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Revenue Committee  
February 23, 2012

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[LB989 LB1011 LB1075 LB1106 LB1138]

The Committee on Revenue met at 1:30 p.m. on Thursday, February 23, 2012, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB1138, LB989, LB1011, LB1075, and LB1106. Senators present: Abbie Cornett, Chairperson; LeRoy Loudon, Vice Chairperson; Greg Adams; Lydia Brasch; Galen Hadley; Pete Pirsch; and Paul Schumacher. Senators absent: Deb Fischer.

SENATOR CORNETT: Good afternoon and welcome to the Revenue Committee. I am Senator Abbie Cornett from Bellevue. Senator LeRoy Loudon from Ellsworth is Vice Chair of the committee, and he'll be joining us shortly, as will Deb Fischer from Valentine. Senator Greg Adams from York is on my far left; Senator Schumacher from Columbus will be on my far right; Senator Brasch from Bancroft; Senator Pete Pirsch from Omaha; and Senator Galen Hadley from Kearney. The research analyst today is Stephen Moore, and committee clerk is Matt Rathje. Our pages are Michael Killingsworth and Matt McNally. Before we begin the hearings today, I'd like everyone to please turn their cell phones to either silent or off. Sign-in sheets for testifiers are on the table by both back doors and need to be completed prior to coming up to testify. When you come up to testify, please hand the testifier sheet to committee clerk. Please print the form also. There are clipboards by both back doors where you can sign in and indicate either your support or opposition to a bill. This will be included in the official record. We will follow the agenda today posted on the door, the introducer, followed by proponents, opponents, and neutral testimony. Only the introducer of a bill will be allowed closing remarks. As you begin your testimony, please state and spell your name for the record. If you have handouts, please bring ten copies for committee and staff. If you do not have ten copies, pages will make copies for you. With that, we will open the hearing. Senator Mello, you are recognized to open on LB1138. [LB1138]

SENATOR MELLO: Thank you and good afternoon, Chairwoman Cornett and members of the Revenue Committee. My name is Heath Mello, H-e-a-t-h M-e-l-l-o, and I represent the 5th Legislative District in south Omaha. LB1138 is one of several bills I introduced this session as a result of the LR203 interim study before the Urban Affairs Committee dealing with problems municipalities face from vacant and abandoned properties. Vacant properties, both commercial and residential, have long been a problem for Nebraska's cities and municipalities. From the south Omaha neighborhoods that I represent to the small villages in rural Nebraska, communities of all sizes have many of the same challenges with regards to vacant properties. In addition to the effect that vacant properties have on overall property value in communities, these abandoned buildings present serious health and safety risks, including risks of flooding or fire. Vacant properties can also attribute to increased crime rates, as abandoned buildings are often used as home base for illegal activities. The current foreclosure crisis has only further worsened the problem, adding an increased number of homes and businesses to the vacant property rolls. LB1138 seeks to provide Nebraska municipalities with an

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additional tool that they could use to address vacant properties by making changes to the Community Development Assistance Act. The act was created by the Legislature in 1985 to encourage financial support by businesses to community betterment organizations in their efforts to implement community development projects in chronically economically distressed areas. Under the act, a 40 percent state tax credit is distributed to businesses, corporations, insurance firms, financial institutions, or individuals that make eligible contributions to approved community betterment projects. No more than \$25,000 can be approved per project, and a total of \$350,000 in tax credits can be allocated each fiscal year by the Department of Economic Development. LB1138 makes three basic changes to the act. First, the bill would add entities which conduct affordable housing activities in chronically distressed areas to the list of eligible community betterment organizations, allowing affordable housing equity investments to qualify for the tax credit. Second, the bill clarifies that graffiti removal and abatement qualify as a crime-prevention activity under the act. Both the lack of affordable housing and the growing presence of graffiti can have an overall negative effect on our communities; and the inclusion of these activities is consistent with the original intention of the act. Additionally, the bill requires that in future fiscal years the Department of Economic Development apportion at least 25 percent of the tax credits allocated under the act to each of Nebraska's three congressional districts. Similar language was included in several economic development program bills passed by the Legislature last session. And I believe that we should strive to ensure that all of our economic development efforts have a true statewide effort. Thank you for your time, and I'd be happy to answer any questions you may have. [LB1138]

SENATOR CORNETT: Senator Hadley. [LB1138]

SENATOR HADLEY: Thank you. Senator Mello, when we don't increase the pie and we just change who gets it, who loses under this then? [LB1138]

SENATOR MELLO: Oh, Senator Hadley, I wouldn't say that someone loses under LB1138. I think it provides a little bit more flexibility for communities when they're determining what may be a bigger priority within their community. Most communities and organizations across the state usually have a plan of what they do when they apply for this tax credit because it requires, essentially, a philanthropic match from a business or an individual, insurance firm, financial institution. And so a community may choose to want to upgrade their community park and instead realize that there's a need for, let's say, affordable housing in their community. And this is a tool that they would see would be a better long-term economic or community development tool for them instead of upgrading their park. I'm not by any means diminishing the need for such activities as upgrading a park or putting in other kind of amenities that communities need for community development purposes. But I think affordable housing is an issue that we've continually heard about, at least I've heard about it through the Appropriations Committee and through the interim study we had last year with Urban Affairs, that it's a

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driving force in economically distressed areas. So I would hope that it provides a little bit more flexibility, so to speak, not so much that it's going to hurt anyone or hurt any one community, so to speak, by applying for this tax credit. [LB1138]

SENATOR HADLEY: Okay. Thank you, Senator Mello. [LB1138]

SENATOR CORNETT: Further questions? Seeing none, thank you. [LB1138]

SENATOR MELLO: Senator Cornett, it appears, unfortunately, I have two bills back to back right now in Government. And it is going to be a very tight fit. So more than likely I will waive closing. But... [LB1138]

SENATOR HADLEY: So they're more important than us, huh? [LB1138]

SENATOR MELLO: (Laugh) I'm not saying that. It's just...and I appreciate you...actually, I appreciate Chairwoman Cornett putting this bill first, because otherwise we had some timing issues. [LB1138]

SENATOR CORNETT: I was going to say, I think I've rearranged our schedule for Government before. [LB1138]

SENATOR MELLO: Possibly you have, so...(laughter)...so thank you. [LB1138]

SENATOR CORNETT: First proponent. Oh, before you begin your testimony, we are using the light system today. When it goes to yellow, you have one minute left. Go ahead. [LB1138]

JAMES THELE: Okay. Thank you. Good afternoon, Senators. I appreciate the opportunity to speak before you. The amendment to the Community Development Assistance Act I believe will accomplish a number of objectives. Quite clearly, now we're in an economic recovery, but it's a very slow, tedious recovery. And both the Federal Reserve chairman as well as our own Warren Buffett have clearly stated that they do not see a full recovery until housing recovers. Additionally, long term though, we're concerned about economic development. And I think it's important to think about economic development from the standpoint of housing. Housing is economic development. Not only does it provide employment during construction certainly. Let's not forget that people buy things, and 70 percent of our economy is consumer-based economy. So increasing the amount of housing, which will increase population in distressed areas, which will increase the economic activity within those areas. Additionally, we have a great need for workers' housing. And I want to point out we talk about affordable housing, and we're talking about workers' housing. We're not talking about public housing. We're talking about housing for workers. As we try to recruit industries or as we redevelop areas, we need to have housing for the workers in those

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neighborhoods and in those communities. The Community Development Assistance Act amendment amends an existing, proven program. This program has been around awhile. However, I would mention that I...my understanding that it's been underutilized very much in the past. The other thing it does is it uses the description of affordable housing and ties everything to the Nebraska Affordable Housing Act. So again, we're using an existing, proven program with rules and regulations to implement this. So we're not asking to do anything that's new, totally new, out of the blue. We're using proven methods in order to redevelop neighborhoods. This will help address some of the problems we have with vacant, abandoned housing, the results of foreclosures and other actions that have occurred in the last...particularly the last four years. And the construction of new housing on vacant lots, the rehabilitation of existing houses, those will all address some of those problems by bringing those houses back on the tax roll and meeting the needs that the citizens of Nebraska have in terms of their need for housing. Thank you. [LB1138]

SENATOR CORNETT: Sir, could you please state and spell your name for the record. I didn't want to interrupt you. [LB1138]

JAMES THELE: Oh, thank you, Senator. I'm sorry about that. My name is James Thele, J-a-m-e-s T-h-e-l-e. I'm the assistant planning director for housing and community development for the city of Omaha. [LB1138]

SENATOR CORNETT: Thank you very much. [LB1138]

JAMES THELE: I'm sorry. [LB1138]

SENATOR CORNETT: Questions from the committee? Seeing none, thank you very much. [LB1138]

JAMES THELE: Thank you. [LB1138]

SENATOR CORNETT: Next proponent. [LB1138]

AMANDA BREWER: Good afternoon, Senators. I'm Amanda Brewer, A-m-a-n-d-a B-r-e-w-e-r. And I'm representing Habitat for Humanity of Omaha, and I serve as the executive director there. And I'm here in support of LB1138, which is including affordable housing as part of the Community Development Assistance Act. Affordable housing, new and renovated projects, are important to the health of the community for all the reasons that Senator Mello and James Thele mentioned. Habitat for Humanity is a statewide organization that develops affordable home ownership across the state. We exist in Omaha, Lincoln, Norfolk, Kearney, Grand Island, Fremont, Columbus, and Scottsbluff. Habitat has a unique approach to corporate involvement because not only do the corporations give financial support, but they contribute volunteer hours, leading

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to further engagement in the community and, likely, future giving. Including affordable housing in the Community Development Act would help open doors and result in leveraging of other funds. [LB1138]

SENATOR CORNETT: Senator Hadley. [LB1138]

SENATOR HADLEY: Thank you, Senator Cornett. Ms. Brewer, I just have to put a plug in. Last Saturday night, Habitat for Humanity in Kearney celebrated its 20th year and has built 61 homes in Kearney. And it's a great organization. Thank you. [LB1138]

AMANDA BREWER: Thank you. It's an amazing work they do in Kearney, very impressive. All volunteers there too. [LB1138]

SENATOR HADLEY: All volunteer, yes. [LB1138]

AMANDA BREWER: Yeah. [LB1138]

SENATOR HADLEY: Thank you. [LB1138]

SENATOR CORNETT: Senator Pirsch. [LB1138]

SENATOR PIRSCH: Can you explain how this affordable housing investment would help Habitat, as an example? [LB1138]

AMANDA BREWER: Right. As an example, Habitat for Humanity could apply to include their project in this. And there's a 40 percent tax credit that would go to corporations that, up to \$25,000, that would give money to Habitat. And so for an example, if we're doing a seven-house project, we could offer tax credits to some of those partners, maybe \$5,000 apiece, to engage new partners. And that's how we would probably choose to do it, for new partners only. And that would get them engaged in the organization and the work that we're doing and get that first incentive touch point, and then hopefully they would stay involved. And it would be something that could be done in any city. [LB1138]

SENATOR PIRSCH: Thanks so much, Amanda. [LB1138]

AMANDA BREWER: Thank you. [LB1138]

SENATOR CORNETT: Further questions? Seeing none, thank you. [LB1138]

AMANDA BREWER: Okay. Thank you. [LB1138]

SENATOR CORNETT: Next proponent. We'll move to opposition testimony. Neutral.

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Senator Mello has waived closing. We'll stand at ease while we wait for Senator Haar.  
[LB1138]

BREAK

SENATOR CORNETT: Senator Haar, thank you. Senator Haar, you are recognized.  
[LB989]

SENATOR HAAR: Ready, go? [LB989]

SENATOR CORNETT: Yes. [LB989]

SENATOR HAAR: (Exhibit 1) Okay, thank you. Chairwoman Cornett and members of the committee, LB989 has to do with community learning centers. I'm just going to take a brief few minutes, and we have some testifiers and I'm going to get out of their way. LB989 allows school districts to fund community learning centers outside the levy limit. And we're going to hear today from many folks on why CLCs are so important to our children. It's a revenue bill because it allows school districts to fund CLCs outside the levy limit. It's an education issue because we're going to hear about CLCs in general. We'll hear how they work in partnership with a wide array of groups and we'll hear about how they will be sustainable with this legislation. And again, I'd be happy to answer any questions, but I think those who follow are probably...know more of the details. [LB989]

SENATOR CORNETT: Questions from the committee? Seeing none, will you remain for closing? [LB989]

SENATOR HAAR: Oh, yes. [LB989]

SENATOR CORNETT: Okay. [LB989]

SENATOR HAAR: Thank you. [LB989]

SENATOR CORNETT: In case there were testifiers here that did not hear me before, we are using the light system. When the light turns yellow, you have one minute left. With that, I will take the first proponent. And if you have handouts, the pages can take care of that for you. [LB989]

JEFF COLE: (Exhibit 2) Good afternoon. My name is Jeff Cole, C-o-l-e. I work at the Nebraska Children and Families Foundation, where I serve as the network lead for a statewide public-private partnership, the Nebraska CLC Network. We strongly support CLCs as both programs and partnerships where school and community come together to provide children the supports they need to be successful in school and in life. CLCs reflect the growing understanding that schools cannot be expected to solve the

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complex, interconnected web of issues that impact students' success on their own. But as centers of their communities they can and must serve as vital hubs for partnerships that deliver programs and services during the nonschool hours that all children, families, and communities need. During the testimony to follow, the CLC supporters here today will focus on three key issues. The first is that CLCs provide vital supports to students and families in communities across the state; the second is that CLCs are based on strong school-community partnerships that achieve results; and third, that communities should be empowered to sustain these efficient programs with local resources. As the map that I distributed illustrates, CLC programs exist in 119 sites across Nebraska. These programs are funded by an annual federal grant, the 21st Century CLC Program. Nebraska's Department of Education currently receives around \$5.6 million annually, which it distributes through a competitive grant process limited to the neediest schools, school buildings where more than 40 percent of the students receive free or reduced-price lunch. While the testimony today will come from a limited number of communities, this is an issue that other Nebraska communities will face in the near future as their grant funds are reduced, for as part of the 21st Century program, programs face a 50 percent reduction of federal grant funds in their fifth year and beyond, requiring that they find increased local sources of support. We strongly support this program's focus on the highest-need schools and neighborhoods and believe that this makes the standing 21st Century CLCs imperative as we attempt to raise the graduation rate in our state's most challenging educational environments. The second point we'll emphasize in our testimony is that in CLC programs, collaboration works. Over a decade of national and local research shows that high quality after-school programs offered by intentional school-community partnerships achieve results. Studies show that students who regularly participate in these programs: (1) attend schools more regularly; (2) have fewer disciplinary issues; and (3) show higher academic performance than their classmates that don't participate. The proven ability of these collaborative school-community partnerships at achieving results for high-need students makes sustaining them increasingly important to local community stakeholders. And sustaining these important community-based programs is why we are here today. As you consider this legislation, we feel it important that you understand that the collaborative CLC model works because they attract additional resources. Indeed, 21st Century CLC dollars are highly leveraged "glue" funds that build collaborative infrastructures that attract more partnership and local investments and help make other federal programs more effective and, as such, have profound multiplier effects. In conclusion, as we all know, timing is so important to building momentum and sustaining success. Now that these programs are showing impressive results is precisely the wrong time to let them fade away due to federal funding restrictions. We see this bill as a timely opportunity for the Legislature to provide local leaders across the state with tools they need to sustain these proven community collaborations that provide children, families, and communities they serve the supports they need to thrive. So thank you for the opportunity to testify, and I'll take any questions. [LB989]

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SENATOR CORNETT: Senator Louden. [LB989]

SENATOR LOUDEN: Thank you, Senator Cornett. Well, as I look at this bill, it says here to allow them to go to exceed their levy limit. In other words, this is a property tax increase, is that correct? [LB989]

JEFF COLE: It's a local control issue. It's a...it... [LB989]

SENATOR LOUDEN: Well, it's property tax increase; that's what you're going to pay for it with. [LB989]

JEFF COLE: It allows them the ability to choose that, that's correct. [LB989]

SENATOR LOUDEN: Yeah, and that's what I was wondering. That's what we've been hearing all...for a few years now about property tax increase. Do you know how much of an increase it would be? [LB989]

JEFF COLE: I think it...as I understand the bill, it leaves that to the discretion of the local jurisdictions. I'm really not sure. [LB989]

SENATOR LOUDEN: Are you talking about five cents then, or...? [LB989]

JEFF COLE: As I said, I am not sure. I don't think it's... [LB989]

SENATOR LOUDEN: You have no idea what it would be, depending on what kind of programs they wanted to do... [LB989]

JEFF COLE: That's correct. [LB989]

SENATOR LOUDEN: ...and how extensive they want to get, how many people they wanted to hire, and that sort of thing? [LB989]

JEFF COLE: Well, as these are talking about sustaining the 21st Century programs, they're building on an established model. So they're building on programs that are already in existence in those communities that have been funded by federal dollars. So it's sustaining those existing programs. I would assume the sustaining is working within the existing numbers, so sustaining the existing programs. [LB989]

SENATOR LOUDEN: Well, what I'm wondering is, should there be a cap on how much of a tax levy you can have? There is on pretty near everything else. [LB989]

JEFF COLE: Right. [LB989]

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SENATOR LOUDEN: Should there only be one cent, a half-cent, or...? [LB989]

JEFF COLE: I mean, that seems like a reasonable approach to me, but that's certainly something for you and your colleagues to discuss. [LB989]

SENATOR LOUDEN: Okay, thank you. [LB989]

SENATOR CORNETT: Seeing no further questions, thank you. [LB989]

JEFF COLE: Thanks. [LB989]

SENATOR CORNETT: Next proponent. [LB989]

LEA ANN JOHNSON: (Exhibit 3) Thank you, Senator Cornett. My name is Lea Ann Johnson, L-e-a A-n-n J-o-h-n-s-o-n, and I serve as the community learning center coordinator with Lincoln Public Schools. Our school district supports LB989 and believes the local decision making this bill provides is at the heart of community learning center efforts. Based on our work the past 11 years, we know CLCs can and do make a difference in the lives of students, families, and the neighborhoods in which they live. The success of children and youth is not a result of school efforts alone. To ensure students are successful in the classroom, we must also continue to strengthen their skills and character outside of the classroom. Community partners and schools working together provide a web of support to students who all too often carry a heavy backpack into their school, backpacks filled with issues of hunger, homelessness, domestic violence, drug and alcohol abuse issues, divorce, and parents just plain struggling to make ends meet. All of these serve as distractions to being a successful learner both in school and life. Community partnerships have been and are the cornerstone of Lincoln Public Schools' CLCs. As a district with rising poverty rates, increased diversity, and greater demands on our families, CLCs provide the network of support which keeps young people engaged, safe, and successful beyond the school bell, an array of opportunities for young people which supplement and complement what they're learning during the school day. Partnerships are essential to reaching our highest-need youth. The Lincoln CLCs have had success which has truly been the result of strong school, community, and parent partnerships. Data from our 2010-2011 school year shows student achievement and attendance improves when the school, community partners, and parents are all on the same team. By aligning similar goals and sharing resources and talents, success can be ensured for every student. In Lincoln, we have worked very hard the last ten years to develop a long-term sustainability plan for our 25 CLC sites. We have utilized a braided funding stream which in 2011 resulted in serving over 5,000 students for approximately 825 additional hours of academic and enrichment time. We recognize the importance of being efficient and delivering results. We also know that to maintain and build on our success, there must be a long-term funding stream that supports the leadership infrastructure for coordination, site supervision, evaluation, and

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professional development for all of our community partners. The tipping point of success is dependent on an integrated system working seamlessly to support student learning and development, engaging families, and building on community capacity. Without integrated leadership, you get more of the same "siloed" work that is not efficient, that doesn't share common vision and common goals, and leaves children carrying heavy backpacks without a sense of hope and direction. No one system can do this work alone. Stable funding will ensure community schools, community partners, and parents all are collectively impacting the lives of our highest-need students. We know partnerships make a difference, and we urge your support to let local education systems support the continued work of CLCs. Thank you. [LB989]

SENATOR CORNETT: Thank you. Senator Hadley, then Senator Pirsch. [LB989]

SENATOR HADLEY: Thank you, Senator Cornett. Thank you, Ms. Johnson. If I'm hearing what you say...or listening, are you saying that in the scope of things for the public schools system this doesn't rise to a high enough priority to be funded out of their current state aid and local property tax then? [LB989]

LEA ANN JOHNSON: Within...and I can only speak for Lincoln Public Schools. [LB989]

SENATOR HADLEY: Are you...? Okay, yes. [LB989]

LEA ANN JOHNSON: Within Lincoln Public Schools, the school district does utilize some of their funds to support community learning center activities. We use Title I dollars to help support such services. They provide access to the facility, space utilization, technology, media centers. So the school is an active partner in the process. [LB989]

SENATOR HADLEY: Okay. The second thing, and this is just to follow up what Senator Loudon said, I guess in the four years I've been on this committee, property taxes are the lightning rod, third rail for the state of Nebraska. And you know, when we go out in our districts we never hear about income tax, we don't hear about sales tax, but it's rare that I talk to a constituent that doesn't bring up property taxes. And I just...that's just a way of life. So I'll just make that comment. [LB989]

LEA ANN JOHNSON: Right. We understand that. [LB989]

SENATOR CORNETT: Senator Pirsch. [LB989]

SENATOR PIRSCH: Thank you very much for your testimony here today. [LB989]

LEA ANN JOHNSON: Um-hum. [LB989]

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SENATOR PIRSCH: And I do appreciate. I think you alluded to, or at least I want to follow up on this, the idea that empirical analysis of the program's success quantifying the effects on kids has been conducted. And so I think the sentence that I see here on your written testimony is, "Data from the 2010-2011 school year shows student achievement and attendance improves when the school, community partners and parents are all on the same team." Is that...I mean, am I right in thinking... [LB989]

LEA ANN JOHNSON: Yes. [LB989]

SENATOR PIRSCH: ...that there was an objective, quantifying...you know, empirical type of analysis? [LB989]

LEA ANN JOHNSON: Um-hum. What we did... [LB989]

SENATOR PIRSCH: And what does that entail? [LB989]

LEA ANN JOHNSON: Yeah. What we did in Lincoln is we are able to demonstrate and show...and I have data but I didn't make copies for everyone. But we utilized the Nebraska State Assessment-Reading. And, for example, in our buildings, for third-graders in the 2010-2011 school year, our CLC buildings, we have 18 elementary schools that are a part of our 25 schools; 73 percent of the third-graders in those 18 schools met the NeSA, or the Nebraska state reading assessment. When we analyzed the data, 77 percent of the students that participated in community learning center opportunities before and after school met or exceeded the state NeSA reading test. And we have data for 3rd grade through 11th grade that demonstrates the positive impact that quality after-school programs have on young people. [LB989]

