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Revenue Committee August 2, 2024
Rough Draft

LINEHAN: I can start reading the-- where's that-- I've lost it already. I'm just going to-- I know people are kind of coming in. I'm just going to start so we can get through this process. Welcome to the Revenues Committee's public hearing. My name is Lou Ann Linehan. I serve as Chair of this committee. I represent Legislative District 39. The committee will take up bills in the order they're posted outside of the room. Our hearing today is part of your legislative process. This is your opportunity to express your position on the proposed legislation before us today. We ask that you limit handouts. If you are unable to attend the 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 member will not be part of the permanent record. If you are unable to attend and testify at a public hearing due to a disability, you may use the Nebraska Legislature's website to submit written testimony in lieu of personal testimony. To better facilitate today's proceedings, I ask that you follow these procedures: please turn off your cell phones or other electronic devices and-- the order, order of testimony-- and we've been doing all these hearings in the special session this way-- is introducer, and then we'll have proponent, opponent, neutral, and then we, we rotate. The testimony will conclude with closing remarks by the bill's introducer. 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. If we have ten copies for all committee members and staff. And if you need-- excuse me. We need ten copies for all committee members and staff. If you need additional copies, please ask a page. Do we have a page today? All right. Josh. Please ask Josh, who's over there-- I'll have him stand up in a second-- to make copies for you now. When you begin to testify, please state and spell your name for the record. And I need you to state and spell both your first and last name. Please be concise. It is my request that you limit your testimony to three minutes. And we will use the light system. You will have 2 minutes on green, 45 seconds on yellow, and 15 seconds on red 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 a yellow-- the yellow-- there's two yellow forms at the back of the room. It will be included in the official record. Please speak

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directly into the microphones so our, our transcribers are able to hear your testimony clearly. I would like to introduce committee staff. To my immediate left is legal counsel Charles Hamilton, who has done 67 legal memos for the committee in the last three days-- four days. Yes. You can't clap. He deserves it, but you can't.

VON GILLERN: You haven't read that part yet.

LINEHAN: Yes. He's been doing a lot of work. Josh Kester-- am I say that right, Josh-- is our new A-- the committee's new AA-- I guess he's my new AA-- is going to serve as our page today. Please stand so we can see who you are. There's Josh. Please remember that senators may come and go during our hearing, as they may have bills to introduce in other committees. Please refrain from applause or other indications of support or opposition. For our audience, the microphones in the rooms 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 your presence here today and your testimony are important to us. This is a critical part of state government that we will be-- that we-- and we will open with the first bill on the agenda, which is LB63. Oh. And the senators need to introduce themselves, starting at my far right.

KAUTH: Kathleen Kauth, LD 31.

MURMAN: Senator Dave Murman from Glenvil. I represent eight counties along the southern tier in the middle part of the state.

VON GILLERN: Brad von Gillern, Legislative District 4: west Omaha and Elkhorn.

ALBRECHT: Joni Albrecht, District 17. Good morning.

DUNGAN: George Dungan, LD 26: northeast Lincoln.

LINEHAN: OK. Senator Wayne, are we ready?

WAYNE: I hope I'm not crying today. Thank you, Chairwoman Linehan. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e. And I represent Legislative District 13, which is north Omaha in northeast Douglas County. What I handed out and I sent yesterday and emailed today is actually a little bit different that's handed out in front of you. It

is a white copy amendment. Bill Drafting and I finalized the final language. But in my eight years, a white copy amendment has come to many committees like this. For the public, I put 100 copies on both sides of the room. And I also outlined the chart so that adequately informs the public of this white copy amendment. Normally, I go through and do an entire opening, we ask Q&As, but I don't want to lecture this committee on property tax or revenue streams. So if, if the Chair will allow if people have specific questions as we go through this, I have no problem stopping to answering their specific questions because I would like this to be more of a dialogue because, at the end of the day, I am trying to present as many options as we can to this committee to formulate a comprehensive tax relief plan. I will start by saying: when looking at any overall plan, I think it is critical, one, that we spread property tax relief through multiple-- distributed multiply around different agencies or different ways of getting there. The reason why I say that-- if you look at education funding starting back in 1990 with the first case, Gould v. Orr, and they were trying to figure out how to get to TEEOSA-- which ultimately put the pressure on the Legislature to do TEEOSA-- it was sold as some-- also property tax relief. The problem with that was is when I became a school board member-- and prior to me becoming a school board member, any time that there were economic downturns, it was education funding that took the hit, because that was our only source of property tax relief. And people got frustrated at school districts and others continued to levy higher or move up their levy and do bonds. But at the end of the day, we were not fully funding education, which led to the lawsuit that involved multiple school districts, called the Nebraska Coalition, that put pressure on this body to come up with back then the learning community. It is because every time we try to do property tax relief, we pick one thing, which is education because it's an easy thing to, to do quickly. But it fundamentally has never worked for this state. So we can start with education. And I, I, I will give Governor Pillen a lot of credit. It reminds me of, of a song, "I Will Always Love You." People forget that Dolly Parton actually sung that song first, but Whitney Houston made it famous. I've introduced lowering property taxes every year that I've been here through education funding, but Governor Pillen made it famous. So that's how it goes. And so I'll start by-- with, with the education funding piece. I mean, I'm going to back up and start with the hard caps. One of the biggest things we continue to hear about is, should municipalities and counties have hard caps? I think they should, but

we should do so in a way that frees up revenue to allow them to have the flexibility of not having the hard caps on the surface be truly hard. And how-- I'll explain that here as we go. One, I think there has to be a reasonable exception for public safety, but it cannot be a free-for-all. We can't have a local sheriff just decide that they need two tanks for no reason. I think there has to be a requirement of some kind of independent analysis of the need. So let's take Omaha and Douglas County. Douglas County is encompassed by Omaha. If Omaha has a tank-- I'm using tank as a bad example, but it is a tank-- I don't know if Douglas County's sheriff needs a tank. They can share those services. So there needs to be some independent analysis on that reasonable exception. The other thing is we need to figure out-- and I'm-- LB68 comes up later today-- some kind of municipal aid to offset the hard cap. Some people call it burn money. We're trying to burn-- and let's call it what it is. We're trying to get their votes. But that hard cap is real because growth is oftentimes realized on the back end and those expenses come on the front end. So if we can figure out how to-- whether through the gasoline tax or something else-- increase municipal aid and keep that in the exempt category, then they get a windfall of whatever those dollars are, anywhere from \$5 million to \$25 million, depending on how this committee works. At the county level, it's a lot simpler. Reimbursing jails is \$200 million savings to the counties. That's the cost. That's what we talked about yesterday in Judiciary. I am bringing that this committee in this white copy amendment to have that full discussion. The reason why that's important is because we are the ones who pass the laws, and 90% of those individuals are there and being charged with state crimes. If you're in Lincoln or you're in Omaha, there is municipal code misdemeanors-- and there's a couple other counties-- but by and large, the state is the one putting the burden on the counties to house those individuals charged with jail. That right there, again, is \$200 million. So you say, what's the windfall? Well, maybe you exempt only \$100 million of that \$200 million. There's 64 counties that have jails, but all counties puts somebody in jail. They usually transfer them over somewhere else. So in Omaha, we have a lot of people who are in Cass County and Sarpy County due to safety concerns. They, they can't be-- or they have co-defendants. And you don't want co-defendants talking from a prosecution standpoint because they can collude on stories. So oftentimes you separate them. I understand there will be some fear with counties, as like with education. If you take their funding over, will you have a say in control? I tried that

last year with taking over all the county jails. That didn't go anywhere. So I think reimbursing is a, a good way of doing it and a good way of saving money on that side. The other thing was a conversation about yesterday, reinver-- reimbursing county court staff. Again, we are the ones who set up the judiciary system. The judiciary is a separate organization but yet counties bear the cost of bailiffs, secretaries, and assistants, and even some judges, and county clerks. The reason we have to reimburse them is because, in our rules, 5.0-- 5.15, we cannot do anything with employees who have pensions unless we have a actuarial study on a 90-day session. So we can't change that, and nor do we want to get in the business of trying to figure out all the different pensions across the state at the county level, but we can definitely reimburse them. That is a savings to the counties of another \$35 million. So nigh-- right there, just making sure that we operate through the judicial system more efficiently, we have taken \$235 million every year off the county's back. That's significant proper-- property tax savings. And again, if we can figure out how to increase municipal aid for infrastructure, we can give direct relief to cities when it comes to infrastructure projects. So again, that's a huge savings. The other thing that's-- I will give credit to Governor Pillen is taking over the funding of community college. I used that exact same model to take over the funding for natural resource districts. That's an additional savings of around \$95 million. They're still elected. They still run their individual districts, but it's a way to remove that levy off the local taxpayer. So right there, we're at a little over \$300 million without doing anything different but providing relief to counties and NRDs and the local taxpayer. Now we get into the interesting parts of school districts. I've always introduced a-- bills to increase funding, but my biggest concern is being-- taking over all the funding and eliminating that local control. Today, it is true the Legislature can dictate what schools teach, what they do, but the pushback has always been we don't control all the strings. The problem at the state level of trying to take over all the funding for the school district is Omaha and Lincoln and even some smaller communities are completely different than a one-house school, than a very, very small school with only 100 students. Omaha is going to have a career academy. They are going to have electrical programs. That is a different funding and quite often more funding than a small community who doesn't have those same programs. And that should be done at the local level. So we have to make sure we keep some money at the local level for them to do

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their specialized programs. We've already defined that in the learning community statutes. They're called focus schools and focus programs. So if you take that ability and that-- to fund them locally through their, what I would say, focus magnet schools or focus schools and you give them a quarter, or \$0.25 on the \$100, to do that, then that makes sure that they will always have some way of maintaining their local control of their specialized program. You also give them an extra \$0.10 for their administrations. That's where I come up with the \$0.35. The initial thing I sent you all was get down to \$0.33. I was being greedy. I think we should stay at \$0.35. And if you keep it at \$0.35 cap, that allows for local control-- that allows for them to have some administration. And again, different populations. You have populations that are growing with English second language learners who are going to require more paras. There's going to be other communities that don't. And as a state, we have to allow the flexibility for that school district to be able to do those things. So that's how I got to where I'm at. Then I have a hold harmless provision because we don't know how this is all going to shake out. But if we introduced property tax relief in just education, in 15 years, we will right-- be right back here because there will be a economic downturn. And this body has historically took the easy way out by not fully funding one thing: education. So if we can balance that with a, a, a uptick of our funding but keeping at the local level, I think it's a fair balance on, on where we are. So how do we pay for it? Well, everybody is using the LB1107 credit, so let's just hop on board with that. So the property tax relief fund, change how that allocates. The allocated income tax credit is \$68 million. I think the, the offset of us funding them and allowing local, local levy to still exist, we can, we can use that. I will not change home exemptions. But the other thing is we got to expand our base. And I make no, no quarrels about it. But if you look at the overall sheet, the grid, we are plus \$20 million year one and year two. 2026 to 2027, we are almost plus \$200 million. Now, against my advice, this committee will probably remove recreational marijuana. That is a \$100 million tax revenue that we can bring in. That's the fiscal note: \$102 million. And by year three, it's \$126 million. But if you look at the numbers-- and this committee doesn't want to do that-- you can still do it without that. If you look at my sheet, I don't have digital advertising tax. There's no point of us being caught up in litigation for the next five years over that tax revenue when we don't know it's a for-sure thing. But by expanding gambling with a constitutional amendment-- and the biggest

thing I want to talk about that we-- is not listed anywhere is a restaurant tax. Restaurant tax in Omaha, I was adamantly against it. Now, I don't think about it when I go to the restaurant. I have never said I'm not going to a restaurant or families that I know for that \$0.02 tax. We could do that statewide at \$0.02, and that would bring in anywhere from \$80 to \$100 million. Right now, with the documents that I handed out to you all, Omaha is collecting a little bit over \$47 million off of that. That's just Omaha alone. And the whole purpose of this thing when I go through when you look at what exemptions there are and exemptions are not-- again, I want to spread it out. I think there's a difference between wants versus needs. And I don't believe in any artificial adjustments that I saw in Senator Hughes's lowering the levy inside the-- or, lowering the valuations inside. I think anything artificial is too complicated and it requires adjustments all the time. Let's just make it simple. And the difference between wants and needs for me is very clear in haircuts. Kids need to get their hair cut to go to school. People are going to apply for a job, they want to come in with a clean haircut. The difference is if you want to get your nails done. I like a pedicure, but that is a want. That is not a need. So taxing that is different than taxing a haircut for me. So I removed haircuts. So this entire thing is about wants versus needs, and that's where I'm trying to get us to go. And of course, yesterday I brought up the cigars. I think we need to be very careful about how we do tobacco and base it off of health risk. The last thing I'll say because I'm talking way too much is the Governor had weight loss services. I added in there med spas. And this is just personal for me because I couldn't get my diabetes medicine because so many people are out trying to lose weight. There is a difference between health care and what I would say a need to just be better or do better. If it's by your primary care, I have no problem. But med spas are making a lot of the money and we need to look at that. The last thing I'll say is if we look at admissions for youth sports and things like that, we have to make sure we do not start redlining any more youth sports than are already happening, at least in Omaha and I think across the state. It is expensive to play these games. You have places that charge \$50 on a weekend to go watch your kids play. And so I think we need to carve out people like the YMCA and other organizations who scholarship a lot of kids, and I would say 30% of their kids who are in their program are scholarshipped. And so I picked the number of 30%. If these nonprofits are scholarshipping kids, then exempt them on their taxes as far as

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the sales tax. But if for-profit companies are coming in-- and I just refereed a tournament that was a for-profit company who ran it and it was \$80 for a parent to go on the weekend-- I have no problem taxing them. They are not scholarshiping kids and they are there to make money on their tournaments. That's the kind of detail we have to have, I believe, when putting a, a plan together. The sin taxes, I did not go up as high as the Governor. But I think we can still get there. The last thing I'll say to you all in this opening is that if we deliver property taxes for property owners, we have to do something for renters. So I proposed a protection for renters that would cap increases in rental rates at a 5% plus the con-- consumer price index for-- I would sunset it to, like, 2029. If we're going to deliver millions of dollars, they shouldn't be hiking up prices on these renters. There has to be a give-and-take. I don't know what that balance is. I'll be more than happy to work with the realtors and anybody else to figure that out. But we can't create a windfall where they increase rates by 30%, 40% and we give-- and we're giving that individual millions of dollars in tax breaks in property tax. Because it isn't property tax that's causing that to go up. So that's kind of the overall scheme. I know I threw a lot out there. But what I was trying to give this committee is a, a third alternative to look at everything. So for example, the detail-- the last thing I'll say. I'm sorry, Chair. In the big sheet, I have pet-related services. I'd probably be OK with pet-related services if we exempt service animals. That's a need versus a want. And I think that's the kind of detail we got to have when crafting out this policy. And with that, I'll answer any questions.

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

KAUTH: Thank you, Chair Linehan. Senator Wayne, what is-- where did I see it-- the SMART Act? Can you go into that a little bit?

WAYNE: So over my years of watching West Wing and being down here, Republicans do a really good job with acronyms. So the SMART Act stands for "saving money and reducing taxes."

KAUTH: Got it. Can you tell me exactly how that works?

WAYNE: So again, we'll be saving money by consolidating operations at the state level and reimbursing counties and, and putting a hard cap

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on them, keeping them at zero. So, so that'll, that'll save money going forward. And, and then we'll be reducing taxes by, one, funding those unfunded mandates and then funding education through. So that's how we'll be lowering property tax.

KAUTH: So, so-- but they-- the school district can opt in?

WAYNE: So this is-- I didn't bring it up because it's a little confer-- confer-- confrontational. I'm still trying to figure out how this works. But I do think at some point we have to engage the voters at the local level. We have to make sure people-- one of the things I watched in the hearing was people asking, did you go to a local school board meeting? Did you go to a county board meeting? And so-- let them choose. Do they want to be in our plan that reduces property taxes significantly or do they want to carry the weight of funding their entire school system except for federal and stuff that we have to do federally? So in particular, OPS, that would probably be a-- get rid of the \$1.05, that's probably a \$3 increase on the local property tax. Then I'm pretty sure people are going to show up to the meeting wondering why their property taxes went up by \$10,000.

KAUTH: OK. Interesting.

WAYNE: I do think on the back end, though, we have to have some safeguard that if the state goes back down and decides not to fully fund, that that local school district in the next presidential election can somehow opt out of our plan if, if we put a option to opt in. I'm OK with just forcing it, but if the issue is local control--

KAUTH: So then basically every four years they could opt in or out?

WAYNE: Yeah. So that just came up at the last special school board meeting. They said we were taking away local control. When I sat in the audience, I was like, all right. You can vote on it. Otherwise, you can fund it. And that is constitutional. So going back to 1897, *Affholder v. State*. We have to provide a mechanism, but we cannot use local property taxes for it statewide. And because the courts have consistently ruled local school districts can be funded by property tax because they are a local thing not a state thing, we can make them pay for it all.

KAUTH: Thank you.

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LINEHAN: Thank you, Senator Kauth. Senator Dungan.

DUNGAN: Thank you, Chair Linehan. Thank you, Senator Wayne. This is a lot. I appreciate all the work you've put into this. To make sure I understand it, you're waiting on the amendment still, the actual copy of the amendment, but you ultimately envision all of this being in one bill?

WAYNE: Yes. And, and so part of the reason I did that is because of what we just heard today in-- with the Speaker. I don't know how we not-- do not have a conversation about county jails if we're trying to provide a release and reimbursing them. Well, that's in my committee. We get it on the floor, somebody's going arg-- argue germaneness. Well, this white copy amendment puts this clearly within the Re-- Revenue Committee too.

DUNGAN: And I just wanted to make sure because I know you indicated in here where the LBs are currently, but that's adopting that LB and incorporating it all into the SMART Act.

WAYNE: Right. So I went upstairs, talked to Micah in Bill Drafting. And because Revenue was also going to be working on bills. The look I got from them, I thought, hey, we'll all-- we'll, we'll get through it together. I mean, we have put a lot on Bill Drafting, so, yes.

DUNGAN: All right. Thank you.

WAYNE: Yeah.

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

von GILLERN: Yeah. Thank you, Senator Wayne. The-- can you run through the public-- your comments about public safety with me again? I'm look-- I'm looking at what's on the sheet here. Are there no, no separate-- [INAUDIBLE] carve-outs around public safety [INAUDIBLE]?

WAYNE: No. So for me, what it would be is increases the CBAs. I, I think part of the problem is if Omaha is still short 100 fire, 100 fire and 100 police-- I'm making up things-- they may boost your pay up, right? And so that should be an exception. But more importantly, there should be a third-party analysis-- like, especially for equipment. We have a lot of volunteer firefighters in districts who receive a lot of federal money. And we have some, like in Omaha, who

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also receive federal money. Somebody has to look at that overall picture to say, yes, you really need this. And, and it's-- still-- I mean, I understand you can buy experts for any amount of money, but I don't think it should just be the chief and a sheriff who comes in saying, yeah, I need something new. This qualifies. We have to have some kind of verification. And the public should know that.

von GILLERN: So that's with regard to equipment.

WAYNE: Equipment or staffing increases, stuff like that. Yeah.

von GILLERN: OK.

WAYNE: I just, I just don't think if we write a blanket public exception--

von GILLERN: So this is very different than what's in LBI, which has a specific carve-out for public safety and very different than some of the other bills that have been proposed that even have larger carve-outs or no limits--

WAYNE: Correct.

von GILLERN: --on spending. OK.

WAYNE: To me, it's the third-party person because that has to go-- that'll be in a public meeting. People can look at it, people can verify it instead of just somebody saying, I, I know what's best. And the problem I have with two constraint lists is it doesn't give flexibility of new things that happen.

von GILLERN: OK. One other quick thing, and very small, but you men-- you mentioned pet-related costs and service animals. I've got a-- I've got a friend who has a business that does that specifically. There is no real, true certification for service animals, so. Def-- definition would be-- and anybody who's flown in the last five years knows that.

WAYNE: Correct.

von GILLERN: There's, there's a challenge there regarding definition.

WAYNE: So let me be clear. There are, there are things that I don't like in this plan, but I think part of a, a--

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von GILLERN: That's minutia, but.

WAYNE: --part of a good plan is just trying to build some consistency.

von GILLERN: Thank you.

LINEHAN: Thank you, Senator von Gillern. Are there other questions? This is a lot of work, Senator Wayne. Thank you very much. That's very helpful. And I think it shows that you've been around here for a while because now it appears that there's nothing that we can't use because it's all had a hearing.

WAYNE: Correct.

LINEHAN: That's very helpful. Your third party, I-- this-- and it's fine. You've done a lot of work. I'm not trying to point out a shortcoming, but you, you didn't, you didn't develop a plan of what that would look like.

