We went from 600 10 years ago to 1,300 calls now. We're in the process of going from volunteer, all volunteer to paid personnel. So those are both what we call combination districts. So not being able to raise revenue to support the growth in these particular fire districts would be-- adversely affect our ability to provide fire and rescue. Now, one of the things maybe we can look at here, and I know this is an ongoing process is there's no exceptions. There's no exception for growth. And by growth, I'm talking new development. I'm not talking revaluation. Fire districts like Bennington and, and Gretna have substantial growth each year, a lot of new units coming on, a lot of services that we have to perform. So we're asking you to look at that part of this bill. And I appreciate your efforts to control property taxes. We all do. But look at that provision in the bill and provide some exceptions for these political subdivisions. One other point I want to make here is that, you know, these political subdivisions provide basic core services for citizens: fire, water, power, police, education, fire and rescue. They do a great job and under difficult circumstances. So I hope you take that into consideration when you're looking at these bills and putting in these exceptions. Any questions I'd be happy to answer them.

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

JIM LANG: Thank you.

LINEHAN: I have, oh. So Bennington, I've been by their fire station. It's very nice.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

JIM LANG: It's beautiful.

LINEHAN: Uh-huh. And I don't recall where Gretna's is. So is Bennington or Gretna working with their counties or other cities? Because what you're saying is you're going to-- they're going to build their own fire departments when Bennington someday will be Omaha.

JIM LANG: So like take an example, Bennington. So we cover areas northwest of Omaha. We cover areas outside of Omaha and northwest area there. And then we have an interlocal with the city to provide their fire services. So we're providing fire services to, let's say, 30,000 people. And we have--

LINEHAN: How many fire districts are in Douglas County?

JIM LANG: I think we in Douglas have about 7.

LINEHAN: Has there been any conversation ever that you would, all 7 of you would get together and figure it out, maybe somehow save some money?

JIM LANG: Well, once again, I think the fire districts, first of all, none of the board members are paid. We've gone from volunteer to now paid personnel on 2 of our districts. We serve a specific area.

LINEHAN: OK. It's all very nice, but it's not-- you're a very good testifier. Has there ever been a meeting with all those 7 fire districts where they have gotten together and figured out maybe if they work together, they could save funding?

JIM LANG: The fire districts through mutual aid, work together all the time so that if a call comes here, they work together so that on a mutual aid basis, they will provide fire and rescue services on a particular call as we go forward.

LINEHAN: Does that save money?

JIM LANG: Oh, that saves a lot of money and also becomes very efficient among the, the different fire departments. The other thing is most of these fire departments for, for many, many years volunteers. And if you look at the levy, how low those levies were in prior years, they're raising now a little bit because we have paid personnel because of the services. We're going from rural to a suburban. The people that move out to a suburban area in Gretna, Nebraska, they, they think they're coming from Omaha and they should

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

have the same services that they had when they were in the Omaha area. These are no longer rural fire districts. We have to provide those services.

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

JIM LANG: Thank you.

KEVIN EDWARDS: Members of the Revenue Committee, I appreciate you giving us the time to testify.

LINEHAN: Thank you very much.

KEVIN EDWARDS: My name is Kevin Edwards, K-e-v-i-n E-d-w-a-r-d-s. I'm the fire chief for the Millard Fire District and the administrator for the Papillion Fire District, and we're here to oppose the bill as written. One of the things that we've seen and to reiterate what was said by Jim Lang, is there's no provision for growth. Both the Millard and the Papillion Fire District are districts that are growing rapidly. In the Papillion district, the growth has been about 5.71%, and that's the growth due to the new development and new construction. In, in Millard, it was 3.15%. The call loads in the Papillion Fire District have went up dramatically as our population has went up from, from 65,700 to the-- well, the-- of the area that we serve which to serve the Papillion Fire District, the city of Papillion, and the city of La Vista. The total population of those three entities went from 65,700 to 68,400. Our average calls for service went up 5.88% over those years. We're dependent on the growth that we experienced to keep pace with the needs of the fire district to provide fire and rescue services. I'd be glad to answer any questions.

LINEHAN: Thank you very much. Are there questions from the committee? How much of Millard is not in the city of Omaha?

KEVIN EDWARDS: We've got the 33,000 people. We have a district in both Douglas and Sarpy County. Two thirds of our district is in Sarpy County, and a third of it is in Douglas County.

LINEHAN: And the two thirds in Sarpy County will never be in Omaha.

KEVIN EDWARDS: Right. And it's very far away from other--

LINEHAN: Does it buffer right up to Gretna, just like the school district does?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

KEVIN EDWARDS: Similar, yes.

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

KEVIN EDWARDS: Thank you.

ROMA AMUNDSON: Well, good beautiful afternoon. Senator Linehan, members of the Revenue Committee, my name is Roma Amundson, spelled R-o-m-a A-m-u-n-d-s-o-n. Excuse me. I am appearing before the committee in my capacity as a member of the Lancaster County Board of Commissioners. I am here to testify on behalf of the County Board in opposition to LB1241. The Lancaster County Board is committed to providing sustainable local government services to our constituents. Like the Legislature and this committee, the Lancaster County Board fully recognizes that sustainability requires property tax relief. In 2023, the property valuation in Lancaster County increased around 22%. For purposes of LB644, Lancaster County's allowable growth percentage was 4.78. In the face of daunting budgetary challenges, including unprecedented inflationary pressure and increased service demands from our growing community, the county board nevertheless reduced the county tax levy by 3.8467 cents, representing a 4% increase in property tax. However, we-- the Lancaster County's 2023 budget ensured that Lancaster County's property taxes remained below the threshold for participating in the public hearing set forth in LB644, while also responsibly meeting the increased needs for governmental services in our growing community. On its own, LB1241 ignores the real fact of the vibrant growth taking place in Lancaster County, our thriving county. Alongside a steady and enviable increase in residents and businesses in Lancaster County, the demand for core governmental services like first responders, public safety, and roads and bridges also continues to increase. The allowable growth percentage recognizes the fact that a growing community wants and deserves a proportional increase in governmental services that make Lancaster County such an attractive place to raise a family and run a business. LB1241 would eliminate Lancaster's County-- Lancaster County's ability responsibly to meet the needs of our constituents by perpetually locking spending in place, no matter what increased services may be needed to keep our citizens healthy and safe. Lancaster County recognizes the need for prudent government spending, and the Lancaster County Board is committed to working with Senator von Gillern, the Legislature, and this committee in identifying solutions to resolve the property tax challenges facing the state of Nebraska, including finding ways that

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

LB1241 may fit into a global tax reform package. However, as a standalone bill--

LINEHAN: Your red light is on.

ROMA AMUNDSON: Excuse me. Yes, sir. OK.

LINEHAN: OK. Do you want to read the last few lines of this?

ROMA AMUNDSON: Thank you for the opportunity-- thank you for the opportunity to testify and for your service to our great state. I would be happy to answer any questions.

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

KAUTH: Thank you, Chair Linehan. Mrs. Amundson, thanks for being here. I have a question about the fact that you say you're growing, you're adding new businesses, new residents. Won't those new businesses and new residents in that new development also give you new taxes?

ROMA AMUNDSON: Yes, it will.

KAUTH: You're not-- you're not depending on what you have now for this growth. The growth will happen and you'll get the taxes from that growth.

ROMA AMUNDSON: We will get growth, yes. And I will agree with that. But there's one of the things that you always need to, to remember that there are other people coming into Lancaster County, you know, who are-- we are a welcoming committee, I mean, a welcoming community. So we have many immigrants from various countries coming in, and they do require additional services. And so we do have that additional growth in businesses and in homes and things like this. But also there are governmental services that are required to provide services to those communities. For example, we have building going on just-- it will be potentially building going on. I live in a-- in a rural area. And so we have developments coming out on-- along at 100-- South 148th Street. OK. We are putting water out there and there's going to have to be electricity out there. And so we don't know exactly how much that is all going to cost and if the increased growth is going to match that. We don't know that.

KAUTH: OK. That-- all right. Thank you.

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

DAVE WELSCH: Good afternoon, Senators. My name is Dave Welsch, D-a-v-e W-e-l-s-c-h. I'm the board president at Milford Public Schools, just west of Lincoln here. I've been on that board going on 26 years, and I am a farmer in that area. So as these handouts come around, I'm probably going to get ahead of it here a little bit, but Milford has always been an equalized school district. Ever since 1991, when TEEOSA was created, Milford's been an equalized school district. When valuations of ag land increased over 8 years by over 300%, we almost became nonequalized because of our so-called new resources there, that's calculated in. The first page, hopefully is at the top in the bullet that says needs minus resources equals equalization aid, and that's a little bit of a primer on the basic formula within TEEOSA. As our valuations would go up under this bill, our equalization aid would go down. And even though our taxes might be maintained the same, our equalization aid goes down like many other previous testifiers have said. I'm not, you know, there's 2 pages to this handout, and I think I'm going to focus on the second one with the little time I have here. There's a great disparity in property taxes across Nebraska, especially out in rural Nebraska. Seward County is a case where Centennial has about a 50 cent levy and Milford has a 94 cent levy. And the gentleman from Farm Bureau mentioned that we're competing with South Dakota or Iowa or Kansas. I'm competing with the guy right across the fence in the neighboring school district. I have to sell my beans for a dollar more a bushel just to be on an even playing field with that farmer right next door to me. So that's where we need to focus. It's not so much in, in maintaining a flat property tax level. It's in trying to change the disparity of property taxes across Nebraska. And that's what we need to focus on. Right now, the General Fund levies in Nebraska probably vary from about 35 cents to \$1.10, 3 times higher in some districts than others. Great disparity. The way to solve that is with the second page of the handout. And there'll be an opportunity maybe to share on this in the next bill or probably on Friday. But we need to figure out how to disburse money within the state to lower property taxes. And we need to-- and one solution to that is lowering the valuations inside the TEEOSA formula. And that's what that second page with the chart and graph show. The main thing I want to point out is down at the bottom where it says '23-24 Nebraska plan average potential levy reduction, very bottom right in the center. We need to target the tax relief. And this is a plan that can do that. As you can see, schools on the left with the current 90 cent

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

levy, they could get a 24 cent reduction. And then on down to schools that already have low levies, they get a 3 to 6% reduction. So I see my time's up. I'd be happy to answer any questions.