SENATOR PIRSCH: And okay, so let me make sure I have this straight. You mentioned the figure 77 percent of... [LB989]

LEA ANN JOHNSON: Seventy-seven percent of students that participated in before-and after-school programs... [LB989]

SENATOR PIRSCH: Uh-huh. [LB989]

LEA ANN JOHNSON: ...achieved at, met, or exceeded on the state reading standards. When you compare that percentage to the school buildings as a whole, it is higher. [LB989]

SENATOR PIRSCH: Okay. Okay, so...and that was the 73 percent? [LB989]

LEA ANN JOHNSON: Correct, correct. [LB989]

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SENATOR PIRSCH: So you're saying that 4 percent then... [LB989]

LEA ANN JOHNSON: Um-hum. [LB989]

SENATOR PIRSCH: And as part of your methodology, is there any looking at, trying to understand if it...there's a linkage, right, obviously a 4 percent increase in terms of the effect. Is it definitely causative? Have you looked at that, or...as opposed to associative parents? In other words, associative parents who tend to mentor their kids at home may also tend to take them to this type of a program, as opposed to causative--your programming through these CLCs--you know, were the reason why the kids tested high. [LB989]

LEA ANN JOHNSON: We can't say specifically. [LB989]

SENATOR PIRSCH: Um-hum. [LB989]

LEA ANN JOHNSON: I mean, there's a lot of variables that go into student learning and achievement. What we do know is that these 18 schools are in our highest need, high-poverty schools. [LB989]

SENATOR PIRSCH: Okay. [LB989]

LEA ANN JOHNSON: And so we are serving...in Lincoln, 67 percent of the students that we have in our before- and after-school programs are eligible for free and reduced lunch. As a district our average is 40 percent. So it's clear that in our community learning center schools we are serving a high percentage of students that are students of poverty. [LB989]

SENATOR PIRSCH: Okay. And thank you very much. I think that's helpful, so. [LB989]

SENATOR CORNETT: Senator Schumacher. [LB989]

SENATOR SCHUMACHER: Thank you, Senator Cornett. And thank you for your testimony. Does...so the district now has authority to run these 21st Century community learning centers? [LB989]

LEA ANN JOHNSON: The district is granted or is the grantee for the 21st Century community learning center grant funds from the State Department of Ed. The way our district works is we partner extensively with our community-based organizations to truly build on the strengths of our community-based organizations and our districts. [LB989]

SENATOR SCHUMACHER: Now it... [LB989]

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LEA ANN JOHNSON: But they are the...the district is the fiscal agent for that grant. [LB989]

SENATOR SCHUMACHER: And the limiting factor on you now is you're up against your levy limit and you can't fund these things without an exception? [LB989]

LEA ANN JOHNSON: At this...it's not that we're up against the levy limit. [LB989]

SENATOR SCHUMACHER: Okay. [LB989]

LEA ANN JOHNSON: We would be requesting that by being able to go 2 percent, or 2 cents to our levy limit, that that would provide long-term local funding that could support the continuation of the infrastructure, support evaluation, professional development, those kinds of opportunities. [LB989]

SENATOR SCHUMACHER: And in the course of making priorities and decisions within the district, if this program appears to be a better program than some others and you're not going to increase your revenues from higher property taxes, what would be the other program or candidates to be the other program that you would cut to fund this? [LB989]

LEA ANN JOHNSON: I'm not in a position as a district personnel to be the one that makes that decision. I can tell you that our district utilizes a strategic planning process and we evaluate all kinds of our...you know, all of our programs are evaluated. That would be a decision that would be made at the administrative level within our district. [LB989]

SENATOR SCHUMACHER: Thank you. [LB989]

SENATOR CORNETT: Further questions? Seeing none, thank you. [LB989]

LEA ANN JOHNSON: Thank you. [LB989]

SENATOR CORNETT: Next proponent. May I see a show of hands of the number of proponents left? [LB989]

BARBARA BETTIN: (Exhibit 4) Good afternoon, Senators, and thank you for the opportunity. My name is Barbara Bettin. I'm...it's B-e-t-t-i-n, and I'm the president and CEO of the Lincoln YMCA. I'm coming before you today as a partner, a community partner within the CLC initiative here in Lincoln. And we've been involved officially for ten years and have been providing a more comprehensive after-school program at one of our highest-needs schools, Elliot Elementary, which is very diverse and has 94 percent of the children on free and reduced lunch. The decision for the Y to become a

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community partner for CLCs was based on several factors. The initiative was about collaboration--public, private, nonprofit. The initiative's foundational partner was the school system. And here in Lincoln, it has an outstanding reputation and high quality. The initiative was based on sound educational practice and was well run administratively. The initiative matched many of our YMCA Association goals and objectives as well as the mission of providing a wide variety of programs. Our focus is on youth development, health and wellness, and social responsibility, and all of those objectives fit very well with this initiative. Most importantly, CLCs are about focusing on children and families in our community, and this could not be a better match for our YMCA goal of building strong kids, strong families, and strong communities. The Y has invested over \$2 million since its beginning partnership with the CLC initiative and has the expertise to provide quality programming. We knew sustaining the program would not be easy. It would take effort, fund-raising dollars, operational dollars, coordination, energy by our volunteers and staff. But this cause has been worth the effort, and we are making a difference as Lea Ann alluded earlier. The YMCA is owned by the community; and based on our 501(c)(3) status and charitable purpose, all funds generated by the Y go back to the community. What a perfect place for the Y and our board of directors to invest, a place like CLCs that have proven they are making a difference not only statistically but by the smiles, the hope, and the difference we're making one child at a time. In our world today, we certainly understand there is so many needs and not enough dollars to address those needs. The Y believes CLCs are a worthy investment. CLCs go beyond the traditional before- and after-school programs and, as was mentioned earlier, at schools that have very high needs. And there are many barriers; they require a different type of funding and oversight. But what a better investment than in our children and in the hardworking families in our communities. With several other funding sources going away, such as the 21st Century dollars, I hope you'll consider supporting LB989. Any questions? [LB989]

SENATOR CORNETT: Questions from the committee? Senator Louden. [LB989]

SENATOR LOUDEN: What's your funding source now? [LB989]

BARBARA BETTIN: Right now, it's a combination of operational dollars which come through our memberships, but primarily fund-raising, and then also 21st Century grant dollars, which will be going away. [LB989]

SENATOR LOUDEN: And that's... [LB989]

BARBARA BETTIN: From our partnership dollars. [LB989]

SENATOR LOUDEN: Okay, for this... [LB989]

BARBARA BETTIN: For these after-school programs. [LB989]

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SENATOR LOUDEN: For the community learning centers. And that's grant funding mostly, then? [LB989]

BARBARA BETTIN: Um-hum, and fund-raising. [LB989]

SENATOR LOUDEN: Yeah. [LB989]

BARBARA BETTIN: Once a year, we have an annual sustaining campaign, and all those dollars go for this. [LB989]

SENATOR LOUDEN: And where do you go for your grant funding? [LB989]

BARBARA BETTIN: There are several foundations locally. But primarily we've been the recipient of the 21st Century federal dollars that will be going away, phasing out. [LB989]

SENATOR LOUDEN: Okay, but most of it's federal dollars at the present time? [LB989]

BARBARA BETTIN: Correct. Some of it, yes. [LB989]

SENATOR LOUDEN: Okay, thank you. [LB989]

BARBARA BETTIN: You're welcome. [LB989]

SENATOR CORNETT: Further questions? Seeing none, thank you. [LB989]

BARBARA BETTIN: Thank you, Senator. [LB989]

SENATOR CORNETT: Next proponent. [LB989]

LARRY JOHNSON: Good afternoon, Senator Cornett and members of the committee. My name is Larry Johnson, L-a-r-r-y J-o-h-n-s-o-n, and I'm the president of the Nebraska Trucking Association, representing our 750 members and the 13,500 commercial trucking companies that call Nebraska home. I'm here just as one of the many potential industry partners that after-school and out-of-school community learning centers in school districts across the state that I believe would be in favor of this committee supporting LB989. Due to our high shortage in all modes of transportation workers for high-wage, high-demand positions across the state, we've been working for over eight years to create partnerships to provide lifelong learning opportunities in the transportation, distribution, warehousing, and logistics career pathway. As we've discovered and overcome our lack of transportation education training at all levels in our schools currently, we now have a viable middle-through-master's degree classroom

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program with a variety of high-quality education institutions in Nebraska. Our goal is just to create a...make a career pathway in TDWL a first choice for our young people, not their last or by chance. However, as we've found much national recognized success in creating and increasing our state's capacity for teaching TDWL curriculum in the classroom, we're continually challenged by the lack of career awareness and choice for high-wage, high-demand positions in our state to fill the pipeline of students into these education and training opportunities we have now. We know that we're not the only industry that has this problem, and we've discovered that there is only so much that we can do during the classroom day. I'm pleased to say that we've recently found what appears to be by all accounts a successful model for us and other industries to get involved with a variety of after-school programs to create career awareness for the industries hiring in Nebraska. We currently help support an innovative pilot program in five Lincoln middle schools in partnership with the University of Nebraska Transportation Research Center. It has quickly generated national recognition and I'm confident may become a working model for after-school programs across our state and nation. The only thing that might stand in our way is the program today exists on, many times, short-term competitive grants. As we see many times in pilot programs funded by grants, they get short-circuited at the height of their success by the funding being discontinued. Don't get me wrong, the competitive grants are great and they are an impetus to get things started. But we think that the structure of the CLCs gives us as industries the ability to come in and work a template to create that career awareness. So as a result, I'd like to just ask for your support and so that we can continue to reach back earlier, at all ages, to create career awareness and job opportunities in the state. Any questions? [LB989]

SENATOR CORNETT: Thank you for your testimony. [LB989]

LARRY JOHNSON: Thank you. [LB989]

SENATOR CORNETT: Questions from the committee? Seeing none, thank you. [LB989]

LARRY JOHNSON: Thank you. [LB989]

SENATOR CORNETT: Next proponent. [LB989]

DAYNA KRANNAWITTER: (Exhibits 5 and 6) Good afternoon. I have testimony as well as some notes from CLC youth ambassadors from Arnold Elementary. They'll be coming around. My name is Dayna Krannawitter, spelled D-a-y-n-a K-r-a-n-n-a-w-i-t-t-e-r. I'm here on behalf of the Lincoln Housing Authority, which is the lead agency for the Arnold CLC. We are privileged to work in a strong partnership with Lincoln Public Schools and Lincoln Parks and Recreation to provide high-quality before-and after-school programs, family support services, and neighborhood outreach in the

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Arnold school area in northwest Lincoln. The strength of the Lincoln CLC initiative is its reliance on local partnerships that makes sense for each school. Our partnership includes agencies that were already serving the school area, and the CLC initiative gave us the structure to deepen our collaboration and help us all better serve the community in which we work. Although every partner brings resources to the table, we rely on additional funding to help us meet the high demand for programs and services. I hear from parents who are so grateful for our homework help club because they no longer have to struggle at home to help their children with homework that they don't understand. I have observed the fascination and excitement of students who get a behind-the-scenes view at the University's paleontology department through our summer enrichment program. Parents in our family literacy program are learning English and developing the confidence to meet with their child's teacher for the first time without the assistance of a translator. I have received thank-you letters from families who have been connected to resources that help them feed their families and keep a roof over their heads. CLC funding is vital to continuing this partnership work in our schools, where our children and families are every day. We hope that you will help us continue this important work and support this legislation that allows schools to fund community learning centers across Nebraska. Thank you. [LB989]

SENATOR CORNETT: Thank you for your testimony. Questions? Seeing none, thank you. Next proponent. [LB989]

MICHELLE KREHBIEL: Good afternoon. My name is Dr. Michelle Krehbiel, M-i-c-h-e-l-l-e K-r-e-h-b-i-e-l. I am a youth development specialist at the University of Nebraska-Lincoln 4-H Youth Development. Nebraska 4-H is part of the University of Nebraska-Lincoln extension system, which reaches over 140,000 youth annually, ages 8-18, in all 93 Nebraska counties. 4-H has a strong history of working with schools and local communities to enhance educational experiences and develop young people into capable adults. The partnerships which 4-H has established programs is critical to its programming achievements and essential for the success of out-of-school-time programming. According to Dr. Richard Lerner, a positive youth development specialist at Tufts University, youth-serving organizations that work in collaboration with community agencies are the most effective, meaning that they provide positive environments and have a holistic approach in helping young people reach their full potential. Organizations like 4-H, Boy and Girl Scouts, Big Brothers/Big Sisters, YMCA, public libraries, faith communities, and parks and recreation partner with each other to maximize physical and fiscal resources. They reach more youth and they strive to ensure that all youth are being served in their communities. In a 2008 Child Trends "Research Brief," out-of-school-time programs benefit from community involvement by providing...by improving program recruitment and attendance, assist programs with mentoring and staffing, enhance financial resources, broaden youths' experiences, and teach social responsibility. Nebraska 4-H provides one example of a partner in out-of-school programming. Local 4-H staff and volunteers work with after-school

programs to provide a variety of educational experiences such as health and nutrition, horticulture, civic engagement, and robotics. The partnerships that 4-H has established allows us to give youth new learning experiences that support academic learning by providing hands-on experiences with math, science, and reading. Community partnerships also ensure that out-of-school-time programs are of high quality. Research indicates that youth who participate in high-quality out-of-school programs enables them to build positive relationships, allows youth a role in decision making, and supports the development of social skills such as communication, leadership, and teamwork. Out-of-school-time programming is critical for the positive development of Nebraska youth. Local partnerships are essential for sustainability and allow for high-quality programming. By ensuring that all Nebraska youth have access to quality out-of-school-time programs, Nebraska young people will develop into competent, confident, compassionate, connected, and contributing members of their community. Are there any questions? Thank you for your time. [LB989]

SENATOR CORNETT: Seeing none, thank you. Next proponent. [LB989]

MEGAN ADDISON: (Exhibit 7) Good afternoon. My name is Megan Addison, M-e-g-a-n A-d-d-i-s-o-n. I'm the executive director for Collective for Youth, which is a nonprofit organization that is working to build a comprehensive system that supports quality out-of-school time for all youth in Douglas and Sarpy County. Through our Collective for Youth, we're really looking at building a system that's essential for collaboration and to measure the collective impact that out-of-school time does provide for children. In the Omaha area, there's over 3,500 youth at 25 different programs that participate in the 21st Century community learning centers. At some sites there is an average of 20-50 students on a waiting list. Through partnerships with nonprofits, we have been able to leverage the 21st Century funds to engage more partners around the after-school programming. The 21st Century funding has provided the infrastructure to create collaborations around school communities. Beyond our partnering with the school, we partner with more than 40 different nonprofits in the Omaha area. These nonprofits include: the Rose Theater, Holistic Development, the Y, the WCA, Boys and Girls Club, Completely Kids, Girl Scouts, the public library, Nothing But Net, robotics, Raptor Recovery, aikido, Service Learning. I could go on, but I have three minutes. And these organizations provide services to the youth to meet their own mission during the after-school programs, so kids are getting a variety of activities that pique their interest and actually give them opportunities to explore careers. Not only do the students...oh, sorry, I lost my place. By youth participating in our programs, they're attending school more regularly, they have fewer behaviors during the school day, and they are turning their homework in and receiving more time to practice their skills. Students are improving their GPAs, and our long-term outcomes will provide more opportunities for youth to be connected and engaged in the school. Families are receiving support and services in a place where they know their youth are safe and cared for. Because we have been able to leverage the 21st Century funding, more students are served, and

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they are served in a comprehensive manner. This bill will support what we are doing in the Omaha area. This will give more youth that need it the most the opportunity to experience what their life could be beyond their three-block radius. It gives them hope for a future where they'll be contributing citizens for Nebraska. With this amazing opportunity we could continue to level the playing field for our youth. We can support them so they will graduate and become leaders for our community. It is through the model of partnership and collaboration of nonprofits, schools, and families that we are making a difference. It's our vision to assist students within the community and to seek long-term solutions to funding these programs to allow all youth an opportunity to be successful. We're supportive of this bill, and we thank you for the opportunity to speak in front of the committee. [LB989]

SENATOR LOUDEN: Questions? Senator Pirsch. [LB989]

SENATOR PIRSCH: So if all of the schools...and thank you very much for your testimony here. You deal with the counties of Douglas and Sarpy, right? And the... [LB989]

MEGAN ADDISON: Through Collective For Youth, yes, we're working with the two-county area. [LB989]

SENATOR PIRSCH: Okay, and do you partner them with the school districts then that are in that? [LB989]

MEGAN ADDISON: We do. And currently, in the two-county area, the only school districts that receive 21st Century funds has been Omaha; so they're our primary partner. But we're also working with after-school programs that are like Kids Clubs in Millard, in Bellevue, Ralston. [LB989]

SENATOR PIRSCH: Right. How are those currently the...you know kids...I think it's called Kids Campus in Elkhorn Public Schools... [LB989]

MEGAN ADDISON: Um-hum. [LB989]

SENATOR PIRSCH: ...and Kids Club in Millard and whatnot. How are those funded or...? [LB989]

MEGAN ADDISON: Those are primarily parent-pay programs. [LB989]

SENATOR PIRSCH: Okay. [LB989]

MEGAN ADDISON: And so...and then the 21st Century sites, the 25 that are in the Omaha area are all located in low-income schools, with them having free or reduced

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lunch above 40 percent. But in Omaha the lowest free or reduced lunch rate that's funded has been 51 percent, so they're anywhere from 51 to, I believe, 88 percent free or reduced lunch. [LB989]

SENATOR PIRSCH: I see. [LB989]

SENATOR LOUDEN: Okay. Senator Hadley. [LB989]

SENATOR HADLEY: Thank you, Senator Louden. Thank you, Ms. Addison. I guess the question I have: Was it always the...and maybe you can't answer it. But was it always the intention of the federal government to do away with the 21st Century funds grant program, or is this a result of their budget cutbacks, or...do you happen to know? [LB989]

MEGAN ADDISON: You know, I could answer the question of what I know. The state of Nebraska originally, in the way they funded, was just the five-year grant cycle; and then they realized that after five years that communities were unable to continue to sustain the programs, so they provided an opportunity for continuation of funds. So, through this system, a site could get funding up to ten years with the intent that they're finding other sources of revenue to make up the grant difference. I know other states do it differently, but that's how Nebraska has decided to do it. [LB989]

SENATOR HADLEY: You know, I always kind of have to chuckle because at times the federal government is noted for starting programs... [LB989]

MEGAN ADDISON: And then them going away. [LB989]

SENATOR HADLEY: ...and then five or ten years later say, okay, it's yours, run with it. [LB989]

MEGAN ADDISON: Right. [LB989]

SENATOR HADLEY: And, you know, we could be unfair as a state and say, we're going to fund this for five years and then you find your own resources after five years or something, so... [LB989]

MEGAN ADDISON: Right, and our biggest concern is that families start to depend on that. And if communities can't raise the funds, then who gets hurt the most? It's the children. [LB989]

SENATOR HADLEY: Thank you. [LB989]

MEGAN ADDISON: You're welcome. [LB989]

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SENATOR LOUDEN: Senator Schumacher. [LB989]

SENATOR SCHUMACHER: Thank you, Senator Louden. Thank you for your testimony. Do you have any information on the demographics of the parents of the children that you serve? Are they employed, unemployed, a single parent, high-school education, less than a high-school education, anything like that, so...? Because apparently what we're trying to do with our school system here is supplement something that at least 30 years ago would have been done within the context of the family. [LB989]

MEGAN ADDISON: Um-hum, yeah. Well, I do know most of our parents are working parents, and when I...and they're working multiple jobs; so that's where the challenge becomes. Not only do CLCs provide that academic support, but it does provide supervision for the time of day where kids are most likely to get in trouble. But as far as if it's high-school graduates or their education level, I can't answer that information. [LB989]

SENATOR SCHUMACHER: Thank you. [LB989]

MEGAN ADDISON: You're welcome. [LB989]

SENATOR LOUDEN: Other questions? I have one, since you're executive director, and for the ones in, what, Sarpy and Douglas County or something like that. How much money are we talking about? How much money do you budget to up and run this operation? [LB989]

MEGAN ADDISON: Well, that's interesting. Basically, for my organization, we're an infrastructure, so we're providing more of that support for those organizations. Each of the actual after-school programs has a separate budget because it's funded through...partially through...the grant goes to the school district, like they do in Lincoln, for 18 of the sites, and then they contract out to nonprofits to run the programs. With the seven middle schools that we oversee directly, an average site budget would be approximately \$160,000 to serve middle school youth all year round. [LB989]

SENATOR LOUDEN: And some of those...then those parents of those students have to pick up some of that money? [LB989]

MEGAN ADDISON: At this point, no, because the... [LB989]

SENATOR LOUDEN: Okay. [LB989]

MEGAN ADDISON: ...out of the seven sites that we have, they're all in high...low-income areas where if middle school students were required to pay the fee,

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they would not be attending the program. Instead, they would be... [LB989]

SENATOR LOUDEN: Then does your school system pick up that money that...pay some of that money that comes out of your school system? [LB989]

MEGAN ADDISON: At this time they'll use their Title I dollars to support the after-school programs per building as a...other than that, there isn't any other funding that comes from the school district besides use of their space, that's...and transportation. A lot of support services but not direct dollars. [LB989]

SENATOR LOUDEN: It comes out of their support services on their budget. Is that what you're saying? [LB989]

MEGAN ADDISON: Correct, yes. [LB989]

SENATOR LOUDEN: Now is that part of their TEEOSA funding then, part of their needs? [LB989]

MEGAN ADDISON: I'm not sure I understand what TEEOSA funding is. [LB989]

SENATOR LOUDEN: Because I'm wondering if we're already funding part of that through TEEOSA, I guess. [LB989]

MEGAN ADDISON: Well, it's part of, for example...I'll give the example of transportation. At the middle school sites they already have a 5:00 bus that takes athletics home, so kids who need to leave on a bus that participate in the after-school program would utilize that bus. [LB989]

SENATOR LOUDEN: The school furnishes a bus and a driver? [LB989]

MEGAN ADDISON: Correct. [LB989]

SENATOR LOUDEN: Okay. [LB989]

MEGAN ADDISON: Because they are already providing that for their athletes. [LB989]

SENATOR LOUDEN: Okay. But do you think the funding from the school district then comes from their support services? [LB989]

MEGAN ADDISON: I believe so, yeah. [LB989]

SENATOR LOUDEN: Okay, thank you. Other questions? Seeing none, thank you for your testimony. [LB989]

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MEGAN ADDISON: Thank you. [LB989]

SENATOR LOUDEN: Next testifier. [LB989]