WAYNE: No. No. I'm still working with particularly the city of Omaha and, and Douglas County trying to figure out what that is. And, and again, the reason is-- like, for in Omaha, we have a increase in juveniles, particularly immigrants, who are now in some violent areas, right? What that need is, police may know, but sometimes it's just very reactionary. And I, I think we should have a, a better discussion about what that looks like.

LINEHAN: Well, and there's-- and I-- I'll pick on Douglas County-- or, at least talk about Douglas County. I don't know. I'm not a policeman. I'm not a fireman. I don't know what their needs are. But I do think that there should be more cooperation between Waterloo, Valley, the city, Douglas County because they all have police forces, I think.

WAYNE: Correct.

LINEHAN: And I don't know how much they talk to each other when it comes to buying-- well, they just bought something. What did they just buy?

von GILLERN: An armored vehicle.

LINEHAN: An armored vehicle. But we already have one in Omaha, don't we?

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WAYNE: Yes. During the 2020, they were all downtown. So that, that's what I mean, that we-- there needs to be some coordination and, and the overall picture-- looking, looking at the overall picture.

LINEHAN: And you moved to Sarpy County and you've got five cities and they're all building their own things, which-- maybe they're talking. Maybe they're not. I don't know. But it, it's concerning, I think, when you got five different cities that are ultimately [INAUDIBLE] say they're going to all be-- that we're not going to be all one town, but they're all going to be right next to each other.

WAYNE: Correct.

LINEHAN: And then you've got-- I'll go out west-- you have counties that can't even find a county attorney.

WAYNE: Correct.

LINEHAN: So there-- so maybe just for county attorneys, maybe four counties should go together and [INAUDIBLE] a county attorney.

WAYNE: We're having that conversation in our, in our committee right now about that. So, yeah. So I think there's definitely ways that we could-- we can figure it out.

LINEHAN: OK.

WAYNE: But I don't want this committee to be in the dark. And I don't want you not to have the options to look at everything. The biggest thing is it can't just be one solution with education. We've tried that since the '50s and it's, it's never worked because when a economic downturn happens, we say we're not going to increase education by 4%. We'll do it by 1%. So the politicians say, no, we didn't cut funding. We just didn't fully fund it. And then over ten years, we're in a lawsuit with multiple law schools and the, the Nebraska Coalition because there was a 33% gap in funding because over ten years we just didn't fund it at the 4% or 5%. We funded it at 1%. And that's the problem.

LINEHAN: In defense of the Legislature, we have not done that with TEEOSA since 2017.

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WAYNE: Yes. I can tell you-- yes, because I was on the board. And I have-- make no bones about it. We thought we were going to lose one year \$40 million. And we told our lobbyists, if you can get it to \$10 million, we're happy. We don't care. And they got it to \$5 million. We lost \$5 million. And that's-- all those tweaks we talk about in TEEOSA, it's those kind of things.

LINEHAN: Yeah. And there's three cities that have enough votes to-- it's where the averaging adjustment came from.

WAYNE: 100%.

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

WAYNE: Thank you.

LINEHAN: Appreciate it. Do we have proponents? Seeing none. Do we have opponents? Good morning.

JON CANNON: Good morning, Madam Chair Linehan, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of NACO here to testify today in opposition to LB63. I appreciate Senator Wayne having brought this. I mean, from the looks of the outline, at least, it's very thoughtful and well put together. And certainly a lot of these things have had their hearings, and so we've had the opportunity to weigh in on portions of them which we, which we like and some of which we are not, you know, super thrilled about. You know, originally for the, the bill as written, we, we took no position because we said it's-- you know, it looks like it's going to be a study of some sort. But we've only saw-- seen the outline just this morning like everyone else has. I haven't seen-- of course, we have-- none of us have seen the white copy amendment. It could very well be that we move to neutral or support, depending on further study. We just haven't had the opportunity to really parse through it. But there is a few observations I would like to make that, that generally are going to draw a reaction from, from NACO. The, the cap of 0% CPI, have to address that. I'm not going to bog down testimony too much. You heard our testimony on LB1. I'll incorporate that by reference. We've already described why we think a-- that CPI is the wrong index for measuring the growth in, in the cost of government. But what I do want to mention is why we, why we like to talk about local control. And I, I think that really comes into sharp

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relief with a proposal like this. When it comes to the portion that would take over everything for the coun-- the district courts-- it says county courts, staff clerks, [INAUDIBLE], Supreme Court from LB46. A lot of that also incorporates the district courts. As you know, the only elected off-- official that has anything to do with the courts is the clerk of the district court. We had a hearing yesterday on LB46. And it used to be that the county courts were something that were-- I mean-- and, you know, going back to when we became a state back in 1867, the county courts were a local thing. We built the courthouse to hou-- to house the court system. We don't-- we didn't call them the county administration buildings. And over time, we have slowly started to move the count-- the court system o-- completely out of the judiciary and away from that, that link to county government. As an officer of the court, I understand that. And I appreciate that you have a con-- desire to have that done. By the same token, when we're looking at the court system versus the locality, them being in the courthouse becomes a little bit more problematic. And just as a for-instance, this has happened several times in the last few years when there's a blizzard in Kimball and the county commissioners say, roads are closed. No one can get here. We're closing the courthouse down. And a directive comes from Lincoln that says, oh, no, no, no. Today's a court day. You have to have a courthouse open. That's a bit of a problem. That is why we like local, local control. And it is a, a very good illustration of that. The people paid for the courthouse with their property tax dollars, whether they bonded for or they just raised the money. And now we're going-- getting to a point where the courts have no link to county government but they're going to expect-- every single bill that I've ever read that talks about that, they're going to expect to occupy a lot of space and nice space in the courthouse rent free. That's a little bit of a problem that we would want to work through as well. And also I will note that LB46 does not-- I'm out of time. I'll-- happy to take any questions you may have.

LINEHAN: Thank you. I have one. Are you planning on working this weekend, I assume?

JON CANNON: Yes, ma'am.

LINEHAN: OK. Thank you. Are there any other questions from the committee? Seeing none. So I kind of heard two things. Like, we don't

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want it, but we give them rent free that evidently the taxpayers-- property taxpayers are paying for. So is there something there?

JON CANNON: As far as the, the court system?

LINEHAN: Yes. Like, you-- where we're, we're-- the state is taking up space in county courthouse buildings that they are not reimbursing the counties for.

JON CANNON: Right. And we are obligated to pay for furniture and equipment as well as county-- clerk of the district court, clerk of the district court staff, and also security for the, for all the courthouse and courtrooms-- not just the district court, but also the county court.

LINEHAN: So in Senator Wayne's proposal, it was-- I don't know about it because it's-- was in the Judiciary Committee-- there were no counties wanting to talk about more state funding?

JON CANNON: We, we had, we had talked about that. That was broached by Senator DeBoer with some questions that she had yesterday. We're happy to have that conversation. But again, there, there's always going to be the-- kind of that dynamic tension between the courts saying, you know, today is, today is a court day. You ha-- you have to be open. I used the, the, the example--

LINEHAN: OK. But you said they can do that now.

JON CANNON: The courts?

LINEHAN: Yeah.

JON CANNON: They, they can force the courthouse to remain open. Yeah. The-- and, and that's, that's a problem because they don't-- someone that's sitting in Lincoln doesn't know what's going on in, you know, Kimball or Chadron.

LINEHAN: So if we pass this bill or that bill, that-- the-- still they can call you up and say the court has to be open.

JON CANNON: They can unless the Legislature limits their ability to do that.

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LINEHAN: But there's no bill to do that, is there?

JON CANNON: No, ma'am. And, and that is, that is kind of fundamentally why we're, we're always a little antsy when we talk about completely severing the courts from county government.

LINEHAN: OK. I'm just-- the frustration in sitting here is we got-- part of the reason you have high property taxes is because you have state mandates. And somebody comes forth and says, well, we'll take this off of you and we'll pay for it. And you're saying no because you don't want to lose your control. But you don't have any control already.

JON CANNON: Well, we would-- and, and again, there, there are ways that we have given up control. And we recognize that that dynamic tension exists between the courts and county government and the courthouse. Again, we don't call it an administrative building. If we completely sever that link and the court-- the courts still have the ability to, to have a-- the tail wagging the dog, we're-- we become a little bit more anxious about that. And, and frankly, if, if we were able to get to a point where, where the courts are paying rent-- which they've never had to do before-- I, I, I think that conversation would change dramatically. And, and again, I, I want to reiterate that we are, we are opposed because there are some parts of this bill that, that we've traditionally been opposed to. By the same token, with more study and more conversation with Senator Wayne, it is entirely possible that, that we can move our position. I would-- something as-- this-- as big as this, I'd, I'd probably have to take this to the NACO Board.

LINEHAN: Are they working this weekend?

JON CANNON: I don't want to volunteer them. I'm sure, I'm sure that a number of them are watching right now.

LINEHAN: OK. Good. Any other questions from the committee? Seeing none. Thank you very much for being here.

JON CANNON: Thank you very much.

LYNN REX: Senator Linehan, members of the committee. My name is Lynn Rex, L-y-n-n R-e-x. Representing the League of Nebraska Municipalities. We're here respectfully opposing LB63. I do want to

commend Senator Wayne for some extremely thoughtful ideas because I think he always has those. I just wanted to underscore this point, though, that in terms of this bill and what it means in terms of the 0% caps. Like, like Jon Cannon, I would like to incorporate our opposition to a 0% cap by reference because I think that's important. And that was our testimony in LB1. In addition, just wanted to underscore too in terms of the league's position-- and frankly, I don't speak for NACO, but the NACO Board's position, which is we support additional state property tax relief. That needs to happen because your predecessors for decades did not reimburse local governments when the tax base was removed. And I think your history in terms of local government would also bear that out. That being said, this committee has done extraordinary work providing additional property tax relief. We appreciate that, but I think more needs to be done. In terms of state aid, we appreciate Senator Wayne's look at, look at what we could do for state aid for municipalities. You have seen my sheet many times over-- and I'll be pres-- presenting it to you later today as well-- which is basically five pages outlining a cut, cut, and cut and total elimination. There's only one time the Nebraska Legislature ever reimbursed local governments for reducing a property tax base, and that was LB517 in 1977. And that was for removal of livestock, farm equipment, and business inventory. One time. And that one time resulted in basically a couple court decisions where the Legislature did not put an indicator on it, so therefore frozen [INAUDIBLE], and it ended up being called, quote, state aid. And for what-- again, a, a partial vote, totally inadequate reimbursement for the removal of those-- that extensive property tax base, which, by the way, needed to happen for the state of Nebraska to be competitive in terms of business and in ag. But that being said, our total allocation was \$17.9 million. By 2011, that was totally eliminated. We were told by the Appropriations Committee-- and I understand. There-- the state of Nebraska faces issues. Every time there was a fiscal crisis, it was cut, cut, and cut and we will reimburse you as soon as the state recovers. That never happened. Not once, not ever, and resulted in the total elimination of that with passage of LB383 in 2011. So again, we appreciate the effort. But in terms of-- we always would prefer the fishing pole than the fish because of what our experience has been in the past. But again, we also do not weigh in on what the, the tax-generating revenue would be. Neither the NACO Board nor the league does that. But we commend all the efforts of this committee and look forward to working with you and

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putting something together that's workable for municipalities throughout the state of Nebraska. With that, I'm happy to respond to any questions you might have.

LINEHAN: Thank you very much, Ms. Rex. Are there any questions from the committee? Seeing none. Thank you [INAUDIBLE].

LYNN REX: Thank you very much.

LINEHAN: Are there other opponents? Are there any other opponents? Neutral? Neutral? Don't, don't-- get up here. If you're going to testify, just get up to the front. I mean, it's-- it seems like seconds to you, and it is only seconds, but it adds up to minutes.

_____: Chairman Linehan, I just had a procedural question. Is this-- the, the-- did we combine all of the bills for Senator Wayne or is this just for LB63?

LINEHAN: Yep. Just LB63.

_____: Thank you. That's-- thank you.

LINEHAN: Oh.

SPIKE EICKHOLT: Can I testify twice or once at the same time for two clients? I'll just test-- I'll just speak once.

LINEHAN: Do you want more time then?

SPIKE EICKHOLT: No. No, not at all.

LINEHAN: I-- that's wonderful.

SPIKE EICKHOLT: OK. Thank you. Good after-- or, good morning, Chair Linehan and members of the committee. My name is Spike Eickholt, S-p-i-k-e E-i-c-k-h-o-l-t. I'm appearing on behalf of two entities as a registered lobbyist: first for the Nebraska Criminal Defense Attorneys Association and secondly for the Cannabis Factory. And we are testifying neutral in part because we haven't actually seen the text of the amendment that Senator Wayne is going to have drafted. But based on his description and his characterization of what he's got here, we see this-- we were both opposed to LB1. And I just want to speak to the two provisions that we are sort of neutral on that we are interested in. First, on the outline that Senator Wayne distributed,

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on the first page in the description of the hard cap [INAUDIBLE] municipal and counties property tax collection, Senator Wayne does have a provision that has an exemption for public health and safety. And if you recall from the testimony on LB1, the public defenders in this state and indigent defense attorneys are concerned that if they are not included in the definition of public health exemption, they simply will not be able to hire staff and to do their job. And ultimately, counties are responsible for paying the costs of indigent defense. So they're going to pay one way or the other, either through a full-time public defender's office or a part-time public defender's office or simply an hourly rate to have attorneys do it. So that's one thing that we'd like to have. The committee-- appreciate if you do in-- consider Senator Wayne's amendment. The second part-- and I'm speaking now for the Cannabis Factory-- on the last page of Senator Wayne's outline, page four in the-- in about the middle of the page in the description of sin taxes, Senator Wayne proposes to tax consumable hemp at 20%. You may recall-- you may not because there were so many people testifying on LB1-- but the Cannabis Factory did have a representative speak in opposition to the 30% sales tax in-- proposed in LB1. But we did indicate that we would be amenable to a higher sales tax than just a typical 5.5%. One thing I want to mention to the committee-- and perhaps council has already noted-- the Governor's call on paragraph 8 authorizes the Legislature to impose a excise tax on consumable hemp. Not a sales tax, but an excise tax. LB1 and the description I think what Senator Wayne wants to do in this bill is a sales tax. So I think at one way or the other, if the committee is going to consider doing something with taxing consumable hemp, I think, in my opinion, you're going to have to look at what the Governor's call authorizes you to do. And it looks like it's just for an excise tax only, according to the text of the call. So I would ask the committee to consider those two points. And I'll answer any questions if you have any.

LINEHAN: Thank you very much for being here. Are there any questions from the committee? So I think what I heard is 20% is a lot better than 30% and it needs to be an excise tax, not a sales tax.

SPIKE EICKHOLT: I think so, yes.

LINEHAN: And public defenders don't want everybody else to get funded but them.

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SPIKE EICKHOLT: Right.

LINEHAN: OK. Thank you.

SPIKE EICKHOLT: I could have been more succinct [INAUDIBLE].

LINEHAN: No, that's-- you were, you were-- I can, I can narrow it down so I understand it. That's perfect. Thank you very much. Any other questions? Seeing none. Thank you very much. Anyone else want to testify in neutral position? Senator Wayne. We did have letters. That's on the original bill, so. It is what it is. 2 opponents, 1 neutral.

WAYNE: I'm just here to answer-- thank you again for the hearing and thank you for allowing me to take a little time on my introduction. I'm here to answer any questions.

LINEHAN: Do we have any questions from the committee? I don't think I have any question-- well, it is kind of a question. Would you be willing to work with NACO over the weekend?

WAYNE: Yeah. Yes.

LINEHAN: All right. That would be helpful. Because they're-- Jon's working on his-- I don't know about his board, but he probably has their phone numbers.

WAYNE: Yeah. More than happy to.

LINEHAN: Yeah. OK. No other questions? Then we bring LB63 to a close and we open the hearing on LB64.

WAYNE: Good morning, Chair Linehan. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e. And I represent Legislative District 13, which is north Omaha in northeast Douglas County. This is truly a shell bill. If you ever been down here, one year it took us four times to pass a tax package, so. I figured you guys were busy over the summer, so I just wanted to cover you guys and make sure you had a shell bill. Thank you.

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

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KAUTH: Thank you, Chair Linehan. Senator Wayne, thank you for bringing a shell bill. I think it's very thoughtful that you gave us this vehicle. I'm surprised that the NSEA is not here testifying against it.

LINEHAN: [INAUDIBLE] probably got a letter.

KAUTH: Thank you.

WAYNE: I'll waive my closing too.

LINEHAN: All right. Are there proponents? Opponents? Neutral? Did we have a record? We really did. We had 1 proponent, 3 opponents, and 0 neutral. And with that, we'll close the hearing on LB64 and go to LB-- [INAUDIBLE].

WAYNE: Good morning, Chair Linehan. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e. And I represent Legislative District 13, which is north Omaha in northeas-- east Douglas County. I had a similar bill like this without the excise tax on ammunition in Natural Resources. This is real simple. I've said this to many people: I am tired of people driving from Kansas through Nebraska to go fish in South Dakota. And so if there is a way for us to increase our wildlife management to make sure we have better fisheries and more pheasants, that's two things I would love to figure out how to do because I think that would increase our tourism. I bring up, during COVID, there was one county in particular that saw a huge increase in the amount of visitors, and that was Lake McConaughy area and, and Keith County because they were camping, fishing, and going out. And that actually has increased over-- since COVID of people wanting to be more outside and do things. But I literally was in South Dakota a little bit ago, and there were about 20 people from Kansas who went up there to walleye fish. They didn't go up there to hike. They didn't go see the mountains. They were there to walleye fish, and they drove through us. So I just figured, why can't they stop and fish here?

LINEHAN: Thank you, Senator Wayne. Are there questions from the committee? How are you paying for this--

WAYNE: Putting excise tax on ammunition. Figure if they're going to shoot birds that we should maybe take care of them too. I was-- to the question yesterday about fishing license, I couldn't get enough

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revenue from that, so that's why I did ammo because it does-- people buy ammo, including myself.

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

MEYER: And very least, we should tax the pop and candy as they drive through Nebraska [INAUDIBLE].

WAYNE: I won't-- you don't have an argument from me there.

LINEHAN: All right. I don't see any other questions. Do we have any proponents?

WAYNE: I'll waive closing.

LINEHAN: OK. Do we have any opponents? Anyone in the neutral position? We have letters. We have 2 proponents, 1 opponent, 2 neutral. OK. [INAUDIBLE] that. We'll close the hearing on LB65 and go to the hearing on LB67. He's just-- he's right there. Yes, we're up-- you're up. Is there something you think there--

WAYNE: No, I just don't know what it does.

DUNGAN: It's Natural Resources.

LINEHAN: No, LB67. LB67. You don't know what it is? It's OK.

WAYNE: Oh, right here. NRDs. OK. Oh, I thought this was the Natural Resources Committee. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e. And I represent Legislative District 13, which is north Omaha in northeast Douglas County. To save purposes of time, I will incorporate all my testimony from LB63, the white copy amendment. Again, we are not taking over NRDs, but we are going to use the same mechanism that this committee used to fund community colleges by funding them and making sure they still have the ability to operate. And as you see in '25-26 on the fiscal note, that is a savings to the local taxpayer of \$95 million.

LINEHAN: So-- are there questions? Yes, Se--

MEYER: Just a qui-- and what is their levy rate no-- maximum levy rate?

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WAYNE: It-- I think their maximum is \$0.05, but it, but it, it varies in NRD districts. So our NRD district is very-- they do a lot of things like build lakes and recreation things and they use bonding approvals like that. So that's why I say it varies because if they use bonds, if they didn't, this would just be their core operations, just like [INAUDIBLE].

MEYER: And that bonding is outside the \$0.05--

WAYNE: Yeah.

MEYER: --outside the statutory laws?

WAYNE: Yeah.

LINEHAN: Thank you, Senator Meyer. I'm-- this came up very early when we were here about bonding by NRDs. They didn't used to be able to and now they can or we took it away--

WAYNE: No, there was a sunset provision that Senator Kolowski, a former NRD member, renewed it to allow for bonding authorities.

LINEHAN: OK. So they can bond.

WAYNE: Yes.

LINEHAN: But it's a vote of the people.

WAYNE: No, I don't believe so. My staff member's on the NR-- NRD Board. I'm sure he's going to text me so I have the answer by close. That's why he wouldn't let me take them over. He wouldn't let me draft a bill that way.

LINEHAN: Senator von Gillern.

von GILLERN: You said by-- you were incorporating testimony in LB63. By that, do you mean your funding source for this would be the same funding that you mentioned in LB63?

WAYNE: Yes, it would be the same funding source, but this was just the expenditure part of it. I didn't have a funding source.

von GILLERN: Thanks.