LINEHAN: Thank you. Are there any questions from the committee? This is the Nebraska plan, right?

DAVE WELSCH: Yeah. 2.0.

LINEHAN: OK. So what guarantee is there if we lowered the levies inside the formula, but not outside the formula, that there will be property tax relief?

DAVE WELSCH: Because as schools become more equalized again, back in 2007 or '08, we had over 200 school districts--

LINEHAN: I know all that. We know all that.

DAVE WELSCH: --were equalized. The guarantee is in your locally elected school board members.

LINEHAN: Right. That's [INAUDIBLE]

DAVE WELSCH: I am not going to tax myself any more than I have to, as well as my neighbors and friends.

LINEHAN: But there's nothing in the bill that-- nothing in this plan that forces property taxes to go down.

DAVE WELSCH: I think that that is already there out all across Nebraska with locally elected officials.

LINEHAN: OK.

DAVE WELSCH: That's how we reduce property taxes.

LINEHAN: Thank you.

DAVE WELSCH: We provide them with the resources and they'll make the decisions to lower property taxes.

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

DAVE WELSCH: Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office

Revenue Committee January 31, 2024

Rough Draft

BRETT RICHARDS: Good afternoon. I'm Brett Richards, assistant superintendent of business services at Papillion La Vista Schools, B-r-e-t-t R-i-c-h-a-r-d-s. I wasn't going to testify today, but I just want to bring some things to your attention, because I think it's a great conversation. We had this with the Education Committee a year ago. Our situation is a great example of why taxpayers are getting killed. OK? So our taxpayer-- our property tax, actual property tax has probably gone up over 30% over the last 5 years. But our state aid has dropped similarly. So next year, we're expected to drop from \$28 million to \$21 million in state aid. That's \$7 million. That's about 8 cents of property taxes. How do we make that up? We can't, only to raise property taxes 8 cents or our valuation goes up 8 cents the next year and we can keep the levy the same. But our property taxes, oh, our property taxpayers are getting killed in that scenario. It's not a school problem. It's a state TEEOSA formula problem. We've been saying that. Senator Linehan said that. We would love as believe me, as a business official, I don't want to get killed in front of my taxpayers having to explain this every year. It's a formula issue. But I do like the truth in tax-- taxation hearing, because I can go in front of them and tell them exactly what's going on. Now, half of them don't listen, but it's the truth. So the-- this is not going to be solved by a one-size-fits-all property tax scam because of that TEEOSA formula. And that's why I think Senator Linehan, Governor Ricketts in the past have gone to the property tax credit mode, which we really appreciate. I can tell my taxpayers that too. You can get 30% off your, your school taxes if you file in April. OK. So that's about all we have right now. One other thing I was going to mention. And it's an unequalized versus equalized district deal. So if I was an unequalized superintendent, I could just drop my property taxes accordingly as the tax levies were raised. It was pretty easy, right? As an equalized district, I can't do that. So it really to my mind, it becomes that simple to think about. I don't like the fact that we're thrown under the bus as a school district to say that we could just give the, the valuation increases back to our taxpayers. It's just not true. I wish we could. I live in that district. I would like to pay lower taxes as well, but the equalized districts are just getting killed and those taxpayers. And that's why you're getting the complaints you get. And I'd be happy to answer any questions.

LINEHAN: Thank you. Are there-- yes, Senator Meyer.

MEYER: Thank you. You said you had a 30% increase in the last 5 years. So--

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Revenue Committee January 31, 2024
Rough Draft

BRETT RICHARDS: At least.

MEYER: So what would you suggest I tell my ag land producers who have had a 90% increase in the last 8 years?

BRETT RICHARDS: Well, I would hope they would be from unequalized districts where their school boards can [INAUDIBLE].

MEYER: It doesn't matter. Just their valuations went up that much.

BRETT RICHARDS: But their school boards can give them back that money. We can't.

MEYER: You would think so. Doesn't always work that way.

BRETT RICHARDS: Yes.

LINEHAN: Thank you, Senator Meyer. Are there any other questions from the committee? What school did you say you're from? I'm sorry.

BRETT RICHARDS: Papillion La Vista.

LINEHAN: Did you get more state aid last year?

BRETT RICHARDS: No. Oh, yes. Last year we were able to. We dropped our levy by over 11 cents.

LINEHAN: How much more state aid did you get last year?

BRETT RICHARDS: I couldn't tell you that right now without [INAUDIBLE].

LINEHAN: Did your special ed go from 40% to 80%?

BRETT RICHARDS: Yes. And we were able to give-- we did what the Governor asked us to do. We gave most of that, almost all of that back to the taxpayers, 11.2 cents in tax cut.

LINEHAN: Did people's taxes actually go down?

BRETT RICHARDS: I think so, yeah. Mine did when I got my card.

LINEHAN: Thank you. Any other questions from the Legislature-- from the Legislature-- from the committee? Thank you for being here.

BRETT RICHARDS: Thank you.

LINEHAN: Good afternoon.

SHANE RHIAN: Good afternoon, Chairperson Linehan and members of the Revenue Committee. My name is Shane Rhian, S-h-a-n-e R-h-i-a-n, and I am the chief financial officer at Omaha Public Schools. I am here today on behalf of the Omaha Public Schools, Nebraska's largest school district, serving over 52,000 students and their families. I'm here today in opposition to LB1241 and AM2135. While we appreciate Senator von Gillern's efforts to reduce the burden of property taxes on all Nebraskans, this bill and the resulting freeze in property tax revenue would be extremely detrimental to not only Omaha Public Schools, but all school districts statewide. School districts in the state of Nebraska have historically had two significant statutory limits on their budgets: a \$1.05 hard cap on the local property tax levy, and a limit on the growth of the budget authority and related expenses. Currently, the certified budget authority calculated by the Nebraska Department of Education has a statutorily mandated basic allowable growth rate of 2.5% annually, with some adjustments for student growth, special grant funds, and special education expenses. The Legislature passed LB243 last year as part of the Governor's School Finance Reform package, adding a third limitation on the growth of school district budgets, a 3% soft cap on overall revenue growth. This cap on revenue growth is calculated by the Nebraska Department of Education and a certified property tax authority amount, which is an additional cap on the levy rate that local school districts can pass. LB1241 and AM2135 would appear to freeze local property tax revenue for school districts and their political subdivisions and other political subdivisions. LB243 established or LB1241 establishes an additional levy limit that requires school districts and other political subdivisions to lower the levy rate by the percentage increase of its total, total taxable valuation, effectively freezing property tax revenue at amounts levied in 2023 with no future growth. AM2135 changes the percentage reduction of the levy and requires that a school district or political subdivision's levy shall be no more than the levy necessary to raise the exact same amount of property taxes as was raised by such political subdivisions in the prior year. Freezing property tax revenue at current levels would be catastrophic for school districts. School districts currently have no other mechanism to raise revenue to fund the operation of their schools, and a complete freeze of property tax revenue would quickly erode their ability to provide a quality education for the students they serve. I see I'm out of time.

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Revenue Committee January 31, 2024
Rough Draft

LINEHAN: Yes. So you were under this off cap this fall, right, this law?

SHANE RHIAN: Correct.

LINEHAN: Did the Omaha School Board vote to over-- override the soft cap?

SHANE RHIAN: We did not.

LINEHAN: You did not.

SHANE RHIAN: We did not.

LINEHAN: I'm not asking if you used it. I'm asking if you voted to override it so you got the 3 percent?

SHANE RHIAN: No, ma'am, we did not.

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

SHANE RHIAN: Thank you very much.