BARBARA BARTLE: (Exhibit 8) Good afternoon. I'm Barbara Bartle, B-a-r-t-l-e, president of the Lincoln Community Foundation. The Lincoln Community Foundation funded the initial grant for a community feasibility study and funds to launch the first four pilots of Lincoln's CLCs. Over the past dozen years, that original \$100,000 has leveraged millions of dollars from federal, state, and city government, corporations, and other foundations and private philanthropy. This funding has been the risk capital that has enabled us to share knowledge, experience, and best practices while building a stronger and more effective infrastructure to support programs and services. With this expertise under our belts, the results now show, as you've heard from earlier testimony this afternoon, that the Lincoln community learning centers have been both efficient and effective. Recently, the White House Council for Community Solutions released a report that says community collaborations like Lincoln's CLCs need four elements to be successful: (1) is a shared vision of improvement; (2) is desired results that can be measured; (3) full-time staff; and (4) a commitment from government that money will be available if the effort is successful. I think we've heard in earlier testimony that we have had great results in the first three; it's the fourth one that LB989 will address for local governments. Cities across this country are where we were in the year 2000. They are just beginning to realize the power of joining forces and community collaboratives. We have had the past 12 years for research and development, and now we have the data to show that the Lincoln CLCs are making a difference for our children, their families, and our community. The next step is a commitment from local government to provide the sustainability for this successful CLC effort. LB989 will empower communities like Lincoln to continue these innovative, proven programs, and will allow us to share our success with other Nebraska communities. The common thread shared by philanthropy and the government is a determination to use our respective resources to find solutions to meet today's challenges. When we weave our work and resources together, the fabric of the solution is stronger. It's time to thread the needle with this legislation to support our highest-need children and youth in Nebraska. Thank you. [LB989]

SENATOR CORNETT: Senator Pirsch. [LB989]

SENATOR PIRSCH: I appreciate your testimony here today. And, you know, I'm looking at the methodology that you talked about here. I like when it says...you mentioned the White House Council for Community Solutions and have four elements to be successful, and the second one there, "Desired results that can be measured." And then in your latest paragraph you said, with the 12 years we have in Lincoln, now we have the data to show. So...and this kind of is the same question I put forward. You know, what...in terms of proven results that you can quantify--empirically show--what do you know and

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what can we show then from the 12 years here in Lincoln? [LB989]

BARBARA BARTLE: Well, I think Lea Ann tried to give you some statistics, and I'm sure that we can get you more detail and reports about that. [LB989]

SENATOR PIRSCH: Wonderful. [LB989]

BARBARA BARTLE: One of the...if you...the three areas that we focused on has been: strengthening the education for the students; building families; and community. The students has been the, I guess I would say, easiest evaluation for us because we have that data from the school district. We have continued to work on how it's impacting families and how it's impacting neighborhoods, but that is not as black and white as getting test scores for our children in our schools. But I'm sure that we can really get detailed answers that you want. [LB989]

SENATOR PIRSCH: Yeah, that would be wonderful. [LB989]

BARBARA BARTLE: Okay. [LB989]

SENATOR PIRSCH: And I do appreciate your testimony and that offer, so. [LB989]

BARBARA BARTLE: All right, absolutely. [LB989]

SENATOR CORNETT: Senator Hadley. [LB989]

SENATOR HADLEY: Thank you, Senator Cornett. And thank you, Ms. Bartle, for being here. [LB989]

BARBARA BARTLE: Sure. [LB989]

SENATOR HADLEY: I think that number four in your elements to be successful,... [LB989]

BARBARA BARTLE: Um-hum. [LB989]

SENATOR HADLEY: ..."A commitment from government that money will be available if the effort is successful," I guess I'll ask the same question I asked earlier. Is this a very high priority then with the school districts? If they can't find the money to fund it out of their current either state aid or local property taxes, how high a priority is this if they have to come in and ask for additional funding to do it? [LB989]

BARBARA BARTLE: Well, I hope you'll keep asking the question as you get to the school personnel that are going to be testifying. But I would say from my lay point of

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view as a community partner who has been there from the very beginning that the power of this is that it is a school-community partnership. This is beyond the school day. This is after-school programs; this is services for families; this is building the neighborhood. And so this mission of, as I understand for our schools, the mission is for the school day. So we have come together as a community to build opportunities for our children beyond the school day, before and after, beyond after, to be cradle to grave, to support our children and families and neighborhoods; so it's broader. And you heard the schools have been a tremendous partner. We could not have done this work in Lincoln without tremendous support from the Lincoln Public Schools--and you heard some of the ways that they have supported. So I don't think it's a matter of it not being a priority. The other thing I just want to mention is what we're talking about, and you've heard from some of the community partners like the Y. We're not talking about funding all of the programs. We're talking about the funding of the administration of this, the site supervisors that have been the brokers that work between the school and the community, and the coordinators for the program. So it's not that we would expect that every YMCA, every Boys and Girls Club be funded by this. We're talking about the infrastructure. And I guess just to help you kind of understand what I was talking about with research and development and the role that philanthropy plays across the country, is we often can have the money for innovation; and then, if it's successful, then the government can support it in the future. And you're going to hear from Brad Korell pretty soon. But years ago when I was at the Lincoln Public Schools Foundation, he talked about the school foundation funding computers. And early on in the '90s, the late '80s, foundations were being very cutting edge in supporting pilot computer programs in this school. And what we learned now is, of course, that's a part of the daily work of our schools. So that's the point I was trying to make. [LB989]

SENATOR HADLEY: Okay, thank you. [LB989]

BARBARA BARTLE: Um-hum. [LB989]

SENATOR CORNETT: Senator Schumacher. [LB989]

SENATOR SCHUMACHER: Thank you, Senator Cornett. And thank you for being here. I'll ask you the same question as I asked before. Do you have data on the demographic of the parents of these children? Single family education or a single parent education? Employed? Unemployed? You know, who is...how many children in the family? Do you have that kind of information? [LB989]

BARBARA BARTLE: They do. Yes, they do. [LB989]

SENATOR SCHUMACHER: Do you know what... [LB989]

BARBARA BARTLE: So if we could get that for you or whatever is possible to get for

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you, but I know they have the demographics. [LB989]

SENATOR SCHUMACHER: Because I guess... [LB989]

BARBARA BARTLE: And these are all in Title I schools, all of the elementary, middle title schools, and one high school, which is a title school, so they're all in the title schools. [LB989]

SENATOR SCHUMACHER: I'm trying to trace the economics of this thing. But we're taking over a function that 30 years ago was considered a family function, and we're doing that for some reason, because it apparently isn't being performed as to this certain group of children. And so if the parents cannot perform it for financial reasons, then I'm curious as to what the financial reasons are. Are we paying too low of wages at the business level? Is this kind of almost a business subsidy? We're going to take over this expense of a family so that they don't have to be paid as much wages? How does this all interact? [LB989]

BARBARA BARTLE: Well, I think it's about the...from my opinion, I'm... [LB989]

SENATOR SCHUMACHER: Sure. [LB989]

BARBARA BARTLE: Again, I'm from the community and not the schools. But it appears to me...I just heard on the news this morning that there's a new report out on poverty, and I would say it's about the increased poverty in this country and how we are going to help raise the education of next generations and change those statistics in this country. [LB989]

SENATOR SCHUMACHER: So how do you see that correlate? If there's increased poverty, and also with this discrepancy between a small percentage of the population which has enjoyed pretty solid growth, and the middle class and this particular segment of the population, is there a correlation there? [LB989]

BARBARA BARTLE: I'm not sure if I understand your question. I would just say I... [LB989]

SENATOR SCHUMACHER: You said increased poverty. Well, is that due to the...well, it's been referred to as the shrinkage of the middle class? [LB989]

BARBARA BARTLE: It's probably a bigger question than I could answer. I couldn't tell you why we have an increase in poverty in this country, but we certainly do; and this is one of the ways that the Lincoln community is working to change that for the future. [LB989]

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SENATOR SCHUMACHER: Thank you. [LB989]

BARBARA BARTLE: Um-hum. [LB989]

SENATOR CORNETT: No further questions. Next proponent. [LB989]

LYNN JOHNSON: (Exhibit 9) Good afternoon, Senator Cornett and members of the Revenue Committee. My name is Lynn Johnson, J-o-h-n-s-o-n. I'm the parks and recreation director for the city of Lincoln. We thank you for the opportunity to testify on behalf of the city of Lincoln in support of LB989 regarding funding for 21st Century community learning centers. We'd also like to thank Senator Haar for introducing the legislation. By way of background, Lincoln Parks and Recreation is a partnering agency in Lincoln's community learning center initiative. Each day about 400 children participate in programming at CLC sites that we manage. You've heard about the partnerships and the collaborations that are the hallmark of CLCs. You've also heard about the measurable benefits for children and families participating in CLC programs. These benefits and achievements can be attributed to the professionals who are working at the interface between the school day and before- and after-school programming. And it's important to note that the funding for these people has largely come from federally funded 21st Century community learning center grants that are anticipated to decline over time. We've been asked this question several times: What happens if this funding goes away? And I think the answer is that if CLC initiative funding were to go away, local agencies would continue to provide before- and after-school programs where children are supervised by caring adults in safe and secure environments. But what would be lost is the purposeful alignment and connection between the school day and before- and after-school programming and the related benefits in student learning and achievement. And that's a lot of what we're trying to accomplish here, is that achievement increase that you heard about earlier today. That's really part of what we're very much trying to accomplish. One of the things that we know is that as the federal funding goes away, that each community is going to have to develop its own unique approach to developing sustainable funding for their own community learning center initiative. As today, the funding sources will likely come from partnering agencies, program fees, Title XX childcare reimbursement, local funders, and foundations. The reason that we are advocating for LB989 is that this provides yet another tool that local communities could use to sustain this funding. We urge your support of LB989. Thank you again for your time, and I'd be happy to answer any questions that you may have this afternoon. [LB989]

SENATOR CORNETT: Seeing no questions... [LB989]

SENATOR ADAMS: Senator Cornett, may I? [LB989]

SENATOR CORNETT: Oh, gosh, you haven't asked one yet. (Laughter) [LB989]

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SENATOR ADAMS: Yeah, I've been waiting. What's your property tax levy for the city of Lincoln? [LB989]

LYNN JOHNSON: We're at about, I think, 31 cents this year. [LB989]

SENATOR ADAMS: Okay. So conceivably if you wanted to, you could...I mean, I realize you're not a city councilmember and can't make this decision, but the city council could raise the property tax in order to perpetuate this rather than this bill which gives the school district more authority to raise property tax. [LB989]

LYNN JOHNSON: Conceivably, that's true. And today the city does put in some additional funding to help support the initiative. I think as we've talked about this--and this has been an ongoing discussion in Lincoln--is that this probably really needs to be a partnership between the city and the school district. I think we recognize as a city organization that safety and security is important. One of the things that we're interested in is making sure that kids have a purposeful, supervised place where they can be after school. That's why the city I think has been involved. Student learning and achievement is really primarily a school district responsibility, and that's why we're looking, I think, to the school district, to have that opportunity to also put funding into this initiative as well. [LB989]

SENATOR ADAMS: Thank you. [LB989]

SENATOR CORNETT: Further questions? Seeing none, thank you. [LB989]

LYNN JOHNSON: Thank you. [LB989]

SENATOR CORNETT: Next proponent. Go ahead, thank you. [LB989]

BRAD KORELL: (Exhibit 10) Thank you, Senator Cornett. My name is Brad Korell, last name spelled K-o-r-e-l-l. Last year, Mayor Chris Beutler and LPS superintendent Steve Joel appointed a community-based task force to take a close look at the community learning centers and to see if they are operating effectively and to also look at sustainability considerations for these programs. We did take an in-depth look at the students and the families served by the program, the program cost and the funding sources, and also the various community organizations that partner with Lincoln Public Schools. We tried to answer two questions. One is: Is this program cost-effective? And secondly, is it really making a difference in the lives of these children, or is this another form of after-school childcare? I'd like to give you just a few numbers and a brief profile of the program in Lincoln. The community learning center program is in place at 18 elementary schools, 6 middle schools, and at 1 high school. In the last academic year, just over 5,300 students were served by the CLC program; 71 percent, or about 3,800

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of those, were elementary, with the balance being middle school students. At the schools where the CLC program is offered, 46 percent of the students enrolled at those schools participated in the CLC program. So we're reaching nearly half of the students that attend those schools, and we think that's pretty excellent. And this is a voluntary program, so that's a pretty excellent penetration. CLCs served, on average, 69 percent of the students eligible for free and reduced lunch programs, so we know that we are reaching the families that are low- and moderate-income families. And we have...Senator Schumacher, we have other profiled data on the families. We don't have it with us, but we'll be glad to get that to you. And then 46 percent of the students served by this program were also students of color, so we're reaching a diverse group of folks. You've heard from two of the community-based organizations that support the program, so I won't go into that more. But on the funding side, just some numbers. The cost of the program for the academic year in Lincoln is about \$3.7 million. Of that amount, approximately \$1.4 million, or 38 percent, is paid by fees from the clients themselves, the students and families that participate in the program, and through Title XX funding. The 26 percent of the money, or nearly \$1 million, is funded by the partners: the YMCA, the Family Service Association, the nine partners that are pulling money out of their budgets and from the 21st Century funds for the program. LPS, Lincoln Public Schools, contributed about one-fourth of the money, approximately \$1 million, or 26 percent. And so I can make the case that for every dollar that's coming from the tax base, that dollar is getting leveraged three more times from the sources of other folks putting money in the program, those folks served by the program and the other partners that are participating. So this is not all coming out of the tax base from the school district, and that money will be at risk if we cannot maintain the program. We've looked very hard at the results of the program; several of those have been mentioned already. I won't go back through all of those. But we are convinced that the CLCs are serving the students with the greatest need, those areas of our community where the highest percentage of poverty occurs, families with the greatest instability, single-parent families, families that are ethnically diverse, and those families that have the most challenge with healthcare, families that just have trouble putting food on the table. So we're reaching the right folks, we think, with this program. And finally, most importantly, we looked at the academic performance of these young people in this program. And for those of us that are lay people from the community, it was very, very encouraging to see that these young people in this program are doing as well as or better than most cases across the spectrum of state testing. That was a surprise to us. We were very pleased to see that. We are also now trying to build the database and go back and track how these students do with attendance and also with graduation rates. And we are...our assumption at this point is that we will also see the performance of these students do better in a comparative sense with other students because they've been through this program. But with that data, we'll be able to confirm what we think is an indication of how the program is working. This has important long-term implications for our community and our school. I'm sorry, I'm out of time. If I could just say... [LB989]

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SENATOR CORNETT: You can wrap it up. [LB989]

BRAD KORELL: Pardon? [LB989]

SENATOR CORNETT: You can wrap it up. I'll give you... [LB989]

BRAD KORELL: I can wrap it up real quick? [LB989]

SENATOR CORNETT: Yeah. [LB989]

BRAD KORELL: Okay, thank you, Senator. We think we're getting...these students will have better attendance at school, they're...we know they're doing better academically, and we also think that this bodes well for things like truancy and crime rates because these kids are in school. They have structured, organized activities during the time of the day when they would typically be at home or out on the street in an unsupervised capacity. And as taxpayers, we think that that has big benefits because we will not have to fund judicial programs and things to take care of these kids from that standpoint. Thank you. [LB989]

SENATOR CORNETT: Senator Hadley. [LB989]

SENATOR HADLEY: Thank you, Senator Cornett. Mr. Korell, at the bottom of your sheet you talk about \$1.4 million, 38 percent by client fees; \$1 million, 26 by community-based; and LPS, which I assume is close to \$1 million, which is also 26 percent. So how much was the total grant funds from the federal government then? [LB989]

BRAD KORELL: I think about 13 percent comes through the 21st Century funding. [LB989]

SENATOR HADLEY: So I'm just trying to figure out then, if it's 13 percent, that would be about \$500,000? [LB989]

BRAD KORELL: Thirteen...times... [LB989]

SENATOR HADLEY: If 26 percent is \$1 million... [LB989]

BRAD KORELL: Yeah, it would be a little over \$400,000 I think is correct. [LB989]

SENATOR HADLEY: So what we're really asking for in Lincoln's case would be a budget override for \$400,000. [LB989]

BRAD KORELL: The number is bigger than that because we, over time...I mean part of

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the pass-through that I think comes, like through the YMCA and the city, is also some 21st Century monies. The number is bigger. I think we're looking at about \$1 million,... [LB989]

SENATOR HADLEY: About \$1 million dollars. [LB989]

BRAD KORELL: ...just to kind of cut to the chase, to sustain the program going forward. [LB989]

SENATOR HADLEY: To sustain the program. Okay, because earlier we had talked, but we really didn't have an idea of what dollars it would take to...and that's Lincoln, and there are programs across the state as we had said earlier. [LB989]

BRAD KORELL: Right, this is just Lincoln. [LB989]

SENATOR HADLEY: Okay, thank you. [LB989]

BRAD KORELL: Yes, sir. [LB989]

SENATOR CORNETT: Seeing no further questions, thank you. [LB989]

BRAD KORELL: Thank you. [LB989]

SENATOR CORNETT: Next proponent. How many further proponents do we have? Can you please move to the front? [LB989]

KATHY DANEK: (Exhibit 11) Good afternoon, Senator Cornett and members of the committee. My name is Kathy Danek, spelled K-a-t-h-y D-a-n-e-k. I am the current president of the Lincoln Public Schools Board of Education. I want to thank you for this opportunity to talk about the revenue stream for the community learning centers across the state of Nebraska. For the past decade, Lincoln Public Schools has been a partner in this nationally recognized, innovative before- and after-school program called the Community Learning Centers. They are funded partially by the 21st Century grant, as well as public-private partnerships with our lead agencies. The school district provides in-kind contributions as well as title dollars. And those in-kind contributions include space, use of facilities, use of the computers and equipment in the schools. Additionally, the building principals, which we consider a strong part of this program, work to create strong partnerships within the building to allow a cohesive transition from the educational day to the after-school program. I don't want to go into the standardized test again because you've heard plenty of data on that. If you want to ask questions, I'd be more than happy to answer them. In Lincoln, we have created these public-private partnerships with service providers such as the YMCA, Family Services, the Northeast Family Center, Lincoln Parks and Recreation, Cedars Youth Services, and others.

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Resources are limited but the needs are great. As a member of the Lincoln Public Schools Board of Education, we believe our district efficiently and effectively educates a growing student population of more than 36,000 students from pre-K through 12. We have increasing diversity and poverty. We balance resources for the school day within the framework of the funding formula mandated by state law. The P-16 goals are aggressive in terms of graduation and college-going rates, and our data show this program successfully helps our community get more kids to this level. We also believe the CLCs' effect on the academic success of our students is worth fighting for. Revenues are not always available at the state level, nor should CLC funding diminish the budget for the K-12 education of our students. We believe that this bill would allow a local school board to assess the needs of their students and to work with the community and make a local decision to access funding outside of the levy, to sustain and strengthen the CLCs. Because of the levy authority, this is a revenue issue. But it is also a fact that revenues are needed to sustain services for families and children. We believe the CLCs meet a need of working families, provide language and health services, utilize school buildings outside of the traditional school days, increase learning opportunities, both experiential and remedial, for students who need them most, and much, much more. Governor Heineman has stated on many occasions that we need to increase the student day for many of our highest-need students. This bill would allow us to create a long-term, sustainable path for the CLCs while strengthening the public-private partnerships that make these programs for ours and our students successful. We ask your support for LB989 to allow the levy authority for the school districts. And I'd be open to questions. Thank you. [LB989]

SENATOR CORNETT: Senator Adams and then Senator Hadley. [LB989]

KATHY DANEK: Yes, Senator. [LB989]

SENATOR ADAMS: Thank you. Kathy, thank you for being here today. And let me preface my remarks by first of all telling you I...these things work... [LB989]

KATHY DANEK: Um-hum. [LB989]

SENATOR ADAMS: ...or their equivalent in other places. There isn't any question about that. Now I'm going to take my educator's hat off and put on my Education Committee Chair's hat. If Lincoln, if we allow the levy to increase and Lincoln accesses that money, and obviously you would need the spending authority and that comes along with the package, one of...I have two concerns here, and it has nothing to do with the quality of these concepts or your passion for these kids. [LB989]

KATHY DANEK: Um-hum. [LB989]

SENATOR ADAMS: (A) The state will inherit it in GFOE calculation for TEEOSA, and

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(B) I can remember my first year in the Legislature; we went into the statutes and we carved out some of the levy exceptions that schools had and got it narrowed down to what it is. And as you probably already know, you can raise your property taxes without going to a vote of the public if you have a legal judgment against the school district and you have to deal with it, or if you have bonds, and then you have those obligations. And I guess one of the things I'm struggling with...so we have granted a levy exception accompanied by expenditure exception for bonds and for legal judgments, and now we've put in learning centers. I'm struggling to see the policy consistency there. Help me out with this. [LB989]

KATHY DANEK: Well, let me help you a little. Number one, this would take a vote of the local community, so any community across the state could access the community learning center. [LB989]

SENATOR ADAMS: Just the school board, though. [LB989]

KATHY DANEK: The school...I... [LB989]

SENATOR ADAMS: It's not a vote of the people. [LB989]

KATHY DANEK: My understanding was it was a vote of the people, so I could be incorrect. [LB989]

SENATOR ADAMS: The way I read it, it was just the school board. [LB989]

KATHY DANEK: And I understood it was a supermajority. But irrespective of that, local policymakers access their community through all kinds of opportunities. I've always been a strong believer in local control. And that goes away from when I go to Washington and argue for resources, and I say you mandate it. If you're going to mandate it, pay for it; if you're not going to pay for it, then you probably shouldn't mandate it. And I've stood by the same thing when I go to the state; I believe the same at a local level. With the CLCs, I see a different need of parents and families that we haven't had in the past. No longer do we have the ability for a great many families to have one stay-at-home parent. We have more homes with two working parents. They need quality after-school programs for their children, or their children are on the street. That becomes a burden on your community in the justice system, in the police system, it might be in vandalism. The schools have felt that if we could provide an opportunity for parents to become involved in a CLC, it helps that child's academic success, it creates a better environment for our communities, and it strengthens our state as a whole. If you look at the information just presented in the academic data, you see the success, and you and I will agree on that 100 percent. But it's more about the transition of your community to protect our community from becoming what we don't want to see. We don't want East Coast; we don't want Chicago. We happen to like the state of Nebraska.