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LINEHAN: Would you-- in all of these, things would the-- couple of things you didn't mention, I don't think, on LB63-- and I-- would you agree with, like, the way we did the community colleges if the state doesn't meet its obligation?

WAYNE: There's a backstop.

LINEHAN: They, they can go back to property taxes?

WAYNE: Yes, there's a backstop on that to allow that the operations aren't stopped or ceased by, by the state.

LINEHAN: OK. All right. Anybody else have questions? Thank you very much. Do we have any proponents? Any opponents?

JOHN WINKLER: Good morning--

LINEHAN: Hi.

JOHN WINKLER: --Chairman Linehan, memb-- members of the committee. My name is John Winkler, J-o-h-n W-i-n-k-l-e-r. I'm the general manager of the Pappio Missouri River Natural Resources District. And I'm testifying today on behalf of not only our district but the Nebraska Association of Resource Districts as well. [INAUDIBLE] take this opportunity to thank you. Obviously, property taxes is a huge issue in the state. We are very concerned with the heavy reliance on property taxes to fund schools and other political subdivisions. The tasks before you are daunting and complex. And we do support reforms that reduce property tax reliance and provide adequate funding for both rural and urban areas. We have worked hard to keep our NRD taxes low and to find other sources of revenue. We just met with Governor Pillen the other day and talked about bringing in federal resources, other grants and other programs to help fund our natural resource challenges. We found out that we're ranked 49th out of 50 states for bringing in federal funds to the state of Nebraska, so. In fact, Senator Fischer just announced \$13 million for critical Nebraska water resource infrastructure projects for fiscal year '25. Our main opposition to the bill, though, is the unintended consequences of the state funding NRDs. The state, federal, and other sources of revenue that are available to NRDs require a local match. And our fear is if the state is funding us that would be considered state funds, and those do not comply with those rules and those are not eligible to receive those federal funds if you use state money. We did put out a

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handout-- and it's on the second page-- of the impact to our budgets across the state if, in fact, the state didn't provide the NRDs with funding instead of property tax revenue. And it was in fiscal year '23-24. We're, we're just doing our '24-25 budgets right now, so we have to put estimates there. But it was \$55.5 million of grant and program funds that we would lose. For fiscal year '24-25, it's estimated at \$122.0-- \$122 million. We did-- at the, at the Papio, we reached out and tried to estimate further into '25-26, and we figured \$34.8 million in federal and \$10.6 million in state funds. I did list examples of programs that are funded by state and federal funds that require a local match. Typically, the local match is 40%. I can answer some specific questions on the bonding authority because we are the only district that has that. So if you have-- want me to answer those, I can. I also provided some additional information-- and I won't go through it because it's so lengthy-- of just some of the state mandates or state actions that were implied on the NRDs for us to take care of and for us to monitor and to implement those programs. Again, we work with local citizens to create workable solutions to complex issues as we an-- navigate the complexities of all of this water management. Obviously, you've seen what happened in Omaha in May and June, and then just recently with the high winds. So we're dealing with-- we deal-- literally dealt with three 100-year events this summer, so. Mother Nature is, is fickle and we deal with that as we can the best we can. We just need the flexibility to be able to respond and be able to respond to those events that come up and implement those programs that we need to do to be able to address public safety. So I'll be happy to answer any questions you might have.

LINEHAN: Thank you, Mr. Winkler. Are there questions from the committee? I've got two. The, the matching funds, it's a federal requirement or--

JOHN WINKLER: Federal and state. So for example, the Water Su-- Water Sustainability Fund, you can't use state funds to match state funds. The federal requirement would be the same, like 319 or FEMA disaster mitigation funds. Tho-- those require a local match. We're also working with the--

LINEHAN: OK, but the state thing we could work out [INAUDIBLE] Legislature, right?

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JOHN WINKLER: You'd have to work that-- federal, I don't know.

LINEHAN: What's the definition at the federal level of a local match? Does it have to be an NRD? I mean, can it be a state?

JOHN WINKLER: Well, the, the, the issue with the state matching is-- or using state funds is, obviously, if the states were allowed to apply for some of these funds, that-- it would be-- it would be unfair because you have state agencies that would be competing against local jurisdictions. And there would be no way to compete. They would just have the resources to get all the funds--

LINEHAN: OK. But my question is--

JOHN WINKLER: --so it depends on the program.

LINEHAN: My question is: at the federal level, when they say local match, does it have to be a county or a city?

JOHN WINKLER: It could be regional, could be local city, it could be--

LINEHAN: It could be the state.

JOHN WINKLER: Well-- I-- no-- some that-- some prohibit the state funds. It has to be--

LINEHAN: Some prohibit the state funds.

JOHN WINKLER: So it would be-- depend on the program, Lou Ann. The, the issue-- so for example, we're working with the Corps of Engineers and the federal government on-- it's called the Water Infrastructure Finance and Investment Act. The Corps of Engineers has been slow to adopt that and-- but one of the requirements is is it would be-- you know, there, there's obviously a, a local, local funding source. Now, the rules haven't been totally applied yet. So there would be some risk there that if they eliminated state funds that we could not access those funds. And we've been literally working on this for decades. And so that-- and, and, and again, I haven't even checked with our bond council to see because, obviously, all of our bonds that we have out are secured by taxing authority. You know, we meet with S&P, Standard and Poor's, when we got our rating. And-- so we, we have to reach out to those folks, say, well, if that switches, do the

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bonds-- all of, all of a sudden do we violate-- and those become callable.

LINEHAN: Right.

JOHN WINKLER: And so those are things that we have to work through to see if that's--

LINEHAN: I get, I get that because we've got that same situation [INAUDIBLE] groups.

JOHN WINKLER: Right.

LINEHAN: So what is your maximum levy?

JOHN WINKLER: So the NRD's maximum levy by statute is \$0.045.

LINEHAN: OK.

JOHN WINKLER: Now our bonding authority-- since we're the only district with bonding authority-- has to remain within that \$0.045. We don't get any additional taxing authority. And we can only levy up to \$0.01 of the \$0.045 for bonds. Now, that sunsets in December of '25 by design, as, as, as Senator Wayne mentioned. And, and that was-- you know, that was-- when we renewed, that was part of the, the, the deal that that would sunset, so. Again, those bonds are outstanding. We have-- actually, our bonds are less than 2% interest, which-- you're not going to find that anymore. But again, the, the, the danger would be if, if we switched then, then do those bondholders have a right to call all those bonds that are out there?

LINEHAN: That can-- nobody wants to give up their taxing authority. That's become very clear in the last three days. And I get that. State wouldn't want to give up theirs. But community colleges don't want to give up theirs. But it is-- you can see why Nebraskans are a bit frustrated when they open up their bill and they see, like, 20 people can take money from you, or 15 or whatever it is. So what we do with the community college is-- and I think this is the-- this is the, the door, the safety hatch-- is if the state said they were going to give you this plus an increase of whatever-- I think community colleges is 3%-- and if we don't, you can go get it from taxes. I don't know if you're-- that's a-- I'm just telling you if you understand that that's the way the community college thing works. So we don't-- if the state

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doesn't hit its match, whatever we said, then you get your taxing authority back.

JOHN WINKLER: Right.

LINEHAN: OK.

JOHN WINKLER: So our, our issue is the, like I said, the unintended con-- we-- so, so-- I don't-- we don't want to be put in a position where we're bring-- you know, we're, we're tasked, so to speak, with bringing in additional revenue, which we want to do-- you know, other state programs, federal, foundations, whatever that may be. But we would be throwing a whole lot of money at risk right now if the rules were the-- were as they are. We're throw-- we're putting a lot of-- at risk to, to say, OK, well, the, the state funded you. You know, that's our issues. We don't want to lose that ability. The NRDs are probably, I would say, arguably one of the best organizations in the state for bringing in additional revenue. I think 1/3 of all of our budgets are local property taxes. The rest are other local jurisdictions' funds, federal funds, all those, so--

LINEHAN: What is your annual budget?

JOHN WINKLER: Our annual, our annual budget-- it, it varies, obviously, from year to year. Ours is-- varies from \$117 million to \$90 million. And we levy \$30 million in property taxes.

LINEHAN: OK.

JOHN WINKLER: So the rest of that is either-- you know, it could be bond funds. It could be other funds. We just recently received \$7 million in community development block grant funds to remove an obstruction in the Platte River that was caused after the '19 flood when they had to, to rebuild the railroad bridges. So-- you know-- and-- so we had the ability to work with DED and to go out and get that, that federal money to do that. There's no way-- we worked with Sarpy County, Cass County, the other-- Lower Platte South NRD. There's no way we could have come up with that on our own. And so this was a flood risk that needed to be-- and so we have the flexibility by having our own authorities, like a levy authority, to, to be able to do that. So I would say if, if-- you know, in fact, we, we would-- we need to keep that flexibility to be able to respond because we are rec-- we're different than community colleges. I, I-- and I-- I'm not

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going to-- you know-- so I was on a local school board. I'm a county commissioner. So I understand all-- you know, school financing, county funding, all-- the NRDs are a whole different beast. We, we are, we are-- we need to be able to have the flexibility to respond quickly-- and quickly, I mean in years, not ten years. And so-- you know, we'll get, we'll get storm events, we'll get 100-year floods, and all those things. We need to have the ability to do that.

LINEHAN: Are there other questions from the committee? Senator Murman.

MURMAN: Yeah. You, you discussed quite a bit about the federal match that you would lose. Those columns on the chart that you passed out then-- like, \$29 million in fiscal year '23-24--

JOHN WINKLER: Right.

MURMAN: --and '24-25, \$82 million--

JOHN WINKLER: Right.

MURMAN: --that would all be lost? There wouldn't be any way to get the federal funds-- all of that--

JOHN WINKLER: So that, that is assuming that-- that is assuming that those funding sources would say, no, it's a local match, not-- since you're funded by the state-- now, like Lou Ann-- like Senator Linehan said, sorry-- that-- you know, if you change the state statute on the Water Sustainability Fund or other state funds has said, no, state money can't be used for state match, then potentially that could change. But here's the other-- the flip side of that double-edged sword is if you say, OK, state funds can be used for state match. Now all of a sudden we might be competing with the Department of Natural Resources, DEE, and those larger state agencies that have more capacity than local districts, especially our rural districts. We're competing with them for, for shrinking state funds, which puts us at a distinct disadvantage in those funding sources. And the same would be set-- at the federal level, if we change-- somehow, miraculously-- we changed the federal rules, then we would be competing against a whole host of state agencies, from California to New York, for those same scarce dollars. We fit in a nice little niche with the NRDs as a regional because we cross political boundaries. And when we always go to D.C. for the corps and all the-- they-- we ha-- we have a very nice niche as far as accessing funds because there are no other NRDs in the

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country, and we can do things that those other states can't. And especially in the local jurisdictions in other states. So that's why you see South Dakota, Nevada, Washington, Arizona all kind of coming to Nebraska saying, OK. What are you guys doing? What are you guys doing different that, that we can do? And so we're, we're in a very unique spot. And I, I proudly say that. And it, and it's not hubris. I mean, we, we do have a very unique spot and we do a lot of very unique things in Nebraska. And when they formed the district, it was, it was genius back in the '70s, so. But, yeah. But we could potentially lose, lose that.

MURMAN: OK. Thank you. Yeah, I think I understand that a little better now.

LINEHAN: Thank you, Senator Murman. Are there any other questions? Seeing none. Thank you very much for being here.

JOHN WINKLER: Thank you, Senator.

KYLE HAUSCHILD: Wow, John stole my thunder.

LINEHAN: Hi. Go ahead.

KYLE HAUSCHILD: How are you?

LINEHAN: Sorry.

KYLE HAUSCHILD: Chair Linehan, Revenue Committee members. My name's Kyle Hauschild, K-y-l-e H-a-u-s-c-h-i-l-d. I'm here to testify in opposition of LB67. I represent the Nemaha NRD. I'm going to quote from the Soil and Conservation Society. And this is a-- publication that was put out. Even after a half century of protecting Nebraska's precious water and soil and other conservation-related activities, many Nebraskans are unaware of the important work that is done by the Nebraska NRDs. With that said, and in time, where the demand for natural resources have never been higher in human history, this innovative system for the NRDs has become the envy of the nation. The Nemaha NRDs located in southeast Nebraska has been tasked with operating and maintaining close to 380 flood control structures. I went 380 because we have 379, so. 380 sounds better. These structures were built to provide flood control, grate control, and erosion control over 1.5 million acres, or 2,400 square miles across the district. During the 1950s and '60s, most of these flood control

structures were built, predating the NRDs which were formed in 1972. The first watershed plant in the country was started and completed in Brownell Creek watershed, which is located south and east of Syracuse, making it the oldest watershed plan and flood control structures in the United States. PL 534 and PL 52-- PL 566 are federal programs that design watershed plans and then build the structures and turn the ownership over to local sponsors to operate and maintain after their construction. No funding source has been established at the state or federal level to help with these needs of these structures, leaving the NRDs to bear the costs of all maintenance for the life of the structures. Each year, the Nemaha puts over \$1 million in operation and maintenance of these structures. The Nebraska NRDs are working with NRCS, the Natural Resources Conservation Service, to start a program that will help flood control owners, such as the Nemaha NRD, with maintenance needs of structures so local sponsors are not taking on the brunt of the cost. If LB67 were to pass, this opportunity would be lost because state funds are not eligible to match the state and federal program funds. In fiscal year '23-24, the Nemaha NRD leveraged \$140,000 in state funds and \$290,000 in federal funds. With the loss of local control, NRDs would no longer be eligible for these funds to relieve the burden of local taxpayers in the Nemaha NRD. In '23-24, our levy was \$2.99 on \$100 valuation. Our budget's roughly \$4 million per year and goes to maintaining 380 flood control structures, along with five public use rec areas and 23-mile trail that runs from Nebraska City to Brownville. And I am open for questions.

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

KYLE HAUSCHILD: And I did attach another sheet that kind of gives a bio of the, the Nemaha NRD. And on the back of that sheet, there are a bunch of dots. Red dots are 50 year and older. And when NRCS designed these structures, 50 years was the life expectancy of them. Our oldest structure is 72 years old, I believe, and we have everything from 72 years old down. And so the maintenance needs for these structures are obviously needed. Some of the things that I do talk about when I'm talking about them, if a, if a bridge is starting to age it's, its years of service or its life expectancy, it needs to be replaced. And that's the case with these structures as well. And the local control is the way to do it. And as John stated before, that's a big concern for us, is if we would lose that, that local match or that local

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leverage on the state and federal funds, that would be a big hit to, to our district and, and among many others.

LINEHAN: Thank you. Thank you. Are there any questions? Senator Meyer.

MEYER: Yes, thank you. Are these-- the Turkey Creek and the Muddy Creek, are they on private land?

KYLE HAUSCHILD: Everything is on private property. [INAUDIBLE] we don't own any of the structures. We have an easement over the structures and we operate and maintain the structures in place. So we do not own. The only thing we do own are those five recreation areas and the 23-mile trail. But outside of that, we don't own any of the structures. Everything is on private property.

MEYER: So those two structures, roughly, what are the-- what are the acres of Turkey Creek and Muddy Creek?

KYLE HAUSCHILD: I don't--

MEYER: [INAUDIBLE].

KYLE HAUSCHILD: Are you talking the acreage? I didn't bring it up on-- is it the spreadsheet that's on there? Yeah. So those are the-- those are the-- those are the acres that are contained within that watershed. So that's how many acres are protected for flood control inside of those-- inside of those watersheds. Does that make sense?

MEYER: So, so they're on-- they were built with NRD funds on private property and private property's benefiting quite a bit from the [INAUDIBLE] property, for the lake in their front yard almost.

KYLE HAUSCHILD: Yes and no. So all of the structures, again, that we own-- it's not just Turkey Creek and Muddy Creek-- all of the structures are on private property. So everyone benefits from having the lakes on their property. But it's also the, the peripheral, which is the flood, erosion, sediment control, and grate control that's taking place with those structures.

MEYER: So, so since these structures were all installed, how many of them-- any of them have failed? Because I saw this type of [INAUDIBLE]

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out our way, and I'd say probably 50 of them were a really bad investment.

KYLE HAUSCHILD: We have not had any failures. And I think that is the intense maintenance program that we do have to keep them in place. We don't have any of them that have failed, but we have had a lot that have maintenance needs. Corrugated metal pipe is a, is a big material that's used, and it's a metal pipe that's put in place, and that's, that's the riser for the pipe. Those are basically life expectancy of 50 years. With that 50 years, we obviously-- if they're 70 years old or 50 years plus, we're looking real hard at replacing those pipe. So we've came up with different ways of replacing them. You can slip on them, which is a-- essentially taking another pipe and putting it on the inside of the pipe. We've come up with a cast in place, which is a fiberglass casing that goes on the inside. And it's, it's actually hardened in place. And that's a 75-year warranty on those structures-- or, on those pipe, I should say. And then you have remove and replace, which is probably the most expensive of all of them, where you actually take the old pipe out, put the new pipe in. But there's a lot of issues that could come along with that. One of them is if you have an extreme event--

MEYER: --event while you're doing it.

KYLE HAUSCHILD: --while you're doing it or even after and you don't get good compaction around the pipe or anything like that, you're opening yourself up for, for possible failure. But as far as the NRD goes-- and I, and I don't think I'm aware of a lot of structures that have failed that are NRD structures within the state.

MEYER: OK. Thank you.

KYLE HAUSCHILD: Yes.

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

von GILLERN: Thanks for your testimony. To Senator Meyer's point, even though many of these are on-- or, all of these are on private land, they are open for public recreation.

KYLE HAUSCHILD: Some are, but most are not. And because it is on, on public-- or, on private property, they are not. Again, looking at that, I think 100 and-- or, almost 200 or more of these structures

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were built prior to the NRDs being in place. The NRDs, again, were, were established in 1972. So anything prior to 1972 were actually acquired with SCS funds at that time, which is now the NRCS. So all the design and construction was done by the SCS at that time, and that was through PL 534, which is actually the-- that was the pilot project for the PL 566.

LINEHAN: Don't use acronyms.

KYLE HAUSCHILD: I'm sorry.

LINEHAN: That, that's OK. It's just that--

KYLE HAUSCHILD: So--

LINEHAN: All of us do it.

KYLE HAUSCHILD: Right. NRCS is Natural, Natural Resource Conservation Service. And then SCS was the Soil Conservation Service. So they were both federal agencies, they just changed names. And they do the same thing. PL 566 was just the grant fund that was used-- or, the program that was put in place when they did it. So PL 534 was a pilot project to doing the PL 566. And there's-- there was ten pilot projects, way I understand it. And Brownell Creek, which is in Syracuse, Nebraska, basically, was originally built. And I think there's 25,000 acres and they built 45 structures, which is unheard of. You would never do that now. You'd build bigger structures to catch more water instead of a bunch of small structures.

LINEHAN: Is that right here?

KYLE HAUSCHILD: That-- you're, you're right on-- yup. So all those red ones-- red is bad. And that was-- there's actually Brownell, Ziegler and Wilson Creek. They're all in that watershed. And those are three of the top ten oldest watershed plans that were designed and built in the United States.

LINEHAN: OK. Got it.

von GILLERN: Thank you.

LINEHAN: Thank you, Senator von Gillern. Other questions from the committee? Seeing none. Thank you very much.

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JOHN WINKLER: Thank you.

LINEHAN: Other opponents? Are there any other opponents? Anyone wanting to testify in a neutral position? We did have letters. We had 12 opponents, nobody in neutral.

WAYNE: Thank you, Chairwoman Linehan. First, I wish I could have NRD build me a lake and [INAUDIBLE] in my backyard. That would be pretty cool. Second, we got to remember-- we got to be bold here and we can't be scared of, of a couple of things. What you heard is we could lose federal funds. We might lose federal funds. The state issue we can handle ourselves. I'm not really worried about that. But what's interesting when you talk about the bonding authority and we could have our bonds be called, it's set to expire next year. So the risk is already built in when they bought the bonds, that they might not have it next year. So maybe we just set it out for one year as far as the bonding. And as far as local-- if there is a requirement-- which I don't think there is at this point-- [INAUDIBLE] when it came with concrete examples, that could be part of your reasonable exceptions. We can make an exception for it if we need to. But the point of it is is that's \$95 million we can take off the taxpayers' rolls that not all the public gets the benefit of anyway, as we just discovered [INAUDIBLE]. So I think that's fundamentally wrong. So I'd be open to work with anybody. I know Mr. Winkler. We used to coach against each other back-- 15 years ago [INAUDIBLE]. So I've known him forever. And I got to work on getting a lake in my backyard. Anyway. Tha--

LINEHAN: Senator von Gillern.

von GILLERN: Just a quick comment. I do know that, that the NRDs work very closely with Game and Fish and there's a-- even if there's not a requirement, there's a very, very high level of encouragement to make, to make access--

WAYNE: 100%. They did a great--

von GILLERN: --open to the public.