LINEHAN: Other opponents? OK. I'm seeing nobody in the front so anybody in the neutral position? Seeing none, Senator von Gillern, would you like to close?

von GILLERN: Thank you, Senator Linehan. It was brought to my attention that when I opened I forgot to spell my name, so I'll do that now for the record. It's-- you'd think I'd know better. It's B-r-a-d v-o-n G-i-l-l-e-r-n, so got that behind me. Where do I start? I got a bunch of notes here. The-- I'm going to give some grace to my level of frustration about a couple of things. And I guess because the-- this bill was originally slated to go last, I'm presuming that maybe some of the folks that testified in opposition weren't here when I made my opening statement, where I stated very clearly that there were three things that needed to be adjusted in this bill, and that I had worked with several school districts to learn about that. And I'd worked with the representative from the NASB to, to learn more about that and had made a commitment to do everything I could to make sure that this doesn't set school funding back. Also shared in the opening statement that we realized the bill, as it currently stands, does not allow for growth. And I made a commitment to make sure that that is resolved. And then lastly, I shared in my opening statement that the

community colleges were concerned about how this funding worked with the modified funding that was passed by the Legislature last year. And I made a commitment to them and have already begun conversations on how to remedy that. So I just want to bring everybody up to speed in case you missed the opening statement, because those were three things that were very important and I think probably could have saved us an hour worth of testimony today. But be that as it may, everybody, everybody gets their turn and that's the way the system works. And the system does work so proud of that. Couple of comments that were made that I want to, just address. Senator Murman and Senator Meyer, thank you for, for pointing out the, the impact to agriculture of, of property taxes and particularly what this bill might do to, to benefit the agricultural community. It's easy to think about your, your home and everything else. But clearly, agriculture bears a huge burden in the property tax equation and part of what we want to try and get fixed. Senator Dungan made a, a terrific statement. You said this is a small part of a larger conversation, and that's very true. And I had not said that yet so I appreciate that. It absolutely is a piece of a puzzle that this committee is working hard to assemble. There is nothing in this bill or the intention of this bill is not to build a hard cap. That's a different conversation for another day that we all know is coming. To claim that we're gutting fire, gutting first responders, gutting school districts, gutting teachers is just completely out of the realm of what the intention is here. I'm going to pick on Mr. Klug from Sarpy County a little bit. And I know he's thick skinned because he proved it when he was sitting there. I don't know that anybody's going to throw a pity party for Sarpy County. They've got Google and Facebook that have spent billions in development in those areas and is spending, I don't even know how much, but multiple millions of dollars in property taxes. And the employees there probably have 100 kids in the school district. They are not tapping the resources of Sarpy County in a hard way, but yet it has increased their revenue, their property tax revenue, dramatically. I also want to point out that as a Legislature, we funded additional state aid for their sewer project expansion plan for south Sarpy County last year. And as Senator Linehan mentioned, the state highway funds, I'm sure, went to the Highway 50 expansion. So I think Sarpy County is doing pretty well. So happy for them. Just want to make sure we all take that into account and balance that testimony. Mr. Welsch said that-- made a comment about the guarantee in this process is in your local elected officials. And I think that leads me towards my final comments, and that is that if the local elected officials in each taxing authority want to raise taxes, raise taxes.

Transcript Prepared by Clerk of the Legislature Transcribers Office

Revenue Committee January 31, 2024

Rough Draft

Just don't pretend you're not doing it and do it in the light of day and bear the pain for it. Go before your constituents and tell them what you're going to do and propose it, and then live with the outfall of that from those taxpayers. And that may be a reelection problem. That may be a public perception problem. I don't know what that will be. I just want to move this process out of the dark, which the windfall gain is in the dark, and move it into the light. And that's what the intention of this bill is. It's not perfect the way it's written. I named three things clearly, named them in my opening statement. Just name-- we, we went over them again that we need to get-- to get right in this. And you have my commitment that we'll do that. With that, I'd be happy to take any questions.

LINEHAN: Thank you, Senator von Gillern. Do we have any questions from the committee? Letters: Which number is it?

CHARLES HAMILTON: LB1241.

LINEHAN: So we had 5 proponents, 15 opponents, and 1 neutral. And with that, we'll close the hearing on LB1241.

von GILLERN: Thank you.

LINEHAN: And, yeah, we can take a--

von GILLERN: Please.

LINEHAN: OK, let's, let's take a 10-minute break with hard start in 10 minutes. Go ahead.

von GILLERN: OK. All right. We will open up on the hearing for LB1316. Welcome, Senator Linehan.

LINEHAN: Thank you, Vice Chair von Gillern and members of the Revenue Committee. I am Lou Ann Linehan, L-o-u A-n-n L-i-n-e-h-a-n. I am from Legislative District 39. LB316 [SIC] removes a 70% levy override that was put in place last year with LB243. This override was put in place to allow school boards to have the ability in times of difficulty or in times of an emergency to override their levies to allow for extra funding when needed. This past year, the first year the override was in effect, 188 schools out of a total of 244 voted to utilize the levy override. That equals 77% or over 30-- three quarters of school boards that chose to override their tax levies by this method. This is in a year when we increased state funding by \$328 million for all schools, for equalized schools, for nonequalized schools. Everybody got more. I

don't know. I don't recall that we had emergency situations that sprung up all over the state where they couldn't live within the levy. Schools already get a 3% annual increase, which can be added to various factors. If this bill were to pass, the schools would still have the option to override their levies by a vote of the people. This override has already been abused by school boards and is only in the first year. It wasn't six months after we passed the bill. LB316 [SIC] will continue fiscal restraint and requirement a fiscal responsibility that was started in LB243 last year. So I have some handouts so bear with me. Oh, does everybody have a handout? So this, the first one is from OpenSky's taking ownership and overview of property taxes in Nebraska. It's page 7. So I found this chart very confusing because as Chairman of the Revenue Committee for the last 5 years, I can't quite figure out what they're saying because I know it's not right. So if you go to this chart, it shows you from 2003 to 2023 the annual and [INAUDIBLE] change, percentage change in Nebraska's property valuations and taxes levied by local governments. So you will see that taxable value line-- it's the top one, the dark blue. The next one is property tax levy, the pink one. Then if you go-- this is so depressing. The yellow line is what the Legislature has tried to do to provide property tax relief. And the blue line is inflation. Then there's one that's just from 2013 which shows that-- it's again, the dark line-- is the taxable value. The pink line is property taxes levied. The green line is property tax rate which did go down a little bit. But you'll see that it didn't go down near as much as values went up. And that's local tax relief. That's what we were trying to do-- I've been trying to do. And then inflation. Yes. We're hearing a lot about inflation today. You will all week. But for all the years prior to 2020 when inflation was barely an issue, you can see that property taxes went up considerably more than inflation. So compared to the OpenSky's chart, this yellow one shows what's happened to valuations across the state. You'll see the ag, starting in 2008, which Farm Bureau said this again and again. And Governor Pillen talks about it being because of President Bush. And we changed the-- we greatly increased the demand for ethanol, prices skyrocket. And all the schools that are in here today talking about how they're going to lose state aid because the valuations went up, they fought anything to do about that when ag went from-- when it went up, whatever that is, like 200% or 100%. They said it was fair because they had the resources. They didn't need state aid because they have enough resources. That's the way the formula works. It's a dollar times your resources and that's your resources. And then you take your needs. And that's what your state aid should be. Several of them that were here testifying

today testified to that point for the last 4 years. And 4 or 5 years ago, and maybe even 3 years ago, maybe more, 4 or 5 years ago, we had meetings. They said we didn't talk to them. We had meeting after meeting after meeting saying, this is going to happen to you. We need to address it now. They did not agree. And these last 2, 3 by the raw numbers. So there's a lot of mumbling and grumbling. And I've heard people say that, you know, none of this is going to go anywhere. We're the Legislature. We decide what goes and doesn't go anywhere. And we cannot walk away this year when we have a Governor willing to help us and say, it's OK that this is happening. And the idea that we can trust the local taxing entities to take care of it, we have 20 years of experience that shows that's not going to work. So that's my opening.

von GILLERN: Thank you, Senator Linehan. Any questions from the committee members? Seeing none, thank you. We'll invite up proponent testimony for LB1316. Seeing none, how about opponent testimony for LB1316? Any opponents? I'm going to start saying good evening now. [INAUDIBLE].

KYLE FAIRBAIRN: It's getting there, Senator. It's getting there. Senator von Gillern, members of the Revenue Committee, my name is Kyle Fairburn. I represent the Greater Nebraska Schools Association, again, 25 of the largest school districts in the state, 70% of all the public school children. And I'm here today representing myself as GNSA, NSEA and NRCSA, the rural school districts. Come in opposition to LB1316. Again, this would take away some of the gross-- growth rates that were put in place last year, and it would limit growth to 3%, plus some room for growth. About 4 years ago, I sat in this very chair opposing a school finance bill that greatly increased the amount of state aid to equalize school districts. It would have lowered the property tax bill, while the state would have paid more to schools. Senator Friesen sat in the third seat over from the end and asked me very candidly why GNSA would oppose this bill. I told him, at the time, it was a trust issue for the schools that I represent, and previous-- in the previous few years before that, the state, whenever it was short on funding, the first place they always looked was TEEOSA. TEEOSA always had some place where we could cut. Some-- somebody was making a change to lower the, the amount of TEEOSA. Along those lines, I come to you to oppose LB1316. Last year, through lots of negotiations, a bill was passed to cap budget increases. This year, following the rules of the Legislature, large number of school districts were able to increase their budgets and not affect the education of their students. Some increased budgets to protect themselves against future law changes.

Transcript Prepared by Clerk of the Legislature Transcribers Office

Revenue Committee January 31, 2024

Rough Draft

They are very glad they did that right now, because here we are, talking about changing the law that was passed last year. One of the issues for the increases last year was due to some of the schools in the eastern part of the state experiencing large growths in students every year. These schools have grown by 5, 6, 10% students each year. Last year, one of the schools I represent opened a new high school. That high school cost them 10% more teachers in the district by adding that 1 high school. There is no way they could have lived on a 3% cap. Teacher salaries, again, account for 50% of overall district budgets. You've asked us to increase teacher salaries. We're trying to increase teacher salaries, but it's a tremendously large portion of a, of a school district's budget. With that, I'd be happy to answer any questions that you might have.

von GILLERN: Thank you. Questions from the committee? Senator Albrecht.

ALBRECHT: Thank you. Do you want to be called Vice Chair von Gillern?