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I tell people, when they say what's good about Nebraska, it's the best-kept secret in the country, and we like it that way. And I think that this is because we have a commitment to children and families across the state--across the state, across our community. Another piece is you have to have families with growing language skills. These community learning centers don't just educate children, they offer educational opportunities for families. Parents come in who don't speak language, and they'll get interpreters in there to speak with and help the parents with their language skills. They offer interpreters to help them with their educational programming. And I think that it's really important that we get parents into the building. You know as an educator the biggest problem of getting a parent involved is to get them past that front door. And I think when you start this at an elementary age, parents become engaged and they stay with their students all the way through their high-school career. I raised four daughters. And I can tell you that from the time my children entered middle school all the way through high school it was, Mom, you don't need to come to school anymore. And the reality is, the reason my children did well at school, mom went to school and watched the kids, and we need to get parents to understand that. We have parents from communities that don't understand a public education system. We have parents from countries that they're so grateful to have their children receive an education, but they're still afraid of authority. And we have to create an environment that people can see the local school board as part of the local government structure, that they can have a trust that their community works together for the benefit of all. It probably doesn't answer should it be an exception for that. My understanding, it was a vote of the people. I probably should have read the bill a little better, but that's what I was told. [LB989]

SENATOR ADAMS: Well, that's all right. I mean beyond that, I appreciate your answer. You're very informative and I can't disagree with anything that you've said. I'm just concerned about the GFOE obligation and the consistency in statute for exceptions to the levy. But thank you. [LB989]

SENATOR CORNETT: Senator Hadley. [LB989]

SENATOR HADLEY: Thank you, Ms. Danek, for coming. If we in this session decided to raise the levy limit...Lincoln is probably \$1.05 now or very close. [LB989]

KATHY DANEK: We are at \$1.05. Well, I think we're... [LB989]

SENATOR HADLEY: If we raise that... [LB989]

KATHY DANEK: Two-hundred thousand dollars under a \$1.05 is what it is, so. [LB989]

SENATOR HADLEY: Okay, so let's say \$1.05. If we gave you an extra 3 cents, just said you spend it, this is what you'd spend it for? [LB989]

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KATHY DANEK: We made it one of the priorities at our strategic plan that we had just put together. [LB989]

SENATOR HADLEY: But this would be your highest priority then? [LB989]

KATHY DANEK: It's one of five highest priorities. I can tell you we had five priorities. [LB989]

SENATOR HADLEY: Okay. [LB989]

KATHY DANEK: We have not sat down to rank them. We've been working on rebuilding an office that burnt down, so I have to tell you we have not put that strategic plan at the forefront at this point. [LB989]

SENATOR HADLEY: Okay, okay. And I guess the second thing...and I admire your work as being on the school board; you get it as much or more than we do, but property taxes are the third rail that we hear consistently. And we get equalized and nonequalized schools, and it is something we consistently hear across the state. [LB989]

KATHY DANEK: Senator, I recognize the role of property taxes in funding the variety of services across the state. Property taxes are the devil in the details of the TEEOSA formula. Property taxes are how we fund schools. It's two-thirds...or what is it?...60 percent roughly, 56 percent funds from local property taxes. The correlation of the data shows that when property taxes go up, state aid is usually down and vice versa. I don't necessarily think that that's anything more than a plain fact over the last couple of years. I know that in Lincoln we have done a very, very diligent job trying to stay within the confines of our levy, whatever that is, and we're dealing with a growing student population. In fact, two of the last five years we grew 1,000 students. That's larger than most school districts across the state. We've grown 6,000 children over the past six years, seven years, I want to say. And that's a lot of student growth and no begging or whining over the state aid. We've taken what's been given to us, we go and we argue to the Legislature, and then we just make it work. And this is one of the programs that we believe helps our students be successful while we're leveraging every dollar that we can during the school day to make sure our students be successful. [LB989]

SENATOR HADLEY: Just one other question or comment, and I'll follow up on what Senator Adams had said earlier. When we have the city of Lincoln that is significantly below its levy limit and the school is at their levy limit, it's interesting that we...that the schools... [LB989]

KATHY DANEK: Lincoln isn't below their levy limit. They're at \$1.05. The \$1.05 is the levy limit, correct? [LB989]

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SENATOR HADLEY: I'm saying the city of Lincoln is below... [LB989]

KATHY DANEK: Oh, sorry, sorry. I don't get to vote on the city of Lincoln, so. [LB989]

SENATOR HADLEY: The city of...no, I'm saying that the public school system is at their levy limit. [LB989]

KATHY DANEK: Gotcha. [LB989]

SENATOR HADLEY: So that's the reason for the...basically, that's the reason for this bill, whereas we have other governmental agencies that are not close to their levy limit. So would it be better to have those raise their limits rather than going in and saying, we're going to create an exception in the public school levy limit to allow this to happen? [LB989]

KATHY DANEK: What I know we've done, Senator Hadley, is my constituent, regardless of whether it's the school district or the city on property taxes, it's one property tax bill. And whoever raises it, it's still that's the amount of the property tax bill. [LB989]

SENATOR HADLEY: Sure. [LB989]

KATHY DANEK: And so what they like to see is that we are working together within our community. And we have a lot of strong partnerships with the city already. We have coordinated recreation centers within the confines of our school buildings that are open until 8:00 or 9:00 at night in many parts of the city; we share a lot of those resources. So I think the community loves it when you have partnerships that work together. What makes this program different than just the city levy authority is that we have leveraged a lot of partnerships of community agencies who are providing services to our students and to their families. [LB989]

SENATOR HADLEY: Thank you. [LB989]

KATHY DANEK: You bet. [LB989]

SENATOR CORNETT: Senator Schumacher. [LB989]

SENATOR SCHUMACHER: Thank you, Senator Cornett. And thank you for your testimony. One of the proposals before this committee is to allow the cities, with a vote of the people, to impose an extra half-percent sales tax, provided they have an operation, an interlocal agreement with either the county or the school board or both and other entities. Do you see this kind of a function, which is kind of not traditional

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education, to be an interesting subject for that, such an interlocal agreement, should that sales tax bill pass? [LB989]

KATHY DANEK: You know, Senator, one of the things that we came across in the last two years is that we were looking for any and every way to sustain what we know works for kids, and this is one vehicle. That may be a second vehicle. You have to deal with what's in front of you today and this bill gives us an opportunity. I can't speak for the other bill because we have not had that discussion. What I can tell you is we have a strong working relationship with the city of Lincoln. In fact, next Tuesday, we have a city/county/school board...city council, county commissioners, and a school board commons meeting. We are trying our best to work together. So I can't tell you that that's not on the table. What I can tell you is the opportunity needs to be taken to make certain that we can sustain a program that we know works and set up a model that works across the state of Nebraska. I can tell you that I was in a session for the Nebraska Association of School Boards some five years ago. And it was a superintendent from a small rural town in the Wisner/Pilger/West Point area--I call it a triangle area--and he said, it's not fair that you can get 21st Century grants because we don't have enough poverty; I have need. And he was explaining his need in a rural community, very different than the need that I see in Lincoln because my families all live very close together in a city of 250,000. He was looking at families that lived very far apart from the school district and couldn't get back to pick up their kids before and after school. So he was seeing a need in a very different way. And I think that the opportunity to exceed the levy for before- and after-school programming is something across the state that would help families and school districts in student learning. [LB989]

SENATOR CORNETT: Senator Louden. [LB989]

SENATOR LOUDEN: Yes, thank you, Senator Cornett. Well, yeah, thank you for your testimony today. And I'll kind of follow up Senator Adams' concern about TEEOSA and, Senator Hadley, about your levy lid. My question is: How come you're here asking us to increase a tax levy when there's--probably at your levy limit--when you have the city of Lincoln that's got wiggle room, you've got Lancaster County that's down around, what, 27-cent mill levy or something like that, and if my memory serves me right, like a \$14 billion valuation? So, I mean, a 1-cent mill levy there would probably raise more money than what you needed to fund all of this. You know, why are you not working that side of the street where it would be easier to do? You wouldn't have to be working on the school systems, which we have a TEEOSA involvement there that would be quite serious, and your levy lid. So why are you coming to us instead of going to the city council or the Lancaster County commissioners? [LB989]

KATHY DANEK: In fact, there are conversations going on with other government entities on the community learning centers. We have a leadership council that the mayor sits on, as well as the superintendent, myself, a member of the city council, and I

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believe 20 other partners across the city. But the reality is this bill is not about Lincoln. This is about the state of Nebraska and community learning centers across the state of Nebraska. [LB989]

SENATOR LOUDEN: Now just a minute. When you talk about...we have a, what, about over 100 districts now that aren't taking any TEEOSA money, so they can do whatever they want to. If they're under the levy lid, if they choose to do this, which we had a map here shows Rushville and Gordon getting grant funding and all that. [LB989]

KATHY DANEK: Um-hum. [LB989]

SENATOR LOUDEN: But a lot of those districts have the...they don't need to have the levy limit raised for them in order to do that if they want to. It's...evidently Lincoln Public Schools system is the one here, and you have other valuable resources that you can tap into other than your school system to do this. So my question is: Why aren't you working on that instead of into the school system? [LB989]

KATHY DANEK: We are looking for a long-term sustainable path. A long-term sustainable path means we find whatever resources are available, in whatever avenue we can help to create, to make sure that we have sustainability for the community learning centers. It may be that that ends up as a city-school district partnership. But if you don't have spending authority to go with that, you still have options if it goes into your...if it's counted as an accountable receipt into the TEEOSA formula. [LB989]

SENATOR LOUDEN: Have you contacted the city council or the Lancaster County commissioners on this subject? [LB989]

KATHY DANEK: I can tell you that the superintendent and the mayor have had significant conversations over the last year on this issue. [LB989]

SENATOR LOUDEN: And what was the results? [LB989]

KATHY DANEK: I can tell you that they've had significant conversations on that issue. That's the... [LB989]

SENATOR LOUDEN: But you...okay, in other words... [LB989]

KATHY DANEK: They haven't brought a presentation back. Again, Senator Louden, my apologies. If you recall, last May 31, our district office burnt to the ground. It did delay a lot of conversations that we would have normally had done. One of the things we said is we'd like to have this done so that we can get back to talking about the business of education; it's the most important thing that we do. And I think that those conversations are available. This bill is up before us now. We were asked to come talk about the

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Lincoln story, to ask for your help, to ask for your consideration, and I think that that's the most important thing that we can do. And I can tell you that we will leave no stone unturned to make sure we find a way to keep our CLCs viable. [LB989]

SENATOR LOUDEN: Okay. Then tomorrow when I get up I can say that we had significant conversations on the subject? (Laughter) [LB989]

KATHY DANNEK: I think that would probably be appropriate with all the people that have testified today. (Laughter) [LB989]

SENATOR LOUDEN: Okay, thank you. [LB989]

KATHY DANNEK: Thank you. [LB989]

SENATOR CORNETT: Next proponent. [LB989]

CHARIS GREGORY: Hi. Thank you, and good afternoon. My name is Charis Gregory, C-h-a-r-i-s G-r-e-g-o-r-y. I can't speak on any of the financials or answer any of the questions you've been asking. I am a parent of a CLC student. CLC is very important to a lot of us parents because we need to continue to work. I go to work at 7:30 in the morning. I work until between 5:00 and 5:30 every night. My children's school starts at 9:00 a.m. They dismiss at 3:38. I have a fourth-grade student. I have a kindergarten student. They've been very active. It is probably my most affordable resource for childcare where I don't have to also worry about additional transportation because they are within their school. I pay my monthly fee. I am a single parent. I work 40-50 hours a week as an office manager. I am educated with an associate's degree in accounting and I've been at my position for a long term. I do it 100 percent alone. I get no assistance, I get no child support. That's about the best demographic information I can give, since you've been asking some of that information. I appreciate CLC because there's good staff. It follows through with the education of what my kids are doing. The CLC staff coordinates what they do in their after school for extra enrichment with what the school system is doing. They have valuable clubs to broaden the children's interest. They get athletics, they get sports, they get all kinds of different things, so they're getting up and moving before school, they're moving after school. It's really helping stimulate their mind. They get homework help. They get behavioral help if there's problems. There's been a lot of little cliquy-type stuff that the CLC is addressing to work and help kids learn how to deal with those type of problems that schools don't have the time to address, and so there's a lot of added benefits of extras that you can't do throughout the day with school education. It's great childcare, and the kids love it, they enjoy it, and they appreciate what they get there. And that's all I have for today. [LB989]

SENATOR CORNETT: Thank you. [LB989]

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CHARIS GREGORY: Thank you. [LB989]

SENATOR CORNETT: Next proponent. [LB989]

CARISSA GREGORY: Hi. My name is Carissa. I'm nine years old, in fourth grade at Lakeview Elementary School in Lincoln, Nebraska. My CLC is the Willard Community Center. I've been in CLC for almost five years. CLC helps families because if their parents go to work early or work late, CLC will give the children a safe place to be. CLC makes everything fun. CLC has a lot of exciting clubs, such as sport clubs in which you learn to play sports, and step club where you perform a routine in front of meetings or clubs. In art club, you experience different types of art. Finally, we have language clubs to learn different languages. All the clubs in CLC are educational and fun. CLC clubs are open to all kids, whether in the before- and after-school program or not. CLC helps you with your homework. If there are things you don't understand, you have a staff member or a friend who can help you out. CLC has lesson plans and creates fun activities where you learn things similar to what you are learning in school. The CLC staff is really nice. These are the reasons why I love CLC. [LB989]

SENATOR CORNETT: Thank you. [LB989]

CARISSA GREGORY: You're welcome. [LB989]

SENATOR CORNETT: Thank you very much. [LB989]

SENATOR HADLEY: Thank you. [LB989]

SENATOR PIRSCH: Good job. [LB989]

CARISSA GREGORY: You're welcome. [LB989]

SENATOR CORNETT: Next proponent. Opponents? Neutral? Senator Haar. [LB989]

SENATOR LOUDEN: Senator, be very careful, because we had a pretty good act just ahead of you, so I just... [LB989]

SENATOR HAAR: Yes. Well, fortunately, school member Kathy Danek doesn't live in my district and isn't running against me, so. No, I want to...I was very impressed. I learned a lot today about the CLCs. I had been invited to go and visit with a group of youth ambassadors at Arnold School, and now I learned they were CLC. As the school board member said: sustain what we know works. That's the request of this bill. And as we saw, CLCs can take many different forms depending on the community, but it's before- and after-school programs with proven results, positive results. And what kept coming up are words like leverage, collaboration, partnerships, because we heard today

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from a partnership with the YMCA, the Nebraska Trucking Association, the Lincoln Housing Authority, UNL, Parks and Rec, a business representative--Brad Korell is a business representative from Lincoln--and so on, and Lincoln Community Foundation. This is a program that just has ties all over the place and very impressive between public, private, and nonprofit. It's probably a model we wish would operate more in other areas, I would think. Local control is the basis; it's up to the local school board to make the decisions. And I guess, again, what impresses me after listening to all of this, the testifiers who came here today come with a solution. It's a solution that works, and it's a solution that's a public-private-nonprofit collaboration. So often we hear people who want us to bring money to solve their problem, and here we have a solution that's working. I'm very sure that if we would come up with a General Fund appropriation to fund all of this, nobody who has testified would object to that. But they're not asking for that; they're asking for no state monies. They're asking for the ability of local school boards to decide, you know, to ask for an additional spending cap if necessary. So with that, I'd be happy to answer any questions. [LB989]

SENATOR CORNETT: Senator Hadley. [LB989]

SENATOR HADLEY: Senator Cornett. Senator Haar, thank you. I thought the testifiers certainly did a good job. A couple questions. I looked through the bill and found no vote by the general public for this type of override. Is that correct? [LB989]

SENATOR HAAR: No, that's my understanding as well. It's the school board. [LB989]

SENATOR HADLEY: Yeah, but we...for bonding and such as that, we require a vote of the general public, isn't that correct? [LB989]

SENATOR HAAR: Not for some of these things. For example, for emergencies, some of the QCPUF and things like that which I was involved in last year don't require a vote of the people. [LB989]

SENATOR HADLEY: Yes. [LB989]

SENATOR HAAR: To raise the cap requires...you know, if you have \$1.05 or whatever, the community, by a vote, can decide to raise that to \$1.08, \$1.10. But no, this would not require a vote of the people. [LB989]

SENATOR HADLEY: And I guess the second question, which three or four of us have talked about, is when you have other governmental entities in the area that are under their caps, why are we going to the one that is up against the lid levy to ask for increases? [LB989]

SENATOR HAAR: Sure, sure. Good question. First of all, I think the answer you got

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earlier, this is not...many of the testifiers were from Lincoln where we're up against the...just about up against the \$1.05. But this is a Nebraska-wide program or a Nebraska-wide solution. So I guess what I heard when I was thinking about the answer that was given to that question...so if you just go back and say, okay, all of you work with your own communities. So now, each of these successful programs is going back and trying to negotiate with their school board, with their county, whatever. We're talking about a Nebraska solution here for this program that works. I've been on the city council. I would say city councils are much more volatile than school boards. So if you go to the city council now and say, well...in Lincoln, you would say, why don't you fund this; or you go to the county board and say, you fund this. You're putting a burden on a program that already works, that I would suggest shouldn't be there, and that would be just my opinion. [LB989]

SENATOR HADLEY: I guess the last comment--and I made it to a number of other people--I just consistently hear from my constituents that property taxes are just out of control in Nebraska. [LB989]

SENATOR HAAR: Um-hum. Well, again I...recognizing that this is a program that works, we're not looking for a new solution. We know a program that works. If the Legislature was willing to come up with a General Fund pot of money that would solve this problem, I think none of the folks that have testified would object to that. But it is before and after school, it is sort of related to the school, and in Nebraska we fund schools primarily through property tax. [LB989]

SENATOR HADLEY: Thank you. [LB989]

SENATOR CORNETT: Senator Schumacher. [LB989]

SENATOR SCHUMACHER: Thank you, Senator Cornett. Thank you, Senator Haar. Any idea...you had mentioned this would kind of be a Nebraska solution. Any idea of neighboring states? Are they facing the same end of federal funding and how they're handling it? [LB989]

SENATOR HAAR: Um-hum. Yeah, I really have no idea about that except we know that this is one of the areas that's being talked about in Congress about cutting, so I'm sure that would affect all of the states. But following up, when you heard Barb Bartle from the Lincoln Community Foundation saying that Lincoln is actually ahead in this process because we've been working on it for 10 or 12 years and other states are just getting into it. So my guess would be that other states who are just starting on this process are probably going to have much less success. [LB989]

SENATOR CORNETT: Senator Adams. [LB989]

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SENATOR ADAMS: Senator Haar, I know you understand this because we've worked together so much in the Ed Committee on TEEOSA. However, this seems to me to reach beyond a local solution. For instance, if the city of Lincoln wanted to raise its levy from 31 to 31.5 to do this, the state is off the hook. If the school district raises a half-cent or a penny and it shows up in their GFOE,... [LB989]

SENATOR HAAR: Um-hum. [LB989]

SENATOR ADAMS: ...the state is inevitably on the hook for this expenditure. [LB989]

SENATOR HAAR: Um-hum. [LB989]

SENATOR ADAMS: So, in effect, doing this is not only giving a school district spending authority and levy authority, but it's going to put state General Fund dollars behind it within two years on the calculation. [LB989]

SENATOR HAAR: Um-hum. Well, I think from what I have heard that, you know, there...and that's one of the reasons we have hearings, is to hear of some ideas. And, you know, Senator Louden came up with one of putting a cap on that amount. You know, maybe this doesn't get counted towards the GFOE or something like that. [LB989]

SENATOR ADAMS: You know, and...well, and we've done that with other things as you well know, exempted from GFOE calculation the expenditure. [LB989]

SENATOR HAAR: Yeah, yeah, um-hum. [LB989]

SENATOR ADAMS: Thank you. [LB989]

SENATOR CORNETT: Seeing no further questions, thank you. [LB989]

SENATOR HAAR: Thank you so much. [LB989]

SENATOR CORNETT: Senator Dubas, you are recognized to open on LB1011. [LB1011]

SENATOR DUBAS: Good afternoon, Senator Cornett and members of the Revenue Committee. My name is Annette Dubas, A-n-n-e-t-t-e D-u-b-a-s, and I represent Legislative District 34. And Senator Hadley, your last comments to Senator Haar are a great segue into what I have brought to the committee for their consideration this afternoon. I am here to introduce LB1011, known as the Property Tax Relief Act. This is not the first time a bill such as this has been introduced to the Revenue Committee. In March of 2000, our former colleague, Senator Cap Dierks, introduced LB1070, calling it

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the Agricultural Property Tax Credit Act. That bill was IPP'd in committee. In 2007, my first year in the Legislature, I resurrected his idea and introduced LB684 in response to citizens' concerns that were discussed with me as I campaigned for this office. Again the bill was IPP'd. The fact that we have not advanced these bills indicates that talking about meaningful property tax relief and actually finding and implementing meaningful property tax relief is far easier said than done. The fiscal note very clearly demonstrates we are talking about real money to make such talk reality. The issue of property taxes needs to be a part of our discussion. What is the solution to high property taxes, and how far are we really willing to go? In a report from the Institute on Taxation and Economic Policy, Nebraska's progressive tax features were listed as having a graduated income tax rate structure; a refundable earned income tax credit, or EITC; and an income tax credit for childcare. Our regressive feature had only one item: our high reliance on property taxes. We are ranked 17th out of 50 in our average rate of property taxes paid; and as a percentage of our income, we are at 3.62 percent, or 14th out of 50. The data shows that the heaviest property tax burdens occur in rural and agriculturally dependent counties and counties with low per-capita incomes. Circuit breakers are a good means of providing income-based property tax relief. Simply stated, taxpayers earning below a certain income level are given an amount of property tax relief when those taxes exceed a certain percentage of their income. The process would require a taxpayer to claim a refundable tax credit. The amount would be determined by subtracting a percentage of the claimant's household income from the amount of property taxes owed in the preceding year. And we have included a cap and it would be capped at \$4,000. The percentage of relief would be determined incrementally, and those percentages would begin at 4 percent for incomes below \$10,000 upwards to 18 percent for incomes over \$30,000. This bill would not impact how property taxes are levied, collected, or distributed at the local level. And it is a policy that is in place in a variety of different forms in other states around the nation. Citizens often ask me, and I'm sure you get the same question: Why are my property taxes so high? Other states, like South Dakota, don't even collect a property tax. Even though we compete with our neighboring states when recruiting businesses, we aren't playing with the same set of circumstances. Every state has its unique strengths and weaknesses. Our natural resources, our land and water especially, are among our greatest assets. Land is essentially all we have to tax to support local services. There are lids and levy limits in place to try and hold the line on these taxes, but there is still no fair way or process. Owning property is not always indicative of ability to pay. The taxes that are assessed against property are paid by income. In the past ten years, Nebraska property taxes have increased an average of 5 percent per year, while the average income in Nebraska has remained relatively the same. For that reason, I put LB1011 back on the table for your consideration. We are seeing land values increase significantly in rural areas, especially in agriculture. We are seeing more school districts become nonequalized, which is especially alarming for our rural constituencies. A greater portion of the property tax burden is placed on agriculture. Nebraska farmers pay more property tax than our neighboring states, which puts our farmers at a