WAYNE: They did a great job of Flanagan and a couple other lakes that I've-- and-- yeah. I have no complaints there. This is a-- but it's about removing that burden right now. So thank you.

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LINEHAN: Thank you, Senator von Gillern. Other questions from the committee? Seeing none. Thank you very much. And that closes the hearing on LB67. Don't go anywhere. We're going to open the hearing on LB68.

WAYNE: I mean, I'll open my backyard to the public if I can get a lake in it. I'm just saying.

von GILLERN: Just let it go, man.

LINEHAN: Yeah, let it go.

WAYNE: Good a-- or, good morning. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e. And I represent Legislative District 13, which is north Omaha in northeast Douglas County. We've already had similar around this. I have a municipal aid at noon in Urban Affairs. This is the combined bill to give Revenue the opportunity to look at it. This is the mun-- municipality 8, right? 68? I left my stuff over there.

von GILLERN: Mm-hmm.

ALBRECHT: Yes.

WAYNE: OK. So, yes. Again, yesterday, during the gas tax-- wholesale gas tax, there was a sheet that was handed out to the committee afterwards. I am trying to figure out how we can increase that. I think if we can get \$12 to \$24 million based off of the proposal I proposed to you earlier, that takes care of your digital tax issue. And that's kind of where I was going with that. And if we can offset that and give it to state aid to help these local municipalities do things-- and the last thing I'll say about this because I know you've-- we've heard this multiple times, is we did provide state aid a couple years ago. It was an emergency bill. That I gutted a bill in Urban Affairs when we had the freeze. And we provided \$10 million that these communities used to make sure homeowners' heat did not skyrocket. It was during that freeze we brought it on the floor. I believe it was Senators Hunt bill that we gutted and put that in there. And we provided direct relief. And that did help our taxpayers. So there is something to say about providing state aid to municipalities for specific things to reduce that cost to our taxpayers.

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LINEHAN: Thank you, Senator Wayne. Are there questions from the committee? When you said during the freeze, you mean 2017--

WAYNE: So in 20--

LINEHAN: --2017, first year?

WAYNE: No, it was 2020, 2020-- 2020. There was the freeze. Or 2021.

MEYER: 2021, I believe.

LINEHAN: Oh.

WAYNE: 2021.

LINEHAN: Temperature freeze.

WAYNE: Not a budget freeze. An actual freeze.

LINEHAN: OK. Well--

WAYNE: Weather freeze, I mean. Yeah. Always have revenue on your mind. I was like, we didn't have a budget freeze. No-- yeah. And we had a, an emergency bill out of Urban Affairs to provide \$10 million in grants to state-- or, to -- particularly up in Senator Albrecht's district, where they went out in the wholesale market and came back to buy them.

LINEHAN: Oh, I remember now.

WAYNE: Yeah.

LINEHAN: Yeah.

WAYNE: Yeah.

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

WAYNE: I will waive closing. It was good to see you all. I know it's my last hearing in front of you. I didn't bring roses this time. I apologize, but.

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LINEHAN: I was-- you can't-- don't do that twice. We might be back. Who knows? Are there proponents? LB68. Opponents? That's interesting. Neutral?

LYNN REX: Senator Linehan, members of the committee. My-- [INAUDIBLE]. One second. Thank you. Thanks so much. Senator Linehan, members of the committee. My name is Lynn Rex, L-y-n-n R-e-x. Representing the League of Nebraska Municipalities. We're here today in a neutral capacity because, frankly, the use of the wholesale price of gas, when you read the fiscal note and look at how this bill would work, it a-- also takes funds away for street projects, for municipalities, counties. And NDOT obviously has opposed this before. So in terms of the-- in terms of the funding source. But in terms of providing state aid and assistance to municipalities, we can't thank Senator Wayne enough. As he said, he's helped us before. One of the things I would just underscore for you is, in 1989, the Legislature passed LB683, which was called the Municipal Infrastructure Redevelopment Fund. We affectionately called it "Murph." But that passed in 1989. And by 2003, the Legislature totally eliminated it. So in any event-- you know, we have a long history of having a fund here and there, and then it gets eliminated. But we appreciate anything the Legislature tries to provide assistance to municipalities. If this was from a different funding source that didn't also impact municipalities, counties, and NDOT, we would certainly be here in a proponent position. But we appreciate Senator Wayne's thoughtful consideration. When he was Chair of the Revenue Committee, he just did a number of things to assist municipalities, and we do appreciate that. I'm happy to answer any questions that you might have.

LINEHAN: Chair of Urban Affairs, you mean.

LYNN REX: What did I say? I'm sorry.

LINEHAN: Revenue.

LYNN REX: Oh, so sorry. I was look-- I was looking at the Chair of the Revenue Committee, thinking, Revenue Committee.

LINEHAN: It's fine. People get us confused all the time.

LYNN REX: I have no response to that.

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LINEHAN: And that's the right answer: none. Do we have any questions for Ms. Rex? Seeing none. Thank you--

LYNN REX: Thank you very much.

LINEHAN: --very much. Thank you very much. Thank you working so hard this week. Any other neutral? Seeing no other neutral. He waived closing. We have two letters, both opponents. Welcome, Senator Conrad. We're now going-- we're doing our own signs. So-- because we only have one page. Thank you, Josh. Welcome, Senator Conrad.

CONRAD: Thank you, Chair Linehan, distinguished members of the Revenue Committee. My name is Danielle Conrad. That's D-a-n-i-e-l-l-e; Conrad, C-o-n-r-a-d. I proudly represent north Lincoln's 46th Legislative District. I'm here today to introduce LB69. I will try and keep this brief. And I did not solicit any supporters, opponents, neutral to come in but wanted to put another idea on the table for consideration. So LB69 is actually a rewrite of a bill that my friend, then-Senator Tom White, brought during the special session in 2009. So when I was in the Legislature last go-around, we worked together to create the Property Tax Credit Fund. That's when it was first established. And then it has grown exponentially since that time. The original idea, generally speaking-- because then, almost 20 years ago, property taxes were still a priority issue for the Nebraska taxpayers and Nebraska leaders. The idea was initially to try and give each Nebraska homeowner approximately a \$500 check to assist with their property taxes. Now, that idea was then kind of cobbled together to make sure that the counties remained whole, that there would be different aspects of program design to meet budgetary bottom lines and to, to make sure it met the needs of urban and rural Nebraska. And so then ultimately, the program was created essentially as a spending program within our state budget to go out to those Nebraskans who, who have property and then you see that line item on your property tax statement which indicates the amount that you get in the Property Tax Credit Fund. So that was kind of the, the initial idea for the program when it got started. And then after that time, Senator Tom White-- a former member of this committee-- and other senators, including myself, kind of started to look at how that initial program was working out. And we realized very quickly that we were diverting a significant amount of state resources in that program to absentee landlords and to out-of-state large corporations and to major landowners like Ted Turner and Bill Gates. This dynamic has actually

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been exacerbated in recent years and since that time, as private equity and New York hedge funds and out-of-state interests come in and scoop up our lands and our homes, which really exacerbates the local property tax issue as well. We know we have a housing crisis in Nebraska. And that puts a lot of pressure on the valuations because we don't have enough supply. So the demand-- basic economics. So over the years, Nebraska State Senators have worked really hard to try and bring additional property tax relief to Nebraska. And Senator Linehan has been at the forefront of those efforts. And I know that those have been hard-fought battles. But typically, we have also seen increase over increase over increase into that initial-- that initial-- initial property tax credit program. And what I'm proposing to do today and to put this on the table in special session as a discussion item that I'd be happy to work with the committee on if need be, if there is interest, is to figure out how to take those millions and millions of state dollars that show up in our budget as a spending program and make sure that those can be invested and redirected to Nebraskans, to homeowners, to those that live on their land. Because right now, about 44% of the Property Tax Credit Fund, we're shipping those dollars out of state. And this would be one idea to figure out how not to increase taxes on Nebraska families and businesses but to repurpose existing dollars in the budget to help Nebraskans first. So that's a little bit of the history of how the Property Tax Credit Program got started, a little bit about the evolution to ensure that it's better targeted to help our own citizens the most, and why I introduced it during this special session. So I am happy to answer any questions. And I know you've had a long week, so. I, I appreciate your service and engagement. And the lights are very bright in here today. It feels very, feels very Hollywood or on set or something. I don't know.

LINEHAN: I may have complained about the lighting.

CONRAD: OK. All right. Well, I don't disagree with Senator Erdman that it's, it's important that we have sound lighting in the building because it is kind of hard to see and do your work.

LINEHAN: Especially in the halls.

CONRAD: Yes. Yes.

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LINEHAN: Any questions for Senator Conrad? Yes, Senator Kauth.

KAUTH: Thank you, Chair Linehan. So Senator Conrad, so you're basically saying make any of our tax credits be owner occupied. And guessing it-- if it's a business, it's either headquartered here or they're primaried here.

CONRAD: Yeah. That's exactly right, Senator Kauth. That would be the, the, the essential component or goal of this kind of legislation, i-- is to really target these public resources, these tax dollars to Nebraskans. We have talked a lot amongst ourselves. I've had the same conversation with the Governor. The goal of the Nebraska plan and the goal of the special session is laudable. We just have respectful disagreements about the way to solve the problem, right? But I do think that there is a significant amount of consensus across the state and across the political spectrum for helping people stay in their home, particularly folks who are elderly, who are on a fixed income, or folks who are just crunched by the valuations, which are a lot of my constituents in north Lincoln that poured, you know, every penny into their home and are now really, really crunched by those valuations. They made responsible financial decisions their whole lives and are under a lot of pressure because of this skyrocketing valuation problem. So my contention with this measure is to figure out how can-- we can take existing resources to help young families buy a home, to help those who are getting crunched by skyrocketing valuations actually have the most targeted relief possible. I think you'd probably, probably find north of 40 votes for something like that. And again, on the solution side, one nice thing about this program is that, by repurposing it, we wouldn't have to wade into the divisive political battles at the heart of the Nebraska plan, which are sales tax based increases.

KAUTH: Thank you.

CONRAD: Yeah.

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

von GILLERN: Thank you, Senator Conrad. And, and again, it's a relatively small part of the bill, but the home-- the ho-- the intention under the, the change that you're making to the homestead exemption is, is that once you have it, you can't lose it, correct?

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CONRAD: Yes.

von GILLERN: And I understand your-- or, I, I believe I understand your intention is that no matter what valuations do, that shouldn't eliminate that. But there are situations where someone's-- probably unusual but where their financial situation improves and then they would not qualify--

CONRAD: Sure.

von GILLERN: --and there's no-- I don't see any latitude for that scenario.

CONRAD: Yeah. Well, I-- thank you, Senator von Gillern. And like I said, I'd be happy to work with the community to make sure that it works from a technical perspective to hold harmless those that are benefiting, of course, from the existing homestead programs and to just figure out how to utilize the funds available in the existing Property Tax Credit Program to do the most good for the most Nebraskans.

von GILLERN: And I, and I appreciate the intent. Again, once-- the-- valuations shouldn't drive somebody out of the homestead exemption. I understand your intention there. Thank you.

CONRAD: Thank you so much.

LINEHAN: Thank you. Any other questions from the committee? OK. And I'm not questioning it, but I-- well, I am questioning it-- where did you get the 44% goes out of state?

CONRAD: So I had asked Legislative Research Office, Fiscal Office, and OpenSky if any of them had any sort of information about the data and usage in regards to this program. That was a figure I got back from ITEP through OpenSky.

LINEHAN: OK. But not-- the Department of Revenue didn't give you that number?

CONRAD: No, I have not been able to confirm that with them, but I still have those research requests out so that we can get a little bit

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better handle from our own numbers about where those dollars are going.

LINEHAN: Because it-- I-- and I don't know, but it seems very high to me, 44%.

CONRAD: Yeah.

LINEHAN: I mean, I, I know there's the big Ted Turner, but.

CONRAD: Yeah. And Bill Gates and--

LINEHAN: Right, but in, in the big scheme of things.

CONRAD: Yeah. You know, and it, it came up a little bit-- I've been watching as, as many of your hearings as I can when I'm not between my own-- maybe on Senator Brandt's measure the other day. And Senator Wayne has brought forward legislation in recent years to address the same issue of, of, of private equity and these hedge funds coming in and buying up our homes and our farmland and what have you because it's a good investment for them, right? I understand. The-- at the heart of that, of course, is capitalism and free market. But it, it does diminish supply available for Nebraskans. It does drive up values. And rather than putting restrictions on that free market capability, I'm just suggesting that we don't subsidize it with our own taxpayer dollars and that we keep our taxpayer dollars with Nebraskans who pay sales taxes here, who send their kids to schools here, who pay income taxes here. Now, some out-of-state filers pay income too.

LINEHAN: Yeah, if you make money--

CONRAD: I know. I know. And some folks that come through the state pay sales tax too. I understand. But just generally trying to make those, those connections on those concepts.

LINEHAN: Because, just to clarify-- and if I'm wrong, somebody--

CONRAD: Sure.

LINEHAN: If you make money in Nebraska, you pay income taxes in Nebraska if you owe them.

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CONRAD: That's right.

LINEHAN: If you actually made money and didn't lose money.

CONRAD: Right. Right. Right. Yes.

LINEHAN: So any other questions from the committee?

CONRAD: Thank you so much.

LINEHAN: Thank you very much. I'm-- I'm sorry. Where are-- we're, we're asking for proponents. Proponents? Do we have any proponents? Any opponents? Anyone wanting to testify in neutral position? Hi.

JON CANNON: Madam Chair Linehan, distinguished--

LINEHAN: Good morning, I should say. Good morning, Jon.

JON CANNON: Good morning. Madam Chair, Linehan. Distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of NACO. Here to testified today in a neutral capacity on LB69. And good morning. I appreciate Senator Conrad bringing this. I, I always think that it's a, a good opportunity for us to have these conversations about how the homestead exemption program actually works. And as you know, there's a reimbursement mechanism that we have currently which has the, the salutary benefit of, of holding down the levy, right? Because we're holding-- we're, we're levying against a whole amount. And then there's a reimbursement that backfills. If it was just a general exemption, then we would have a, a value base that we'd be levying against and, and the levy rate would go up correspondingly. That is-- that's one of the, the, the benefits of, of the homestead exemption program. Where I wanted to kind of distinguish that from what I think the effort has been in the last several years, though, is that it still, it still incorporates a, a total levy, right? And so it, it doesn't actually buy down levies. It, it-- and, and that's, that's one of the distinguishing characteristics of the homestead. How our rankings are determined by national organizations like the Tax Foundation is they take our total property taxes levied. They divide by our total valuation base. They come up with an effective tax rate. And then they compare those tax rates against everyone else. Now, last year, we had \$5.3 billion of, of property taxes levied. However, due to the efforts of this Legislature-- and particularly this committee--

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the net property taxes paid was a little bit closer to \$4 billion. And that's where the, the whole notion of we should front-load credits has come from, is, is because it, it would have actually affect our ranking. And instead of, of things appearing on the back end, it would actually affect the levy. And so while-- again, we, we really like the homestead program. I mean, it, it, it works very, very well. It's targeted property tax relief. This casts the net fairly broadly. And that may or may not be a good thing. I-- but I, I-- it's, it's a little bit more broader than the fairly narrow focus that we've had in the past. And it doesn't actually buy down levies. And so we wanted to put that in front of, of the committees that-- you know, for their attention and for your, your discussion. You know, frankly-- and there, there's some administrative issues that, that come-- there's an assessor behind me to talk about that. Senator von Gillern, I, I did want to describe the income spike example that, that you had. Someone-- if someone rolls over an IRA and they haven't settled on their account and then they, they roll it over into a, a, a different, different retirement account, that is considered ordinary income. And, and I've actually-- I, I should end at this. I had actually litigiyy-- litigated a case like that when I was at the Department of Revenue. One of the-- one of the worst things I ever, I ever had to do. I thought about not being a lawyer anymore as a result of that. But that can happen. You, you can have those sorts of situations. When-- I've, I've also seen a situation where someone has drained their, their IRAs in order to pay for medical expenses. And that, again, shows up as, as ordinary income even though they've used that for, for a medical expense. And so those, those things can happen. And, and as far as that conversation is concerned, love to have, have a con-- I'm out of time. I'll-- happy to take any questions you may have.

LINEHAN: Thank you, Mr. Cannon. Are there questions from the committee? Yeah, that would be something that the next Legislature should look at.

JON CANNON: Pointed remark taken.

LINEHAN: Well, medical expenses. I mean, I, I understand what you're saying. That would be horrific.

JON CANNON: Yeah. They're terrible cases.

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LINEHAN: OK. Well, we need to do something about it. OK. Or you all do. All right. No other questions? Thank you very much for being here.

JON CANNON: Thank you.

LINEHAN: Do we have more neutral? Good a--

TERRY KEEBLER: Good morning.

LINEHAN: Good morning.

TERRY KEEBLER: My name is Terry Keebler, T-e-r-r-y K-e-e-b-l-e-r. I am the Johnson County assessor and board member for NACO. Here to testify in neutral capacity on Senator Conrad's bill. So just the-- our assessor version of this is the application for all of these, it, as a state program-- in many regards, we love the homestead exemption. It's one of the few times during the year where people come in and app-- thank us and really appreciate us and give us smiles and-- but if this is for all the owner occupants, then that becomes quite a few people coming through our door. And so it's just a matter of having the time to do all those and fill them out and process them and get them into the state. So that's our only concern as assessors.

LINEHAN: Yes. I can understand. Questions? Yes, Senator Meyer.

MEYER: Thank you for coming in to testify. Do you ever go back and review the accuracy of those applications against 1040s or the value of the home or--

TERRY KEEBLER: So--

MEYER: --things like that?

TERRY KEEBLER: As the assessor, it is our responsibility to look at, do they actually own the home? And occupy is based on their check mark. But, you know, if their, their mailing address is different from where the house is, that's kind of a red flag. But otherwise, the income side, we actually send them to the State Department of Revenue and they check whether they qualify based on the income or not. So we check everything besides the income levels.

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MEYER: Do, do you ever find instances where the income level doesn't ma-- the match kind of being part of the community, the assets that you know about?

TERRY KEEBLER: Again, we don't really look into the, the asset, the income. I mean, we take the information from them on the Schedule I, which is their income form either coming off their tax return or if they don't file one just from their 1099s and whatever they bring in so we can help. Some of them have their accountant do it, but we help with a lot of those.

MEYER: Thank you.

LINEHAN: Thank you, Senator Meyer. Are there other questions from the committee? I'll be more direct because I'm from, as you know, born and raised in Johnson County. Thank you very much, Mr. Keebler, for being here. Have you ever seen-- how long have you been the assessor?

TERRY KEEBLER: This is my sixth year.

LINEHAN: Sixth. So not forever. Like-- I think one of the concerns that we discussed last year as a committee that you have a ag producer who sells his farm to his son and all of a sudden he has no income-- or, has no assets. His income allows him to stay in the house. Have you ever seen that happen before? Son or daughter or neighbor or-- work-arounds is what we're talking about.

TERRY KEEBLER: Right. I guess we don't see that. I mean--

LINEHAN: Johnson County doesn't have that many people [INAUDIBLE].

TERRY KEEBLER: As long as they keep their homestead. Again, we really don't look at the income side other than to take it in and then send it onto the state.

LINEHAN: You look at the income. You don't look at the assets or that they may have had--

TERRY KEEBLER: There, there is nothing--

LINEHAN: --or they might still have?

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TERRY KEEBLER: There is nothing listed for assets. It's only net income.

LINEHAN: Yeah. OK. Thank you very much. Are there any other questions from the committee? Thank you very much. I'm sorry. Are there any other neutral testifiers? Letters. We had 2 opponents and 1 neutral. You want to close? Senator Conrad waives closing. She knows it's Friday. And we go to LB7. Thank you, Senator Conrad. Hi.

McKINNEY: Hi.

LINEHAN: It's you.

McKINNEY: It's me again.

LINEHAN: You haven't been here that often.

McKINNEY: This is my second time.

LINEHAN: Well. Trust me, that's not very often. I beat you, though. I've only been there once on this committee, I think.

McKINNEY: Good.

LINEHAN: No, not even on this co-- none.

von GILLERN: LB1.

LINEHAN: Oh, yeah. That one. That-- oh, yeah. See, I have ability to dis-- what is that?

KAUTH: Block it out?

LINEHAN: Yeah, I do. Welcome, Senator McKinney.