KYLE FAIRBAIRN: Vice Chair. I'm sorry I, I missed that, too, Senator.

ALBRECHT: Vice Chair, Vice Chair von Gillern. No, you're good. You're all good

KYLE FAIRBAIRN: My fault on that, too, Senator von Gillern.

ALBRECHT: OK, so, I just have a couple questions. Because, I probably-- so you represent the Greater Nebraska School Association, but are you a superintendent of any?

KYLE FAIRBAIRN: No, I'm a registered lobbyist.

ALBRECHT: Just reg-- OK. You're their lobbyist. OK. Very good. So how many of the Greater Nebraska schools actually engaged in utilizing their override last year?

KYLE FAIRBAIRN: I, I don't have that. Senator Albrecht. I can get it to you. I know we had some. Yes.

ALBRECHT: So you, you mentioned, with Senator Friesen, 2 years ago, that it was a trust issue with you guys. Then we have a new Governor and he puts this money away, just showing the schools that we're with you. We've never, we've never let go of our public schools. We've always tried to fund what needed to be funded. We're trying to work with you guys on getting as many teachers educated to go into the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

profession, but now it's a trust issue with us. That's why we're here. That's why we're talking about this.

KYLE FAIRBAIRN: And you're exactly right, Senator. And again, a lot of people use these budgets. They didn't-- they didn't spend the money, but they did budget over it to give themselves some protection in future years.

ALBRECHT: But, but--

KYLE FAIRBAIRN: And, and I know a-- I, I know the look. I, I know the-- how it feels, but that protection issue is huge for some of these districts.

ALBRECHT: But the protection issue is right here with our state. We've never let the public schools down. I don't believe--

KYLE FAIRBAIRN: Senator, Senator, we had lots of, lots of reductions in TEEOSA--

ALBRECHT: --well--

KYLE FAIRBAIRN: --in almost every year from 2000 to '18.

ALBRECHT: --reductions in TEEOSA, but we're going to put \$1 billion away and give you \$300-some million for the next 5 years, and give every school in the state \$1,500 per child. That's big.

KYLE FAIRBAIRN: Agreed.

ALBRECHT: That's big. So we shouldn't even be sitting here talking about this. But when agreements are made with people that you represent and they choose to go down another path, then we have to do what we have to do in the state of Nebraska to take care of the taxpayer, as well.

KYLE FAIRBAIRN: Well, Senator, I'll tell you, no school broke the law. They followed the law that was, that was in place. So, so saying that we did something illegal, we did not.

ALBRECHT: I'm not, I'm not saying you did anything illegal.

KYLE FAIRBAIRN: OK.

ALBRECHT: You were asked before we, before we engaged--

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Revenue Committee January 31, 2024
Rough Draft

KYLE FAIRBAIRN: And, and we were asked--

ALBRECHT: --in the 3 things I just said.

KYLE FAIRBAIRN: True.

ALBRECHT: The billion dollars, the 325, whatever it is, \$228 million. Let's get this right.

KYLE FAIRBAIRN: And we were given-- and we talked about growth rates repeatedly last year. And we put them in place so that a, a growing district like a Bennington and an Elkhorn and Gretna can survive.

ALBRECHT: Well-- and don't think we won't address the growth issues. I mean, this is all part of what--

KYLE FAIRBAIRN: OK.

ALBRECHT: --we're talking about here.

KYLE FAIRBAIRN: And again, I have to testify on the bill that's in front of me, Senator.

ALBRECHT: I get it. But, but I'd like to sure know and, and you can check and get back to us and provide it for the committee, how many of the 188 schools were in the Greater Nebraska School, School Association that you represent, I'd like to know how many of them did the override.

KYLE FAIRBAIRN: I will certainly get that for you, Senator.

ALBRECHT: Thank you. Appreciate it. Thank you.

von GILLERN: Other questions from the committee? Senator Albrecht, you kind of-- well, I had 3 things written down and I think you covered just about all of them. No. That's fine. No, I just-- we're thinking on the same, same node. This, this almost feels like an abusive relationship, where I was just sure you were going to punch me, so I wanted to punch you first. And, and the-- so the, the last year, the overrides, you know, what I think what I heard you say is-- get back to the trust issue, was we did the override because we didn't trust that you guys were going to do what you said you were going to do. And now, you're not doing what you said you were going to do. Well, I think the version that's-- that the legislators would say is we're doing what we're going to do because you did what you're doing. So

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

this was like this really bizarre, unhealthy relationship, circular equation that's going on, and, and, and the cause and effect is a little bit hard to get to the bottom of. Clearly, there's some-- there's-- there-- I think you hit the nail on the head. There's some trust issues. And I don't think what happened last year, by your membership, did anything to strengthen that, especially after what, \$1.3 billion was set aside for public schools?

KYLE FAIRBAIRN: Again, schools, schools did not break the law. They followed the legislation that was put in place.

von GILLERN: Agreed.

KYLE FAIRBAIRN: And yes, some of that is due to cover themselves, OK, because if this bill comes in place-- and I don't know if Gretna or Bennington or Elkhorn, Elkhorn even did it, but if they didn't and this comes into place and they don't have that growth authority, they no longer can pay teachers. They can't increase salaries. And I know everybody says, sure they can't. They got all kinds of money. In a growing district, they're the lowest-- those 3 districts are the lowest spending per pupil school districts in the state. And, and to say that now, we're not going to allow them to grow is a really tough, tough deal, Senator.

von GILLERN: I, I, I, I hear what you're saying. I, I do find it-- and I'm not questioning your level of honesty. If I were you, I'd have-- I would have not come-- I would have come here prepared, knowing whether your largest members-- well, if you're going to testify on the override and you're telling us you don't know that your largest members voted for the override or not, I, I find that either shocking-- I find that shocking, and a little bit, maybe, I don't know if I want to call it unprepared or, or what, but I think that's a fair question. What the-- did your largest members vote to override the levy or not?

KYLE FAIRBAIRN: I know that Omaha did not.

von GILLERN: OK. All right. Thank you. Any other questions from the committee? Seeing none, thank you for being here.

KYLE FAIRBAIRN: Thanks.

von GILLERN: Next pro-- opponent. Sorry. Forgot where we were.

TYLER NEWTON: No, you're good. Thank you, Vice Chairman and members of the Revenue Committee. My name is Tyler Newton, T-y-l-e-r N-e-w-t-o-n. I am a fifth-generation farmer, the fire chief for the Bradshaw Rural Fire Department, and I am grateful to be entering my fourth year of service on the Heartland Community Schools Board of Education. I am here today representing the local board's voice in opposition to LB1316, on behalf of the Nebraska Association of School Boards. Nebraska's elected school boards need the ability to locally govern their districts, and LB1316 eliminates much of that local authority. One-size-fits-all bills like LB1316 often hurt our students, teachers, and our communities. What may work for larger districts like those in Omaha is often not helpful for or necessary for districts like our Heartland Community Schools, and vice versa. Bills like LB1316 that reduce the authority of locally elected boards to make decisions that have a lasting impact on their schools and communities, are not helpful. Last year, the Heartland School District, a district with just under a 58-cent levy, needed to add a new elementary teacher due to a third grade class size. This is why our board made the decision to take advantage of the additional authority. Enrollment numbers at elementary class sizes require decisions such as adding additional teaching staff a continuous possibility. Our district is able to make important and necessary decisions like this because of the flexibility that is currently afforded to boards to exceed our certified tax request authority. LB1316 would eliminate the authority of locally elected boards to make decisions and fund our schools in the best interest of our students and communities. There are several bills this year that seek to combat teacher shortage, teacher retention, etcetera. As a school board member, I cringe at how a Nebraska school board is going to have-- is going to be able to give any teacher salary increase that meets the cost of living. Last year's inflation rate was 6.45%, yet LB1316 caps our tax asking to 3%. That means any school board that wants to provide cost of living increase to their teachers' salaries will now fall short each and every budget year, and it will result in a slow death for their schools. If the school chooses not to match the cost of living increase, their teachers will simply leave to teach at other schools or they will leave the profession. I am a product of legislation that caused the reorganization of public schools at my local school. My local school had to close. When I entered high school, I had to trade a 1-block walk to school for a 15-mile drive to school. The town of Bradshaw went from a population of around 500 to a population now just barely over 200. The erosion of local control through bills like LB1316 will

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

result in the same outcomes. I want to thank the committee for giving me the time to speak with you today.

von GILLERN: Thank you. Any questions from the committee? Seeing none, thank you for being here, Mr. Newton. Good evening.

LIZ STANDISH: Good evening. My name is Liz Standish, spelled L-i-z S-t-a-n-d-i-s-h, and I'm the associate superintendent for Lincoln Public Schools, submitting this testimony in opposition to LB1316. LB1316 fundamentally changes the school finance package crafted by the Governor and advanced by this legislator [SIC] last spring. LB583, foundation aid, special education reimbursement; LB589, a new soft property tax request cap preserving local control, very important words, the establishment of the Education Future Fund. Strike--striking the board's local authority to increase the base growth percentage will have catastrophic implications and will erode our state's school system. The 2023 school finance package included multiple variables, and implementation will not fully be realized until '25-26, when the increase in special education funding is included in the state aid calculations. Most importantly, and this is my most important point today, the full implementation of the property tax cap did not occur in 2023. It will occur in 2024-2025. That is when the special education revenue will be subtracted from the cap. So if you pass this bill this year, schools will not have a 3% cap. They will have a much lower number, so the, the special education reimbursement will be subtracted for the first time. And as a new number coming into the formula, the net results for school districts will be less than 3%. Districts with large residential valuation have to plan for multiple years. When we talked about local control, we talked about the circumstance of rising residential values resulting in dramatic drops in state aid. I gave you the example from Lincoln Public Schools. We are expecting a \$30 million drop in state aid next year. And that was actually confirmed in the model that was produced just before this hearing starts. It's real. We cannot do this in a piecemeal fashion. We have to know how all the pieces and parts work together. And I would love a question to walk you through the calculations so you understand what I said about the cap will be less than 3%.

von GILLERN: Thank you. That's-- do any of the committee members have a question?