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competitive disadvantage. But we can't pick up our farms and move. Even though our unemployment is low, we are still finding our way through a tough economic environment, and I hear from Nebraskans who are worried that extended unemployment will mean they may have to leave their home. I think this bill could help people stay in their homes, which would accelerate our ability to recover economically. As I stated to you last week when I introduced LB986, you as a committee and we as a Legislature have many proposals before us dealing with tax policy. I believe we are all proceeding with caution, as we should. But if we are going to talk about the direction our tax policy should head, we would be remiss if we did not include property taxes among that discussion. So I would be happy to try to answer any questions. I haven't lined up a lot of testifiers, and so I'll just open to questions that you may have. [LB1011]

SENATOR CORNETT: I'm going to take a couple...ask a couple of questions here. You're not really addressing the issue that's causing the skyrocketing in property tax. This is a tax credit; it's not actually doing anything about property tax. [LB1011]

SENATOR DUBAS: Right. [LB1011]

SENATOR CORNETT: And as valuations continue to grow, the \$4,000 is going to become more and more insignificant, correct? [LB1011]

SENATOR DUBAS: Correct, this is a tax credit. It does not do anything directly to property taxes, that's correct. [LB1011]

SENATOR CORNETT: I'm going to ask you a question I've asked Senator Pahls before, because he has the bill to, or has had a number of times, to eliminate all the exemptions; and he says that will fix our property tax problem. It won't because that goes to the General Fund. Property taxes are a local issue. [LB1011]

SENATOR DUBAS: Local. [LB1011]

SENATOR CORNETT: Do we go to what other states like Hawaii have done, and we collect the property taxes as a state, and then we act as the sole funder of schools? And then you're going to hear the yelling about local control and school boards. How do we address the underlying issue? Because this is a band-aid, I mean, it's saying a tax credit. The tax credit isn't addressing the underlying issue of property valuation versus what the land could produce, correct? [LB1011]

SENATOR DUBAS: Correct. And as I stated at the beginning of my opening, it's much easier to talk about property tax relief than it is to actually find a solution that is fair,... [LB1011]

SENATOR CORNETT: Um-hum. [LB1011]

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SENATOR DUBAS: ...that works, that addresses the local control issue, that addresses...I mean, it's so multifaceted. And again, you know, when people have asked me why are my property taxes so high, it's because that's essentially all we have to tax. And it is a local issue. And, you know, I think quite a while ago the state made that decision, that we would fund state functions through sales and income and we would give that property tax to the local level. If I had an answer, I would come forward with an answer far better than what this is. But, you know, as I stated, this is something that I worked on early in my legislative career. I think it has to be a part of the discussion, whether we actually find that silver bullet, that solution to why property taxes are so high. You know, this discussion has been going on for as long as I can remember, and I kind of have a feeling it's going to be going on long after I'm gone. [LB1011]

SENATOR CORNETT: And this is just discussion purpose because I've taken the Revenue Committee around the state, I've traveled around the state and met with different groups in regards, particularly agriculture groups, and on the issue of property tax. But as soon as I say are you willing to give up local control,... [LB1011]

SENATOR DUBAS: Um-hum. [LB1011]

SENATOR CORNETT: ...that's like waiving a red flag. I mean, there's a disconnect. I don't know how to...and I've worked on it for eight years, and I don't quite know how to fix that disconnect, I mean, because that's where we're having an issue. [LB1011]

SENATOR DUBAS: Exactly. And you know, we talked about do we allow...you know, how do we...do we change funding to schools? Will that help with property taxes? Again, it's one of those...maybe it's just one of those eternal topics that we talk about. And we have to have something to complain about, so we complain about our property taxes. But again, I introduce this because I think it has to be a part of the discussion. And maybe the ultimate answer is there is no answer, but we don't know until we discuss it. [LB1011]

SENATOR CORNETT: Senator Louden. [LB1011]

SENATOR LOUDEN: Yeah, thank you, Senator Cornett. Well, Senator Dubas, all your statements I agree with because I have to live most of them. What I...did you notice the fiscal note on this animal? [LB1011]

SENATOR DUBAS: Yeah, just a little. (Laugh) [LB1011]

SENATOR LOUDEN: If my high school math is right, that's...if we had the 93 counties and gave them all, what, between \$50 million and \$60 million, it'd be the same thing, and that would probably drop our property tax considerably in a lot of counties. Why not

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go at that angle, you know, because look at the heartburn we had here a couple of years ago when we did away with \$11 million worth of city and county aid. And that, I mean, that was a real screamer. And some of those cities and counties, smaller towns and smaller counties, it was a big deal, and that was only \$30,000 a county that we took away from them. So somewhere in here...and they had to pick up the property tax difference. I think Sheridan County had to come up 2 cents in order to make the difference what they lost. But anyway, when I look at that fiscal note, I thought, gee whiz, with that kind of money I think we could buy our way out of this a lot better than giving everybody up to \$4,000. [LB1011]

SENATOR DUBAS: Well, my thought when I saw that fiscal note, too, was, I bet if we gave this money to Senator Adams to plug into the state aid formula, we could address a lot of property tax issues because I think a lot of things could be done with that money through state aid to education, and maybe that's the answer. [LB1011]

SENATOR CORNETT: Senator Pirsch, then Senator Adams. Senator Pirsch. [LB1011]

SENATOR PIRSCH: Okay, well, just to flesh out what the meaning of your proposal is here. So you can't exceed \$4,000--any one individual, \$4,000--and then there's a listing of...it's graduated and progressive. Is that how you intended it? [LB1011]

SENATOR DUBAS: Correct, correct. [LB1011]

SENATOR PIRSCH: Okay. And this delineation, it's not relating to agricultural land or owner-occupied residential real property. So it's limited to potential applicants, correct? [LB1011]

SENATOR DUBAS: Correct. [LB1011]

SENATOR PIRSCH: Okay, to owner-occupied. And have other states been successful in making that delineation... [LB1011]

SENATOR DUBAS: It's hard because other states have put it in place in different fashions. In fact, if you would look at research, they would say that Nebraska has a circuit breaker in place. They consider our homestead exemption a circuit breaker. So, you know, defining specifically what a circuit breaker is and then compares what other states are doing, there are different ways of putting circuit breakers into place. But the ones I...Wisconsin, in particular, I think has something similar to this, and it appears to be working pretty well. [LB1011]

SENATOR PIRSCH: Thank you. [LB1011]

SENATOR CORNETT: Senator Adams. [LB1011]

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SENATOR ADAMS: Wow. Yes, I would take that \$500 million. And then we'll drive the levy down to about 60 cents for schools, and we would see property tax relief all over. Yes. But you know, the other thing that I've thought about...and thanks, all of you, for your generosity to TEEOSA; look forward to those votes. You know, the other thing I've thought of, and as we look at \$500 million here, it caused me to say, we're just barely scratching the surface with a \$115 million-a-year property tax credit that we've got out there, particularly in light of what values have done, aren't we, in relative terms? [LB1011]

SENATOR DUBAS: We are. And I mean as I've talked to some of my constituents and they talk about it, I say, well, you know, you are getting a property tax credit. And a lot of them say, I am? You know, and people who are paying for their homes, you know, that property tax is included in their monthly mortgage payment, and so they aren't even fully recognizing what they're getting. And, you know, I look at my father-in-law who owns substantial land and pays substantial property taxes. Well, he's not going to give the money back. The relief that he's getting is really not...it's a token. I mean, it's an attempt to recognize again that property taxes are of concern to people. So somewhere between what we are doing now and this particular bill, you know, maybe there's an answer; again, maybe there's not. But I think this bill might give you some leverage as far as making your pitch for some additional property tax relief...or state aid to education, because I've made that statement all along. If we at the state level would put more into state aid to education, that would take some of the pressure off of the local. But again, there's that trade-off. If we're going to give more state money, are you willing to give up some of the local control that goes with it? So... [LB1011]

SENATOR CORNETT: And how do you ratchet those levies down? [LB1011]

SENATOR DUBAS: Exactly. So it's just...with every question, it's kind of like that carnival game that you keep popping the heads down and another one pops up someplace else. [LB1011]

SENATOR CORNETT: Whack-a-mole. Seeing no further questions, thank you. Will you remain for closing? [LB1011]

SENATOR DUBAS: Yeah. [LB1011]

SENATOR CORNETT: Proponents? Opponents? Neutral. [LB1011]

CRAIG HEAD: Good afternoon, Senator Cornett, members of the committee. My name is Craig Head, that's C-r-a-i-g, and the last name is H-e-a-d. And I'm with the Nebraska Farm Bureau Federation, here today on behalf of their organization in a neutral capacity. I'd just start out by saying that we appreciate Senator Dubas introducing the

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bill and bringing awareness to the issue related to property taxes in an effort to provide some other way to provide property tax relief. I'm here in a neutral capacity because we actually don't have any specific policy related to this approach that she's outlined in LB1011. And I would just tell the committee that historically our members have preferred methods of property tax relief that target more of trying to reduce the value of agricultural land to try and tighten up levy limits. And I know that property tax credit program was just mentioned; that's also another one that our members have supported in the past. So if this is an idea that the committee favors, we would certainly be more than interested in having that conversation. But we just wanted to be on record. [LB1011]

SENATOR CORNETT: Senator Louden. [LB1011]

SENATOR LOUDEN: Yes, Craig, it seems that we've got you in the hot seat. Now I could ask you a question. [LB1011]

CRAIG HEAD: Yeah. Oh, no. (Laugh) Certainly. [LB1011]

SENATOR LOUDEN: Farm Bureau, you know, they are for property tax relief. [LB1011]

CRAIG HEAD: That's correct. [LB1011]

SENATOR LOUDEN: Okay. Here, or what, a year or so ago, how can you sit there and tell me that when you guys voted and supported an occupation tax on irrigated ground? [LB1011]

CRAIG HEAD: (Laugh) That's a tough question. [LB1011]

SENATOR LOUDEN: Yeah. If you don't want to answer it, go ahead, and it's all history. [LB1011]

CRAIG HEAD: It's a water issue; it's a little different. But I appreciate your question. [LB1011]

SENATOR LOUDEN: Okay, thank you. [LB1011]

SENATOR CORNETT: Any further questions? Seeing none, thank you. [LB1011]

CRAIG HEAD: Yes, thank you. [LB1011]

SENATOR CORNETT: Is there anyone else in a neutral capacity? Senator Dubas. [LB1011]

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SENATOR DUBAS: I'll waive. [LB1011]

SENATOR LOUDEN: Okay, that ends the hearing on LB1011. Now we'll have the hearing on LB1075, and Senator Cornett will open on the bill. [LB1011]

SENATOR CORNETT: Good afternoon, Senator Louden, members of the Revenue Committee. My name is Abbie Cornett, C-o-r-n-e-t-t. I represent the 45th Legislative District. LB1075. Advocates for low-income housing projects brought this bill to me. They believe the Legislature ought to consider two property tax valuation issues relative to rent-controlled low-income housing. The first issue is whether the state valuing or assessment of these properties were to result in a more uniform and defensible assessment process, and the second issue is what the appropriate valuation method is for these properties. I felt both of these issues deserve discussion in the Revenue Committee and agreed to introduce the bill. This bill has been back and forth in front of the committee probably every year or every other year since I came on to the committee. There are testifiers behind me that can explain more of the need for this, but I would be happy to try and answer any questions. [LB1075]

SENATOR LOUDEN: Any questions for Senator Cornett? Seeing none, thank you. How many testifiers do we have in favor here? Okay, we'll go with...we won't use the lights if you guys will be quick about it. [LB1075]

TOM HUSTON: (Exhibits 12 and 13) Thank you, Senator Louden and the committee. My name is Tom Huston, H-u-s-t-o-n. I'm an attorney that practices law in this state. For the last 25 years, I've been working in this industry, working with nonprofit and for-profit developers, developing housing. The terminology includes low-income housing, affordable housing, work force housing. I think all of those are appropriate. In a nutshell, what we're talking about here is trying to carry a prior fix statewide. The financing that we're talking about here arises under Section 42 of the Internal Revenue Code, which was really started in 1986. It's a pretty simple concept. The Internal Revenue Code was...this provision was added to the Internal Revenue Code to encourage and incentivize private investment in affordable housing in exchange for a tax credit. There's two restrictions that go along with that. This program has been very, very successful in the state of Nebraska. It's meant that we've constructed over 9,100 dwelling units, composed of 338 projects across the state since the late '80s, when this program came into existence. Now, those two restrictions really go hand-in-hand with this resource. It's the low-income housing tax credit, which is allocated by the Nebraska Investment Finance Authority. Once a project or a development receives this allocation of this resource, there's two restrictions. One is residents that would reside in such developments can make no more than 60 percent of the area median income. That area median income is established by the Department of Housing and Urban Development. I grew up in Custer County, so I always pick on Custer County when I look at these things. But they...for example, in Custer County, what that would mean...the 60 percent

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would limit a family of four; their income could be no more than \$30,780. And the rent is the second part of the restriction. Typically, that's 30 percent of the monthly income, so that the rent for such a three-bedroom unit in Custer County would be approximately \$890. These restrictions, enforceable under a land use restriction agreement, are in place for a minimum of 15 years; in most projects, they're in place for about 30 years. Now, about 20 years ago, we recognized we had a problem in this state because of...really, the success of this program is that these types of housing developments are not market-rate housing, and they are restricted in rent, and they cannot increase their income. And so to try to address that problem we've taken a couple different steps. First, we tried the judicial solution. We went through the TERC process, the Tax Equalization and Review Commission process, which obviously involves time and money and resources. And we found out that in that process a lot of the county assessors that we are working with said, well, we need some additional guidance from the state, we need some additional statutory direction from the state. So we worked with the Property Tax Administrator at that time. And in the year 2000, I believe, we amended the definition of actual value under Section 77-112 of the Nebraska statutes, just to add recognitions that county assessors should look at the restrictions when they're valuing property. We found that that was probably not sufficient and didn't give us enough direction. So back in 2005, we were in front of the Revenue Committee, and ultimately we had a bill enacted that became...it codified it, 77-1333, that does three things for us in this industry. Number one, it requires the county assessors to at least perform an income approach to value. It does not mandate the use because we had a concern about the constitutionality of such a mandate; but we at least required the county assessors to perform that income approach. The statute also provides that the county assessors shall follow the regulations that are implemented by the Property Tax Administrator for this program. And, most importantly, it provided that the low-income housing tax credit as a resource was not to be considered income for purposes of the income determination. And the Property Tax Administrator ultimately promulgated regulations found in Chapter 51 and recognizing that the income approach to value is the best. What we did over the next few years, at least in Lancaster County, we filed over 150 tax protests under this authority and worked with the county assessor. We filed the tax protests and then ultimately went to the Tax Equalization and Review Commission. But we did work with the county assessor and came to a peace treaty, as I call it; I mean, it's a solution. And it recognizes that these kinds of properties have a real restriction on what they can generate in income and they are not market-rate housing. In 2009, we did the same thing in Douglas County, filed over 200 appeals and it went up through the TERC process, and ultimately came to a resolution with Douglas County. So those statutory changes are very helpful, and we worked those out with some of those counties. Now, the question was posed to us, well, won't this sort itself out with all the other counties? My estimation, perhaps eventually we can get probably 20-30 counties that will be utilizing the methodology described in the statute, but it does not mandate it. For example, we had a...I had a client that had a property in Box Butte County that, in 2010, the value...the project just was completed. In 2010, the value was

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probably double what it should have been based upon the income approach. We had to go through the process to appeal it. We appealed it to TERC and ultimately made a resolution with the county. The county, in turn, for 2011, went back to their prior value, so we were back in the same boat. There was no sustainability of that problem. So our current proposal is really designed to do one thing. It's designed to make sure that we have consistency across the state, and that's the biggest and most important thing, in my estimation. We're not looking at...I don't think this is a request to reduce property tax liability, because I think on a statewide basis it's probably neutral because there are some counties that are probably undervaluing properties, there are some counties that are overvaluing properties, so I think consistency. And there's some other testifiers, the developers, that can talk to you about specific variations. And I think it's also much more equitable and more uniform across the state. A big item for the people that develop affordable housing is making sure it's predictable, so that when they are penciling out a project to make sure that it will work, they know what the expenses are and they're not guessing. And I think another thing that is certainly evident in my mind is that the state of Nebraska, the Department of Economic Development provides a lot of gap funding for development of affordable housing with the HOME Investment Partnership Program from HUD and also the Nebraska Affordable Housing Trust Fund. We can use better leverage of those funds without having to subsidize the overvaluation of these properties. You should have two handouts from me. One is from Kathy Mesner. Kathy is an attorney and developer in Central City, Nebraska. She's also the chairman of the Nebraska Commission on Housing and Homelessness, of which I am a member. Kathy could not be here, so I told her that I would hand out her presentation to you. And I guess the other thing that I would add is a "Section 42-Income and Expense Reporting Form," that was a handout. That comes directly from the Nebraska Investment Finance Authority's Web site. That is the form that we worked with the Department of Revenue and the Property Tax Administrator to develop to implement Section 77-1333. Now, the reason I handed that out to you is that I saw the fiscal note that was attached to this bill yesterday. Obviously, I'm not the first person that has been surprised at the quantity of it or the amount that is shown on a fiscal note. I'm not sure how that would be calculated. If that number were true, of the 338 properties that we see, or developments in this state, there's probably, what is it, \$3,800 on average as a cost to administer. I don't believe that to be the case. I believe that it's more likely processing 338 tax returns on an annual basis. Certainly, there would be more work in your first year of getting this thing established. But I think the form that you see there, the income and expense reporting information goes directly to the correct methodology to use the income approach to value, just measuring income and expense and using a cap rate. With that, I'd be happy to answer any questions that you may have. I guess the big issue in my mind is to make sure that we have the consistency across the state, because there are some counties that are not following the law, they're not following the statute on the books, they're not following the regulations, and they're putting themselves at risk of not having any additional development of affordable housing, which is contrary to the policy that we need, I believe. [LB1075]

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SENATOR LOUDEN: Okay. Senator Hadley. [LB1075]

SENATOR HADLEY: Thank you. Thank you, Mr. Huston. I guess I'm wondering why we need to go to the state level if there's a problem with the counties not doing it correctly. You know, the counties assess all our property. [LB1075]

TOM HUSTON: Um-hum. [LB1075]

SENATOR HADLEY: In fact, the state is getting out of the assessment process because the seven counties that we were doing it, we're turning that back to the counties. [LB1075]

TOM HUSTON: Um-hum. [LB1075]

SENATOR HADLEY: So is this really the proper approach to solving the problem? [LB1075]

TOM HUSTON: I think if we don't have a uniform approach and a consistent approach across the state, like I said, there may be 20 or 30 counties that will follow the law and that will use the income approach so that these kinds of developments can be developed in their counties. But the other 63 or so counties won't. A single development cannot afford to go through the TERC process on its own, I can tell you that. And I guess the other thing I would add, and I'll...you should have a letter in your material from Darrel Standard, who is an appraiser in the state and works with a lot of counties. A lot of the county assessors are facing a lot of challenges when they have these kinds of protests. They don't have a lot of these properties, and they don't use the income approach to value. And a lot of the counties are saying take this off our hands; they don't want to deal with it. A lot of the counties are having to spend more in defending their values than they're generating in income because from a revenue recipient perspective it's not a lot of revenue for the counties. For a single property that may have 16 dwelling units in Gibbon, it's a big difference. They can't afford it and that development can't afford it. So I think consistency I think is why we're looking at it from the state perspective, so that we can have a level playing field in all 93 counties. That's my idea. [LB1075]

SENATOR HADLEY: And the second question, you said this would effectively be revenue neutral when we take all 93 counties into account. So this isn't a means to try and get lower taxes paid by these units then. [LB1075]

TOM HUSTON: No. In my estimation, no. I think it's predictability and consistency. You know, there's some other people that will tell you some of the history, but there are properties I know...for example, I have a client that has a property in York that is taxed

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fairly, and they have another development in Geneva--what is that, 20 miles, 15 miles away?--that is probably double the tax just because it's in a different county and a different county assessor. And they're the same design, the same year of construction, and that's just inequitable. That's what we're trying to achieve. [LB1075]

SENATOR HADLEY: I get that and I just need to ask one more question. I believe I'm right, at the state level we do work hard to get consistency... [LB1075]

TOM HUSTON: Um-hum. [LB1075]

SENATOR HADLEY: ...in valuations and such as that with the tax assessor. Why couldn't we just ask the Tax Administrator to put this on their plate and make sure that the 93 counties are handling this particular area in a consistent manner across 93 counties? [LB1075]

TOM HUSTON: I wish...I think I would be naive to think that would happen. If I could tell you one more anecdote? I had a client that had a property in Buffalo County, and the Buffalo County assessor went through the process, did the income approach. And in the typical income approach to value, I've seen a market rate of...a capitalization rate usually in the 8 to 9 to 10 percent range; that's how appraisers typically value apartments. We had a situation in Buffalo County where the county assessor had a certain number in mind that he wanted to arrive at and used a 2 percent cap rate. Now, I'm not aware of a real property in the state of Nebraska that warrants a 2 percent capitalization rate for income approach. So...now, if we could do it...we've tried for the last seven years to work directly with the counties. We're losing the battle. Primarily...the example that I used is what happened up in Alliance. When we went through the process, we went to TERC, tried to work with the county assessors. We met with them and negotiated, and ultimately negotiated a resolution. The next year they raised it back up to the prior level. [LB1075]

SENATOR HADLEY: Okay, thank you. [LB1075]

TOM HUSTON: They ignored it is what they did. [LB1075]

SENATOR HADLEY: Thank you, Mr. Huston. [LB1075]

TOM HUSTON: Yeah, thank you. [LB1075]

SENATOR LOUDEN: Wait, there's one more. [LB1075]

TOM HUSTON: Hmm, okay. [LB1075]

SENATOR LOUDEN: Senator... [LB1075]

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SENATOR HADLEY: Schumacher. [LB1075]

SENATOR LOUDEN: ...Schumacher. [LB1075]

SENATOR SCHUMACHER: Thank you, Senator Louden. Thank you for your testimony. Forgive me, I've not been down this road and not really familiar with this particular program. These are rental properties? [LB1075]

TOM HUSTON: Correct, all rental. [LB1075]

SENATOR SCHUMACHER: And they are rent-restricted because they got government money at the head end to make them? [LB1075]

TOM HUSTON: The Section 42 of the Internal Revenue Code allows...it's a \$2.25 allocation per population for each state. So the state of Nebraska gets an allocation because the Section 42 that is allocated by a Nebraska... [LB1075]