McKINNEY: Thank you. And good afternoon, Chair Linehan and members of the Revenue Committee. My name is Terrell McKinney, T-e-r-r-e-l-l M-c-K-i-n-n-e-y. State Senator for District 11 in north Omaha. Today, I'm introducing LB70 that proposes the establishment of reimbursable, performance-based grants program in Nebraska that is designated to reduce property taxes by addressing some of the pressing issues in our state, which is incarceration, homelessness, and poverty among young adults 18 to 25. Nebraskans are grappling with these interconnected challenges, and our young adults are caught in cycles that limit their

potential and burden our state's resources. Rather than continuously being reactionary to the symptoms, this legislation encourage us to focus on the root causes, creating initiatives that empower young people to break free from these cycles and build meaningful, productive lives. When we take a deep look at incarceration, the vast majority of young adults who enter our criminal justice system do so because of lack of support, opportunity, and guidance. By creating and investing in programs that provide employment opportunities and upward mobility, we can offer alternatives that steer young people away from crime. This doesn't just reduce recidivism. It aims to prevent incarceration altogether by addressing the conditions that often lead to it. Homelessness is another issue that this legislation aims to address. Homelessness among young people is often tied to a lack of affordable housing, unstable family circumstances, and economic hardship. By supporting programs that focus on equity and sustainabili-- sustainable living solutions, we can create environments where young adults can have the stability they need to thrive. By doing this, it reduces the strain on our public resources. Poverty, particularly among young, young adults, is often a result of systematic barriers and a lack of access to education and mental health support. Cognitive behavioral therapy can play an important role in equipping young adults with the tools they need to conquer these barriers by addressing mental health issues. We enable young people to build the skills they need to secure jobs, creating a path out of poverty. This legislative bill isn't just about funding programs. It's about funding resilience. The reimbursable grants performance-based program ensures that taxpayer dollars are used effectively. Grants will be given to programs that demonstrate success in reducing incarceration, homelessness, and poverty among young adults. We reduce long-term costs associated with incarceration, homelessness, and poverty by enacting legislation that addresses the root causes to these issues. We alleviate the burden on our criminal justice system, lower demand for emergency services, and reduce the need for social welfare programs. All the costs associated with these social issues decrease, so do our property taxes in the, in the long term. And I brought this because I think a lot of what we talk about here is just about reducing property taxes for the short term. But I think we have to think long term and, and realize that a lot of the issues with not being able to fund property taxes and fund education more fully is because we're not addressing the root causes to a lot of these issues. We keep throwing a lot of money at our prisons and

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building new prisons, hoping that's going to solve the problem. Well, when in reality, if we just spent \$350 million upstream, we will most likely never need another prison again in the state. So this is my long term solution to the property tax and education funding problem, is creating programs like this that address these root issues that strain our state and our taxpayers. Thank you.

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

DUNGAN: Thank you, Chair Linehan. Thank you, Senator McKinney. I think this is a, a really great idea insofar as-- like you said, it's addressing the upstream issues. And I think a lot of times when we're talking about state funding and property tax, we're not dealing with the root causes of, of a lot of those. So I do really, really appreciate that effort. I know you've done a lot of work in that area, so thank you for your continued efforts with that. Is the intention of this bill then to create the grant fund and, and not fund it immediately but that we will in the future put funds into that--

McKINNEY: Yeah.

DUNGAN: --essentially?

McKINNEY: Create the grant fund but also-- it's also a tool to incentivize-- I know people think I hate them-- nonprofits and other organizations to actually work themselves out of a job. That's what frustrates me. I think we got a lot of great programs around the state that get millions of dollars every year. And if we can incentivize them to work themselves out of a job, I think it-- overall, it saves-- it helps everybody.

DUNGAN: That-- I completely agree with that. And I just-- I was looking at the fiscal note and I just didn't see any fiscal impact.

McKINNEY: Yeah, it didn't.

DUNGAN: And so I was trying to figure out how much money is actually going to this now. And it looks like the language of the legislation creates the metrics, creates the framework, and creates the fund and then in the future would allow us, the Legislature, along with other

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bequests and phil-- philanthropic donations to go to-- go into that fund.

McKINNEY: True. And then it also sets up the program. So say we set it up and people want to start applying and they want to be reimbursed on what they did throughout the year, they'll have to show what they did and did it actually work. And if they did, they get money. If they didn't, they don't.

DUNGAN: No, I, I appreciate that. And I think metrics are always good. Data is always helpful. So thank you. I appreciate it.

McKINNEY: No problem.

LINEHAN: Thank you, Senator Dungan. Other questions from the committee? This isn't like-- well, it is a question, but I don't-- so we had the police, the firemen, public safety here. The statistics and the rise of crime in the last-- well, since COVID, basically, do you think-- I-- my gut instinct was, well, when you turn a bunch of teenagers out on the street all day and they don't go to school or have any structure, they're going to get in trouble. I mean, is that kind of how you look at it or--

McKINNEY: I think it's-- part of the issue is a lot of the youth in my community don't feel like they have anything to do or they, they don't feel like a lot of the services actually pay attention to what they actually want to do with their lives. And that's the problem. We have all these organizations. But when you talk to the kids, they're like, yeah, that's a cool organization, but it's nothing I want to do and it's not going to keep my attention. Doesn't motivate me to go or anything like that, so. I think the issue is a lot of these programs that are supposed to be tailored to the youth don't actually utilize the voices of the youth to, to create these programs. It's like-- basically, we're, we're looking at a problem, but we're going to solve the problem without ever talking to the people who are actually on the ground dealing with the problem every day. And that's the issue.

LINEHAN: Got it. I was told recently that there are 500 nonprofits in Omaha.

McKINNEY: That seems low.

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LINEHAN: OK. Thank you. Thank you very much. Any other questions?
Senator von Gillern.

von GILLERN: Again, probably less of a question than a comment, but I, I 100% agree with what Senator Dungan said. And it drives me crazy that there are no metrics of success for many of these organizations. And the other thing that's so frustrating is that how many will refuse to work together and, and are really providing redundant--

McKINNEY: Yep.

von GILLERN: --services and the additional-- as much as we complain about schools that won't consolidate, it's a similar-- you could get so much more done if some of these would, would, would join their, their efforts together, so. And I love that idea. I-- as Senator Dungan noted, I was looking at the fiscal note trying to find an answer, and it's certainly not there. And, and if you have any comment on the fiscal note other than what you already made, I'd welcome that.

McKINNEY: I was, I was sort of surprised but I wasn't because I guess it's like if, if they do start doing the right thing, how much savings is that? But how much is it going to cost us to pay them to do the right thing? So I'm sure it's-- it's not a exact number or exact estimate because these organizations would also had to opt into doing the right thing and solving these issues.

von GILLERN: Well, and, and many of them are not receiving government funding. I mean, they are-- if they are nonprofit, then there's certainly-- there's a benefit there that--

McKINNEY: Yeah.

von GILLERN: --state's missing out on. So I, I do catch a connection. Thank you.

McKINNEY: No problem.

LINEHAN: Thank you, Senator von Gillern. Any other questions? Thank you very much. Appreciate it. Are you going to stick around to close?

McKINNEY: If-- probably not.

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LINEHAN: We'll see. OK. That's a fair answer. Do we have proponents? Good after-- oh, good morning. We're just off-- we thought we wouldn't be here.

TERA THOMS: Good morning, Senators and Chair Linehan. I was here in June for the Unicameral Youth, so it's nice to be back in this--

LINEHAN: Welcome.

TERA THOMS: --room. I'm a proponent of this bill. Living in the Near South neighborhood, I see a lot of students who don't have anything to do with their lives out of school. And they aren't interested in anything else but forming groups that may or may not be doing illegal things. And as a student myself, I don't see things that people would be interested in, and I feel like this would really support the infrastructure for students to get involved in things that would-- yeah. So thank you so much for your time.

LINEHAN: You're welcome. We need you to say and spell your name.

TERA THOMS: Oh, I forgot.

LINEHAN: That's OK.

TERA THOMS: Tera Thoms, T-- Tera, T-e-r-a; Thoms, T-h-o-m-s.

LINEHAN: Thank you very much. And thank you for coming today. Do we have any questions? Seeing none. Thank you. Other proponents? Do we have any other proponents? Do we have any opponents? Do we have anyone testifying in the neutral position? OK. We have letters. We had two letters: 1 proponent and 1 opponent. And, and he did leave already, right? So he waived.

von GILLERN: He waived.

LINEHAN: Oh-- no. Right. Oh, he's there waiving. I just didn't see you from the sign. OK. He waives closing. Thank you very much. Next hearing is LB71, I assume-- no, we don't have all of them.

CHARLES HAMILTON: LB72.

LINEHAN: It just seems like we have them all. LB72. Welcome, Senator McDonnell.

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McDONNELL: Thank you.

LINEHAN: Josh.

McDONNELL: Thank you.

McDONNELL: Good morning. Thank you, Chairperson Linehan, members of the Revenue Committee. LB72 introduces a groundbreaking approach to the taxation of residential properties in Nebraska, aimed at ensuring fairness and susus-- sustainability in the housing market. This bill stipulates that while residential property shall be valued at their actual market value for taxation purposes, there will be a significant safeguard in place: an annual cap on valuation increases, limiting them to no more than 5%. This strategic move is designed to protect homeowners from the potential volatility of the real estate market, where rapid increases in property valuations can lead to disproportionately high tax burdens. By instituting this cap, LB72 seeks to provide a measure of predictability and stability for homeowners, enabling them to plan for the future with greater confidence and security. It is important to note that the enactment of LB72 is contingent upon a corresponding amendment to the Nebraska Constitution, as outlined in LR24CA. This ensures that the provisions of LB72 are fully aligned with the state's constitutional framework, reinforcing the legal foundation for this significant change in property tax policy. The bill is structured to come into effect only upon the for-- formal adoption of the constitutional amendment, with the Governor's proclamation marking the official start of this new taxation approach. This procedural requirement underscores the importance of the cohesive legal and constitutional basis for the-- such a transformative policy. In essence, LB72 represents a thoughtful and measured response to the challenges faced by Nebraska homeowners. It acknowledges the need for a balanced approach to property taxation. [INAUDIBLE] recognizes the value of the residential property while also prote-- protecting homeowners from a sudden and unsustainable tax increases. Through the legislation, Nebraska takes a significant step towards ensuring a more equitable and manageable property tax system, one that supports the state's residents and contributes to the overall stability and growth of the communities. This is something you guys have heard. I was here last year. Again, number of people-- and, and you've all had people from your, your districts, I'm certain, tell you a, a similar story, but it, it was a lady that owned her home for 58 years. Her, her husband had, had died. And her, her property value--

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she had maintained it but not improved upon it, and it went up 35%. And her question was, dead serious, do I sell my car, my only vehicle, to pay my property tax? And again, you start talking about her situation-- it's, it's not unusual, unfortunately. And that's what-- why I brought this legislation last year. I still think it's, it's definitely something that we should do regardless of how we work on every other idea that's been brought forward to us. I just think this is im-- important for someone to know that they can look at their future and say, next year's personal budget, we know the, the, the property tax won't go up more than 5%.

LINEHAN: Thank you, Senator McDonnell. Are there questions from the committee? I, like every Nebraska, I am-- I haven't been revalued for a long time, so. You know the bomb's coming, right? One of my concerns about having a, a number is like when we talk about all these other things, is it 3%, 0% CPI? Does 5%-- does every county then start just-- everything goes up 5% every year?

McDONNELL: Some of this came from me working with PJ Morgan and Walt Peffer and, and having discussions. And we stalk-- we talked about 3%, 4%, but-- 5%. I still think those elected officials at those positions will do their due diligence and not just automatically go to 5%. But they also thought 5% was, was reasonable. I'm open to, you know, have a discussion on that, that number, but-- yeah, they felt they could work within that. Again, they wouldn't just automatically go to the 5%. I trust them as, as public servants. And I, I, I believe that's how most people in the state that are elected officials would approach it.

LINEHAN: Any other questions? Senator von Gillern.

von GILLERN: Thank you, Senator McDonnell. To, to that point, they would-- I believe that those assessors, they would still have to-- used to say in ninth grade algebra, you still have to show your math and see where the number comes up. And it's either greater than or less than 5%. And if that were the case-- I mean, obviously, you can gear the answer to be what you want it to be, like any good accountant knows, but, but you would still have to have the evidence to, to illustrate if it's 7%-- in which case, you only get 5%-- or 3%-- in which case, you only get 3%, right?

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McDONNELL: Definitely.

LINEHAN: Thank you, Senator von Gillern. Are there questions from the committee? I'm sitting-- the look on my face is because I don't know if anybody introduced a bill that said that they have-- they got-- they have to do it more than every six years. We didn't fix that, did we? We've all talked about it, but you didn't-- OK. All right. Thank you very much.

McDONNELL: I introduced a number of bills, but.

LINEHAN: I've-- I, I know everybody thinks out there that we've introduced way too many. I just thought of one we forgot. Proponents? Good morning.

DOUG KAGAN: Good morning. Doug Kagan, 416 South 130th Street, Omaha. Representing Nebraska Taxpayers for Freedom. We strongly support this bill because we believe that the root of the property tax problem is the current valuation system. This bill stabilizes the valuation increase on residential property, notwithstanding inflation or deflation, so that homeowners will know how much their homes' valuation will increase in the future. This methodology will allow retirees with limited in-- income to remain in their homes. It will allow young singles or couples to calculate if they can purchase a home. They can factor it into their annual budgets. It will give incentive to local property taxing authorities to better manage and cut their budgets. It will greatly ease the workload of county assessors. It will greatly decrease the number of appeals taken to county boards of equalizations and the Tax Equalization and Review Commission. It will eliminate the valuation differences between market areas considered, quote, hot sales areas and other market areas. Nebraska would join an increasingly number of other states in putting together this kind of formula. Alabama just enacted legislation that caps increases in assessed values on residential and commercial property to 7% of the assessed value from the prior year. Nebraska taxpayers are closely watching the special legislative session expecting substantiave-- substantive property valuation relief. LB72 will offer them much awaited and deserved relief. And what I passed out to you is not a copy of my presentation. It's a copy of our white paper. I couldn't make copies of this. Our power was out.

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LINEHAN: Thank you. Are there any questions from the committee? Seeing none. Thank you very much for being here. Other proponents? Good morning.

ALAN SEYBERT: Good morning. Alan Seybert, A-l-a-n S-e-y-b-e-r-t. LB72 would not prevent excessive valuation increases for a single property. County assessors analyze market data and market values by combining properties into market areas. Mean and median values of those market areas are then used to determine compliance with state statutes. Attention given to the valuation change of a single property is far less than you are led to believe. Following is a few of the problems with the current process and suggestions. These suggestions could be phased in and working together would not adversely impact tax revenue. There is inequity in valuations between properties sold recently and properties sold years ago. The tax year after a sale valuations are based on sale price. After that first year, valuations are based on construction cost, also known as a replacement cost. In addition to the inequity in the improvement component of valuations, there is inequity in the land value component. Within the same neighborhood, values per square foot vary from \$2.50 to \$6. 77-5023 says valuations should be 92% to 100% of actual value. The target's 94%. Every year, many are not. Lower this to 70%. This is a 25% reduction from the target. Many property owners do not file for their property tax credits. If these credits are eliminated, tax revenue would increase 20%. All property owners would benefit, and this would help offset number three. 77-112 says actual value's the sale price. Every year, many are not. 521 statements should be audited. If corrected, it would add revenue and this part of the process becomes fair and equitable. The 5% limit set by LB7-- LB72 should be worded to apply to all single properties, not market area medians. Every year, because of the process, valuations of many properties do not change. They will increase one year with no change the next year. LB72 should set a minimum increase of 2% for every property, not market area medians. This would also add revenue. The primary focus of these suggestions is, is valuations for every property every year. Secondary is the market as a whole. The process should be fair, equitable, uniform, and proportionate for all property owners. Finally, implementing these suggestions would make annual tax revenue projections more consistent and predictable.

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LINEHAN: Thank you very much for being here. Are there questions from the committee? I have one because I'm willing to admit I-- so much I still don't know. What is a 521 statement?

ALAN SEYBERT: When a property is sold, during that closing process, a 521 statement is filled out. And on that statement, there's a couple of fields. One is the sale price, and then there is adjusted sale price. Because when a property is sold, sometimes it might be sold as is with all furnishings involved and-- so they subtract that and come up with an adjusted sale price. There's another field on there that's called actual market value. You would think that the adjusted sale price and actual market value would be the same.

LINEHAN: You would think.

ALAN SEYBERT: They're not. Yeah. They're not. And the value a year after-- I've seen that as low as 65% after the sale. And that's across the board. That's not just for high-end houses. That's everywhere. That's within-- even within the same neighborhood, a house sold a month later, one house might be valued at 92% and another one at 65%. And I have no idea why.

LINEHAN: You don't have to answer this question, but are you from Douglas County?

ALAN SEYBERT: Mm-hmm.

LINEHAN: OK. All right. Are there any other questions--

ALAN SEYBERT: Northwest Douglas County.

LINEHAN: Waterloo or Valley? Elkhorn?

ALAN SEYBERT: I'm just south of the Standing Bear Lake.

LINEHAN: OK. Any other questions from the committee?

KAUTH: Just--

LINEHAN: Yes.

KAUTH: Real quick. Thank you. Can you tell me a little bit about your background? This was really detailed information.

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ALAN SEYBERT: Yes. Grew up in Nebraska City. My dad finished drywall. I built houses with him for several years and a couple other carpenters in Nebraska City. Moved to Omaha, and I started-- graduated from Peru State. Moved to Omaha, and I started working at Mutual of Omaha. I was an actuary there for 20-- almost 24 years. So I got a lot of statistical analysis experience and a lot of experience analyzing state statutes from all over the United States. There was a period of time when I wa-- our position at Mutual was eliminated. And I got a real estate license, so I sold houses for a few years. And I also remodeled houses for a few years.

KAUTH: Thank you very much.

ALAN SEYBERT: So I, I built hou-- I can, I can literally build a house from the ground up, and I have.

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

von GILLERN: And tell you how much it costs.

ALAN SEYBERT: Yeah. Well, that-- part of the problem is with the construction cost. I mean, I'm very familiar with that model. Used to be-- the rule of thumb was that a hou-- cost of a house, half of it was materials and half of it was labor. Now it's about 1/3 labor-- sorry. It's 2/3 labor and 1/3 materials. Those two components of that price are, are subject to much different inflation pressure than, than what the appreciation of a housing market is. So that's why I'm against-- we're not against. I understand why the assessors use construction cost and not comparable sales to do their valuations. Now, a lot of that's because the, the, the effort to try to determine the value of a house using comparable sales is extensive. It takes a lot of effort. And county assessors don't have the software, the hardware to be able to do that on a-- on every property.

LINEHAN: Thank you. Any other questions? Senator Meyer.

MEYER: Yeah. Would, would you be in favor if the Legislature in, in the future would be-- go to a statewide assessment system? Uniform.

ALAN SEYBERT: It would-- yes-- there, there's pros and cons to that. It, it would be uniform but on a statewide basis. I'd like to see the board of equalizations have more control over it than they do. A board

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of equalization has no control over county assessors. County assessors report to the, the state's property tax administrator. And the ta-- property tax administrator's focus is compliance with state regulation. And the issue there is, and I, I said before, they're looking at market medians-- there's statistics that they look at that determine whether they fall within that 92% to 100% range. And those are based on combinations of data. They talk about means, medians, and correlation coff-- coefficients. And as long as those numbers fall in that range, then they say, well, we comply. Well, if that's the case, then explain to me why you're seeing individual properties that get 20% to 40% increases. They get those increases because it's based on construction cost.

MEYER: Is, is Douglas County on a five-year interval for residential property?

ALAN SEYBERT: Six years.

MEYER: Six years. So do you find that problematic in today's inflating market, where in six years--

ALAN SEYBERT: They-- no, becau-- they say they do it every six years, there's-- properties are looked at every year. When they-- the process goes through the, the-- the initial part of their process is that they look at-- they actually look at neighborhoods, like SID. When it gets annexed, it becomes a neighborhood. They'll look at a neighborhood and determine whether or not there were enough sales in that neighborhood to generate data that, that makes sense. If not, that neighborhood gets skipped. That's why some neighborhoods don't get valuation increases. But they do that every year. If that neighborhood isn't skipped, if there's-- if it falls into the next step in their process, then they go through and they apply the construction cost model based on Marshall and Swift construction manuals. That's incorporated-- that's their-- part of their algorithm. There-- and then there's a base cost per square foot, per squenny-- finished square foot for above-grade finish. Once they get that base cost applied to finished square foot, then there are several adjustments made. They add in additional amenities, like number of fireplaces or whether it's a walkout basement or if it's a 9-foot ceiling in the basement instead of 8 foot. There are those adjustments. And then there you apply a physical depreciation adjustment and a neighborhood adjustment. They do that because they realize that construction cost is not a fair

representation of the actual market. So they try to adjust that construction cost to get it more in line with the actual market value. There's a problem with those factors. If you look at-- I look-- I've got history from-- we've been in our house over 20 years, and I've got history showing what those physical depreciation factors are. A few years ago, it was 14%. Then it went up to 17%. And I thought, well, that makes sense. My house got older. I had problems, though, trying to justify that because everything you hear on the media is talks about market appreciation, not depreciation. But this-- but again, I understood that they had to do something to get construction cost in line with actual value. So my appreciation goes to 17%. A couple of years of ago-- ago, it went back down to 14%. I cannot, I cannot justify that. Nothing in my experience has ever shown me a depreciation table that fluctuates like that. Depreciation goes down. It isn't-- I mean, it, it, it's a consistent number. There's four different-- there's four different ways to calculate depreciation, and none of them create a variation like that. And then neighborhood adjustment. You take-- you-- if you build a house, you-- and you go buy materials, they don't ask you where you're building that house to determine a price. So you need to make an adjustment for where that house is located. And what I had been told was it's supposed to reflect the desirability of a neighborhood. It makes no sen-- and that's changing for my neighborhood. And I thought, you're telling me that, from one year to the next, some people might want to live in our neighborhood and the next year they don't? So they change that.