ALBRECHT: How long does it take to go through that?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

LIZ STANDISH: It genuinely won't take long.

ALBRECHT: Just kidding. We should, we should talk.

LIZ STANDISH: OK. I would really appreciate it. I do appreciate you giving me this opportunity. So I have a model of the Lincoln Public Schools cap in front of me. And I want you to know that Lincoln Public Schools, when the, when the communication, the vision and the leadership was cast out in our community last summer, of property tax relief and new revenue related to special education, our community took that to heart. And that did create expectations for our board. And so we did not approve the override, so we stayed within the base cap. So when you look at our base cap calculation for '23-24, that revenue cap, and I'm going to go in round millions so that we don't have to get discombobulated in all sorts of numbers and commas, was \$511 million. That is the number that will be grown by 3%. So when you grow that number and we have a model that goes through the calculation, you get to \$525 million. The challenge with implementing this bill this year is we now are going to subtract out, for Lincoln, \$32 million more in special education reimbursement. So that will result in \$493 million in our base, which is lower than our starting base last year of \$510 million. It would actually be a decrease of 3.5%. Now I'm going to hold myself accountable to something I said, which is we can't do this in a piecemeal fashion. And of course, I've modeled this into what is an actual budget for Lincoln Public Schools. Last year, we did include what we thought was an estimate, a good estimate of what the additional special education reimbursement would be. And so we did have that in our revenue last year at \$532 million. When we look at this 3% cap and have to subtract out the additional special education, I am now dropping to revenue of \$520 million for next year. So we need, next year, the additional taxing authority that the board can access under this provision, just to have a flat budget. So I realize that complicates the conversation around this bill, because what I'm telling you is next fall, school boards, in order to get to 3% are going to need more than 3%. They're going to have to access it. And so maybe if they built their base last year, they won't have to do that. That was not the road my district went down, but some did. So it's real-- I just-- I cannot explain with enough emphasis that I am happy I actually edited this letter-- because I have a form letter, I have been doing this for 17 years, so I've been here a lot over the decades-- to include my email address and my phone number, because I really want to walk through the implications of this bill for all of you and how it can impact the way the special education

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

reimbursement will subtract out. And that's all I have, and I'm happy to answer any further questions.

von GILLERN: Thank you. Senator Albrecht.

ALBRECHT: Thank you, Vice Chair von Gillern. And thank you for this example. So on page 3 of the bill, it, it doesn't change the fact that you can still go out and ask for that 3% override. Right. Property tax may request to exceed the tax request authority by an amount approved by the-- by 60% or the majority of the legal voters voting. So you'd have to take it to the vote of the people to override the--

LIZ STANDISH: I don't have time to take it to the vote of the people for next year's budget.

ALBRECHT: I get it. I get it. And that's why a lot of them probably did what they did, not illegally. But everybody looks for that extra percent of slush fund that they can just--

LIZ STANDISH: I'm, I'm talking about the 4% that you're striking.

ALBRECHT: OK.

LIZ STANDISH: I need the 4% that you're striking that my board can access to have a flat budget.

ALBRECHT: Have you always had a flat budget in the last 4-5 years?

LIZ STANDISH: No. No.

ALBRECHT: How much has it gone up, would you say, over those--

LIZ STANDISH: I would say our average has maybe been a 3.7. We had 2 years where we held it below 1.5%, in preparation for we did have a bond issue and had some new schools to open. So when you're opening a new school, it needs to be more, for us, and we get some benefits of size and scale of 4-5%.

ALBRECHT: Right, right. OK. Thank you.

LIZ STANDISH: So, so I'm, I'm not referencing the vote of the people. I'm referencing, specifically, the Board of Education additional authority that is being removed in this bill, will have huge problems for school districts looking to next year, because we're subtracting out a new number that wasn't in the base.

ALBRECHT: And just one more question. You talked about the-- OK. When you talk about the special education reimbursement, so we're giving you money that the federal government promised you but didn't deliver, right, so that's why the Legislature agreed to do so. So what would happen if the federal government started to give that to you? Would you have to give it back to us?

LIZ STANDISH: I believe most federal funds go to the state, so it would likely flow through the state. So it could be where the appropriation is decreased of what's coming out of the general fund. And I don't know your accounting well enough to even speak to it. I shouldn't. But what would be coming out of the general fund for the state would then shift to a federally-funded provision with the state.

ALBRECHT: OK.

LIZ STANDISH: So most federal funds flow through the states to school districts.

ALBRECHT: I might need your phone in my Rolodex.

LIZ STANDISH: That-- it's here. Yep. I, I, I really-- I-- there's a really-- this-- it's a really big curveball to implement this bill this year. And I want to make sure all of you understand that.

ALBRECHT: Thank you.

von GILLERN: Thank you. Any other questions from the committee? Seeing none, thank you, Ms. Standish. Good evening.

CHIP KAY: Good evening, Vice Chair von Gillern and committee. My name is Chip Kay, C-h-i-p K-a-y, representing Columbus Public Schools, Nebraska Council of School Administrators, and STANCE. I appear before you to oppose LB1316. I'm going to try to skip around in mine a little bit since Dr. Standish did such an outstanding job of covering some things. A lot of concerns about this bill having long-term negative impacts on public schools, I think the belief and, and Senator Linehan said so, LB243 was created to give districts the opportunity to access more than 3% property tax increase in circumstances that would force, force a district to go negative or backward in revenue, which we know, with TEEOSA, could happen. On my testimony, you see an 8-year history of our district budget, an average increase of 3.46%. I feel like if I'm going to sit in front of you, I need to be very transparent about how we've done our finances. I've been the director of finance for the last 4 years. The budget does include federal programs, special

education. I created a column without ESSER. That way, it's much easier to compare. I also want to make note that Columbus Public Schools, a member of the GNSA, did not ask to exceed the 3% tax cap for '23-24, and our tax asking was under 3%. Our district is in the top 12 for lowest per pupil cost for students, below the state average. Our enrollment is growing. Story-- what the story and the numbers don't tell is the needs of the students are changing. The increased reimbursement for special education was wonderful. A tremendous positive. I think, at times, it was viewed as new flexible revenue, and that's really revenue to ensure our, our special education programs can do what they need to do. Columbus Public Schools has lost or will have lost \$6.2 million in state aid over the last 4 years. During that 4-- 4-year span, our taxes-- tax increase-- has increased by \$5.4 million. That means there was about a \$770,000 gap. So we had not even been able to tax back the amount that we lost. How do we do that? We do that through, obviously, some things in our budget. On the second page, I want to jump to chart 2. What, what Liz was talking about is how that affects '25-26. We're anticipating being \$1.9 million in the negative if there was a 3% hard cap next year. Not knowing official state aid numbers, I haven't seen what Dr. Standish has. But when-- in '25-26, '26-27, when that SPED changes, you can see disproportionately what that does for putting us in the hole. I think that's the concern with the hard cap, is while we haven't had to use it or even consider it, we don't know the impact of what that state aid change will do. And that may be a time where our board would take the opportunity to address that. We do realize that if we go over, I think it's 7% for our district, we can do a vote of the people. Having just done a mail-in bond election, it was about \$32,000. Personally, I'd rather not pay the \$32,000, unless we had to actually go to 7%. You can see from our budget increase, 7% would be rather high. Could I, could I make my closing statement real quick? Would that be OK?

von GILLERN: Very quickly, please.

CHIP KAY: Thank you. What you're seeing in this projection will likely be the norm for every equalized district in Nebraska. This is likely to result for all schools, in some cases more drastic than equalized schools. Currently, LB243 works to prevent this drastic loss and permits local control and local decision making. Thank you.

von GILLERN: Thank you, Mr. Kay. Questions from the committee? Senator Murman.

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Revenue Committee January 31, 2024
Rough Draft

MURMAN: Yes. I do appreciate you staying under the growth cap last year. I'm just curious, what would your budget growth would have been if you included ESSER funds?

CHIP KAY: That-- the-- if you include ESSER funds, that would be the first number that says budget. And then, without ESSER is without the ESSER funds. A little easier to compare 8 years without ESSER funds. Our funding would be pretty consistent with the sources over those 8 years.

MURMAN: But you-- do-- you don't know what the percentage growth would be each year approximately if you'd [INAUDIBLE]?

CHIP KAY: No. That-- yeah. So the budget growth in white is without ESSER. So that's so you can see our actual, what I would say 8-year consistent pattern of spending. ESSER would obviously inflate that because like for a district our size we received \$5.2 million in ESSER money. So.

MURMAN: OK.

CHIP KAY: Yeah.

von GILLERN: Questions? I, I have a question, Mr. Kay. And you, and you opened the door on this so I'm going to ask you, why did you do a mail-in bond election?

CHIP KAY: That's what our-- that's what our-- that's what our county, I was told they had, they had to do it, they needed to do or what-- it was all up to the county. It was not the district's choice. We didn't pass the bond issue.

von GILLERN: There was no other election that you could have added the bond issue to-- national, local election?