SENATOR SCHUMACHER: Section 42 is a federal program... [LB1075]

TOM HUSTON: Yes. [LB1075]

SENATOR SCHUMACHER: ...in which somebody in Washington decided that we need to have low-income housing? [LB1075]

TOM HUSTON: It's a low-income housing incentive program, exactly. It's a tax credit. [LB1075]

SENATOR SCHUMACHER: Okay. And so they give the state a pot of money? [LB1075]

TOM HUSTON: The authority to allocate the tax credit; it's not a pot of money. [LB1075]

SENATOR SCHUMACHER: Okay, and tax, who is...the federal tax revenues? [LB1075]

TOM HUSTON: Tax credits against federal income tax liability. [LB1075]

SENATOR SCHUMACHER: Okay. And so a developer then gets some of that credit allocated to him,... [LB1075]

TOM HUSTON: Um-hum. [LB1075]

SENATOR SCHUMACHER: ...builds a building, and tries to rent it out. And because he has agreed to some formula, his rent can only be so high, whereas if he had done it with

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his own money, his rent could be whatever the market would bear for. [LB1075]

TOM HUSTON: Right. [LB1075]

SENATOR SCHUMACHER: Who are the beneficiaries of this program then? [LB1075]

TOM HUSTON: Ultimately, the tenants that qualify for the housing, I think, the tenants that earn no more than 60 percent. It's work force housing. They have to earn enough income to be able to afford the rent, but it's not market-rate rent. [LB1075]

SENATOR SCHUMACHER: You say work force housing. Does that mean they don't make enough money at their jobs? [LB1075]

TOM HUSTON: Probably, yes. [LB1075]

SENATOR SCHUMACHER: And what's the distribution of these houses? Are they in the rural counties? Are they in the urban areas? Are they in the cities of 20,000? [LB1075]

TOM HUSTON: All across the state. All across the state of Nebraska, in every county, yes. [LB1075]

SENATOR SCHUMACHER: So essentially, our economy is not generating enough wealth at the business level to pay the wage, and thus, these people need to have subsidized housing in order to live in these particular areas where the jobs the market can't afford to pay a wage for exist? [LB1075]

TOM HUSTON: I would believe that the market rates would exceed the authority of a lot of the full-time employed people to afford decent, safe, affordable housing, yes. [LB1075]

SENATOR SCHUMACHER: And what would cause such an economic problem? Shouldn't a community cash flow, why does it need this infusion in order to make business work? [LB1075]

TOM HUSTON: Well, you know, we could debate the merits of Section 42 a long time. Since it's been on the books for 26 years now, and it's been widely successful, primarily because I think in true recognition that the federal government and the Department of Housing and Urban Development can't do this. So it's designed to encourage private investment. But otherwise, you know, a typical apartment developer will only build a new project if the rents are going to exceed his expenses so he can have a return on his investment. With affordable housing there is no incentive for any developer to do that; that's why Section 42 exists. [LB1075]

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SENATOR SCHUMACHER: But this is attempting to lower the property taxes on a piece of property that is providing for workers to have cheaper housing. And since the pie doesn't change, somebody else, some other worker in the same community then has got to obviously pay higher property taxes to make up for this. And are the other workers in this same community making enough money that they can afford to pay this? [LB1075]

TOM HUSTON: Well, and I don't want to confuse the tax credit that's allowed under Section 42 with what we're seeking here because, you're right, is it a zero-sum game? I guess I'm not sure I know the answer to that. But I think from a county perspective the revenue generated by these affordable housing developments...like I said, there's 338 of them currently in the state of Nebraska, disbursed across the state. It would be naive to say that some other...that a minor diminution...in my estimation, it's about a 40 percent diminution in valuation in resulting taxes from a Section 42 property. That's a rule of thumb that I use. So, to the extent there's a 40 percent decrease of a 16-unit project in Broken Bow, Nebraska, yeah, the other residents of Custer County are going to pick up that 40 percent diminution, if that's your question. That is accurate; I believe that. [LB1075]

SENATOR SCHUMACHER: Thank you. [LB1075]

SENATOR LOUDEN: Seeing no other questions, thank you for your testimony. Next testifier. [LB1075]

TOM HUSTON: Thank you. [LB1075]

THOMAS JUDDS: (Exhibit 14) Good afternoon. My name is Thomas Judds, T-h-o-m-a-s J-u-d-d-s, and I represent a company called Midwest Housing Equity Group, and we are located in Omaha and we are an investor-partner in affordable housing. I want to begin this afternoon briefly, just to say a little bit about me. I've been in affordable housing for 13 years, and it's been quite a life-changing experience for me, to be quite honest with you. Our mission at Midwest Housing Equity Group has been to change lives for a better tomorrow, and, quite honestly, that's changed my life more than I think it's changed some of the residents that we've helped serve. So it's been a changing...it's rocked my world, to be quite honest with you, and so that's why I'm here today. In regards to the real estate tax, the assessment process, over my 13 years' experience this has been a recurring issue amongst the affordable housing. It's probably the most single threat to the continued investment of affordable housing across the state of Nebraska. And Tom mentioned over 300 properties currently in Nebraska; we probably have invested in over half of those, and so our company has significant interest and investment into the communities of Nebraska. So I ask that this process...it's an imbalance and it's from rural markets to urban markets. And I ask that

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you give this bill serious consideration; and I appreciate Senator Cornett introducing this bill because it is very much needed, and I will leave it at that. And I will also mention the partners that we work with are nonprofits as well as for profits. And one of them would be like Holy Name Housing in Omaha, Nebraska, which serves the north area of Omaha, so. I would...any questions, please? [LB1075]

SENATOR LOUDEN: Questions? Senator Hadley. [LB1075]

SENATOR HADLEY: Thank you, Senator Louden. Mr. Judds, thank you for being here. On our fiscal note, there's a paragraph that deals with the income tax credits and whether or not they should be used in determining for income...for purposes of determining the capitalization rate and not considered income. Could you help me kind of explain what the tax credits are and how they're used in determining the income? And does this bill change that? [LB1075]

THOMAS JUDDS: No. The federal tax credit that Tom Huston...he did a very good job explaining it. It is a federal program. It's a federal tax credit; it's a dollar-for-dollar reduction against a taxpayer's liability. A developer will apply through the Nebraska Investment Finance Authority for those credits. If they are awarded--and it's a very competitive process--then the developer will look for an equity partner, someone who will buy those tax credits. What that means is it's an exchange of benefits. I look at it as you have an equity partner who has cash available to help subsidize that project to keep those rents affordable. On the other side, the investor-partners that put those monies together to pool them together then will receive that federal tax benefit. Ultimately what it does is to serve affordable housing in the communities. [LB1075]

SENATOR HADLEY: Does this bill change the handling of those in any way? [LB1075]

THOMAS JUDDS: No, sir. [LB1075]

SENATOR HADLEY: Okay, because I...our fiscal...I...it was just confusing here in our fiscal note. [LB1075]

THOMAS JUDDS: And I will add, if I could, please, is that I have been in that same situation where Tom Huston has been in. I worked for a private developer for two years, and part of my position was to help with the tax situation and how these properties were being taxed. And this was in Omaha. And I, honestly, every year I'd have to go back with the same battle, and it was a very disappointing process for me; and we face that right now. And this is a real hindrance for all of our communities across the state because I travel the state and from rural markets to urban markets in Nebraska. And I'll tell you what, I have communities that want to say, I want to...I have businesses here that we want to expand, but we don't have the housing; and we need affordable housing because these jobs aren't high paying. But how do we get investment in these

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communities, and especially with the real estate taxes the way they are? If we don't have a balance in this system, we're going to be hurting our communities. [LB1075]

SENATOR HADLEY: Okay, thank you. [LB1075]

SENATOR LOUDEN: Senator Schumacher. One more question. [LB1075]

SENATOR SCHUMACHER: Excuse me. [LB1075]

SENATOR HADLEY: We have one more question. [LB1075]

SENATOR LOUDEN: One more question. Senator Schumacher. [LB1075]

THOMAS JUDDS: I'm sorry. [LB1075]

SENATOR SCHUMACHER: Thank you, Senator Louden. Something you just said struck me, that you have a business that wants to expand, but it doesn't have workers because they can't afford, on the wages the business is paying, to pay the workers enough to rent and get housing at market rates. [LB1075]

THOMAS JUDDS: I'll give you an example. In Pender, Nebraska, recently, I visited there because they wanted some affordable housing. There's a business in Thurston, which is about seven miles from Pender. This gentleman has a business there that wants to expand. He does not have...they do not have the housing in Pender or Thurston to be able to add to their workforce. They're not high-paying jobs, but...yes, sir. [LB1075]

SENATOR SCHUMACHER: Go ahead and finish here. [LB1075]

THOMAS JUDDS: So affordable housing tax credit program would be a very good source for this housing. The issue becomes...is, for us, the predictability of those taxes, because one year they may be assessed at an income-approach level, the next year that can change. And that will definitely prohibit investment going forward from our company because we need to have some stability in that. [LB1075]

SENATOR SCHUMACHER: Doesn't every business want to expand if they can get somebody else to pick up the cost of labor? [LB1075]

THOMAS JUDDS: I don't look at this as being a picking up the cost of labor. I look at it as more of the housing issue not available. [LB1075]

SENATOR SCHUMACHER: Thank you. [LB1075]

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SENATOR LOUDEN: Thank you for your testimony. [LB1075]

THOMAS JUDDS: You're welcome, and thank you for the time. [LB1075]

WARD HOPPE: My name is Ward F. Hoppe. I'm an attorney in Lincoln, Nebraska. I'm also a home builder. I represent the Nebraska Realtors Association, and I'm here in that capacity today, as well as personally. [LB1075]

SENATOR LOUDEN: Can you spell your name for us? [LB1075]

WARD HOPPE: H-o-p-p-e is my last name; Ward, W-a-r-d, is my first name. I go by Fred. I am also on the National Association of Home Builders Multifamily Council low-income tax credit steering committee, which is a group of people on the national level that look at issues dealing with the low-income tax credit. I personally am a low-income tax credit developer. I personally have sat with Tom Huston, trying to work with the Lancaster County assessor to come to reasonable valuations on low-income tax credit projects. My concern and my support for this bill personally is that it creates a consistency of approach to the valuation of these specific types of property that are very hard to value and that, over a period of years, in my experience, I've never had a consistent approach to valuation until we ultimately hammered out a couple deals in a couple areas, with Lancaster County particularly. I've had the experience where if my projects...and I have 12 or 13 different projects that run from as small as two units, four units in two buildings, to 88. I've had situations where one person, a referee for the assessor, has done one project, and another referee for the assessor has done other projects. And they come up with inconsistent results, and I had difficulty in the assessor's office trying to get at least those two projects in that same year reconciled. This bill would put all of those analyses in one hand and in one place so we're going to get a consistent approach. Do I anticipate that it's going to lower the tax? No. The methodology for assessing these projects is already in place, and it's not changed by the act. To me, what really happens is the location of where this is done changes by the act, and it gets it in one place that's going to be done for all counties. I have properties not only in Lancaster County but in Hall County. I just came off some TIF projects, tax increment financing, in those situations. We agree to what the valuation will not go below. Prior to the establishing the agreements on those properties, I had to battle every year with the local assessor about how he was going to assess these low-income tax credit properties. Now that one of those properties is coming off TIF and the agreements, because my property dropped below the amount I had to pay anyway, I'm going to be going back. And I anticipate I'm going to have to have a battle every year to go through the process of valuation. This bill gives us consistency. That's extremely important to me. The difference of \$5,000 or \$6,000 in tax--a couple thousand dollars in tax on one of my projects--is the difference between making it and breaking it. And that's the difference between affording to my clientele, which is people that are 60 percent median income and below, a safe, sanitary place to live. And it makes me, if I

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have to pay too much tax, then I have to scrimp somewhere else in upkeep of those properties. I've got to pay the tax, so where does it...if I only have so much income, what do I do? I have to rob from Peter to pay Paul to pay that tax. The consistency is extremely important, so that's what I'm saying. And for instance, in Grand Island...I will answer, Senator, and I'll point a direction at your question... [LB1075]

SENATOR LOUDEN: You...are you ready for questions? When you turned that way, I was wondering. [LB1075]

WARD HOPPE: Well, he had asked a question earlier about incomes on those. [LB1075]

SENATOR LOUDEN: Yeah, but when you get done, then we'll deal with those. [LB1075]

WARD HOPPE: Okay, I'll take questions, sure. [LB1075]

SENATOR LOUDEN: Okay, are there questions for Mr. Hoppe? I have questions. If you go to the...we have a problem now with first acre on rural farm ground. And the Property Tax Administrator wiped their hands of it, didn't want to have anything to do with it, and they told us so. And so we have this inconsistency all over the state with the counties on how you value that acre of ground that's under a farmstead. [LB1075]

WARD HOPPE: Okay. [LB1075]

SENATOR LOUDEN: Sarpy County is at the top of the list, and probably Keya Paha is at the bottom. But anyway, what happens if we pass this bill and you put it in the Property Tax Administrator, then you people aren't satisfied with what they come up with for your valuation? Where do you go to get any relief or...? You've got to go to TERC? Will you go through TERC then, or where will you go? [LB1075]

WARD HOPPE: I think there's a review process in the bill. There's a review process in the bill. Formerly and today we've had to line up at TERC, and we would end up--I never had to walk through one because we'd always get it settled on the steps--but we'd have to threaten to go to TERC. I mean, you'd be sitting out with, you know, maybe 60 properties, 60 individual assessments that you'd be taking to TERC. Well, that eats a big hole out of our time and our administration costs, just for that one activity. And if you have to pay an attorney, fortunately I am one. So on my properties, the ones that I'm a manager of, I can at least go down there myself and not be paying a lot of money to someone to be doing it, and it's prohibitive. That's why the consistency is important. [LB1075]

SENATOR LOUDEN: Okay, with this bill then, you feel that covers it by redress to the

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Property Tax Administrator? [LB1075]

WARD HOPPE: By taking it to the Property Tax Administrator, you're going to have a consistent approach, an understanding of how to value those on the income approach in that specific property type. [LB1075]

SENATOR LOUDEN: Okay, thank you. Other questions? Seeing none, thank you for your testimony. [LB1075]

WARD HOPPE: Thank you. [LB1075]

SENATOR LOUDEN: Next testifier. You're the last testifier, is that correct? Okay, no more hands raised up anyway. [LB1075]

SENATOR ADAMS: One more. [LB1075]

SENATOR LOUDEN: Hmm? Was there another hand raised up? Go ahead. [LB1075]

BRENT WILLIAMS: So I'm the last one today, okay, for this. My name is Brent Williams, B-r-e-n-t W-i-l-l-i-a-m-s. I'm the president and CEO of Excel Development Group. We're located here in Lincoln, Nebraska. We're a developer of affordable housing, predominately low-income housing tax credit projects in Nebraska, Iowa, Kansas, and Oklahoma, mainly using, like I said, the tax credit program. I'm also a commissioner appointed by the Governor for the Nebraska Housing and Homeless Commission, and obviously I'm here today to, you know, speak in support of LB1075. There are just three specific concerns I'd like to address, you know, then I'd be more than willing to answer any questions. The first one is the current discrepancy we have in property valuations between counties. You've heard previous testimony. And I guess much like Fred, I'm kind of more the boots-on-the-ground guy who has to deal with this from the conception of a project, you know, all the way through the next 30 years because we also do the property management on the projects. On all projects we usually partner with a nonprofit housing organization, also with the investors on a project on there. We were kind of hoping that, you know, the Nebraska Revised Statute 77-1333, you know, the county assessors would use the local income approach for valuing rent-restricted properties developed under the tax credit program. But unfortunately this has not happened. We've even had county assessors, you know, that use the income approach. But, as mentioned earlier, we've seen them use anywhere from the 2 to 12 percent cap rate, basically, to arrive at a value that they want to...you know, a predetermined value that they want to have on a project. You know, as a result, the property tax valuations in Nebraska are just all over the board, you know. One specific example I'll give, because I know Tom Huston gave one, but two identical projects in neighboring counties. The first one, you know, identical projects, the first one being in Adams County. The units are paying \$337 per unit for property taxes. In Clay County, the same type of units, they're

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paying \$1,228 per unit in property taxes. And in reality, you know, you probably should be somewhere between the two on both projects. That's why we really feel this bill should be revenue neutral. We're not trying to say we want that \$1,200 reduced to the \$337. We just want some consistency of the property valuations throughout all the counties, and we're unable to achieve that at this point. The second difficulty we have with some of the assessors is...first thing is most of the assessors don't even want to talk to you until after a project is built, you know, and then they get to see what your final costs were and what was built and then do the assessment at that point in time. Unfortunately, with the process of the program, we have to submit a 15-year pro forma, complete with expenses, including property taxes. And in your annual expenses, property taxes are one of your major expenses in the entire project on an ongoing basis. And so any fluctuation of those property taxes greatly, you know, it just, you know, greatly affects the ability of that project to operate long term. They're done on very thin margins; it's not like these projects generate \$40,000-50,000 of excess cash every year. It's usually \$2,000, \$3,000 of what they have, and that's the very nature of trying to use your housing dollars the best you can. Another example of, you know, an issue where we had a county, Holt County. We sat down with them prior to ever turning in our application to NIFA, Nebraska Investment Finance Authority, you know, doing our due diligence. It's what...as a developer, one of the first things we do when we go look at the community to work with, you know, we're usually approached by either a city or a local nonprofit who is wanting to do affordable housing in their community; they have a need. You know, the first thing we do before we even go look for land is what's the mill levy rate and, you know, what will the county assessor do as far as valuing this type of a property. You know, a perfect example, you know, and I hate to use this one, but it is Buffalo County. Between the high mill levy rate and their unwillingness to take a look at using the income approach with a realistic cap rate, everybody in this industry in this state knows you run from Buffalo County; it's just impossible to do a project up there anymore. There are several other, you know, unfortunately, counties like that out there. But in Holt County, what we run into was they did talk to us, we met with the county assessor, we showed him this, we showed him...he did the income approach and said our units would probably be about \$750 a unit in property taxes. When the project was finished, we received, you know, our valuations afterwards and what the property taxes would be, and they ended up being \$1,578 per unit, more than double what we originally thought they would be. So even though we had the conversation, you know, they understood the income approach, for some reason over the course of time, you know, a year-and-a-half from the time we talked to them to the time they ended up getting built, their reasoning changed. I don't know why, but that was an additional \$9,100 on those eleven units that that cost. That project was only cash flowing a positive \$2,000 to maybe 3,000. So the nonprofit organization up there has now had to go in and sell the fund to keep that project open from being foreclosed on every year. You know, anywhere from \$6,000 to 7,000 a year, and they can't continue to do that, you know. And it's unfortunate that happened, you know, because they sat there in the face-to-face with that county assessor also. But those are the kind of deals that happen

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out there and why we're really trying to get just some consistency from county to county statewide to make these things work. Then you run into, like, Dakota County. We did a project in Dakota County, a couple of projects up there, and for eight years straight we protested our property taxes with no success up there. The eighth year, we finally got the property taxes reduced up there. They did use the income approach, reduced the taxes after we protested them, short of going to the TERC, which you can't do because nobody could afford to. But the very following year, last year, they raised them right back to where they were. And we fully anticipate this year, you know...we got them reduced again after we protested them, and we fully anticipate, just because of the attitude of the local county assessor, they'll be raised right back up again next year. He evidently has the time to do this. And the problem is that the savings you have once you protest the taxes, the savings in taxes, you spend a good portion of that on attorney fees. I'm not an attorney, so we hire people like Tom Huston to go do that. And if you win and it stays consistent, it's well worth spending that money that one year to do it. But if you have to go in every year and reprove the taxes because they raise them right back up to what they agreed to the year before, there's no net winner in this, and I hate to say, other than the attorneys. You know, they get a fee every year, and eventually the county gets the taxes that they had agreed to the prior year. But they've really wasted their time, our time, you know, the attorney's time, which he is getting paid for, but. And not to pick on Tom; what he does is very valuable out there. But, I mean, there is no other winner in the process. You know, and the last thing, the last issue I had out there was just, you know, counties are currently not willing, you know, to use the income approach in valuing the tax credit projects, you know. I mean, those that won't use it, they've basically blackballed themselves from having any affordable housing. If they have a high mill levy rate, you know, sometimes that can really be overcome if they'll use the income approach, because that high mill levy rate will get offset when they use the income approach by how much income is generated from that project. We've built two projects in York County, had very good success, you know, working with the county assessor there, and have had, you know, extremely good projects out there, you know, and they are working. The nonprofit has no complaints. I think the investors who bought the tax credits are very happy out there. But what you have, and it's just in conclusion, is, you know, in LB1075, how I see it is both basically a revenue-neutral bill, not one to try and overall, you know, reduce property taxes gathered in the state of Nebraska; but it's more intended to, you know, address the need for consistency and predictability in the valuation process, you know. And under this measure, all counties would be treated alike. The state agencies like NIFA and DED, you know, will know at what level new projects need to be supported without fear of are they overfunding or underfunding a project, you know. This will allow the state to make the best use of their limited resources they have for housing and give all the communities in Nebraska, you know, a fair and equal chance at affordable housing. [LB1075]

SENATOR LOUDEN: Okay, thank you. Well, I have a question. Then when you say it would be consistency, and when I look at the bill, or the way I understand it, when you

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come up with this rent, that depends on the average means of income in this particular area. So rent could be different in different counties, couldn't it, depending on the amount of average income in those areas? [LB1075]

BRENT WILLIAMS: Absolutely. It's figured...the average income is on a countywide basis; so you have an area median income for Sarpy County, another one for Douglas, another one for Lancaster, one for Holt,... [LB1075]

SENATOR LOUDEN: So you would have a difference in your... [LB1075]

BRENT WILLIAMS: And your rents are different accordingly. [LB1075]

SENATOR LOUDEN: ...in your valuation, because that's what your valuation is tied to, is the amount of disposable income that these people can have, isn't that...? [LB1075]

BRENT WILLIAMS: No, it's not tied to the disposable income that they have; it's tied to the income of the property. [LB1075]

SENATOR LOUDEN: Okay. But I mean that income has to have something to do with the amount that the people can pay that are working there. That's how you...isn't that how you figure how much rent you're going to charge? [LB1075]

BRENT WILLIAMS: Right, that's part of Section 42 in the tax credit program, which is kind of a separate issue than the property taxes. [LB1075]

SENATOR LOUDEN: But that would...other words, different units in different counties could have...the same kind could have different valuations. [LB1075]

BRENT WILLIAMS: Right. You may have in York County a project...an identical project in York may have rents of \$400 a month, and in Lancaster County those rents may be \$550 to \$600 a month, because the income levels are higher. [LB1075]