MEYER: Thank you.

ALAN SEYBERT: Yeah.

LINEHAN: Thank you, Senator Meyer. Thank-- you-- this has been very helpful. Can you-- do you mind telling us what neighborhood you're in? Just--

ALAN SEYBERT: Standing Bear Pointe.

LINEHAN: OK.

ALAN SEYBERT: Small neighborhood.

LINEHAN: OK.

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ALAN SEYBERT: That's why our valuations-- there was a period of time where my valuation didn't change for five years. And it didn't change from last year. Again, there are sales in our neighborhood, but only a couple. That's because people-- when they get in our neighborhood, they don't want to leave.

LINEHAN: Yeah. OK. Thank you very much for being here. That's been very helpful. I appreciate it.

ALAN SEYBERT: You're welcome.

LINEHAN: Are there other proponents? Are there proponents? Are there opponents?

JON CANNON: Good morning.

LINEHAN: Good morning.

JON CANNON: Madam Chair, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of the Nebraska Association of County Officials. Here to testify today in respectful opposition to LB72. I appreciate Senator McDonnell bringing this to us. This really kind of gets us into the constitutional con-- conversation. Yeah. And, and one thing I, I did note from his opening that I, I, I wanted to mention, he said that this, this will ensure that taxes don't go up 5%. And, and the lo-- text of the bill is about valuations. It ensures that valuations don't go up 5%. I just want to make sure that, that we're clear on that. As Senator McDonnell said, this is likely unconstitutional because it would destroy equalization. We have the equalization clause in the, in the constitution for a reason. I-- how-- however, that said, equalization is a lot harder in larger counties. You know, I can tell you that if, if you're in-- if you're in Johnson County-- as Mr. Keebler is-- or one of the smaller counties, it-- equalization's a lot harder to do, particularly when you've got a lot of agricultural land because that-- it all looks generally the same. I notice that in this bill there's nothing about improvements. And so it says your valuation just can't go up more than 5%. And so I, I put a, a new wing on, on the house. I don't have wings in my house, for what it's worth. I want to be clear about that. But you, you put a-- you build a, a wing on your house, you add a garage, you do anything, and that's-- you still can't go up more than 5%. That-- just according to the plain language

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of the bill. This would require assessors to, to have two sets of books. I think-- it was stated previously, that it'd be a lot easier for the assessors. They're still going to have to keep track of actual value for all the property. They just have to make sure that the value doesn't go up 5% a year. This can actually lead to a perverse result because they're going to still be at-- valuing at actual value. They have to do that on an annual basis. It's been held down to the 5%, and they're going to keep going, adding 5%, 5% until they catch up. And so you could get to a point where you've got a flat market and someone's still going to get valuation increases, and they're not going to be happy about that. And-- now, again, that, that does tend to, to smooth out the valuation increases. And perhaps people are going to be happy with it. My experience is they're just-- they're unhappy if, if their value goes up a particular percentage in the-- in a flat market. NACO's opposition is, is really on the text of the bill and, and the perverse re-- incentives that it-- or, perverse revolt-- results that, that arise from it. There's nothing that can't be worked through after discussion with Senator McDonnell. We're ha-- always happy to have a conversation with all the affected stakeholders, particularly since Mr. Peffer, the assessor in Douglas County, is one of, one of ours. And so I, I technically work for him. So I'm not going to say anything that's contrary to what, what he may have cooked up with Senator McDonnell. And with that, I'm happy to take any questions you may have.

LINEHAN: Thank you, Mr. Cannon. Are there any questions from the committee? It did go through my mind that you might know the people that were mentioned.

JON CANNON: Yes, ma'am.

LINEHAN: I, I would appreciate if you wor-- work with Senator McDonnell on this. Not that I-- nothing I say here shows I'm for or against anything-- but there are a lot of people-- I don't agree with this-- but there are a lot of people that think that alls we have to do is cap valuations. I, I don't buy that, but we should be-- we should understand if, if peop-- how to do it if we would do it.

JON CANNON: I, I agree with you a wholeheartedly, ma'am. And, and I'll, I'll be very brief. Just-- in the sense-- I, I really wish that

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there was a delinking from valuation and taxation. Yeah. Valuation is a-- valuation is--

LINEHAN: That would be great.

JON CANNON: It would be great. I mean-- and-- valuation is a function but not the driver of the property tax request. And, and the, the math has always been, if evaluations go up 10% and the-- and the tax request remains the same, tax bill remains the same. If valuations remain the same and the tax request goes up 10%, guess what? The tax bill goes up 10%. And that's-- now, again, when you've got different moving parts and, and there are different areas that are hotter than others-- I, I get that that's an issue. And, and I, I think that there's a way to work through that. And I'd just-- I'd like to have that more thoughtful conversation.

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

JON CANNON: Thank you very much.

LINEHAN: Are there other opponents? Any other opponents? Oh, yes. Mr. Keebler.

TERRY KEEBLER: I think it's afternoon now. It's close. Hi, Chairman Linehan, members of committee. Terry Keebler, T-e-r-r-y K-e-e-b-l-e-r. As said before, I'm Johnson County assessor. I actually was not going to testify on this bill, but with some of the earlier comments, just wanted to help provide a little clarification. When he talked about depreciation changing, we as assessors use a mass appraisal model. So the model is based on replacement cost new less depreciation. So the depreciation will fluctuate because we're going back to what sales have done. So if sales are going up drastically and replacement cost is not-- that's probably where he saw depreciation went down, trying to get equalization to what the market was doing. So those depreciation tables are based on, how do we get value to what sales say? So a little technical, but. Otherwise, as Jon said, you know, we get the perverse incentive. We are still going to have two sets of books. One says market value and one will be the assessed value that we publish, which would be no more than 5%. And if market value-- as in our case this year, we needed to go up 40% to 50% based on sales, which was drastic. And we heard about it.

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LINEHAN: Johnson County?

TERRY KEEBLER: Mm-hmm. But if we only went up 5%, we would have another eight to nine years of increases to catch up just to what last year's market did. So-- I know. Big, deep swallow there, but. So other than that-- seemed like I had one more point, but now it's escaped me. So I will answer any questions.

LINEHAN: Any questions from the committee? What went up 20% in Johnson County, houses?

TERRY KEEBLER: Yes.

LINEHAN: Well, you have a huge shortage.

TERRY KEEBLER: Yes. I mean, it's--

LINEHAN: Yeah.

TERRY KEEBLER: Realtors are lift-- listing most of the time 50% over what assessed value is. And it's slowed down some. But a year ago, they would take a 50% increase over our value and then go up from there before it sold.

LINEHAN: OK. Thank you for being here. Any other opponents-- right? We're on-- not on neutral. We're on opponents. Any other opponents? Anyone in the neutral position? We did have letters. We had 3 opponents in the letters.

McDONNELL: Just want to thank everybody for, for being here to testify. I'll definitely enjoy working with Jon. I'll work with him. And if he's got time, we'll, we'll meet at the end of the day today.

LINEHAN: OK. Are there any questions for Senator McDonnell? Seeing none. Thank you very much. With that, we close the hearing on LB72 and-- are you here for the next one? Is that what's going on?

KAUTH: You're here for a lot.

LINEHAN: Oh, we got four more. OK. LB73 by Senator McDonnell. Welcome, Senator McDonnell.

McDONNELL: My name's Mike McDonnell, M-i-k-e M-c-D-o-n-n-e-l-l. I represent Legislative District 5, south Omaha. LB73, which proposes

to-- a significant update to the method used to det-- for determining income eligibility for homestead exemption. Specifically, the bill changes the adjustment for qualifying from the Consumer Price Index, CPI, to the House Price Index, HPI. The current statute adjusts income eligibility amounts using the CPI, which reflects general inflation across a wide range of goods and services. However, this approach does not accurately capture the dynamics of the housing market and the real cost pressures faced by homeowners. By contrast, the HPI-- published by the Federal Housing Finance Agency-- specifically tracks changes in home prices, making it more appropriate-- measures-- a more appropriate measure for this purpose. Under the proposed legislation, starting from-- with the applicable calendar year, the income eligibility amounts will be adjusted by the percentage change in the HPI of the year preceding an applicable calendar year. Additionally, these amounts will be adjusted for the cumulative change in the HPI since 2014, which adjustments rounded to the nearest lower multiple of \$100 if necessary. This change aims to better align the homestead exemption with the actual cost of the homeownership, ensuring that the benefits are targeted more effectively and fairly to those who need them most. By reflecting the specific fluctuations in housing market, we can provide more accurate and equitable support to our homeowners. This came [INAUDIBLE] Felix Ungerman, a person running for, for the Legislature right now who's knocking doors. And he brought this to me. And he had this happen four times over a, you know, month period. But there was four people that showed him that they no longer were going to build in their house because they had lost their spouse, they no longer had their pension, and they were just to the point where they weren't-- they were just barely above. If you look at the, the amount-- the dollar amount at \$46,900 at the 10% for the homestead exemption, they were, they were above that but they just shared with him a very emotional-- on their porch saying, I no longer can, can live here. So looking at where we are right now using the, the CPI versus the HPI-- if you have a better idea-- the idea is to try to get these numbers up and reflect more on what's going on to include more of these people that are just barely on the edge. I mean, going back ten years, you're looking at roughly-- versus C-- CPI was about 30% from 2014. This is about 90% if you use HPI. So it is a-- it is a significant difference. If that's the best formula, I don't know. But we were looking at something that would move it higher and, and have it consistently going into the future.

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LINEHAN: OK. Questions from the committee? So now, now it's connected to CPI?

McDONNELL: Currently, we're-- yeah. Currently, we follow CPI.

LINEHAN: So the average price-- baseline average price in the county than what CPI does [INAUDIBLE]. OK.

McDONNELL: And I'm just looking at a different HPI based on-- it would-- and it was about 30% to 90% over the last ten years.

LINEHAN: OK. Thank you very much. Are there any questions from the committee? Seeing none. Thank you. Do we have proponents? Good afternoon.

JON CANNON: Good afternoon, Madam Chair, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of the Nebraska Association of County Officials. Here to testify today in support of LB73. Appreciate Senator McDonnell bringing this. I, I can't really add anything better than he said it. And so I'll just say income limits-- I mean, the-- based on the homestead exemption program, we want to be for people that are on the relatively fixed income. Those things do go up with Social Security benefits and et cetera. But income limits should reflect what people have to pay as a percentage of, of their total income. And so this is actually probably a, a more accurate index for that to make sure that we're capturing the right, the right population. There's always the question that we have as to whether or not it's a delegation of authority when we refer to the feds. There's-- and, and if that-- if that's an issue, we can always tie the indexes that we produce here in Nebraska. But happy to take any questions you might have.

LINEHAN: Thank you. Are there any questions for Mr. Cannon? Seeing none. Thank you very much.

JON CANNON: Thank you very much.

LINEHAN: Are there other proponents? Are there any opponents? Anyone wanting to testify in the neutral position? Senator McDonnell, would you like to close? We do have letters. We have 2 opponents-- excuse me-- 2 proponents, 3 opponents, and no one in the neutral position.

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McDONNELL: I know you're-- got a full schedule, so I'll-- unless you have a question, I'll move on.

MEYER: I--

LINEHAN: Yes.

MEYER: I do have just a, a question-- a couple questions and a couple of comments. I thought at least the last three or four years of the CPI as a true indicator of expenses for a family is almost laughable for two things: it didn't include, one, energy costs and, one, interest rates. So when you look at the cost of a young family trying to buy a home and drive back and forth to work and transport their kids around, those are the two biggest things-- the two biggest budget items in their budget. Groceries are in there. Groceries fluctuate much faster than either of the other two. We are-- a home mortgage is three times what it was four years ago. And that's not included in CPI. Energy is double what it was four years ago. And that's not included in CPI. So I guess for, for future legislation to have this HPI included in a revamp of homestead exemption-- which Jon and I have talked about at times-- might be a better indicator than CPI where the people qualify along with starting homestead exemption when they finally take retirement and all those broader issues that we've talked about over the last year, I guess. So I'm just putting that in for comments, that the HPI index might be a better indicator than CPI for future expansion of the homestead exemption look at, I guess.

McDONNELL: I agree. Thank you.

MEYER: Well, I, I won't be here, so I--

McDONNELL: Neither will, neither will I.

LINEHAN: No, but there are some people here that will be here, so it's good. Any other questions? Thank you, Senator. Any other questions? Thank you very much for being here. Thank you for bringing the bill. Now we'll go to LB75.

McDONNELL: My name's Mike McDonnell, M-i-k-e M-c-D-o-n-n-e-l-l. Represent Legislative District 5, south Omaha. LB75, known as the Li-- Long-Term Owner Homestead Exemption Act. This bill is designed to encourage long-term homeownerships and support the retention and return of residents to our great state of Nebraska. The purpose of

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LB75 is to provide a significant property tax relief to homeowners who have demonstrated a long-term commitment to our state. Specifically, the bill offers a homestead exemption for qualified owners who have owned a homestead or homesteads in Nebraska for at least 40 years as of January 1 of the current assessment year and reside in the Nebraska homestead at that time. Under this act, the homestead of a qualified owner will be valued at zero for purposes of any political subdivision taxes. This legislation serves multiple important objectives. First-- firstly, it acknowledges and rewards the loyalty and stability of residents who have chosen to invest in Nebraska over the many decades. By making this exemption cumulative, we not only retain long-term residents but also encourage those who have moved away to consider returning to Nebraska to benefit from the significant tax incentive. Qualified homeowners can apply for this exemption through their county assessor with a streamlined application process that requires a subsequent filing only ev-- once every five years. This simp-- simply ensures that our long-term residents can easily access and maintain their tax benefits without undue administrative burden. LB75 also includes a provision for transparency and accountability, requiring the county assessors and treasurers to certify the report of tax-- total tax revenue lost due-- during these exemptions. The state will reimburse the counties for these lost revenues, ensuring that local budgets remain unaffected while providing meaningful relief to our residents. By passing this bill, we encourage the importance of the fostering a stable commitment-- committed community and creating incentives for individuals and families to build their lives in Nebraska. This forward-thinking approach to both honor our long-term residents and attract former Nebraskans to return, thereby strengthening our communities and economy. It's just that idea that, at one point in our lives, we no longer are paying rent in the form of property tax and partnered with the government that we can finally sit on our porch one day of our life at least and say, I truly own my home. And if I stumble financially, the government can't come in and take it from me. 40 years, we can discuss that as a committee. I thought that was fair. And again, it's, it's accumulative of, of a, a home or accumulative of homes. And again, if you moved out of the state and you say, I want to return for family, friends, it's an opportunity for you to take advantage of that the day you come back because you had owned homes in the state for 40 years at some time in your life.

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LINEHAN: Thank you, Senator McDonnell. Are there questions? Senator Bostar.

BOSTAR: Thank you, Chair Linehan. So you-- to qualify, you have to own a home in Nebraska for 40 years. Is that--

McDONNELL: Or homes. So let's say you owned two homes in your lifetime that adds up to 40 years. You moved out of the state-- or you currently still live in the state, of course-- but you come home, you're-- you el-- you're eligible. So you could have owned four homes in the state of Nebraska and it adds up to 40 years.

BOSTAR: But if I-- if someone, like, lives in Nebraska for 10 years, owns a home, they leave the state for 20 years and they live-- so they lived somewhere else for 20 years. They come back and lived for ten years owning a home here in Nebraska. They've owned a home in Nebraska for 20 years total. So-- I--

McDONNELL: They're not eligible.

BOSTAR: They're not-- OK. I'm just trying to unders-- yes.

McDONNELL: It's got to be in the state of Nebraska.

LINEHAN: Thank you, Senator Bostar. Senator Kauth.

KAUTH: Thank you, Chair Linehan. So would this only apply to owner occupied-- so they can't own a home, move out of the state, hold onto that home and rent it, and then come back and say, yep, that adds up?

McDONNELL: No, it's got to be your primary residence.

KAUTH: Primary residence. OK.

LINEHAN: Thank you, Senator Kauth. Other questions? I'm going to ask this because-- so if you lived in Nebraska but rented because you couldn't afford a home and [INAUDIBLE] for ten years but then-- that wouldn't count because you didn't own the home. You--

McDONNELL: It's got to be your primary residence and you have to be the homeowner.

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LINEHAN: Yeah. OK. OK. Any other questions? Thank you very much. Do we-- are-- you're going to come back and close because I do have a question--

McDONNELL: Yes.

LINEHAN: --but I'll see if there's any other-- proponents. Do we have any proponents? Do we have any opponents? Neutral.

JON CANNON: I think these steps are ultimately going to add up. Madam Chair Linehan, distinguished members of the Revenue Committee. Good afternoon. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of NACO. Here to testify in a neutral capacity on LB75. As we've stated many times before, we're generally in favor of the homestead exemption program. It is targeted property tax relief. The ideas behind this are, are novel, and we really appreciate them. You know, the, the issue always comes to-- down to everyone's still benefiting from the service that they're receiving. And, and, you know, and, and, and so decoupling that just seems a little-- it, it, it's something that we're not used to and we're trying to get our arms around, and so, frankly, that's why we're neutral. The-- if, if someone were to move within the state of Nebraska-- let's say someone was living in Red Willow and they moved to Douglas and then they moved to Lincoln and-- or, Lancaster-- pardon me-- and then ultimately they end up retiring, you know, somewhere in Valley County. You know, that, that's going to have to be coordinated among a whole bunch of different counties to make sure that, that this is, this is, is going to actually work right. The good news is is that we-- the, the, the counties submit all their homestead exemption applications to the Department of Revenue. And so-- I don't want to volunteer them, but presumably they would have-- they would be able to track that on a regular basis. It, it does seem like that's a-- probably an administrative issue that needs to be worked through. Happy to have that conversation with any affected stakeholders. And happy to take any questions you may have.

LINEHAN: Thank you. Are there questions from the committee? Don't we decouple already for the homestead exemption?

JON CANNON: Yeah.

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LINEHAN: If you're paying nothing. I know a lot of people pay something, just a reduced amount. But if you're paying nothing, we-- that's already an issue.

JON CANNON: Yep. Ab-- absol-- I mean-- exactly. And, and that logic still applies. And, and we're, we're certainly-- we've, we've always been happy with that. And, and you're absolutely right. Yes, ma'am.

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

JON CANNON: Thank you.

LINEHAN: Mr. Keebler.

TERRY KEEBLER: Good afternoon.

LINEHAN: Good afternoon.

TERRY KEEBLER: Terry Keebler, T-e-r-r-y K-e-e-b-l-e-r. Johnson County assessor, also on NACO Board. Here to testify in the neutral capacity. Just bringing up, as Jon said, some of the administrative thoughts on this. I guess when I first read it, I assumed it was 40-year continuous, but it's not the way Senator McDonnell explains it, so. But just that tracking of how do we get the 40 years when they've owned and occupied, especially if it's around counties. And the-- Senator Kauth's question earlier, if they've owned that house and haven't lived in it, that makes it even harder to track. Have they actually been owner occupants for 40 years if we aren't tracking this all the time? Secondly, the language in the bill says, once they apply, they only have to reapply once every five years and those divisible by five. That's language that was added a year ago with veterans to try to take some of the burden off. If we use that language for too many different sections, that's going to become a administrative burden on those years divisible by five when we get a big surge in applications. Just something to think about from our assessor side. The third part is in Section-- subsection 3 of Section 3 in the bill where it talks about the process that they will apply. The assessor will look if they are-- shall be approved. We will notify the taxpayer, the owner, and then take it off the assessment roll. That's the one that-- we as assessors cannot change the roll after March 19 or March 25. That has to come from either board equalization, TERC, court, or property assessment telling us that it's homestead,

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so. Somewhere in there, this has to go to the state property assessment to come back to the assessor with that removal. So just technical. So with that, I would take any questions.