CHIP KAY: Because-- no, because of timing. We did it-- we did it in March last year.

von GILLERN: OK. So the district chose to do it in March, rather than--

CHIP KAY: Correct.

von GILLERN: --turning it into another election.

CHIP KAY: Correct.

von GILLERN: All right. Thank you for that clarity.

CHIP KAY: You bet.

von GILLERN: Thanks for being here.

CHIP KAY: Thank you.

von GILLERN: Next opponent.

DAVE WELSCH: Hello, hello, again. Dave Welsch, D-a-v-e W-e-l-s-c-h, president of Milford Public Schools Board of Education. Been there 26 years and also farm south of town. I stand in opposed to LB1316. As you may have gathered from my earlier testimony, I do believe in local control. I know Senator Murman was on a local school board. I don't-- did you ever levy more taxes than what you thought you should? I doubt it. You're a frugal farmer, like most of the farmers are. And, so I just, you know, I don't know where this erosion in, in trust has occurred in our locally-elected school board members, but obviously, it's there. And the narrative that there's lack of transparency in what we're doing when we create our taxes, we have a, a publicized budget hearing, tax request hearing. It's in our local newspapers. In a small town, oftentimes, the local reporter or the editor of the paper interviews the superintendent and puts an article in the paper. It's there if people want to show up. We can't go out and drag people to our school board meetings. And so, our transparency, it's there. And so the narrative that it's not, I don't believe is true. In this handout, I've got 8 years of Milford Public Schools' tax asking. Shows our property tax request for each year. Right below that's the annual percentage change, started out at 4.9%, then we requested 7.3 less one year. The next year, it went down 0.1%. Then we're back up 6.6. Then we're at 0%. And to answer your question, which you'll probably have, we accessed all the extra authority we had this past year. And we, and we levied for it. We gathered in all that money. And boy, am I glad we did, because as Liz Standish and others have said, we now have our preliminary '24-25 state aid allocation. We've gone down \$823,000, 7.5% drop in our state aid. Milford, as I said earlier, Milford's been equalized since 1990. We know how this works. Some years your state aid goes up, some years it goes down. So now what do we do? You know that \$823,000, you know, it's 11% of our current property tax request. How are we going to make up that loss in revenue from the state? Going to have to go to the property taxpayers. That's why we allocated and

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

took the authority last year. It was to protect ourselves. We're smart. We've been through this before. And as you can see in our past history, when we didn't need the money, we dropped the property tax request.

von GILLERN: Could I get you to wrap up, please?

DAVE WELSCH: OK. So, yeah. And some people like, well, Milford's spending too much money. Out of our school array that's used to calculate our state aid, we're the sixth lowest out of those 20 schools--

von GILLERN: Thank you.

DAVE WELSCH: --so we're not spending money willy-nilly. Thank you.

von GILLERN: Thank you. Any questions from the committee members? Seeing none, Mr. Welsch-- oh. I'm sorry, Senator Murman.

MURMAN: On your chart here, it shows a, I think, a 3.3% increase in property tax requests. I don't think you mention--

DAVE WELSCH: Correct, over an 8-year period.

MURMAN: --state aid. I, I missed what you said there.

DAVE WELSCH: Well--

MURMAN: The change in state aid.

DAVE WELSCH: --yeah. For this coming year, our state aid is going to go down \$823,000. That's 7.5% reduction from what we received last year. And that \$823,000 is about 11% of the \$7,500,000 that we requested in property taxes last year. So we're going to have to make up 11% of our property tax request from last year. How are we going to do that?

MURMAN: Yeah. So you mentioned it's gone down, I think 7.5% the last year, this past year. I'm thinking from, you know, compared with this chart from about 2015, what has your state aid increased?

DAVE WELSCH: It's been up and down all over the place. I mean, when you know what happened from 2008-2015, ag land doubled and tripled in many parts of our state. We almost lost all of our equalization aid, which was the bulk of our total state aid. And slowly, we've been

Transcript Prepared by Clerk of the Legislature Transcribers Office

Revenue Committee January 31, 2024

Rough Draft

gaining that back. You see some of the factors down at the bottom? We've grown-- our growth over this past 8 years, we've grown 13% in enrollment. A big expense for us is special ed reimbursement, where verified students have gone from 74 to 154 ver-- verifications. We've been very fortunate this last year. We, we needed to fill 2 special ed positions because of that growth. We were lucky to have 2 applicants that actually met, met the requirements and we hired both of them, and they're working out great. But not every school's that way.

MURMAN: But you don't know what state aid's done from about 2015-2024 then?

DAVE WELSCH: I don't have those numbers in front of me.

MURMAN: OK. Thank you.

DAVE WELSCH: But like I said, it's, it's a yo-yo effect for our district. It always has been.

von GILLERN: Any other questions from the committee? Seeing none, thank you for being here.

DAVE WELSCH: Thank you.

von GILLERN: Next opponent.

SHAWN SCOTT: Good afternoon, Revenue Committee. My name is Shawn Scott, S-h-a-w-n S-c-o-t-t. I am the superintendent with Adams Central Public Schools, here representing our school district. I did have a few school board members lined up to come today, but conflicts arose and so, you get the second string today. I have 2 simple things for you today. And part of it's the handout, and part of it's the other number. So for the record, this past year, our school district did vote, after a long consideration, to use the extra money at 6%. When it was all said and done with our budget, we went up 3.6%. So we only used 6/10 of what we could. Most of that was due to us having a waiting list on our preschool for the last 3 years and deciding to add staff to our preschool, which is greatly needed in our school district. Besides that, it's a lot of the inflation costs that go on in a school district that took that. In addition, we did see our valuation go up 8% and our tax rate went down 8%. So it's one of the few years we were able to do that. So, I feel like in an overall sense, we have been very responsive with this, but also being very responsive with being voting over that. So, I don't have the numbers to share with you, but I do know that just from an ESU 9 area that I fall in, I

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Revenue Committee January 31, 2024
Rough Draft

do know that there was a majority of those school districts did vote to exceed that, but less than half used it. OK. If you just want numbers straight up there. So, the handout that I [INAUDIBLE] right here. If you look at the bottom number, that red number, it does look like we could, we could operate under a 3% budget, because for the last 16 years, we have an average general fund total budget increase of 2.47 cents, or 2.47%. That's really good. My district's very proud of that. My school board's very proud of that. OK, but the devil is in the details if you look at the numbers above there. OK. 27-- 2007-2008, what happened right around there is we are a product of the Class 1, Class 6, and we took on five elementaries at that time. Those double digit increases in our budget, percentage increases were our adjustments in those years for that. You will also go through here and you'll see a decrease of almost 7% in one fiscal year, and that's when we closed 2 buildings and reduced our staff, as being responsible to taxpayers. Another big number on there is the 9.43% that you see, in 2019-20. And that is exactly when we had passed a bond, opened up a brand new elementary school, closed the other 3 or 5 I had mentioned earlier, and we started several programs that were much needed, like early childhood. And it was a good thing for us. So with that, I just wanted to give you some real-life examples, and I'll answer any of your questions.

VON GILLERN: Thank you. I'm sorry. Is it Dr. Scott?

SHAWN SCOTT: Shawn. Mr. Scott.

VON GILLERN: Mr. Scott, thank you. Any questions from the committee members? Yes, Senator Murman.

MURMAN: How much money do you have in your special building fund? Do you know?

SHAWN SCOTT: Right now, it's a little over \$1 million.

MURMAN: I know you're either redoing your football field or going to redo your football field.

SHAWN SCOTT: We-- we've talked about doing that, but we haven't yet.

MURMAN: You haven't got that done. OK.

SHAWN SCOTT: Correct.

MURMAN: So it's not in the plan right now?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

SHAWN SCOTT: No.

MURMAN: Could I ask, are you planning on using the special building fund to do that?

SHAWN SCOTT: We, we very well may, because it's a, it's a need for our school district. And I guess it's up to our patrons to decide, our school board to decide if that's a, a real need for us. How we've always approached the general fund or a special building fund in our school district. Is that-- because we do tax in our special building fund, is that-- what are the needs of our district and how can we use these to best suit that? Because what we've always done is said we should always feel like we have 10 to-- 15-20% sitting in the special building fund for, for needs. OK. Right now, if we had a roof that we had to replace, we would use a majority of that million dollars on one building, let alone the 3 that we have in operation.

MURMAN: So do you know approximately what it would cost to do the, the football field project?

SHAWN SCOTT: Depends on how you go about it. If you're going to put turf down, you're talking at least a million and a half. I don't know if we're looking at that necessarily, but if you're going to recrown a football field and do stuff like that, there's almost no way that you can sod or seed a football field, because it takes 2 years to get grass to where it can grow. So you're probably looking at sod, and that's going to be expensive, too.

MURMAN: Of course, you're talking about reconfiguring it and doing the stands also, I think.

SHAWN SCOTT: Well, we were doing that in multiple, multiple years. We weren't all doing it at once. So, we do have some safety concerns with some of the bleachers we do have on our football field. And right now, we're getting a proposal from an architect/engineer saying, are these safe to use or not? And what we do as a school district will be based on that recommendation from an architect and engineer.

MURMAN: OK. Thank you.

SHAWN SCOTT: Yep.

von GILLERN: Any other questions? Seeing none, thank you, Mr. Scott, for being here.

SHAWN SCOTT: Thank you.

von GILLERN: Next opponent.