SENATOR LOUDEN: Yeah, now how would...okay, but you think the Property Tax Administrator then could have some consistency then across the state by doing that? [LB1075]

BRENT WILLIAMS: They could, because what the rent levels are really doesn't make the difference in how they're valuing the project. When you do your pro forma, you look at, okay, how much total revenue is the project generating in rents every year? What are its operational costs for that year? You know, what's left over? And maybe somebody else here could explain it better than I can. But when you come down to where there's normally \$2,000, \$3,000, \$4,000 of leftover income regardless of whether it's a project in Lincoln or a project in Alliance, Nebraska... [LB1075]

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SENATOR LOUDEN: But isn't that how they're supposed to value that property, is the amount of income that it brings in? [LB1075]

BRENT WILLIAMS: Amount of income it brings in. But the income it brings in is pretty equal throughout all the counties in Nebraska, despite what the rents are in there, because when NIFA and DED award these tax credits and HOME funds for a project, they vary what they award, county by county, you know, and it's not a set amount, but...I should say project by project. But it's based on, you know, what the costs are, you know, in those communities: one, to live, you know, and operate; and the second is to build. You talked earlier about... [LB1075]

SENATOR LOUDEN: But, at any rate, as I looked through it, I mentioned...asked before, where do you get redress from? And as I look at the bill, yeah, you've got to go back to the TERC committee, just like everybody else if you aren't satisfied with the Property Tax Administrator comes out. [LB1075]

BRENT WILLIAMS: We do. And when a project only has excess cash flow--you know, if it operates well--of less than \$5,000 a year, that comes nowhere near the cost of taking, you know, an appeal to the TERC. [LB1075]

SENATOR LOUDEN: Yeah, but I mean if the Property Tax Administrator...right here in the bill, if you're not satisfied with their ruling, the only option you have is to go to the TERC committee. It's right here in the bill. [LB1075]

BRENT WILLIAMS: We go through the review process and to the TERC. So far, I don't know and somebody else can answer, if there has been ever a project really taken to the TERC in Nebraska that has...yeah. [LB1075]

SENATOR LOUDEN: Well, I'm talking about it's still in the bill that you have to go to TERC; that, no matter what, if you're not satisfied with the valuation, that's where you end up at, whether it's the county or whether it's property tax. [LB1075]

BRENT WILLIAMS: Right. And, you know, it's not so much the satisfaction of the valuation as it is getting some consistency in it. You know, so that we know up-front. If we know, if NIFA knows, if DED knows, if the investors know that this is what the property taxes are going to be...and we have that in other states. Iowa is a perfect example of that. They have a set cap rate, you know, in the state of Iowa. And they had a form, and it's one part of your application process. You go in and you put in here is the cost of my project, here are my rents, you know, here are my operating costs on an annual basis, here is the cap rate. This is what your tax liability or your property tax is going to be on the project. Based on that, then the funding agencies know how much in the way of tax credits they need to do; how much debt can this project support to be an

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ongoing, viable project out there. The way we have it right now, we have no means of knowing, nor do the funding agencies, of knowing exactly what that amount is going to be. And like I say, it would...I could show you examples of where it's double of what you anticipate it to be, and there's no way to recoup those costs. You can't go back and ask for, you know, for more tax credits, for more HOME funds. You can't ask a bank for more money. [LB1075]

SENATOR LOUDEN: Other questions? Senator Schumacher. [LB1075]

SENATOR SCHUMACHER: Don't be afraid to pick on attorneys; it's figured in your bill. (Laughter) I did have one question here. You mentioned Buffalo County. Do you know why the Buffalo County Assessor uses such a low cap rate? [LB1075]

BRENT WILLIAMS: No, I don't, to just be quite honest. And, I mean, somebody here may have more experience of working with them and as the assessor has shared more with them than they have with me. But going up and visiting, it's pretty much hitting a brick wall in trying to even discuss it with them. [LB1075]

SENATOR SCHUMACHER: Thank you. [LB1075]

SENATOR LOUDEN: Senator Hadley. [LB1075]

SENATOR HADLEY: I just had a couple quick questions, and maybe you or maybe somebody later could...in looking at the green copy, we've changed the term for the income housing tax credit from "granted" to "allocate." Is that a big change? [LB1075]

BRENT WILLIAMS: Would you run that one by me one more time? [LB1075]

SENATOR HADLEY: It says the income "tax credits authorized under Section 42 of the Internal Revenue Code that were..." and we struck out "granted" and changed to "allocated to owners of the rent-restricted project." [LB1075]

BRENT WILLIAMS: And that would be correct. [LB1075]

SENATOR HADLEY: Is that a big change? [LB1075]

BRENT WILLIAMS: The low-income housing tax credits are not granted. They are...you know, NIFA allocates tax credits to projects, and then those tax credits in that project are in turn sold to an investor, like a Midwest Housing Equity Group. That's not a grant. [LB1075]

SENATOR HADLEY: So it's just a terminology change. It's not a... [LB1075]

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BRENT WILLIAMS: It's just a terminology change is all it is. [LB1075]

SENATOR HADLEY: Okay. The second thing, we struck "the calculation may not (sic) be considered in determining the capitalization rate to be used when capitalizing the income stream." Is that a big change? [LB1075]

BRENT WILLIAMS: I'll defer that one to somebody else, to be honest with you. [LB1075]

SENATOR HADLEY: Okay. Well, maybe somebody else later could... [LB1075]

BRENT WILLIAMS: Yeah. [LB1075]

SENATOR HADLEY: You know, we struck that part, not using that in the capitalization rate. And I just had a question of was it... [LB1075]

BRENT WILLIAMS: Yeah. I wasn't involved in that part of it. [LB1075]

SENATOR HADLEY: Okay. And, well, we can ask that...I'm sure we're going to maybe have some opposition that could answer that. [LB1075]

SENATOR LOUDEN: Just one more. Okay, any other questions? Thank you for your testimony. Next testifier. [LB1075]

DON WESELY: Members of the Revenue Committee, for the record, I'm Don Wesely. I'm here as a lobbyist for the housing authorities in the state of Nebraska. Just very briefly, the housing authorities' projects typically are tax-exempt. But housing authorities sometimes partner with private investors, some of the different entities you've heard from today. And in those projects we want to encourage private investment, along with other investors' partnership, is big in affordable housing. And as long as this issue remains unresolved, the concerns you have heard will make it harder to encourage equity from private investors into affordable housing projects. This issue has been around awhile. We talked to Senator Cornett last year about trying to do something. We appreciate Senator Cornett introducing this bill. We think this is a good approach. If I'm sitting in your chair and I'm looking at this bill, the main concern I would have is the fiscal note, which is big: \$1.2 million. That's far higher than we anticipated. When you hear Larry Dix later, talking from the counties, you could ask whether or not he expects \$1.2 million in savings (laugh) to the county assessors across the state. My guess is that won't be the case. I don't know about that fiscal note; that's something we'd want to work with you on. We have great respect for Doug Ewald and the Revenue Department. That seems high to us. But I guess you could say for whatever expense they incur, there will be a savings to the county assessors across the state, so you could look at this as a property tax relief bill if you want to. But anyway, the housing authorities see

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this as a very important issue and hope that you would support it. Thank you. [LB1075]

SENATOR LOUDEN: Any questions for Don? Oh, Senator Schumacher. [LB1075]

SENATOR SCHUMACHER: Thank you, Senator Louden. Thank you for being here, Don. Are you able to answer Senator Hadley's question about that change in language regarding the calculation or the credits "shall not be considered as income for purposes of the calculation but may be considered in determining the capitalization rate to be used when capitalizing the income"? [LB1075]

DON WESELY: I don't know the answer to that. I'm sorry. [LB1075]

SENATOR SCHUMACHER: Okay. Thank you. [LB1075]

SENATOR LOUDEN: Other questions? Seeing none, thank you for your testimony. [LB1075]

DON WESELY: Thank you. [LB1075]

SENATOR LOUDEN: (Exhibit 15) Testifiers in the...? Proponents, one more? Well, while we're waiting here, we have a letter in support from a...we'll enter it into the record, I think. Go ahead. [LB1075]

ANDREW WILLIS: Hello. My name is Andrew Willis, A-n-d-r-e-w W-i-l-l-i-s. I'm an attorney; I work with Tom Huston. I guess I...and I think we probably hit everything that we need to address, but I can hopefully answer a couple questions regarding the language of the bill and what we've done here. So, starting out, part of the problem with this is, as you've heard in the other testimony, these changes when this original 77-1333 was passed, and it gave the counties the approach to do it, but it wasn't...it allowed enough flexibility or leeway that they could essentially, if they didn't want to...if they weren't looking at this as, you know, what's the proper approach but how do we need to get to where we are going, it allowed...there was some flexibility in there, I guess. And that would be one of the issues that's being addressed. And so as far as the specific language, the idea that the project shall not...the tax credits should "not be considered income for the purposes of the calculation but may be considered in determining the capitalization rate" when determining the..."capitalizing the income stream," that was struck out. Part of the problem there was on a county-by-county level you would see...because the first aspect being that this allocation of tax credits is not income. As you've heard from the other testimony, it's just a reduction in the investor's federal tax credit. So it's not income to the project, and that was clear in the old bill. But then they added in the language that it could be used in the capitalization of the income stream. Well, there was no method of doing that. And one thing we've seen, particularly in places...they've mentioned a couple counties, Buffalo being one, and a couple others,

that what happened was they added on a factor of whatever percent they were losing--2 percent, 3 percent, 4 percent--in the cap rate and said, well, this is counting for the income...the tax credits. It was...there was no math to it, I guess, essentially. But that was the problem with that language, that it allowed...and the case that came to the Supreme Court in 2010, that was part...one of the things that happened there was they...it was...sorry, I forget the citation. But the Supreme Court had a case in 2010, and one of the issues was the language there. And they had a...it was a...part of the capitalization rate. Typically, you have a loaded cap rate, which means you add in the property taxes on top of that. Well, in the case, they did not do that. And then so the county responded by saying, well, that was...we added...we decreased it by the same amount in order...because of this language. Well, it just...and there was nothing, nothing to be done there. I guess that's a long approach to get to. I think the language didn't...it allowed a results-oriented approach from the county level so that they could get...and I think, because that's kind of what they did. You had mentioned Buffalo County earlier and why they used a low cap rate and some of these things. It's because they had a valuation they sort of...but I mean...I'm a little speculating here, but there was a value that they needed to get to, and this type of language allowed for that results-oriented valuation rather than a specific income approach. At the central level, I suppose it...if this was all centralized...and Tom passed around the income approach formulation, and it would all be built into that anyway, and so...and with a state, essentially, determined cap rate, that probably wouldn't be as problematic, but that's how that language or the change came about. [LB1075]

SENATOR LOUDEN: Questions? Senator Schumacher. [LB1075]

SENATOR SCHUMACHER: Well, it's my understanding when you evaluate something according to the income approach, you look at the money it brings in. And this old statute instructed, well, you don't compute into...to treat the tax credit, the freebee from the federal government, as rent. We forget about that. So you look at the money that it brings in, and then you apply a capitalization rate to that income stream in order to determine its value. And the old language seems to say you can adjust that due to the fact that there was a subsidy in the beginning; and you want to take that out. [LB1075]

ANDREW WILLIS: I think the problem...that's correct. Yeah, the income approach, you're looking at your income less expenses, less a percentage of vacancy/collection rate. And then you're, you know, dividing that by the capitalization rate to look at the valuation over time, and that's correct. And with the way the new statute and the changes would work is you would have...you know, there would be one capitalization rate that would be figured out for low-income housing projects. And so that...you know, that would be determined in the way...you know, and I'm probably...I don't know the math of figuring out the capitalization rate. But essentially you're looking at the...essentially, the rate of return of that type of project, uniform...you know, over that type...you know, over the broader scale of those types of projects. [LB1075]

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SENATOR SCHUMACHER: So... [LB1075]

ANDREW WILLIS: So this would be figured in. For example, in Iowa, for example, they have a...the state sets the cap rate at...last year it was 11.2. And so there wouldn't be the...you wouldn't set the cap rate and then kind of adjust/fluctuate based on the potential results you're going to get to, like...that at the state level may be figured in as part of...as just a mathematical capitalization rate formula that they're looking at that, but it wouldn't be done...it wouldn't be...you wouldn't be allowed to...what was done sort of at the county levels. And that was, well, our cap rate for this type of project is 7 percent, but now we want to figure in some, you know, figure in that tax credit, so we're going to subtract 3 percent. It was...there was no math to it, essentially. [LB1075]

SENATOR SCHUMACHER: Well, but there was principles of valuation to it because you're saying you can look at the revenue stream. And you can then deduct off the expenses to look at the net revenue stream, and that's your starting figure. And then you apply the capitalization rate. And since there was a big subsidy on this on the head end, the risk is lower on the investment, and thus, you're allowed to apply a lower capitalization rate on the end. So we are making a substantive change in what we can evaluate these from by making this...striking this language. [LB1075]

ANDREW WILLIS: Well, I don't...I guess I don't think so. In the...for example, in the regulations that were passed along with the 77-1333, there is a substantial portion on how to capitalize...or how to determine the cap rate. There is...there was...for...those regulations were not followed by any county. I mean, no county looked at those, or I shouldn't say that. But they seemed to be...yeah, I didn't...I strike that, take that back. That was a...but it was a difficult in...sorry, I apologize. It was a...it's...it was a...there was a formula put in place, but at certain counties this type of language allowed a determination...there was a...this allowed for a change in that capitalization rate based on the formula that was in the regulations, just sort of a post hoc, I guess. So I think that there is still a formulation that you...to derive the capitalization rate. It...there would be...I mean in the regs, and the state would still set a capitalization rate based on the low-income housing projects. I think the problem was that it clarifies or it allows less, you know, flexibility, maybe, county to county. [LB1075]

SENATOR SCHUMACHER: Thank you for your answer. [LB1075]

ANDREW WILLIS: Yeah. [LB1075]

SENATOR LOUDEN: Seeing no other questions, thank you for your testimony. [LB1075]

ANDREW WILLIS: Thank you. [LB1075]

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SENATOR LOUDEN: Any more proponents? Then we will take opponents. Any opponents? Neutral testimony? Okay, we have two for neutral testimony. [LB1075]

KEN BUNGER: My name is Ken Bunger, B-u-n-g-e-r. I'm an attorney in Omaha. I'm here representing, in a neutral capacity, Siena/Francis House, which is a homeless shelter in Omaha that's recently successfully got an allocation for tax credits to build low-income housing as part of an overall homeless campus project. I'm also here in a capacity--I'm pro bono, by the way--and I'm also here in the capacity as an attorney that generally practices in that area. Since we're...Siena/Francis House is a little bit different. We're using low-income housing tax credits to attract an investor to buy the tax credits, to be able to fund a project that will be solely, solely for the homeless. Being homeless, you might imagine, they can't pay a whole lot of rent. So the rent is extremely low, a couple hundred dollars a month perhaps, which is backed by the homeless shelter. We're in a situation where the county will hopefully grant a tax exemption, extend our tax exemption that we already have to provide services for the homeless. This is just a way to get people to sort of take care of themselves off of the floor and out of the shelter and into another part of the campus that will have some small efficiency apartments. That's the low end of the beneficiaries of the tax credit project. So we're not here to make money; we're here to provide for the homeless. The concern we had with the bill...and we think, just speaking for my client, we think it's a great idea, because anything to encourage consistency and affordable housing throughout the state is part of the overall mission of my client. In our particular instance, we'd want to make sure that the bill didn't inadvertently take the ability to negotiate locally with tax exemptions and to provide for services that we provide--and we're not your typical tax credit project. We want to work with the committee staff to make sure that it's consistent with the ability of the counties to provide those exemptions where possible. It's a very rare instance; there's only a few in the state that are like that. We hope it's...we'd like to see more. We're going to be expanding our campus. We think we're being successful. We had a very nice national write-up and were on the national news a couple of times as sort of being a model for how to provide for the homeless community. We're also looking at using tax credits to provide for families, that are the result of abusive households, that would fall into the category of homeless. We actually had some twins born on campus a few weeks ago. So I've talked with the research assistants, and they're very anxious to help just make sure that the bill is consistent. Other tax increment financing, which we're not...because we're not going to pay taxes. The tax increment financing, the area I practice in, is very important to all these projects; and we want to make sure that that decision, whether to use it or not to use it, remains at the local level and not...I don't...not with the Property Tax Administrator but with each county board can decide whether or not to apply that. And so we just want to make sure that this bill then is consistent with that as well. So that's really all I have. If you have any questions? [LB1075]

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SENATOR LOUDEN: Okay. Questions? Seeing none, thank you for your testimony. [LB1075]

KEN BUNGER: Okay. [LB1075]

SENATOR LOUDEN: Next testifier in the neutral. [LB1075]

TIMOTHY KENNY: Thank you, Senators. My name is Timothy Kenny, T-i-m-o-t-h-y, Kenny, K-e-n-n-y. I'm the executive director of the Nebraska Investment Finance Authority, and I administer this program on behalf of the state of Nebraska. I've had the honor of doing this for about 19 years. We're in our twentieth application round. The program is administered through a qualified allocation plan that is developed in the public process and approved by the Governor. It's my job to make sure that the rules and regulation of the program, both federal and state, are followed. I offer just two points of illumination. First, it's a very adaptable program. We use it for a number of resources, from...one good example is for victims of spinal cord injuries. We have a facility that we financed for those individuals to get them out of nursing home and off state aid and into independent living facilities. We also do a number of projects for the elderly, we do it for the homeless, a number of homeless shelters, as well as for the work force housing in some communities. So it's a very adaptable program. It's been around for about 26 years and been used very effectively. All of those particular uses and all of those rent restrictions are incorporated into a restrictive covenant that's filed as a deed restriction on the property, and it's our job to enforce that deed restriction for a period from 15 to 30 years. And it impacts not only the use of the property but the income limits of the individuals who can live in the properties and the rents that are charged. And those rents are calculated in advance, and then we enforce that against those properties for 15 to 30 years. In exchange for those conditions, a tax credit is allocated--not granted, but allocated--to the property, and that tax credit has to be earned each year. And we make sure that they fulfill those commitments because, if they don't fulfill their commitments, that allocation can be terminated. And so it's a program that says in exchange for that commitment, you will get this annual allocation of tax credits, and that happens over a ten-year period. This resource is solely a construction resource, a construction financing. It goes directly to the balance sheet. It does not impact the income statement, does not impact the operating cost. But it does require that the income be reduced, and that's why there's some confusion. Because it's periodic, some people think it's income. But, in fact, it is purely a balance sheet transaction to reduce the financing cost associated with the asset. So that's point one, and that's how the basic, tax credit 101, how the program works. The second point is just with respect to the fiscal note. We very carefully supervise all these projects. They're very well supervised, and they're very adept managers. We get all of our information digitally; all of the projects in the state report to us through a digital system. This resource that we have is not required, but about half of the projects actually report the income statement to us digitally. We'd be happy, as we do provide free services--for

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example, to the Department of Economic Development with respect to the compliance management in the HOME program, which is another federal program--we'd be happy to provide our services at no cost to the Department of Revenue to help them develop the system, even manage the system for us. We have a secure shop and we do protect. Since we look at every tenant, every lease, every unit every year, and have their Social Security numbers, we have a secure shop, and we can provide a secure channel of information for this data. Those are my two points, and I'm happy to answer any questions about the program. [LB1075]

SENATOR LOUDEN: Any questions? Seeing none, thank you for your testimony. [LB1075]

TIMOTHY KENNY: Okay. [LB1075]

LARRY DIX: Good afternoon, Senator Louden and members of the Revenue Committee. For the record, my name is Larry Dix, spelled D-i-x. I'm executive director of the Nebraska Association of County Officials, appearing today in a neutral capacity on this bill. Just a couple of comments that I want to make. One, as we discussed this...and many people will say, well, why is NACO here in a neutral capacity? I've got to agree with Senator Cornett, we've been here every year since I've been executive director on this particular issue. And we've tweaked and we've changed and we've done some things every year, but it never quite seems to solve the problem. We're here from a neutral position because we certainly don't want to give the impression that the assessors want to give up this assessment or are trying to shift any responsibility. But we're also here from a point of view that, I think as you heard today, these are sort of a different animal. They're not, you know, typical. There's a lot of other information that goes into these and a lot of these that have to be valued according to the income approach. And so if there is a belief that the Property Tax Administrator or the Department of Revenue can value these more consistently and that's truly the belief, you know, we don't want to stand in the way of that, if that truly is the case. A couple of things though that were stated, that I think when we look into this we've got to seriously consider. A lot of folks were up here talking about, well, my taxes were this and my taxes were that. Well, unfortunately, the assessors deal with the value, they don't deal with taxes. And while assessors cannot control the tax rates, that's a lot of components that go into what makes up somebody's tax rate; it isn't the assessor that can control that. So if somebody is sitting here saying, I want to control my taxes, I think they're sadly mistaken that the assessment process is going to do that. Secondly, I believe the committee has a letter from the Douglas County Assessor or a representative of the assessor's office, Mr. Goodwillie, which I think he makes some good points in there that I would ask, before the committee makes a decision, that they look at that letter. I know he's sent me a copy with the indication that he was going to send it to the committee; if not, I'll make sure the committee receives that. The other thing on the fiscal note, I'm certainly not going to make a statement from the Department of Revenue's point of view

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of what they believe it takes to assess those properties. I would tell you, by the complexity of the problem and the properties, based on what everybody has testified, it is going to take a little bit to come up with an appraisal on these properties. These are not simple properties to appraise, so I think there is a real cost there. What that cost is, that's up to the Department of Revenue to make that determination. I would imagine these folks would be able to tell you about what that cost is because if they were to take that property to TERC, they would probably have their own assessment folks go through an assessment of that property. Lastly, one of the things that...sometimes I think you want to be cautious what you ask for. It was interesting to me in one of the testifiers had said that we had been to Dakota County and we had worked through that process, and we just didn't really get the results that we wanted, and the assessor just wouldn't go through that process. I would want to make sure everybody is aware, Dakota County is a state-assessed county, and that falls directly under the Property Tax Administrator today. And so you might be wondering, you know, you may get what you asked for on that scenario; but that is one of the state-assessed counties today and has been for a number of years. So with that, I'll...I know it's getting late. I'll end my comments and try to answer any questions anybody has. [LB1075]

SENATOR LOUDEN: Questions? Senator Hadley. [LB1075]

SENATOR HADLEY: Mr. Dix, thank you for coming. How often do assessors have to go out and physically look at the property and... [LB1075]

LARRY DIX: I think there's... [LB1075]

SENATOR HADLEY: ...versus sitting in the office and determining a value? [LB1075]