LINEHAN: Thank you. Are there any questions for Mr. Keebler? Seeing none. Thank you very much. It's neutral, right?

CHARLES HAMILTON: Neutral, yes.

LINEHAN: Are there any other neutral? We did have letters. We had 1 proponent, 3 opponents, and 1 neutral.

McDONNELL: Thank the people that testified. Good suggestions on how to improve the bill. We can make those adjustments. Willing to work with, with everyone and, of course, the committee.

LINEHAN: Did you look at the Douglas County fiscal note? It's, it's attached to the-- first, you got our Fiscal Office then it attaches to Douglas County, which, I have to say, Douglas County does a pretty good job of getting something in. So it's saying, in Douglas County-- I think I'm reading this right-- it would only cost \$93,000?

McDONNELL: No.

LINEHAN: No?

McDONNELL: I think if you, you--

LINEHAN: That's what they say it will cost them to--

McDONNELL: Oh, cost them.

LINEHAN: --manage the program.

McDONNELL: Yeah. That's not-- yeah.

LINEHAN: They don't tell us what they think it would cost in--

McDONNELL: Well, if you-- let me look real quick. I'd-- no.

LINEHAN: OK. All right. I mean, I assume there's a lot of Nebraskans that have lived here for 40 years. Yeah. OK.

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McDONNELL: I've lived here for 31-- or, had owned homes for 31, so it's not so self-serving that I put it at 31 years and 3 days to include mine, so.

LINEHAN: OK. If there are no other questions-- seeing none. We-- LB75 to close. And we open on LB76.

McDONNELL: Thank you. My name's Mike McDonnell, M-i-k-e M-c-D-o-n-n-e-l-l. I represent Legislative District 5, south Omaha. LB76, which proposes to adopt an employee contribution tax incentive act. This bill aims to provide an income tax reduction for employed individuals on dues and assessment paid to labor organizations, excluding any portion used for political activities. These-- this-- the purpose of the employment contribution tax incentive act is to support workforce training, education, and recruitment by making employee contributions to labor organizations tax exempt. At a time when we face a significant work shortage, it is crucial to invest in the development of a skilled workforce to ensure the continued growth and sustainability of the various trades and industries. Specifically, the legislation will allow individuals to exclude from their taxable income any portion of their labor, organization dues, and assessments that are not used for political activities. This exclusion applies to taxable years beginning after January 1 of 1225. This tax incentive would directly benefit employees who contribute to labor organizations that are for-- focused on training, education, recruiting workers, thereby enhancing their overall skill level and availability of our workforce. By enacting this bill, the state recognizes the vital role that labor organizations play in the developing a skilled workforce and addresses the pa-- the pressing need to fill labor shortages across various industries. This initiative is a step forward to promoting economic growth and stability by supporting a continuous, improved workforce. Here to answer any of your questions.

LINEHAN: Thank you, Senator McDonnell. Are there any questions from the committee? Does any other state do this?

McDONNELL: What's that?

LINEHAN: Any other state?

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McDONNELL: We would be plowing new ground. And I, I shouldn't-- I should double-check that, but I was told that, that we'd be plowing new ground.

LINEHAN: Yeah. Yes, Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, Senator McDonnell. I just-- this-- so this is-- functions-- tax deduction. Why-- you know, why not really go all out and make it a tax credit?

McDONNELL: I like the way you think, Senator Bostar.

BOSTAR: I just-- you know, if you would consider bringing an amendment or something, I'd appreciate it.

McDONNELL: Thank you, Senator Bostar.

LINEHAN: I love the way we are all so creative. And this would reduce property taxes because--

BOSTAR: Magic.

LINEHAN: Pardon?

BOSTAR: Magic.

LINEHAN: There's an answer. I bet you didn't-- think. How would it reduce property taxes? Thank you. That must have been what the Referencing Committee thought: bring more people, then go down. Senator von Gillern.

von GILLERN: All right. I just can't let it go.

KAUTH: You tried so hard.

von GILLERN: Simply out of professional courtesy and my admiration for you, I have not yet IPPed this.

McDONNELL: I appreciate your willingness to work with me. Thank you.

LINEHAN: Thank you, Senator von Gillern. The-- yes. OK. Do we have proponents here?

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McDONNELL: And also, out of respect to the committee and their time, I did not load the room with proponents.

LINEHAN: Yeah, that would have been a-- it would have been IPPed by 9:00. So I don't think we have-- does anybody want to testify on this bill? Nope. So we did get letters. We have 2 opponents. And that closes that hearing. And then we go to LB77.

McDONNELL: My name's Mike McDonnell, M-i-k-e M-c-D-o-n-n-e-l-l. Represent Legislative District 5, south Omaha. LB77 introduce-- introduces another approach to taxation process of residential properties in Nebraska. LB77 establishes the Long-Term Resident Homestead Exemption Act. The bill stipulates that homesteads of qualified owners shall be assessed for taxation the same as their other property except that an exemption shall be made for purposes of school district taxes. Whereas the homestead shall be valued at zero, a qualified owner would mean an owner who has resided in a homestead for at least ten years. AM28 provides a change of scope from the original draft to stipulating the ten years of ownership does not need to be in a conse-- be consecutive nor does it need to be in the same homestead. Qualified owners could reside in another-- any, any homestead for any combination of at least ten years to receive the exemption. This strategic concept is designed to reward homeownership by providing an additional form of property tax relief. The growth of assessed property valuations for a volatile real estate market has caused disproportionately high tax burdens. LB77 seeks to provide an additional layer of financial assistance to the future stability for dedicated Nebraska homeowners. In closing, LB77 represents a thoughtful and measured approach to ongoing challenges faced to Nebraska homeowners by providing additional property tax relief while rewarding homeownership in our state. This is a bill you've heard before last year. Again, it just focuses on a ten year-- you'd look at AM28. But it also is the same as we talked about for the, the 40 year-- it's accumulative of a, a home or accumulative of homes. And it no longer would have the resident pay K-12 property tax, which Douglas County's approximately 62%.

LINEHAN: Thank you. Any other questions from the committee? You figured out the fiscal note on this one.

McDONNELL: Yeah. You guys should have the fiscal note.

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LINEHAN: Right. We do. It's a big number.

McDONNELL: Did you want me to talk about that?

LINEHAN: If you want to.

McDONNELL: I'm trying to save you as much time. I appreciate the work you're doing and--

LINEHAN: It's, it's a lot of money. Yeah. OK. Any other questions? Well, say the number-- I'll say the number. Is it-- is the fiscal note for '25-26 \$408 million and change?

McDONNELL: '28-- yeah. Fiscal-- 20 year-- '25-26, \$407 million. Fiscal year '26-27, \$432 million. And fiscal year 27-28 is \$458 million.

LINEHAN: Thank you very much. OK.

McDONNELL: Also reflects how much we're paying on property tax.

LINEHAN: I know. It does. Very good way to put it. Are there any proponents? Any opponents? Neutral? You got to move.

JON CANNON: Good afternoon, Madam Chair Linehan, distinguished members of the Revenue Committee. My name is Jon Cannon. I'm the executive director of NACO. Here to testify today in the neutral position on LB7-- LB77. Appreciate Senator McDonnell. He's brought a host of interesting ideas to us this week. We are generally supportive of, of the homestead exemption program. We're probably not that far away from supporting this. We would want to just really work through the administration of this, that-- you know, are we the homestead police? Is the Department of Revenue the homestead police? And, and not that I want to shunt everything off over to those guys, but there are some administrative burdens that we just want to work through and talk through and, and, and make sure that we're comfortable with. Because of that, because we, we haven't really had a lot of time to get our arms around this thing, we thought it was appropriate to come in in a neutral position and just reflect that for the record. Happy to take any questions you may have.

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LINEHAN: Thank you, Mr. Cannon. Are there any questions from the committee? I have one. Mr. Cannon, how many hearings have you testified at this week?

JON CANNON: Not nearly as many as you've presided over, ma'am.

LINEHAN: No. But you've done a pretty good job. Do you know? Do you have a number?

JON CANNON: I, I, I don't. I'm sorry.

LINEHAN: I would like a number.

JON CANNON: Yes, ma'am. I will, I will come up--

LINEHAN: To prove that you can keep up with the Legislature.

JON CANNON: Yes, ma'am.

LINEHAN: All right. Are there any other willing to-- wanting to testify neutral? Yes, there are.

TERRY KEEBLER: Good afternoon again. Terry Keebler, T-e-r-r-y K-e-e-b-l-e-r. Just following up on Jon's comments and-- similar to what I brought up on LB75. Just the administrative checks and balances with the assessors trying to police how many years have they owned and occupied the house. When it was a house for ten years, that's fairly easy to track. Have they owned it and have we mailed tax statements to them all those years? When it becomes nonconsecutive and different houses, if it-- becomes more of a burden to track that. Just questioning how that works. Not that it can't be done, but it becomes more difficult. And-- just-- it's all computer generated, but how we show different values for the-- on the tax statements and then our systems. Zero for tax-- school taxes, but we have a value for everything else. And that can be done through, I'm sure, the software vendors. This one becomes a little more-- because, again, they're applying in the years divisible by five. There are going to be a lot more that qualify for this program than Senator McDonnell's long term where that'd be 40 years. We're going to have a lot of applications coming in in those years. And how much we have to do with them. If they've been qualified is probably not too much unless they move counties in between. Just as a personal example on this one, I talked to my deputy assessor. She will have owned her house for ten years by

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2028. So when-- she would be eligible for this in 2029. Her children would be 13, 11, and 7 all going to school, so. Just-- whether that's good or bad is-- we just had the discussion in the office, so. I'd happy to take questions.

LINEHAN: Thank you. Senator Meyer.

MEYER: Thank you. And since you brought that up, to me, that, that's the basic premise of, I guess, the misunderstanding with this bill because the people in these houses are the ones that are needing the highest cost services in our society. They're the ones that have kids in school. They're the ones that are using the streets and sewers and highways, emergency care and all that. The-- it's just kind of the-- the properties that are producing the kids would be exempt.

TERRY KEEBLER: Right. That's--

MEYER: And that, I guess, kind of flies against my philosophy of, of where the majority of taxes can be paid, even though-- the people that age are maybe least likely to be able to pay it. Kind of an axiom in our society, as one generation pays for the education of the children about two generations behind that. Just the way the wealth cycle runs, so. Having said that, this kind of flies in the face of what-- where the expenses come for school districts, so.

TERRY KEEBLER: Yeah. I-- so I appreciate--

MEYER: Just what you said. Just what you said.

TERRY KEEBLER: Just was our discussion in our, in our office, so.

LINEHAN: Thank you, Senator Meyer. I think it only, it only applies if you're 65.

TERRY KEEBLER: Not in this one.

LINEHAN: Oh.

TERRY KEEBLER: I don't think so.

McDONNELL: I'll answer it.

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LINEHAN: OK. We'll have Senator McDonnell answer that question. All right. Any other questions from the committee? Seeing none. Thank you very much.

TERRY KEEBLER: Thank you.

LINEHAN: Drafting error. Drafting error.

McDONNELL: It's set up just like the, the, the 40 year--

LINEHAN: There might be a drafting error. It's not in there.

McDONNELL: OK.

LINEHAN: Which is-- that's going to happen. We knew we're going to have drafting errors. Your intent is--

McDONNELL: Yes. My intent. Senator Meyer, the idea of the ten year we talked about-- OK, K-12, K-- is that 13 years? OK. Should it be-- the point is that, at some point-- you did pay for your children's education, but where's that-- where you finally get rewarded? And he-- and I-- we talked earlier on the bill about 40 years. You finally would own your home and sit on the porch one day and know you're no longer partners with the government paying rent through property tax. OK. This one-- trying to adjust it. It-- should it be 12 years? Should it be 14 years? Should it be-- but at some point trying to incentivize-- don't leave. Don't leave the state. We understand you're frustrated. We understand you no longer have, possibly, children in school. But don't leave. Don't leave the state. So open to that number. Should it be 12 years, 14 years? Possibly. But that, that was the idea. And it would just concentrate on the K-12. Of course, we talked about the other bill, which is 40 years and you no longer would pay property tax.

LINEHAN: Thank you, Senator McDonnell. Questions? Senator von Gillern.

von GILLERN: Yeah. Thank you. Years ago-- I'm going back to the '80s-- Sun City, Arizona didn't pay school taxes. And I don't remember if it was a state supreme court ruling or a federal Supreme Court ruling that that was found to be unconstitutional. Have you, have you tested that out? Are there any other areas that are doing-- that have done this or--

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McDONNELL: Well, my first, my five years, I brought a bill every year that was unconstitutional, so. I guess I-- I guess I missed a couple of years my last special session.

von GILLERN: Are they-- any other, any other states doing this?

McDONNELL: I, I would have to-- I'll get back to you on that. I, I don't know about the constitution-- I never asked.

von GILLERN: Again, again, I don't know if that ended up being an Arizona Supreme Court ruling or, or federal Supreme Court ruling, but.

McDONNELL: OK. I'll-- I could follow up on that.

von GILLERN: Worth looking into. Thank you.

LINEHAN: Thank you, Senator von Gillern. Other questions from the committee? And I didn't ask it correctly. Your intent, whether it's in the bill or not, but your intent is for this to be 65 and over?

McDONNELL: No, no, no. Our intent was at, at, at ten years just like that at-- I'm sorry-- at ten years of homeownership, regardless of age. Just like the 40 years. That was the-- that was the intent. So we try to benefit those people. And, and if you look at the-- and we could get the numbers, where people-- we know that every, every year it's getting pushed farther and farther where people are able to afford to buy a house. So the age--

LINEHAN: You have children in school for more than ten years.

McDONNELL: No, that's why I just-- it's-- we talked about, should it be 13 years? K-12. Should it be 14 years? Should it be-- I mean, at some point, where you've paid for-- you know, your kids are done with school, potentially, with K-12. And that's what we, we're opened a mess-- when I say-- to adjust, should it maybe 14 years, 15 years. But no, the idea was to-- regardless of age, just like the 40-year homeownership, regardless of age.

LINEHAN: OK. All right. Thank you.

von GILLERN: I, I have one more question.

LINEHAN: Senator von Gillern.

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VON GILLERN: Yeah. So-- just to, to test that math out, if, if a-- let's pick a number. If an average homeowner in Omaha, for example, is-- if their property taxes are \$6,000 a year and OPS's cost \$16,000 to educate a student, you have not paid for that child over that 10-year period.

McDONNELL: When I, when I--

VON GILLERN: Not even close.

McDONNELL: Well, when I, when I say that, the idea of that you paid K-12 property tax, was it exactly--

VON GILLERN: Right.

McDONNELL: Like you said, does the math equal out exactly? No.

VON GILLERN: Which, to Senator Meyer's point, is exactly why it's distributed across all populations. OK. Thank you.

LINEHAN: Thank you, Senator von Gillern.

MEYER: I just had one other thought. If you have a stipulation here so that kids couldn't move back in after college and--

McDONNELL: I'll have that up at Bill Drafters in an hour.

MEYER: [INAUDIBLE] tax exempt.

VON GILLERN: 49 votes.

LINEHAN: Did I say this yet? We had letters for the record: 1 proponent, 2 opponents, and 0 neutral. With that, we'll close the hearing on LB7 [SIC].

McDONNELL: Do you want me to stay for the CA on LB72? LB72 we already presented, but-- I just have one CA.

LINEHAN: No. Unle-- unless you have some strong desire you have to be here.

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McDONNELL: No, no, no. I'm-- no. I'm saying no. I, I'm saying I'm-- I will come-- I'll leave and come back or-- I didn't know if Senator Raybould was-- if you want me to jump in.

von GILLERN: He's la-- he's last on the agenda.

KATE WOLFE: I would yield for the Senator to, to change the schedule [INAUDIBLE].

LINEHAN: OK. Go.

McDONNELL: Thanks. [INAUDIBLE].

KATE WOLFE: You owe me.

McDONNELL: I do. I, I owe you more than just that one.

KAUTH: She's not kidding.

LINEHAN: OK. So we're going to LR24CA?

CHARLES HAMILTON: Yeah.

LINEHAN: OK. Go to LR24CA. [INAUDIBLE].

McDONNELL: Thank you. I'll go quickly. Mike McDonnell, M-i-k-e M-c-D-o-n-n-e-l-l. Represent Legislative District 5, south Omaha. LR24CA represents a transformative proposal to set and redefine the landscape of property taxation within the state of Nebraska. The resolution seeks to amend the Nebraska Constitution, introducing a provision that recognizes residential property as a new category-- unique category of-- for taxation purposes. This essence of the amendment lies in the capacity to introduce alternative taxation methodologies for the residential properties, notably including mechanisms to cap valuations increases, thereby offering much needed relief to homeowners. The genesis of LR2468 [SIC] is rooted in the growing concern over the rapid escalation of property valuations and consequent tax burdens imposing on Nebraska residents. By categorizing their residential property as a separate class, this resolution opens the door to tailored tax treatment that more accurately reflects the realities and needs of homeowners. A complementary piece of legislation, LB72-- which you've heard earlier-- is poised to operationalize the principles outlined in LR24CA by capping the annual

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increase in property valuations at 5%. This cap is designed not only to provide predictability and stability for the homeowners but also to ensure that property tax-- taxes remain manageable and fair. The proposed constitutional amendments set to be presented to the electorate in the November 24 general election marks a significant step towards the eq-- equitable tax reform. It reflects a commitment to addressing the challenges faced by Nebraska citizens in an ever evolving economic landscape. And underscores the state's dedication to fostering a tax environment that supports sustainable homeownerships and community stability. LB24CA embodies a visionary approach to property tax-- taxation, promising to usher in a new era of fairness and growth control of res-- in residential property valuations. This legislation initiative represents a pivotal opportunity to Nebraska to lead the way in a innovative tax policy, ensuring the well-being and prosperity of its residents for generations to come. Here to answer any of your questions.

LINEHAN: Thank you. So this is-- Senator Brandt bought one-- brought one that just made two categories. But you're doing two categories. Would you have to-- you don't have to do that 5% in the constitution, right? You just--

McDONNELL: No, but we had to-- we had to have a-- we had to change-- constitutionally had a vote on it to put the-- basically, the operational in LB72.

LINEHAN: OK. But it would separate-- it would make a distinct class for residential, as Tom Brandt's would?

McDONNELL: Yes.

LINEHAN: Any questions from the committee? Senator Murman.

MURMAN: So-- thanks for bringing us-- so if you did this, there'd be three classes. There'd be residential, commercial, and agriculture?

McDONNELL: Yes.

MURMAN: OK. And the, the class that we're exempting-- or, not exempting, I guess lowering the-- well, maybe exempting some. I'm not sure. But is the, the one that actually is the broadest based class and also the class that produces the children that go to the schools?

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McDONNELL: So if you reference back to LB72, as we discussed earlier, about the 5%, that would be the cap.

MEYER: OK. Thank you.

LINEHAN: Thank you, Senator Murman. Other questions from the committee? There are states that have several-- like, most states, don't they, have different classifications?

McDONNELL: I don't know if it's most, but I know there's a number of states.

LINEHAN: What-- would you get it for the committee?

McDONNELL: Yes.

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

McDONNELL: I appreciate you guys's work. I know this hasn't been easy. You guys are carrying the load, but I believe we're all, we're all supportive of the work you're doing. Again, as we talked before the session, you know, the mentality has to be that we're going to burn the boats and attack the island. We're not leaving until we get something done. So what that is and how that comes out of this committee-- and, and I just appreciate, appreciate the work.

LINEHAN: Thank you very much. And thank you for working so hard to bring this idea. Great. I'm-- I guess we're just assuming there's no proponents in the room or opponents or, or-- oh, we got a neutral. Because he's proving he can keep up.

McDONNELL: That was my closing. That was my closing.

von GILLERN: When you told him there was going to be a prize for the most hearings--

LINEHAN: Yeah. He's going to win.

JON CANNON: I'm, I'm not sure I'm winning. I am winning. If, if, if they're all in front of Revenue, by, by golly, I'm, I'm doing better than most.

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KAUTH: Good suck-up.