JEREMY KLEIN: Thank you, Vice Chair von Gillern, members of the Revenue Committee, Senator Linehan. My name is Jeremy Klein, J-e-r-e-m-y K-l-e-i-n. I'm the superintendent of Heartland Community Schools, which is headquartered in Henderson, Nebraska; serves the communities of Bradshaw and Henderson in western York County. I'm testifying today in opposition to LB1316, and I'd ask the committee to not advance this bill specifically, because it would repeal Section 79-3405 and effectively change the certified base growth percentage from what has been referred to as a soft cap to a hard cap. Such a change would cause a number of significant financial difficulties in my district. Ours is a district with a reasonable comparative tax burden. Our general fund levy is currently below \$0.50, and our total consolidated levy is just under \$0.58. We're also a nonequalized district. We're good stewards of taxpayer dollars at Heartland Community Schools. We maintain low tax rates and we don't accumulate resources that we don't need. Districts like ours, which have consistently demonstrated restraint and good faith, would be harmed quickly and deeply by the passage of this bill. I'll give you a simple example of how the passage of LB1316 would become untenable in my district, as early as this next year. Using only the base growth percentage calculation, my district would have its total allowable revenue for next year increased, at most, by approximately \$193,000. And as we know, that total allowable revenue increase includes both the general and special building funds. Personnel cost increases for next year alone in my district will require approximately \$173,000 of that amount. We'll also need to fund increases in other operating expenses inside of our general fund, and these aggregate cost increases are likely to exceed the remaining \$20,000 of additional allowable revenue. As stewards of all of our district's resources, our board will also need to make investments in our building fund and our depreciation fund. The authority and the flexibility the boards are currently afforded will be necessary to some degree, for my board, when it comes time to adopt a budget and the corresponding tax request this coming fall, in support of the goals that we've committed to through our long-term planning. I'd like to assure you that we want to be good partners in any effort toward easing the local property tax burden over the long term. I'm confident that given some measure of both time and flexibility, together, local districts in our state can meet our shared goals of lowering the local property tax burden and investing in high-quality education. LB1316, however, lends neither

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

time nor flexibility to this partnership, and would reduce our chances of successfully meeting both of these long-term goals. I therefore ask the committee to not advance LB1316.

von GILLERN: Thank you. Questions from the committee members? Seeing none, thank you for being here, Mr. Klein. Next opponent testimony.

CONNIE KNOCHE: Good evening, Vice Chairman von Gillern and members of the Revenue Committee. My name is Connie Knoche, C-o-n-n-i-e K-n-o-c-h-e, and I'm the education policy director for OpenSky Policy Institute. And we're here testifying in opposition to LB1316, for, for all of the reasons that people have mentioned previously in the testimony, specifically the local control issue, having to go to a vote of the people to be able to increase your spending. The cost of, of having an election every year to be able to make up for the, the losses is expensive to the district when it causes their, their expenses to be higher, so it just is like a snowball effect. And then also the concerns about what happens with special education being part of the, the [INAUDIBLE] when you calculate the, the property tax restrictions. So for those reasons, we're opposed to this bill. And I understand that there was some questions about the graphs or something that we had in some primers that we did. And, we are happy to sit down and visit with any of you to, to talk about where the data came from and how it was calculated. And with that, that'll end my testimony.

von GILLERN: Thank you. Any questions from the committee members? Senator Kauth?

KAUTH: Thank you, Vice Chair Gillern [SIC]. So you were saying EXP-- elections are expensive. Can you tell me how much does an election cost? And you're talking special elections, right, not ones that are in the general or the primary.

CONNIE KNOCHE: Right. It's the special elections that they have. And I believe one of the testifiers, testifiers said that it was like \$3,200 or something like that.

KAUTH: \$3,200? [INAUDIBLE]?

CONNIE KNOCHE: Or maybe it was \$32,000. I'm not sure how much the, the cost of it is, but it, it is expensive to put this to a vote of the people and to get the people to come every year to vote on these issues. It creates a lot of problems for them.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 31, 2024
Rough Draft

KAUTH: So as a follow up on that, getting people to come every year is difficult or talk more about that.

CONNIE KNOCHE: Well, I think it was mentioned earlier that when you go to the annual elections, there's more people that come to vote at those, as opposed to a special election. So just getting people to come every year is, is going to be an issue, I believe, for the schools.

KAUTH: OK. Thank you.

von GILLERN: Any other questions from the committee? Before, before you leave, I just don't want to leave that issue hanging. And not to complete the point on behalf of Senator Kauth, but it doesn't seem to bother to have special elections for bonds by the school districts. And I would like to know how much those cost.

CONNIE KNOCHE: OK.

von GILLERN: I think I did hear, I think you mentioned-- the second number I think you mentioned was the accurate one.

CONNIE KNOCHE: The \$32,000?

von GILLERN: I think what was said was around \$32,000.

CONNIE KNOCHE: Yeah.

von GILLERN: So, I don't know if that's an accurate number, but that's what I recall hearing, earlier in the testimony, so the record will--

CONNIE KNOCHE: I knew it was 32 something.

von GILLERN: --the record, the record will show. So thank you. Thank you for your testimony. Next opponent. Any-- anyone else would like to speak in opponent-- as an opponent? Any neutral testimony? Seeing none, Senator Linehan, would you like to close?

LINEHAN: Thank you very much for you all sticking with us here today. This hearing is a good example of the problem we have and why it's up to us to fix it. I introduce a bill to cap expenditures, and I will say I messed up. I know that you have to make exceptions for growth and I will address that. But to have nobody from ag or the business community here to support this bill, that-- that's why it all falls to us. See, because public schools budget all in. Well, not all in what,

taxing \$5 billion a year. That's a lot of business. That's a lot of people that are employed by public schools, that provide services for public schools. That \$5 billion goes out all over Nebraska. That's why this is hard, and we're going to be in a lonely place trying to fix it. But I believe if we don't, we're going to have huge problems down the road. Some of this come up in the testimony. Long before I was paying much attention to Nebraska, I think, 2006, a group of people got together and decided they were going to change the constitution, so we could have preschools and pay for it with property taxes. So now we have new preschools in public schools, popping up all over. The first year I was here, we had a state senator introduced a constitutional amendment that we would provide preschool, from 0-5. It would cost billions of dollars. But know that that is the goal of many people that came to testify against the bill today. Now, I believe that we need more childcare. I just don't think we need it at public school cost. I'm going to go back to-- nope. Sorry. This one. Right here. It's the one with the-- Table 3A, 2003-2023 Annual and Cumulative Changes in Property Valuations and Taxes. We heard about inflation today. So let's look. Let's just take a year. 2013, inflation was 1.5. Taxes went up 3.96. And that happened for a decade. And when you-- 1 percentage is 3% or 2.95% and the other one is less than 2% over decades, that's huge. So that's the problem we have. Now, the schools, who were here today, some of them, and I will work with them or we will work, we will work. And making sure that we're not forcing somebody so they can't collect. And how the special ed works. And I didn't-- we can work. We got the Revenue, Department of Ed-- we'll have Department of Ed come in, explain to us what is real and what's not real. But I have from-- I remember these stories. Here's the story from Columbus schools. They bought 79 acres of land on 3rd Avenue, north of 30th Street, for an elementary school. 79 acres. The new K-4 elementary school is estimated to be \$18,900,000. Now, I grew up on a farm, so I have a pretty good idea of what 79 acres is. It's just an acre short of 80.80 is half of a quarter. Lincoln has opened 2 new high schools in the last couple of years. They're not full. They don't even have juniors and seniors, or maybe 1 has juniors and seniors-- or one has [INAUDIBLE] sophomores. So the, the idea that the schools are going to go broke is just not the reality of the situation. And finally, both Senator Albrecht, Senator von Gillern hit on this, I think 1 or 2 or maybe 3 of them said today, they plan for years, years, they plan their budgets out in front of them, for growth and for the future. But somehow, they always have to have special elections. Now, you can't say both those things. If you're planning out years in advance, then you shouldn't have to have special

elections every 2 or 3 years. Many of us are on the Education Committee, and this is good. There's a reason we do that, because Education and Revenue are very closely connected. A testifier in Education Committee, was it last week, I think, testified here. The reason they do special elections, because you can imagine if there was something from the county and something from the city and something from the school all trying to get a bond passed, they would never pass. Transparency. We cannot-- going back to this chart-- or whatever chart, the one I at first-- we cannot keep putting money out for property tax relief and the-- taxing entities raise them faster than we can pour. Since we've been here, over \$1 billion into property tax relief. A billion. And they still went up. Thank you.

von GILLERN: Any questions from the committee members? Seeing none, Senator Linehan, that will close our hearing on LB1316, and we'll move to LB1318.

LINEHAN: Oh, you have a question?

von GILLERN: Oh, excuse me. We have letters-- 15, 16-- maybe we do, maybe we don't. Tomas gave him to me. Thank you. We have 0 proponents and 5 opponents, and 0 neutral letters on LB1316.

LINEHAN: Makes my point. No proponents. Really?

von GILLERN: Thank you. Thank you, Tomas. All right. We will open the hearing on LB1318. Good evening.