LARRY DIX: There are statutes that lay that out and I'm not exactly sure what the number of years are. But it...they have to "re-evaluate" and look at that property. It's laid out in statute, I can't remember if it's either four or six years, and so there is a cycle which they have to spin through. [LB1075]

SENATOR HADLEY: So if this were to go to the Property Tax Administrator, that physical inspection of the 338 properties would fall to that office from a physical standpoint also. [LB1075]

LARRY DIX: Yeah, I think you would probably have to do that. And you want to be cautious on the physical inspection of a property because when you lump that in to all properties, I mean, if I got a quarter section of farm ground and it's always had corn on it, there's no sense to drive by and look at it. Physical inspection of the property, you know, sometimes people view that as walking inside the property and actually looking, going into the basement and all those kinds of things. Other times, physical inspection could simply be going outside by the property, see if it has been added onto, see if there

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has been, you know, some other addition to the property. [LB1075]

SENATOR HADLEY: Okay, thank you, Mr. Dix. [LB1075]

LARRY DIX: Yeah. [LB1075]

SENATOR LOUDEN: Any other questions for Mr. Dix? Seeing none, thank you for your testimony. [LB1075]

LARRY DIX: Thank you. [LB1075]

SENATOR LOUDEN: Any more testifiers? If not, that closes the hearing. Senator Cornett has waived closing, so that closes the hearing on LB1075. We will now open the hearing on LB1106. Senator Schilz. Good evening. [LB1075]

SENATOR SCHILZ: (Laugh) Good afternoon, Senator Louden and members of the Revenue Committee. My name is Ken Schilz, K-e-n S-c-h-i-l-z, and I represent the 47th District. I introduce LB1106 today, and the purpose of LB1106 is to clarify that the form 402P shall be filed upon any change in ownership and allow that same form to be filed by the owner of the improvements on leased land, as well as the owner of the land. This comes up because, in my area, Central Nebraska Public Power leases land to individuals who own improvements on leased land, on Central's land on and around Lake McConaughy. Improvements on leased land must have a 402 or 402P signed. A 402 may be signed by the lessee or lessor. However, a 402P must be signed by the lessee only. The statutes as they stand today does not clarify that the 402P shall be signed upon any change of ownership. The statute today just requires this form, and "following any construction thereof" is how the statute is written. And there seems to be some confusion on what is required of the lessees when improvements on leased land are there. Some owners have refused to sign the 402P, which has created issues with who should be paying, collecting, administering the tax and things like that, and this is why I'd like to clarify that statutory language. And we do have some folks here that came from western Nebraska to testify on this and they know what all this is about. So I would ask that you give them an opportunity to come up and explain this in a manner that maybe we all can better understand. But with that, I would be happy to try and answer any questions. But I do have people coming up. [LB1106]

SENATOR LOUDEN: Questions? I have some, Ken. Now, you're talking about land that's owned by Central Power and Irrigation, is that what you said? [LB1106]

SENATOR SCHILZ: Yeah, that's right. And what they do is then they lease that out to the cabin owners. And the cabin owners have built...put improvements upon that land. [LB1106]

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SENATOR LOUDEN: Cabins, like along McConaughy and also along, what, Harlan County Reservoir and some of them places like that? [LB1106]

SENATOR SCHILZ: Yes, it would be just like that. [LB1106]

SENATOR LOUDEN: Okay. Now, does this bill affect the Board of Educational Lands and Funds? [LB1106]

SENATOR SCHILZ: You know, that's a question that you'd have to ask somebody else. [LB1106]

SENATOR LOUDEN: Well, that's the first one when I saw the bill there. And see, Board of Educational Lands and Funds, when you buy that lease, or bid it, when the lease comes up, they value the improvements that's on the property,... [LB1106]

SENATOR SCHILZ: Right. [LB1106]

SENATOR LOUDEN: ...and whoever buys the lease or gets the lease has to purchase that improvements for whatever it's advertised at. [LB1106]

SENATOR SCHILZ: Right. [LB1106]

SENATOR LOUDEN: And I'm wondering how come something like that isn't done with this? If there's property on that leased land and they own it, then they surely have to pay taxes on that property, don't they? [LB1106]

SENATOR SCHILZ: And that would be my understanding. [LB1106]

SENATOR LOUDEN: And then... [LB1106]

SENATOR SCHILZ: But the thing is here now is that some of those folks have refused to sign this form, which then has thrown this whole thing into pandemonium. [LB1106]

SENATOR LOUDEN: Why doesn't Central Power and Irrigation then appraise that property? Are they getting any income from those cabins that are built on that property? [LB1106]

SENATOR SCHILZ: They do get income from that, yes. [LB1106]

SENATOR LOUDEN: Or do they just get the income from the dirt that it's sitting on? [LB1106]

SENATOR SCHILZ: Just the dirt that it sits on. They don't get anything from the

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improvements. [LB1106]

SENATOR LOUDEN: From the cabins that are...? [LB1106]

SENATOR SCHILZ: And, well, now, let me think about that, because there's... [LB1106]

SENATOR LOUDEN: Well, they must give permission to have those cabins built on there, don't they? [LB1106]

SENATOR SCHILZ: They do. They have to have permission. But I think...and when I needed to think about it, they really only pay for the use of the land. And what I was thinking is that rent has continued or that lease amount has continued to...they've got a stairstep approach. So I was trying to think if there was different lands that they were charging different amounts on, but it's all the same as they go across. [LB1106]

SENATOR LOUDEN: Now are those cabins physically fastened to the ground,... [LB1106]

SENATOR SCHILZ: Yes. [LB1106]

SENATOR LOUDEN: ...or are they trailer houses sitting there? [LB1106]

SENATOR SCHILZ: Well, there's some of both. [LB1106]

SENATOR LOUDEN: But I mean, if somebody runs a foundation and... [LB1106]

SENATOR SCHILZ: Yeah. [LB1106]

SENATOR LOUDEN: ...sets a cabin down, drills a well or whatever they do for water, sewer systems, and the whole thing? [LB1106]

SENATOR SCHILZ: That's correct, yes. [LB1106]

SENATOR LOUDEN: They actually build a house,... [LB1106]

SENATOR SCHILZ: Yes. [LB1106]

SENATOR LOUDEN: ...a residence on there? [LB1106]

SENATOR SCHILZ: Yes, and therein comes part of the issue. And we do have the Keith County Assessor here to... [LB1106]

SENATOR LOUDEN: Okay. Senator Adams. [LB1106]

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SENATOR ADAMS: So if I understand it, if it were federal land and you came in and you have a 99-year lease for your cabin,... [LB1106]

SENATOR SCHILZ: Um-hum. [LB1106]

SENATOR ADAMS: ...then what the county is in essence saying, you've built the cabin on here, we've got to have some tax for that cabin. [LB1106]

SENATOR SCHILZ: Correct. [LB1106]

SENATOR ADAMS: And this is a mechanical, a technical thing to make sure that that occurs? [LB1106]

SENATOR SCHILZ: Yeah, because as I understand it, what has happened is that there have been instances where the owners of the improvements have refused to sign the certain form. And when that happened it just threw the whole process into a mess. [LB1106]

SENATOR ADAMS: So if I've got a lease on federal ground for 99 years, let's say, and I refuse to sign the form, then the federal government, in effect, has got my improvements. And they're not tax-exempt by the county, so the county gets nothing out of the deal. [LB1106]

SENATOR SCHILZ: That's the issue. [LB1106]

SENATOR ADAMS: And I didn't have to pay any taxes either. [LB1106]

SENATOR SCHILZ: And that's where we're at. [LB1106]

SENATOR ADAMS: Got it. Thank you. [LB1106]

SENATOR SCHILZ: Yeah. [LB1106]

SENATOR LOUDEN: One more question then. [LB1106]

SENATOR SCHILZ: Yes, sir. [LB1106]

SENATOR LOUDEN: Are those cabins then classified as personal property or what? [LB1106]

SENATOR SCHILZ: I believe they are. [LB1106]

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SENATOR LOUDEN: Then that goes on those people's personal property taxes in that county? [LB1106]

SENATOR SCHILZ: And I may be speaking out of turn. [LB1106]

SENATOR LOUDEN: Well, the reason I asked that is if you don't pay your personal property tax, we already have statutes in place to take care of that, and that's the reason I'm wondering. [LB1106]

SENATOR SCHILZ: Right. And if I'm mistaken, there's somebody surely who will correct me as they come up. [LB1106]

SENATOR LOUDEN: Okay, because on school lands, that's personal property, and you have to pay taxes on the improvements that's on school land,... [LB1106]

SENATOR SCHILZ: Right, right. Absolutely. [LB1106]

SENATOR LOUDEN: ...including the fence. Okay, any other testifiers...or any other questions? Sorry. Thank you for your testimony. [LB1106]

SENATOR SCHILZ: Thank you. [LB1106]

SENATOR LOUDEN: Do you want to take over now? [LB1106]

SENATOR CORNETT: Sure. First proponent. [LB1106]

LARRY DIX: Good afternoon. My name is Larry Dix. I'm executive director of the Nebraska Association of County Officials, and I'm really here just to get NACO on record in support of this. Today, with us is the Keith County Assessor, and she really deals with this on a day-to-day basis, so she really is the authority on the questions that Senator Louden and others have asked. And so with that, I just want to get us on record. And then she'll come up, and I think she'll be able to address those questions. It really is about trying to get an amendment to get a document signed. I mean, that's really what the intent of this bill is. So with that, I'll answer any questions or try to, but there are those much wiser than I following. Thank you. [LB1106]

SENATOR CORNETT: Thank you, Mr. Dix. First proponent. A new proponent? [LB1106]

CHERYL SCHIEL: (Exhibit 16) Good afternoon, Senator Cornett and members of the Revenue Committee. My name is Cheryl Schiel, C-h-e-r-y-l S-c-h-i-e-l. I want to thank you for providing me the opportunity to speak to you today regarding this LB1106. And also I would like to thank Senator Schilz for presenting this forward to you. Basically, I

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just would like the statute to clarify that the owner of the improvements on leased land shall file the form 402P at the time a change in ownership occurs and also allow the owner of the public land to sign the form. Lake McConaughy does lie within my county. We have a lot of properties that are owned by other people than the owners of the land. And there is different statutory language for forms 402 than there is 402P. On the 402P, only the owner of the improvements is allowed to sign the form; therefore, Central Nebraska Public Power cannot come in and sign the form if the owner of the improvements does not. We do have several owners who failed to sign the form. They filed the 521 in the clerk's office, we transfer the property, but they failed to file the form 402P. We send it to them, sometimes five, six times, and they just ignore it, or some of them have refused to sign it. Also, we have questions about the 402P referring to signing the form following any construction, and I would appreciate it if you could consider that language as well. If we have a signed 402P on file when they change the ownership, is it really necessary that they file it every time they add an addition or change, you know, add windows or do anything to change the...any type of construction to the property? So thank you, and I entertain any questions that you have. I guess I could answer one of them that was asked earlier, if that's okay. [LB1106]

SENATOR CORNETT: That would be fine. [LB1106]

CHERYL SCHIEL: It's not personal property, it is real property. [LB1106]

SENATOR CORNETT: Okay. Senator Pirsch. [LB1106]

SENATOR PIRSCH: Do you feel you have the legal authority under Chapter 77 right now to assess this real property tax on such land? [LB1106]

CHERYL SCHIEL: Yes. Yes, we do have the authority to assess it. The issue is that if they don't sign the 402P, then we're supposed to send the value to Central Nebraska Public Power. Nebraska Public Power protests and says that they pay an in lieu of tax and they shall not have to pay the tax. And so even though we sent them a notice of taxable status stating that it is taxable and they can send that tax statement on to the lessee... [LB1106]

SENATOR PIRSCH: Is this the correct language, "Improvements on leased public land shall be assessed, together with the value of the lease, to the owner of the improvements as real property"? And you're saying without them filling out the form, you can't prove that they're the owner of the improvements, is that what you're saying? [LB1106]

CHERYL SCHIEL: Yeah. [LB1106]

SENATOR PIRSCH: There's no other way to establish? Central Power won't say...I

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mean they must have certain lease documents back and forth for them to grant permission of the land and...but they...I mean, what's that encounter been like? [LB1106]

CHERYL SCHIEL: They do, but the statutory language does not allow Central to sign the 402P form. We do, on most all of these... [LB1106]

SENATOR PIRSCH: Well, but no. I know they're not going to sign the 402P form, but that's for the owner of the improvements, correct? [LB1106]

CHERYL SCHIEL: Right. [LB1106]

SENATOR PIRSCH: Right, and so they're...Central isn't...we're not the owner of the improvements. We own the land underneath, we have this...we're leasing this lands to whoever built this cabin that's in question, right, or trailer? [LB1106]

CHERYL SCHIEL: Um-hum. [LB1106]

SENATOR PIRSCH: So I guess what I'm saying is your problem is that you have traditional...say it has nothing to do with this. But this type of setup, leased public lands...but somebody who just is not paying or interacting with you in terms of...such as...yeah, I mean that you have certain powers, do you not, to...if...say you could establish they were the owner, right? They admitted...they filled out a 402P. [LB1106]

CHERYL SCHIEL: Um-hum. [LB1106]

SENATOR PIRSCH: What does that give you? What does that allow you to do? Now that they're on the record as the owner, and now you can assess? Is that what it's doing? It allows you to...? [LB1106]

CHERYL SCHIEL: We can send this tax statement to them. [LB1106]

SENATOR PIRSCH: Okay, so that's ultimately, at the end of the day, what you want to do, is send a legal tax statement. [LB1106]

CHERYL SCHIEL: Right. [LB1106]

SENATOR PIRSCH: So why...you can't work with Central Power to gain documentation that establishes that...I suppose all they could establish is that they leased the land to an individual. Is that enough for you to establish that anybody who builds an improvement on the land, that that land belongs to...according to...or is leased to Joe Smith and that, therefore, Joe Smith should be assessed? Is that...? I mean, is that another alternative route that could be taken rather than compelling somebody who

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really isn't...you know, is hiding out in the shadows, to sign something? Wouldn't Central Power want to comply, or what's the difficulties there? [LB1106]

CHERYL SCHIEL: I think Central Power would. It's just that the statutory language doesn't require or allow them to sign the form. And we actually do, on most all of these properties, have signed bills of sale filed in the clerk's office with 521s filed with them. [LB1106]

SENATOR PIRSCH: What's the requirement that somebody's got to sign a form for you to recognize them as the landowner--I mean as a property owner? Is that...? [LB1106]

CHERYL SCHIEL: I guess it's our understanding that 77-1374 says that it... [LB1106]

SENATOR PIRSCH: Says in. [LB1106]

CHERYL SCHIEL: ...they shall file it. [LB1106]

SENATOR PIRSCH: Yeah, and I know you don't have the benefit of having it from a...I do...I see it says, "Improvements on leased public land shall be assessed, together with the value of the lease, to the owner of the improvements as real property." It begs the question: Can you establish owner of the improvements? But I think once done--and maybe Central could help you do that--does it matter whether somebody signs some form or not saying, I admit it? [LB1106]

CHERYL SCHIEL: We were a state county up until June, well, July 1 of this year. And the Property Tax Administrator said we had to have this form on file in our office or we had to value it to Central. [LB1106]

SENATOR PIRSCH: Okay, I see. There's some continuing language there that I'll have to take a look at. [LB1106]

CHERYL SCHIEL: The regulation does clarify it a little more than the statute does, and it does say that a new 402P is required to be filed following any change in improvement or ownership. And so it was the Property Tax Administrator's guidance that said that we had to have it on file or valued to Central, which just caused a lot of issues. [LB1106]

SENATOR PIRSCH: And Central's position, when you contacted them, said, wait a minute, we don't own it. And you said, I didn't send it to you for the purpose of trying to assert that you own it. Is that right or just...? [LB1106]

CHERYL SCHIEL: Right. We sent them a notice of taxable status in February. [LB1106]

SENATOR PIRSCH: Okay, and then what happened? [LB1106]

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CHERYL SCHIEL: And then, of course, they protested it, like every year. And... [LB1106]

SENATOR PIRSCH: Protested ownership? [LB1106]

CHERYL SCHIEL: They protest their notice. It's kind of bigger than this, I guess. They protest that they aren't taxable. We send it because we don't feel that the land that they lease for dwellings is a public purpose, and so it's been an ongoing issue... [LB1106]

SENATOR PIRSCH: I see. [LB1106]

CHERYL SCHIEL: ...that we've had. And then this issue just came up this year. [LB1106]

SENATOR PIRSCH: So there's kind of another issue that's looming out there, is with Central. [LB1106]

CHERYL SCHIEL: Yeah, yeah. [LB1106]

SENATOR PIRSCH: To the extent that you lease these lands, you're not engaging in a public purpose; and therefore, arguably your argument is that you are taxable with respect to those leased lands, right? [LB1106]

CHERYL SCHIEL: Right, right. [LB1106]

SENATOR PIRSCH: Okay. Thank you. [LB1106]

SENATOR CORNETT: Senator Louden. [LB1106]

SENATOR LOUDEN: Yes, thank you, Senator Cornett. Well, okay, does Central Power and Irrigation pay taxes on that property? [LB1106]

CHERYL SCHIEL: Central Nebraska Public Power pays an in lieu of tax that was set many years ago. [LB1106]

SENATOR LOUDEN: Okay. [LB1106]

CHERYL SCHIEL: They pay about \$5,000 in lieu of tax. [LB1106]

SENATOR LOUDEN: Yeah, set up at some valuation years ago, and that's what, like, your public power districts or something like that do it now. And they were the ones that drew the lease up with those people? [LB1106]

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CHERYL SCHIEL: Correct. [LB1106]

SENATOR LOUDEN: Okay. If they're leasing that land, then who is responsible for that property on there? Can they actually own that property if those people up and leave, or do those people have some type of agreement so that they can move their property on...I mean, if they're putting it on concrete foundations and tying it down and everything,... [LB1106]

CHERYL SCHIEL: Um-hum. [LB1106]

SENATOR LOUDEN: ...somewhere along the line they must have made some agreement with Central Power and Irrigation. And if you tell me that's real property, it wasn't real property until you nailed it down on there; so Central Power and Irrigation would be liable for some of that taxes, wouldn't they? [LB1106]

CHERYL SCHIEL: It's my understanding that their lease, they can give notice to the people to remove their improvements, but I believe they have a 30-year time frame to do that. They have a renewing lease every year that they sign. Actually, Central Nebraska Public Power leases it to Lake McConaughy lessees, which is...and then they sublease it to the individuals that own lots out there. [LB1106]

SENATOR LOUDEN: Where do they weigh in on this, when you...when some of these people...what is it they won't do? They won't sign this paper for the valuation of their property? [LB1106]

CHERYL SCHIEL: Yeah. Some of them, I think it's just neglect. There's a few that have refused to sign it. They have stated that they feel that if they sign it, that's an invitation to the assessor to come on their property and inspect it. And they... [LB1106]

SENATOR CORNETT: You can do that anyway, though, can't you? [LB1106]

CHERYL SCHIEL: He says we're trespassing if we do. So it's just... [LB1106]

SENATOR LOUDEN: Okay, I'm wondering, you know,... [LB1106]

CHERYL SCHIEL: Yeah, it's getting very complex. [LB1106]

SENATOR LOUDEN: I have concerns with this bill because it looks like to me it has more to do with educational and with school lands than it does with what you're doing. [LB1106]

CHERYL SCHIEL: Oh. No. And actually, the Board of Educational Lands and Funds,

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they incorporate the tax in their lease. So Board of Educational Lands and Funds...  
[LB1106]

SENATOR LOUDEN: No, it doesn't...they...but I'm talking about the improvements that's  
on the school lands. [LB1106]

CHERYL SCHIEL: No, we're...we don't have the IOLLS on them or the 402P. [LB1106]

SENATOR LOUDEN: Yeah, but I think that in the statutes here that you're quoting with  
the paper you sent... [LB1106]

CHERYL SCHIEL: Um-hum. [LB1106]

SENATOR LOUDEN: ...has just as much to do with school lands as some of the other  
because it's public lands, so that's the reason I'm wondering. [LB1106]

CHERYL SCHIEL: Um-hum. [LB1106]

SENATOR LOUDEN: The Central Power and Irrigation, that isn't exactly public lands, is  
it? They're an entity, their own, that owns that. They own Lake McConaughy, they own  
the... [LB1106]

CHERYL SCHIEL: Um-hum. [LB1106]

SENATOR LOUDEN: ...and a few things like that. So that isn't public lands in the same  
sense that school lands are. [LB1106]

CHERYL SCHIEL: I'm not sure. [LB1106]

SENATOR LOUDEN: Okay, thank you. [LB1106]

SENATOR CORNETT: Senator Schumacher. [LB1106]

SENATOR SCHUMACHER: Thank you, Senator Cornett. Just to clear up the confusion  
now that's been generated in my mind, in looking at the plain language of the bill, is it  
your understanding that improvements, buildings, whatever, that is put on a leased  
public land, you have an obligation to assess those? [LB1106]

CHERYL SCHIEL: That's correct. [LB1106]

SENATOR SCHUMACHER: And they are to be assessed to the owner of the  
improvement rather than the owner of the ground? [LB1106]

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CHERYL SCHIEL: Correct. [LB1106]

SENATOR SCHUMACHER: Okay, that's step one. And they're to be assessed as real property. [LB1106]

CHERYL SCHIEL: Correct. [LB1106]

SENATOR SCHUMACHER: Okay. And then if somebody builds something, constructs something, changes something on that public land, the owner of the improvement, not the owner of the land, needs to file a form with you saying I changed something, I built something. [LB1106]

CHERYL SCHIEL: Yes, if it's on public land. [LB1106]

SENATOR SCHUMACHER: Right, right. And now the change that we're making says that when that...an assessment application shall also be filed with you at the time a change of ownership occurs, and that form can be signed by the owner of the building or the whatever improvement or the owner of the land so that if the first guy who built the thing sells it to the second guy, either one can...they're to tell you about the sale, and either the owner can tell you about the sale or the new buyer can tell you about the sale. [LB1106]

CHERYL SCHIEL: Yes. [LB1106]

SENATOR SCHUMACHER: Okay. [LB1106]

CHERYL SCHIEL: That way, it would read a lot like the regulation does and just clarify it. [LB1106]

SENATOR SCHUMACHER: Okay, so either the owner of the land or the new owner of the thing can file a form with you, has to file a form with you. [LB1106]

CHERYL SCHIEL: Yes. [LB1106]

SENATOR SCHUMACHER: Okay, I think I understand now. [LB1106]

SENATOR CORNETT: Seeing no further questions, thank you. [LB1106]

CHERYL SCHIEL: Thank you. [LB1106]

SENATOR CORNETT: Is there anyone else to testify? Any proponent? Opponent? Neutral? Senator Schilz? We are done for the day, ladies and gentlemen. [LB1106]