JON CANNON: Madam Chair, distinguished members of the Revenue Committee. Good afternoon. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of NACO. Here to testify today in a neutral capacity on LR24CA. The standard position for NACO is that we ordinarily-- unless it really affects us like inheritance tax or unfunded mandates-- we ordinarily do not testify in constitutional amendments for a number of different reasons. However, I have a firm belief that candor towards the tribunal that I sit in front of demands that I, I come forward with a little bit of information that I, I may have that may be helpful as far as informing the discussion. And I may end up getting myself into trouble for it, but I do have one board member that said, depending on what you say, you're, you're OK for-- with, with him. So what this does is it would, it would create a separate class of property for the residential class of property. You could, you could tax it differently, you could have a different method, all that the-- all that stuff that we put into the constitution back in, like, I think 1985. What require-- what we did-- what precipitated that back in the mid-80s was a case called Kearney Convention Center v. Buffalo County Board of Equalization. Kearney Convention Center said, we know for a fact that agricultural land is being taxed at 44%-- or, is being valued at 44% of its actual value, and we wanted to equalize with them. And the Buffalo County Board said, well, you can't do that. You're not ag. You're a different class of property. They said that doesn't matter. That's not what the equalization clause requires. And they said, besides which, we don't know that it's necessarily 44%. It goes all the way up to the Nebraska Supreme Court. They proved everything they had to. The Nebraska Supreme Court said, yeah, you're right. You get to be equalized with the agricultural class of land. We said, we can't have that. We like having a separate-- essentially a separate assessment level of value for agricultural land. And so we put in the constitution, something very similar to this. We said, ag is a separate class of land and the Legislature can determine a different methodology for its taxation. And everyone said, terrific. We've, we've solved the problem. A couple of years later came Banner County Board v. State Board of Equalization. And in that case, the Banner County Board said, hey, look. These valuations that we're receiving that, that the Department of Revenue has put out through the ag land valuation manual, we do not believe they're uniform or proportionate among counties. And, and the

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thought had been, well, it doesn't matter. We, we can do-- we put it in the constitution that we can treat ag differently. Goes all the way up to the Nebraska Supreme Court. The Nebraska Supreme Court says, that's true, but you didn't strike the equalization clause. You didn't say that, that it doesn't have to be equalized with other classes of property, that-- you can do something different, but it still has to be equalized with, with everything else. We didn't do that here. And so if-- in order to do what Senator McDonnell would like to do, I, I think that there probably has to be something about the equalization clause had-- that residential does not have to be equalized with other classes of property. Whether that's a good policy decision or not, that is up for you to decide. I wanted to provide the historical context so that you can make decisions on this particular amendment going forward. And with that, I'm happy to take any questions.

LINEHAN: Are there any questions from the committee? Are you saying in the mid-80s and in the middle of a farm crisis ag land was at 44%?

JON CANNON: In Buffalo County, they were able to demonstrate that ag land was being valued at 44% of its actual value. Yes, ma'am.

LINEHAN: And they won by getting it to 75%?

JON CANNON: So what the Supreme Court said in, in the, the Kearney Convention Center case is that everyone's supposed to be at 100%. We didn't have the differential-- the rates for anybody. And everyone said, well, we want to-- we want to treat ag land differently. And it wasn't until after we amended the constitution the second time after the Banner County Board case that we said, we're going to treat it differently. It does not have to be equalized with other classes of lands-- of land. And then that's when we first went to 80% of its actual value. And then we stepped it down to 75% a few years later after that.

LINEHAN: You're always interesting. That's good. Any other questions? But you can do it. Other states do it.

JON CANNON: Yes, ma'am.

LINEHAN: It's just that we have to make sure we do it right--

JON CANNON: Yes, ma'am.

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LINEHAN: --is what you're saying. OK.

JON CANNON: Yep.

LINEHAN: All right. Any other questions? Any other people wanting to testify in general or-- what are-- neutral? Neutral. We did have three letters, all opponents. Did he just waive?

CHARLES HAMILTON: Yeah.

KAUTH: Yeah.

LINEHAN: And Senator McDonnell waives his closing. So we will jump back to agenda and go to LB79.

KATE WOLFE: Chairwoman Linehan and members of the Revenue Committee. My name is Kate Wolfe, K-a-t-e W-o-l-f-e. Appearing before you on behalf of Senator Jane Raybould to introduce LB79. LB79 would make a simple change to the existing homestead exemption by giving an additional 2.5% in credit to homeowners who have occupied their residence for at least 20 years and an additional 5% credit to homeowners who have occupied their residence for at least 25 years. The homestead exemption has been a popular method of property tax relief for Nebraska homeowners. Senator Raybould introduced LB79 in the spirit of finding additional ways to ensure that long-term homeowners receive a little more benefit for calling Nebraska and their community home. If she were here, I'm sure she would tell you that LB10 may be a good funding mechanism for this bill. I'm not saying that, but she would. Thank you.

LINEHAN: Thank you. Usually the senators talk more so we have time to look at our paperwork before--

KATE WOLFE: I wanted to get us all out of here.

LINEHAN: OK. Well, yeah, that is a [INAUDIBLE]. So it-- for 20 years, it's a 2.5% reduction in what?

KATE WOLFE: It's a increase in the, in the benefit. So it'd just add an extra 5%. I wouldn't be able to tell you much more than exactly how it's written in the bill.

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LINEHAN: OK. OK. Are there any questions from the committee? Seeing none.

KATE WOLFE: Thank you.

LINEHAN: Are there any proponents? Opponents? Neutral?

JON CANNON: Madam Chair Linehan, distinguished members of the Revenue Committee. Good afternoon. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of NACO. Here to testify today in a neutral position on LB79. We appreciate Senator Raybould will bring this. What I've said about the homestead exemption program is, is unnecessarily cumulative at this point, so I'll, I'll refer back to prior testimony. We like the, the homestead exemption program. With this, we weren't quite sure about the administrative burden that it would create, and so we, we would just like to get our arms around it. We probably would end up being more-- supportive, but we just haven't had enough time to really go through what it, what it's actually going to be. So with that, I'm happy to take any questions.

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

JON CANNON: Thank you.

LINEHAN: Are there any other neutral?

TERRY KEEBLER: Good afternoon again. Terry Keebler, T-e-r-r-y K-e-e-b-l-e-r. Johnson County assessor. And here for NACO. I'm not trying to take Jon's position of the most testifying, but just for today, so. Just as an assessor reading through this-- so my understanding is that this would, if they're qualified for the homestead exemption and they're being reduced because of their income, this would increase their percent-- percent exemption. Say they qualify that 20% based on their income. If they've owned their house 20 years, it would kick that up to 22.5% and then 25% of the homestead exemption. I think it says it can't go over 100%. So if they fully qualified, this would not affect it. So just doing a little bit of the math crossed my mind. I did it on my phone right quick. Our average assessed value for a homestead in Johnson County this year is going to be just a little bit over \$150,000. If you increase the exemption amount by 2.5% on that \$150,000 house and just using a \$1.5 levy, \$1.50 levy would give them an extra \$56 in tax relief. My problem as

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an assessor is we have quite a few categories already that we need to pick from. How they're qualified. We get told by the property assessment. It would just be more categories we've got to keep track of to click the right one to give them there-- so maybe a friendly suggestion amendment to be a little less burdensome would be to use 10% and 20% at, at least. Gives them \$200 more tax relief if they've owned their home a long time. Seems a little more worth it and doesn't create any more categories for the assessors. With that, I would take questions.

LINEHAN: Good point, Mr. Keebler. Questions from the committee? Seeing none. Thank you very much. Are there other--

CHARLES HAMILTON: Neutral.

LINEHAN: --neutral? Thank you. Seeing no one. We did have letters for the record, I assume.

CHARLES HAMILTON: Yes. There you go.

LINEHAN: We had 2 proponents and 2 opponents. Tie. And you waived. You don't get a close. So we move onto the next hearing, which is LB80. Is that yours too?

KATE WOLFE: Yes, ma'am.

LINEHAN: Bring it, bring it-- we're not going to break for lunch at 1:00. We'll break when we're done, which should be very soon. Yes.

KATE WOLFE: Chairwoman Linehan and members of the Revenue Committee. My name is Kate Wolfe, K-a-t-e W-o-l-f-e. Appearing before you on behalf of Senator Jane Raybould to introduce LB80. Unfortunately for all of you, it's me and not Senator Raybould here to introduce LB80, as her experience serving on the Lancaster County Board and Lincoln City Council gives her a wealth of knowledge of the impact of the bill. Fortunately for all of us, however, Lynn Rex from League of Nebraska Municipalities will follow me and will be able to offer you as much detail as you need. For purposes of the record, LB80 would place limits on the property tax authority of municipalities and counties, provide exceptions to the property tax cap, eliminate the lid on restricted funds for municipalities and counties, establish provisions for tax increment financing, eliminate the cap on occupational taxes for mun-- municipalities, and terminate the

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Property Tax Requests Act and replace it with a more detailed county notice valuation. As tax policy is not my passion nor my area of expertise, I respectfully ask that you direct any questions to Ms. Rex. And thank you for your time.

LINEHAN: Thank you very much. So we have a proponent?

KATE WOLFE: Yes.

LINEHAN: Ms. Rex.

LYNN REX: Senator Linehan, members of the committee. My name is Lynn Rex, representing the League of Nebraska Municipalities. L-y-n-n R-e-x. Appreciate the page handing out a copy of a letter from the [INAUDIBLE] Sarpy County in strong support of LB80. We appreciate Senator Raybould introducing this bill. Jon Cannon and I are splitting up the bill so that we can cover all of the provisions because I think it's really important because this bill reflects in large part what this committee did with LB388, AM3468. And we supported that as it applies to the caps. So with that, if you'd be kind enough to look on page 2 of LB80, I like to just walk you through some of the important changes here and differences that are between LB80 and also LB1, and then also contrasting it LB388. So on page 2, lines 20 to 21, on the definition of growth value, you'll see that we're adding in language including any increase to the valuation of any tax increment financing project located in the political subdivision. This is the same language that was in AM3203. It was the standing committee amendment to LB388 that came out of this committee. AM3468, which ultimately was what LB388 was considered on, on April 18, did not have that language. We absolutely need to have that language. In addition, turning to page 3 of the bill. If you look on line 17 to 19, we defined tax increment financing-- again, the same language that was in your AM3203, the standing committee amendment. You'll note that our definition of public safety is broader. So on page 3 lines 4 to 6-- I'm sorry, lines 4 and 5: Public safety expenses means expenses incurred by a political subdivision for the well-being and protection of the general public. That relates to LB28, Senator Bostar, that you had introduced. We tried to made it-- make it broad simply because I know that there's been confusion over the language that was negotiated that became part of LB388-- I think Section 4(6a), I think. So that-- we just wanted to make it broader. In addition, I would-- the formula's the same, essentially. If you look on page 4, we include-- because what you do

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here is you look at tax asking. So for example, because the effective date of this would be July 1, 2025, just like it is in LB1, just like it-- to apply this. So you take tax asking for '24-25, then what you do is you back out-- LB388-- or-- I'm sorry-- LB1 backs out two things: bonds and emergencies. So did LB388. This also would back up public safety expenses. And then to that, you multiply-- we're saying 5% or CPI, which is ever greater. We had negotiated before 3% or CPI. The Governor's at 0%, which we can't-- we don't, we don't think it's-- clearly is not livable for counties and municipalities across the state. That being said, we put 5% in because we don't know ultimately what this committee is going to come out with in terms of where the public safety exception is because it does need to be significant. And one of the things that I think is important that's been brought out with LB28 at the hearing the other day was just that it's now to include equipment in the kinds of things that volunteers use. Unless you are in this part of the state and maybe eight other cities in the state of Nebraska, if something happens and you're in an accident on any of the highways, it will be a volunteer firefighter, an EMT that will be rescuing you. It will not be a paid firefighter. We're blessed to have our paid firefighters. We're blessed to have the others. I know we have a red light. And I'd sure appreciate a question just to highlight my part of this. And then Jon will review the rest of it.

LINEHAN: Is there a question from the committee? Senator Kauth.

KAUTH: Thank you, Chair Linehan. I don't know if it's a question so much as a comment. On page 4, line 17 through 19, it says-- let's see-- a political subdivision may increase its property tax request authority under this act-- and then it goes down to say-- by the amount of unused property tax request authority determined in accordance with Section 6. So basically, you're saying that they can carry over and just keep stacking up unused authority?

LYNN REX: Not to exceed 5%. And so-- that's similar to what was in LB388. That's similar to what is in LB1. That would be here too. And if I may, I would like to just talk to you about some of the other exceptions if you would like to ask me that question.

KAUTH: Thank you.

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LINEHAN: Yes. Thank you, Senator Kauth. Yes, I do want you to go through the list.

LINEHAN: OK. Very quickly. So if you look on page 4, line 1, this would be above the cap. So in other words, you're backing out under the formula. You back out the amount for it. So you don't-- you're not double-dipping. You back out the amount for bonds. You back out the amount for public safety. You back out the amount for emergencies. And then you multiply it by-- we would say 5%. OK. And then you add back in the following-- and I'll address your question specifically as I get to this. So approved bonds. That's the same in all three proposals: LB388, LB1, this proposal. The amount of property taxes for capital improvements. That was not in the other proposals. That is in the current lid on restricted funds. And of course, this bill, as LB1, would replace the lid on restrictive funds, which, as we talked the other day, all political subdivisions will continue to be-- except schools-- under the lid on restricted funds except municipalities and counties if you put a cap on us and take us out of the-- and this bill does the same thing that LB388 would have done, the same thing that LB1 would do. Then if you look on lines-- paren 3. This is page 4, paren 3. This deals within local agreements. That's always in the lid on restricted funds. We had a, a tighter provision that we did with LB388 that dealt with an imminent crisis, that dealt with an issue that was raised the other day with LB28, which is in Ogallala, Nebraska. The private EMS provider just said, we're done. And so, quickly, Heath County and the city of Ogallala put together an interlocal agreement to try to do what they could do to provide that critical service for their members. If you look at the emergencies in line 15, that's the same as in all three requests in terms of LB388, LB1, LB80. The unused property tax request authority, that is the same as it was in LB388, LB1, and also in LB80. And Senator, what that really means is, for example, if, in fact-- let, let's assume that you pick 5% as, as-- or CPI, which is ever greater-- when you-- when one does that-- let's assume that a municipality only uses 2% of that. That means they can carry forward 3%. They're not going to levy that 3%, but they carry that forward. But that total amount can never exceed 5%. And I think that was something, Senator Linehan, that you addressed with the Governor. What we had the-- in 2023-- August of 2023. In addition, if you look on page 4, line 19, we except out public safety expenses. And that's language that is broader than the language, Senator Bostar, that you negotiated. Dealing with unsworn

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officers and the staffing issues. And that's critically important. I mean, we have staff--

LINEHAN: OK. We got to hurry because you're standing between us and lunch.

LYNN REX: OK. I will do it and I will do it quickly. Override of [INAUDIBLE] voters. And then we added in, needed to replace any revenue stream collected. In addition, what this bill does is it also will take caps off of occupation taxes. It also, I think, is important to understand how this bill interrelates and is essentially very, very similar in context. We appreciate the property tax credit provisions that you have in LB1. So with that, I'm happy to answer any other questions that you might have.

LINEHAN: Very quickly, yes or no, you also-- don't you mess with the pink postcard?

LYNN REX: Jon is going to cover that [INAUDIBLE]. And there's-- and he'll explain the reason.

LINEHAN: All right. Thank you very much. Where, where are we, neutral?

CHARLES HAMILTON: Proponent.

LINEHAN: Proponents. OK. Of course. Proponents. Yes. So-- I don't think there's any other questions.

LYNN REX: All right. Thank you very much.

LINEHAN: Thank you very much. And you're going to be around all weekend, I'm sure.

LYNN REX: Absolutely.

LINEHAN: Yes.

LYNN REX: Be bonding with you tomorrow.

JON CANNON: Good afternoon, Madam Chair Linehan, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm executive director of NACO. Here to testify today in support of LB80. I couldn't cover half of what Sen-- Senator Rex-- Lynn Rex covered just now, even remotely as, as ably as she did, so I, I, I

won't even try it. I, I did want to talk about the pink postcard provision. I, I know that when our, our friends at the [INAUDIBLE] have talked about this, that they've said, you know, gosh, we'd really like this to be at a more meaningful time. We would like to have more impact. And we agree, frankly. One of the things that, that we already do is we send out a notice of valuation change as counties to anyone who's had their valuation change up or down in the county. And, and we say, yeah, hey, your-- here, here's your value last year. Here's your value this year. And if you're-- if, if, if you'd like to talk to the county board about that, you can file a protest. And that is only for people who's had-- who have had their valuation change. If their valuation remains the same, they don't get that notice. They still have the opportunity to protest, but they do not get the notice. What, what we're suggesting is let's, let's combine the two and let's make this a little bit more meaningful, a little bit more impactful. And so what we would recommend is we would have a notice of valuation that goes out to everybody, not just the people whose valuation changes. This would be a little bit more of a cost for the, for the counties to bear-- and we divvy it up proportionately, probably. But what we would have is, here's last year's valuation in two columns. Here's the last year's valuation. Here's this year's valuation. Here is the levy from every organization that levied against you in the prior year and how much that was. Here is the time and the place of their budget hearing for this year. And then we'd have verbiage-- and, and I, I think it's more artfully put in, in the bill-- but we'd have verbiage that essentially says, if you think that your, your valuation is in error, we invite you to file a protest with your county clerk, and you'll be scheduled with the county board of equalization. If, however, you're concerned about how the valuation will affect the amount of taxes that you pay, we really recommend that you go to the, the budget hearings for each of the-- any or, or all of the organizations listed in. And there's other verbiage in there as well. We, we think it's more meaningful. We think it's-- comes at a time when people are going to have more of an opportunity to actually express what they think about their property taxes and-- as far as the budget pro-- budget hearings are concerned. We, we just think it's going to be more impactful and, and more efficacious. And so with that, I'm happy to answer any questions you may have.

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

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JON CANNON: Thank you very much.

LINEHAN: Are there other proponents? Good afternoon.

RYAN McINTOSH: Good afternoon, Chair Linehan, members of the committee. My name is Ryan McIntosh, M-c-I-n-t-o-s-h. Appearing before you today on behalf of the Nebraska State Volunteer Firefighters Association in support of LB80. My testimony will solely focus on the public safety exception. As you know, our primary concern with LB1 is the public safety exception only includes wages. And I won't rehash all the testimony from LB28. But as you know, our volunteers are struggling to pay for gasoline [INAUDIBLE] new equipment on their budget, so. With that, I'd be happy to answer any questions.

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

RYAN McINTOSH: Thank you.

LINEHAN: Thank you. Any other proponents? Any opponents? Good afternoon.

NICOLE FOX: Good afternoon, Senator Linehan, Chairwoman Linehan, members of the Revenue Committee. Nicole Fox, N-i-c-o-l-e F-o-x. Representing the Platte Institute. And since I am standing in between you and lunch, I will try and be very brief, starting with, first of all, a brief history lesson. Just want to rewind to 2019 when, Senator Linehan, you passed LB103, which Platte Institute strongly supported. This was a requirement that local governments hold public hearings and post notice in a newspaper before property taxes could be increased. And in 2021, we came along with Senator Ben Hansen to try and put some teeth into that and passed LB644, which was the Property Tax Request Act. And what this did was it required local political subdivisions who wanted to increase their tax, tax asking by more than real growth, and it negotiated 2% that they had to, number one, provide the direct notification to constituents-- the pink postcard-- and then also hold a joint public hearing to give-- in the evening to give people an opportunity to voice their concerns. So prior to the passage of LB44, we did some polling, and that polling indicated that 77% of Nebraskans favored requiring local governments to inform taxpayers by mail about their opportunity to participate in that joint public hearing before property taxes could be increased due to the rising valuations.

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Neither LB103 or LB644 directly limited property taxes, but it did change the narrative as to what constitutes a tax increase-- talking about it in terms of revenue as opposed to levy rates. It also allowed people to interact with their locally elected officials. And it also-- you know, it, it was a process that created transparency and awareness as to how local taxes are levied. I won't go into what LB80 proposes because it's been very clearly established by Lynn Rex and our friends at NACO. But, yes, I will note that is drastically different-- or, it's much higher than what the current Property Tax-- Tax Request Act is now and also drastically different from LB88-- or LB388 and LB1 heard earlier this week. It additionally proposes to eliminate both the direct postcard notification and joint public hearing processes that were established by LB644. It replaces it with a postcard about alerting folks to budget-- public budget hearings when their valuation notices go out. If anything, with this bill, Platte would support the direct notification to taxpayers of budgets-- of budget hearings in addition to the postcards for joint public hearings because we are quite well-aware that the budget hearings are not well-attended, and that's really probably where citizen input is most greatly needed. So in conclusion, in times when property owners are experiencing record-- record levels of valuation increases, we think the provisions in LB80 would only make Nebraska's high property tax burden worse.

LINEHAN: Thank you. Are there any questions from the committee? Seeing none. Thank you very much for being here. Are there any other opponents? Anyone wanting to testify in the neutral position? Letters for the record: 4 proponents, 2 opponents, and 0 neutral. And you can't-- we're done, right? We'll close LB80.

von GILLERN: I'd have lost this bet too.

LINEHAN: Yeah.