LINEHAN: Good afternoon, Vice Chairman von Gillern and members of the Revenue Committee. I'm still Lou Ann Linehan, L-o-u A-n-n L-i-n-e-h-a-n, and I still represent Legislative District 39. Before I even start, this bill is a mess. I asked-- poor Charles. What I was trying to do is not what this bill does, so we have an amendment. This is them. Right, Ryan? What I did in the original bill or whoever did it, Bill Drafting, I messed up, whatever. Doesn't matter. We erased everything Briese did last year. So on Saturday, Tom called-- Senator Briese, now Treasurer, secre-- Treasurer Briese called me and he goes, what are you doing? I'm like, what are you talking about? He goes, your bill, you like undid all the percentage increases in the property tax credit bill. I'm like, I did not. I wouldn't to do that. And low and behold, he had bill number. I pulled it up and I'm like, we did. So when I sent it to Bill Drafting, what I was trying to do and what we hope this amendment does-- when we did LB1107, and it was, it was when we were trying to convince people we're going to have a problem

in the future because your valuations are going to go up and you're gonna lose state aid. And we try to get them to agree that they should take more state aid and drop their valuations, but that didn't work out. But now we're here today. But what we-- so we did-- couldn't convince them to do that in LB1107. So what we did was we said, OK, we'll just take the money and put it in Property Tax Credit Fund and the money will go straight to the taxpayers. So to do that, there was an argument about how fast we could do it, whether it would work. This was a Revenue versus Appropriation fight. So the appropriators wrote the bill to say that we'll use anything over 3.5% growth to go to property tax relief as soon as the rainy day fund gets to \$500 million, which, that kind of tells you where we were in those days. We were-- we wanted to get to 500, now we're at, what, \$863 million? So anything over \$500 million went into the Property Tax Credit Fund. Well, nobody expected-- this was a gift from the angels-- nobody expected that instead of having 3.5%, maybe 4%, we would have 16% growth. So that's how we ended up with \$546 million in the Property Tax Credit Fund. Last year, we should have caught this. I should have caught this. The 3.5-- anything over 3.5% goes to the Property Tax Credit Fund expired. Sunset. I believe as part of this whole project we're doing here, we need to reinstate the 3.5-- anything over 3.5% goes to the Property Tax Credit Fund. Because you're not doing all the other things you're going to talk about this week, you're doing it with growth. We did it once. Now I don't know if we can do it again, but it definitely needs to be on the table. And that's what this bill was to do, is just go back to what we did on LB1107. You-- 3.5% should take care of all the known increases we're going to have in the state budgeting. So-- then we always fight over what's above 3.5%, right, or we debate that. So let's just say until we get in a better place, it all goes in the Property Tax Credit Fund. But even I, guys, I don't know how we can put any more in property tax relief unless we get a control on spending. It's, as Senator von Gillern said, it's like being in a bad relationship. The more we give out, the more property taxes go up. That is not sustainable and it's not responsible. Thank you.

von GILLERN: Any questions from the committee? Seeing none, thank you for your opening. We'll invite any proponent testimony on LB1318. Seeing none, is there any opponent testimony on LB1318? Good evening.

CRAIG BECK: Good evening, Vice Chair von Gillern, members of the Revenue Committee. My name is Craig Beck. That's C-r-a-i-g B-e-c-k, and I am with OpenSky Policy Institute, here today to testify-- here this evening to testify in opposition to LB1318. Certainly appreciate

Senator Linehan's explanation. I was also a bit confused by the bill and then the fiscal note, which I think did the exact opposite of what she was trying to do. And we're really here for just 1 simple reason as it relates to this. We oppose revenue triggers, which is what, you know-- we'll have to wait to see the amendment before I can read it, before I can actually comment on that. But, essentially, what I believe Senator Linehan said that she's looking for in the new amendment would be to reinstate that revenue trigger that we had implemented under LB1107 in 2020. We tend to oppose those just on the grounds that they are unpredictable and they can lead to results that, you know, can put the state in difficult times. I, I am well aware that, under the original LB1107, you know, trigger that was instituted, it was in place for 3 years. Sunset at the end of FY '23. You know, we had really high record revenue growth, as I think Senator Linehan referenced in her comments. Certainly hope that continues going forward. But, really, our, our concerns are just implementing revenue triggers and, and bringing those back after they've already sunset. So with that, happy to answer any questions.

von GILLERN: Thank you. Any questions from the committee members? Seeing none. Thank you for being here, Mr. Beck.

CRAIG BECK: Thank you.

von GILLERN: Any other opponent testimony? Seeing none, anyone that would like to testify in the neutral position? Seeing none, Senator Linehan, would you like to close? Is this a neutral? Excuse me? Opponent. Would you like to testify as an opponent?

MARC MCHARGUE: Are we allowed to? [INAUDIBLE].

LINEHAN: I don't know if it's in your best interest.

von GILLERN: Neutral capacity is still open, actually.

MARC MCHARGUE: All right. Marc McHargue, M-a-r-c M-c-H-a-r-g-u-e. I'm here in a neutral capacity for Nebraska Farm Bureau and the ag, ag leaders. So, we knew there was an amendment coming. I mean, we, we looked at the bill, and we, we clearly flagged it, because we felt like it did completely undo all the work we did in LB1107, but we also felt like it undid a lot of the work that we actually did just last year. So when you, when you, when you, when you pull it all together, we have, we have talked ad nauseam about this session and kind of what, what our priorities are going to be. And we've got a number of

priorities. But one of the, one of the big priorities that we've looked at very closely is to make sure that everything that happened up to this point, including last year, does not get discounted, does not get double counted, does not get rolled back. And that's really important, because having sat on the Governor's task force for the last couple months, there has been a lot of proposals that have kind of come in and out of our conversation that's wanting to actually kind of peel off some money and recount it. What we really appreciated, last year, that we felt like was, was really important was that, my understanding anyway, is that when we did have growth, that extra growth-- say we went up 10% in revenues. We equally put 10% into the refundable credit fund. OK. We thought that was good and we didn't-- I-- my understanding is they didn't have a limit on where the rainy day fund was actually at, and that there wasn't a 3.5% part of it. And we felt like that was appropriate because the rainy day fund, ultimately, we can manipulate that. We can put extra spending in, we can spend that up and we can spend that down. That's not really a reflection of where we're actually going in our property tax asking. So we felt like long-term trajectory, if, if as we went up in revenues, we kept putting money into the fund at that percentage level, that would keep us on a trajectory to kind of keep pace in a way. All right. Now we're having lots of conversations about capping, putting levies down. And rela-- relative to the capping conversation, we are absolutely in favor of caps. I would say we're in favor of hard caps. And Lou Ann mentioned that I didn't come in, but there are other bills that we're going to talk about how we actually-- absolutely have to control spending. But there's an element. So there's a-- I apologize for some of the confusion, but just looking at the bill at its face, which we have to do, not knowing what the amendment and actually not being able to work through the amendment 100%, I, as a producer representing a pretty large block, it just felt like we could not not say something. I look forward to working through the amendment and working out the numbers, working through the spreadsheets and stuff, and we'll hopefully, certainly have an opportunity to do that. So, be happy to have-- answer any questions.

von GILLERN: Any questions from the committee members? Seeing none, thank you, Mr. McHargue. Is there anyone else who would like to testify in the neutral capacity? Senator Linehan, would you now like to close?

LINEHAN: Yeah, I-- the screwup on the drafting of the bill is horribly embarrassing. And I made a mistake, and I didn't catch it. But even with that said, I look at the fiscal note, and I don't even think that

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Revenue Committee January 31, 2024
Rough Draft

matches with the mistake bill. Because it's like-- this does away with the Property Tax Credit Fund. So we have a lot of new staff, a lot of new people doing things, so we'll go back to the drawing board. And I think I will work with the Department of Revenue and try and get-- while it is true the Fiscal Office can't give us a fiscal note until we what, move it to the floor or something? I think the Department of Revenue could probably help us figure out more where we go. So thank you all very much. Appreciate your hard work.

von GILLERN: Any questions from the committee members? Seeing none-- oh, Senator Murman. Senator Murman.

MURMAN: So, so I haven't read the amendment. I assume your intention with the amendment, if I understood it correctly, is to keep the property tax-- eliminate the sunset on the Property Tax Credit Fund?

LINEHAN: My--just-- I thought this was so simple. I don't-- but goes to show nothing's simple. I just want to go back to, on LB1107, when we said anything over 3.5%-- it's a trigger, just like OpenSky said. I agree with them. It's a trigger. Anything over 3.5. I'm for them. They're against it. Anything over 3.5% goes to property tax relief. So this is after-- because we budget that we will have-- we actually budget, I think, that we're going to have 4% growth, and our spending is going to stay at 3%. And we mess with that every year. But this would automatically say anything over 3.5% goes into the Property Tax Relief Fund. And then if somebody wants to spend it, they're going to have to fight property tax-- property taxes. Let's say that we want to-- there's so many people that want things, I don't want to-- let's say there's some shiny new thing out there that someone in the Legislature wanted to buy or pay for, so it'll be that shiny new thing versus property tax relief. That's my goal.

MURMAN: Sure. And I don't want to hold anything up, but how does that differ from LB1107?

LINEHAN: Because that expired-- in LB1107. We don't have that anymore. That expired last year.

MURMAN: Yes, I understand that. But-- so this does exactly what LB1107 does-- did?

LINEHAN: Well, I, I can't say exactly I-- because [INAUDIBLE] some changes. Clearly, we're way over \$500 million. So we-- but that's my

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goal. My goal is anything over 3.5 goes to property tax relief, so we can grow our way out of the problem, if we get some caps.

MURMAN: OK. Yeah. We need the cap. Thank you.

von GILLERN: Any other questions in the committee? Going once, going twice, seeing none, that wraps up our hearing.